

### “GREECE INC.”

Is Greece an investment opportunity for Foreign Direct Investment? Based on both qualitative and quantitative criteria the answer would have to be no.

Greece’s inability to attract foreign and local investment starts way before investors begin looking at the figures.

Basic human behavior plays a much larger role than most of us would expect when investors search for investment opportunities.

What are these behavioral traits? What makes potential investors unwilling even to look at Greece Inc. as an investment opportunity?

Perception of the country is at best in the eyes of the investor that of a non productive laid back area famous for its dispersed islands, ancient artifacts, mousaka and souvlaki. Greece inc has been linked to leisure and holidays not to high tech innovative industries.

Obviously one does not expect to see an influx of investment in high tech in Greece because of this.

If we were to look at the science of Behavioral Finance one important human heuristic stands out, making a substantial difference in the lack of investment interest in high tech in Greece.

This would have to be the loss aversion which refers to people’s tendency to strongly prefer avoiding losses as to acquiring gains. Losses are much more painful in intensity as compared to the intensity of a gain.

What makes investors look at established technology economies such as Israel or the US for example?

Well primarily everybody is doing it. There is a constant annual influx of both internal and foreign high tech investment, going on in these countries.

Both countries have built an image for themselves by promoting and fostering innovation through a series of private and public sector initiatives thus capturing the attention of the investment community which results in increased investment in this all important sector creating sustainable growth and wealth.

Directing investor interest towards a specific country is an obvious result of many strategies and policies that Greece lacks today.

Herding investors which by the way is a human tendency, into an elevated GNP market area will require serious macroeconomic and regulatory measures as well as fostering breakthrough technologies in order to defuse the loss aversion heuristic of the given investor community.

So now we have the investor looking is that enough? Hardly.

Once all personal reluctances have been satisfied what's next?

As described by the world economic forum 2009- 2010 there are specific pillars that need to be satisfied in order to attract the much needed investment in Greece.

These are:

**The Institutional environment**

The legal and administrative framework within which individuals, firms and governments interact to generate income and wealth in the economy.

**The Infrastructure**

Quality of roads, railroads, ports and air transport as well as electricity and telecommunication infrastructures are critical in ensuring effective operations in the economy.

**Macroeconomic stability**

Stability of the macroeconomic environment is important for the overall competitiveness of a country.

**Health and Primary education**

The country must provide an efficient health system providing investors with a healthy workforce. Furthermore, lack of primary education is a limiting factor in business development with firms finding it difficult to move up the value chain by producing more sophisticated or value intensive products

**Higher education and training**

Quality higher education and training are crucial for the economies that want to move up the value chain beyond simple production processes and products

### **Goods market efficiency**

The best possible environment for the exchange of goods requires a minimum of impediments to business activity through government intervention.

Market efficiency also depends on demand conditions such as customer orientation and buyer sophistication.

### **Labor market efficiency**

The efficiency and flexibility of the labor market are critical for ensuring competitiveness in that market. Labor markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost and to allow for wage fluctuations with ought much social disruption...

### **Financial market sophistication**

An efficient and sophisticated financial sector allocates the recourses saved by the countries citizens as well as those entering the economy from abroad to their most productive uses.

Business investment is critical to productivity.

Therefore a country's economy requires sophisticated financial markets that can make capital available for private sector investment from such sources as loans from the banking sector, well regulated securities exchange, venture capital as well as other financial products.

### **Technological readiness**

The technological readiness of a country allows it to adopt existing technologies in order to enhance the productivity of its industries.

In today's globalized world, technology has become an important element for firms to compete and prosper.

Information and communications technologies allow companies to become more efficient as they are competing for market share in their respective markets.

### **Market size**

The size of the market affects productivity because large markets allow firms to exploit economies of scale. International trade has become a substitute for limited domestic markets.

Thus exports can substitute domestic demand especially in export driven economies.

### **Business sophistication**

The quality of the countries business networks and supporting industries is important for a number of reasons.

When companies and suppliers are interconnected in geographically proximate groups or clusters efficiency is elevated, greater opportunities for innovation are created and barriers to entry for new firms are reduced

Branding, marketing the presence of a value chain and the production of unique and sophisticated products are a result of sophisticated and modern business processes.

### **Innovation**

And finally innovation.

Although substantial gains can be obtained by improving institutions, infrastructures, macroeconomic stability or improving human capital, all these factors eventually run into diminishing returns.

The same is true for the efficiency of labor, financial and goods markets. In the long run, standards of living and wealth production can be expanded only with innovation.

This of course requires an environment that is conducive to innovative activity supported by both public and private sectors.

In particular this means sufficient investment in research and development.

To summarize let's have a look at how Greece measures up relative to the above investment criteria.

As a result of the above, "serious investment activity" in ICT will just have to wait and go elsewhere. Our country needs to take serious, well orchestrated, long term steps in order to attract this type of investment.

Finally does all this mean that Greece lacks innovation capability in ICT?

I would answer no to this question.

There are a few very successful companies that have managed to become world leaders in their respective innovation based markets.

Intralot is a good example of a Greek company with global presence and leadership in its field. There are other Greek companies of course, most of them actively involved in the software development area.

We feel that another good example of Greek innovational capability is found within my organization, where we have developed a world class, state of the art, Healthcare software platform branded as e-ppokrates

This product is in fact the first Universal Telemedicine Platform of its kind.

It facilitates healthcare in a number of areas including fully automating the process and tracking of remote diagnostic medical tests.

It allows the flow of that medical result information, as well as allowing healthcare to healthcare professionals, communication.

As a result our product dramatically speeds up medical attention of the patient while at the same time elevates the quality of medical care.

Increasing speed while at the same time offering better quality medical care also brings the cost down substantially.

The feature set and capability of e-ppokrates is quite unique in the sense that the only available comparable technology globally is a product that was developed in Germany, strongly indicating that the skills and know how required to produce such state of the art products, is evident within the Greek environment.

It's all the remaining factors mentioned in my presentation that need to evolve if Greece is willing to attract serious world class investment in innovation.