



TPSA Conducts a Workshop on How to Attract FDI From Canada and Similar Countries

The Indonesian government has reduced restrictions to foreign direct investment (FDI) and is empowering the Indonesian Investment Coordinating Board (BKPM) to become a one-stop-shop to facilitate FDI. As these initiatives improve the investment process, the focus needs to shift to how BKPM and its stakeholders can proactively promote Indonesia more effectively to foreign investors, not just guide them through the regulatory process to make an investment.

Background

A growth cycle in international investment started in 2004 and saw world FDI flows reach a historical record of US\$1.8 trillion in 2007. Due to the impact of the worldwide financial and economic crisis, FDI declined in subsequent years and in 2014 was at its lowest level since 2005. FDI rebounded again in 2015, due to growth in mergers and acquisitions, but declined again by 13 per cent in 2016, with FDI flows to developing countries down by 20 per cent. The decline in commodity prices and economic and political instability in many regions of the world are behind the decline in global FDI taking place in 2016.

In this challenging market context, BKPM and key stakeholders in Indonesia need to ensure they are at the forefront of best practices in how to attract investment so they can increase their share of a declining global pot of FDI. This will require BKPM to become more proactive in attracting FDI.

To this end, the TPSA project organized a two-day workshop in Jakarta designed to provide BKPM and key stakeholders with the latest knowledge on the most effective methods to attract FDI, an understanding of Indonesia's competitive position



Henry Lowendahl leads the workshop discussion.

for FDI, and strategies to engage foreign investors and proactively manage the sales pipeline. The workshop was also intended to train and prepare BKPM staff for an upcoming road show to Canada to meet with Canadian investors. The workshop was led by Henry Lowendahl, the CEO of WAVTEQ Limited, a leading global FDI consulting firm.

The desired outcome of this training was to promote Indonesia as a location for investment and maximize the economic benefits for the country.



Workshop Overview

The workshop was organized around eight modules.

Module 1: Global FDI Trends

This module provided a detailed analysis of FDI trends, examining global, regional, and Indonesian FDI trends. Corporate location determinants for FDI into ASEAN were examined and examples provided of recent major investments into Indonesia.

The following are some key learnings from the module:

- Understanding global FDI trends is essential for developing an investment promotion strategy. BKPM should have a clear grasp of the different types of FDI and the latest trends and forecasts for global FDI and FDI into ASEAN, and be able to identify the largest and fastest growing sources for FDI, both in terms of source countries and industry sectors and subsectors.
- Understanding location determinants is crucial so that the competitive positioning, marketing messages, and information used to promote Indonesia align with key location factors.
- When identifying source countries to target for FDI (the workshop used the example of Canada), detailed analysis is needed to understand the size of the opportunity, the likely key sectors to target for investment, and which cities or regions within a country should be targeted for FDI.

Module 2: Key Success Factors in Attracting FDI

The second module examined FDI from both corporate and government perspectives. From a corporate perspective, the location strategy and site selection process was analyzed using the financial models foreign investors use and how companies evaluate incentives. From a government perspective, a framework for promoting investment was presented together with the role of investment promotion activities in each phase of the site selection process. Evidence was presented on the impact of investment promotion in attracting FDI and the most effective investment promotion techniques.

Key learnings from the module include the following:

- Investment promotion agencies (IPAs) such as BKPM need to influence the corporate location process at each stage of the site selection. Proactive investor targeting (lead generation) and marketing activities are needed to ensure the country makes it onto the "long list" of location options and is considered as a potential investment location for the company's project. Once the country is on the "short list," the quality of information provided to the investor is key to success. When the investor has decided to visit the country, the quality of how the IPA handles the site visit will often determine which location is selected for the investment. Only then will incentives typically become important in the final decision-making and negotiations. Once the company has made their investment, the IPA should provide "after care" or "account management" services to ensure the project is a success and the company continues to reinvest and expand in the country and contribute to the local economy.
- According to IPAs in other countries, the most effective techniques to attract FDI include after-care services to existing investors, having sales representative and/or lead-generation consultants overseas, and engaging with key intermediaries (advisory companies), all of which are key activities BKPM needs to undertake to attract more FDI to Indonesia.
- According to investors, the most effective marketing techniques for a location are its inward investment website, direct one-to-one meetings with investors, media relations/public relations, and hosting special events. BKPM should focus on how it can improve these techniques to attract more FDI.

Module 3: Best Practices in Lead Generation

This module demonstrated that attracting FDI is a long-term process and that it typically takes two to three years from first contact with a company to when they invest. The module also explained how challenging it is to attract FDI with, on average, only 0.16 per cent of targeted companies actually making an investment in a country. The module provided evidence from the TPSA project that, from an initial target list of 500 companies, TPSA was able



Participating in a group activity.

to contact 371 companies, of which 39 confirmed interest in FDI into Indonesia and 24 are currently at various stages of decision-making on investing in Indonesia.

Key lessons from the module include the following:

- It is essential for BKPM and its stakeholders to understand that attracting FDI is a long-term process and requires a sustained effort over a number of years to generate results.
- The IPA must examine how it can increase its "sales pipeline" of FDI prospects, which should always include intelligence-gathering on companies planning FDI in ASEAN/Indonesia, and networking with existing investors and intermediaries.
- The IPA must consider how to increase its "conversion rate," that is, the ratio of the number of companies considering a project in the country to the number of companies actually investing. This is done by improving the investment services and monitoring processes of the IPA.

Module 4: FDI Value Propositions and Indonesia's Competitiveness

This module provided an analysis of the key sector strengths for FDI into Indonesia and an assessment of Indonesia's competitive position for FDI compared with other countries across key location factors. The location factors include: market size, regulatory environment, labour availability, operating costs and taxes, infrastructure, and research and development. The module provided an over-

view of best practices in how to develop investment propositions for investors. The module also presented the two-page PDF sector flyers developed for the TPSA project and more detailed sector PowerPoint presentations developed to target Canadian investors (but can also be used to target investors from other countries).

Key learnings from the module include the following:

- Developing compelling and high-impact value propositions for investors requires an understanding of key location factors, how these factors vary by sector and type of project, and how a country or region/city compares with competitor locations. Developing value propositions requires benchmarking analysis from which key selling messages and data can be derived.
- Different types of FDI value propositions are needed. A general "why invest in Indonesia" proposition generates awareness of the opportunities and puts Indonesia on the investor's map. To target specific investors, sector-specific propositions are needed to provide content and messages relevant to the investors. When a company has a concrete project, IPAs need a proposition as customized for that investor as possible to address the individual location determinants and project requirements.
- The FDI value proposition is the IPA's opportunity to convince the investor why they should invest in the IPA's location. A high-quality value proposition aligned as closely as possible to the specific company and project can differentiate your location and convince the investor to select your location.

Module 5: Best Practices in Investment Facilitation

This module demonstrated that, from the investor's perspective, government has a critical role to play in facilitating foreign investment. The module examined good practices in how IPAs should develop their organization and strategy, enquiry-handling processes, investment services, and incentives policies to improve their facilitation of FDI and increase conversion rates.



The following are key learnings from the module:

- The IPA must have a clear mandate and ability to coordinate both central and local government organizations and key stakeholders to facilitate investment projects. They must also have an influence on government policy to improve the regulatory environment for investors.
- When an investor with a concrete FDI project is identified, there should be a clear enquiry-handling process with a dedicated account manager appointed to work with the investor. The account manager should take ownership of making the project happen, including ensuring timely response to questions and information provision, coordinating site visits, and using a customer relationship management (CRM) system to record all communications and update the project conversion process. It should be clear for the investor what permits, licenses, and other documents are needed, the process and time frames for approvals, and updates on the approvals process with a key contact person for the investor who is managing their application.
- The investor should understand what incentives are available, what are the key performance targets, and what is the application process. A key contact person should be assigned to manage the incentives application in a predictable and transparent way.

Module 6: Customer Relationship Management Systems

This module provided an overview of the importance of a customer relationship management (CRM) system for an IPA and provided an overview of the Salesforce.com CRM system, which was procured by the TPSA project for BKPM to manage the lead-generation campaign to attract Canadian FDI to Indonesia.

Key learnings from the module include the following:

- A CRM system is indispensable for an IPA. At its most basic level, a CRM is a tool to manage the interactions with investors and monitor progress in securing FDI. More advanced CRMs can be used to manage the marketing activities of the IPA and can be customized for permits,

licensing, and incentives approvals. It is critical that the CRM is easy to use and fit for purpose. Often the CRM system developed for regulatory approvals and tracking is not designed to handle the investment promotion (sales and marketing) activities of an IPA; this should always be considered when looking at the current systems in place and what new systems may be required. When procuring a CRM, the flexibility to integrate with other FDI tools should also be a key consideration.

- There are now many affordable, off-the-shelf CRM systems available from providers such as Salesforce.com and Zoho. Companies such as Microsoft and Oracle also provide advanced custom-built CRM systems. Most IPAs in the world now use off-the-shelf CRM systems for managing their investment promotion activities.
- For the TPSA project, which is targeting Canadian FDI into Indonesia, the Salesforce.com CRM system was procured and customized to conduct lead-generation activities. In addition, Data.com was added to the Salesforce.com license, which is a database of 242 million companies and 50 million contacts in companies. The database will facilitate lead generation and speed up data entry into the CRM.

Module 7: Canadian Business Practices

This module provided an overview of Canadian business practices, emphasizing the importance of rapid response times to investor enquiries and requests for information, as well as the importance of carefully planning meetings with Canadian investors six to eight weeks in advance. Biographies of the government team meeting the investors should be provided at least one to two weeks in advance of the meeting.

The team should always arrive early for a meeting with investors. The presentations should be concise and customized to the information the investor wants. They should be positive but not a strong sales pitch. Meetings should be more about listening than presenting; at least half the talking should be done by the investor so they know that the team is trying to understand the investor's business strategy, goals, objectives, and needs.



An initial thank-you e-mail with a list of agreed next steps and time frames should normally be sent the same day or day after the meeting. Sustained follow-up after meetings is needed; executives are extremely busy people and often appreciate you making repeat follow-ups for items agreed with them previously.

Key learnings from the module include the following:

- The approach to attracting FDI needs to be customized to the target country. What works in one country may not work in another. This includes not only the types of investment promotion activities to conduct in the market, but also how to engage with investors while accounting for the business cultures in each country.
- While there are many differences in business culture across countries, most investors appreciate excellent and responsive communication, information and presentations that are as relevant as possible to their business, and rapid and comprehensive follow-up to meetings.
- Social media can be used to build relations with corporate executives both before and, especially, after meetings. This practice helps build direct communication with decision-makers and a personal relationship with executives.

Module 8: Best Practices in Account Management

This module examined the importance of account management, which means providing after care or "business retention and expansion (BRR)" services to existing investors. The module outlined why account management is important in terms of securing reinvestment and expansion projects, attracting inward investment from suppliers, creating local links, and using existing investors as "investment ambassadors" to promote FDI into the country.

The following are key learnings from the module:

- Account management should be a proactive rather than a reactive approach, related only to problem-solving. The IPA should provide after-care services targeted at specific investors,

identified because of their importance or potential, with clear objectives for engaging existing investors and with a clear menu of services being offered.

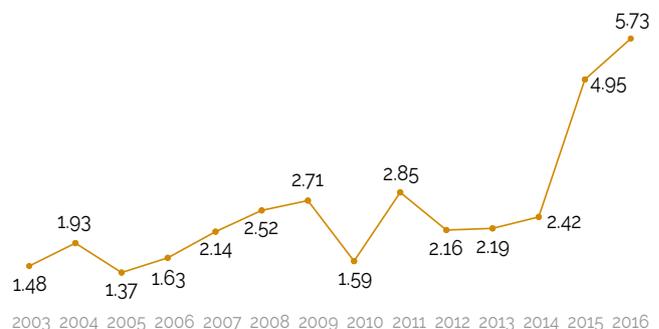
- Engagement with existing investors should be at a high level. There should be a senior account manager in the IPA who can forge strong and positive relations with top management in the local foreign subsidiary.
- Over time, clear targets can be put in place for attracting FDI from existing investors and other key performance indicators (such as local links).

Indonesia Is Increasing Its Market Share of Global Investment

The workshop provided a detailed analysis of global and regional FDI trends and identified industry trends and the key source and destination countries for FDI. Indonesia's market share of global FDI has increased markedly in the last three years; the time to be proactively attracting FDI into Indonesia is now.

INDONESIA'S SHARE OF GLOBAL GREENFIELD INVESTMENT, JANUARY 2003–SEPTEMBER 2016

(per cent)



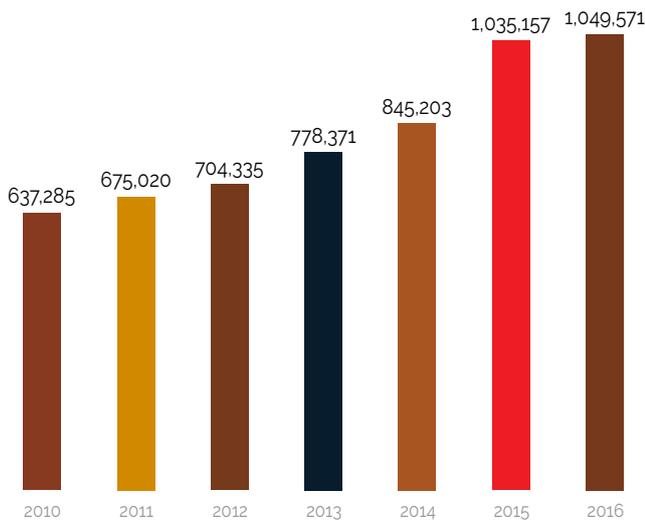
Source: fDiMarkets.com

The workshop highlighted Canada's global importance as a source of FDI and how outward FDI from Canada has increased.



CANADIAN TOTAL OUTWARD FDI STOCK

(C\$ millions)



Source: Statistics Canada

How Can Investment Promotion Activities Increase FDI?

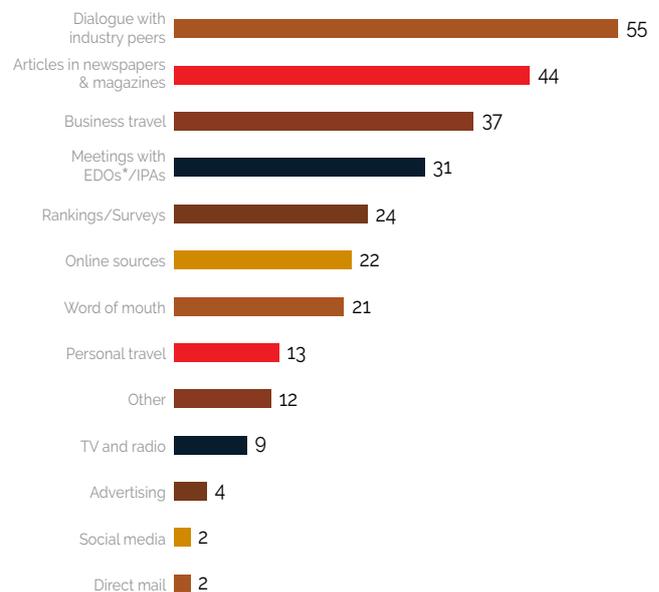
The workshop examined how companies make FDI and location decisions and how investment promotion activities influence those decisions at different stages in the process. Key corporate strategies and location determinants were identified, as well as how they vary across industries and types of FDI project. The workshop showed the results of recent surveys of IPAs and multinational enterprises (MNEs), which provided the latest insights into the most effective methods to attract FDI and how to influence an MNE's perception of a location.

The workshop identified the following key success strategies to increase FDI into a location:

- invest in your website
- gather investor intelligence
- meet corporate executives
- consider overseas representation/outourcing to specialist consulting firms
- have an effective media strategy
- engage with existing investors
- engage with intermediaries and multipliers

SOURCES OF INFORMATION INFLUENCING EXECUTIVES' PERCEPTIONS OF A COUNTRY OR REGION'S BUSINESS CLIMATE

(per cent)



*Economic development organizations

Source: Development Counsellors International, Winning Strategies in Economic Development Strategy, 2014

Attracting FDI Requires a Sustained, Proactive Approach

The workshop examined best practices in the lead-generation process from first contact with a company to when the company actually invests. It typically takes from one to three years to convert an investment from the initial contact with an investor. Because of this, it is important for BKPM to adopt a CRM system to manage investor enquiries and the sales process, to implement account management processes, and to provide sustained support and follow-up. The workshop highlighted that the "conversion rate" is a key to success and that BKPM should aim to increase its conversion rate to 10 to 20 per cent, in line with other major IPAs and economies. This means that 10 to 20 per cent of all companies considering Indonesia for FDI projects will actually make an investment. The workshop also showed how intelligence-gathering can be used to identify hot FDI leads, which can be proactively followed up by BKPM using tools such as fDi Markets.



Business Networks Are Essential

The workshop introduced participants to the latest best practices in investment promotion around developing a “multiplier” strategy to attract FDI. This involves building relationships with key FDI advisors (e.g., site selection consultants, legal firms) and FDI influencers (e.g., journalists and media organizations), both in Indonesia and in key global hubs. These relationships ensure that company advisors are aware of FDI opportunities in Indonesia and, equally importantly, of the support services BKPM can provide. Business networks have been key to success for the world’s leading IPAs, such as IDA Ireland, Singapore EDB, and CINDE Costa Rica, as they lead to FDI referrals and inbound enquiries, as well as increase the FDI brand of the location. New tools such as FDI Professionals are designed to assist IPAs in developing a multiplier strategy.



Participants discuss best practices.

Account Management as a Technique to Increase the Benefits From FDI

Workshop participants completed practical exercises looking at post-investment services to identify what services BKPM should provide to investors once they make their investment. The workshop trained participants on the critical importance of developing a key account management, or after-care, program to stay in contact and build strong senior management relations with strategic investors after they invest. These activities not only can support the company in operationalizing and expanding over time, but can also reduce the risk of closure or rationalization in the case of a company consolidating its international operations.

Key account management is also essential to be able to develop programs to “embed” investors and create stronger spillovers for the local economy. Workshop participants worked on an automotive case study to show how supply chain development can significantly increase the impact of FDI on the economy—in some cases total domestic investment can increase three-fold as a result of the original foreign investment.

52% of corporate executives outsource all or part of the set-up process to external service providers

40% of companies in the U.S. are planning to outsource site selection

Development Counsellors International, *Winning Strategies in Economic Development Strategy*, 2014.



IPA PERSPECTIVE: MOST EFFECTIVE TECHNIQUES

Technique	Agencies using (%)	Average score of effectiveness (5 = most)
After-care services for existing firms	100%	4.1
Sales representatives overseas	75%	4.0
Outsourcing lead generation to consultancy firms	50%	3.5
Diaspora inward investment targeting	13%	3.5
Conferences, seminars	100%	3.4
Inward investment website	100%	3.3
Inward FDI missions	63%	3.3
Outward FDI missions	63%	3.3
Referrals from the national IPA	38%	3.3
Conventions, exhibitions	100%	3.1
Direct mail to targeted companies	63%	3.0
Outward trade missions	38%	3.0
Inward missions	40%	2.8
Directory listings	40%	2.5

Source: Financial Times Survey.

Participant Feedback

Over 30 staff from BKPM, stakeholder organizations such as the Chamber of Commerce, and professional services firms attended the workshop. The BKPM team were very motivated during the workshop and showed a high level of dynamism and theoretical knowledge in responding to the interactive group exercises.

"Insights given in the workshop are a great help for me, not only in terms of knowledge of converting prospective investors, but also engaging established investors."

—MONASISCA NOVIANNEI
Trade Analyst, The Investment Coordinating Board of the Republic of Indonesia (BKPM)

The participants had minimal actual experience and previous training in proactive investment promotion activities, which is a key capability gap in BKPM generally (i.e., lack of an investment promotion department). The workshop identified a need for capacity building in BKPM on how to proactively market and promote Indonesia to investors, how to adopt a more private sector approach to business development like that adopted by BKPM's competitors, and best practices used by IPAs globally. There is also a need for an institutional review of BKPM to examine how to establish a strong investment promotion department to drive forward proactive investment promotion activities.

All participants reported that their skills and knowledge improved as a result of the workshop. Fifty-seven per cent said that their new level of confidence in applying the knowledge was "excellent" or "very good," 36 per cent said "good," and the remaining 7 per cent said "fair."

Sixty-four per cent said they would use the knowledge from the training "very frequently" or "frequently" in their work, while 36 per cent said "occasionally."

The participants reported good overall satisfaction with the training. Twenty-eight per cent gave a satisfaction rating of "excellent"; 54 per cent said "very good"; and 18 per cent said "good."



Participants celebrate the conclusion of a successful workshop.

About the TPSA Project

TPSA is a five-year C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector—particularly small and medium-sized enterprises (SMEs)—academics, and civil society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support higher sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

The expected immediate outcomes of TPSA are:

- improved trade and investment information flows between Indonesia and Canada, particularly for the private sector, SMEs, and women entrepreneurs, including trade-related environmental risks and opportunities;
- enhanced private sector business links between Indonesia and Canada, particularly for SMEs;
- strengthened analytical skills and knowledge of Indonesian stakeholders on how to increase trade and investment between Indonesia and Canada;
- improved understanding of regulatory rules and best practices for trade and investment.

For further information, please contact the Project Office in Jakarta, Indonesia:

Mr. Gregory A. Elms, Field Director

Canada-Indonesia Trade and Private Sector Assistance (TPSA) Project

Canada Centre, World Trade Centre 5, 15th Floor
Jl. Jend. Sudirman Kav 29-31 Jakarta 12190,
Indonesia

Phone: +62-21-5296-0376, or 5296-0389

Fax: +62-21-5296-0385

E-mail: greg@tpsaproject.com