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Financial services firms' criteria for differentiating between emerging markets in sub-Saharan Africa

A research report submitted by

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10/2009

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration.

Cape Town, 2009

ABSTRACT

As local legislation and market saturation curtail their growth and profitability, South Africa financial services companies are looking for new markets in Sub Saharan Africa at an astounding rate.

This research looks at key attributes of markets within Sub Saharan African countries and analyses how the decision makers within financial services firms priorities these attributes when making expansion decisions in this regard. The research has two main purposes. Firstly, to empower corporate decision makers to quickly analyse all possible markets using readily available data, and in so doing, build a short-list of possible target investment destinations. Further, it aims to guide policy makers for these same countries to create meaningful frameworks that encourage foreign direct investment.

Charalambous' 2006 qualitative study was used as a basis for this quantitative study. A subset of five of the ten attributes used by Charalambous (2006) were used and an additional attribute recently cited in similar literature were tested in a conjoint study.

Convenience sampling with a snowball element was used to gather the respondent data. The questionnaire which was designed on the basis of choice-based conjoint analysis was first subjected to a qualitative pilot phase in which personal interviews were conducted by the researcher in order to screen and validate the questionnaire. The questionnaire was then published on the internet and response data was gathered electronically. There were a total of 30 valid responses.

Respondent's demographics were widespread across various sub-sectors of the financial services industry. It therefore transpires that some demographic groupings were small in size and hence some caution must be exercised when extrapolating the findings to the population. Data was analysed using Sawtooth™ and NCSS software, interpreted and presented.

Key findings from this research include: the top three scoring attributes account for seventy percent of the decision process when financial services firms evaluate

foreign markets. These attributes are: market size and demand conditions, country governance and political risk, and economic environment and macroeconomic performance. All of these attributes contribute more than twenty percent to the decision.

If policy makers want to attract FDI in this sector, favourable policy should be drafted in this regard to ensure maximal attractiveness to the foreign investors.

DECLARATION

I, Francis Antrobus, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Francis Antrobus

Signed at the University of the Witwatersrand

On the 5th Day of October 2009

ACKNOWLEDGEMENTS

I extend my sincere appreciation and gratitude to both Mark Peters and Dr. Anthony Stacey for their guidance and help during the research.

I too wish to thank my wife and daughter for their support and patience during this period. I'm sorry it took so long and look forward to enjoying the new addition to the family without the burden hanging over us.

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1 INTRODUCTION

1.1 Purpose of this research

As local markets become more saturated, there is an ever increasing pressure on organisations to achieve growth targets to maximise shareholder returns which intern forces organisations to look outside local borders for growth opportunities. As such, expanding their operations into the rest of Africa has become increasingly more attractive for South African investors.

Looking to emerging markets as a source of corporate growth is not a new phenomenon, but since the wave of reforms and geopolitical changes during the 1990s, emerging markets have moved more clearly onto the radar of executives around the world (Economist, 2008). Simultaneously, many of the formerly slow and often state-owned companies have emerged as fierce competitors, both locally and abroad.

The purpose of this research is to explore how decision makers within financial services firms prioritise various criteria when evaluating possible emerging markets within Sub-Saharan Africa (SSA) into which they might expand their operations.

1.2 Context of this research

This research has to been completed in an effort to extend upon previous work completed by Charalambous (2006) in which he underwent a qualitative study on factors influencing foreign direct investment (FDI) of South African financial service organisations in the SSA region. In turn, Charalambous (2006) based his work on the initial findings of both Mwangi (1995) and Arnold (1998), who examined the general factors influencing all manners of FDI in Africa across various sectors.

In a report obtained from Burlington Strategy Advisors (2008) on the rationale for selecting a new market, it states that the decision as to which market to select usually takes the form of one of three fundamental options, namely:

- Capitalising on a strong brand. In these cases, brand recognition and the associated brand value is so strong in the target market that substantial uptake is likely. Examples of a firms that may expand using this rationale include MacDonald's, Coca-Cola and Virgin;
- Following a large client. This occurs when one of the firm's existing clients has a presence in the target market that is substantial enough to sustain the initial market entry. This forms the platform for further expansion within that market. An example of such a firm that may expand using this rationale is Nampak who would following either SAB Miller or Coca-cola as they expand across Africa;
- Exploiting an opportunity which has at least two common underlying forms, but potentially more; namely:
    - Product driven. The company may have access to a product or service that is unique within the target market. Substantial uptake can therefore be achieved before the competition sets in; and
    - Market driven. The target market has a unique feature such as higher margins or rapid growth that makes it attractive as an entry point. A substantial platform can be created before conditions change.

  A South African example of a firm with this ability is MTN. MTN has demonstrated the value of understanding policy priorities and market dynamics, especially in informal markets, from a perspective of an investor based in Africa.

This research is orientated around South African financial services organisations that are interested in capitalising on market opportunities in the SSA region. It is not orientated around organisations that experience a 'pull' based on either their strong brand-value or key customer requirements as detailed above.

A plethora of literature exists on entry strategies into new markets. These detail Greenfield, Brownfield and Acquisition strategies and the respective virtues of each; however, before the entry strategy can be decided upon, a market or subset of possible markets needs to be derived.

Charalambous' (2006) work, which was a mixed-methodology study of 10 possible determinants, assigned one level out of a three possible rank-order levels to the factors

on which organisations focus when deciding on which market to enter. These rank orders are as follows:

- Very Important,
- Important, or
- Less important

The findings of Charalambous (2006) are summarised in the table below. The 10 factors, in order of importance are listed.

Table 1 Determinants in rank order (as found by Charalambous, 2006)

Rank	Determinant	Importance
1	Country governance and political risk	Very Important
2	Economic environment and macroeconomic performance	Very Important
3	Exchange rate considerations	Very Important
4	Trade incentives, barriers and agreements	Very Important
5	Infrastructure considerations	Important
6	Labour considerations	Important
7	Market size and demand conditions	Important
8	Geographic proximity	Less Important
9	Economic agglomeration	Less Important
10	Cultural considerations	Less Important

1.3 Problem statement

The purpose of this research is to evaluate how a series of determinants compare in importance for financial services decision makers when selecting between possible new markets in which to expand their operations within sub-Saharan Africa.

1.4 Significance of this research

Drogendijk *et al.* (2008) agree with the opinion of Contractor (2003), based on the 1992 World Bank data that indicated that by 1990 the contribution of services to GDP had reached 61% for developed and 45% for developing countries, and that the contribution from the services sector is more significant, thus more important than the manufacturing sector. The phenomenal growth of service multinationals in the past decade, being either accountancy, advertising, banking, consultancy, hotels, insurance, legal, telecommunications, and other service areas has not yet been reflected in academic

studies. Despite the importance of the services sector, Contractor (2003) is of the view that there is little research on the growth and internationalization of service firms. The essence of the service industry is fundamentally different from manufacturing in the lack of a tangible, perishable finished product, which can be consumed or customised Boddewyn *et al.* (1986).

The work that has been conducted in this area to date by students in an effort to attain their Masters in Business Administration (MBA) has either primarily been qualitative in nature or has not focused specifically at the services sector. In 1995, Mwangi used a "descriptive survey method" to solicit opinions on the importance of various factors for all firms expanding into Africa. Mwangi's study concluded that there were 13 factors of varying importance. The study was not delimited by region within Africa or by industry.

Three years later, in 1998, Arnold built upon Mwangi's study using the 13 factors as a base, but rationalised the list down to 10. Arnold (1998) delimited his study by region to Sub Equatorial Africa. Once again, a "descriptive survey methodology" was used in the study to analyse and compare the earlier findings. There was no sector delimitation on this study.

Eight years later Charalambous (2006) also rationalised and re categorised the list of factors, yet remained with ten. Despite the use of a mix methodology approach, the study was primarily a qualitative study. Charalambous' study was delimited by industry to financial services and by region to SSA. As detailed in Table 1 above, Charalambous attempted to categorise the importance of the factors into one of three possible categories, being either Very Important, Important or Less Important.

This research is the first quantitative study in this field with the industry delimitation of financial services and the geographical delimitation of SSA. Along with a detailed literary review, the prior work conducted in this regard will be used as a basis for the study.

This research is significant because it will aid decision makers within financial institutions that are developing, or looking to affirm their expansion strategies for developing markers within SSA. It will provide an up-to-date, prioritised list of possible determinants based on the most recent literature in this field of study. Further to this, SSA governments and policy makers may be able to use the results of this study when

looking to develop policies which attract the inflow of FDI in the financial services sector to their country. Finally, I believe that this study will supplement the work done by other academics to date thus supplementing the deficit, noted by Contractor (2003), in the services sector.

1.5 Delimitations and limitations

1.5.1 *Delimitations*

The scope of this research is delimited to how the South African financial services sector view the relative importance of key determinants for their expansion decisions into new markets. The reason for the delimitation by sector is in accordance with Resmin (2000) and Kolstad (2008), who indicate that different sectors react to host country characteristics in different ways.

People familiar with the South African financial services sector and an understanding of the African expansion strategies of these companies comprise the population. These people take the form of employee, consultant or academic.

1.5.2 *Limitations*

Convenience sampling was used. As such, organisations targeted for responders were those which employed the relevant individuals whom the researcher was able to access, in preference to the broader industry. There was an element of snowball sampling as some respondents recommended further industry specialists to complete the questionnaire. This was not viewed as unreasonable as there was a sufficiently broad distribution of respondents for the planned methodology and a sufficient number of responses for the chosen methodology.

Due to the nature of this research's sampling framework, extrapolation of the conclusions and results of the importance of the various determinants influencing decisions for expansion into SSA for financial services firms should not be taken out of context. Rationales for expansion into other markets or new markets for firms from different sectors might not hold true based on the findings of this research.

The findings of this research were dependent upon the individual responses to the quantitative questionnaire by the respondents. The information gathered was therefore dependent on the subjective views of these individuals. Every effort was made to maximise the response rates to the questionnaire to mitigate this issue.

1.6 Definition of terms

In the table below, various definitions are provided to ensure a consistent meaning throughout the report. Sources to the definitions are provided as required.

Table 2 Definition of terms used in this paper

Term	Definition	Source (if applicable)
ACA	Adaptive Conjoint Analysis. A form of conjoint analysis	Orme (1996)
Asset-augmenting objectives	Foreign direct investment into a country where the investor's objective for the investment is to gain access to new assets. Possibly ports, roads, power, technical or managerial skills.	Dunning 2003
Efficiency-seeking	Foreign direct investment into a country where the investor's objective is to gain efficiencies. Lower input and labour (adjusted for productivity) costs.	Dunning 2003
FDI	Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates.	WIR07

Financial Services Firms	Companies that operate in the financial services industry. Possible sub-sectors of the industry include Banking (retail and commercial), insurance (short and long term), capital markets (exchanges and asset managers), and financial consultancies	
Greenfield entry strategy	Enter a foreign market by setting up new ventures	Hennart *et al.* (1993)
LDC	Less Developed Country	
Market-seeking FDI	Foreign direct investment into a country where the investor's objective for the investment is to serve the domestic market. Goods and services are produced and sold in the domestic market. This is driven by domestic demand such as large markets and substantial income in the host market.	Asiedu 2002
MNC	Multi National Corporations	WIR07
Natural resource-seeking FDI	Foreign direct investment into a country where the investor's objective for the investment is to gain access to natural resources	Dunning 2003
Non-market-seeking FDI	Foreign direct investment into a country where the investor's objective for the investment is to serve alternate markets. Goods and services are produced in the domestic markets and sold abroad. Non-market-seeking FDI includes natural resources and other export oriented investments.	Asiedu 2002
SSA	Sub Saharan Africa	
TNC	Transnational Corporations	WIR07
UN	United Nations	

1.7 Assumptions

Various assumptions were made during this research. These are detailed below:

- Respondents to the survey are representative of key decision makers within financial services firms in South Africa. This may be viewed as a reasonable assumption as a broad cross section of respondents were targeted across all sub sectors of the financial services industry.
- The aggregated findings from this research apply to all aspects of the financial services industry. While this might well be true, it may also be inaccurate. In an effort to mitigate this issue, respondents were asked to provide some demographic information to identify which sub-sector of the industry their experience is primarily based upon. This was analysed for trends.
- It is assumed that the determinants that were analysed in this research are important to decision makers looking to expand into SSA. The rationale for selecting the attributes for the conjoint analysis was based on the previous work completed by various academics as well as that of Charalambous (2006) who in turn based his work on that of both Mwangi (1995) and Arnold (1998). The only new determinate that was analysed was Information, communication and technology. There are numerous other factors that may be of importance in making a decision of this nature but it is felt that this assumption is reasonable due to the fact that the efforts of the prior three works and the detail provided in the literary review tests this assumption extensively.
- In completion of the conjoint survey, respondents evaluated alternative concepts by adding up their evaluations of the concept's individual attribute levels. It was assumed that the individual attributes are not excessively redundant and that there is no interaction between the attributes selected (Aaker *et al*., 1995).
- Finally, it was assumed that the combination of attributes for each of the hypothetical market scenarios created in the survey is feasible and possible. This can be considered a reasonable assumption since all attributes selected for the conjoint analysis survey can exist independently from each other and hence all hypothetical markets depicted are potentially possible.

2 LITERATURE REVIEW

2.1 Introduction

The majority of literature available on the topic of the determinants of FDI is from the perspective of the country, on how best they, as countries, can attract FDI. The focus of this research is from the perspective of the financial service institution on how they select between possible new markets in which to expand.

This literature review explores the meaning of FDI and the consequences thereof in the recipient country; assesses the financial services industry in a South African context; lists the countries included in this study; and based on the extensive previous work on this subject, derives what the researcher believes to be the pertinent determinants for a South African financial service organisation to consider when reviewing possible SSA markets in which to enter.

This research focuses on the technological, macroeconomic and socio-political determinants that influence financial service organisations when analysing the possibility of extending their operations into certain countries. Previous literature, which is prolific in nature, but diverse in focus, is used as the key input to selecting the determinants that will be analysed. The literature on the determinants of FDI flows is based on various methodologies, and although extensive, it is at times contradictory. Early academics such as Schneider (1985) focused on resource-seeking and primary industry FDI. Despite Hausmann *et al.* (2000) finding the political positioning insignificant, risk, political positioning as well as general economic status, became the key determinants (Edwards, 1990; Singh, 1995; Asiedu, 2002). More recently, the spread of ICT infrastructure has been introduced as a key determinant in understanding where FDI flows (Addison, 2002; Gholami, 2003).

2.2 Market selection approaches

Most managers still make decisions based on intuition, despite the associated risks of doing so (Schoemaker *et al.,*1993). Alavarez-Gil *et al.* (2003) concur that exporting

begins with ‘psychologically close’ countries and extends incrementally to ‘psychogically distant’ ones as the firms gain experience. However, Andersen *et al.* (2002) highlights three approaches that may be used by a company to select a new market. These are the:

- Systematic approach. This is the use of formalised decision process including various statistical methods to analyse the potential of target markets. Relevant criteria such as macroeconomic, political and cultural characteristics and market-specific indicators such as size, competition, channels of distribution and costs of operating in the specific market are identified and analysed.
- Non-systematic approach. Andersen *et al.* (2002) find that the systematic approach is by nature normative; while the purpose of the non-systematic approach is descriptive meaning it describes how firms actually go about selecting new markets. Many firms expand internationally on an opportunistic basis (Bradley, 1995) and do not actually follow a methodology.
- Relationship approach, being the third alternative. The prior two approaches focus on the selection of countries in which to expand, whereas the focus of the Relationship approach is the selection of an exchange partner. Due to the delimitation of this research, the third approach is considered by the researcher to be of less relevance than the first two.

A summary of the key differences in the three approaches is detailed in the table below.

Table 3 Main differences between the two traditional approaches to international market selection and the relationship approach (Andersen et al., 2002)

Decision Element	Systematic Approach	Non-systematic Approach	Relationship Approach
Decision problem	Selection of country	Selection of country	Selection of exchange partner
Level of analysis	The selling firm	The selling firm	The dyad
Purpose	Normative	Descriptive	Mainly descriptive
Decision making model	Rational	Disjointed incrementalism	Bounded rationality
Marketing paradigm	Discrete transaction	Discrete transaction	Relationship marketing
Time horizon	Not specified	Not specified	Long term
Connections to other decision problems	International market selection treated as an isolated decision	International market selection as a function of the firm's internationalisation	Not specified
Information search	Extensive	Little/ none	Limited
Type of information	Country -/market indicators	Perceived psychic distance (subjective)	Perception of goal comparability, trust and performance
Sources of information	Secondary data	Experiential knowledge	Business relationships – network

Andersen *et al.* (2002) highlight the inconsistency of the three approaches but concur that firms might use one or more of the approaches in the process of selecting a new market.

This research has been aligned to a scenario whereby a rational decision making model is used, involving an extensive information search in which secondary data is used for the basis of the expansion decision. The determinants analysed in this research form the key components of this systemic model.

2.3 Background discussion

It is critical to understand the reason for the flow of FDI before one is able to anticipate the direction in which it will flow (Asiedu, 2002; Dunning, 2003). Summarised findings from UNCTAD 1998 indicate that the following factors strongly influence the location of the FDI:

1. Motivating factors such as natural resource-seeking versus market-seeking, efficiency-seeking versus asset-augmenting objectives;
2. The economic and business environment of host, or potential host countries and the FDI-related policies pursued by their governments;
3. The mode of entry or expansion of the FDI, for instance, greenfield FDI as opposed to M&As.

The framework presented by Dunning (2003) in Figure 1 below summarises the principal economic determinants and policy frameworks that are sought by organisations when looking to expand into new markets.

Dunning (2003) notes that using this framework, the traditional market-seeking or resource-seeking FDI, excluding FDI related to tax havens, accounts for the majority of industrial country-developing country FDI. In this case, the critical variables would be identified by A, B, I, and II in Figure 1. Such FDI tends to be fairly location-bound, although the policy and business-facilitating framework may be critical in determining whether FDI takes place at all. This research has been delimited by a sectorial restriction of financial services. Given the nature of financial services as discussed under section 2.3.1 The Financial Services Sector, it has been assumed that FDI is not resource-seeking and hence permutation 'B' has been ignored in this research.

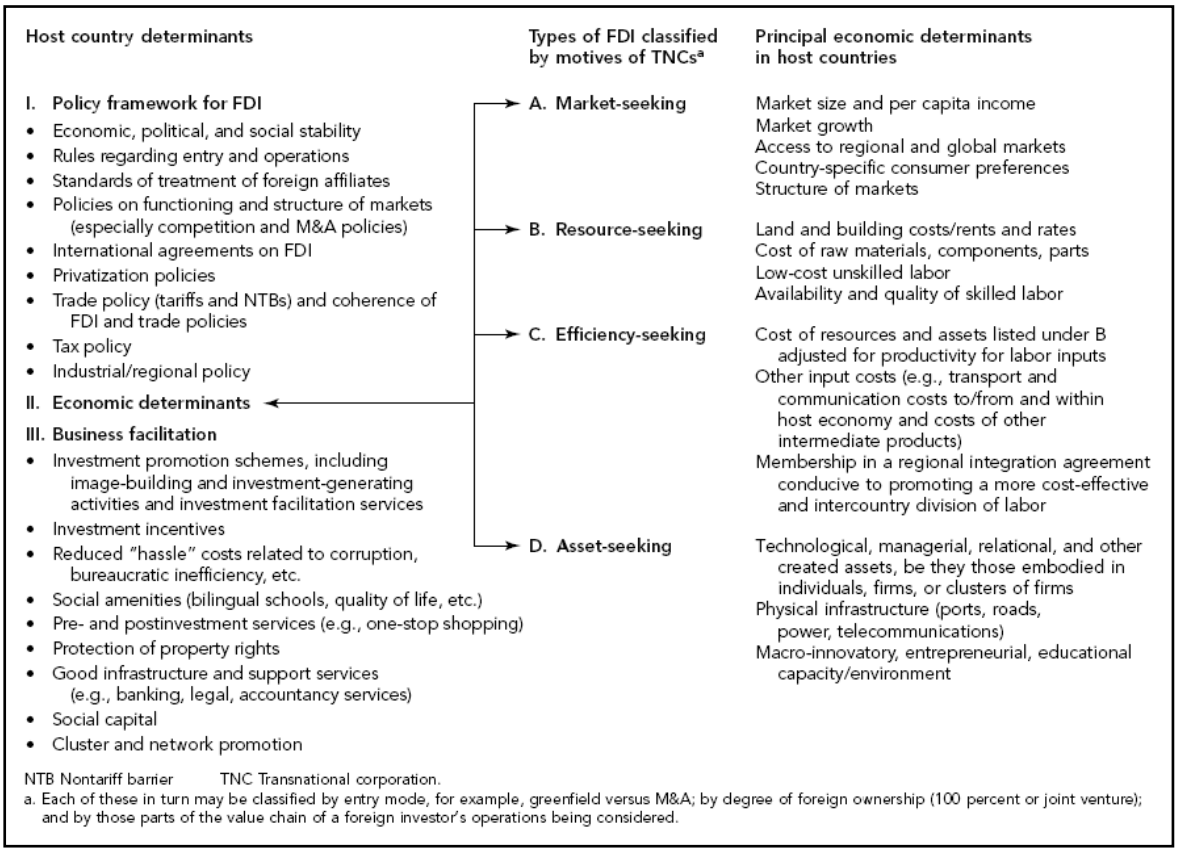


Figure 1: Host Country Determinates of FDI (Dunning, 2003)

Dunning (2003) goes further to say that it is important to understand the origin of the FDI. A further delimitation in this research is to South African companies looking to enter new markets in SSA. SSA countries (as listed in Table 6 Listing of SSA countries (Wikipedia 2008) are typically developing in nature, and therefore, for the sake of this framework, they were viewed as such. South Africa on the other hand, is generally accepted as being a developing country; but there is a dichotomy in that certain aspects of the

economy are industrialised. It was therefore prudent to consider this paradox when applying this framework in Table 4.

Table 4 Changing Locational Variables affecting FDI (Dunning, 2003)

	1970–80	1990–2000
1. Industrial country-industrial country		
Firms' motives and strategies	• Mainly market-seeking and horizontal efficiency-seeking FDI • Mixture of greenfield FDI (or expansion of same) and M&As	• More asset-augmenting and horizontal efficiency-seeking FDI • More M&As and strategic alliances • Integrated MNE operations • Emphasis on business facilitating variables
Host country determinants	• Many domestic MNE operations • Predominantly FDI policy and economic determinants affecting market efficiency-seeking FDI	• Availability of creative assets • Agglomerative economies
2. Industrial country-developing country		
Firms' motives and strategies	• Mainly market resource-seeking • Greenfield and joint ventures • Many domestic MNE operations	• More vertical efficiency-seeking FDI and subcontracting
Host country determinants	• Predominantly FDI policy and economic determinants, especially regulation of incentives in relation to FDI	• Emphasis switched to using FDI to upgrade domestic competitive advantages • More attention given to economic policies and business facilitation
3. Developing country-industrial country		
Firms' motives and strategies	• Little FDI	• Some market-seeking and asset-seeking FDI
Host country determinants	• As for (1) above	• Market size and growth • Availability of technology, organizational capacity
4. Developing country-developing country		
Firms' motives and strategies	• Almost entirely market resource-seeking	• As for 1970–80, but an increasing amount of efficiency-seeking and some asset-augmenting FDI.
Host country determinants	• Many domestic MNE operations • As for (2) above	• As for (2) above

Table 5 below details the Dunning (2003) framework as applied to this research with the delimitations discussed. Points 2 and 4 from the previous table therefore apply as does the latter date range.

Table 5 Specific locational variables for SA-SSA FDI (Dunning, 2003)

2. Industrial country - developing country	
Firms' motives and strategies	More vertical efficiency-seeking FDI and subcontracting
Host country determinants	Emphasis switched to using FDI to upgrade domestic competitive advantages
	More attention given to economic policies and business facilitation
4. Developing country - developing country	
Firms' motives and strategies	Almost entirely market resource -seeking, but an increasing amount of efficiency-seeking and some asset-augmenting FDI.
Host country determinants	Emphasis switched to using FDI to upgrade domestic competitive advantages
	More attention given to economic policies and business facilitation

As discussed above, financial services FDI is not typically resource-seeking hence the framework proposed by Dunning (2003), while being insightful, was not necessarily optimal in this case.

2.3.1 *The Financial Services Sector*

Although the internationalisation of service firms has recently attracted the increasing attention of researchers, the literature is not quite on par with the volume and importance of the global service industry (Contractor, 2003; Drogendijk *et al*., 2008). This lack of attention is even more pronounced with regard to service firms' investments in emerging markets.

Alavvarez-Gil *et al.* (2003) suggest that the key challenges facing service-sector organisations, as well as the principles which guide their strategic management, may be quite different from those related to the manufacturing sector. This is particularly so for 'soft services', characterised by high levels of intangibility and inseparability (Bouquet *et al*., 2004; Blomstermo *et al*., 2006).

Unlike physical and tangible goods, services are defined as very often intangible and highly specific (e.g., the performance of specific legal services) and inseparable, wherein production and consumption occur simultaneously (Knight, 1999). As such, unlike manufacturing firms, service firms cannot enter foreign markets through integration into local networks of suppliers and customers, making efficient use of their worldwide resources. Instead they repeat the value chain in each country they enter (Moore *et* al., 1998), relying on wholly owned subsidiaries as the preferred entry mode (Bouquet *et al*., 2004). In such cases service firms encounter larger risks in internalization than a manufacturer who can enter a country by gradually exporting the goods (Välinkangas and Lehtinen, 1993).

The production of goods and the provision of services are differentiated in the following ways (Erramilli *et al.*, 1993; Kotler, 2003; Bouquet *et al.*, 2004; Blomstermo *et al*., 2006):

- Intangibility: services cannot be inventoried, patented, readily displayed or communicated. They are also difficult to price.
- Variability: variation occurs between the provision of the same service, which is difficult to control. Levels of service are strongly dependent on individual actions and situations.
- Inseparability: services are simultaneously produced and consumed, heightening the dependence on customer needs and situation.
- Perishability: due to the inability to store services, synchronising supply with demand is important yet difficult.

Of these attributes, (Erramilli *et al.*, 1993) cites inseparability of production and consumption as the most important for service firms in their internationalisation process.

2.3.2 *Sub Saharan Africa*

A list of the countries included in the Sub-Saharan region is provided in Table 6 below.

Table 6 Listing of SSA countries (Wikipedia 2008)

Southern Africa	**West Africa**
Angola	Mauritania
Botswana	The Gambia
Comoros	Ghana
Lesotho	Guinea
Madagascar	Liberia
Malawi	Nigeria
Mozambique	Sierra Leone
Mauritius	Benin
Namibia	Burkina Faso
Seychelles	Côte d'Ivoire
South Africa	Guinea-Bissau
Swaziland	Mali
Zambia	Niger
Zimbabwe	Senegal
	Togo
Central Africa	
Democratic Republic of Congo	**East Africa**
Rwanda	Kenya
Burundi	Tanzania
São Tomé and Príncipe	Uganda
Republic of Congo	
Central African Republic	
Cameroon	
Chad	**Horn of Africa**
Equatorial Guinea	Ethiopia
Gabon	Eritrea
	Djibouti
Sudan	Somalia
Southern Sudan	

Figure 2 below, is a graphical representation of the list of countries in Table 6.

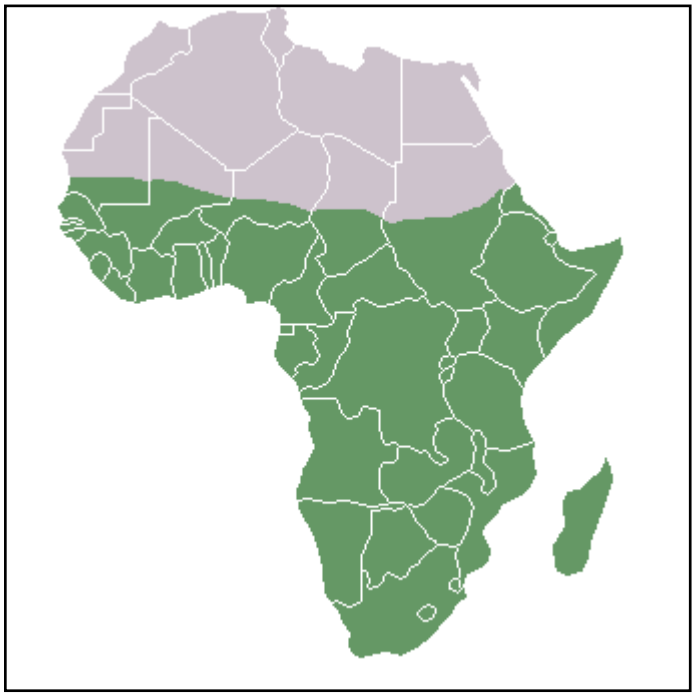


Figure 2: Map of Africa highlighting Sub-Saharan Africa (Wikipedia 2008)

Only six African countries are not geographically a part of Sub-Saharan Africa: Algeria, Egypt, Libya, Morocco, Tunisia and Western Sahara (claimed by Morocco). Together with the Sudan, they form the UN sub-region of Northern Africa. Mauritania and Niger only include a band of the Sahel along their southern borders. All other African countries have at least significant portions of their territory within Sub-Saharan Africa.

2.3.1 *Foreign Direct Investment*

Singh *et al*. (1995) state that FDI has some inherent advantages for development: risk sharing, market discipline, export orientation, and the transfer of technology and managerial expertise. Recent trends show that FDI can be an important and stable source of private capital for developing economies, particularly countries that are able to create a hospitable environment for new foreign investments.

FDI impacts grown in the recipient economy in two ways (Luiz *et al*. 1999; Konings 2001). The first is through capital accumulation, wherein FDI is expected to be growth-enhancing by encouraging the incorporation of new inputs and foreign technologies in

the production function of the recipient economy. The second is through the knowledge transfer, wherein FDI is expected to enhance the existing knowledge base in the recipient economy through labour training and skill acquisition, as well as through the introduction of alternative management practices and organisational arrangements. FDI can also aid the promotion of technological upgrading and hence diffusion, even without significant physical capital accumulation. As a result, foreign investors may increase productivity in the recipient economy. FDI can be therefore be deemed to be a catalyst for domestic investment and technological progress.

Konings (2001) however, goes on to highlight that if the technology-gap is too large between the international and domestic firm, there is no technology transfer. A minimum human capital threshold is required in the host country.

As can be seen in Table 7 below, SSA attracted $12,221 Mil in 2006. This accounts for less than 1% of the world's FDI inflows that year. In contrast, South Africa is the primary contributor to the 0.6% of the worlds outward FDI.

Table 7 SSA FDI in relation to the world ($Mil) (World investment report, 2007)

	FDI Inflows			FDI Out flows		
	2004	**2005**	**2006**	**2004**	**2005**	**2006**
World	742,143	945,795	1,305,852	877,301	837,194	1,215,789
Developed economies	418,855	590,311	857,499	745,970	706,713	1,022,711
South-East Europe and CIS	40,258	41,169	69,283	13,995	14,620	18,689
Developing economies	283,030	314,316	379,070	117,336	115,860	174,389
Africa	18,018	29,648	35,544	2,059	2,272	8,186
SSA	**11,402**	**16,120**	**12,221**	**1,892**	**1,808**	**7,352**
SSA as % of World	1.5%	1.7%	0.9%	0.2%	0.2%	0.6%

2.3.1 *Attracting FDI*

Banga (2003) emphasizes the importance of the role played by host government policies and investment agreements in attracting inward FDI. The focus of this research is to gain insight into what determinants drive the decision making process. By understanding these determinants, host governments will be better equipped in determining their government policies and investment agreements so as to maximise their countries FDI. In addition, host market potential is one of the most important explanatory factors in country attractiveness and market selection and constitutes a primary driver of FDI (Sakarya, 2007).

As detailed in Asiedu (2002) which in turn is referenced to the World Bank 2000a CD Rom, over the periods 1980-89 and 1990-98, FDI to SSA grew by only 59% compared to an increase of 5,200% for Europe and Central Asia, 942% for East Asia and Pacific, 740% for South Asia, 455% for Latin America and Caribbean, and 672% for all developing countries. Asiedu (2002) too concurs with Luiz *et al.* (1999) and Konings (2001) finding this inability for SSA countries to attract FDI is extremely worrying as FDI brings with it, due to the employment, managerial skills and technology which will not be imported into the region otherwise thereby retarding growth and development.

2.3.2 *MNCs investment in foreign markets*

Banga (2003) states that multinational corporations (MNCs) invest in specific locations mainly because of strong economic fundamentals in the host countries for example, large market size, stable macroeconomic environment. Schneider *et al.* (1985) reiterates that an organisation's decision to invest in a developing country is motivated by a higher expected future profitability when compared to comparable domestic investment opportunities or in other industrialised countries. When comparing the type of investment to be made in the developing country, Loree *et al.* (1995) emphasizes that organisations invest through FDI when they view FDI as preferable over trade and licensing.

Banga (2003) further states that with the growing integration of the world markets and increased competition amongst the host countries to attract FDI, the host country's economic fundamentals may not be sufficient for inward FDI. Schneider *et al.* (1985) concur that the relative advantage of such investments depends on both economic and political influences. Even if present economic conditions seem satisfactory and suggest good prospects for the future, it is entirely possible that they will not materialise due to unfavourable political conditions.

2.4 Review of key determinants used in systematic market selection by financial institutions

As detailed in Appendix A, numerous authors have studied the key determinants affecting MNCs expanding new markets. These studies were not always focused on

developing markets nor are they specific to financial services but for consistency, all manner of studies were considered. The key determinants that repeatedly appear in the literature are: Country governance and political risk, Economic environment and macroeconomic performance, Exchange rate considerations, Openness to trade, Infrastructure considerations, Labour considerations, Market size and demand conditions, Geographic proximity, Economic agglomeration and Cultural considerations. Given the scope of this study, only the first six of these determinants have been investigated further. There is however; some degree of insight provided in Appendix A for the remaining four determinants.

This literature review focuses on the 6 determinants that are most frequently highlighted important in the literature.

2.4.1 *Country governance and political risk*

Drogendijk and Hadjikhani (2008) state that businesses, specifically those entering new emerging markets, are functioning in two interrelated markets, being the business and the political. The entry and expansion behaviour of the organisations rely on how they can manage these two markets. For success in business, specifically when entering into new emerging markets, organisations have to commit and gain knowledge in both the political and business aspects of the market. If they do not have success in committing themselves or gaining knowledge in their relationship with political or institutional constituents, they will face problems in their business relationship. Political commitment and knowledge is critical to building the foundation of the organisations' business relationships.

The political risk insurance industry categorizes political risks into three broad categories (Jensen, 2005):

1. War and Political Violence
2. Expropriation/Breach of Contract
3. Transfers Risk/Inconvertibility.

Jensen (2005) notes that despite the growing consensus on the importance of attracting foreign direct investment and the shift in developing countries from hostility to FDI to

country promotion to attract FDI, governments still enact policies that have direct and indirect negative effects on the profitability of multinational organisations. These risks take the form of confiscation of the investing organisations' assets (expropriation risk), restricting the repatriation of profits or other capital transactions (transfer risk) or risks associated with war or civil disturbance (political violence risk).

Although these complex forms of political risk vary over time, Vernon's theory of "obsolescing bargaining" provides some insights into the relationship between nation-states and multinationals (Vernon, 1971). Multinationals operations are imperfectly mobile, where MNEs can invest anywhere in the world, but once an investment has been made there are serious costs to disinvesting. Governments may openly expropriate assets (Kobrin, 1979) or attempt to renegotiate contracts with multinationals after the investment has been made (Gatignon and Anderson, 1988; Williamson, 1996). The potential for host governments to change policies after investment influences MNEs location decisions.

Even in countries with excellent records of contract enforcement, creeping expropriation plagues organisations due to the difficulty of specifying complete contracts.

Lucas (1990) attributes the lack of FDI in countries with potentially large marginal returns on capital to the fact that many developing countries face higher political risk than industrialised ones. Azzimonti *et al.* (2007) warns that a distinctive characteristic of FDI is that once an investment has been made, a foreign investor cannot prevent the government in the host country from changing the environment in which the investment decision was made. This implies that organisations investing in new markets need to be reasonably certain that their investments are safe from expropriation. Countries with relatively poor legal protection of assets, and a high degree of political instability, generally exhibit high rates of expropriation and this makes investment less attractive.

Kobrin (1984) argues that in practice, expropriation can take different forms. A direct act of expropriation involves nationalisation of foreign-owned corporations, in which government simply takes control of the capital stock. There are also indirect forms of expropriation that multinationals face whereby excessive taxes are charged, controls are placed on capital, manipulation of exchange rates, and bribes and permits demanded by government officials.

The lack of reliable data has affected the availability of a quantitative assessment of the impact of political risk on the flow of FDI over an extended period of time. In addition, due to the multifaceted nature of political instability proxies which might capture the nature of the determinant only capture aspects thereof. One method includes aggregating the number of working hours lost due to industry disputes Signh *et al.* (1995).

Researchers at the World Bank's Multilateral Investment Guarantee Agency (Multilateral Investment Guarantee Agency, 2004) analyzed political risk insurance claims from 1971-2000. They found that during the period between 1971-1980 U.S. investors in emerging markets were exposed to both restrictions on transferring and repatriating funds (transfer risk) and were subject to a number of expropriations. During 1981-1990 investors experienced an even larger increase in the number of transfer risks claims and major reductions in the number of expropriation claims. The period of 1996-2000 continued to be a risky time for multinationals, where political violence and civil war claims increased dramatically. Although political violence risks have received a tremendous amount of attention recently, expropriation risk continues to be most damaging for organisations.

Jensen (2003) and Li *et al*. (2003) focused on the role of democratic institutions in affecting FDI inflows. A democracy reduces a leaders' ability to introduce major policy changes that could harm multinationals. The opinion held by location consultants, insurers, and academics is that this is a major advantage of investing in democratically governed markets. Addison *et al.* (2002) find that democracy significantly influences the amount of FDI a country receives. Foreign investors increasingly take note of whether or not a society is a democracy, in part because of the trend towards corporate social responsibility, and also because of indications that well-functioning democracies pursue better economic policies.

Huntington (2002) highlights four reasons why democracy has increased the demand and supply of FDI being: stimulating market reforms that are favourable to foreign investors, such as privatisation; economic policy is reviewed by both parliamentarians and civil society, thus encouraging a more stable policy environment for investors; as well as encouraging a more development-focused allocation of public spending; and lastly stimulating legal reforms that protect the property rights of all investors, including foreign investors.

As summarised in Appendix A, the key measure of the political status of a country is whether or not the country is a democracy, hence this measure has been used for this criteria in this research.

2.4.2 *Market size and demand conditions*

Various studies on FDI (Mwangi, 1995; Arnold, 1998; Charalambous, 2006; Mollick *et al.,* 2006; Kandiero et *al.,* 2006; Sakarya *et al.,* 2007; Demir 2007; Kolstad *et al.,* 2008) concur that market size should be included when reviewing the determinants of FDI. Sakarya *et al.* (2007) highlight the strong relationship between potential international business transactions and market size. Traditional market assessment approaches rank countries based on aggregate market potential and overall attractiveness and use market size as one of the indicators of market potential.

Market size is typically measured on a global level with one of two measures being either population or GDP. This involves analyzing the income level of the economy to capture the market size and the per capita income to capture the purchasing power (Demir, 2007).

The relationship between GDP per capita and FDI is however controversial. Edwards (1990) uses the inverse of income per capita as a proxy for return on capital and concludes that real GDP per capita is inversely related to FDI. In contrast, Schneider *et al.* (1985) find a positive relationship between GDP per capita and the amount of FDI that a country receives. Asiedu (2002) indicates that the argument adopted by Schneider *et al.* (1985) is consistent with market seeking FDI (such as financial services) and the Edwards' study is consistent with a resource-seeking orientation.

As summarised in Appendix A, the key measure of market size of a market in the host country is GDP per capita and most authors have found this to be significant in their studies. GDP per capita has therefore be used as the proxy for market size in this research.

2.4.3 *Trade incentives, barriers and agreements*

The service industry accounts for about two thirds of FDI inflows worldwide and for half of FDI inflows in developing countries. The extent to which countries have opened up to FDI in services varies considerably. WIR07 states that social services such as health and education are among the industries with the lowest level of explicit restrictions on FDI, followed by business services and the distribution industries. By contrast electricity, telecommunications, transport and financial industries remain highly restricted.

In Figure 1 below, openness is measured on a scale of 0-1, with 0 representing full openness and 1 actual prohibition of FDI. The measurement takes into account rules on ownership, screening and post-entry operational restrictions. In the figure, Other Africa, with super-script 'a' refers to the SSA region. SSA is less open to trade than the rest of the world on average. Only Asia (excluding East Asia) is less open that SSA.

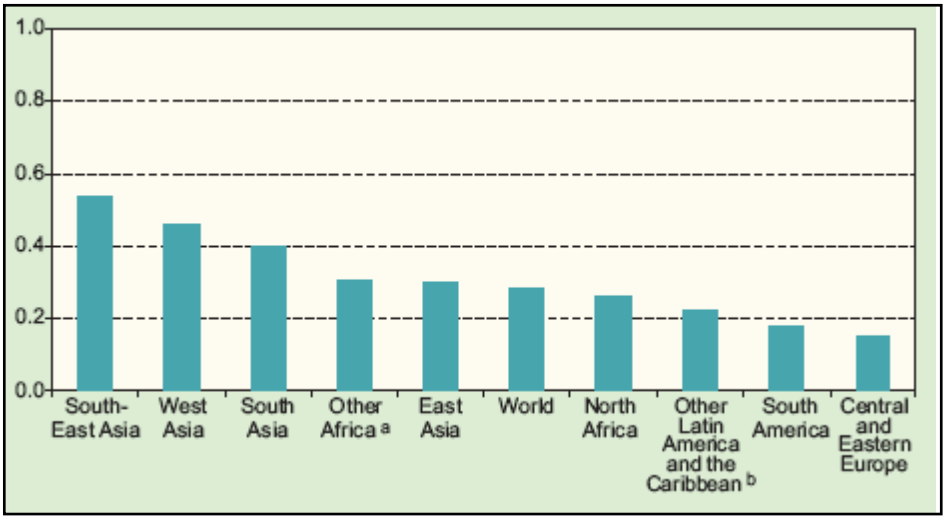


Figure 3: Openness to FDI in services in developing and transition economies, by region, 2004 (UNCTAD, 2006a)

Kandiero (2003) states that markets which are more open are likely to create significant economic wealth through more efficient allocation of resources, thus resulting in longer term increases in both productivity and investments. However, Kandiero (2003) concludes that the total impact of openness to trade on investment is reduced by the indirect impact of the quality of the institutions involved. Quality in the Kandiero (2003) study refers to the levels of corruption, level of delays, amount of red tape encountered

and poor contract enforcement policies. The potential of a country to benefit from the openness to trade is directly dependent on the improvement in the quality of the local institutions. Should this improvement not come about, the occurrence of economic performance through openness is hindered.

Likewise, Addison *et al.* (2002) find that openness to trade has a positive impact on FDI flows to a country, it is therefore reasonable to assume that that companies looking to expand would prioritise the openness of a country as a key determinant of their decision. Bevan (2000) concurs that it is generally accepted that FDI and openness of the economy are positively related.

Helleiner (1988) points out that investment incentives created by the government, such as tax holidays, appear to play a limited role in inter-country investment decisions, particularly when these incentives are thought to compensate for other comparative disadvantages. However, it is still agreed that removing restrictions and providing good business operating conditions will positively affect FDI flows.

Kandiero (2003, 2006) discusses various trade indicators for openness including tariffs, quotas coverage, black market premiums, social organization, and the existence of export marketing boards as proxies for measuring openness. The problem with these indicators is that they only show whether a country is closed or open. As a result, countries with different types of trade intervention policies are perceived as open.

As summarised in Appendix A, a common measure of the openness of a country's economy to trade is to take the sum of the imports plus exports of the country and divided and by GDP. i.e. ratio of trade volume to GDP. Although considered as an imperfect proxy for openness by Kandiero (2003), it was found to be sufficient for research of this nature.

2.4.4 *Economic environment and macroeconomic performance*

Chowdhury (2003) recognises that most studies on the determinants of FDI use a measure of macroeconomic stability to analyse the flow of FDI. Further to this, these measures are found to be significant. The results of a broad review of the literature in

Appendix A are aligned to observation of Chowdhury (2003). Consistent with previous work in this regard, this research conforms by including this determinate in the analysis.

Sakarya *et al.* (2007) list the indicators of the economic environment and opportunity as population, GNP per capita, televisions/ radios/ telephones/ cars/ trucks/ newspapers per 1,000 population, level of GNP, inflation, energy/ steel/ cement consumption per capita, balance of payment trends, indexes of convertibility of currency and development of local capital markets. Sourcing accurate data of this nature for developing countries in SSA was considered beyond the scope of this research.

Addison *et al.* (2002) find that GDP growth rate has a significant effect on FDI. However, it has a weaker correlation in SSA as compared with other developing countries. This is due to the fact that horizontal FDI, which seeks a base to produce for the domestic market in the host country, is attracted to countries in which real income, and subsequently domestic purchasing power, is growing.

As listed in Appendix A, various authors (Schneider *et al.*, 1985; Mwangi, 1995, Asiedu, 2002; Addison *et al.*, 2003; Charalambous, 2006; Kolstad *et al.*, 2008) have used GDP Growth Rate to measure economic stability. This is the proxy that has been adopted for this research to indicate macroeconomic performance.

2.4.5 *Labour considerations*

Far greater value is placed on human capital than physical infrastructure in service organisations (Erramilli *et al.,* 1993; Campbell *et al.,* 1994). When setting up a new service operation abroad, since the main value generating assets are often people, who are relatively mobile, the initial costs and even switching costs, when compared to that of a manufacturing concern, may be comparatively smaller. Accordingly, international investments in the service sector rely heavily on ‘‘people-transfers; in the form of training programs, visits by experts and the employment of expatriates’’ (Grosse, 1996).

The level of human capital is a crucial factor and an important determinant of FDI, especially among efficiency-seeking organisations that require a skilled workforce as one of the key inputs. The common feature among services-related MNEs is that they require

strong business support linkages and global connectivity which is more prevalent from a highly-skilled workforce (Miyamoto, 2003).

When training is extensive and when employees have a high level of skills when joining a firm, the degree of human capital is greater. According to Erramilli *et al.* (1993), the production/ delivery of services typically relies on a high intensity of human capital – the skills, talent, and knowledge of a firm's employees that are not easily transferred to different organisational or social contexts.

The distinct nature of a service firm's assets exerts stresses on the expansion plans due to the use of expatriate managers. When making staffing decisions for expansion abroad, the optimal mix between local and/or expatriate managers needs to assessed. This mix has an important impact on the firm's competitive advantage in the new markets. Whilst wholly owned subsidiaries and expatriate staff provide the investor with greater control over its foreign operations, they also involve far greater capital commitments, and should the need arise, it is not always easy to redeploy these resources to alternative locations.

Differences in human capital intensity when considered jointly with the degree of separability of service transactions can have major implications expatriate staffing decisions. The findings of Bouquet *et al. (*2004) were that the propensity to use wholly owned subsidiaries over joint ventures and the reliance on expatriate managers increased with the levels of human capital intensity and customer interaction within an industry. In addition, the proportion of wholly owned subsidiaries and expatriate managers was greater in financial services firms than in other industries (Bouquet *et al.,* 2004).

The marked differences between employees in terms of skills, education, or specialised knowhow create considerable variance in performance at service production or delivery (Bouquet *et al.,* 2004). Firms can reduce this risk by substituting physical resources for the human element (as in the case of automated-teller machines) or through education and training of employees.

By forcing the ‘‘buyer into intimate contact with the production process’’ (Carman *et al*., 1980), a business that is not separable has to conduct face-to-face transactions with its

customers. This necessitates greater adaptation to local differences and local tastes, leading firms to acquire locally specific resources and capabilities (Anand *et al*. 1997). Yet, a close intimacy between providers and consumers throughout the production-delivery process creates important risks to a firm (Carman *et al.*, 1980; Zeithaml *et al.*, 1985; Erramilli *et al.*, 1993). In particular, where separability is low, the performance of employees who deal directly with customers is important for the maintenance of a firm's quality standards. Frequent transactions between buyers and sellers create a need for onsite quality assurance (Zeithaml *et al.*, 1985). Quality problems may be overcome by establishing detailed contracts/monitoring procedures with local partners. However, the quality of a service transaction may still vary from one local provider to the other, raising an overall problem of consistency for the foreign investor (Carman *et al.,* 1980). Another option is to keep transactions within the context of the firm's organizational boundaries by using a wholly owned subsidiary rather than a joint venture when entering a foreign market.

Local labour skill levels, regulations governing labour contracts, levels of unionisation, the relative cost of labour, and availability and productivity rates are all included as aspects of the local labour market that influence FDI (Erramilli *et al*., 1993; Campbell *et al.,* 1994; Grosse, 1996; Kucera, 2002; Miyamoto, 2003; Bouquet *et al.,* 2004).

Formal education in developing countries has become widespread over the past three decades, owing to an increased awareness among policy makers and individuals of the importance of this issue (Miyamoto, 2003). This has led to an increased education levels among the working-age population in developing countries. Table 8 shows cross-regional trends in the average years of schooling among the working age population. It indicates that all developing regions show substantial gains in average school years. There are, however, large cross-regional disparities. SSA has shown some improvement in this regard.

Table 8 Trends in average years of schooling (Miyamoto, 2003)

	1980	1990	2000
East Asia & Pacific	4.3	5.4	6.4
South Asia	2.6	3.1	4.3
Latin America & the Caribbean	5.3	6.7	7.6
Middle East & North Africa	2.7	4.3	5.9
Sub-Saharan Africa	2.1	3.0	3.9

Kucera (2002) refers to Rodrik *et al.* (1996) where they introduce the concept "conventional wisdom relating to low-standard countries being a haven for foreign investors" that foreign investors tend to locate where union representation is weaker. However, they also state that FDI tends to be greater in countries with stronger worker rights. The evidence of the effects of labour costs on FDI is mixed, but tends to suggest that higher labour costs negatively affect FDI (Kucera, 2002).

Temporary movement of individuals across borders and within countries can often be hindered by cumbersome visa processes and precarious contracts block movement of labour in certain sectors. Countries in which movement of labour is encouraged and where barriers have been removed to attract more skilled workers is likely to increase competitiveness in the services sector (Kandiero, 2006).

Addison *et al.* (2002) measured the quality of available labour by the percentage of children enrolled in secondary school. In the same way, in this research, the combined number of students enrolled in primary, secondary, and tertiary levels of education, regardless of age, as a percentage of the population of official school age for the three levels has been used as a proxy for the quality of available labour in the new market.

2.4.6 *Information and Communication Technology (ICT)*

The environment for FDI in developing countries is currently undergoing significant change. New global forces must be analysed alongside the more traditional determinants of FDI to developing countries to ensure consistency. Any study into the determinants of FDI flows should therefore take account of new technological developments (Addison *et al.,* 2002; Soper, 2006).

When analysing the determinants of FDI, Gholami *et al.* (2003) propose that the impact of changes in the global economy, especially the spread of the 'New Economy', and ICT, should be considered. The global economy has undergone massive change over the last 20 years, and those factors which attracted FDI in the 1970s may not necessarily bear the same weight today (Addison *et al*., 2002; Gholami *et al.,* 2003).

The adoption of new technologies has a significant effect on both the scale and character of FDI flows to developing countries. This can be illustrated by Gholami (2003) stating that annual investment in telecommunications is a proxy for ICT.

Addison *et al.* (2002) finds that the spread of ICT has a positive impact on FDI flows to a country, and as a result, organisations looking to expand would prioritise the degree of spread of ICT of a country as a key determinant in the decision making process.

This positive impact is further emphasized by Baliamoune-Lutz (2003) who raises the concern that there appears to be a global digital divide in the existence of a fear that the so-called New Economy will reinforce the gap between rich and poor nations, and increase income and spatial inequalities within countries. However Baliamoune-Lutz (2003) emphasizes that there are ambiguous conclusions concerning the link between ICT use and economic growth in developing countries. Despite this, expenditure on ICT as a ratio of GDP or population could be a good indicator of ICT adoption, though it may not reflect diffusion. In this case, one would expect the ratio of ICT expenditure to GDP to be higher in countries that have low ICT access cost. Baliamoune-Lutz (2003) findings were that income is a major determinant of ICT diffusion since it influences both ICT infrastructure and access to ICT and that is a positive impact of government trade policies on ICT. In addition increased ICT levels and dissemination enhance and foster greater political and civil rights and economic development.

As listed in Appendix A, the key authors (Addison *et al.*, 2003, Baliamoune-Lutz, 2003, Gholami *et al.*, 2006, Zhen-Wei Qiang *et al.* (2006)) have used various measures to estimate the level of ICT entrenchment in a country. ICT spend as % of GDP and the number of cellular telephones per 100 inhabitants are the two most frequently used measures.

Zhen-Wei Qiang *et al.* (2006) adopt the measure used by the World Economic Forum for measuring government prioritization of the ICT sector. This measure is based on replies to the question: “ICT is an overall priority for the government”. Respondents are requested to answer the question on an interval scale from 1 (strongly disagree) to 7 (strongly agree). This data is readily available for 2006 (Zhen-Wei Qiang *et al,.* 2006) and hence has been used as the proxy in this study.

2.5 Conclusion of Literature Review

2.5.1 *Summary of the Literature review*

There is a multitude of literature on the determinants affecting the flow of FDI. This literature is primarily focused from the perspective of how FDI can be attracted to a country. It has been developed in an effort to enable the development of less-developed economies. This literature is nevertheless relevant as the research problem in this study is concerned about the status of these countries with regard to the determinants.

Of the three common types of FDI, this research is primarily focused on the Market-Seeking FDI, but there have been learnings extrapolated from academic work around all three flow types being either Resource-Seeking or Efficiency-Seeking FDI.

In a similar manner, the literature covers the flow of FDI from developed countries to both developing and developed countries as well as the flows from developing countries to both developing and developed countries. The focus of this research is the expansion of South African financial services firms into new markets in Sub-Saharan Africa. South African has the dichotomy of being both a developed and a developing country and so once again the literature was found to be relevant.

The six determinants that were reviewed in depth in this study were the six determinants that appear most frequently in the literature. It is acknowledged that there are numerous determinants that would influence the decision maker during the process of selecting between possible new markets, but due to the limitation of this research, only those that appear from previous work in this regard have been included as the key determinants.

2.5.2 *Country governance and political risk*

The political risk insurance industry categorizes political risks into three broad categories, namely; War and Political Violence, Expropriation/Breach of Contract, Transfers Risk/Inconvertibility (Jensen, 2005). Jensen (2005) goes on to note that governments still enact policies that have direct and indirect negative effects on the profitability of multinational organisations.

Kobrin (1984) argues that in practice, expropriation can take different forms. A direct act of expropriation involves nationalisation of foreign-owned corporations, in which government simply takes control of the capital stock. There are also indirect forms of expropriation that multinationals face whereby excessive taxes are charged, controls are placed on capital, manipulation of exchange rates, and bribes and permits demanded by government officials.

2.5.3 *Market size and demand conditions*

Despite controversy on how market size influences FDI flows (Schneider et al., 1985; Edwards, 1990) various authors agree that at least some measure of market size should be included in studies analysing investment decisions (Schneider et al., 1985; Edwards, 1990; Mwangi, 1995; Arnold, 1998; Charalambous, 2006; Mollick et al., 2006; Kandiero et al., 2006; Sakarya et al., 2007; Demir 2007; Kolstad et al., 2008).

2.5.4 *Trade incentives, barriers and agreements*

Openness to trade has a positive impact on FDI flows to a country, it is therefore reasonable to assume that companies looking to expand would prioritise the openness of a country as a key determinant of their decision (Bevan, 2000; Addison et al., 2002).

Kandiero (2003) goes on to highlight that markets which are more open are likely to create significant economic wealth through more efficient allocation of resources, thus resulting in longer term increases in both productivity and investments.

2.5.5 *Economic environment and macroeconomic performance*

Most studies on the determinants of FDI use a measure of macroeconomic stability to analyse the flow of FDI. Further to this, these measures are found to be significant (Addison et al., 2002; Chowdhury, 2003).

2.5.6 *Labour considerations*

The level of human capital is a crucial factor and an important determinant of FDI, especially among efficiency-seeking organisations that require a skilled workforce as one of the key inputs. The common feature among services-related MNEs is that they require strong business support linkages and global connectivity which is more prevalent from a highly-skilled workforce (Miyamoto, 2003).

Far greater value is placed on human capital than physical infrastructure in service organisations when setting up a new service operation abroad (Erramilli et al., 1993; Campbell et al., 1994). The main value generating assets are often people who are relatively mobile.

2.5.7 *Information and Communication Technology*

When analysing the determinants of FDI, Gholami et al. (2003) propose that the impact of changes in the global economy, especially the spread of the 'New Economy', and ICT, should be considered. The global economy has undergone massive change over the last 20 years, and those factors which attracted FDI in the 1970s may not necessarily bear the same weight today (Addison et al., 2002; Gholami et al., 2003). Any study into the determinants of FDI flows should therefore take account of new technological developments (Addison et al., 2002; Soper, 2006).

2.5.8 *Proposition*

The proposition of this research is that the six determinants highlighted in the research, namely: country governance and political risk, market size and demand conditions, trade incentives barriers and agreements, economic environment and macroeconomic performance, labour considerations, and Government prioritisation of the ICT sector all have a bearing on decision makers within financial services firms when evaluating possible SSA markets in which to expand.

3 RESEARCH METHODOLOGY

This section justifies and describes the methodology that has been followed to address the research question proposed at the end of the previous chapter.

3.1 Research methodology

3.1.1 *Discussion on research techniques*

Research techniques can be divided into two main areas being Quantitative and Qualitative research. A combination of these two methods is termed Mixed Method.

The qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives or advocacy/participatory perspectives. It also uses strategies of inquiry such as narratives, phenomenologies, ethnographies, grounded theory studies, or case studies. The researcher collects open-ended, emerging data with the primary intent of developing themes from the data (Creswell, 2003).

Qualitative research is fundamentally interpretive. This means that the researcher makes an interpretation of the data. This includes developing a description of an individual or setting, analysing data for the themes or categories, and finally making an interpretation or drawing conclusions about its meaning personally and theoretically, stating the lessons learned, and offering further questions to be asked (Wilcott, 1994). It also means the researcher filters the data through a personal lens that is situated in a specific socio-political and historical moment. One cannot escape the personal interpretation brought to qualitative data analysis (Creswell, 2003).

A quantitative approach is one in which the investigator primarily uses post-positivist claims for developing knowledge, employs strategies of inquiry such as experiments that yield statistical data (Creswell, 2003).

Quantitative researches seek explanation and predictions that will generalise to other persons and places. The intent is to establish, confirm, or validate relationships and to develop generalisations that contribute to theory (Leedy and Ormrod, 2005).

A mixed method approach in one in which the researcher tends to base the knowledge claims on pragmatic grounds. It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problems. The data collection also involves gathering both numeric information as well as text information so that the final database represents both quantitative and qualitative information (Creswell, 2003).

So quantitative research is most often deductive, in other words, it tests a certain pre-defined theory. Qualitative research can be considered inductive as the researcher often implies or generates theory.

3.1.2 *Rationale for chosen technique*

The vast majority of the academic work that was reviewed for this research uses the panel data approach. The three previous WITS MBA scholars used mixed methodologies with a bias to a qualitative approach. In an effort to approach the research question from an alternate perspective, the researcher adopted a quantitative approach and selected conjoint analysis as the methodology.

Conjoint analysis was selected as the primary technique for this research as it is based on a decompositional approach in which respondents compare various preferences of features. This is achieved by evaluating a series of offers based on a combination of pre-determined attributes in a systematic manner (Dillon *et al*., 1987). Each attribute has a pre-defined list of applicable levels to describe the degree of extremity that is part of the offer given to the respondent. This combination of attributes and their respective levels means that conjoint analysis provides a quantitative measure of the relative importance of the different attributes against one another (Aaker *et al*., 1995). An element of realism is therefore incorporated in conjoint analysis as the subject is forced to make tradeoffs of one attribute against another with specified levels or degrees of severity. The findings from the analysis could then be used to create choice predictions for similar populations in the context of the research (Curry, 1996).

Data was obtained by means of a questionnaire and analysed primarily via a conjoint analysis in so measuring relevant perceptions of importance for the various determinants

that decision-makers consider when they review possible developing markets in which they might consider entering.

Adequate, relevant, demographic information was also obtained from the sample population to determine if specific sub-groups within the population consider certain attributes more important than other sub-groups. Cluster analysis enables the grouping of respondents such that homogeneity is maximised within, and heterogeneity is maximised between the various sub-groupings (Beane and Ennis, 1984)

3.2 Research Design

3.2.1 *Conjoint analysis*

Full-profile conjoint analysis can take one of multiple formats. The “full factorial” and “fractional factorial” are two common sub groupings of conjoint approaches. The full factorial approach can be tedious as all permutations are presented to the subject and choices need to be made (Aaker *et al.*, 1995). It is seldom required that all permutations need to be tested against each other.

The fractional factorial approach was adopted for this research to reduce the length of the survey and hence maintain interviewee concentration or minimising interviewee fatigue. Fractional factorial conjoint is an excellent approach when the number of attributes is around six or fewer (Orme, 1996), while Adaptive Conjoint Analysis (ACA) is generally preferred for larger problems.

During the graded-pair comparison format of conjoint analysis, two alternatives are alongside each other and the respondent is asked how much more one alternative is preferred as compared to another, and in so doing, the respondent’s attention is immediately drawn to the differences in attribute levels for the pair. Huber (1997) finds that because of this, there are known limitations due to the evaluative effects that flow from the pairwise task; these include:

- The task tends to flatten attribute importance by making otherwise unimportant attributes salient. Since attribute differences are easy to assess in a pairwise task,

the importance are spread out across different attributes. This flattening of attribute importance tends to be particularly strong when there are only a few attributes differentiating the pair. In tasks where the dominant attributes are missing, respondents come to value attributes that might otherwise have been be overshadowed,

- The pairwise orientation tends to reduce the importance of external reference levels. In particular, in valuing the differences between levels, there is less attention placed on their absolute levels. In the case of this study, decision makers might hypothetically be prepared to invest in a market where inflation is below 15%. However, in a pair task, there will typically be relatively little differences in respondents' reaction to choices below this level as compared to above this level. The problem arises because thinking about the 15% resistance level takes an extra processing step after the difference has been evaluated. This focus on differences becomes stronger and stronger as respondents repeat the pairwise task.

The focus on differences increases the relative value of attributes about which such differences are easy to value. If there is an attribute that is not easily distinguishable, the importance of the remaining attributes might appear over emphasised. More generally, numerical attributes about which it is easier to characterize the difference, such as price, size, rating, will have greater weight in pair tasks than categorical attributes such as brand name, product family or country of manufacture.

Results from conjoint analysis are presented in two ways, namely:

- Importances: These values indicate which attribute was most used by each respondent when making their decision. Importances are therefore an indication of ranking. Differences in the Importances of various attributes shows which attributes are perceived to be most important by the respondent. Importances always add up to one hundred, therefore the importance score can be understood as the percentage variation in the decision making process attributable to a specific attribute.
- Utilities: The utilities scores rank the levels within each attribute. The sum of the utilities adds up to zero. The utility indicates that when a respondent does use a

particulate attribute in their decision making process, which level of the attribute they prefer.

3.2.2 *Conjoint design*

Table 10 below details the attributes and their respective levels that have been used in this research. Empirical evidence suggests that the more levels one uses for an attribute, the more important the attribute is estimated to be in conjoint analysis (Wittink et al., 1990). Every effort has been made to balance the number of levels per attribute to derive a balanced measurement instrument. However; some attributes will have varying numbers of levels. Where possible, 4 levels per attribute to minimise duplication of levels in the country scenarios and to ensure that each hypothetical market scenario is sufficiently different to the pairwise comparison.

SawtoothTM software was used to design the questionnaire and the recommended number of tasks that the software specified were incorporated into the questionnaire. This number of tasks exceeded the absolute minimum number of tasks as suggested by the software.

Green et al. (1990) find that the full-profile method of conjoint analysis works well when there are six or less attributes. If this level is exceeded, the respondent is placed under severe information overload and they will experience respondent fatigue. For this reason, the number of attributes analysed in this research were limited to six. These are summarised in Table 10.

3.2.3 *One Way ANOVA tests and probabilities*

The results, segmented by demographic grouping were then analysed via a one-way ANOVA test. This test statistically measured the importance scores and utilities against each other. This analysis shows the probability that the variables being compared came from the same population. A low probability means that there is statistical evidence that the two populations may be different (come from different groups).

For the purposes of this research a value for alpha of 10% was used. This was chosen as the effect of gaining a type I error (incorrectly finding a significant result) was believed to be less serious than a type II error (incorrectly missing a significant result).

The number of respondents in each demographic grouping affects the statistical significance calculations, as the statistics may not have enough information with low numbers of respondents to find significant results. An insignificant result therefore may indicate nothing more than further research is required. Medians are used for this analysis in preference to means as this mitigates the effect of outliers on the date.

3.2.4 *Demographic information*

During completion of the questionnaire, some demographic information was obtained to enable the researcher to analyse the responses by these groupings. The following demographic information was gathered:

Table 9 Demographic information gathered

Demographic data point	Data Format
Name of respondent	Free form for tracking purposes
Designation of respondent (most relevant to research at time of completion of the survey). This afforded the classification of respondents into like groupings.	Free form
Number of years of relevant experience	This data has been measured in 5-year buckets e.g. 0-5 years, 5-10 years etc.

Demographic data point	Data Format
Sub sector of financial services industry	The assumption is that the findings in aggregate may apply across the financial services industry at large. Given that this is a broad and diverse industry, this might not be the case. Through gathering the sub-sector demographic information, cluster analysis has been performed to ascertain the validity of this assumption.

3.2.5 *K-means cluster analysis*

A K-means cluster analysis was performed to enable the researcher to look for further groupings of respondents according to how they answered the questionnaire as opposed to by their demographic information.

3.3 Conjoint analysis levels and attributes

The levels for the attributes of the conjoint design are derived below. Due to the nature of a conjoint design, levels are required for each attribute that is part of the questionnaire. Every effort was made to ensure that there were equal numbers of levels per attribute. The primary source of level values is the 2006 indicators from the World Bank database.

Data has been obtained, where possible, for all SSA countries and the minimum, 25th Percentile, 75th Percentile and maximum values have been used to create the four levels for the questionnaire. There the resulting level data point did not make sense or there was not sufficient differentiation between data points, the rounding was used.

3.3.1 *Country governance and political risk*

As concluded in both the literary review and Appendix A, the key measure of the political status of a country is a function of the type of leadership of the country. Therefore, in this research, the type of leadership of the country being: democracy, benevolent dictator or tyrannical leader has been used for the three levels. As discussed previously, the fact

that there are only three levels for this attribute as compared to 4 levels for the other attributes, might create the perception of country governance being less important.

3.3.2 *Market size and demand conditions*

As summarised in both the literary review and Appendix A, the key measure of market size of a country is GDP per capita. GDP per capita will thus be used as the measure for this research. Refer to Table 10 and Appendix B below for the level information. The 5th, 35th, 65th and 95th percentile values for 2006 data were used taking into account as many SSA countries for which this is information available. In this case, 46 data points were analysed. The data points were rounded off to the nearest $50 to ensure ease of reference for the respondents. In this data source, The World Bank use GNI and define GNI as:

> *GNI per capita (World Bank Atlas method) is gross national income (GNI) converted to U.S. dollars using the World Bank Atlas method divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies. The World Bank Atlas method is used to smooth fluctuations in prices and exchange rates. It averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country and the Euro zone, Japan, the United Kingdom, and the United States. (World Bank)*

3.3.3 *Trade incentives, barriers and agreements*

As summarised in both the literary review and Appendix A, openness to trade, defined as the sum of the imports plus exports of the country and divided and by GDP (ratio of trade volume to GDP), is a common proxy for measuring trade incentives, barriers and agreements. Although considered as an imperfect proxy for openness by Kandiero (2003), it was considered by the researcher to be sufficient for a research this nature. Refer to Table 10 and Appendix B below for the level information. The 5th, 35th, 65th

and 95th percentile values for 2006 data are used taking into account as many SSA countries for which this is information available. In this case, 39 data points were analysed. The data points were rounded off to the nearest multiple of 10 to ensure ease of reference for the respondents.

3.3.4 *Economic environment and macroeconomic performance*

As detailed in the literature review and listed in Appendix A, various authors (Schneider *et al.*, 1985; Mwangi, 1995; Asiedu, 2002; Addison *et al.*, 2003; Charalambous, 2006; Kolstad *et al*., 2008) have used GDP Growth Rate to measure economic stability. This is the proxy that has been adopted for this research. Refer to Table 10 and Appendix B below for the level information. The 5th, 35th, 65th and 95th percentile values for 2006 data were used taking into account as many SSA countries for which this is information available. In this case, 46 data points were analysed. The data points were rounded off to the nearest whole percentage to ensure ease of reference for the respondents. In this data source, The World Bank defines GDP growth rate as:

> *GDP growth shows the annual percentage rate of growth of gross domestic product (GDP) at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. (World Bank and Organisation for Economic Co-operation and Development)*

3.3.5 *Labour considerations*

From the literature, there is considerable agreement that the level of education in the market under review is an important determinant of attractiveness. Unfortunately, however, there is not a lot of agreement on how this is to be measured. Data in this regard for SSA is not readily available and the accuracy thereof is not known. As detailed in the literature review and listed in Appendix A, the combined number of students enrolled in primary, secondary, and tertiary levels of education, regardless of age, as a

percentage of the population of official school age for the three levels has been used as a proxy for the quality of available labour in the new market in this study. Refer to Table 10 and Appendix B below for the level information. The 5th, 35th, 65th and 95th percentile values for 2006 data were used taking into account as many SSA countries for which this is information available. In this case, 40 data points were analysed. The data points were rounded off to the nearest 5 percent to ensure ease of reference for the respondents.

Adult literacy rate of people 15 years and older might have been a more appropriate proxy for the quality of labour, but there are only 12 data points available in the data set and hence this proxy was not selected.

3.3.6 *Information and Communication Technology (ICT)*

ICT is a relatively new addition in the study of determinants affecting decision makers when reviewing possible markets in which to expand. For most measures, data is not readily available. As detailed in the literature review and listed in Appendix A, the perception of the government prioritisation of the ICT as a sector, measured on an interval scale between 1 and 7 has been used as a proxy for the quality of the available ICT infrastructure in the country. The premise here is that if a countries population believe that ICT is a priority, then the population must believe that the ICT infrastructure in the country is reasonable. . Refer to Table 10 and Appendix B below for the level information. Adopting the methodology for obtaining the previous levels, i.e. using the 5th, 35th, 65th and 95th percentile values for 2006 data would have lead to these levels being too similar for the respondent to differentiate between then so an even distribution of the values was selected.

The World Bank defines government adoption of ICT as a priority as:

> *Government prioritization of sector is based on replies to the following question: "Information and communication technologies (ICT) are an overall priority for the government" (1 = strongly disagree, 7 = strongly agree). (World Economic Forum)*

3.3.7 *Attribute and level summary*

Based on the detailed literature review and the discussion under heading 3.3, the table below summarises the attribute and levels that have been used in this research:

Table 10 Attributes and levels selected for conjoint analysis

No	Attribute	Proxy	No	Level
1	Political status	Government type	I.	Democracy
			II.	Benevolent dictator
			III.	Tyrannical leader
2	Market size and demand conditions	GDP Per capita	IV.	$ 150
			V.	$ 350
			VI.	$ 750
			VII.	$ 5,550
3	Trade incentives, barriers and agreements	Openness to trade. (Imports + Exports) /GPD	I.	40
			II.	60
			III.	90
			IV.	150
4	Economic environment and macroeconomic performance	GDP Growth Rate	I.	-1%
			II.	3%
			III.	5%
			IV.	12%
5	Labour considerations	Gross primary, secondary, tertiary school enrolment (%)	I.	30%
			II.	45%
			III.	60%
			IV.	75%
6	Information and Communication Technology (ICT)	Government prioritization of ICT sector	I.	1
			II.	3
			III.	5
			IV.	7

A 9-point interval scale was provided for the respondent to differentiate between scenarios. The use of an odd number allowed the respondent to indicate no preference by selecting the middle value.

3.4 Population and sample

3.4.1 *Population*

The population is made up of employees of, academics with knowledge of, analysts for, and consultant to the financial services industry in South Africa. The population must have previously been involved in some way in a decision for a financial services firm to expand into sub-Saharan Africa. This might have taken the form of a decision to expand, review of a company's decision to expand, or the review of possible markets in which to expand into within the region. For the purposes of this research, financial services firms assume the meaning as defined in Table 2 Definition.

Conjoint analysis as a technique does not have a minimum number of respondents to enable the technique be used.

3.4.2 *Sampling method*

A convenience or judgemental sampling approach was used to select respondents (Creswell, 2003) for this study. Convenience sampling does permit some human judgement to affect the selection process by making some members of the population more likely to be selected than others (Bryman *et al*., 2003) therefore only respondents who strictly meet the defined population characteristics were selected for the research. The judgement of this was at the sole discretion of the researcher (Creswell, 2003).

3.5 Procedure for data collection

3.5.1 *Data gathering*

The questionnaire was designed such that data could be gathered in a variety of ways for this research. This aimed to facilitate a large response rate to the questionnaire. Members of the sample population may have had different preferences for the method used to collect their data, and the researcher aimed to accommodate these individual

requirements by adapting the collection method best suited to these requirements. The following techniques for questionnaire presentation were employed:

- The questionnaire was posted on the internet to enable a self-help and ease of use for respondents. The landing page of the website gave a brief overview of the attributes under investigation and the rationale for the research. The respondent were then be directed to the questionnaire after having the opportunity to familiarise themselves with the process.
- The questionnaire was also in an electronic format (Microsoft Power Point slides) to facilitate one-on-one data gathering. Once again, the initial slide provided a brief overview of the attributes under investigation and the rationale for the research. The respondent was then requested to capture their answers to the conjoint study and return these to the researcher via email.
- Finally, for those respondents who preferred a paper based environment, the questionnaire was also prepared in paper form. This was to enable the respondents to capture their answers manually and physically return them to the researcher.

In all three cases above, the intention was to allow the interviewee to have the option of either answering the questionnaire in isolation, in a one-on-one interview format or over the telephone with the questionnaire in front of the respondent. The researcher believed that taking this approach to gathering the data would benefit the survey through the increase in the number of completed responses as compared to a possible reduction in reliability (see 3.7.3). Further, the researcher believed that the insights attained due to the increased number or responses would far out-weigh any issue perceived due to various data gathering methods being employed.

Once all the data was gathered, it was entered into the Sawtooth^{TM} software system manually.

As it transpired, all responses were gathered through the internet so there was no chance of erroneous data capture, all responses were electronically retained for verification if required.

No incentives were awarded to interviewees for completion of the survey.

3.6 Data analysis and interpretation

Sawtooth™ software was used to analyse the data for the conjoint analysis study. Further to this, as detailed in 3.2.4, demographic information was obtained during the interview process and this was analysed using both factor and cluster analysis via the NCSS utility.

3.7 Validity and reliability

Reliability and validity are two terms often used to characterize response scales or measurement methods. Reliability refers to getting a consistent result in repeated trials. Validity refers to achieving an accurate prediction.

3.7.1 *External validity*

Leedy and Ormrod (2005: 99) define external validity as “the extent to which the results apply to situations beyond the study itself”. This looks at the extent to which the finding can be generalised in other areas outside the control of this research.

Given that this research is by definition limited to South African financial services firm expanding into sub-Saharan Africa, there are only two obvious areas where this research might require external validity. This is the extrapolation of the findings into another industry or the use of the research by foreign companies into new markets.

It not noted that convenience sampling reduces external validity and so in an effort to mitigate this bias, an element of snowballing was encouraged to get a mixed sample.

3.7.2 *Internal validity*

Leedy and Ormrod (2005: 97) define internal validity as “the extent to which its design and the data it yields allow the researcher to draw accurate conclusions about the cause-and-effect and other relationships within the data”.

Conjoint analysis is widely used in marketing research, pricing decisions, product design and concept evaluation (Churchill *et al.,* 2005) and it is generally accepted to have a

significant level of validity. In this research, the following additional steps were taken to increase validity:

- A pilot test was executed using the questionnaire to ensure that the questions were well understood and that their intended meaning was clear to the respondents;
- Sampling was conducted across various sub-sectors of the financial services sector to ensure that there was not a single bias;
- Interviewees were requested to participate on a voluntary basis, with no reward for participation;
- Only people with an understanding of the financial services industry were requested to complete the survey and hence people without the required experience and insight were excluded from the survey.

3.7.3 *Reliability*

Leedy and Ormrod (2005: 29) define reliability as “the consistency with which a measuring instrument yields a certain result when the entity being measured hasn’t changed”.

No artificial setting was created for the respondents complete the survey. This means that they were not be unduly influenced while completing the survey. Interviewees will provided the option of having the interviewer present during the completion of the survey if the respondent so required (either in person or on the telephone) so that any area requiring further clarity could be addressed at the time of completion.

Due to Conjoint analysis being proven to have high reliability (Orme, 1996) irrespective of whether the questionnaire is executed electronically or via a paper based questionnaire, the researcher believes that the effect of various formats of questionnaire is sufficiently mitigated.

3.7.4 *Pilot test for the survey*

Leedy and Ormrod (2005: 192) recommend that a pilot test should be carried out on the questionnaire to prove Reliability and Validity. This was only done using a convenience sample. The questionnaire was then adapted accordingly to ensure an improved level of data gathering. In addition to improving the questionnaire, the estimate duration of completion time was calculated so as to inform future respondents.

4 PRESENTATION OF RESULTS

4.1 Introduction

In this chapter, the conjoint importance and utility scores are presented in aggregate as well as split by two demographic groupings. For each demographic grouping permutation, the importance scores were subjected to a one-way ANOVA test in an effort to test the probability that the two variables being compared came from the same group. The result of a K-means cluster analysis is then presented and then finally, an effort to prove internal validity, a Boot Strap analysis is presented.

4.2 Responses

Due to the requirement for respondents to be qualified to answer the questions, respondents were identified and solicited as opposed to allowing random access to the online survey. Despite providing 3 alternate methods for this survey to be completed, all responses were obtained in an online format.

A total of 38 respondents replied within the 2 month window that the survey was open. Of the 38, there were 30 valid responses. The 8 excluded responses were due to respondents not completing the questionnaire in its entirety. This can presumably be attributed to respondent fatigue. The nature of the respondents is that of top executives. These individuals are often short of time and conjoint analysis can be somewhat time-consuming, repetitive and frustrating.

4.3 Anonymity

Respondents were asked their names in the survey. This was due to the fact that each respondent was directly solicited. The name was then used to track who had completed the questionnaire. All identities have been withheld in this research.

4.4 Demographic of respondents

Respondents were asked three demographic questions before completing the questionnaires. Firstly, respondents were asked how many years experience they had within the financial services sector. Secondly, both their main area of expertise and current/ prior designation most relevant to this research were obtained.

Respondents were later classified into like-buckets to analyse the data for further insight. In an effort to segregate the respondents into meaningfully sized and distributed buckets, three duration buckets and 5 experiential buckets were created. These, as well as the allocation thereof are detailed in Appendix C – Demographic segmentation of Respondents.

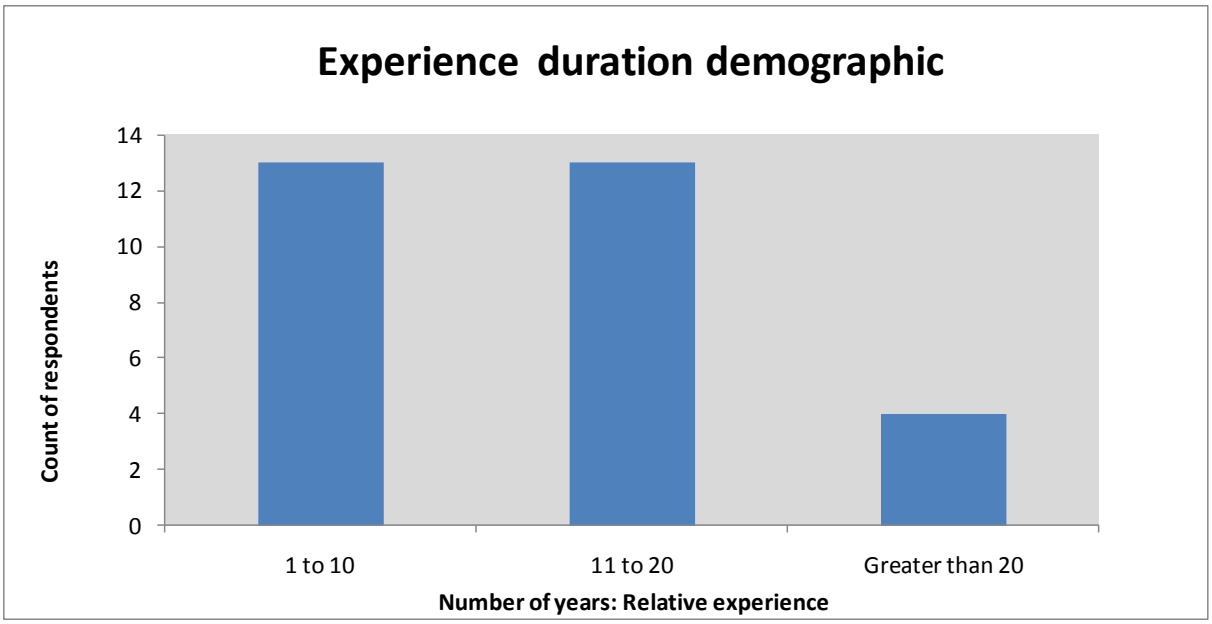


Figure 4: Respondents experience duration distribution

As can be seen in Figure 4: Respondents experience duration distribution above, the three buckets are made up of respondents with 1-10 years experience, 11 – 20 and those with more than 20 years experience. There is a fair distribution of respondents among the buckets but ideally there would be more participants in the Greater than 20 years experience category. The fact that there are only four participants in this category might lead to artefacts in the data. On closer analysis of this category, it was noted that

the greater than 20 years experience category contains three asset managers. Other thresholds were investigated, but these offered less favourable distributions.

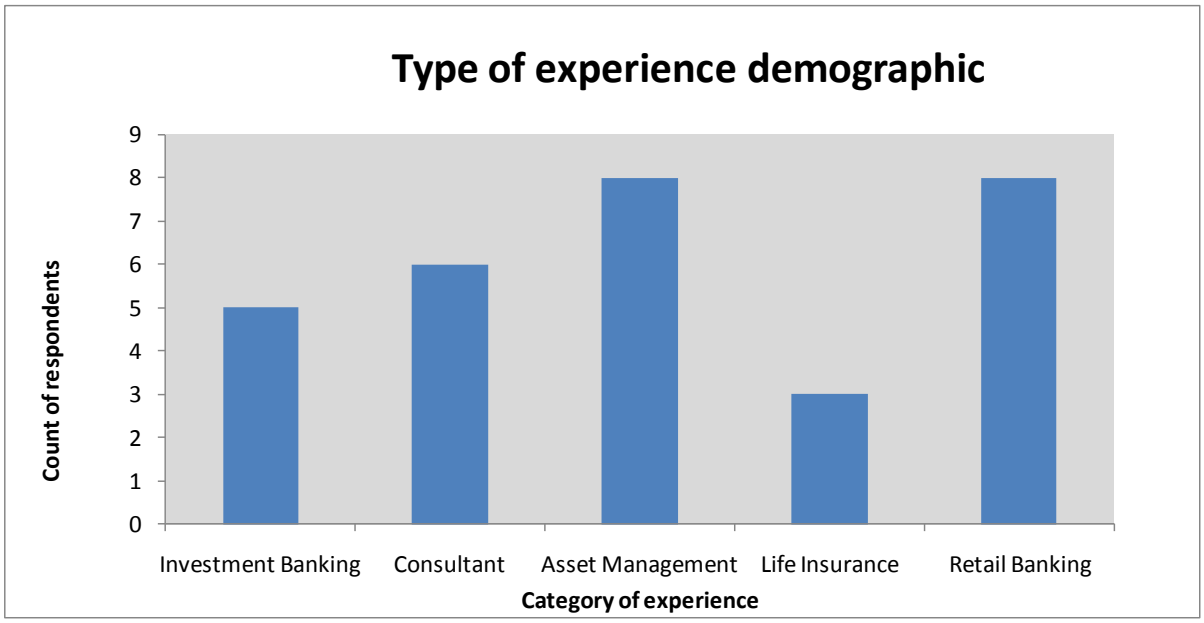


Figure 5: Respondent experience distribution

As depicted in Figure 5: Respondent experience distribution above, 5 functional categories have been used to house the 30 respondents. The task of allocating individual respondents to functional buckets was performed retrospectively after the research. This was as a result of not knowing exactly what mix of respondents would be obtained. Given that the respondents provided their designation and job titles, and that they are known to the researcher, there is a sufficient level of comfort in this regard.

4.5 Results to research question

Sawtooth™ software calculated the conjoint Importances and Utilities. The Importances are an indication of which attribute are most used by each respondent when making their decision. Importances are therefore an indication of ranking and not an absolute value. The differences in the Importances of various attributes will show which attributes the respondents perceive to be most important. Importances add up to 100, therefore the importance score is, in essence, the percentage variation in the decision making process that is attributable by that attribute in the decision.

4.5.1 *Conjoint Importances*

The Importances as determined by Sawtooth™ along with the Standard Deviations and the rank order are presented in the table below.

Table 11 Average conjoint Importances

Attribute	Conjoint Importances	Standard Deviation	Ranking
Political status	24.29	12.07	2
Market size and demand conditions	24.37	12.18	1
Trade incentives, barriers and agreements	10.34	4.56	4
Economic environment and macroeconomic performance	21.42	8.56	3
Labour considerations	10.09	4.32	5
Information and Communication Technology	9.49	4.53	6

The table above shows that the most used attribute by respondents in the decision process was the proxy for market size and demand conditions within the country. This is closely followed by the proxy representing political status and thirdly, the proxy for a measure of Economic environment and macroeconomic performance of the country was used. The first three attributes account for over 70 percent of the decision criteria. The remaining three attributes collectively made up just less than 30 percent of the decision. Of interest is the high value for standard deviation for the first three rank order values. Although not statistically proven, this implies more agreement amongst respondents on the second three attributes.

In Figure 6: Conjoint Importances by Category of work experience below, the Importances per employment demographic are graphically represented.

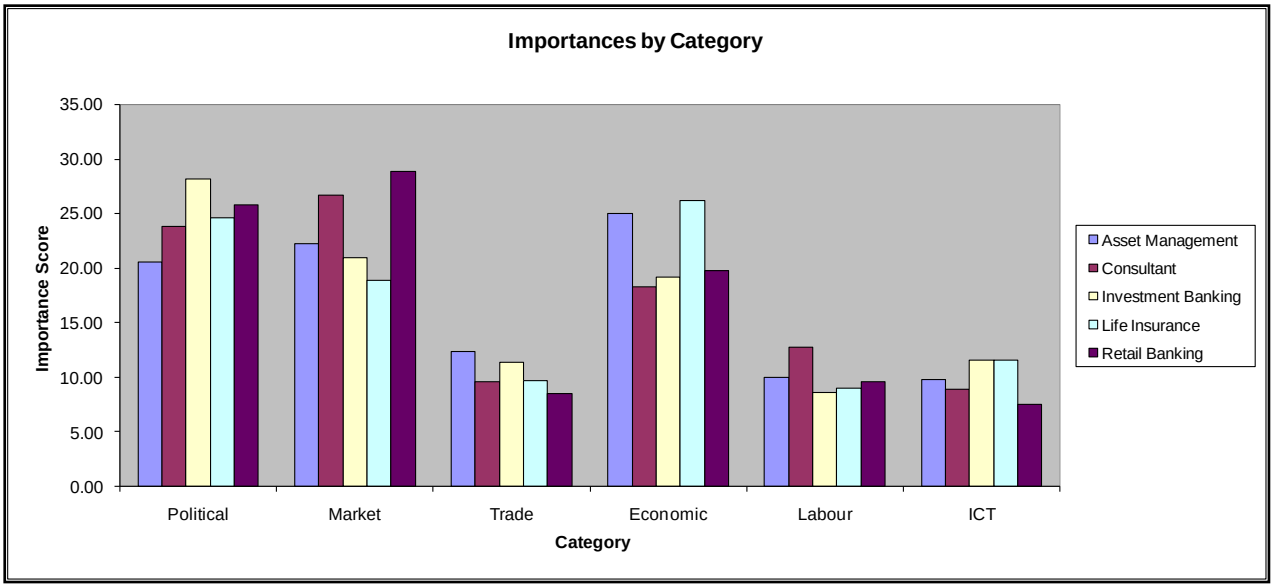


Figure 6: Conjoint Importances by Category of work experience

As shown below, there are no statistically significant differences between the work-experience demographic per attribute so, accepting the H_0, all medians must be equal. This is visually evident.

Likewise, in Figure 7: Conjoint Importances by duration of work experience below, the Importance level per duration of work experience is graphically represented.

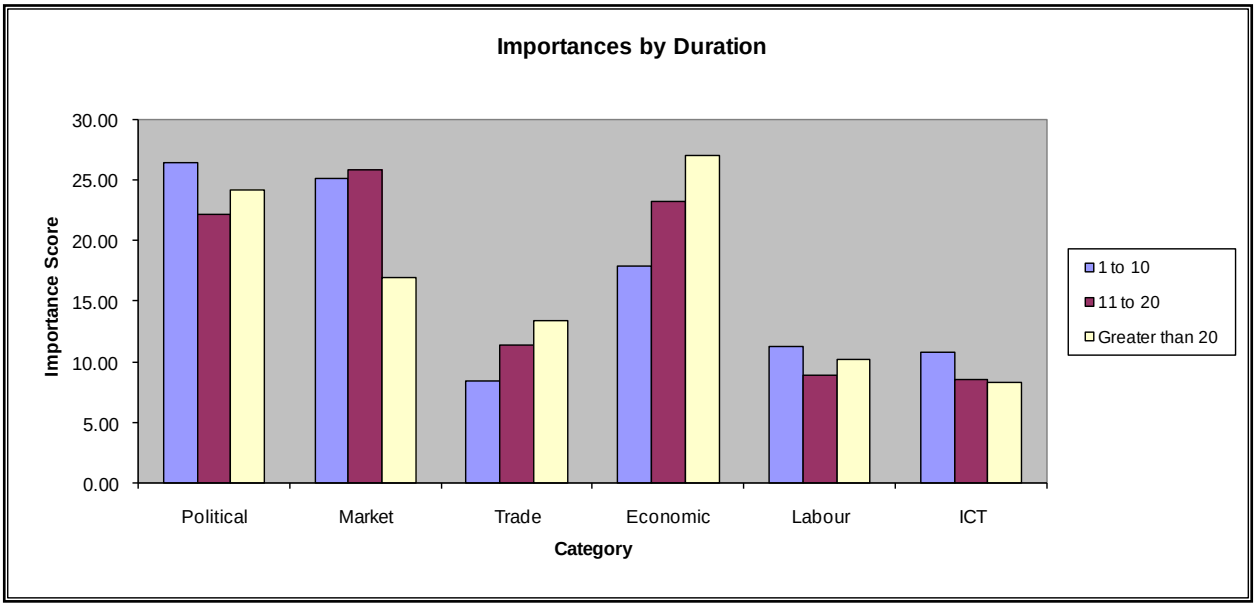


Figure 7: Conjoint Importances by duration of work experience

As shown further in this chapter, the greater than 20 years work experience group placed statistically higher importance on the trade incentives, barriers and agreements proxy as well as the economic environment and macroeconomic performance proxy as compared to the 1-10 years work experience demographic. This is visually evident in the graph. Despite this difference being statistically significant, it must be noted that, there were only 4 constituents in the greater than 20 years experience grouping, of which 3 are Asset Managers, so the sample may be biased. This may be of interest for further research.

4.5.2 *Conjoint Utility Values*

The Utilities values rank the levels within each attribute on a zero-sum basis. The utility indicates that when a respondent uses that attribute in their decision making, which level of the attribute they prefer. Given that the levels were derived in logical order, one would expect the magnitude of the Utilities to be in the same order. This is true at an aggregate level except for two of the attribute's being Trade Incentive, barriers and agreements and Labour Consideration. In cases the case of Labour Consideration having the ratio of 45% enrolment in education measuring less well than the 30% enrolment with 60% measuring the most favourable. This seems to be an eccentricity in the data and might be investigated further. These findings are further segmented in the analysis by demographic grouping later in this chapter. As will be seen below, when segmented into demographic level, the ICT utility values are also counterintuitive in their makeup.

Table 12: Average Conjoint Utilities

Attribute	Level	Conjoint Utility
Political status	Democratic	65.98
	Benevolent dictator	5.66
	Tyrannical leader	-71.64
Market size and demand	$ 150	-52.29
	$350	-23.37

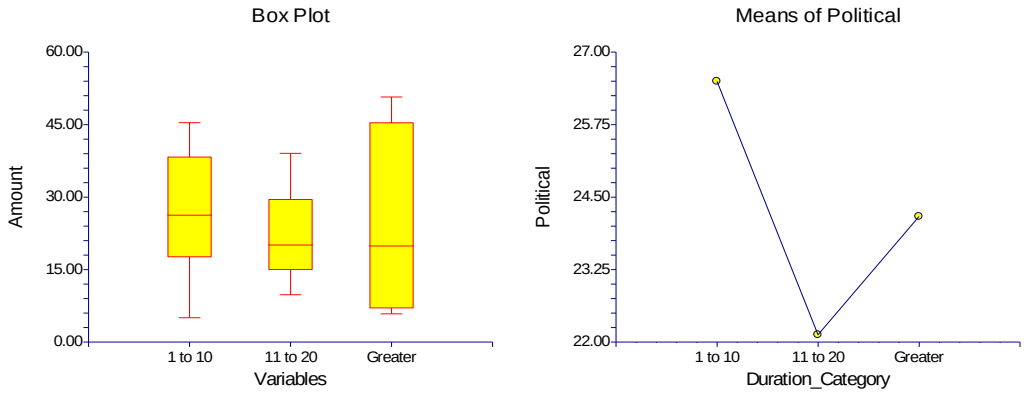
Attribute	Level	Conjoint Utility
conditions	$750	-2.53
	$5550	78.19
Trade incentives, barriers and agreements	40	-7.94
	60	-2.44
	90	-3.97
	150	14.35
Economic environment and macroeconomic performance	-1%	-61.93
	3%	-5.21
	5%	6.96
	12%	60.18
Labour considerations	30%	0.98
	45%	-19.24
	60%	9.96
	75%	8.30
ICT	1	-8.81
	3	-2.03
	5	0.54
	7	10.30

4.5.3 *Country governance and political risk*

The country's governance and political risk was the second most important attribute with an average importance of 24.29. After analysing this attribute by the demographic data, no statistically significant differences were reported.

Country governance and political risk by duration of tenure:

Analysing the Importance scores for the proxy of Country governance and political risk by duration of tenure, and using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted as there is a 59.0% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. Of possible interest for further research is the visual trend, though not statistically relevant, that people with less work experience may attribute more importance to Country Governance and Political Risk but this would need to be further investigated in a study with larger populations. As discussed in the next chapter, this is the highest importance score for the 1- 10 Years Experience demographic grouping. There are no further visual trends.

As depicted in Figure 8: Country governance utility scores by duration of work experience, there are no unexpected findings. Visually, all demographic groupings had similar preferences for the various levels. There is a small indication that people with 11 to 20 years of work experience had some attraction to the benevolent dictator level but this must be an artefact of the data either due to questionnaire construction, or the small sample size.

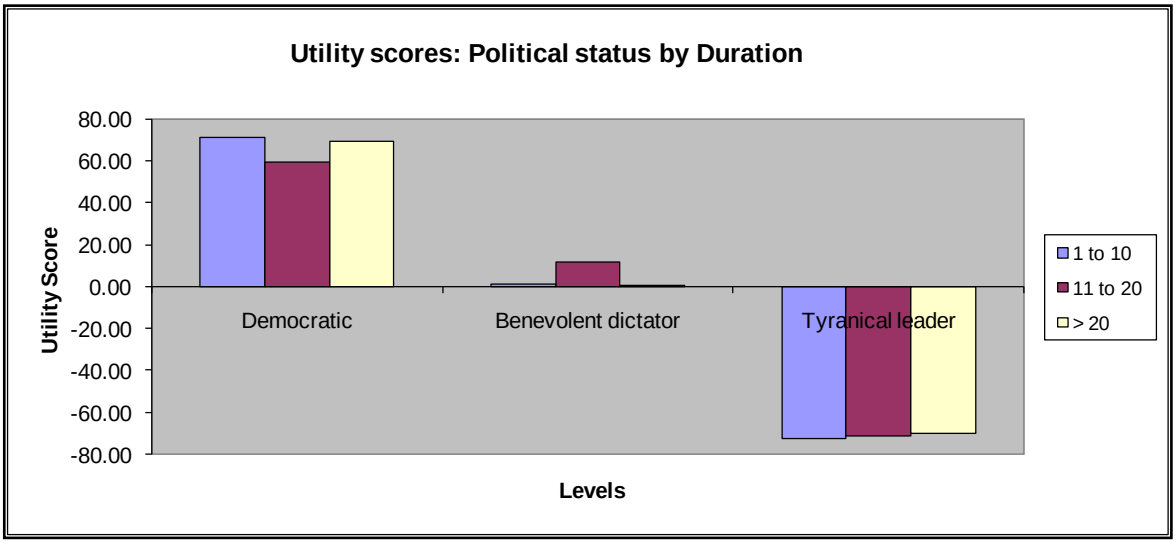
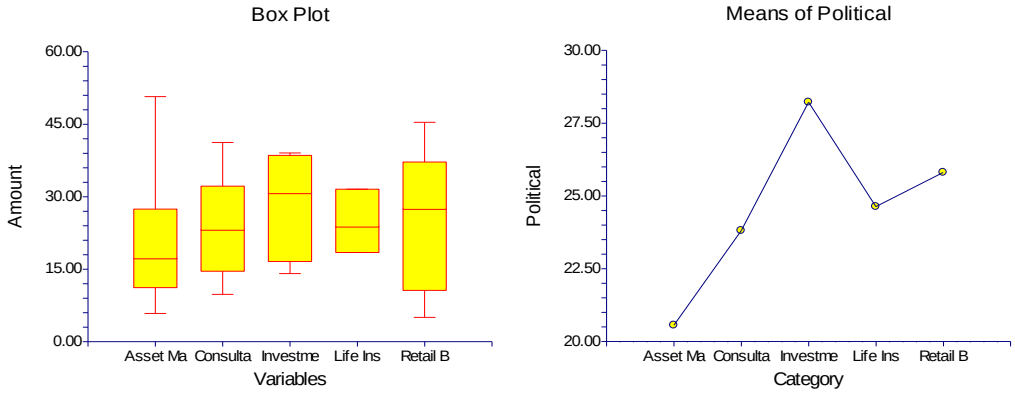


Figure 8: Country governance utility scores by duration of work experience

Country governance and political risk by category of experience:

Analysing the Importance scores for the proxy of Country governance and political risk by category of work experience, the highest mean is found for Investment Bankers and the lowest mean is reported for Asset Managers. As will be discussed in the next chapter, this is the highest importance for Investment Bankers. Despite there not being a statistical difference it may be of interest to investigate why Investment Bankers are more concerned with Country Governance and Political Risk than other demographics. Larger population samples would ideally be used for such a study. The ANOVA test with a 10% alpha indicates that the H_0 should be accepted and that there is a 73.0% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

As depicted in Figure 9: Country governance utility scores by category of work experience and in a similar fashion to the Figure 8: Country governance utility scores by duration of work experience, there are no unexpected findings. Visually, all demographic groupings had similar preferences for the various levels.

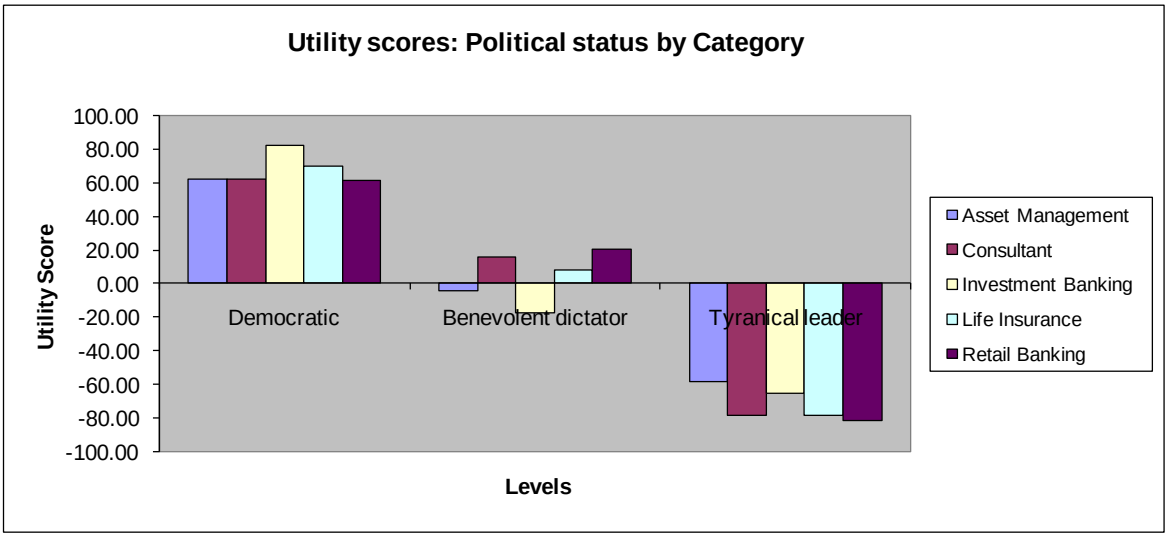


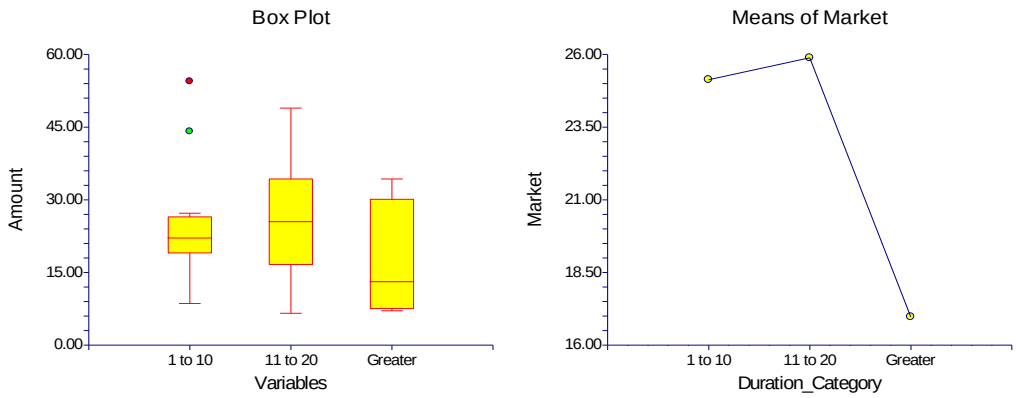
Figure 9: Country governance utility scores by category of work experience

4.5.4 *Market size and demand conditions*

The proxy for Market Size and Demand Conditions was the most important overall attribute with an average importance of 24.37. Analysis of this attribute by the demographic groupings showed no statistically significant differences. Of possible interest for further research is the fact that both Retail Bankers and Consultants used this attribute as their highest ranking attribute. Further, Retail Bankers rated this attribute the highest.

Market size and demand conditions by duration of tenure:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 40.1% chance that all medians are equal.



In the above box plot, there are two outliers for the 1-10 years duration category. The mean for the greater than 20 year category is 17.0 where it is 25.9 for the 11 to 20 category. This is interesting to note but not statistically relevant.

There are no unexpected findings depicted in Figure 10: Market size utility scores by duration of work experience. All groupings have increasing preference for the increasing proxy levels.

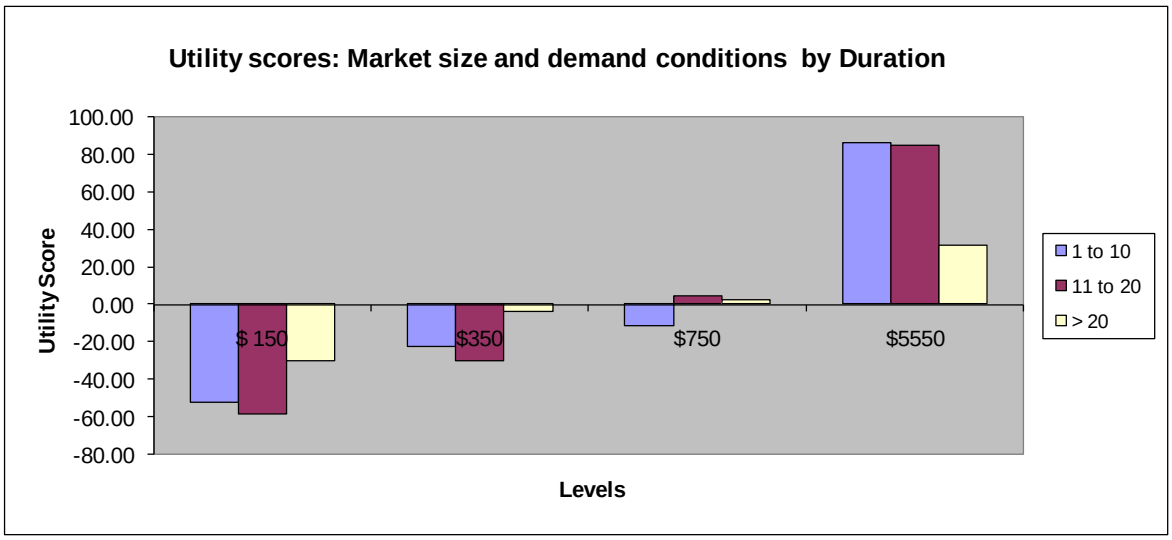
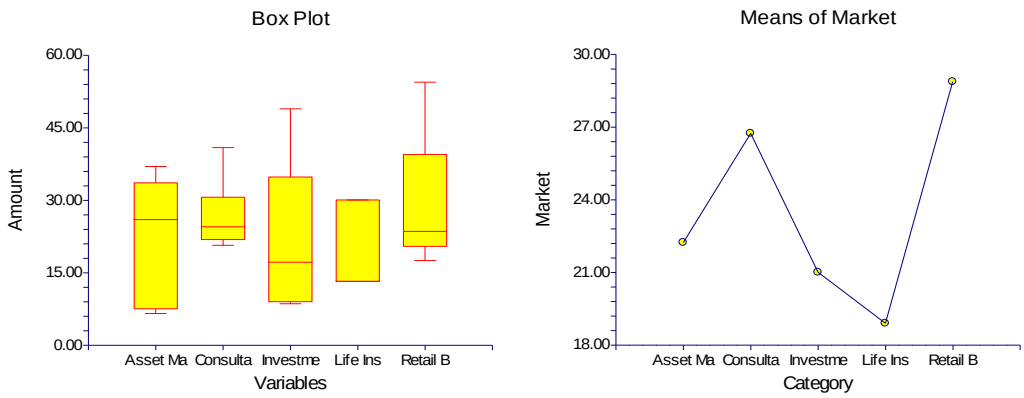


Figure 10: Market size utility scores by duration of work experience

Market size and demand conditions by category of experience:

The highest mean is found for Retail Bankers and the lowest mean is reported for Life Assurance. However, using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 54.6% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

As depicted in Figure 11: Market size utility scores by category of work experience, there are no unexpected findings. Despite the Life insurance demographic preferring the $150 to the $350 level which can be written off to suboptimal questionnaire construction and the fact that the Life Insurance demographic only had three respondents, visually, all demographic groupings had similar preferences for the various levels.

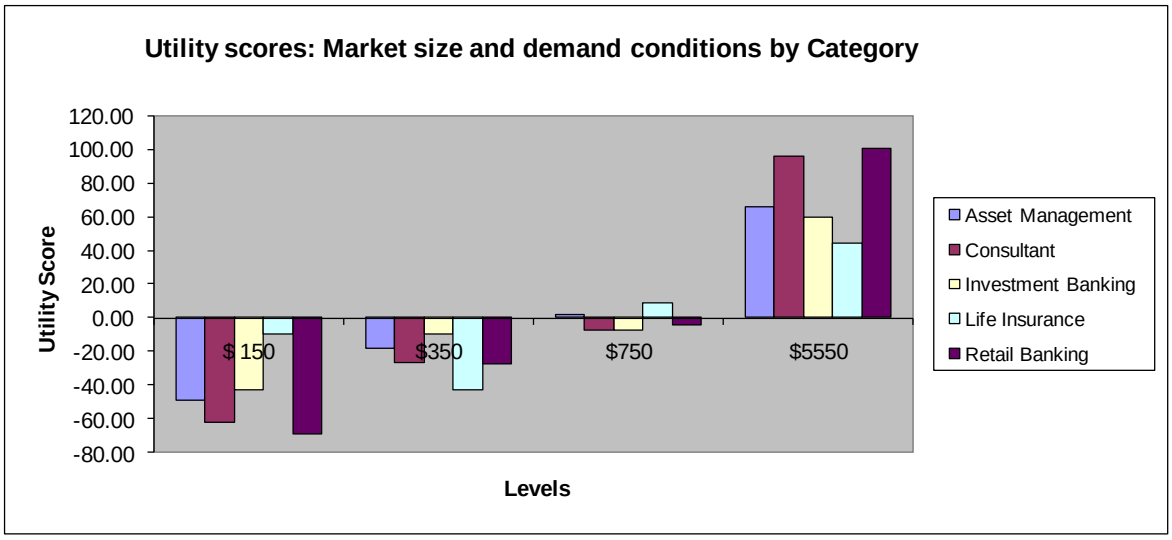


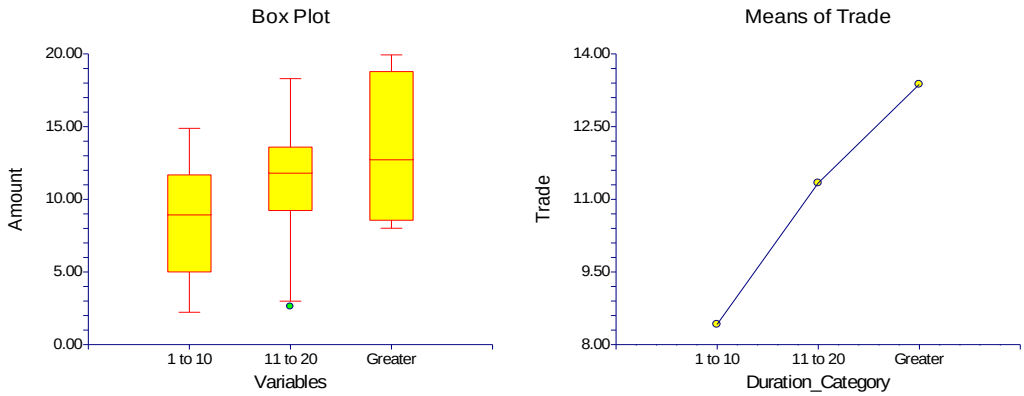
Figure 11: Market size utility scores by category of work experience

4.5.5 *Trade incentives, barriers and agreements*

Trade incentives, barriers and agreements is the fourth most important attribute with an average importance of 10.34.

Trade incentives, barriers and agreements by duration of tenure:

Analysing the Importance scores for this attribute and demographic grouping using a 10% alpha, the ANOVA test indicates that the H_0 should be rejected and that there is only a 9.6% chance that all medians are equal. The over 20 years experience category place statistically higher importance on Openness to trade than the other groups. It is however, important to note that there were only 4 respondents in this segment and this difference may be due to the small segment size.



As is noted in the box plot and plot of means above, the over 20 years experience category has a mean of 13.37. This is statistically higher than the other categories, specifically the 1 to 10 years experience category.

Figure 12: Openness utility scores by duration of work experience is the graphical representation of the utility scores for the proxy for openness to trade for this demographic grouping. Analysing the utility scores for this attribute shows that there is a fair amount of 'noise' in the data. This noise is spread across all three demographic groupings across the lower three level values. Given that this attribute is the fourth most used attribute in the study, this noise is probably an artefact in the data and a function of respondent fatigue as well as questionnaire construction.

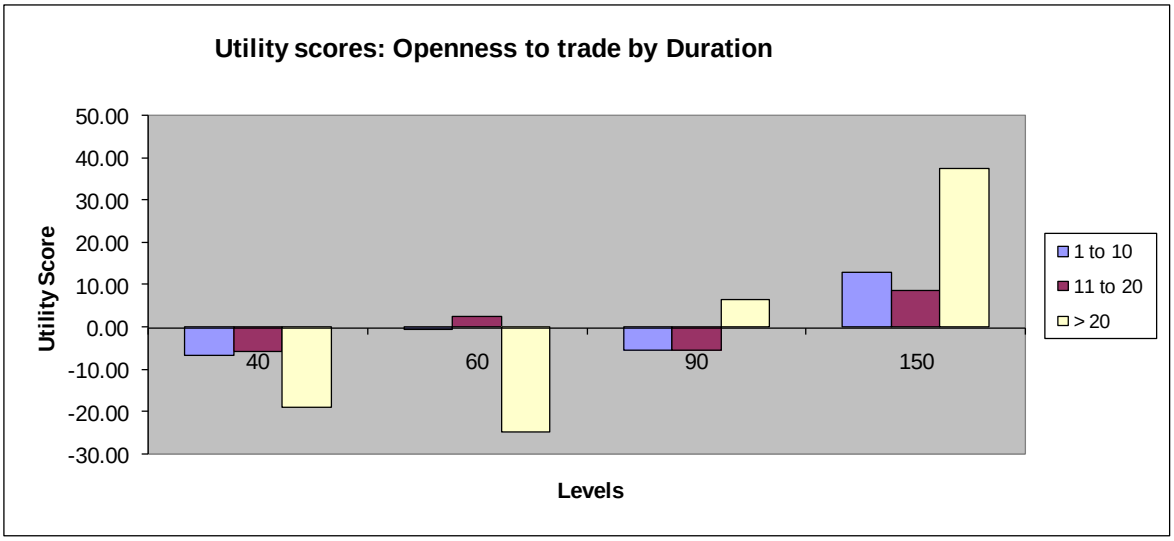
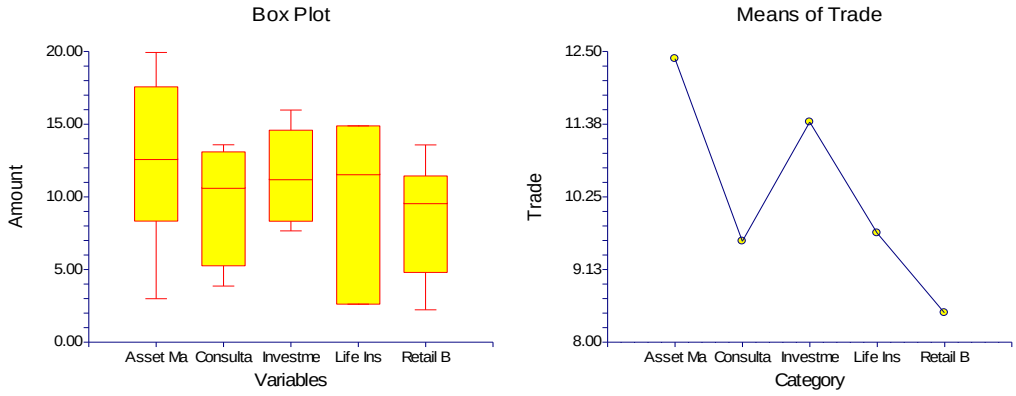


Figure 12: Openness utility scores by duration of work experience

Trade incentives, barriers and agreements by category of experience:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 59.9% chance that all medians are equal.



Using the box plot above, there is no clear visual trend that can be identified.

If Figure 13: Openness utility scores by category of work experience as with Figure 12: Openness utility scores by duration of work experience, there is an element of 'noise' in the data with the Consultants, Investment bankers and the Life Insurance demographic groupings all showing counterintuitive utility values for the four levels. Once again this finding is possibly due to the low importance of this attribute as well as questionnaire construction and respondent fatigue.

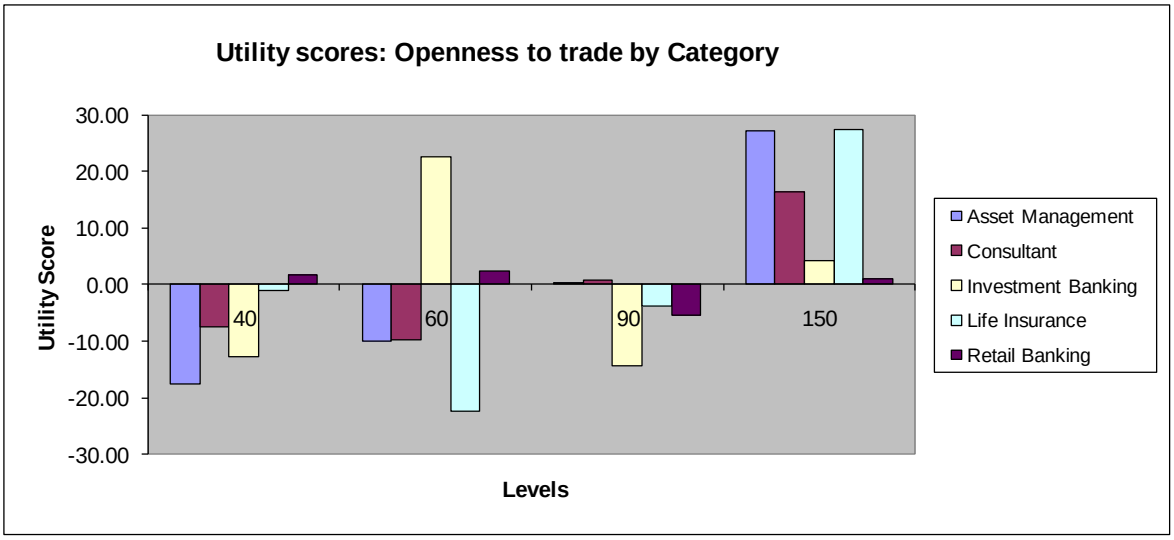


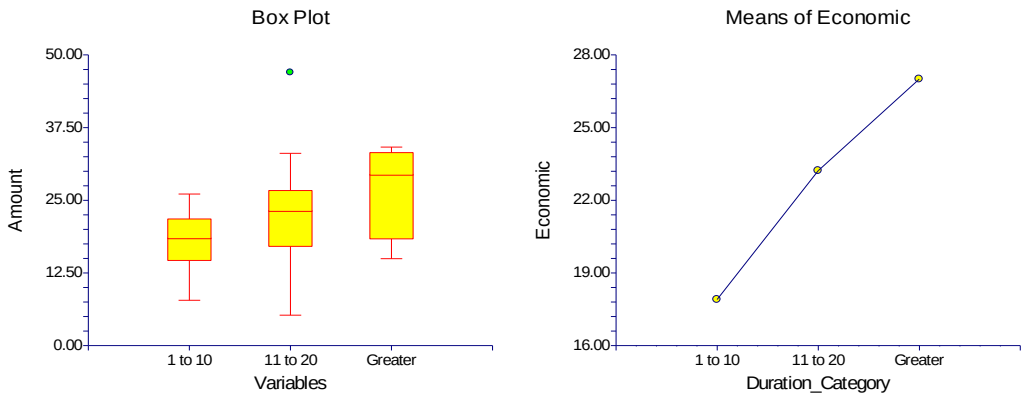
Figure 13: Openness utility scores by category of work experience

4.5.6 *Economic environment and macroeconomic performance*

Economic environment and macroeconomic performance was the third most important attribute with an average importance of 21.42.

Economic environment and macroeconomic performance by duration of tenure:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be rejected and that there is only a 7.6% chance that all medians are equal.



Using the above box plot and median plots, it can be seem that once again, the over 20 years experience category have a higher mean for this attribute than the other

categories. The mean for the over 20 years experience category is 27 where it is just 18 from the 1 to 10 years experience category. Once again, it is important to note that there were only 4 respondents in the over 20 years experience category.

As depicted in Figure 14: Economic environment utility scores by duration of work experience, the values for the utilities are proportioned in an intuitive manner. This attribute is the third most important attribute, and of similar magnitude to the first two attributes, so this can be expected.

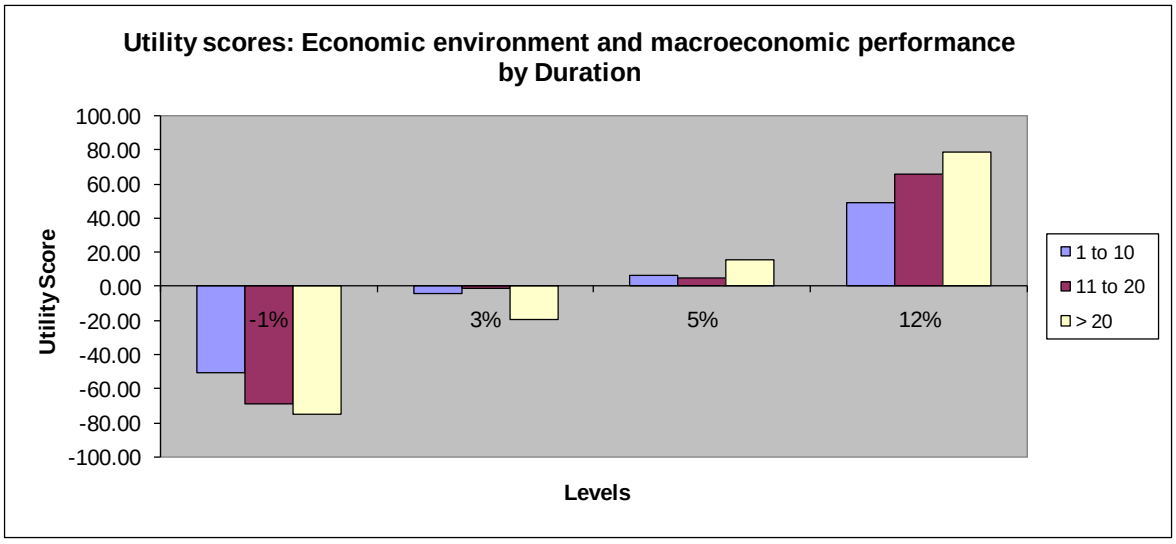
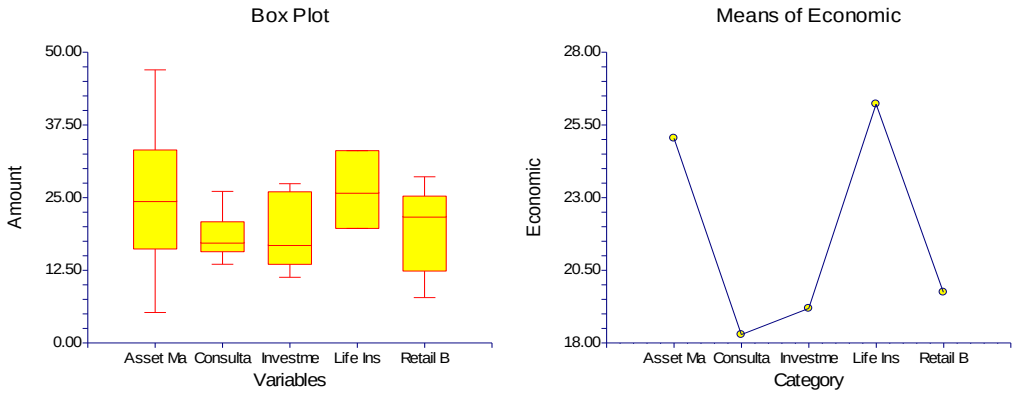


Figure 14: Economic environment utility scores by duration of work experience

Economic environment and macroeconomic performance by category of experience:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 44.7% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

As with Figure 14: Economic environment utility scores by duration of work experience, Figure 15: Economic environment utility scores by category of work experience shows the utility values for the economic environment and macroeconomic performance proxy. The utility values are once again distributed in an intuitive manner.

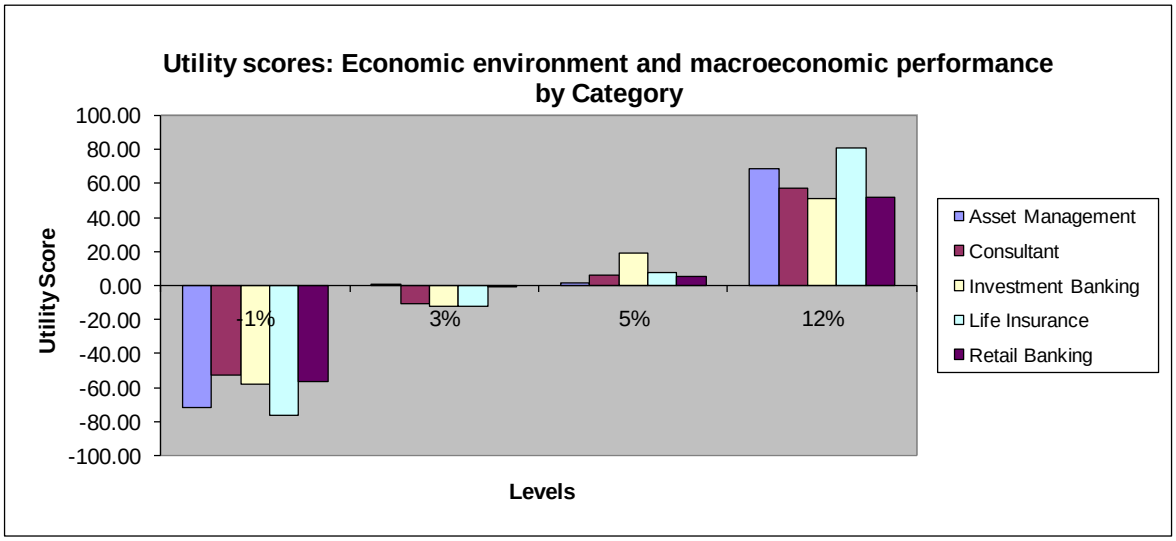


Figure 15: Economic environment utility scores by category of work experience

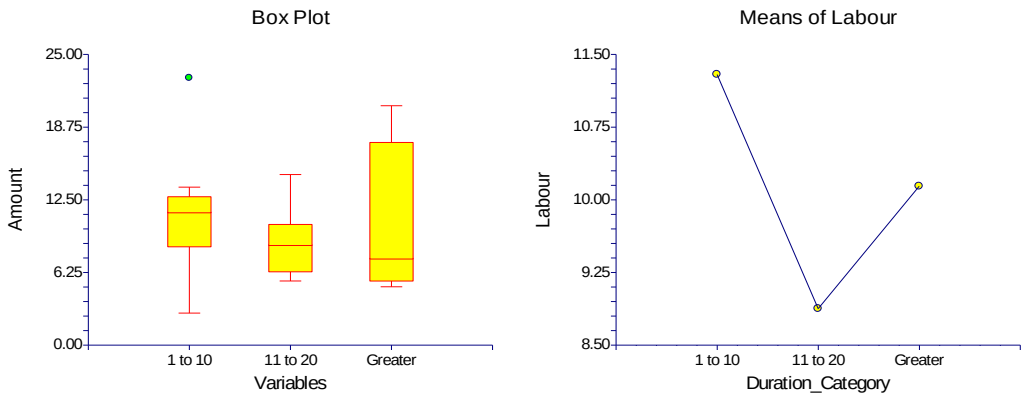
In both cases, it is visually represented that there is strong preference for the 12% level with an equal disregard for the negative 1% growth rate.

4.5.7 *Labour considerations*

Labour considerations were the fifth most important attribute with an average importance of 10.09. After analysing this attribute by demographic, no statistically significant differences were reported.

Labour considerations by duration of tenure:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 20.5% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

As highlighted earlier in this chapter, there is an eccentricity in the Labour proxy utility values. This eccentricity is depicted in Figure 16: Labour utility scores by duration of work experience, for all three demographic groupings, the respondents preferred the 30% level above that of the 45% level. This is counterintuitive and hence must be written off to the construction of the questionnaire.

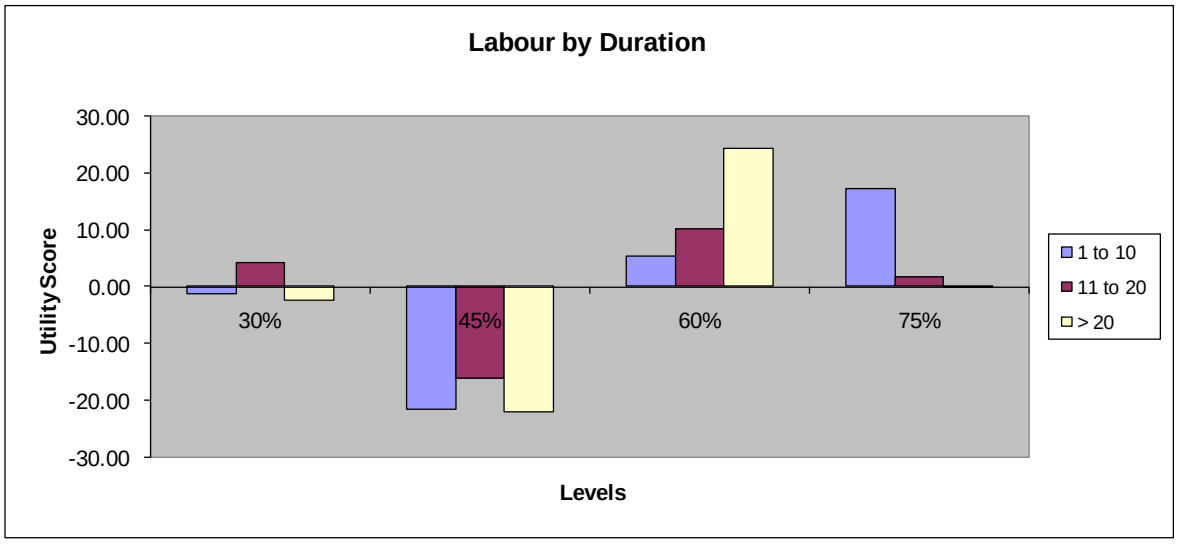
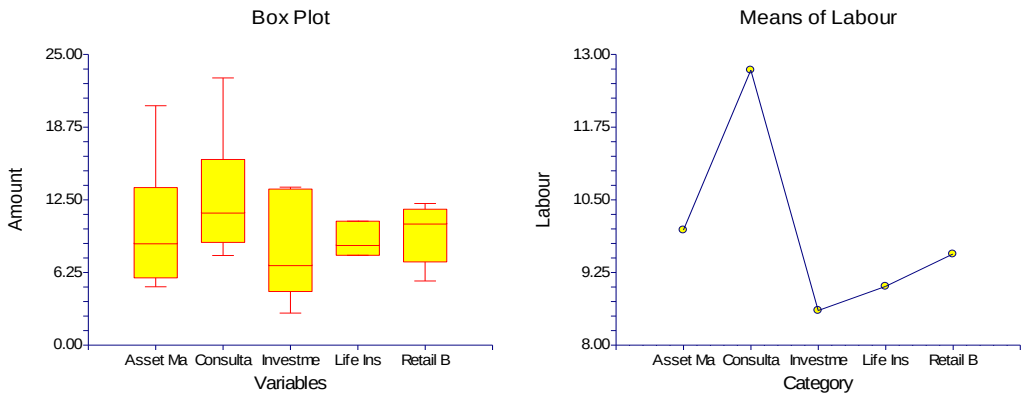


Figure 16: Labour utility scores by duration of work experience

Labour considerations by category of experience:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 62.1% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

Once again, as stated earlier, the 45% level is generally liked less than the 30% level value. The split of utility values by the category of experience attribute has a considerable amount of 'noise'. This is depicted below in Figure 17: Labour utility scores by category of work experience. This 'noise' is attributed to the structure of the questionnaire.

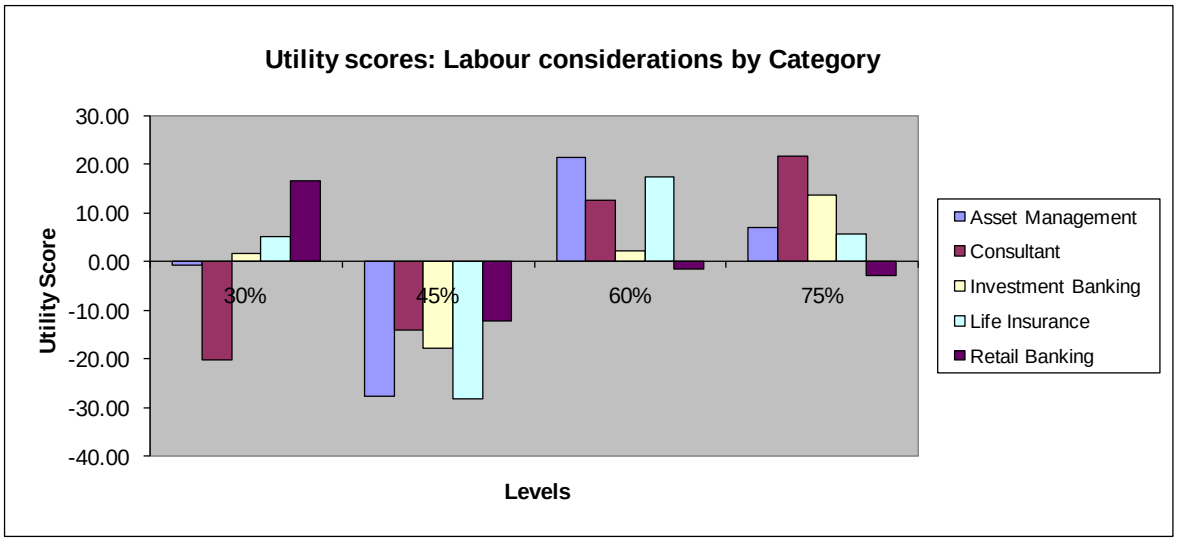


Figure 17: Labour utility scores by category of work experience

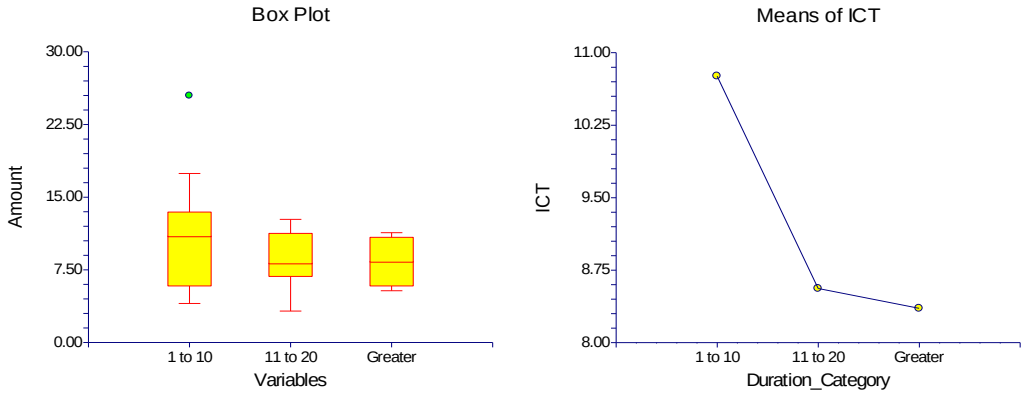
This eccentricity in level representation might be researched further. In order to do this, it is recommended that a more comprehensive combination of conjoint questions be used.

4.5.8 *Information and Communication Technology (ICT)*

ICT was the least important attribute with an average importance of 9.49. After analysing this attribute by demographic, no statistically significant differences were reported.

ICT by duration of tenure:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 63.4% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. The mean for the 1 to 10 year category looks to be higher but this might be influenced by the outlier depicted in the box plot. The box plot medians are visually aligned.

In Figure 18: ICT utility scores by duration of work experience, yet another eccentricity in utility values is depicted. Respondents with greater than twenty years experience preferred hypothetical scenarios with lower ITC prioritisation by governments. Once again, the questionnaire's construct and sample size are attributed to this counterintuitive finding. Two further contributing factors are the small demographic grouping size for the greater than twenty years experience demographic and the low importance value placed on the ICT attribute by most respondents. Refer to APPENDIX E – Individual Conjoint Utilities for detail relating to the utilities..

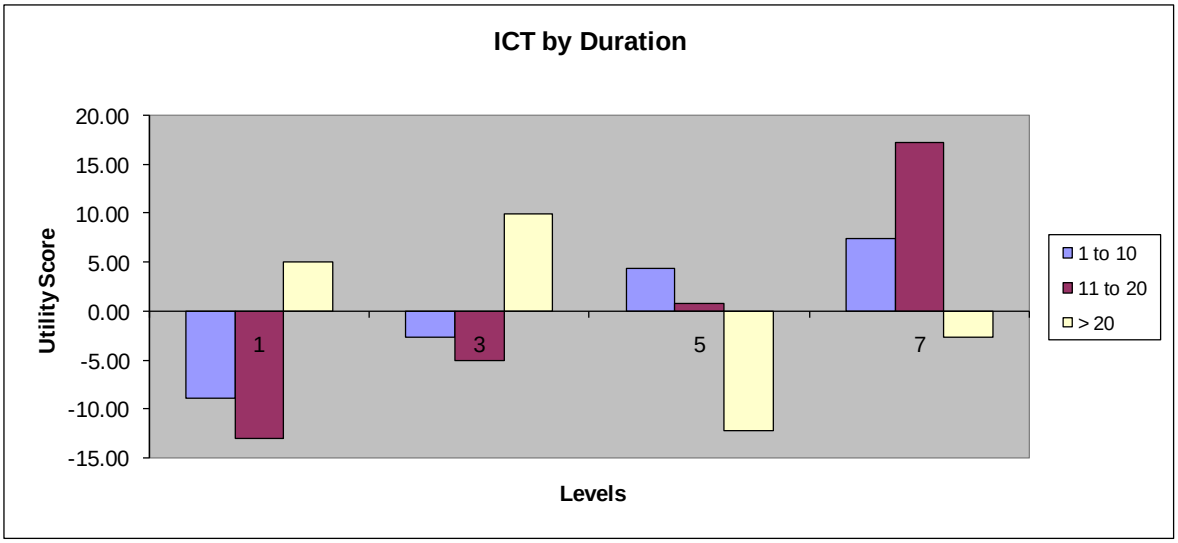
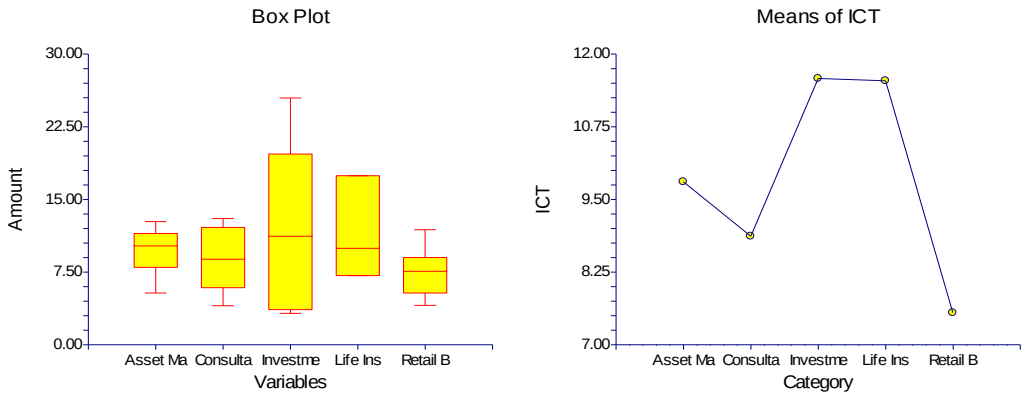


Figure 18: ICT utility scores by duration of work experience

ICT by category of experience:

Using a 10% alpha, the ANOVA test indicates that the H_0 should be accepted and that there is a 66.8% chance that all medians are equal.



This can be visually confirmed by the box plot and plot of means above. There is no clear visual trend either.

Figure 19: ICT utility scores by category of work experience depicts the utility values segmented by category of work experience. Once again there is some ‘noise’ which is attributed to the low importance of the ICT attribute and the construction of the .questionnaire

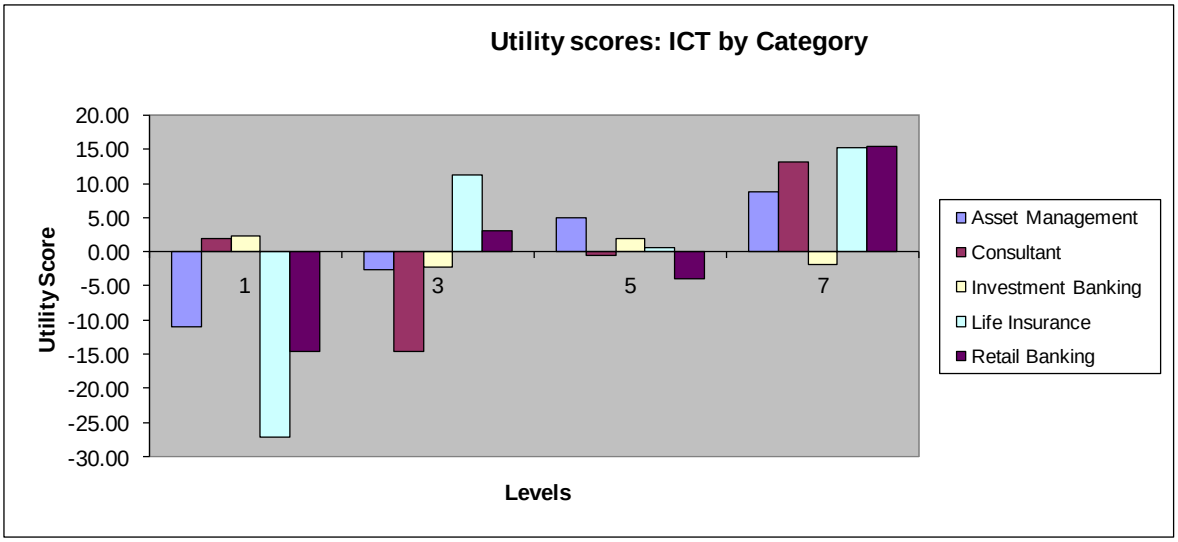


Figure 19: ICT utility scores by category of work experience

4.6 K-means cluster analysis

The Importances were analysed via a (K-Means) Cluster analysis. The results of this are reported in Table 13 K-means cluster and Table 14 Conjoint Importances and 3 cluster means.

Table 13 K-means clustering

Iteration No.	No. of Clusters	Percent of Variation	Bar Chart of Percent
2	2	80.06	||||||||||||||||||||||||||
6	3	62.46	||||||||||||||||||
7	4	52.29	||||||||||||||
12	5	45.63	||||||||||||

The optimal number of clusters is where the amount of residual variability drops off dramatically (Skree plot) but where there are still a manageable number of clusters. In this analysis, there is no obvious point where this happens. As noted in the table above, even with up to 5 clusters, there is still 45.63% variance in the data.

For completeness sake, the table below presents the cluster means for the case where 3 clusters are chosen. It is important to note that the residual variability is 62.46 percent or

just over 37.5 percent of the variability is explained by these 3 clusters. The conjoint Importances are included in the table for ease of reference, these are presented in Table 11 Average conjoint Importances.

Table 14 Conjoint Importances and 3 cluster means

Attribute	Conjoint Importances		Cluster 1		Cluster 2		Cluster 3	
	Imp.	Rank	C1 Mean	Rank	C2 Mean	Rank	C3 Mean	Rank
Political status	24.29	2	33.13	1	12.92	3	16.48	2
Market size and demand conditions	24.37	1	20.01	3	38.67	1	12.58	5
Trade incentives, barriers and agreements	10.34	4	9.05	4	11.60	4	12.23	6
Economic environment and macroeconomic performance	21.42	3	21.17	2	18.39	2	27.69	1
Labour considerations	10.09	5	9.03	5	9.03	6	15.42	4
Information and Communication Technology	9.49	6	7.63	6	9.40	5	15.60	3
Count	30		16		9		5	

There are 16 respondents in the first cluster with the remaining clusters housing 9 and 5 respondents respectively.

4.7 Reliability of Importance scores (Boot Strap)

A bootstrap analysis was undertaken as an added precaution to ensure internal validity of the analysis technique and the data set. This technique involves the selection and analysis of iterative random subsets of the data. The means and deviations of the subsets were compared to the overall means and deviations. Any abnormalities in the findings would indicate outliers overly affecting the results. A boot strap is a technique

that is typically used for larger data sets but it was adopted in this study in an effort to prove reliability.

Due to the small sample size of the original data set, the size of the sub-sets was limited to nine points. Nine was chosen as the size of the sub-set due to the fact that it was manageable to create sub-sets without using the same data point twice in the same sample. Thirty iterations were performed. This allowed the sample means to be analysed according to the central tendency theory.

The bootstrap technique should highlight any extreme responses which would cause undue influence in the ensuing smaller data sets and this will reflect in bootstrap samples that have significantly different means to the full data analysis. The bootstrap samples are a spread, however, and as such have their own mean and standard deviation, which is then compared back to the mean of the full data set.

In the analysis, each attribute is analysed against its bootstrap results to ensure that the results discussed in this chapter are valid. As can be seen in the graphs depicted in APPENDIX G –Bootstrap Analysis, in all cases, the red line is within the band of the two green lines. This shows that conjoint value is within a 90% confidence interval for sample mean of means and hence, within the context of the small data set, internal validity is proven.

4.8 Conclusion of presentation of results

In this chapter, the segmentation of the respondents was presented. The conjoint Importances and their corresponding utility values were presented in aggregate format as well as by demographic segment.

The proxy representing the Market size and demand conditions was the most important attribute. This in turn was closely followed by the proxies representing Political status and Economic environment. Each demographic segment was analysed via a one way ANOVA test using a 10% Alpha to confirm if there is a chance that there are statistical differences between the segmented respondent. There was once case where the H_0 should was rejected and this was for the proxy for Trade incentives, barriers and agreements by duration of tenure for the greater than twenty years experience segment.

A trend was noted whereby attributes with low importance scores had utility values that were counter-intuitively represented portrayed. This can be written off to a combination of factors including small segment size, sub optimal questionnaire construction, respondent overload due to there being 6 attributes thereby focusing on more important attributes and respondent fatigue.

The results of a k-means cluster analysis was presented. In this analysis, there were no clear clusters and despite looking to as many as 5 clusters, there was still 45.63% variance in the data.

Finally, the results of a bootstrap analysis was presented in an effort to prove internal validity of the date. No outliers were identified.

5 DISCUSSION OF THE RESULTS

5.1 Introduction to Discussion of Results

In this section the findings have been compared to previous research performed, and in particular to the findings of Charalambous. This is with regard to the relative ranking within their research against other determinants in order to gain a deeper understanding as to why the rankings vary.

Important to remember is the methodology that has been undertaken in this research, namely Conjoint Analysis, which uses one attribute with various levels to represent the full interpretation of a particular element being compared to other research findings. The single attribute therefore carries a broad interpretation. These attributes and their corresponding levels are therefore compared to other research in this context.

This chapter is concluded with the presentation of personal insights that respondents offered once they have completed the questionnaire.

5.2 Comparison of research Findings

The table below offers a comparison between the research findings of Charalambous (2006) and the current findings. The order of this table is in that of Charalambous' (2006) order of importance.

Table 15 Comparison of determinant ranking

Determinant	Charalambous (2006) Rank	Current Rank
Country governance and political risk	1	2
Economic environment and macroeconomic performance	2	3
Exchange rate considerations	3	N/A
Trade incentives, barriers and agreements	4	4

Determinant	Charalambous (2006) Rank	Current Rank
Infrastructure considerations *	5	6
Labour considerations	6	5
Market size and demand conditions	7	1
Geographic proximity	8	N/A
Economic agglomeration	9	N/A
Cultural considerations	10	N/A

* This research measured this determinant in the form of the government's attitude towards ICT infrastructure, Charalambous (2006) focused on general infrastructure considerations.

Notable from Table 15 Comparison of determinant ranking is that in Charalambous (2006), the seventh most important determinant was Market size and demand conditions, and in this research, this attribute was found to be the most important attribute.

In the table below, an adaptation of Table 1 Determinants in rank order (as found by Charalambous, 2006) and the finding of this research as presented in both Table 11 Average conjoint Importances and Table 15 Comparison of determinant ranking are presented. A convention of either Very Important or Less Important is adopted for the three highest and three lowest conjoint Importances respectfully. This is justified due to the large split between importance scores from Economic environment and macroeconomic performance at 21.42 to Trade incentives, barriers and agreements at 10.34. Those above 21 are classified as Very Important and those below 10.4 are classified as Less Important. The findings from Charalambous (2006) are further reduced to include only corresponding values for attributes analysed in this research. This table is ordered from most important attribute to least for the current research.

Table 16 Alternate representation of conjoint importances

Determinant	Charalambous (2006)	Current Research
Market size and demand conditions	Important	Very Important
Country governance and political risk	Very Important	Very Important
Economic environment and macroeconomic performance	Very Important	Very Important
Trade incentives, barriers and agreements	Very Important	Less Important
Labour considerations	Important	Less Important
Information, Communication and Technology considerations **	Important	Less Important

** Information, Communication and Technology was the attribute studied in this research where infrastructure considerations were analysed in the Charalambous (2006) study.

5.2.1 *Country governance and political risk*

This attribute was found to be the most critical attribute by Charalambous (2006). The importance of country governance and political risk was further emphasized by Drogendijk and Hadjikhani (2008) when stating that organisations will face problems in their business relationship going forward if they have a lack of knowledge thereof, which concurs with the view of Azzimonti et al. (2007) who raised the warning that once an investment has been made, a foreign investor cannot prevent the government in the host country from changing the environment in which the investment decision was made. As depicted in Figure 7: Conjoint Importances by duration of work experience and Figure 6: Conjoint Importances by Category of work experience respectfully, the trend indicates that people with 1-10 years work experience and those in the Investment banking category are in agreement with this finding. This finding is however, not significantly proven. On aggregate, as presented in Table 11 Average conjoint Importances, this research found that the Country governance and political risk attribute at 24.29 was a

close second to the Market size and demand conditions attribute at 24.37. Given the slightness of difference, the above bodies of research are closely aligned.

Further, these findings are aligned to Jensen (2003) and Li et al. (2003) who state that foreign investors increasingly take note of whether or not a society is a democracy, in part because of the trend towards corporate social responsibility, and also because of indications that well-functioning democracies pursue better economic policies.

Similarly, Mwangi (1995) and Arnold (1980) both found country governance and political risk to be amongst their top determinants.

In contrast however, to the findings of Kolstad et al. (2008) found their political variable to be insignificant for financial services firms yet but significant for other services firms. This study was however done across multiple countries, not exclusively SSA so this difference might explain the finding.

The high value for Standard Deviation for this attribute in this research as represented in Table 11 Average conjoint Importances is consistent with the contrasting opinions of the authors highlighted above.

5.2.2 *Market size and demand conditions*

In the literature reviewed, there were two commonly used measures to take into account the market size and demand conditions of the host country, namely the income level of the economy which is focused on the market size and secondly, the per capita income which focuses on the purchasing power. In this research, the purchasing power or GDP per capita was used as the proxy for market size.

In this research, the market size and demand condition attribute was found to be the most important attribute with a conjoint importance of 24.37. In contrast, Charalambous (2006) found this to be the seventh most important attribute, whereas Arnold (1998) found market size to be the third most important attribute and MIGA 2002 cite access to customers as the top rated reason why companies expand into developing markets. Furthermore, Kolstad et al. (2008), Mollick et al. (2006) and Demir (2007), who all used GDP per capita as their measure of market size, all found this attribute to be significant.

Sakarya et al. (2007) further emphasize the strong relationship between potential international business transactions and market size.

Despite the segregated findings not being statistically significant, the 11-20 years work experience grouping and both Retail Bankers and Consultants found this attribute to be the most important attribute. These findings are graphically represented in Figure 7: Conjoint Importances by duration of work experience and Figure 6: Conjoint Importances by Category of work experience respectfully.

Despite not being statistically proven, the attribute for market size and demand conditions has the highest value for Standard Deviation of 12.18 indicating a low level of consensus amongst respondents.

5.2.3 *Trade incentives, barriers and agreements*

Trade incentives, barriers and agreements were found to be the fourth most important factor with a conjoint importance of 10.34. This attribute was classified as 'Less Important' as per Table 16 Alternate representation of conjoint importances.

As can be visually represented in both Figure 7: Conjoint Importances by duration of work experience and Figure 6: Conjoint Importances by Category of work experience, regardless of how the respondents are categorised, the importance scores for trade incentives, barriers and agreements are always lower than those of the top three attributes.

In contrast to the first two attributes presented in this chapter, trade incentives, barriers and agreements had a much lower standard deviation. Although not proven statistically, this would indicate a greater consensus amongst respondents as to the final importance score being less important. This, along with the fact that Charalambous (2006) found this determinate to be very important would make this an interesting point to investigate in future research.

Along the same vein as Charalambous (2006), Kandiero (2003) states that markets which are more open are likely to create significant economic wealth through more efficient allocation of resources, thus resulting in longer term increases in both

productivity and investments. Likewise, Addison et al. (2002) find that openness to trade has a positive impact on FDI flows to a country and Bevan (2000) concurs that it is generally accepted that FDI and openness of the economy are positively related. Helleiner (1988) points out that investment incentives created by the government, such as tax holidays, appear to play a limited role in inter-country investment decisions, particularly when these incentives are thought to compensate for other comparative disadvantages. However, it is still agreed that removing restrictions and providing good business operating conditions will positively affect FDI flows.

5.2.4 *Economic environment and macroeconomic performance*

The findings of this research and that of Charalambous (2006) are aligned for the economic environment and macroeconomic performance attribute, in that both find this attribute to be very important. This attribute was the third highest importance score behind the political environment and the market size.

With an overall importance score of 21.42 and a standard deviation of 8.56, there is some alignment between respondents but not as much as with other attributes.

Chowdhury (2003) recognises that most studies on the determinants of FDI use a measure of macroeconomic stability to analyse the flow of FDI. Further to this, these measures are found to be significant, however, from the literature, there are various conflictive opinions as to how best to measure this attribute. Asiedu (2002) selected the liquid liability to GDP ratio as an indication of the health of the economic environment. Schneider et al. (1985) selected more than a single measure by analysing the size of government, financial stability, attractiveness of the market, return on investment and GNP per capita via measures such as government spend to GDP ratio, the inflation rate, the GDP growth rate and the inverse of real GDP per capita.

Possibly, had an alternative proxy been selected to represent the economic environment, the findings may have altered.

5.2.5 *Labour considerations*

The total number of enrolments as a percentage on the number of people of a school going age was used as the proxy for the education level of the population in this study. As tabulated in Table 11 Average conjoint Importances, Labour considerations was found to be the 5th most important attribute with an importance score of 10.09 and a standard deviation of 4.32. This attribute has been classified as less important for the purposes of this research. Having the lowest standard deviation value all the attributes is an indication of the high level of agreement amongst respondents that this attribute was not prioritised during the answering of the questionnaire.

This is in contrast to the Miyamoto (2003) finding where it states that the level of human capital is a crucial factor and an important determinant of FDI, especially among efficiency-seeking organisations that require a skilled workforce as one of the key inputs as well as Erramilli et al., (1993); Campbell et al., (1994); Grosse, (1996); Kucera, (2002); Bouquet et al., (2004) who conclude that local labour skill levels, regulations governing labour contracts, levels of unionisation, the relative cost of labour, and availability and productivity rates are all included as aspects of the local labour market that influence FDI.

The respondents to this research are leaders in the South African financial services industry answering the questionnaire in the context of South African Financial Services firms expanding into SSA countries. From these results, it can be concluded that the consideration for South African financial services firms is not efficiency-seeking, but rather market seeking investments.

Of particular interest in the detailed analysis of the level utility scores for this attribute was the counterintuitive distribution with respondents not liking the 45% enrolment level but not minding the 30% level. This may be an artefact from the questionnaire but might also be investigated further in subsequent research.

5.2.6 *Information and Communication Technology*

The perception of the government prioritisation of the ICT as a sector, measured on an interval scale between 1 and 7 will be used. This measure was adopted from the World

Bank measure for the quality of the available ICT infrastructure in the country. The premise here is that if a countries population believe that ICT is a priority, then the population must believe that the ICT infrastructure in the country is reasonable.

In this research, ICT had the lowest importance score of 9.49. This was classified in Table 11 Average conjoint Importances as Less Important. The standard deviation for the attribute was 4.53 which, although not statistically important, implies a relatively high level of agreement between respondents. This finding is somewhat aligned to Baliamoune-Lutz (2003) who emphasize that there are ambiguous conclusions concerning the link between ICT use and economic growth in developing countries.

In contrast to this finding, the opinion of both Addison et al., (2002) and Soper, (2006) who believe that any study into the determinants of FDI flows should take into account new technological developments. Likewise, Gholami et al. (2003) state that when analysing the determinants of FDI, the impact of changes in the global economy, inter-alia the spread of the ICT, should be considered.

On aggregate, their utility scores are intuitively split but, as shown in Figure 18: ICT utility scores by duration of work experience and Figure 19: ICT utility scores by category of work experience, an eccentricity in utility values is depicted. The questionnaire's construct and sample size are probably attributable to this counterintuitive finding.

5.3 Personal insights of respondents

After completing the questionnaire, respondents were given the option to comment on their personal insights on the subject. A selection of these personal insights highlighting various Issues and opinions that were provided by respondents when completing the survey have been included in this section with the objective being to align the findings of this research to any strong views felt by the various respondents..

5.3.1 *Market size and demand conditions*

Ranked as the most important determinant in this research, its importance was emphasized by one particular respondent who raised the view that his "own preference

is strongly for market size and then growth. Market size might be more meaningfully measured through population size. Nigeria as an example. Further research might use both metrics for market size."

5.3.2 *Country governance and political risk*

One of the respondents emphasized the importance of the relationship between this determinant, which ranked as the second most important determinant, and the particular business or market that is targeted by the investor: "The selection criteria for the market depend largely on what particular business or market one seeks to target, but in general I believe that the most important criteria for most investments or expansion decisions would be leadership (in particular tyrannical leader is a huge negative) and GDP growth.". The importance of this determinant was further emphasized by another respondent who stated that he "will always be concerned that a tyrannical leader with destroy an economy over time and so for me it's a critical component. The larger the educated population though, over time, that population is unlikely to tolerate a tyrannical leader. The best thing a tyrannical leader can do to ensure longevity is to have a poor education system; although in the long term that will ruin the country:"

However, this was contradicted by another respondent who said that "when completing this questionnaire, I found it interesting that issues of openness of market and growth rate were far more important to me than political dispensation."

5.3.3 *Economic environment and macroeconomic performance*

Although ranked in this research as the third most important determinant, one respondent's views on its importance were communicated as follows: "Economic growth is of the utmost importance, followed closely by per capita GDP income. Dictators can be managed. Communication can be done by satellite and does not have to come from government. High growth should lead to higher income, should lead to higher levels of school enrolment."

5.3.1 *Trade incentives, barriers and agreements*

Ranked as the fourth most important determinant, the importance of the openness of an economy was emphasized by a respondent who stated that “Democracy and openness of the economy are key. e.g. Ghana, Zambia and Tanzania are driven by purely being a democracy despite all other factors. Uganda has a tyrannical leader, but the economy is very open so it is also a good investment destination. Dictatorships are never favoured.”

5.3.2 *General comments offered by respondents*

Certain comments made by respondents could not be easily categorised into the above headings, but have been included below to ensure completeness.

Citing certain areas which were found to not have been included in the research questionnaire, but were found to be important by certain respondents were as follows:

- “I have noticed that, the survey does not put much emphasis on Country Risk”
- “One thing that was not included was geographical location wrt proximity and following a customer base. Another consideration for operational expansion is Greenfield vs. acquisition. Preferred option may also depend on whether you are retail or investment banking as they may have slightly different criteria. First mover advantage may also sway a discussion into a market that would not normally be considered.”

Certain statements were also made which indicate that certain assumptions were made which affected the choice of determinants made by respondents as follows:

- “Selections were made based on which scenarios would most likely translate into a long term increase in LSM levels.”
- “It was sometimes difficult to associate the levels of criteria in a scenario as being possible. Assumptions get made regarding ability to influence the situation when answering the questions.”

5.4 Conclusion of discussion of results

Due to the large discrepancy in importance scores between the first three attributes and that of the second three attributes, a two tier categorisation convention of 'Very Important' and 'Less Important' was adopted. In contrast, Charalambous (2006) who studied 10 attributes had adopted a three tier categorisation convention of 'Very Important', 'Important' and 'Less Important'.

Market size and demand conditions, Country governance and political risk and Economic environment and macroeconomic performance all had importance scores greater than 21.4 and hence were all classified as Very Important in this research. Likewise, Charalambous (2006) found Country governance and political risk and Economic environment and macroeconomic performance to be Very Important. However, Charalambous (2006) classified Market size and demand conditions as important.

Trade incentives, barriers and agreements, Labour considerations and Information, Communication and Technology considerations all had importance scores of less than 10.4 and hence were classified as Less Important. Likewise, Charalambous (2006) classified Labour considerations and Information, Communication and Technology considerations as Important on the three tier scale with a contrasting Very Important for Trade incentives, barriers and agreements.

As part of the questionnaire, respondents were given the opportunity to provide their personal insights. Some respondents commented on other factors that they considered relevant to the subject but due limitation of the methodology used, being a conjoint analysis, a limit of six attributes, being the most important attributes highlighted in the literature, were selected in this study. Further research may include the other attributes to offer a more holistic view of the subject.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The purpose of this research was to explore how decision makers within financial services firms prioritise various criteria when evaluating possible emerging markets within Sub-Saharan Africa (SSA) into which they might expand their operations.

The primary output of this research should, in turn, empower these constituents in making similar decisions. As a secondary output, policy makers may be able to use the findings to better suit their countries to attract FDI. In an effort to support these intents, the results presented in the prior two chapters are concluded below. Subjective interpretations and recommendations are offered that are influenced by the research.

6.2 Conclusions of this research

In approaching this research, the prior work of Charalambous (2006) was partly influential in the selection of the determinants. This research was a mixed methodology study with a substantial focus on the qualitative component of the research. Ten determinants were analysed and these intern influenced the selection of determinants selected for this research. Due to a conjoint analysis methodology constraint, only six attributes were used.

The three attributes with the highest importance scores were classified as Very Important while the remaining three attributes with considerably lower importance scores were classified as Less Important. Of interest, although not statistically proven, is the degree of agreement, measured as the standard deviation, between respondents for the very important attributes was, at most, half as much as that of the less important attributes. Despite using a k-means cluster analysis to look for similarities amongst respondents, there were no obvious logical groupings.

As detailed in Table 11 Average conjoint Importances, seventy percent of the decision made by the respondents was based on the top three, very important, attributes. The market size and demand condition attribute has the highest importance score of 24.37. It

is interesting to note yet not statistically proven that, despite the high importance score, there was not a high degree of agreement amongst respondents as the standard deviation is 12.18. In the context of this research, market size and demand conditions were portrayed as GDP per capita. It follows that decision makers within financial services firms should look to countries with higher GDP per capita measures. Governments looking to attract FDI would need to increase their GDP per capita numbers.

The next highest in importance, and marginally lower than the prior one, was country governance and political risk with a score of 24.29. Once again there is a high, yet statistically unproven level of disagreement between respondents with a standard deviation of 12.07. Here, it follows that policymakers who want to attract FDI to their country should strive for a democratic society. Decision-makers within financial services firms should prioritise markets with democratic leaders.

The third highest importance score was for that of the economic environment and macroeconomic performance of the country. The importance score is 21.42. Again, there was an un-statistical proven high degree of disagreement by respondents depicted by the standard division of 8.55. The proxy for this attribute was the GDP growth rate.

Of the less important attributes, with the statistically unproven higher degree of agreement amongst respondents, trade incentives, barriers and agreements was the highest ranking attribute with an importance score of 10.34 and standard deviation of 4.56. This implies that efforts would be better spent by policy makers driving macroeconomic performance and conducive political environments that negotiating trade agreements. Likewise, financial institutions will focus their investment decisions on larger, growing markets with favourable political dispensations.

The second lowest importance score was for Labour considerations. This was 10.09. Interestingly, despite not being proven statistically significant, this attribute had the highest degree of agreement with a standard deviation of 4.32. The Labour considerations attribute was measured as the enrolment rate in schools, as a measure of the education level of the population.

Finally, government prioritization of the ICT sector was the least important attribute with an importance score of 9.48.

6.3 Recommendations

The researcher has certain recommendations that emerge from this research for both the financial services decision maker and the country policy maker. These have been detailed below.

This research shows that there is no single defining criterion or attribute that decision makers use in analysing which possible market they find more attractive and that seventy percent of the financial services firms' decision comprises only three of the criteria. As such, the researcher has identified an opportunity to create a preliminary short-list of possible attractive markets using readily available data. This short list will, in turn, reduce the cost of the market selection process for financial services firms looking to expand. The financial services firm must, however, be cognisant of the fact that there are many other factors that might come into play when making such a decision. Examples of these are legislative frameworks, Greenfields vs. acquisition strategies, opportunistic strategies and geographical proximity to the local market. Despite the extremely high contribution to the decision of these three criteria, when making the final decision, a holistic review should always be undertaken.

Despite three attributes making up seventy percent of the decision, in its entirety, it is a multi-factorial decision making process and many aspects should be considered. In this light, policy makers within SSA therefore need to attempt to encompass as many of these factors as possible when looking to attract FDI in the financial services sector. Policies that encourage political stability, an improved economic environment with superior macroeconomic performance and improved demand conditions should be adopted. Policy makers should be aware that tyrannical leaders and low GDP per capita levels are the least attractive environments for financial services decision makers to invest with utilities of negative seventy one and negative fifty two respectfully. Conversely, high GDP growth rates and democracies are attractive investment destinations with sixty and sixty six utility scores.

None of the attributes analysed in this research lend themselves to quick transitions from poor to improved states so policy makers need to be aware that environments that are conducive for investment take time to build and must be nurtured in order to maintain or improve the desired level. When countries undergo dramatic changes such as changes in leadership, they should be aware of the potential influence that this has on FDI flows. Creating an environment with a high GDP growth rate, high educational enrolment numbers or high GDP per capita does not happen in a short period of time since investors look at both historical track records for comfort as well as predicted performance based on market perception of current policy makers. Fundamental policies that are conducive to investment need to be carefully developed and meticulously implemented.

6.4 Suggested further research

- The top three attributes being country governance and political risk, market size and demand conditions, and economic environment and macroeconomic performance accounted for seventy percent of the decision makeup. By definition, these attributes were broad in their construction. A more detail study into the sub-elements of these three attributes would be of interest to the same population as this research.
- Market size and demand conditions are interpreted in this research as GDP per capita. This attribute could also have been defined as population size. Similar research should be undertaken with both these definitions to distinguish which is the more relevant criteria.
- This research has investigated the degree to which decision makers within financial institutions are influenced by six attributes when reviewing markets for possible expansion. The interplay between the attributes themselves has not been studied. Further research should analyse the degree to which some of these attributes are the cause and or the effect of the other attributes. Possibly, a country's improved ICT infrastructure leads to better efficiencies and improved GDP and or GPD growth rates. This cause and effect relationship is not analysed in the current research.

- The one-way ANOVA test showed three statistical differences in demographic groupings. These might be artefacts of a suboptimal questionnaire construction, anomalies, or real findings. Despite them being statistically different, the researcher suggests that they are further analysed. These statistical findings are:
    - The investment bankers have a statistically significantly more positive response to the trade incentives, barriers and agreements 60 attribute level.
    - The over 20 years experience group placed statistically higher importance on both the economic environment and macroeconomic performance than the 1-10 years work experience category. It is important to note, however, that there were only 4 respondents in the over 20 years work experience demographic, of which, 3 were Asset Managers, so the sample may be biased.
- The trade incentive, barriers and agreements attribute levels and the labour consideration attribute levels had counter intuitive spreads in utility values. In the case of labour consideration, the ratio of 45% enrolment in education measuring less well than the 30% enrolment with 60% measuring the most favourable. Interpreted literally, this implies that respondents prefer a somewhat educated population and not a un-educated nor well educated population. This seems to be an eccentricity in the data and might be investigated further. Likewise for trade incentive, barriers and agreements attribute levels.
- The level of disagreement between the respondents, measured as the standard deviation as a percent of the importance score is high (between 40% and 50%). This research should be undertaken with a larger population to investigate this phenomenon.

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APPENDIX A – REVIEW OF DETERMINANTS LITERATURE

Table 17: Determinant review

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
Country governance and political risk	Mwangi 1995		The third most important factor in this research	Following the findings of Addison et *al.* 2003, this is the variable used in this study. The levels for this attribute will be democracy, benevolent dictator, or Tyrannical leader.
	Arnold 1998		The most important factor in this research	
	Charalambous 2006		The most important factor in this research	
	Asiedu 2002		Political instability. Measure average assassins/revolutions	
	MIGA 2002		Second most cited reason for expansion	
	Schneider et *al.* 1985	Political instability.	Measured by determining the chance of a change in government	
	Singh 1995	Left/right wing		
		Aid from Communist countries.	Negative correlation	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
		Aid from West.	Positive correlation	
		Work hours lost due to labour disputes	Significantly relevant	
	Kolstad et *al.* 2008		Political variable insignificant for financial services but significant for Services firms. Study done across multiple countries, not exclusively SSA.	
	Addison et *al.* 2003	Measure if the new market is a democracy or not.	Foreign investors increasingly take note of whether or not a society is a democracy. The most significant variable in this study.	
Market size and demand conditions	Arnold 1998		The third most important factor in this study	The two most commonly used measures to take into account the market conditions of the host country are the income level of the economy to
	Charalambous 2006		The second most important factor in this study	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
	MIGA 2002		Access to customers is the top rated reason why companies expand into developing markets.	capture the market size and the per capita income to capture the purchasing power. In this study, GDP per capita is used as a proxy for market size.
	Kolstad et *al.* 2008	GDP per capita	Found to be significant	
	Mollick et *al.* 2006	GDP per capita	Found to be significant for services firms	
	Demir 2007	GDP per capita	Significant for market-seeking FDI	
	Sakarya et *al.* 2006	GNP per capita, televisions-radios-telephones-cars-trucks-newspapers per 1,000 population, level of GNP, inflation, energy consumption, steel consumption, cement production per capita, balance of payment trends, indexes of convertibility of currency and development of local capital markets	Highlights many possible proxies to measure market size.	
	Kandiero et *al.* 2006	Market size captured by GDP per capita adjusted for Purchasing Power Parity.		

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
	Charalambous 2006		The fifth most important factor in this study.	
Labour considerations	MIGA 2002		Ability to hire technical professionals, ability to hire management, the cost of labour, Labour relations and unionization all rank highly as concerns for MNCs expanding to new markets.	The combined number of students enrolled in primary, secondary, and tertiary levels of education, regardless of age, as a percentage of the population of official school age for the three levels.
	Schneider et *al.* 1985	Neg. cor. wage bill.		
	Dunning 1981	Pos. Share of age group with secondary education.		
		Labour costs		
	Mwangi 1995		The sixth most important factor in this study.	
	Addison et al. (2002)	measure education as the percentage of children enrolled in secondary school		
Trade incentives, barriers and	Arnold 1998		The fourth most important factor in this study.	Openness to Trade proxied by (Imports and exports) as %

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
agreements	Charalambous 2006		The ninth most important factor in this study.	of GDP. There is general agreement in the literature that there are no easy ways to measure openness and maintain accuracy in measurement. The authors generally concur that for the chosen measure is sufficiently accurate for the type of study.
	Asiedu 2002		Ratio of trade to GDP. Need to set up local ops.	
	Edwards 1992			
	Sachs et *al.* 1997	Series of trade indicators as proxy to measure openness: tariffs, quotas coverage, black market premium, social organisation existence of export marketing brands.	Flaw only indicates if country is open or closed – hence countries with trade intervention policies are perceived open.	
	Balassa 1982	Trade dependency ratios and rate of export growth	Edwards 1998 – limitation as country can have trade distortion and still have high dependency	
	MIGA 2002		Third most frequent reason cited for companies expanding to emerging markets	
	Schneider et *al.* 1985			
	Dunning 1981	Government incentives		

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
	Kandiero et *al.* 2003 and Kandiero et *al.* 2006	Exports plus imports as a share of GDP.	Useful, but an imperfect measure.	
	Addison et *al.* 2003	Openness measured as Imports and exports as % of GDP.	Openness to trade is a significant indicator of FDI.	
	Beck 2000	Openness to trade measured as Imports and exports as % of GDP.		
	Ades et *al.* 1997a	Share of imports in GDP	Concern is that it does not capture Openness accurately.	
	Mwangi 1995		The fifth most important factor in this study.	
Economic environment and macroeconomic performance	Charalambous 2006		The fourth most important factor in this study.	GDP Growth Rate is the most frequently cited proxy measure for economic environment. Various studies use this measure and find significant correlation.
	Asiedu 2002	Financial Depth	Liquid liability to GDP	
	Schneider et *al.* 1985	Size of government	Government spend to GDP	
		Financial stability	Inflation rate	
		Attractiveness of the market	GDP growth rate	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
		Return on Investment	Proxied by inverse of Real GDP per capita	
		GNP per capita.		
	Addison et *al.* 2003	Rate of growth of GNP.		
		Negative correlation to rate of inflation.		
		Negative correlation to deficit on BoP.		
		Negative impact of a high tax rate funding government expenditure on the economy.	Measured as Government spend as % of GDP. This has a negative correlation to FDI. Contrary to this, high government expenditure may show stability in consumption patterns and this expenditure could be development of infrastructure.	
	Kolstad et *al.* 2008	GDP Growth Rate	This is positive and significant in its effect on FDI.	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
		GDP Growth rate	Significant for services firms	
	Gholami et *al.* 2006		Significant across sectors	
Information and Communication technology	Addison et *al.* 2003	ICT spend as % of GDP	Significant indicator of FDI	Measure government prioritisation of the ICT sector on Interval scale from 1 (strongly disagree that ICT is a priority) to 7 (strongly agree that ICT is a priority for the government).
	Baliamoune-Lutz 2003	Cellular mobile subscribers per 100 inhabitants, personal computers per 100 inhabitants, Internet host per 10,000 inhabitants, and Internet users per 10,000 inhabitants.	ICT also includes other indicators such as fixed telephones, radios and television sets.	
	Soper 2006			
	Charalambous 2006		The third most important factor in this study.	
	Zhen-Wei Qiang *et al.* 2006	Measure government prioritisation of the ICT sector	Measure used by the World Economic Forum for measuring government prioritization of the ICT sector. Interval scale from 1 (strongly disagree) to 7 (strongly agree).	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
Infrastructure considerations	Asiedu 2002	Number of phone lines per 1,000 population	Asiedu says that there is substantial debate as to the usefulness of this measure. Used in the absence of a preferable measure.	Measuring Infrastructure and ICT may lead to an overlap in the determinants. The proxy most often used to measure infrastructure is the number of telephone lines per 1000 of population. This is in fact an indirect measure of ICT.
	MIGA 2002		Cost of utilities, Roads, Availability and quality of university and technical training, Available land with all services in place, Access to suppliers, and Air service are high ranking concerns for expanding MNCs.	
	Mollick et *al.* 2006	Communication facilities	Found to be significant across various sectors	
	Addison et *al.* 2003	Number of phone lines per 1,000 population.	Addison et *al.* believe this not to be a good measure of infrastructure.	
	Mwangi 1995		The fourth most important factor in this study.	
Exchange rate considerations	Arnold 1998		The second most important factor in this study.	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
	Charalambous 2006		The seventh most important factor in this study.	
	Charalambous 2006		The sixth most important factor in this study.	
Cultural considerations	Sakarya (2007)		Found in the study to be insignificant as compared to any other emerging market.	
	Mwangi 1995		The second most important factor in this study.	
Geographic proximity	Charalambous 2006		The tenth most important factor in this research.	
	Arnold 1998		The fifth most important factor in this research.	
Economic agglomeration	Charalambous 2006		The eighth most important factor in this research.	

Determinant	Author/ Year	Method of measurement (Proxy)	General Comments	Conclusion
	Schneider et *al.* 1985		Schneider et *al.* looked at aid from West, Communists as well as Bilateral and Multilateral aid in their study and found significance with respect to the FDI that would be received.	
Aid received				Perceived to be less of a factor in 2008 than in 1985.

APPENDIX B – WORLD BANK DATA ON SSA COUNTRIES (ZHEN-WEI QIANG 2006)

Table 18: World Bank data for SSA countries

Countries	GNI Per capita[1]	GDP growth (%)[2]	Adult Literacy Rate (% ages 15 and older)	Gross primary, secondary, tertiary school enrolment (%)[3]	Government prioritization of ICT[4]	Openness of economy[5]
Southern Africa						
Angola	1,970	11.5			3.6	112.0
Botswana	5,570	5.1	81	70	4.6	79.0
Comoros	660	2.4		46		48.0
Lesotho	980	3.4		66	4.1	150.0
Madagascar	280	2.7		60	4.7	71.0
Malawi	230	2.4		63	4.3	46.0
Mozambique	310	8.2		53	4.4	88.0
Mauritius	5,430	4.0		75	5.5	127.0
Namibia	3,210	4.8		65	4.0	109.0
Seychelles	8,870	-1.2		82		244.0
South Africa	5,390	4.1		77	4.9	63.0

Countries	GNI Per capita[1]	GDP growth (%)[2]	Adult Literacy Rate (% ages 15 and older)	Gross primary, secondary, tertiary school enrolment (%)[3]	Government prioritization of ICT[4]	Openness of economy[5]
Swaziland	2,400	2.4		60		135.0
Zambia	630	5.0		60	4.5	68.0
Zimbabwe	340	-5.7	89	52	3.7	
Central Africa						
Democratic Republic of Congo	130	4.7		34		70.0
Rwanda	250	5.0		51		37.0
Burundi	100	2.5		38	2.8	59.0
São Tomé and Príncipe	800	6.7		65		
Republic of Congo	1,050	4.4	85	51		131.0
Central African Republic	350	-0.7		30		36.0
Cameroon	990	3.6		62	3.7	44.0
Chad	450	14.1		37	2.8	101.0
Equatorial Guinea	8,510	19.4				145.0
Gabon	5,360	1.7	84			89.0

Countries	GNI Per capita[1]	GDP growth (%)[2]	Adult Literacy Rate (% ages 15 and older)	Gross primary, secondary, tertiary school enrolment (%)[3]	Government prioritization of ICT[4]	Openness of economy[5]
Sudan						
Sudan (Southern)	800	7.0		37		44.0
West Africa						
Mauritania	760	5.0		46	6.1	114.0
The Gambia	290	3.9		50		
Ghana	510	5.3		53		105.0
Guinea	400	2.9	29	45		69.0
Liberia	130	-4.7	52			103.0
Nigeria	620	6.0	69	56	4.6	71.0
Sierra Leone	240	12.3	35	74		60.0
Benin	580	3.8		51	4.8	
Burkina Faso	440	6.2	24	29	4.6	39.0
Côte d'Ivoire	880	0.1				94.0

Countries	GNI Per capita[1]	GDP growth (%)[2]	Adult Literacy Rate (% ages 15 and older)	Gross primary, secondary, tertiary school enrolment (%)[3]	Government prioritization of ICT[4]	Openness of economy[5]
Guinea-Bissau	190	0.4				95.0
Mali	460	5.7	24	37	5.1	72.0
Niger	270	3.9	29	23		
Senegal	760	4.5		40		69.0
Togo	350	2.6		55		
East Africa						
Kenya	580	3.9		61	4.1	62.0
Tanzania	350	6.5		50	5.1	50.0
Uganda	300	5.6		63	4.6	45.0
Horn of Africa						
Ethiopia	170	5.7	36	42	4.1	51.0
Eritrea	190	2.7		35		58.0
Djibouti	1,060	3.3		25		

Countries	GNI Per capita[1]	GDP growth (%)[2]	Adult Literacy Rate (% ages 15 and older)	Gross primary, secondary, tertiary school enrolment (%)[3]	Government prioritization of ICT[4]	Openness of economy[5]
Somalia						

Maximum	8,870	19	89.0	82.0	6.0	244.0
95th Percentile	5,550	12	87.0	75.0	5.5	150.0
65th Percentile	750	5	71.0	60.0	4.5	90.0
35th Percentile	350	3	34.0	45.0	4.0	60.0
5th Percentile	150	-1	24.0	30.0	3.0	40.0
Minimum	100	-6	24.0	23.0	2.8	36.0
Min-Max Distribution	8,770	25	65.0	59.0	3.3	208.0
Mean	1,404	4.4	53.1	51.7	4.4	83.4
Median	545	4.1	44.0	51.5	4.5	71.0
Count of data points	46	46	12	40	23	39

Notes:
1. GNI per capita, World Bank Atlas method (2000 $)
2. GDP growth, 1995–2000 and 2000–06 (avg. annual %)
3. Gross primary, secondary, tertiary school enrolment (%)
4. Government prioritization of sector (1-7, 7=highest)
5. Openness of economy calculated as total imports plus exports divided by GDP

APPENDIX C – DEMOGRAPHIC SEGMENTATION OF RESPONDENTS

Table 19: Demographic segmentation

Respondent ID	Designation relevant to research (current/ previously held)	Years relevant experience	Category of majority of relevant experience (e.g. Consultant, Retail Banking, Asset Management, Academic, Life Insurance, etc.)	Year relevant experience	Category of experience
747703035	Head of Africa & Middle East Strategic Equities	12	Investment banking / stock broking	11 to 20	Investment Banking
741491519	Group IT Strategist	13	Broad financial services (Lifer, Pensions & Investments)	11 to 20	Consultant
737001384	Africa Trader	12	Banking	11 to 20	Asset Management
736333786	Deputy CEO	18	Stock Exchange	11 to 20	Asset Management
734891022	Deputy Group CE (Life Insurer)	4	Life, Asset Management	1 to 10	Life Insurance
734303479	Deputy CFO	12	Analysts, Life assurance, short term insurance, investment banking	11 to 20	Life Insurance
732195882	Director, Strategic Investments	15	Retail and Investment Banking	11 to 20	Retail Banking
732192493	Investment Banker Corporate Finance	2	Investment banking	1 to 10	Investment Banking
730414378	CE: Insurance	16	Asset Management	11 to 20	Asset Management
730358273	Professor	8	Academic	1 to 10	Consultant
730343011	COO (Health) Div Director Strategic Initiatives	8	Credit Retail banking, Life insurance, Consultant	1 to 10	Retail Banking
730195932	Head - "Out of the Box" strategy team	8	Retail Banking - various straategy roles	1 to 10	Retail Banking
728725870	Head Africa Trading	12	Banking - trading	11 to 20	Asset Management
727920909	MD:Fiduciary Services	10	Retail Banking and Asset Management	1 to 10	Retail Banking
727194971	Economist	13	Financial markets analysis	11 to 20	Consultant
727162390	Head of Investments	25	Asset Management and Stock broking	> 20	Asset Management
726592914	Head: Client Management	13	Retail banking	11 to 20	Retail Banking

Respondent ID	Designation relevant to research (current/ previously held)	Years relevant experience	Category of majority of relevant experience (e.g. Consultant, Retail Banking, Asset Management, Academic, Life Insurance, etc.)	Year relevant experience	Category of experience
724542241	Director	10	Consultant	1 to 10	Consultant
723142099	Managing Director	9	Consultant	1 to 10	Consultant
723132392	Chief Operating Officer: Africa Treasury	10	Investment Banking-Treasury Management	1 to 10	Investment Banking
722413650	CE Strategic ventures	15	Life insurance & asset management	11 to 20	Life Insurance
722167909	Management Consultant	7	Consultant	1 to 10	Consultant
721901212	Managing Director, Investment Banking	15	Investment Banking	11 to 20	Investment Banking
721279103	Director: Executive Education	9	Retail Banking - & Small Business	1 to 10	Retail Banking
720743686	Director of Retail Investments	14	Asset Management	11 to 20	Asset Management
720605725	Business Development - Africa	37	Capital and money markets - Treasury trading	> 20	Asset Management
720597843	Treasury Marketer/Treasurer	30	Treasury	> 20	Asset Management
720072103	Regional Managing Director (Large Bank)	26	Retail/Corporate Banking	> 20	Retail Banking
719940761	Business Manager	9	Investment Banking	1 to 10	Investment Banking
719931941	Director Business Transformation (Large Bank)	2	Retail Banking	1 to 10	Retail Banking

APPENDIX D – INDIVIDUAL CONJOINT IMPORTANCES

Table 20: Individual Conjoint Importances

Respondent Number	Type of Experience	Duration Category	Political	Market	Trade	Economic	Labour	ICT
747703035	Investment Banking	11 to 20	39.06	9.44	13.20	27.39	6.91	4.00
741491519	Consultant	11 to 20	9.79	40.90	9.17	17.75	10.58	11.81
737001384	Asset Management	11 to 20	18.68	31.59	18.30	5.23	14.67	11.54
736333786	Asset Management	11 to 20	12.49	6.58	11.64	46.97	9.61	12.71
734891022	Life Insurance	1 to 10	23.89	13.42	14.88	19.70	10.66	17.44
734303479	Life Insurance	11 to 20	31.55	13.21	11.57	25.88	7.73	10.04
732195882	Retail Banking	11 to 20	22.6	20.07	13.57	25.94	9.63	8.20
732192493	Investment Banking	1 to 10	19.10	8.60	8.98	24.60	13.25	25.47
730414378	Asset Management	11 to 20	20.24	36.99	2.99	23.14	5.67	10.98
730358273	Consultant	1 to 10	26.42	23.65	12.12	26.07	7.71	4.03
730343011	Retail Banking	1 to 10	33.17	21.68	4.28	22.28	11.77	6.82
730195932	Retail Banking	1 to 10	5.04	44.11	6.37	21.28	11.33	11.87
728725870	Asset Management	11 to 20	15.92	31.06	13.6	25.76	6.14	7.52
727920909	Retail Banking	1 to 10	6.62	54.44	9.68	7.80	12.18	9.27
727194971	Consultant	11 to 20	29.18	20.70	13.58	16.40	13.63	6.51
727162390	Asset Management	Greater than 20	50.71	8.97	8.01	14.95	7.95	9.42
726592914	Retail Banking	11 to 20	25.74	25.65	11.85	23.23	5.52	8.00
724542241	Consultant	1 to 10	20.04	25.71	12.93	19.09	9.21	13.02

Respondent Number	Type of Experience	Duration Category	Political	Market	Trade	Economic	Labour	ICT
723142099	Consultant	1 to 10	16.18	27.23	5.72	16.88	22.98	11.00
723132392	Investment Banking	1 to 10	30.79	17.36	11.23	15.76	13.59	11.28
722413650	Life Insurance	11 to 20	18.46	30.08	2.62	33.07	8.64	7.14
722167909	Consultant	1 to 10	41.23	22.27	3.86	13.54	12.27	6.83
721901212	Investment Banking	11 to 20	14.10	48.92	15.97	11.29	6.47	3.25
721279103	Retail Banking	1 to 10	38.52	25.37	9.48	10.32	11.45	4.85
720743686	Asset Management	11 to 20	29.84	21.29	9.29	19.81	10.19	9.59
720605725	Asset Management	Greater than 20	10.74	7.09	19.93	30.32	20.59	11.33
720597843	Asset Management	Greater than 20	5.85	34.29	15.35	34.15	5.02	5.34
720072103	Retail Banking	Greater than 20	29.36	17.55	10.19	28.58	7.00	7.33
719940761	Investment Banking	1 to 10	38.05	20.72	7.66	16.90	2.76	13.90
719931941	Retail Banking	1 to 10	45.40	22.13	2.23	18.52	7.65	4.07

APPENDIX E – INDIVIDUAL CONJOINT UTILITIES

Table 21: Utilities for first three attributes per respondent

	Political			Market Size				Openness to Trade			
Respondent Number	Democratic	Benevolent dictator	Tyrannical leader	$ 150	$350	$750	$5550	40	60	90	150
747703035	95.34	43.71	-139.05	-27.36	14.39	-16.28	29.25	-3.77	29.18	24.60	-50.01
741491519	9.90	24.41	-34.31	-104.82	-57.37	21.62	140.56	28.75	2.32	-26.28	-4.79
737001384	70.20	-28.33	-41.88	-73.12	-48.18	4.90	116.40	30.72	-22.80	-58.86	50.95
736333786	28.21	18.52	-46.74	-3.15	-10.52	-12.91	26.59	-25.15	-16.68	-2.84	44.67
734891022	68.93	5.50	-74.44	-7.17	-40.03	6.73	40.48	25.83	-48.15	-18.81	41.14
734303479	90.05	9.24	-99.28	41.29	-38.00	20.37	-23.66	-27.15	-28.14	13.99	41.31
732195882	42.52	46.56	-89.07	-49.45	-6.78	-14.70	70.94	36.42	-0.21	8.78	-44.99
732192493	54.50	5.62	-60.12	35.19	-7.29	-11.48	-16.41	-28.75	25.12	-12.13	15.77
730414378	43.60	34.24	-77.84	-75.47	-41.76	-29.24	146.46	-10.63	7.28	5.96	-2.61
730358273	80.81	-3.11	-77.70	-29.34	-34.62	-38.97	102.93	-4.62	-39.94	11.81	32.75
730343011	88.84	21.32	-110.16	-55.53	-2.83	-16.17	74.53	6.25	10.93	-2.46	-14.73
730195932	-9.44	19.85	-10.41	-94.83	-83.72	8.72	169.83	-12.64	18.62	-19.58	13.60
728725870	53.70	-11.86	-41.84	-67.69	-51.40	0.44	118.65	-50.51	12.24	7.18	31.09
727920909	-21.23	18.52	2.71	-169.39	-11.48	23.61	157.26	-14.76	-13.27	-15.03	43.06
727194971	83.92	7.23	-91.15	-64.66	1.80	3.29	59.57	-45.05	-21.75	30.35	36.45
727162390	150.55	3.15	-153.70	-10.01	37.42	-16.37	-11.04	16.57	-31.49	10.31	4.61
726592914	73.91	6.64	-80.55	-76.74	-12.60	12.18	77.16	8.73	12.27	-46.05	25.06
724542241	53.54	13.16	-66.70	-50.91	-34.99	-17.49	103.38	-4.59	-29.02	-14.94	48.55
723142099	36.63	23.81	-60.44	-87.79	-5.37	17.57	75.60	-6.51	23.99	-7.14	-10.34
723132392	86.75	-98.02	11.27	-50.40	53.73	-44.61	41.28	3.31	-3.11	-33.78	33.58
722413650	50.13	10.49	-60.62	-64.35	-50.33	-1.46	116.13	-1.96	8.81	-6.89	0.04
722167909	107.79	31.77	-139.56	-37.33	-30.43	-28.54	96.29	-12.65	5.47	10.52	-3.34
721901212	40.52	3.55	-44.07	-132.58	-78.39	50.04	160.93	-5.40	44.97	-50.82	11.26
721279103	125.45	-19.77	-105.67	-52.73	-25.13	-21.61	99.47	-5.97	17.68	22.60	-34.30

720743686	95.31	-11.60	-83.72	-66.88	-16.07	22.09	60.86	-8.46	6.86	28.66	-27.06
720605725	40.48	-16.53	-23.95	13.84	-12.44	20.58	-21.98	-35.11	-27.69	-21.65	84.45
720597843	15.67	-19.43	3.76	-113.26	-2.69	23.44	92.50	-58.27	-7.55	33.84	31.98
720072103	70.28	35.58	-105.86	-11.71	-38.39	-16.78	66.88	0.44	-32.58	3.58	28.56
719940761	134.31	-40.31	-94.00	-40.32	-30.05	-13.63	84.00	-28.79	17.17	0.72	10.91
719931941	118.20	35.97	-154.17	-42.03	-37.57	-11.16	90.76	-4.32	6.23	5.22	-7.13

Table 22: Utilities for second three attributes per respondent

	Macroeconomic				Labour considerations				ICT			
Respondent Number	-1%	3%	5%	12%	30%	45%	60%	75%	3	4	5	6
747703035	-99.28	-7.42	41.62	65.08	23.79	-17.67	-1.06	-5.07	10.92	1.74	-13.06	0.40
741491519	-57.86	-1.19	10.40	48.65	-29.82	33.65	3.70	-7.52	-18.47	-17.40	-16.54	52.41
737001384	6.74	17.46	-13.90	-10.30	20.64	-61.22	13.79	26.78	-37.82	7.30	31.42	-0.90
736333786	-148.48	15.14	0.02	133.32	4.02	-36.12	10.56	21.55	-29.53	-16.73	-0.47	46.72
734891022	-55.32	-2.29	-5.27	62.88	16.14	-41.74	22.24	3.36	-68.09	23.52	8.01	36.56
734303479	-79.50	-10.20	13.92	75.78	-24.81	-15.29	21.58	18.52	-29.01	-10.54	8.30	31.25
732195882	-85.60	-2.09	17.67	70.02	38.02	-6.86	-11.42	-19.74	-17.67	0.79	-14.63	31.50
732192493	-66.21	-24.96	9.75	81.42	-5.86	-45.01	16.39	34.48	-69.81	-15.60	2.41	82.99
730414378	-81.56	27.59	-3.31	57.28	17.07	-9.26	9.15	-16.96	-5.47	-36.45	29.40	12.52
730358273	-58.88	-12.59	-26.09	97.56	20.43	-25.82	15.55	-10.16	6.80	-9.37	-10.82	13.39
730343011	-72.54	29.82	-18.45	61.17	5.39	-39.38	31.27	2.72	-18.93	-7.87	4.80	22.00
730195932	-59.33	30.45	-39.46	68.35	-5.69	-29.26	-3.74	38.70	-21.05	-21.59	-7.00	49.64
728725870	-67.61	-1.89	-17.45	86.95	-1.54	-15.12	21.72	-5.06	-31.19	4.90	12.34	13.95
727920909	14.58	-29.32	-2.75	17.49	-15.02	39.08	-34.02	9.97	-36.04	19.57	15.29	1.19
727194971	-43.48	-2.75	-8.70	54.93	-40.69	-22.67	22.30	41.06	15.94	-23.10	-1.99	9.16
727162390	-49.60	1.11	40.07	8.43	7.85	-26.54	21.16	-2.47	11.81	28.22	-11.70	-28.33
726592914	-70.34	-18.36	19.67	69.03	17.57	-8.35	6.36	-15.58	-27.51	17.73	-10.73	20.52
724542241	-41.58	-39.18	7.82	72.94	-13.29	-22.48	32.80	2.97	-24.04	-39.48	38.62	24.91

723142099	-53.39	-30.94	36.42	47.92	-61.95	-2.18	-11.78	75.92	31.96	3.21	-34.07	-1.09
723132392	-55.95	38.59	-2.71	20.06	-32.53	-21.40	4.95	48.99	37.82	-13.29	5.33	-29.86
722413650	-94.63	-24.30	15.16	103.76	24.09	-27.74	8.84	-5.19	15.53	20.92	-14.51	-21.94
722167909	-58.76	22.48	15.96	20.32	3.33	-44.83	12.67	28.82	-0.41	-1.27	21.32	-19.64
721901212	-19.27	-27.73	6.95	40.04	21.50	4.26	-8.44	-17.31	12.31	-7.20	-2.73	-2.38
721279103	-37.40	8.46	24.55	4.39	45.00	-18.72	-2.54	-23.73	8.38	10.99	-1.25	-18.12
720743686	-56.55	16.17	-21.92	62.31	-15.14	-27.00	34.14	8.01	-26.39	-7.18	2.45	31.12
720605725	-70.31	-44.46	3.16	111.61	-31.92	-49.34	74.21	7.05	45.77	-17.39	-22.20	-6.19
720597843	-104.70	-23.10	27.61	100.19	-6.77	3.84	-13.58	16.51	-15.76	16.30	-2.07	1.53
720072103	-76.00	-11.83	-7.67	95.50	21.36	-15.80	15.05	-20.61	-21.79	12.45	-12.85	22.19
719940761	-50.91	-38.38	38.77	50.51	1.73	-8.95	-0.41	7.64	19.94	22.89	17.69	-60.52
719931941	-64.18	-10.62	46.96	27.84	26.60	-19.29	-12.76	5.46	17.39	-7.05	-4.53	-5.81

APPENDIX F – CONSISTENCY MATRIX

The consistency matrix that assisted in the development of this study that lists the key authors used to investigate the problem is detailed below.

Table 23: Consistency matrix

The purpose of the research is to evaluate how a series of determinants compare in importance for financial services decision makers when selecting between possible new markets in which to expand their operations within sub-Saharan Africa.				
Source of theory (the literature used in your literature review)	**Proposition**	**Source of data**	**Type of data**	**Analysis**

The purpose of the research is to evaluate how a series of determinants compare in importance for financial services decision makers when selecting between possible new markets in which to expand their operations within sub-Saharan Africa.				
Source of theory (the literature used in your literature review)	**Proposition**	**Source of data**	**Type of data**	**Analysis**
Addison et al. 2003, Ades et al. 1997a, Alavvarez-Gil et al. 2003, Arnold 1998, Asiedu 2002, Balassa 1982, Baliamoune-Lutz 2003, Beck 2000, Blomstermo et al., 2006, Bouquet et al. 2004, Campbell et al. 1994, Charalambous 2006, Chowdhury 2003, Contractor, 2003, Drogendijk et al. 2008, Demir 2007, Dunning 1981, Dunning 2003, Edwards 1992, Erramilli et al., 1993, Gholami et al. 2006, Grosse 1996, Jensen 2005, Huntington 2002, Helleiner 1988, Kandiero et al. 2003, Kandiero et al. 2006, Kobrin 1979, Kolstad et al. 2008, Kotler 2003, Kucera 2002, Li et al. 2003, Lucas 1990, Miyamoto 2003, Mollick et al. 2006, Mwangi 1995, Rodrik et al. 1996, Sachs et al. 1997, Sakarya 2007, Sakarya et al. 2006, Schneider et al. 1985, Singh 1995, Soper 2006, Vernon 1971, Zeithaml et al. 1985, Zhen-Wei Qiang et al. 2006	Determinants highlighted from literature are interrelated and important to decision makers in the financial services sector when reviewing possible markets in SSA to expand into	Initial data primarily from 2006 indicators from the World Bank database. In research, data obtained from Conjoint analysis questionnaire.	Ordinal ranking data	Conjoint analysis

APPENDIX G –BOOTSTRAP ANALYSIS

The graphs below are the output of the Bootstrap analysis. The blue bars are a histogram representation of the distribution of the Bootstrap Means. On the same scale, the red line indicates the actual mean of the overall data; the black line shows the mean of the bootstrap sample means; and the green lines show the 90% confidence intervals for the means of the bootstrap sample mean of means. In all cases, the red line is within the band of the two green lines. This shows that Conjoint value is within a 90% confidence interval for the sample mean of means and hence data reliability is proven. The bootstrap analysis was undertaken using thirty iterations with a sample size of nine random data points. Ideally there would be larger samples used but this study did not have sufficient data points (responses).

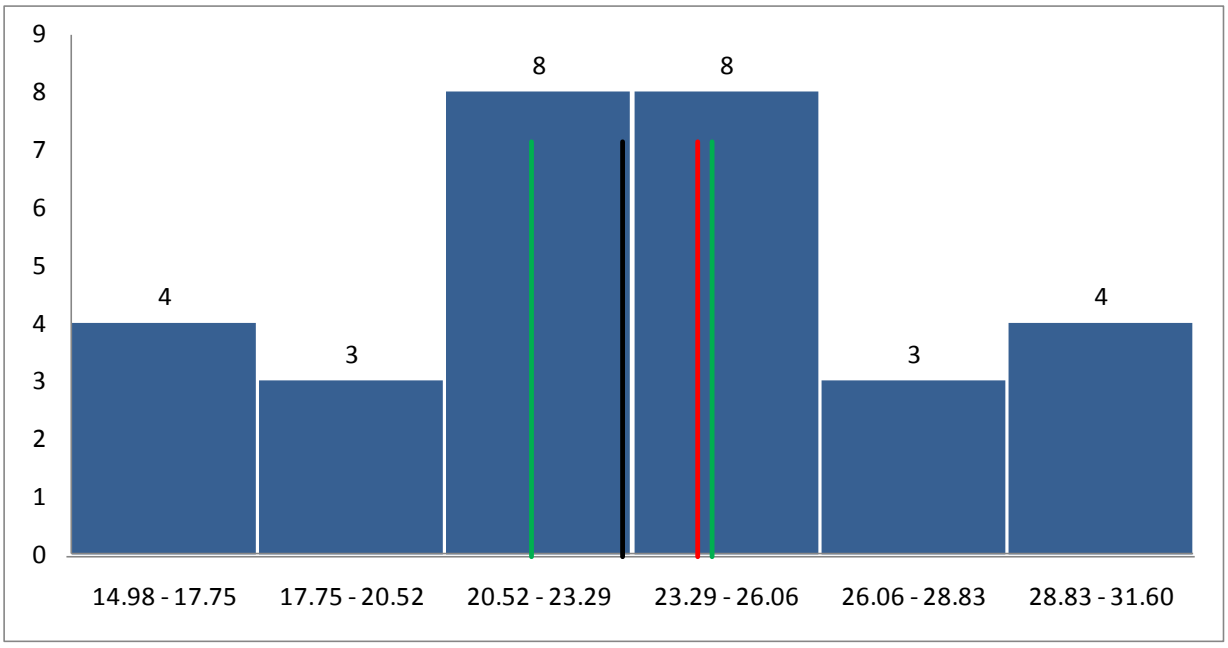


Figure 20: Bootstrap analysis for Political status

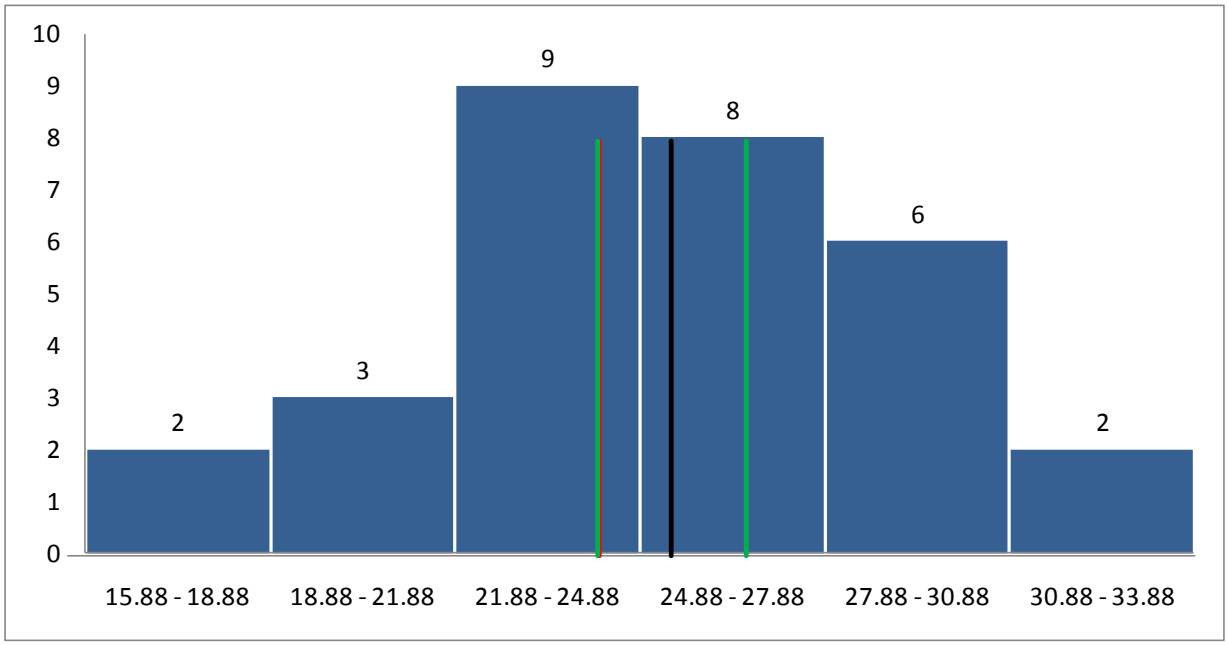


Figure 21: Bootstrap analysis for Market size and demand conditions

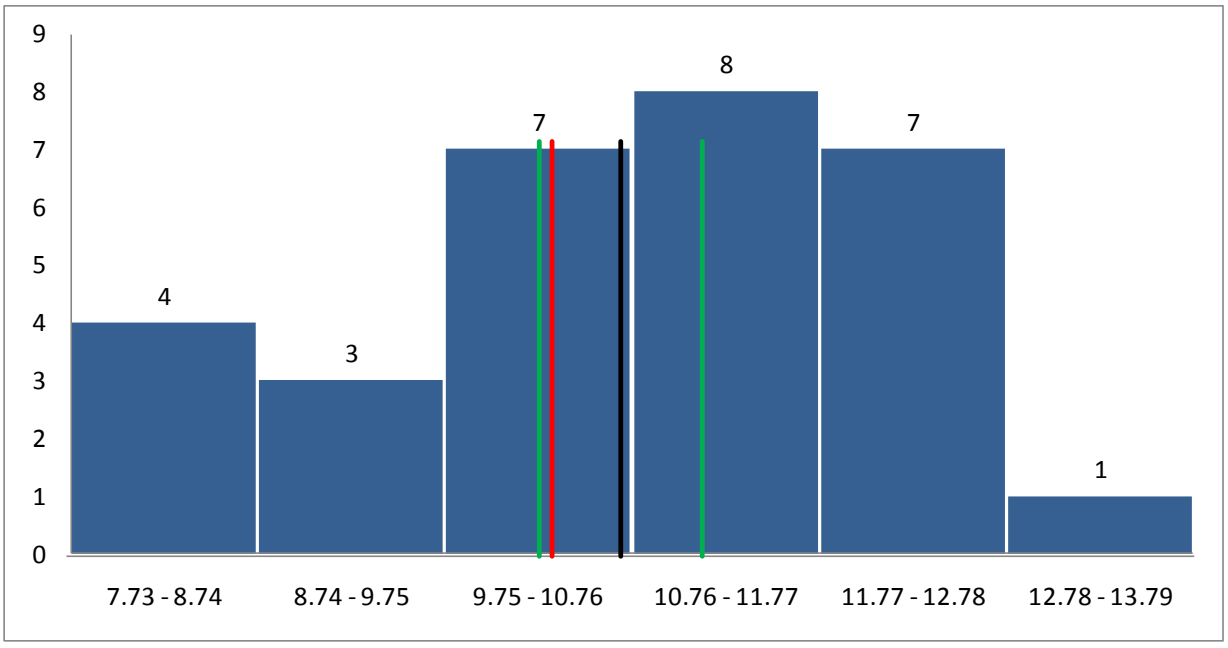


Figure 22: Bootstrap analysis for Trade incentives, barriers and agreements

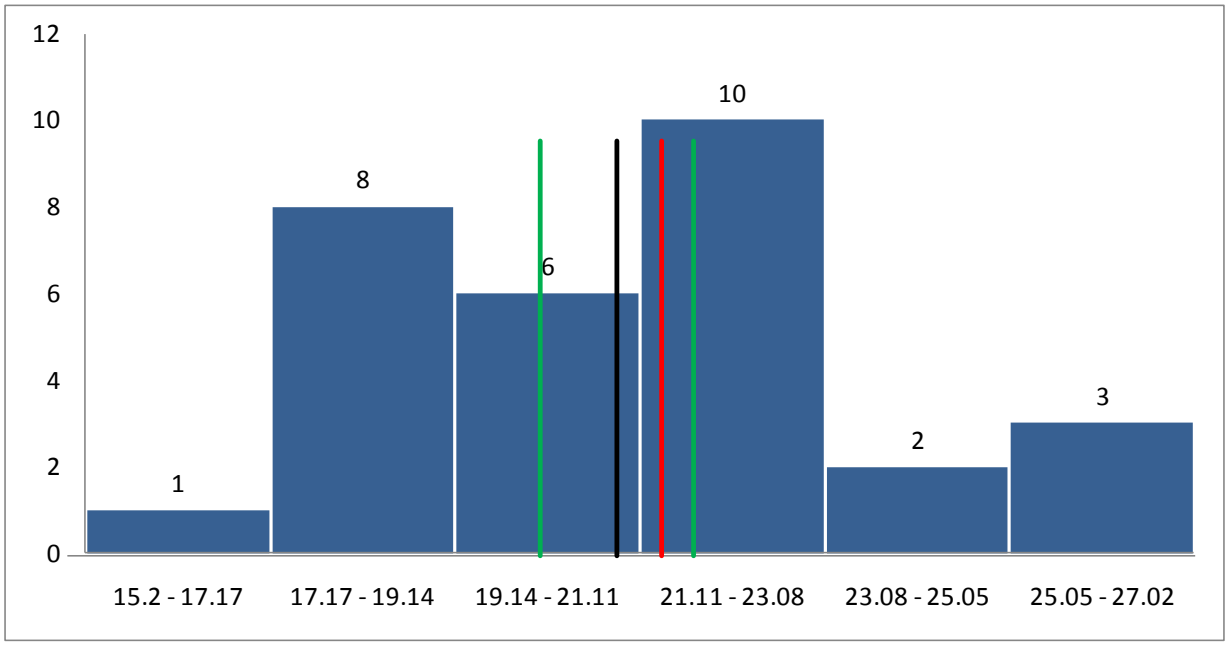


Figure 23: Bootstrap analysis for Economic environment and macroeconomic performance

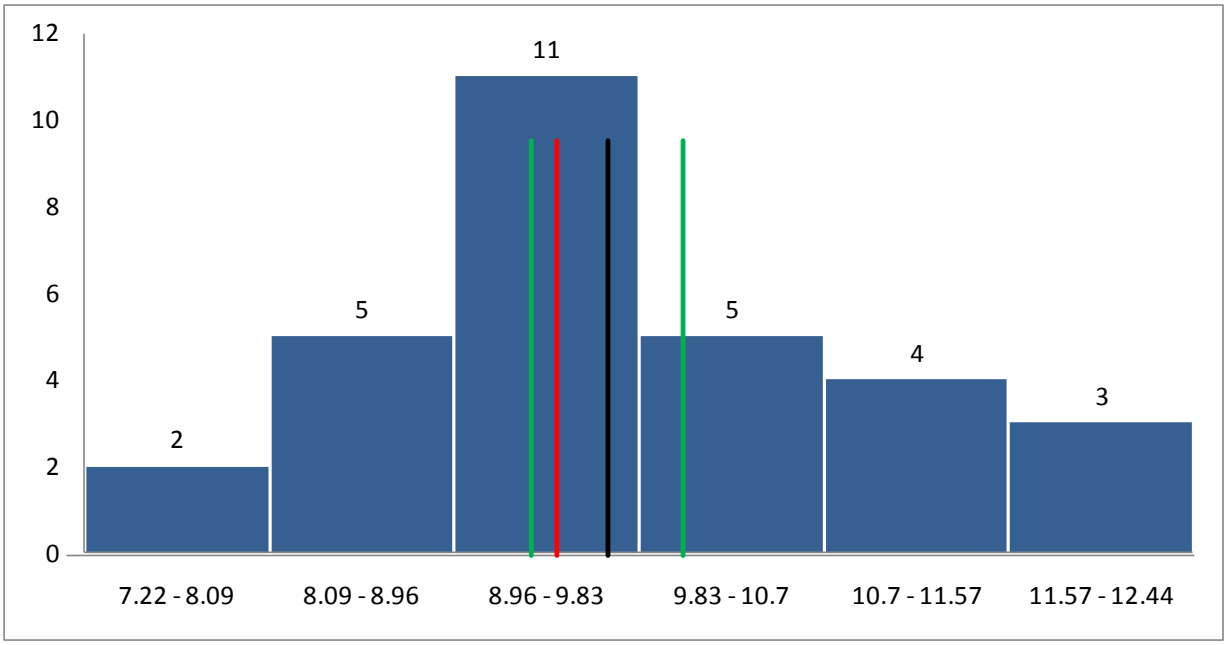


Figure 24: Bootstrap analysis for Labour considerations

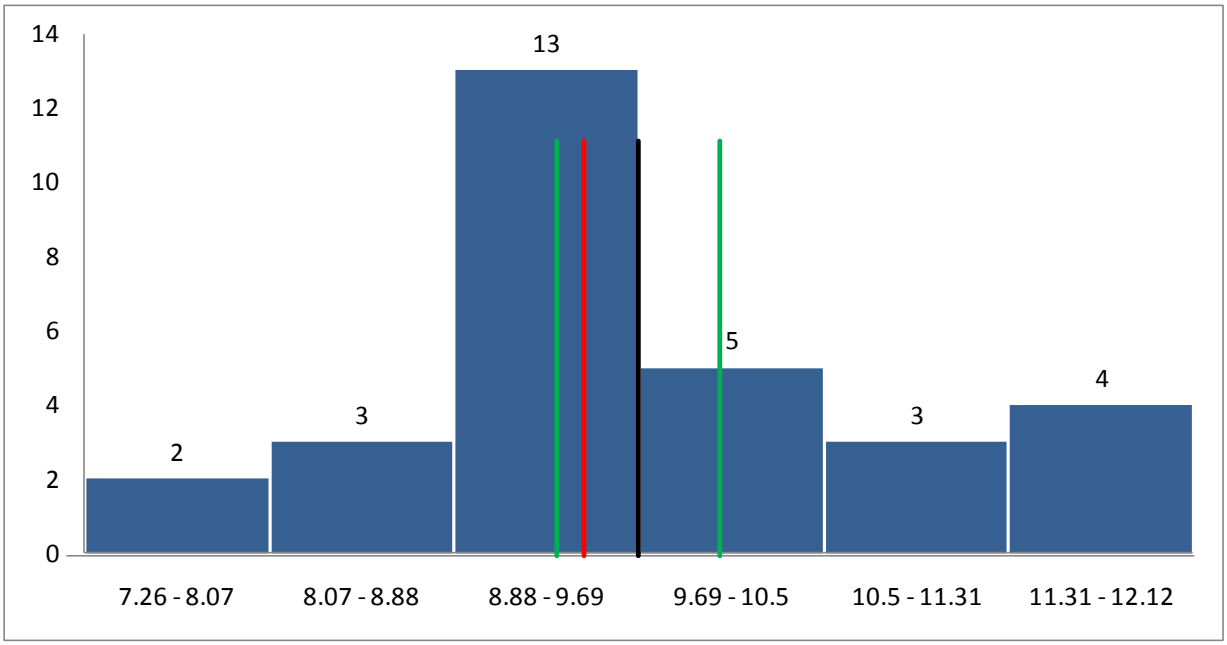
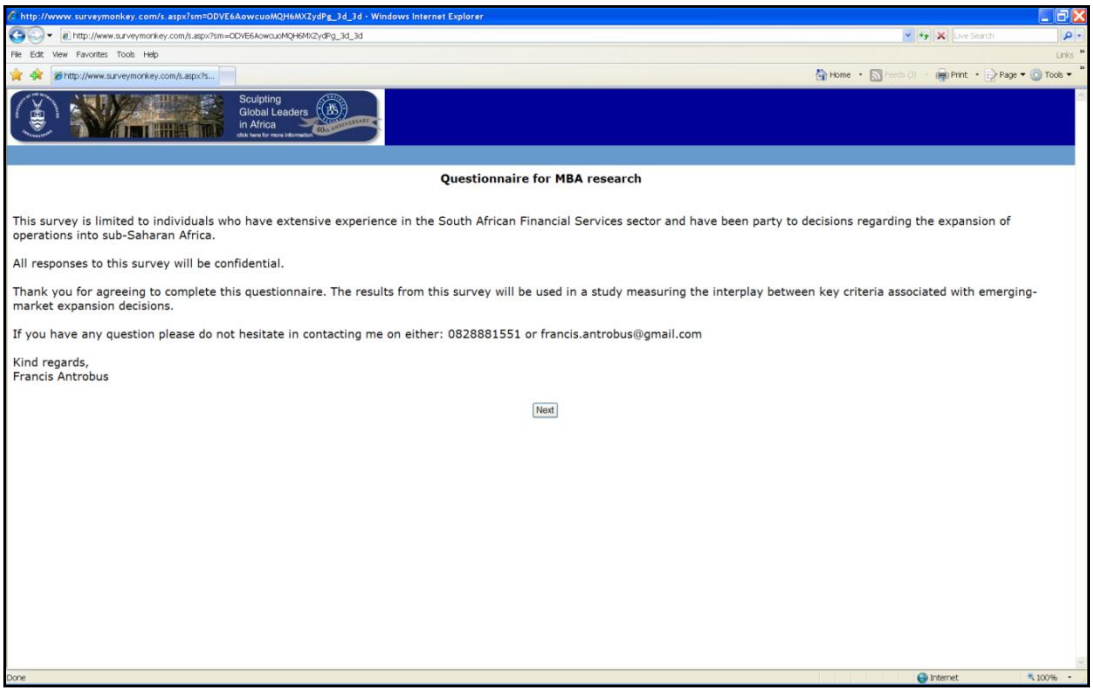


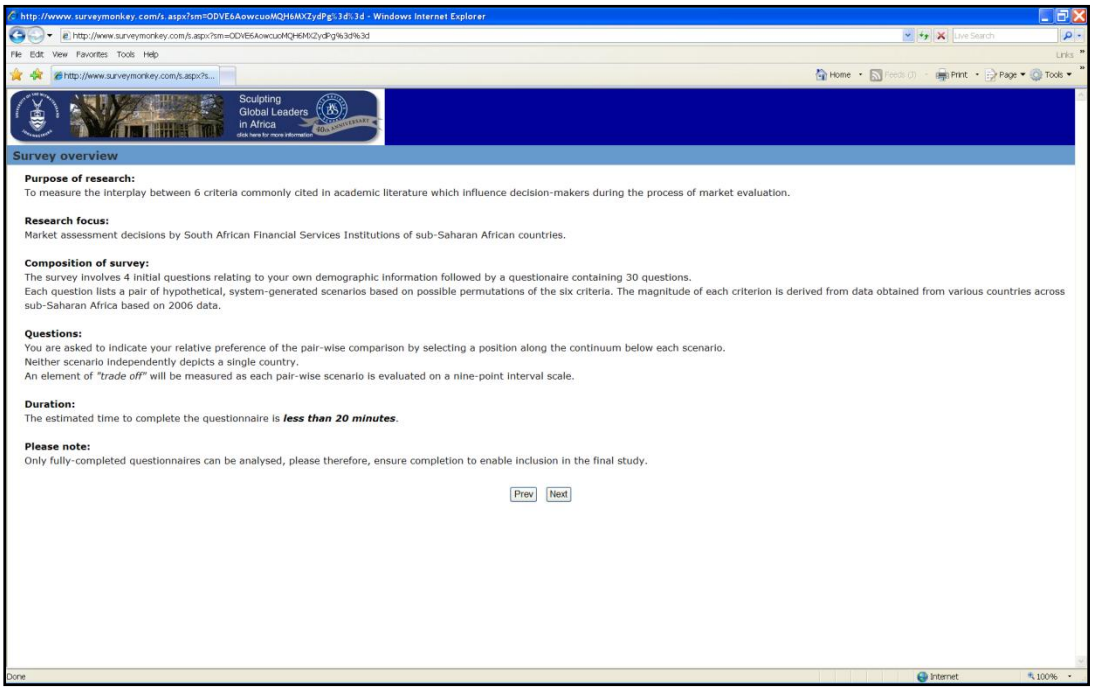
Figure 25: Bootstrap analysis for Information and Communication Technology

APPENDIX H – QUESTIONNAIRE

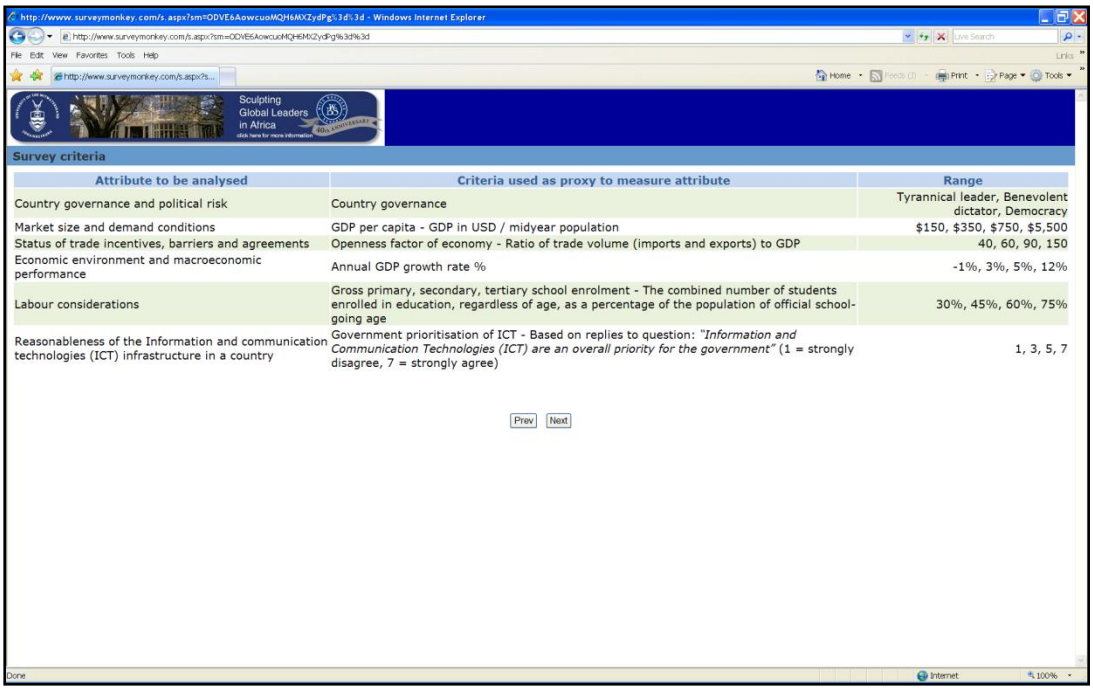
Landing page and introduction



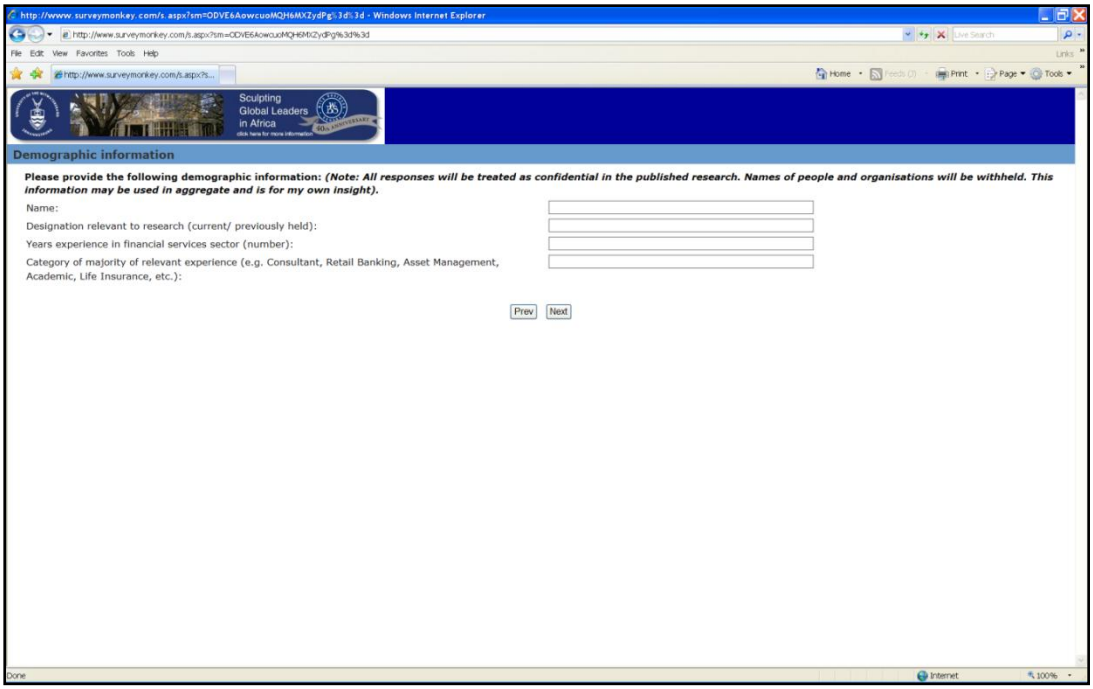
Purpose and composition



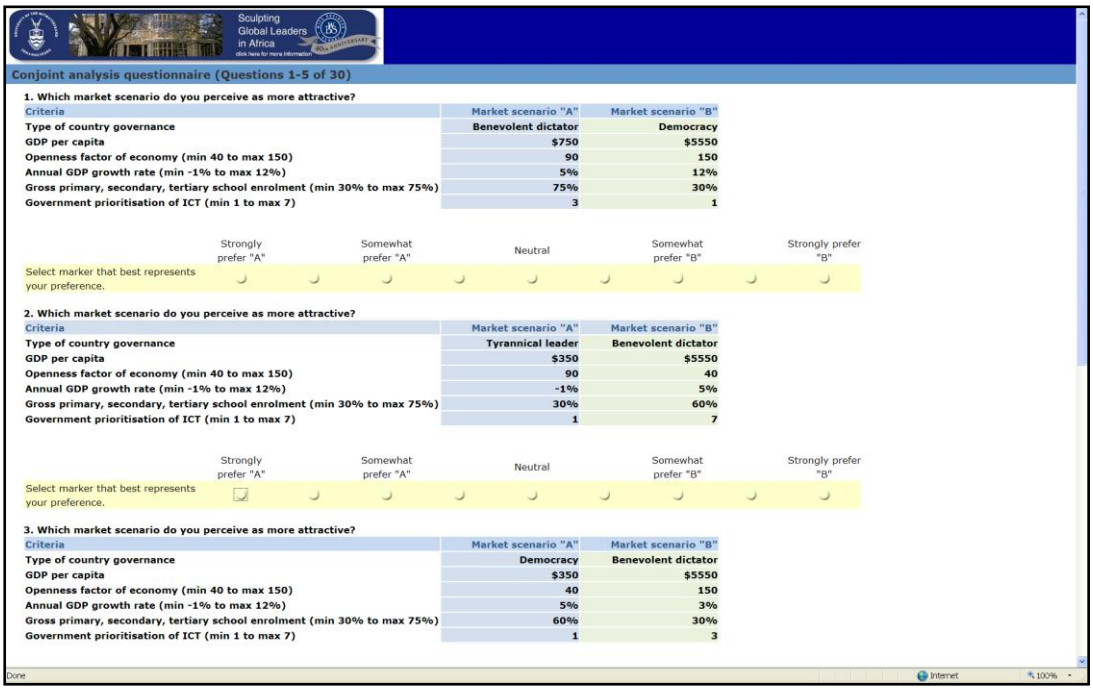
Overview of attributes and levels



Demographic information



Questions 1- 3



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 1-5 of 30)

1. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$750	$5550
Openness factor of economy (min 40 to max 150)	90	150
Annual GDP growth rate (min -1% to max 12%)	5%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	30%
Government prioritisation of ICT (min 1 to max 7)	3	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

2. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$350	$5550
Openness factor of economy (min 40 to max 150)	90	40
Annual GDP growth rate (min -1% to max 12%)	-1%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	60%
Government prioritisation of ICT (min 1 to max 7)	1	7

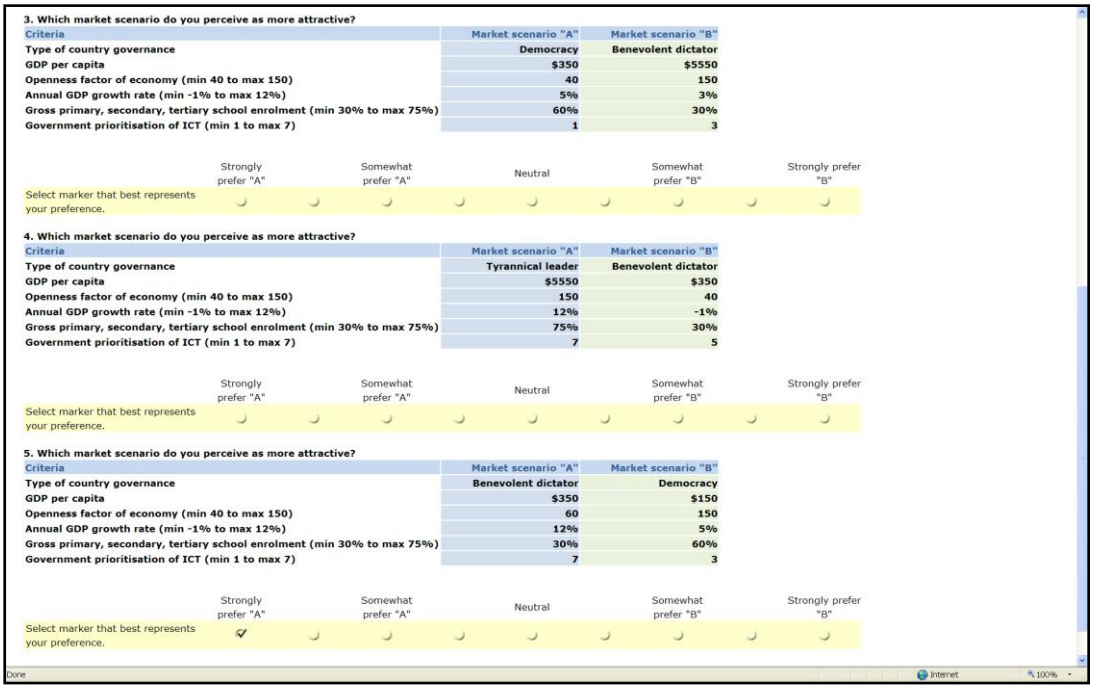
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.	☑				

3. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Benevolent dictator
GDP per capita	$350	$5550
Openness factor of economy (min 40 to max 150)	40	150
Annual GDP growth rate (min -1% to max 12%)	5%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	30%
Government prioritisation of ICT (min 1 to max 7)	1	3

Done — Internet — 100%

Questions 4- 5



3. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Benevolent dictator
GDP per capita	$350	$5550
Openness factor of economy (min 40 to max 150)	40	150
Annual GDP growth rate (min -1% to max 12%)	5%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	30%
Government prioritisation of ICT (min 1 to max 7)	1	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

4. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$5550	$350
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	12%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	30%
Government prioritisation of ICT (min 1 to max 7)	7	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

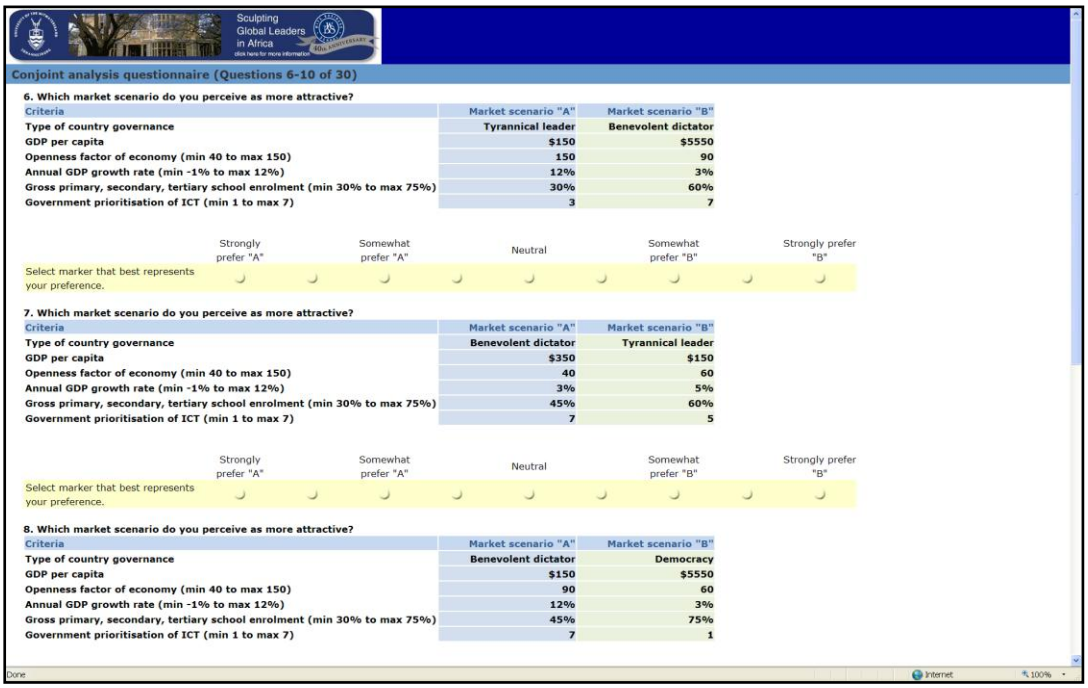
5. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$350	$150
Openness factor of economy (min 40 to max 150)	60	150
Annual GDP growth rate (min -1% to max 12%)	12%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	60%
Government prioritisation of ICT (min 1 to max 7)	7	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.	☑				

Done — Internet — 100%

Questions 6- 9



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 6-10 of 30)

6. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$150	$5550
Openness factor of economy (min 40 to max 150)	150	90
Annual GDP growth rate (min -1% to max 12%)	12%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	60%
Government prioritisation of ICT (min 1 to max 7)	3	7

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

7. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Tyrannical leader
GDP per capita	$350	$150
Openness factor of economy (min 40 to max 150)	40	60
Annual GDP growth rate (min -1% to max 12%)	3%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	60%
Government prioritisation of ICT (min 1 to max 7)	7	5

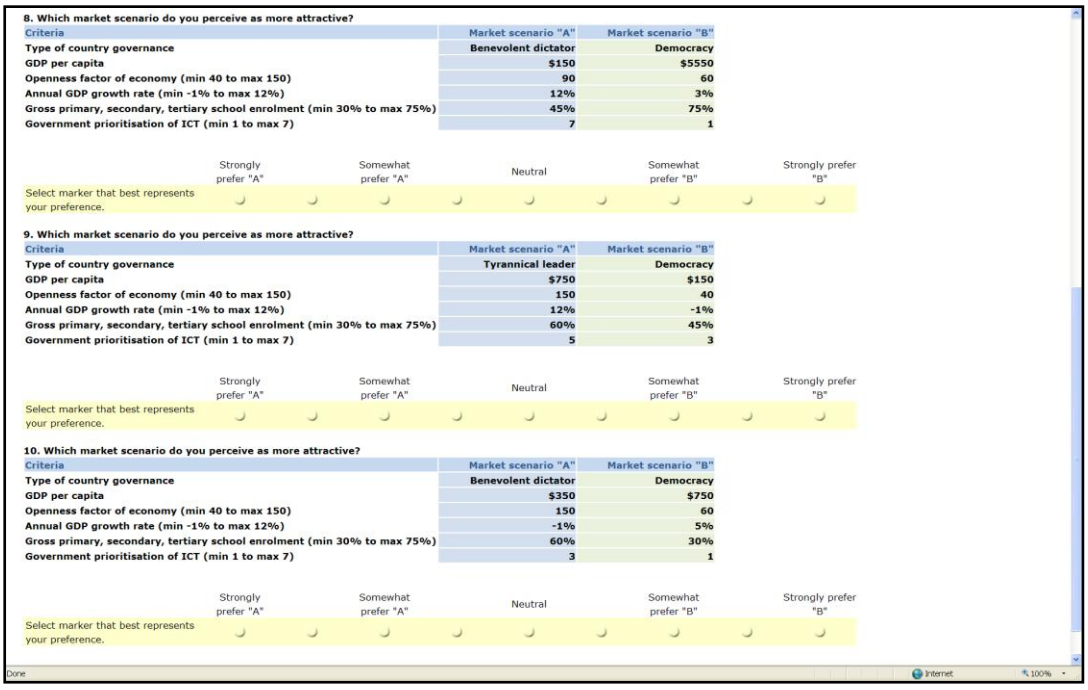
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

8. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$150	$5550
Openness factor of economy (min 40 to max 150)	90	60
Annual GDP growth rate (min -1% to max 12%)	12%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	7	1

Done Internet 100%

Questions 9 - 10



8. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$150	$5550
Openness factor of economy (min 40 to max 150)	90	60
Annual GDP growth rate (min -1% to max 12%)	12%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	7	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

9. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Democracy
GDP per capita	$750	$150
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	12%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	45%
Government prioritisation of ICT (min 1 to max 7)	5	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

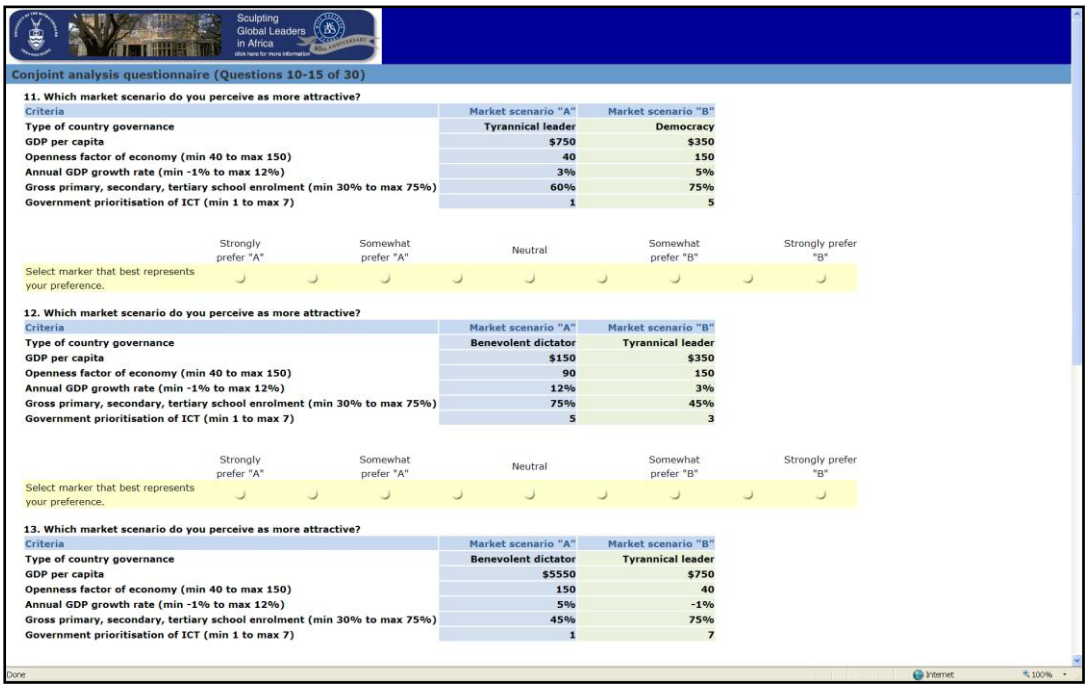
10. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$350	$750
Openness factor of economy (min 40 to max 150)	150	60
Annual GDP growth rate (min -1% to max 12%)	-1%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	30%
Government prioritisation of ICT (min 1 to max 7)	3	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

Done Internet 100%

Questions 11 - 13



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 10-15 of 30)

11. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Democracy
GDP per capita	$750	$350
Openness factor of economy (min 40 to max 150)	40	150
Annual GDP growth rate (min -1% to max 12%)	3%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	75%
Government prioritisation of ICT (min 1 to max 7)	1	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

12. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Tyrannical leader
GDP per capita	$150	$350
Openness factor of economy (min 40 to max 150)	90	150
Annual GDP growth rate (min -1% to max 12%)	12%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	45%
Government prioritisation of ICT (min 1 to max 7)	5	3

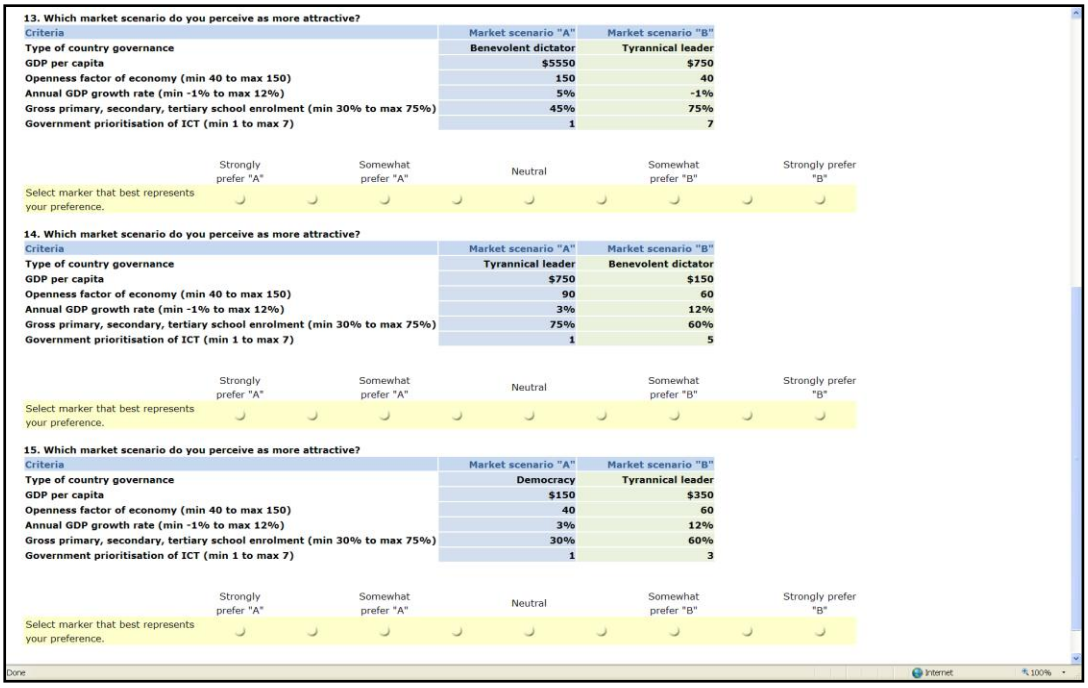
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

13. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Tyrannical leader
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	5%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	1	7

Done Internet 100%

Questions 14 - 15



13. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Tyrannical leader
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	5%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	1	7

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

14. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$750	$150
Openness factor of economy (min 40 to max 150)	90	60
Annual GDP growth rate (min -1% to max 12%)	3%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	60%
Government prioritisation of ICT (min 1 to max 7)	1	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

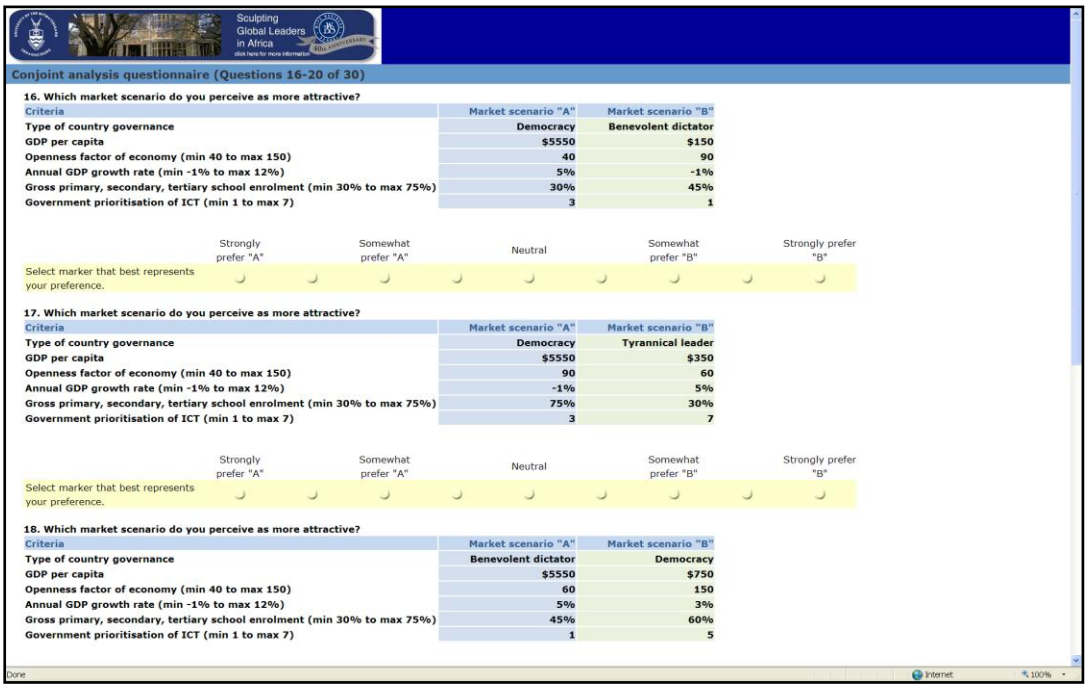
15. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$150	$350
Openness factor of economy (min 40 to max 150)	40	60
Annual GDP growth rate (min -1% to max 12%)	3%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	60%
Government prioritisation of ICT (min 1 to max 7)	1	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

Done Internet 100%

Questions 16 - 18



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 16-20 of 30)

16. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Benevolent dictator
GDP per capita	$5550	$150
Openness factor of economy (min 40 to max 150)	40	90
Annual GDP growth rate (min -1% to max 12%)	5%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	45%
Government prioritisation of ICT (min 1 to max 7)	3	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

17. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$5550	$350
Openness factor of economy (min 40 to max 150)	90	60
Annual GDP growth rate (min -1% to max 12%)	-1%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	30%
Government prioritisation of ICT (min 1 to max 7)	3	7

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

18. Which market scenario do you perceive as more attractive?

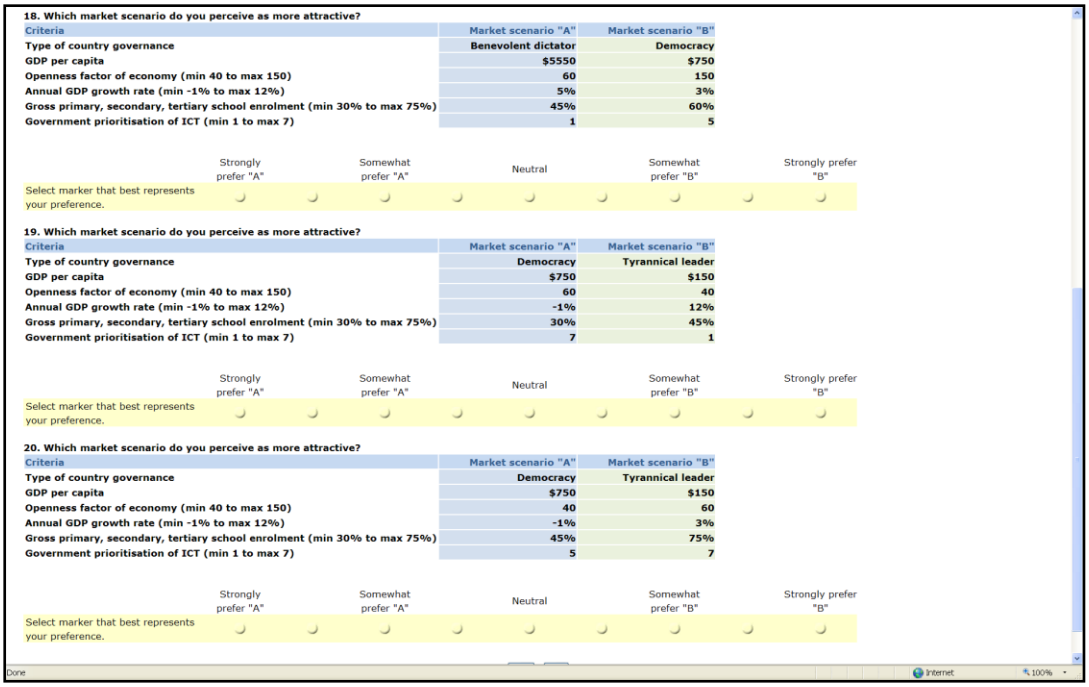
Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	60	150
Annual GDP growth rate (min -1% to max 12%)	5%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	60%
Government prioritisation of ICT (min 1 to max 7)	1	5

Done

Internet

100%

Questions 19 - 20



18. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	60	150
Annual GDP growth rate (min -1% to max 12%)	5%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	60%
Government prioritisation of ICT (min 1 to max 7)	1	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

19. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$750	$150
Openness factor of economy (min 40 to max 150)	60	40
Annual GDP growth rate (min -1% to max 12%)	-1%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	45%
Government prioritisation of ICT (min 1 to max 7)	7	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

20. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$750	$150
Openness factor of economy (min 40 to max 150)	40	60
Annual GDP growth rate (min -1% to max 12%)	-1%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	5	7

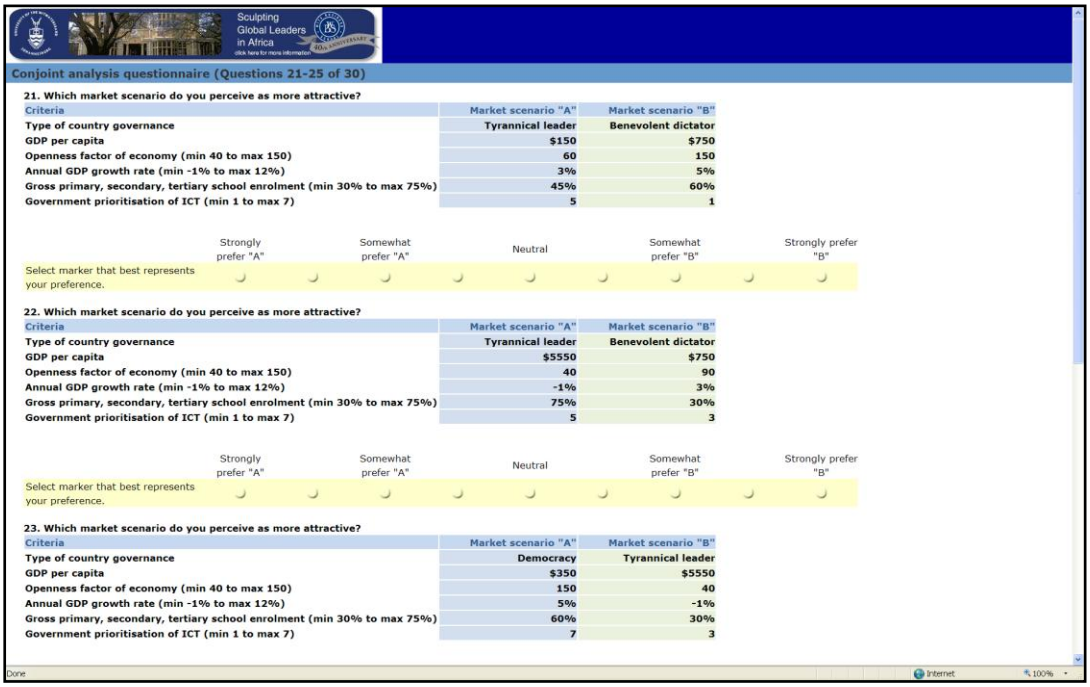
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

Done

Internet

100%

Questions 21 - 23



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 21-25 of 30)

21. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$150	$750
Openness factor of economy (min 40 to max 150)	60	150
Annual GDP growth rate (min -1% to max 12%)	3%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	60%
Government prioritisation of ICT (min 1 to max 7)	5	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

22. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Benevolent dictator
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	40	90
Annual GDP growth rate (min -1% to max 12%)	-1%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	30%
Government prioritisation of ICT (min 1 to max 7)	5	3

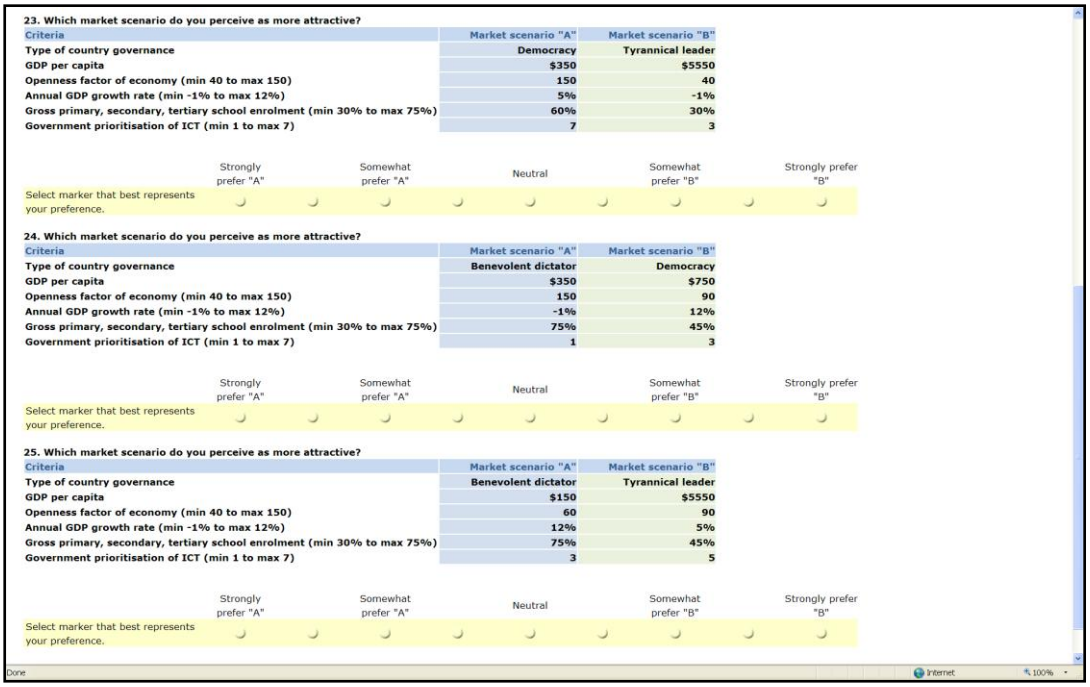
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

23. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$350	$5550
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	5%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	30%
Government prioritisation of ICT (min 1 to max 7)	7	3

Done

Questions 24 - 25



23. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$350	$5550
Openness factor of economy (min 40 to max 150)	150	40
Annual GDP growth rate (min -1% to max 12%)	5%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	30%
Government prioritisation of ICT (min 1 to max 7)	7	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

24. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$350	$750
Openness factor of economy (min 40 to max 150)	150	90
Annual GDP growth rate (min -1% to max 12%)	-1%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	45%
Government prioritisation of ICT (min 1 to max 7)	1	3

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

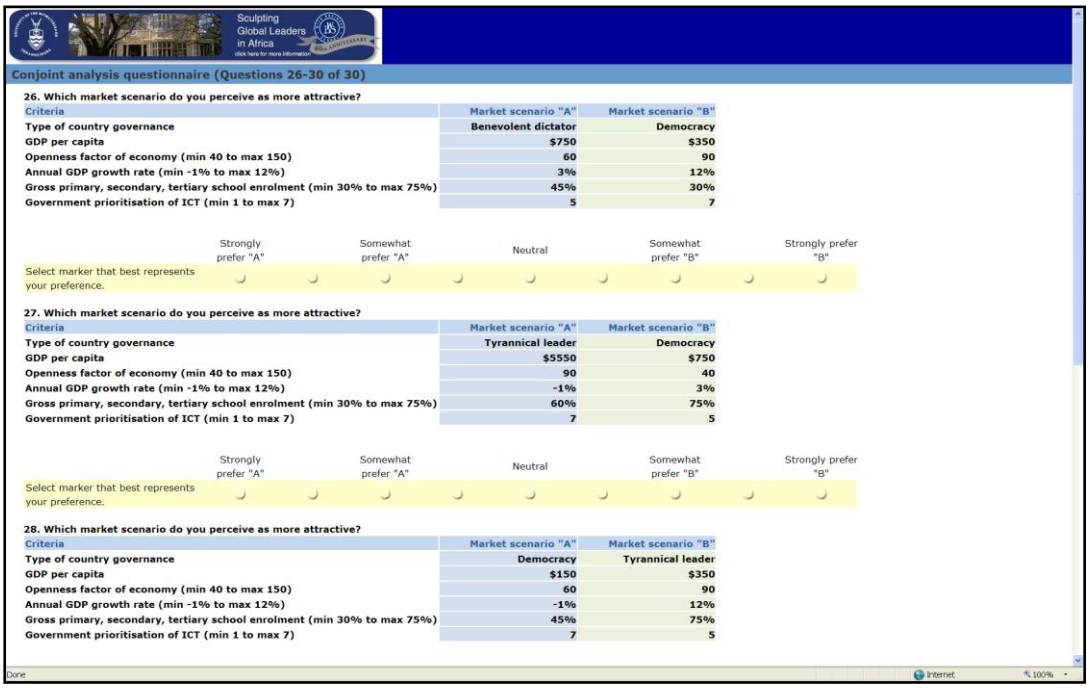
25. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Tyrannical leader
GDP per capita	$150	$5550
Openness factor of economy (min 40 to max 150)	60	90
Annual GDP growth rate (min -1% to max 12%)	12%	5%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	75%	45%
Government prioritisation of ICT (min 1 to max 7)	3	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

Done

Questions 26 - 28



Sculpting Global Leaders in Africa

Conjoint analysis questionnaire (Questions 26-30 of 30)

26. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Benevolent dictator	Democracy
GDP per capita	$750	$350
Openness factor of economy (min 40 to max 150)	60	90
Annual GDP growth rate (min -1% to max 12%)	3%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	30%
Government prioritisation of ICT (min 1 to max 7)	5	7

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

27. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Democracy
GDP per capita	$5550	$750
Openness factor of economy (min 40 to max 150)	90	40
Annual GDP growth rate (min -1% to max 12%)	-1%	3%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	75%
Government prioritisation of ICT (min 1 to max 7)	7	5

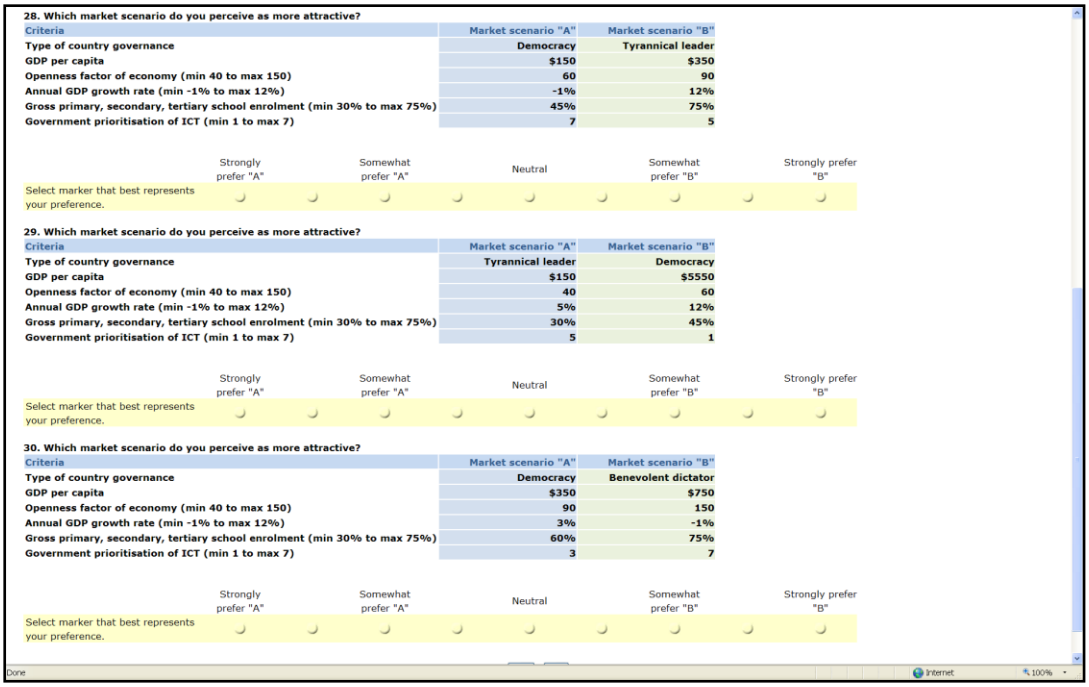
	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

28. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$150	$350
Openness factor of economy (min 40 to max 150)	60	90
Annual GDP growth rate (min -1% to max 12%)	-1%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	7	5

Done

Questions 29 - 30



28. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Tyrannical leader
GDP per capita	$150	$350
Openness factor of economy (min 40 to max 150)	60	90
Annual GDP growth rate (min -1% to max 12%)	-1%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	45%	75%
Government prioritisation of ICT (min 1 to max 7)	7	5

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

29. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Tyrannical leader	Democracy
GDP per capita	$150	$5550
Openness factor of economy (min 40 to max 150)	40	60
Annual GDP growth rate (min -1% to max 12%)	5%	12%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	30%	45%
Government prioritisation of ICT (min 1 to max 7)	5	1

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

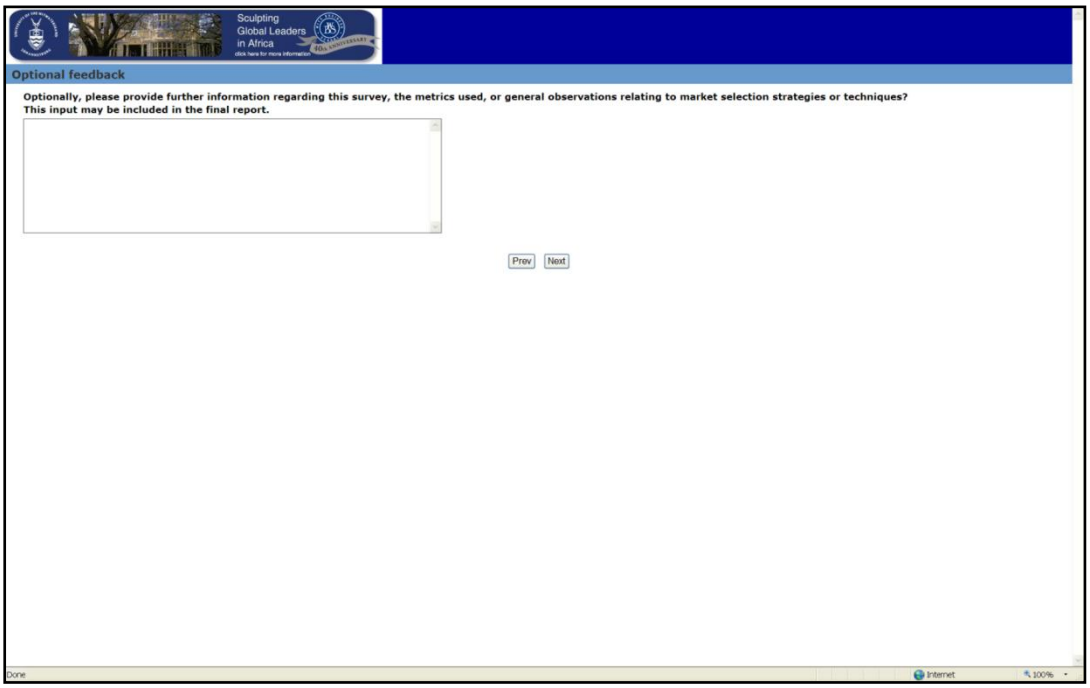
30. Which market scenario do you perceive as more attractive?

Criteria	Market scenario "A"	Market scenario "B"
Type of country governance	Democracy	Benevolent dictator
GDP per capita	$350	$750
Openness factor of economy (min 40 to max 150)	90	150
Annual GDP growth rate (min -1% to max 12%)	3%	-1%
Gross primary, secondary, tertiary school enrolment (min 30% to max 75%)	60%	75%
Government prioritisation of ICT (min 1 to max 7)	3	7

	Strongly prefer "A"	Somewhat prefer "A"	Neutral	Somewhat prefer "B"	Strongly prefer "B"
Select marker that best represents your preference.					

Done

Open ended question re personal insights



End of Questionnaire and ‘thank you’

