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University of Pretoria

Market-specific factors, cultural differences and emerging market firms: South African firms internationalising into sub-Saharan Africa

Mohamed Naeem Ebrahim

22100921

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Abstract

Over the past two decades, sub-Saharan Africa has witnessed a significant increase in the level of inward FDI. Annual GDP growth rates that are above those realised in the developed world and numerous policy reforms targeted at liberalising economies have spurred this growth in inward FDI. Both South African and Chinese firms have emerged as the primary protagonists behind these inward FDI investments into the sub-Saharan African region.

The primary objective of this paper was to develop a deeper understanding of internationalisation efforts of South African firms into the sub-Saharan African region. Focus has been placed on market-specific factors, cultural differences and the dynamic of emerging market firms internationalising into other emerging markets. Data collected from ten semi-structured interviews conducted with both managers and consultants that have been directly involved with expansion efforts into sub-Saharan Africa were coded with the aid of ATLAS.ti.

An analysis of the results in relation to elements of the Uppsala Model, the Eclectic Paradigm and the CAGE Framework, highlights the following key findings. Firstly, South African firms consider the same market-specific factors when internationalising into sub-Saharan African as those that are considered by internationalising firms from developed markets. Secondly, cultural differences have the propensity to impact the success of an internationalisation effort of South African firms, often resulting in increased costs, integration delays, communication difficulties, knowledge transfer barriers and extended periods before profitability is achieved. Finally, South African firms possess competitive advantages when internationalising into sub-Saharan African as a result of a contextual understanding with regard to local factors that are unique to emerging markets.

Keywords

Internationalisation, market-specific factors, cultural differences, emerging markets and sub-Saharan Africa

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Mohamed Naeem Ebrahim

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Contents

List of Tables

List of Figures

1. Chapter 1: Introduction to the Research Problem

1.1 Introduction to the research problem

Global investors have identified the African continent, and specifically the sub-Saharan African region, as the next geographic region that holds the potential for above average growth prospects. The region's large market size, its growing middle class, the increasingly stable political and economic environment, as well as the need for investment in infrastructure are various factors attracting global multinational enterprises (MNEs) as they attempt to secure a portion of the lucrative growth that the continent offers (Berman, 2013; Bartels, Napolitano & Tissi, 2014 and UNCTAD, 2014). South African firms are well-positioned to take advantage of this as the country has traditionally been seen as the gateway into the rest of Africa for many global firms (Luiz & Charalambous, 2009). It is thought that South African firms possess a strategic advantage in this regard, as they are well-versed in the nuances of doing business in emerging markets that are characterised by larger informal markets, poor infrastructure and institutions, as well different consumer and cultural dynamics (Luiz & Stephan, 2012).

Over the past two decades there has been an increase in the number of South African companies attempting to expand (internationalise) north of their borders into the rest of Africa. This expansion has been led by South Africa's listed MNEs including SAB Miller (JSE: SBL), Vodacom (JSE: VOD), MTN (JSE: MTN), Standard Bank (JSE: SBK), Woolworths (JSE: WHL), Shoprite (JSE: SHP), Dimension Data (JSE: DDT) and Famous Brands (JSE: FBR) to name a few. These firms are pursuing internationalisation strategies on the continent for various reasons. Some of these motivating factors are attempts to gain access to either new growth markets, natural resources, learning opportunities, attempts to achieve economies of scale and attempts to expand market share in response to increased competition from both local and international firms within their own domestic market (Berman, 2013 and Kim & Aguilera, 2015).

Such expansionary attempts have been met with difficulty and unexpected costs at times, and often result in prolonged periods of time before these ventures yield positive returns. In some instances, complete failures result in the eventual withdrawal from foreign countries. Examples of such failures that have been widely publicised and researched are:

- In December 2010, Telkom (JSE: TKG), a leading communications service provider in South Africa, announced that it will be exiting the lucrative Nigerian telecommunications market. Analysts have attributed this failure to Telkom's poor choice of identifying Multi-Links, a telecommunication service provider established in Nigeria, as their target acquisition and point of entry into the Nigerian market (Ntingi, 2010 and Ajai, 2015).

- In March 2010, Media24, a subsidiary of Africa's largest media company, Naspers (JSE: NPN), announced that it would be exiting Kenya's publishing industry. The company released a statement citing a decrease in revenue as well as an increase in operational costs as the primary reasons for their exit from the Kenyan market (Ntingi, 2010).

- In November 2013, Woolworths (JSE: WHL), one of South Africa's largest retail chain stores, announced that it would be withdrawing from the Nigerian market after having already established three stores in the region. The company alluded to high rental costs, issues with supply chain problems and the Nigerian climate as being the principal reasons behind their failure in the Nigerian market (Duncan, 2013 and Ajai, 2015).

These examples add support to the notion that doing business in the rest of the African continent comes along with its own challenges and risks. However, for those companies that manage to navigate their way through the deluge of uncertainty and difficulty, markets in the rest of Africa offer investors lucrative growth opportunities. In order to improve the odds of achieving a successful internationalisation expansion, firms need to ensure that they are well-equipped with an in-depth knowledge of their proposed target market. This is true for all international expansion strategies and specifically applies when the target market is within an African country, where access to complete and accurate information is a distinctive characteristic that often increases the risk associated with entering these markets (Papadopoulos & Oscar, 2011).

In line with the importance of understanding aspects of the identified target market, internationalisation theory has witnessed a substantial growth in literature over the past two decades. The increase in inward foreign direct investment (hereinafter referred to as FDI) into China by global firms as well as the outbound FDI by Chinese firms into Africa over the past two decades has served as catalysts to promote academic research in this field (Ahsan & Musteen, 2011 and Kim & Aguilera, 2015). The focus of academic research to date has been on understanding the intricacies and dynamics of internationalisation strategies of firms from developed countries and not from developing countries (Cuervo-Cazurra, 2012 and Luiz & Stephan, 2012).

In lieu of the fact that South Africa has emerged as one of the leading FDI protagonists on the African continent and that it has been observed that South African firms conduct their expansionary activities into Africa differently in comparison to other firms, there is a need to further develop academic literature within international business literature that focusses on the dynamic of an emerging market firm entering other emerging markets (Cuervo-Cazurra, 2011; Verhoef, 2011; UNCTAD, 2014 and UNCTAD, 2015).

1.2 Background to the research problem

"*Africa is transforming from a continent in need of assistance to a continent of opportunity*" (Leke, Lund, Manyika & Ramaswamy, 2014). The above quote succinctly captures the shift in narrative with regard to the current African story that is being told by politicians, investors, researchers and industry leaders globally. Below are further examples of quotes on the changing narrative on Africa which were made at the World Economic Forum in 2014 (Gundan, 2014).

"Africa is the story. The big story is Africa. The Chinese and Japanese are fighting over Africa. This is a market of a billion people, of natural resources." – Dr Ahmed Heikal, (Chairman and Founder of Citadel Capital)

"We wouldn't be investing as much in the rest of Africa if we didn't believe. Africa will be the success story in the next decades…Africa is on the move and it is moving forward." - Julian Roberts (Group Chief Executive, Old Mutual)

"Africa's risks are mainly perceived and not real. Unfortunately for us in Africa we are not really very good at telling our own story. But things are changing and people are beginning to understand that things are going very, very well." – Aliko Dangote (Chairman and CEO of Dangote Group)

The African continent offers huge market potential due to its growing middle class, increasingly stable economic and political environments, the favourable prospect of its demographic dividend, as well as the wealth of natural resources and arable land that it possesses (Berman, 2013 and UNCTAD, 2014). The demographic dividend is defined as a favourable positive profile of a country's population which serves as an input to its ability to grow its gross domestic product (hereinafter referred to as GDP). This profile is a result of certain key characteristics of the specific population, namely the heterogeneity of the population with regard to gender and age distribution, the labour force participation as well as the level of educational attainment (Bloom, Canning, Fink, & Finlay, 2009). It is expected that by the year 2035, the number of Africans entering the working age population (ages 15-64) will be greater than the combined total in the rest of the world.

The combination of all these factors has significant positive ramifications for growth opportunities and as such, the continent has witnessed average annual growth rates in the region of five percent per annum over the past decade (International Monetary Fund, 2015). This is significantly higher than annual growth rates achieved by developed markets over the same period, which averaged around two percent per annum (World Bank, 2015). This growth has been fuelled by investments in power, infrastructure, education, healthcare and consumable goods over the past two decades. Empirical evidence of this can be found in the fact that the African continent lays claim to the fifteen fastest-growing economies between the years 2000 and 2013 (Leke et al., 2014). These above average growth rates have attracted the attention of global investors and have resulted in Africa's trade with the rest of the world increasingly significantly over the past two decades (Bartels et al., 2014).

Sub-Saharan Africa (hereinafter referred to as SSA) has also witnessed significant democratic transition over the past two decades during which the frequency of armed conflicts has been on a downward trend, governments have become more responsive and accountable, and macroeconomic stability has been achieved in most countries within the region. Similar to the broader African narrative over the past two decades, the SSA region has witnessed significant growth in sectors such as agriculture, telecommunications, finance, retail, tourism, manufacturing, housing and infrastructure. Growth in these sectors has been a direct result of the growing middle class within the region (International Monetary Fund, 2015).

In an attempt to capitalise on Africa's growth, global companies are competing to establish themselves on the continent. Despite the interest shown by global organisations, it is South Africa in particular, led by its force of MNEs that has emerged as one of the leading FDI protagonist on the African continent (Museisi, 2013; UNCTAD, 2014 and UNCTAD, 2015). The fact that South Africa is leading the investment drive on the African continent is positive as intra-African trade is still in its infancy (Berman, 2013). Political, resource and infrastructure restraints have ensured that Africa remained a fractured continent limiting intra-African trade historically. This is changing as evidenced by a drive by African governments to promote intra-regional investment in order to achieve deeper integration in line with political agendas (UNCTAD, 2014). These favourable changes have the potential to unlock growth opportunities for South African firms looking to expand their market share across the continent.

1.3 Research objectives

The SSA region comprises of countries that are classified as developing economies and, as such, are characterised by features that are distinct from those in developed countries (Kim & Aguilera, 2015). Firms entering these developing countries are faced with higher levels of uncertainty as the political, technological and social dynamics in these countries are very different to those found in more developed countries (Ahsan & Musteen, 2011). Internationalising firms targeting the SSA region need to be aware of these differences and need to ensure that they acquire an in-depth understanding of their proposed target markets. In order to do so, firms need to be familiar with regard to the market-specific factors that make each target market unique. Furthermore, such firms must develop an understanding of the cultural differences between their home and host countries.

The primary objective of this paper was to develop a deeper understanding of internationalisation efforts of South African firms into the sub-Saharan African region. In attempting to do so, a theoretical perspective on the market-specific factors that are considered by firms when internationalising, the impact of cultural differences between the home and host countries, and the dynamic of emerging market firms entering other emerging markets has been formulated. This perspective was then tested in the context of South African firms internationalising into other sub-Saharan African countries. The theoretical perspective formulated was largely influenced by the available academic literature on internationalisation strategies of developed market firms entering into other developed or emerging markets. In addition, this research study seeks to contribute towards the limited academic research available on South African firm's internationalisation efforts into SSA. By contributing towards increasing the available academic literature, various facets of a South African firm's internationalisation strategy can be understood in detail and help towards formulating future expansion strategies that will limit risk and increase the likelihood of success.

1.4 Research scope

This research paper has deliberately been designed to be agnostic with regard to firm industry and firm size. The primary reason for this is due to the limited academic research available with regard to South African firms internationalising into SSA and thus a broad understanding into this unique context is required at this point in time (Cuervo-Cazurra, 2012 and Luiz & Stephan, 2012).

A firm's internationalisation strategy is a very complex business initiative that can be affected by numerous factors. Traditionally, internationalisation theory focussed on the characteristics of the market, the characteristics of the firm and the manner in which the firm decided to structure its entry into a foreign market. For the purpose of this research paper, focus has been placed on the market-specific and firm-specific characteristics of an internationalisation strategy.

This paper seeks to focus solely on SSA as a geographic region within the African continent and, as such, findings arising from this research are limited to this geographic location. The Northern African countries, are characterised by increased political and economic uncertainties and maybe to isolated from the rest of Africa.

Finally, the objective of this paper is to serve as a cross-sectional study in which the context detailed above will be studied at this particular point in time rather than a historical comparison.

1.5 Conclusion

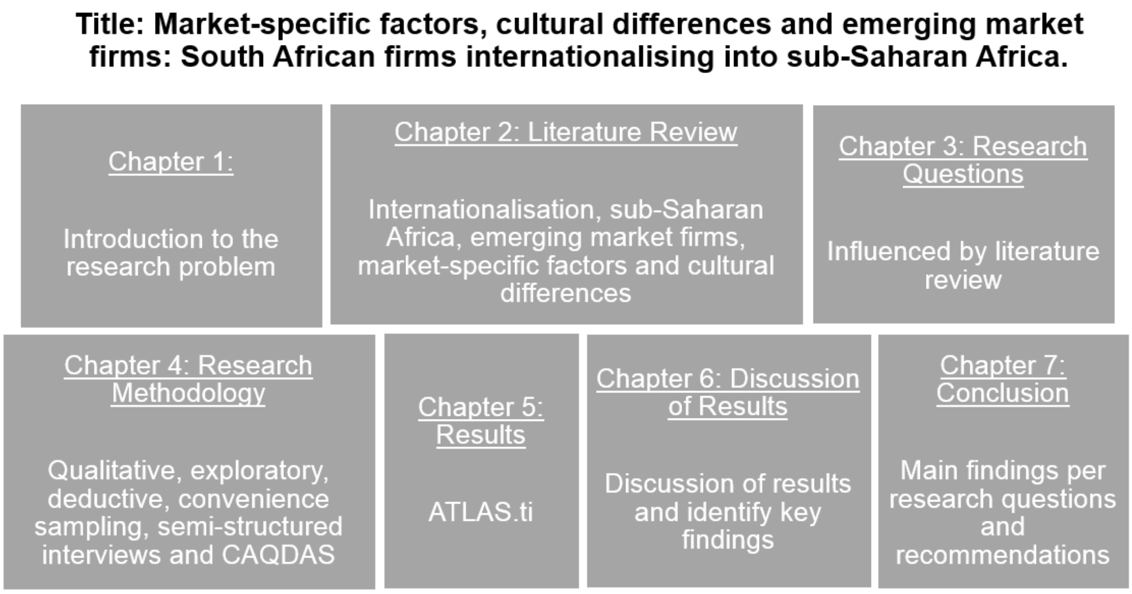
The changing African narrative, which holds the potential for lucrative growth opportunities has attracted many global companies to the continent. To date, it is South African firms that have been the driving force behind the inward FDI made into the SSA region. These internationalisation efforts are very risky and, at times, result in failures which have significant financial and reputational costs attached to them. In order to mitigate such outcomes, South African firms embarking on internationalisation efforts need to ensure that their market selection process is informed by market-specific factors and potential cultural differences relating to their proposed target markets. In addition, such firms may benefit if they are able to leverage off any competencies developed through their experiences gained in the South African market. In line with the above, the primary objective of this research study is to develop a deeper understanding into the internationalisation efforts of South African firms into SSA.

1.6 Research process overview

Chapter 1 provides the context, motivation and importance of this research study. Thereafter, Chapter 2 represents a critical review of the most recent literature available that is applicable to the themes identified within this research study and also serves to act as the foundations upon which the research questions have been formulated. The research questions that this study seeks to answer are formalised and presented in Chapter 3. Chapter 4 details the research methodology used to guide the research process. Thereafter, Chapter 5 provides the results of the data analysis performed on the data collected via semi-structured interviews. These results are then discussed in Chapter 6 in the context of the literature identified in Chapter 2. Results have been presented according to the three research questions formalised in Chapter 3. This research study concludes with Chapter 7 which provides the main findings of this study, recommendations, limitations and identifies possible future areas of research.

The research process of this paper, as detailed above, has been represented graphically in Figure 1-1 below:

Figure 1-1: Research Process Overview



2. Chapter 2: Literature Review

2.1 Introduction

The purpose of a literature review is to allow for the researcher to critically review the literature that has been published in a specific field of interest. The researcher has the opportunity to further develop an understanding of the key themes, ideas, debates and theories relating to the proposed field of study. The literature review also allows the researcher to provide context to the research that is being performed by placing research findings within the broader body of academic literature (Saunders, Lewis & Thornhill, 2012).

This chapter starts off by introducing the concept of internationalisation by offering a formal definition and then detailing some of the most prominent theories in this field. The focus then shifts to sub-Saharan Africa as a region and is then followed by a discussion on emerging market firms and market-specific factors. Finally cultural differences between the host and home countries are then discussed. Each one of these sections build towards and supports the research questions formalised in the next chapter.

2.2 Internationalisation

2.2.1 What is internationalisation?

International business is being conducted in an environment that is increasingly globalised. This environment is characterised by decreasing barriers to entry, increased competition, advancements in technology and greater opportunities for expansion (Papadopoulos & Oscar, 2011). Internationalisation, also referred to as foreign market entry, is synonymous with foreign direct investment and can be viewed as a firm's attempt to increase its involvement in international operations by establishing new business operations or adapting existing ones in foreign markets (Malhotra & Hinings, 2010). Internationalisation theory, which traditionally falls under the broad banner of international business, spans across a multitude of dimensions covering various academic topics. A substantial growth in literature regarding internationalisation strategies has been witnessed over the past two decades primarily due to the trend of increased inward FDI into China, Africa and India, as well as outbound FDI by Chinese, Japanese and Indian firms into the African continent (Ahsan & Musteen, 2011 and Kim & Aguilera, 2015). In addition, advancements in technology have significantly reduced the transaction costs associated with foreign market activity and has contributing significantly towards the increase in internationalisation strategies carried out by firms (Kim & Aguilera, 2015). As a result of these trends in FDI, governments have implemented policy geared towards the promotion of inward FDI by liberalising certain policies and by drafting policies that will seek to incentivise foreign entrants (UNCTAD, 2014).

All internationalisation strategies are characterised by two fundamental decisions. Firstly, the firm is faced with the decision around which country it should look to transfer its products, services or resources into. Secondly, a firm must then decide on the transaction mode through which it wants to establish itself in the selected country. Using these two facets, an alternate definition of an internationalisation strategy can be offered as the process through which a firm selects both the market entry mode and the international market it intends to enter into while attempting to increase its involvement in markets outside its national borders (Andersen, 1997).

2.2.2 Why do firms internationalise?

Firms pursue internationalisation strategies for various reasons. Some of these motivating factors are attempts to gain access to new markets, natural resources, learning opportunities, attempts to achieve economies of scale in distribution, procurement and manufacturing, and attempts to expand market share in response to increased competition from a firm's domestic market by both local and international firms (Kim & Aguilera, 2015). Firms are also looking to position themselves in international markets to take advantage of market-specific factors that may improve the degree of innovation within their own organisations (Nieto & Rodríguez, 2011).

These motivations can be categorised into four primary rationales as to why firms seek to expand their operations outside their national borders. These categories are: resource-seeking, market-seeking, efficiency-seeking and strategic-asset seeking (Okafor, Piesse & Webster, 2015). Resource-seeking firms invest in host countries that offer them access to natural resources. Market-seeking investor invest in an attempt to maintain existing markets or to expand to new ones. Efficiency-seeking investors seek to invest in countries that have an abundance of factors of production so as to develop a competitive advantage through the use of these factors. Strategic asset-seeking investors invest in countries in line with their strategy to take advantage of any one of the other investing rationales (Okafor, 2015).

2.2.3 Prominent theories on internationalisation

Three of the most prominent frameworks used to understand a firm's internationalisation strategy are the Eclectic Paradigm, the Uppsala Model and the CAGE Framework (Pan & Tse, 2000; Brouthers & Hennart, 2007; Malhotra & Hinings, 2010; Jonsson & Foss, 2011 and Schotter & Beamish, 2013). Elements from these three popular frameworks will be used in combination as the theoretical framework underpinning this research study. A description of each framework follows.

2.2.3.1 Uppsala Model

The Uppsala Model lays out a theoretical framework for the process of internationalisation. It was formulated as a result of studying several Swedish multinational enterprises who were observed to initially internationalise into markets that were closer to home and were characterised by smaller cultural differences (Vahlne & Johanson, 2013). The model proposes that the internationalisation process of a firm is an incremental process of gradual acquisitions and integration as a result of knowledge gained of the host-country and on managing international business operations (Johanson & Vahlne, 1977). The core concept of this model is managing under uncertainty. Managers gradually build strength through the accumulation of knowledge and by developing relationships with key partners in their new environment (Vahlne & Ivarsson, 2014). Given that the access to complete and accurate information of future target markets is a huge risk for firms, the incremental approach will reduce the uncertainty associated with internationalisation strategies (Qian & Rugman, 2013). The model posits that the incremental process allows firms to learn experientially, thus reducing uncertainty as well as the perceived uncertainty of any future internationalisation efforts (Johanson & Vahlne, 1977 and Malhotra & Hinings, 2010).

In line with the concept of uncertainty and knowledge accumulation, the Uppsala Model supports the notion that firms have a preference for internationalising into markets where there exists smaller cultural differences between the home and the host country (Senik, Isa, Scott-Ladd & Entrekin, 2010). Internationalising firm will favour target markets that are similar to their home country market for two reasons. Firstly, the cultural difference between home and host countries will be smaller. Secondly, firms would prefer target markets in which they can leverage off accumulated knowledge gained from their home countries.

The Uppsala Model has traditionally been used to explain a firm's incremental approach and market entry mode choice in relation to the degree of cultural difference in a particular target market (Vahlne & Johanson, 2013). In the context of this research study, the model will be used to support a firm's preference for internationalising into markets that are culturally similar so as to leverage off accumulated knowledge gained from home country markets.

2.2.3.2 The Eclectic Paradigm

The Eclectic Paradigm or the OLI (ownership, location and internalisation) Framework is recognised as the preeminent theoretical framework within international business literature in relation to internationalisation strategies of firms (Vahlne & Johanson, 2013). This school of thought rests on three pillars. Firstly, ownership-specific factors (O) such as firm size, previous multinational experience and the firm's ability to develop differentiated products are all facets of the first pillar and are akin to the resource-based view (Brouthers & Hennart, 2007). Firms develop unique resources, such as knowledge-based competencies, that are then used in foreign markets to develop further unique resources (Wernerfelt, 1984 and Brouthers & Hennart, 2007). A comparison can be drawn to the central concept of the Uppsala Model in which firms leverage off knowledge-based competencies, accumulated in one market, in another market (Johanson & Vahlne, 1977).

The second pillar of the framework, location-specific factors (L), are represented by target market-specific factors such as the market potential, institutional quality, localised competitive advantages and general investment risks. Included in this definition are various social and cultural elements (Dunning, 1980 and Caprar, 2011). The third pillar deals with internalisation (I), which is largely driven by transaction costs. Included are investments made in human and physical assets, environmental risks and firm-specific uncertainties. This final pillar looks to cater for a firm's ability to integrate transactions within the firm itself due to any internalisation advantages (Anderson & Gatignon, 1986; Agarwal & Ramaswami, 1992; Pan & Tse, 2000 and Nieto & Rodríguez, 2011). The configuration and the combination of all three pillars either encourages or discourages firms to pursue internationalisation efforts outside their national borders in a specific location (Mudambi, 2004).

2.2.3.3 The CAGE Framework

The CAGE Framework lays down a country-level analysis that can be used to analyse cultural, administrative, geographic and economic dimensions of differences relative to another country. According to the framework, differences, as a result of contextual asymmetries between home and host countries, equate to distance between countries (Ghemawat, 2001 and Schotter & Beamish, 2013). Researchers are now adopting the CAGE Framework to link distances over the four dimensions to the manner in which internationalisation strategies are being carried out and to their performance in host countries (Campbell, Eden & Miller, 2012).

The CAGE Framework, as with all other frameworks proposed in international business literature, remains an imperfect proxy for the true complexities involved in internationalisation strategies (Campbell et al., 2012). Despite this inherent weakness, the CAGE Framework has become a popular tool that allows internationalising firms to understand the risks associated with differences between their home country and a target market country along four crucial dimensions.

The key attributes that define distance between the home and host country as per the CAGE Framework are detailed in Figure 2-1:

Figure 2-1: CAGE Framework

Cultural Distance	Administrative Distance	Geographic Distance	Economic Distance
• Language • Ethnicity • Religion • Social norms • National work systems • Values, norms and dispositions	• Absence of colonial ties • Absence of a shared monetary or political association • Government policy • Institutional weakness • Political hostility	• Physical remoteness • Lack of a common border • Size of country • Lack of sea or river access • Weak transportation or communication links • Differences in climate	• Differences in costs and quality of natural resources, human resources, infrastructure and information • Differences in per capita income • Size of the economy

(Source: Ghemawat, 2001 and Ricart, Enright, Ghemawat, Hart & Khanna, 2004)

2.2.4 Internationalisation conclusion

An internationalisation strategy is a very complex business initiative that can be affected by numerous factors and may have severe negative ramifications for firms who fail to succeed in another country. Traditionally, internationalisation theory focussed on the characteristics of the market, the characteristics of the firm and the market entry strategy. For the purpose of this research paper, the focus has been limited to market-specific and firm-specific characteristics. The use of the Uppsala model, the Eclectic Paradigm and the CAGE Framework is thus appropriate as there exists an overlap with regard to market and firm characteristics across all three models. Elements of three models have been used in different places to support the arguments presented in the rest of the literature review. A final conclusion at the end of the literature review serves to summarise the manner in which all three models have been used as a supporting theoretical framework.

2.3 Sub-Saharan Africa (SSA)

2.3.1 Definition of SSA

The definition of sub-Saharan Africa (SSA) used in this research paper is a combination of the definition offered by the International Monetary Fund (IMF) in their publication titled *Regional Economic Outlook: Sub-Saharan Africa*, as well as the definition provided by the United Nations Statistics Division (United Nations Statistics Division, 2013 and International Monetary Fund, 2015). Accordingly, SSA refers to all African countries south of the Saharan desert. The SSA region is comprised of 52 individual countries (including Sudan), which are sub-divided into five regional blocks (Figure 2-2) and seven regional trading groups (Figure 2-3).

Figure 2-2: List of SSA regions and countries

Eastern Africa	Western Africa	Middle Africa	Southern Africa	Northern Africa
Burundi	Benin	Angola	Botswana	Sudan
Comoros	Burkina Faso	Cameroon	Lesotho	
Djibouti	Cabo Verde	Central African Republic	Namibia	
Eritrea	Cote d'Ivoire	Chad	South Africa	
Ethiopia	Gambia	Congo	Swaziland	
Kenya	Ghana	Democratic Republic of the Congo		
Madagascar	Guinea	Equatorial Guinea		
Malawi	Guinea-Bissau	Gabon		
Mauritius	Liberia	Sao Tome and Principe		
Mayotte	Mali			
Mozambique	Mauritania			
Réunion	Niger			
Rwanda	Nigeria			
Seychelles	Saint Helena			
Somalia	Senegal			
South Sudan	Sierra Leone			
Uganda	Togo			
United Republic of Tanzania				
Zambia				
Zimbabwe				

(Source: United Nations Statistics Division, 2013)

Figure 2-3: Sub-Saharan African regional trading groups

Common Market for Eastern and Southern Africa (COMESA)	Southern African Development Community (SADC)	Economic Community of West African States (ECOWAS)
•Burundi •Comoros •Democratic Republic of Congo •Eritrea •Ethiopia •Kenya •Madagascar •Malawi •Mauritius •Rwanda •Seychelles •Swaziland •Uganda •Zambia •Zimbabwe	•Angola •Botswana •Democratic Republic of Congo •Lesotho •Madagascar •Malawi •Mauritius •Mozambique •Namibia •Seychelles •South Africa •Swaziland •Tanzania •Zambia •Zimbabwe	•Benin •Burkino Faso •Cabo Verde •Cote d'Ivoire •The Gambia •Ghana •Guinea •Guinea-Bissau •Liberia •Mali •Niger •Nigeria •Senegal •Sierra Leone •Togo

The West African Economic and Monetary Union (WAEMU)	Economic and Monetary Community of Central African States (CEMAC)	East Africa Community (EAC-5)	South Africa Customs Union (SACU)
•Benin •Burkino Faso •Cote d'Ivoire •Guinea-Bissau •Mali •Niger •Senegal •Togo	•Cameroon •Central African Republic •Chad •Democratic Republic of Congo •Equatorial Guinea •Gabon	•Burundi •Kenya •Rwanda •Tanzania •Uganda	•Botswana •Lesotho •Namibia •South Africa •Swaziland

(Source: IMF Regional economic outlook: SSA, 2015)

SSA is observed to be one of the most ethnically and culturally diverse regions in the world. Aspects contributing to this observation are the ethnicity, ethno-linguistic and religious diversity of the region. These aspects have often been influenced by former colonial powers that once ruled over a country and its people (Bangwayo-Skeete & Zikhali, 2011). A vast number of countries on the African continent have been former colonies of either British, French, Portuguese or Arabian rulers. This historical legacy has resulted in the formation of four primary categories used to classify SSA countries along the lines of culture and language spoken. These are: Anglophone (English-speaking), Francophone (French-speaking), Arabophone (Arabic-speaking) and Lusophone (Portuguese-speaking) (Manning, 1998 and Brown, 2000). Majority of SSA countries are either English-speaking or French-speaking countries. Sudan is the only Arabophone country included in the SSA definition used in this research study.

2.3.2 FDI outlook in SSA

Historically, SSA countries were wary of inward FDI given the possible loss of political sovereignty, the negative impact on local industries and companies as a result of increased competition, and the risk of resource depletion as foreign firms mainly targeted resource rich countries (Okafor et al., 2015). It is for these reasons that many SSA countries chose to remain closed off to foreign investment. This is changing as many SSA countries now see inward FDI as a key driver that will contribute towards economic development and growth within the region (Morris, & Aziz 2011 and Cleeve, Debrah & Yiheyis, 2015). As such, many SSA countries have taken significant steps to improve the attractiveness and ease of doing business in their countries. By doing so they seek to attract further inward FDI in order to reap the economic benefits of potential spillovers to the broader economy (Gu & Lu, 2011 and Eapen, 2012). Some of these liberalising steps include: foreign investment promotions such as tax incentives, preferential rights to natural resources, removal and easing of foreign ownership restrictions and the use of bilateral and multilateral investment treaties. Over the past two decades, SSA countries have also implemented numerous policy reforms aimed at improving institutional quality, governance, the financial sector as well as the legal and judicial systems (Pangakar, 2008 and Morris & Aziz, 2011). In the year 2013, the SSA region accounted for the largest number of regulatory reforms aimed at improving the ease of business for both local and foreign firms. These reforms have reduced the cost and regulatory processes in establishing a business. Reforms to strengthen legal institutions have also been implemented (World Bank Group, 2015).

In spite of these ongoing changes, the SSA region has failed to come close to the inward FDI amounts seen by developing Asian economies over the past two decades (Luiz & Stephan, 2012). One of the primary reasons for this is that the SSA region is struggling to shrug off its legacy of being an unattractive investment location due to the lack of liberal policies favouring foreign entrants, political and economic risks, corruption, low quality of labour, the lack of infrastructure and inefficient financial systems (Okafor et al., 2015). However, given that global capital, which supports FDI initiatives, needs to constantly seek out new opportunities for increased returns, the inward FDI outlook for SSA is improving. The saturation of opportunities on offer in developed countries, the slowdown of the Chinese economy and an increase in economic growth in the SSA region are all contributing to the allure of SSA and global firms are starting to take notice (Luiz & Stephan, 2012).

2.3.3 Sub-Saharan Africa conclusion

The sub-Saharan African region is categorised by unique structures and characteristics that make it different when compared to both developed markets and other emerging markets globally. Not only is there a clear distinction between the SSA market environment when compared to other global investment destinations, it has been observed that the factors that are considered by internationalising firms before expanding into the SSA region themselves are believed to different to those considered by firms expanding into other target markets (Cleeve et al., 2015). The efforts carried out by various governments and regulators in order to promote their country's as attractive investment destinations combined with the allure of potential above average growth opportunities has witnessed increased interest in the region (Pangakar, 2008 and Morris & Aziz, 2011). It is for these reasons that it is pertinent that the SSA region is studied as an exclusive sample within the broader emerging market banner of academic research at this point in time.

2.4 Emerging market firms internationalising

2.4.1 Emerging markets

Emerging markets are characterised by institutional features and traits that make them distinct from developed markets. Some of these characteristics are: institutional voids, market heterogeneity, socio-political governance, resource constraints, unbranded competition and inadequate infrastructure (Sheth, 2011 and Kim & Aguilera, 2015). Markets in these environments tend to be largely informal, fragmented, of a low scale and typically serviced by owner-managed enterprises. Consumers within these markets are largely categorised as low income consumers who have limited disposable income, and as such, accessibility and affordability are the primary drivers behind consumer purchases (Sheth, 2011 and Luiz & Stephan, 2012). Figure 2-4 provides an overview of the stereotypical conditions found in a developing countries.

Figure 2-4: Stereotypical conditions found in developing countries

Social	Political and Regulatory	Geographic	Economic
• Lower education	• Poor governance	• Poor infrastructure	• Underdeveloped capital markets
• Lower health	• Higher uncertainty		• Fewer and less developed suppliers
• Lower income	• Fewer rights and freedoms		
• Younger population			

(Source: Cuervo-Cazurra, 2012)

Despite having a sophisticated institutional base and an advanced capital market, South Africa fares poorly with regard to the quality of infrastructure that is available, the primary health care for its citizens and general education levels of its population (World Economic Forum, 2015). Based on the characteristics of an emerging market, South Africa is classified as an emerging market accordingly. The same can be said about all 52 countries within the sub-Saharan region.

2.4.2 Emerging market firms internationalising

Despite lucrative returns on investments on offer within SSA, it is the MNEs from both China and South Africa that are leading the way with FDI in the region and not global firms from developed markets. One of the reasons attributed for this is that these emerging market firms compensate for their resource disadvantages with an understanding of the contextual environment within other emerging markets which they then leverage off (Luiz & Stephan, 2012). This argument is supported by the Uppsala Model whereby internationalising firms will actively seek out target markets that are similar to their home country markets as this will allow firms the ability to leverage off accumulated knowledge gained from doing business in their home countries (Johanson & Vahlne, 1977 and Malhotra & Hinings, 2010). The added advantage of targeting similar markets is that cultural differences tend to be smaller as well (Senik et al., 2010). The counter argument to this is that it is not home country competencies that result in competitive advantages for emerging market firms, but rather host country factors such as low-cost labour or availability of natural resources that have a higher weighting on the success of an internationalisation effort (Cuervo-Cazurra, 2012).

The Eclectic Paradigm encompasses both arguments by definition through the pillars of ownership-specific and location-specific factors respectively. A firm's accumulated knowledge and experience are classified as ownership-specific factors whereas host country factors fall under the location-specific pillar of the theoretical framework (Brouthers & Hennart, 2007 and Nieto & Rodríguez, 2011).

2.4.3 Conclusion

There exist two opinions with regard to the competitive advantages that firms from emerging markets possess when internationalising into other emerging markets. Due to the limited academic research available on South African firms internationalising into other emerging markets, a conclusive opinion cannot be drawn with regard to South African firms. (Luiz & Stephan, 2012). Using the ownership-specific factors of the Eclectic Paradigm in conjunction with the Uppsala model as theoretical support, this paper will seek to identify whether or not South African firms have a competitive advantage when internationalising into sub-Saharan Africa.

2.5 Market-specific factors

The rationale for conducting an internationalisation effort falls into one of four possible categories: efficiency-seeking, resource-seeking, market-seeking and strategic asset-seeking (Bartels et al., 2014). In order to meet the objectives of a firm's internationalising strategy, target market selection is crucial. Understanding the unique target market-specific factors is thus a crucial component to any internationalising strategy.

2.5.1 Why are market-specific factors so important?

The basic tenant behind a firm's foreign investment is to earn a positive return. This return can be either financial or non-financial in nature. A positive return will be achieved when the benefit from an investment is greater than the cost and risk of that particular investment (Schotter & Beamish, 2013). In order to ensure that firms realise their goals of earning positive returns on investments, the selection of a target market is one of the most important variables to consider as firms need to eliminate and mitigate against risks that could result in failure (Malhotra, Sivakumar & Zhu, 2009).

According to the Eclectic Paradigm, market-specific (location-specific) factors include market potential, institutional quality, localised competitive advantages and general investment risks. The CAGE Framework offers a more comprehensive list of market-specific factors that have the propensity to create distance when internationalising and hence warrant consideration. These are, cultural, administrative, geographic and economic factors (Dunning, 1980 and Ghemawat, 2001). However, market-specific factors also include consumer preferences and behaviours, local procedures and laws, access to and quality of available information (Shi, Sun, Pinkham, & Peng, 2014). From the above, it is observed there exists a multitude of market-specific factors that need to be considered during the target market selection process. By combining the location-specific factors of the Eclectic Paradigm with that of the CAGE Framework, the importance of market-specific factors in an internationalisation strategy emerges as a critical dynamic. The Uppsala Model further supports this view as it posits that firms will incrementally expand internationally only once they have increased their knowledge of the markets that they choose to operate in. Market knowledge can only gained once firms are acquainted with the factors that are unique to a specific location.

Selecting a target market in this research context is the outcome of a process whereby a firm segments the world based on national country markets, and then selects the preferred country to enter into. This method generally takes the form of a three step process: screening, identification and selection. A vital input to the selection process is a firm's access to comparative information on all possible countries, industries, markets, products and consumers (Doherty, 2009 and Papadopoulos & Oscar, 2011). This is however, not always possible and firms' management often rely on heuristics and past experiences to guide them (Kaplan, 2011). Access to accurate and complete market information is a major hurdle when attempting to select a target market within the SSA region as developing nations do not produce and store as much data as developed countries (Papadopoulos & Oscar, 2011). It is thus vital that research into the target market selection process of South African firms entering SSA is performed so that a deeper understanding into this process can be uncovered.

2.5.2 Which specific factors make a market attractive?

An analysis of the works by Dunning (1980); Sethi, Guisinger, Phelan and Berg (2003); Galan, Gonzalez-Benito and Zuñiga-Vincente (2007); Campbell et al. (2012); Schotter and Beamish (2013) and Kim and Aguilera (2015) has resulted in the formulation of the list of market-specific factors in Table 2-1 that are most often considered by internationalising firms. The focus of these papers has been identifying market-specific factors and FDI determinants that developed market firms consider when internationalising into other markets. Developed market firms are those that emerge from the United States, Japan, the European Union and other OECD (Organisation for Economic Co-operation and Development) countries (Galan et al., 2007). This list will be used as the basis of comparison between developing and developed market firms in relation to the market-specific factors that are considered when internationalising.

Table 2-1: Market-specific factors

Political and social environment	Macro-economic environment
Regulatory environment	Market size
Income per capita (GDP per capita)	Quality of infrastructure
Labour force profile	Competitive landscape
Corruption	Language
Culture	

A brief description of each market-specific factor follows:

<u>Political and social environment:</u>

A country is deemed to be politically unstable given a high probability of wars, military coups or interventions, the presence of terrorism as well as social conflict (Luiz & Stephan, 2012). One of the reasons why political and social stability is a crucial market-specific factor is that, generally the time horizon of a firms investment is typically longer than the incumbency of an elected government and accordingly affects the overall investment risk (Bartels et al., 2014 and Cleeve et al., 2015).

<u>Macro-economic environment:</u>

The economic stability of a country refers to a state in which a country has achieved a stable macroeconomic environment. Risks associated with unstable economic environments are: the risk of recession, sharp increases in inflation and hyperinflation, volatile foreign exchange and interest rates as well as downgrades in sovereign credit ratings (Bekaert, Harvey, Lundblad & Siegel 2014). Economic stability is an important factor as it has direct implications for firms with regard to their investments, repatriation of earnings and their customer base (Lu, Liu, Wright & Filatotchev, 2014).

Regulatory environment:

The regulatory environment, also commonly referred to as the administrative environment, is one of the elements of the CAGE Framework. The regulatory environment is a function of the institutions that create and uphold such regulations. Accordingly, this factor includes government policy, tax policies, legal frameworks, property rights, environmental laws as well as the stability and predictability of the environment as a whole (Ghemawat, 2001 and Campbell et al., 2012). The host country's regulatory environment sets the boundaries and serves as a guideline for foreign firms. In turn, this drives firm strategy and behaviour in-country (Chen, Paik & Park, 2010).

Market size:

An attractive market is defined as a large market with high market demand for the firm's product or service, and/or a market in which there is a high degree of potential for growth. There exists a positive relationship between market size and the market selection during an internationalisation effort. This implies that firms have a preference to locate their operations in countries where the market size for their offering is the largest (Pangakar, 2008; Malhotra et al., 2009 and Cleeve et al., 2015).

Income per capita (GDP per capita):

Income per capita (GDP per capita) is a function of a country's GDP and the size of its population. Given that it represents an element of the purchasing power of a population, it affects the market-specific factor of market size. The CAGE Framework classifies income per capita as one of the factors that will contribute towards economic distance (Ghemawat, 2001).

Quality of infrastructure:

Infrastructure encompasses all road, train, air and port transportation elements, which are the backbone of any logistics network. Quality infrastructure reduces the transactional costs associated with distribution and logistics, which impacts the success of an internationalisation effort (Lu et al., 2014). General technology and connectivity infrastructure, power generation and distribution, access to water and waste disposal are all included as elements of infrastructure (Galan et al., 2007).

Labour force profile:

The size of the available workforce, the level of skill and the costs of employment are all essential elements to a country's labour force profile. Access to low cost labour is not sufficient to attract inward FDI. There is a need for a skilled labour force as well. Skilled individuals are required to adequately manage the uncertainty associated with establishing and managing an expansion in a foreign market (Kim & Aguilera, 2015). A country's labour force skill level is a function of the population's literacy rate as well as the enrolment ratios in both secondary and tertiary education institutions (Cleeve et al., 2015).

Competitive landscape:

The competitive landscape in the host country is an important factor to consider when selecting a potential target market. Competition may arise from both local and foreign entities who have previously internationalised to the host country. Foreign firms are at a disadvantage when compared to local firms for various reasons. These include language differences, discrimination by governments, consumers and suppliers, and exposure to foreign exchange rate risks. Foreign firms must devise alternative strategies in order to overcome these disadvantages (Pedersen, & Shaver, 2011). Doing so may have the negative effect of diminishing or eliminating any market-specific advantages that internationalising firms may seek to exploit (Schwens & Kabst, 2011).

Corruption:

Corruption is defined as an arrangement that involves the exchange of some benefit between two different parties. One party is the demander and the other, the supplier.

The exchange is conducted under the guise that the supplier will be granted preferential rights (Kwok & Tadesse, 2006). The presence of pervasive corruption within a host country will influence the selection decision of internationalising firms as it exposes them to increased operational costs and risks.

Language spoke:

Internationalising firms have a preference to select host countries that share a common language. The existence of a language barrier acts as a deterrent for foreign firms as it increases the information asymmetries resulting in increased risks (Kang & Kim, 2010). The language spoken is one of the factors that the CAGE framework has identified that contributes to cultural distance between home and host countries (Ghemawat, 2001).

Culture:

A target markets culture and the degree to which this culture differs to the firm's home country culture are crucial factors that needs to be considered when internationalising. Cultural differences may result in increased cost of entry, decreased operational efficiencies and may inhibit the transfer of knowledge (Tihanyi, Griffith & Russell, 2005). Due to its importance, culture may affect the entry mode choice, the management of investments and human resources, in-country business processes, marketing efforts and general business strategies (Kogut & Singh, 1988 and Campbell et al., 2012).

2.5.3 Market-specific factors conclusion

The list of market-specific factors produced above is by no means an extensive list of factors that are considered by developed firms. It serves as a list compiled as a result of a comprehensive analysis of multiple academic sources and will be used as the basis of comparison between developing and developed market firms in relation to the market-specific factors that are considered when internationalising. The theoretical elements supporting the notion around the importance of market-specific factors when internationalising are the CAGE Framework and the location pillar of the Eclectic Paradigm (Dunning, 1980 and Ghemawat, 2001).

2.6 Cultural difference

2.6.1 What are cultural difference?

The manner in which people interact with one another and with institutions is influenced largely by a country's culture. This culture underlies institutional culture and affects business practices and management styles as well. (Zeng, Shenkar, Lee & Song, 2013). Hofstede (1984), defines culture as the "*programming of the mind that distinguishes the members of one human group from another*".

According to the CAGE Framework, differences in language, ethnicity, religion, social norms, work ethics, general values, norms and dispositions are all elements of a country's culture. Differences in culture along these facets have the propensity to create distance between a home and a host country during internationalisation efforts (Ghemawat, 2001 and Campbell et al., 2012). For the purpose of this research study, a larger cultural difference equates to a wider cultural distance between home and host countries. Literature has identified three levels of culture, namely, the national-level, the firm-level and the individual-level (Sarala & Vaara, 2010). This paper does not limit the scope to any one of these three levels.

2.6.2 How does culture affect internationalisation?

A country's culture affects the entry mode choice, the manner in which firms manage and oversee their foreign investments, human resource practices, in-country business processes, marketing efforts and general business strategies (Kogut & Singh, 1988 and Campbell et al., 2012). Culture also has direct implications with regard to a foreign firm's ability to transfer knowledge often resulting in information asymmetries between a foreign firm's management and its local representatives (Kang & Kim, 2010 and Sarala & Vaara, 2010). It is thus a vital component to any internationalisation effort and is included in the definition of location-specific factors under the second pillar of the Eclectic Paradigm (Caprar, 2011).

A country's culture also affects the way consumers perceive products, services and the advertising of such products and services. It is pertinent that internationalising firms have a good understanding of their proposed target market and understand the cultural dynamics present (Ghemawat, 2001). Cultural differences between home and host countries often result in increased cost of entry, decreased operational efficiencies and inhibits the ability for firms to transfer competencies into foreign markets (Tihanyi et al., 2005). With regard to the human resource dynamic of an internationalisation effort, the management of people is constrained by the cultural context of those particular individuals. In order to successfully manage people in a different cultural context, managers need to have an in-depth understanding of that particular context and work towards cultural integration (Hofstede, 1984 and Sarala & Vaara, 2010). Cultural differences often result in cultural-related misunderstandings which inhibit the transfer of knowledge (Slangen & Van Tulder, 2009).

2.6.3 Cultural similarities and dissimilarities

Generally, when the cultural differences between countries is large, the risks associated with entering that particular country are higher. In such instances firms generally opt for market entry modes that limit risk through limited ownership (Ahsan & Musteen, 2011). It has been observed that firms entering locations that are culturally dissimilar fail more frequently (Shenkar, 2012b). Studies have also identified a positive relationship between the occurrences of firms failing and the firm's limited experience with dissimilar cultures. Accordingly, firms who have experience in internationalising into markets with larger cultural differences are more likely to succeed at future internationalisation efforts (Zeng et al., 2013). Further support for this observation can be found in the Uppsala Models' proposition that firms have a preference to expand into foreign markets in which the cultural differences are smaller or only once sufficient knowledge of a target market has been accumulated (Senik et al., 2010 and Qian & Rugman, 2013).

2.6.4 Cultural differences conclusion

The study of cultural differences, to date, has been one of the most researched constructs in international business theory. It has been applied to various aspects of firms' internationalisation efforts. Traditionally the impact of cultural differences have centred around three core themes. Firstly as an explanatory factor relating to market entry mode selection. Secondly to explain firms' location selection. Thirdly, to account for the success or failure of a firms' internationalisation effort (Shenkar, 2012b). Despite the attention it has received over the past three decades, there exists limited academic research pertaining to the impact that cultural differences have on expansion efforts of South African firms into sub-Saharan Africa. Using the cultural component of the CAGE Framework, the ownership and location pillars of the Eclectic Paradigm and the proposition of the Uppsala Model relating to firm's preferences for culturally similar locations, this paper seeks to develop an understanding on the manner in which cultural differences impact the success of internationalisation efforts of South African firms into SSA (Ghemawat, 2001; Senik et al., 2010 and Vahlne & Johanson, 2013).

2.7 Literature review conclusion

The themes of internationalisation, sub-Saharan Africa, emerging market firms, market-specific factors and cultural differences have been detailed in the preceding sections. A common thread through all five primary themes is the lack of available academic research focused on South African firms internationalising into sub-Saharan Africa (Cuervo-Cazurra, 2012 and Luiz & Stephan, 2012). These five themes serve as the primary facets of international business theory that will support the research questions formulated in the following chapter. They will also be used in Chapter 6 where the analysis presented in Chapter 5 will be reviewed in lieu of the theoretical themes presented here.

A review of the relevant academic literature presented highlights the following three dimensions:

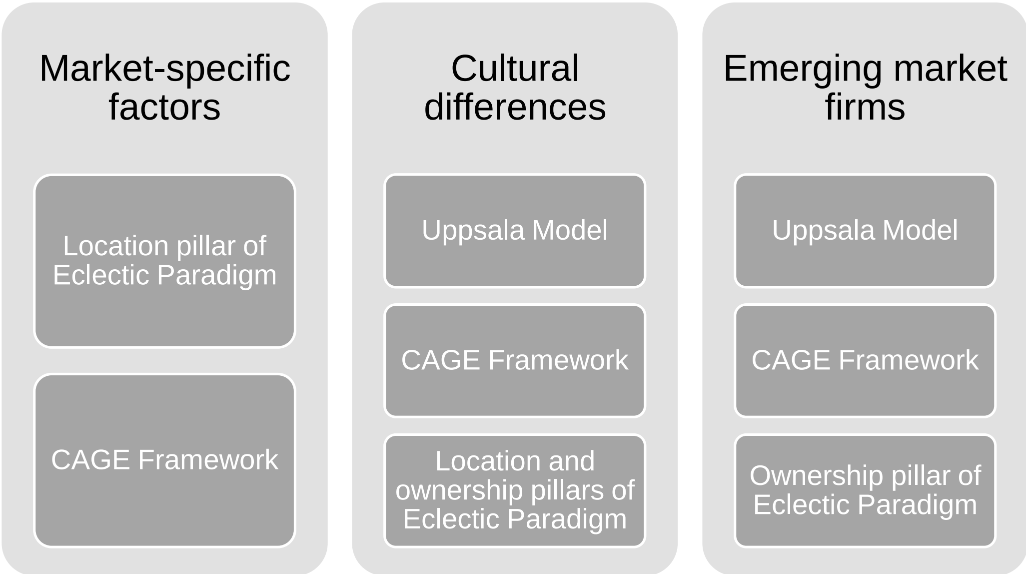
Firstly, the list of market-specific factors produced in Section 2.5 serves as the basis of comparison between developing and developed market firms in relation to the market-specific factors that are considered when internationalising. Supporting this comparison is the lack of academic literature focussed on the consideration process of South African firm's and the theoretical frameworks discussed. Namely, the CAGE Framework and the location pillars of the Eclectic Paradigm (Dunning, 1980 and Ghemawat, 2001).

Secondly, using the cultural component of the CAGE Framework, the ownership and location pillars of the Eclectic Paradigm, and the proposition of the Uppsala Model relating to firms' preferences for culturally similar locations, an understanding on the manner in which cultural differences impact the success of internationalisation efforts of South African firms into SSA needs to be explored (Ghemawat, 2001; Senik et al., 2010 and Vahlne & Johanson, 2013).

Finally, as detailed in the section pertaining to emerging markets firms, there currently exists two opinions with regard to the competitive advantages that firms from emerging markets possess when internationalising into other emerging markets. A conclusive opinion on whether or not South African firms possess competitive advantages when internationalising into SSA cannot be drawn at this point in time due to the limited academic literature available (Luiz & Stephan, 2012). Using the ownership-specific factors of the Eclectic Paradigm in conjunction with the both the CAGE Framework and the Uppsala model as theoretical support, this paper will aim to answer this question.

In conclusion, Figure 2-5 provides a thematic summation of the frameworks used and the manner in which each element relates to each literature theme as discussed in this chapter.

Figure 2-5: Thematic diagram



3. Chapter 3: Research Questions

3.1 Introduction

Due to the lack of academic literature available specifically relating to the internationalisation of South African firms into sub-Saharan Africa, this research paper structures the research in terms of research questions and not research propositions (Luiz & Stephan, 2012).

3.2 Research Question 1

It has been observed that MNEs from developing countries internationalise differently to those from developed countries. Some contributing factors to this observation are that firms from developed countries have home country advantages such as access to advanced capital markets and skilled human resources, thereby providing them with competitive advantages. Institutional inefficiencies and the general cost of doing business in developing markets can alter the speed at which firms internationalise. Finally, firms from developed countries may leverage off advanced transportation infrastructure supporting their exporting capabilities (Cuervo-Cazurra, 2012 and Narula, 2012).

The list of market-specific factors that firms from developed markets actively consider before undertaking an internationalisation effort outside their borders has been formulated in the previous chapter (Section 2.5). This list has been compiled from prominent academic sources in line with internationalisation, FDI determinants and globalisation principles within the broader international business sphere. In addition, this list has been informed by elements of the three prominent internationalisation frameworks, namely, the Eclectic Paradigm, the Uppsala Model and the CAGE Framework.

Due to the lack of academic research available on South African firms' expansion efforts into SSA, a conclusive opinion with regard to the market-specific factors that firm's consider cannot be drawn (Luiz & Stephan, 2012). In an attempt to develop a greater understanding with regard to these factors, Research Question 1 has been formulated.

Research Question 1:

> Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?

3.3 Research Question 2

The impact that cultural differences have on a firm's internationalisation effort has been one of the most popular constructs of international business theory to date. Focus has largely been placed on the manner in which these differences affect the location choice, the market entry mode and the performance of an internationalisation effort. Focus has also centred on firms from developed countries and thus limited research is available on the impact that cultural differences have on internationalisation efforts carried out by emerging market firms (Buckley & Casson, 2009; Shenkar, 2012a and Shenkar, 2012b).

In line with the primary objective of this research study, to develop an understanding on the internationalisation efforts of South African companies into SSA, a deeper understanding into the impact of cultural differences on internationalisation activities is warranted at this point in time. Supporting this argument is the cultural component of the CAGE Framework, the ownership and location pillars of the Eclectic Paradigm and the Uppsala Model. Accordingly, Research Question 2 has been formulated below.

Research Question 2:

> How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?

3.4 Research Question 3

Over the past two decades, the SSA region has witnessed a growth in inward FDI. Both China and South Africa have emerged as the dominant protagonists behind this increase within the region (Luiz & Stephan, 2012; UNCTAD, 2014 and UNCTAD, 2015). It remains divided as to whether or not these emerging market firms possess competitive advantages when expanding into other emerging markets. Some attribute contextual experience that emerging market firms possess as the primary factor contributing towards a competitive advantage, whilst others negate that notion and posit that host country market factors contribute more towards success. In order to formulate an opinion on this phenomenon, using the ownership-specific factors of the Eclectic Paradigm in conjunction with the Uppsala model as theoretical support, Research Question 3 has been formulated.

Research Question 3:

> Are South African firms better equipped to expand into sub-Saharan Africa as they derive from an emerging market base?

4. Chapter 4: Research Methodology

4.1 Introduction

This chapter outlines the methodological approach taken in order to conduct the research required to answer the three research questions formulated in Chapter 3. The chapter begins with a discussion around the research design that was adopted and then details the population, sampling method and sample size, as well as the unit of analysis that has been used to conduct this research study. The focus then shifts to the data used to support the findings identified in Chapter 6. A discussion around the data gathering process and analysis undertaken then follows. The chapter concludes with a discussion around data quality and some limitations of the research that has been conducted.

4.2 Research design

The research design is a key component of any research methodology. It sets out the general plan and guide on how a researcher goes about answering the research questions formulated as a result of the literature review conducted in chapter two (Saunders et al., 2012).

A deductive approach is employed when literature is used to help identify theories and concepts that will be used to develop a theoretical or conceptual framework which will subsequently be tested using data, often adopting a quantitative research approach. Qualitative research is generally carried out using an inductive approach, where a richer understanding needs to be developed regarding a theoretical perspective. However, some qualitative research approaches are deductive in nature as they seek to test an existing theoretical perspective (Saunders et al., 2012). The objective of this paper was to develop a theoretical perspective based on the international business literature available to date that focussed on internationalisation efforts of firms from developed markets and to test this perspective in the context of a developing market firm internationalising into other developing markets. Accordingly, this research study has therefore been performed using a deductive approach.

The risk of using a deductive approach is that the identification of theory before analysing data may lead to the possible premature closure of issues being investigated. Also, any interpretation of data collected from participants may be falsely interpreted due to biases developed from attempting to relate insights back to the theoretical framework created

(Saunders et al., 2012). The researcher was aware of these risks and had attempted to minimise its effects on the analysis through various data validation and reliability techniques employed. These have been detailed in Section 4.8.

Despite quantitative studies being the norm in international business research, there is a growing recognition of the value of qualitative research. Due to the intricate nature of a firm's internationalisation effort, in which a multitude of factors may have an influencing effect on the success of the expansion effort, a qualitative study is most appropriate to explore the themes of market-specific factors, cultural differences and emerging market firms within the defined context. As such, this study has been qualitative in nature and seeks to add to the growing trend of qualitative research in international business (Birkinshaw, Brannen & Tung, 2011).

Conducting an exploratory study is a valuable means to allow the researcher to ask open questions in order to discover deeper insight about a topic of interest and develop a richer understanding as to the precise nature of a given problem (Saunders et al., 2012). This specific research design choice is most appropriate when there exists little or no scientific knowledge about a group, process, activity or situation and there exists a need to examine further as there is a belief that investigating further will result in uncovering elements worth discovering (Stebbins, 2008). An added advantage of an exploratory research design is that it is flexible in nature and hence adaptable to change. This equips the researcher with the freedom to change direction as new insights are uncovered (Saunders et al., 2012). This adaptability is critical to the data collection process as the researcher is able to adapt and explore his path based on previous observations and insights revealed in previous data collection sessions (Stebbins, 2008). Given that limited knowledge has been documented regarding the internationalisation of South African firms into SSA along the dimensions of market-specific factors, cultural differences and emerging market firms, an exploratory research design has been used as it is most befitting of the research objectives and context of this study.

In conclusion, the research design has been deductive, qualitative and exploratory in nature.

4.3 Population

The population of a research study is defined as the full set of entities that share a common set of characteristics from which a sample is then drawn from. Each entity can represent an individual or a group of persons, an institution, an event or some other type of subject. The population also represents the group of entities that the researcher sets out to generalise a specific finding regarding a phenomenon that is being studied (Vogt, 2005a and Saunders et al., 2012).

The population for the purpose of this study included any individual that had direct involvement in an internationalisation effort of a South African company into sub-Saharan Africa. Given this qualifying criteria, the population consisted of business managers and consultants that have been directly involved in an internationalisation effort into sub-Saharan Africa by a South African company. The population's qualifying criteria did not exclude any individual that had exposure to an internationalisation effort that was not successful.

4.4 Sampling method and sample size

A sample is a subset of entities that have been selected from the larger population (Miller & Salkind, 2002). In some instances, it is possible to collect data from every entity within a population. When this is possible, the need to select a sample is not necessary. The population identified in the context of this research study was too large to attempt a complete census and hence it would have been impractical to do so. Therefore, sampling was required in order to identify a subset of the population, from whom data was collected.

Sampling techniques are divided into two broad categories, namely, probability sampling and non-probability sampling. Probability sampling occurs when the probability of selecting an entity from the population is known and is usually equal for most entities. In contrast, non-probability sampling occurs when the probability of selecting a single entity is not known (Davidson, 2006 and Saunders et al., 2012). Therefore, statistical inferences regarding the applicability of findings to the entire population is of limited value when non-probability sampling is used (Vogt, 2005b). For the given population, it was not possible to provide the specific probability that an entity would fall within a given sample. Hence, a non-probability sampling technique has been used in order to guide the sample creation process. There exists four main non-probability sampling techniques that are commonly used, namely, quota sampling, purposive sampling, volunteer and convenience sampling (Saunders et al., 2012). Convenience sampling is often used when the researcher has no other alternative but to make use of any entity that is available to him to use. In the context of this research, all interviewee participants were selected based on the criteria that access to any participant would be convenient for the researcher with regard to financial costs, time and location.

The identification of an appropriate sample size is crucial to ensure that data saturation is reached. Saturation is reached when any additional data collected results in very little information being uncovered, and can been deemed as redundant (Morgan, 2008). It is suggested that the minimum sample size for semi-structured interviews ranges between five and twenty-five (Saunders et al., 2012). The sample size used for this research study was ten participants. An analysis of the point at which a new theme was first observed has identified that data saturation was initially observed after the sixth interview and confirmed after the ninth interview. Accordingly, the sample size of ten was adequate for this research study.

4.5 Unit of analysis

The unit of analysis is defined as the subject that is being studied. This unit represents the primary unit of data that will be subject to analysis in order to satisfy the objectives of answering the research questions as laid out in Chapter 3 (Keller, 2010).

The unit of analysis used for the purpose of this study are the perceptions held by experts on internationalising within the context of South African firms entering sub-Saharan African countries.

4.6 Data gathering process

When adopting a qualitative research approach, data is generally gathered using research interviews. These interviews are conducted in such a way that there is a conversation between two or more people in which the interviewer will ask the interviewee questions (Saunders et al., 2012). Answers to these questions are then used to explore and uncover valuable insight around the phenomenon being researched (Brinkmann, 2008). Being able to successfully uncover findings relating to the research questions put forward in Chapter 3 is dependent on the researcher's ability to gather data that is of a high quality. Key to ensuring this, was the researcher's ability to gain access to qualifying participants and establishing a rapport with them.

Three primary research interview types are available to researchers, namely: structured, semi-structured and unstructured. All three have been classified according to the degree of standardisation in which the questions are asked. Since the research approach is qualitative in nature, semi-structured interviews have been selected as the preferred data collection technique used to gather primary data. Semi-structured interviews are classified accordingly as the researcher has a set list of themes or questions that they will explore during each interview. This list of themes or questions may differ from one interview to the next. This flexibility allows the researcher to explore certain themes in more detail than others if the context of the interview warrants it (Saunders et al., 2012). The adaptability and flexibility of an exploratory research design further supports the choice of semi-structured interviews (Stebbins, 2008).

Potential interviewees were identified using personal and social networks as well as through public sources on the internet such as company websites and LinkedIn profiles. Once a suitable candidate was identified, the candidate was then sent an email which introduced the researcher, the purpose of the interview and a formal request for an interview. An official confirmation letter from the Gordon Institute of Business Science (GIBS) confirming the purpose the research was also included (Appendix 1). In some instances this approach failed and a voice call was then made to the candidate. Once the candidate indicated a willingness to assist, a formal meeting was arranged at a time most suitable for the candidate at their offices.

The interview process was informed by an interview guideline (Appendix 2). Interviews were initiated with a formal introduction. Interviewees were thanked for taking time out of their busy schedules and for allowing the interview to be conduct on their premises. A description of the research objectives and the scope of the research was then given. Care was taken to ensure that the description of the context of the research would not introduce any respondent biases in the data. A formal request for permission to record the interview was then made and an explanation of the interviewee's rights as per the Letter of Consent (Appendix 3) was detailed. The interview process and proposed data analysis strategy was then discussed briefly. The initial phase of the interview was then concluded with the interviewee signing and agreeing to the terms as laid out in the Letter of Consent (Appendix 3).

A key aspect of the interview process was the interviewee's ability to establish a rapport with participants. One manner in which the interviewee set out to do so was through the development of an interview schedule (Appendix 4). The interview schedule used, detailed questions that were to be asked and grouped them according to the research questions formalised in Chapter 3. This process positioned the researcher as being knowledgeable and prepared, thus positively contributing towards establishing the required rapport. The use of open questions under each theme ensured that participants would be encouraged to provide detailed and extensive responses in line with their perceptions on a particular subject matter (Saunders et al., 2012).

In total, eleven face-to-face semi-structured interviews were conducted with participants. The first interview, however, was used a pilot. The purpose of this pilot was to test the interview process as laid out by the interview guideline (Appendix 2) as well as to test the relevance and quality of the questions being asked, as laid out in the interview schedule (Appendix 4). Upon completion of the pilot interview, minor adjustments were introduced to the interview schedule.

Each interview was conducted on a face-to-face basis. Conducting interviews in person afforded the researcher the opportunity to gather unstructured data based on observations made during the interview. The researcher also had the opportunity to reflect on responses immediately and could confirm his understanding with the interviewee. A brief description of the unstructured data collected has been detailed in Section 5.3. Interviews were recorded using an audio recording application on two smartphones only once the explicit permission of the interviewee was provided. In addition to the audio recordings, key insights and additional themes were recorded in writing as interview notes. Out of the ten interviews conducted, only one participant (Interviewee 4) requested that the interview should not be recorded. For this interview, detailed interview notes were written down and then later transferred to an electronic text format for use during the data analysis step. For the remaining nine interviews, the audio recordings were transcribed verbatim. The combination of the interview transcripts, the interview notes as well as all unstructured data collected has been used as the final and complete dataset that has aided the researcher in attempting to answer the research questions.

4.7 Data analysis

The combination of the interview transcripts, the interview notes as well as all observations made by the researcher, served as the complete dataset that has been used for the data analysis process. The interview transcripts as well as the interview notes were analysed with the aid of a computer aided qualitative data analysis software (CAQDAS) program. The specific CAQDAS program used was ATLAS.ti.

Having adopted a deductive approach, the data analysis process has been influenced accordingly. As such, based on the theory identified in Chapter 2, a code book (Appendix 5) was created detailing all the themes raised in the theory presented. This is in line with a priori model approach. In order to ensure that the code book used was truly reflective of the theory presented, the formulation of the code book took the form of an iterative process. An initial version was created where themes were identified and grouped accordingly. The process was then repeated a second time in order to validate that the code book produced was appropriate and relevant. The completed code book presented in Appendix 5 is in its completed form which includes all codes created deductively as well as all the codes identified during the coding process.

The unit of data during the data analysis process took the form of individual words, an extract from a sentence, a full sentence and at times paragraphs. By unitising the transcription data in this manner, the coding process, despite being complex, allowed the researcher to perform content and frequency analysis with greater detail. This process allowed for easier extraction of various quotes that have been presented in Chapter 5.

Audio recordings of the interviews were transcribed verbatim into a usable text format using a pre-defined template clearly differentiating between the interviewer and the interviewee. After having conducted five interviews, an interim progress summary was performed where all the available transcripts were coded in ATLAS.ti in order to identify the primary themes being raised by interviewees and to ensure that they were appropriate with regard to the context of this research study (Saunders et al., 2012). The interim progress summary proved to be a crucial step in this research process as it allowed the researcher to probe deeper into certain themes when raised by subsequent interviewees. Once all the interviews were completed and transcribed, coding of the entire dataset was then performed using the code book created and ATLAS.ti. The results of the content and frequency analysis has been presented in Chapter 5.

4.8 Data quality

Given the high reliance on data as a direct consequence of the research methodology adopted, the quality of data used represented a crucial element of the study. In order to ensure that data is of a high quality, two measures needed to be investigated. Namely, data reliability and data validity.

Data reliability relates to the manner in which data was collected and the way that it was analysed. Data reliability seeks to identify if the outcome of the research would be the same if it were repeated or if it was performed by another researcher. In order to reduce the impact of biases and errors from both participants and the researcher, the researcher attempted to ensure that any information relating to the research provided to the participant before the commencement of the actual interview did not influence the perception that the participant held. The researcher attempted to remain open to all opinions expressed by participants even if they contradicted with those held by the researcher (Saunders et al., 2012). The iterative coding process that was detailed in Section 4.7 also served to reduce the possibility of the researcher incorrectly interpreting insights uncovered through the data gathering process.

The second data quality measure is validity and is concerned with the extent to which the data used actually measures what the researcher sets out to measure in the first place (Saunders et al., 2012). In order to ensure that the data collected was valid, the interview schedule (Appendix 4) was informed by the literature review conducted in Chapter 2. In addition to this, the selection of the sample size ensured that adequate participants were identified in order to reach data saturation. The presence of data saturation signifies that adequate participants were interviewed, thus increasing the validity of the data collected. Conducting the interim progress summary further assisted towards ensuring that data collected was appropriate.

During the interview process, when interviewees spoke for prolonged periods of time, a lot of new concepts were introduced. In order to ensure that the researcher had an accurate and complete understanding of what was being expressed, the researcher verbally summarised the key concepts and asked the interviewee for acknowledgement if the understanding was indeed accurate. Focussing on the interviewee, reflecting on what was said and communicating it back to the interviewee is in line with various techniques used when engaging in active listening (Ayres, 2008). The use of these active listening techniques contributed positively towards the rigour with which data was collected, thus increasing its validity.

4.9 Ethical consideration

To ensure that all research participant's rights and freedoms were respected and upheld at all times, as well as to ensure that both the researcher and the participants would be protected from harm and exploitation, the Gordon Institute of Business Science (GIBS) has established the Research Ethics Committee (REC). This committee is guided by the dictate from Senate Committee for Research Ethics and Integrity of the University of Pretoria. To ensure that this research study would receive the required ethical clearance, the researcher applied for ethical clearance to the REC and clearance was granted accordingly. The Ethics Approval Letter has been attached in Appendix 6.

4.10 Constraints

When exploring the cultural differences between countries, majority of participants brought up the reality of corruption. Majority of the consultants were observed to be open with regard to the challenges of bribery and corruption within sub-Saharan Africa. However, the business managers interviewed were observed to be less forthcoming with regard to the difficulties that their companies experienced with corruption. The hesitant nature of some participants raises a constraint to the researcher's access to data.

4.11 Assumptions

While interviewing participants, no formal description with regard to what constitutes a successful internationalisation effort was offered. It was assumed that each participant would rely on their own context to relate to when expressing their perception regarding the phenomena that were being discussed.

4.12 Limitations

Generalisability, also referred to as external validity or transferability, refers to the extent that findings of a research study are applicable to other settings or groups, is a key consideration when conducting qualitative research (Saunders et al., 2012). Given that the sampling technique used in the research study has been convenience sampling, a non-probability sampling method, any findings relating to the sample cannot be generalised beyond the sample to the wider population with any significant degree of confidence.

The population identified for this research study included any individual that had experience in an internationalisation effort of a South African company into sub-Saharan Africa. The qualifying criteria ensured that the sample drawn was industry-agnostic as well as being indifferent with regard to the size of the firm. As a result, the nuances of internationalisation efforts that might be pertinent to specific industries or to companies of different sizes was not explicitly identified as an outcome of this study.

4.13 Conclusion

The intricate nature of a firm's internationalisation strategy, the limited academic research available on South African companies internationalising into sub-Saharan

Africa and the depth of research available on internationalisation of firms from developed markets all support the appropriateness of a qualitative, deductive and exploratory research design (Birkinshaw et al., 2011). The context of this research study supports the choice of semi-structured interviews as it warrants a degree of flexibility in line with the exploratory nature of the study (Stebbins, 2008).

In conclusion, all the details specific to the research methodology used to conduct this research study have been summarised in Figure 4-1 below:

Figure 4-1: Research methodology overview

Research Methodology Overview

Research Design	Population	Sampling Method and size	Unit of analysis	Data gathering process	Data analysis
• Qualitative • Exploratory • Deductive	• Individuals with experience with internationali-sation efforts by South African companies into sub-Saharan Africa	• Non-probability sampling • Convenience sampling • Sample size of ten participants	• Perceptions held by participants	• Semi-structured interviews • Pilot interview	• Transcribing interviews • Use of a code book • ATLAS.ti

5. Chapter 5: Results

5.1 Introduction

The purpose of this chapter is to present the results of the data analysis that has been performed and detailed in the previous chapter. The results have been presented in a clear and concise manner with limited commentary.

The chapter begins with a brief description of the profiles of the participants that this research study's sample has comprised off. The interviewer's observations are then discussed and is then followed by a discussion on the mapping of interview questions to the respective research questions. Aggregated results are then produced followed by the presentation of results in a narrower manner, where the focus is specific to an individual research question. The chapter is then finalised with a conclusion.

5.2 Profile of interviewees

Eleven interviews were conducted in total. The first interview was used as a pilot in order to test and refine the interview process, guideline and schedule. Interviewees were either advisors who specialise in advising South African firms on internationalisation efforts on the African continent or business managers who were or have been actively involved in internationalisation efforts on the African continent. Below is a brief description of each participant that was interviewed. Confidentiality has been guaranteed to all participants and hence all personal details have been omitted.

<u>Pilot 1</u>

The interviewee (Pilot 1) is a consultant at a global tax, assurance and advisory firm, and sits within the Africa desk of this firm. Pilot 1, specialises on advising clients with regard to cross border transactions, with a focus on regulation and tax planning.

<u>Interviewee 1</u>

Interviewee 1 heads up the Africa division of a large investment bank that is very active on the African continent. Interviewee 1 has several years of experience with structuring financial products for clients looking to internationalise into the African continent as well as being involved with the Bank's own internationalisation effort into Africa.

Interviewee 2

Interviewee 2 works for a private South African healthcare company and serves as the Director of Operations for the company's investments in sub-Saharan Africa. Interviewee 2 is currently involved with identifying potential opportunities elsewhere on the African continent.

Interviewee 3

Interviewee 3 has been a partner for a large global advisory firm for more than ten years and has extensive experience with telecommunications, data management and information technology audits for South African clients on the African continent. Interviewee 3 works closely with South African companies advising them as they attempt to internationalise into Africa.

Interviewee 4

Interviewee 4 is employed as a corporate financier at a leading South African bank. Interviewee 4 has extensive experience with deal structuring as well as merges and acquisitions carried out by South African companies on the African continent. Interviewee 4 has travelled extensively on the continent while advising clients and has previously focussed on clients expanding into East Africa.

Interviewee 5

Interviewee 5 has more than 25 years of experience in investment banking products and is currently the Regional Head of Distribution in Africa for a large South African bank. Interviewee 5 has an in-depth understanding of seven sub-Saharan African countries that are under his portfolio and has worked with dozens of South African companies internationalising into Africa.

Interviewee 6

Interviewee 6 is an executive director at a private South African company that provides specialist human resource and remuneration consulting services to clients. Not only does the company provide these services to South African firms operating in Africa but the firm itself has expanded its operation and services into the African continent by strategically partnering with in-country firms. Interviewee 6 has eight years of experience in doing business in several African countries.

Interviewee 7

Interviewee 7 is a managing director of a private company that provides clients with a host of integrated solutions and consulting services. The company has expanded across the African continent. Interviewee 7 is currently responsible for new business development on the African continent.

Interviewee 8

Interviewee 8 is a partner at a leading information technology solutions and services company that focusses on servicing clients on the continent. The firm has expanded into the Central African region and currently has an operating base there. Interviewee 8 has over six years of experience in advising and providing solutions for clients across the African continent. Interviewee 8 has worked in seven different SSA countries to date.

Interviewee 9

Interview 9 is the International General Manager at a leading South African media company. The company has fully operational offices in more than ten African countries and services an additional ten neighbouring countries on the continent. Interviewee 9 has more than 32 years of experience in doing business on the African continent.

Interviewee 10

Interviewee 10 is a senior manager at a leading global consulting firm and works closely with South African clients advising them on doing business on the African continent.

As detailed above, interviews were conducted with a wide variety of participants, all with extensive knowledge and experience with regard to doing business on the African continent specifically within the sub-Saharan African region. All ten interviewees were located in the greater Johannesburg area. Of the ten interviewees, two were female and eight were male. Only one interviewee (Interviewee 4) declined to provide permission to record the interview. The reason for this was that the interviewee was bound by very strict privacy laws as a result of being employed as a corporate financier. Written interview notes were used to capture the interviewee's response.

Table 5-1 provides the duration of time per interview as well as the word count that the interview generated after being transcribed verbatim. The average duration of the interviews were 36 minutes long. This excluded time taken for introductions, discussions around the context of the interview and the signing of the consent letters. In total, 356 minutes of audio recordings were captured which produced a total word count of 33 885 words after being transcribed verbatim.

Table 5-1: Interview length and word count

Interviewee	Duration in minutes	Word Count
Pilot 1	23	1 617
Interviewee 1	24	3 208
Interviewee 2	55	3 010
Interviewee 3	51	4 078
Interviewee 4	Not recorded	Not recorded
Interviewee 5	25	2 469
Interviewee 6	28	2 532
Interviewee 7	37	4 518
Interviewee 8	60	6 757
Interviewee 9	25	2 786
Interviewee 10	28	2 910
Average	**36**	**3 389**
Total	**356**	**33 885**

5.3 Interview observations

A common observation of majority of the participants interviewed is the humility with which they discussed their perceptions of internationalising into the sub-Saharan African region. Despite being pioneers within their niche industries in most cases, with some having exposure and successes in multiple SSA countries, it has been observed that the general consensus with regard to the manner in which managers conducted themselves is that of humility.

When participants were engaged in a discussion with regard to corruption as a either a market-specific factor or a cultural difference, the general feel was that participants described their organisation's or their action's in a positive manner. Despite the assurance with regard to confidentiality, care was taken by participants to ensure that nothing inappropriate would be recorded on the audio recording devices used by the interviewer.

5.4 Interview question

Each of the individual interview questions from the Interview Schedule (Appendix 4) has been mapped to a particular research question. This mapping was used to group each code created in ATLAS.ti to its corresponding parent theme in line with the appropriate research question. The three research questions that have been formalised in Chapter 3 are listed below:

Research Question 1: Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?

Research Question 2: How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?

Research Question 3: Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?

Table 5-2 below details the mapping of each interview question to the appropriate research question respectively. This mapping was used to organise the interviewee responses accordingly so as to aid in answering the individual research questions.

Table 5-2: Mapping of interview questions to research questions

Research Question	Interview Question
1. Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?	What are the most critical factors to consider when determining the geographic location of a foreign market subsidiary?
	Does the geographic location of a foreign subsidiary affect the success of an internationalisation effort?
	What are the most important factors to consider when determining if a foreign market is attractive or not?
	Does entering a market that is deemed to be more attractive more likely to result in a successful internationalisation attempt?
2. Do cultural difference affect the success of internationalisation efforts by South African firms into sub-Saharan Africa?	What are common cultural differences encountered when internationalising into Sub-Saharan Africa?
	How are these differences dealt with?
	Do cultural differences between the parent company's country and the host country affect the success of an internationalisation effort?
3. Are South African firms better equipped to internationalise into Sub-Saharan Africa, given that they derive from an emerging market base?	Are South African firms better equipped to expand into Sub-Saharan Africa, given that they derive from an emerging market base?

5.5 Aggregated responses

The top ten themes that have emerged as a result of the coding process have been detailed in Table 5-3. These results are considered to be of importance to the entire research study as they offer support for some of the recurring themes that have emerged. From this list we observe that the most frequently discussed theme relates to dealing with cultural differences when internationalising and thus supports its consideration in this research study. Tied in second place is the market-specific factor that deals with the political and social environment and knowledge of a particular market. Participants have stressed the importance of market knowledge as a crucial step when internationalising into SSA.

Table 5-3: Top ten themes

Theme	Frequency	Rank
Proposed solution to deal with cultural differences	23	1
Political and social environment	22	2
Market knowledge	22	2
Need for a local partner	20	3
Nigeria	20	3
Heterogeneity	19	4
Mozambique	18	5
Social interaction and relationships	16	6
Regulatory environment	16	6
Human resources	15	7

Table 5-4 details the frequency count and rank of the various regions within sub-Saharan Africa. From this table we observe that participants favoured the East-African countries over the West-African countries, with Mozambique, Kenya and Tanzania being the most frequently discussed countries.

Table 5-4: Sub-Saharan African regions

SSA Region	Frequency	Rank
East African region	12	1
West African region	8	2
Southern African region	1	3

Table 5-5 details the frequency count and the rank of the language-based classification within sub-Saharan Africa. The frequency of observation is in line with the fact that most sub-Saharan African countries are either classified as Anglophone or Francophone countries (Manning, 1998 and Brown, 2000). Participants have expressed preferences for internationalising into other Anglophone countries due to limited risks associated with language barriers.

Table 5-5: Language classification in sub-Saharan Africa

Language classification	Frequency	Rank
Anglophone	13	1
Francophone	12	2
Lusophone	9	3
Arabophone	1	4

Table 5-6 lists the frequency and the rank of a few other themes within the sub-Saharan African parent theme.

Table 5-6: Sub-Saharan African regions

Sub-Saharan Africa themes	Frequency	Rank
Heterogeneity	19	1
Chinese-firm presence	3	2
Changing narrative	2	3
Rising middle class	1	4
Colonisation	1	4

Disease	1	4
War	1	4

The heterogeneity of the countries within the SSA region has emerged as one of the most prominent themes of this research study and has been discussed extensively in Chapter 6 while attempting to answer Research Question 1 and 2. The presence of Chinese firms within SSA is in line with the notion that both South Africa and China have emerged has the leading FDI protagonists in the sub-Saharan African region (Luiz & Stephan, 2012; UNCTAD, 2014 and UNCTAD, 2015).

Table 5-7 details the frequency count of each country code. A unit of data was coded with the respective country name each time the country name was mentioned by a participant. A study of the top ten most observed countries highlights the importance of two market-specific factors, namely: market size and proximity.

Table 5-7: Sub-Saharan African country name, frequency and rank

Country Name	**Frequency**	**Rank**
Nigeria	20	1
Mozambique	18	2
Kenya	14	3
Botswana	10	4
Ghana	8	5
Zambia	8	5
Tanzania	7	6
Zimbabwe	7	6
Namibia	5	7
Angola	4	8
Rwanda	4	8
Ethiopia	3	9
Gabon	2	10
Lesotho	2	10
Uganda	2	10

Sierra Leon	1	11
Swaziland	1	11
South Sudan	1	11
Malawi	1	11
Ivory Coast	1	1
Democratic Republic of Congo	1	11

Interviewees made the following general comments with regard to internationalising into sub-Saharan Africa.

Interviewee 8 discusses the difficulty of internationalising into the African continent in the following statement:

> *"So if you want to go into Africa there's a saying that says: Africa is not for sissies."*

In the following statement, Interviewee 1 discusses the heterogeneity of the African continent by making mention of the heterogeneity of the individual countries as well as within the different regions within sub-Saharan Africa:

> *"Another mistake we make is we refer it to as Africa. There is over fifty countries and each one has its own different dynamics. First we need to understand the geography of the area. I have brushed it broadly into East and West Africa, but in East Africa itself, Tanzanian's culture if very different to the Kenyans. If I am moving to Tanzania, you need find out what are the country-specific issues there."*

Interviewee 3 also discusses the heterogeneity of the African continent in the following statement:

> *"Africa is not a homogenous market. You can't paint it all one colour. South Africa is hugely different to Nigeria which is hugely different to Kenya. These are not homogenous places."*

Interviewee 8 discusses the unpredictable nature of the SSA region in the following statement:

> *"We only need to learn the country. Which is interesting, because after doing seven countries. You think that you sort of know, but you don't. Every time you get to a new*

country, there are new surprises. It amazes me every time what those surprises are. You don't expect them upfront."

In the following statement, Interviewee 3 discusses the importance of market research and establishing a local network when planning to internationalise:

"So the ones that I have seen succeed are the ones who have done a lot of market research and have established the right connections."

In the following statement, Interviewee 7 also discusses the importance of market knowledge and links the accumulation of knowledge to success when internationalising.

"So once again local knowledge is actually very important. It's important to not only understand the business, but to understand the risk, to understand the culture – the more knowledge you've got, the more likely you're going to be successful."

Interviewee 5 discusses the growth prospects in SSA and the changing African narrative in the statement below. Interviewee 5 highlights the importance of the SSA region for South African firms as they seek out investments that will yield growth rates above those earned in developed markets.

"For South African businesses, growth in the country is on average between one and two percent. So for any company that wants to expand, Europe is out of the question given their flat growth. The only way you are going to start getting returns is if you look at Africa. Examples of growth ranges are: Mozambique with seven and half percent growth this year, Nigeria above six percent, even with the collapse in oil price. The rest of Africa, five to five and half percent. A lot in Africa is being cleaned up – money still gets filtered through different channels, but a lot of the governments are starting to realise that they have the commodities that the world wants, the people, the resources; so let's develop our own country."

5.6 Research Question 1 Results

Research Question 1:

> Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?

Research Question 1 deals with identifying whether or not South African firms internationalising into SSA consider the same market-specific factors as those considered by firms internationalising from developed economies. Participants were asked to comment on their perception as to the most important factors to consider when identifying a geographic location within the sub-Saharan African region and also to identify the most important factors they considered when determining if a certain geographic location was attractive or not. The aggregate response from all ten participants has been detailed below in Table 5-8. The highest ranked market-specific factor were those most often discussed by the respective participants.

All factors prefixed with an asterisk (*) are factors that have emerged inductively and were not part of the initial code list formulated.

Table 5-8: Market-specific factors, frequency and rank

Market-Specific Factor	Frequency	Rank
Political and social environment	22	1
Regulatory environment	16	2
Human resources	15	3
Physical distance from home country	14	4
Corruption	14	4
Language	13	5
Market potential and demand	13	5
Competitive landscape	12	6
Macro-economic environment	12	6
*Growth potential	8	7

*Regional hub	8	7
*Supporting industries	7	8
*Quality of local partners	6	9
*Host government involvement	6	9
Culture differences	6	9
Access to information	5	10
Institutions	5	10
*Logistics	4	11
*Ease of doing business	4	11

From Table 5-8 it is clear that the five most important market-specific factors considered by South African firms internationalising, as raised by the sample are: the political and social environment, the regulatory environment, the human resource dynamic of a target market, proximity from South Africa and corruption.

In addition to the frequency analysis performed on market-specific factors, the content of the following responses were noted.

Interviewee 1 discusses the regulatory environment and market potential of sub-Saharan Africa in the statement below. Participants have been observed to use population size as a proxy for market size for their industries.

> *"For example for some businesses, the legislative environment is a lot more crucial than the number of people. But broad strokes, population size, becomes the number one factor. Because to a large extent it gives you a sense of the potential market."*

> *"I think something else is the legislative environment. At the end of the day you want to know if whether the rules and regulations can be enforceable."*

Interviewee 3 discusses corruption in the following statement:

> *"In some countries it is really bad but you have to make a choice upfront on what you going to do. Do you make that donation or not? Very often, you will get a legitimate invoice, it will be fees, like in the American system with facilitation fees to the political party to help. Whether one construes that as facilitation or bribery is up to debate?"*

A common sentiment expressed by participants is that firms are advised to be clear with regard to their moral standing on corruption before attempting to internationalise into the SSA region as corruption is present in most countries.

Interviewee 3 discusses the quality of infrastructure as a market-specific factor that warrants consideration when internationalising in the following statement:

> "*Many companies trying to do business in Angola struggled because of the lack of infrastructure. Simple things that you and I would take for granted in logistics is an absolute nightmare even though it is just a few kilometres. Infrastructure can be a huge challenge."*

Interviewee 8 discusses the market-specific factor of language in the following statement:

> *"In Mozambique, the obvious change we anticipated was language, being a Portuguese country. The surprise was the inability to talk English. We assumed that it is another country with another language. But below management and almost sub-supervisor level, we found that people were almost totally unable to speak English. But now they are the very same people that you need to train. So how do I use a trainer, teaching in English? Now my supervisor becomes my translator. But a lot of knowledge is lost through the translation process, and the project turned out to be three and half times longer because of the language challenges."*

In the following statement, Interviewee 2 further supports language as a crucial market-specific that needs to be considered:

> *"Language is definitely a barrier. It's so obvious because communication is so important. It is easier for example to work in Botswana than in Mozambique, although they speak English. In all our negotiations up north in the DRC, we had to speak French. It all gets lost in translation. With translation, you never get the effect of what you are trying to say. Translators will never to a good enough job because you can't blame them. They will never be able to mimic your emotions."*

The statements made by both Interviewee 8 and 2 respectively accurately captures the frustrations that participants have expressed with regard to language barriers when internationalising into SSA countries. Participants linked such barriers to increased costs, time delays and issues relating to miscommunication. It is for these reasons, that participants have expressed a preference to internationalise into other Anglophone countries.

Interviewee 9 discusses the political and social environment in a target market in the following statement:

> *“If we know that a country is having a major election in a year, we would delay our investment by a year. Because you never know what can happen.”*

Interviewee 3 discusses the human resource dynamic in the following statements:

> *“The norm in South Africa is not the norm elsewhere. Now this is something that we struggle with. Let me give you a simple example. In South Africa we have very strong labour laws. One could argue that the pendulum has swung in favour of the employee rather than the employer. Many of these counties, the labour laws are fickle. You can hire and fire at will. The pendulum is very often in the opposite direction.”*

> *“In terms of work ethic, in South Africa we have a challenging labour force. You tend to have less of the labour disruption in these countries, which is a plus factor. Because labour is not well organised in those countries, like I said. It makes it easier.”*

Interviewee 9 discusses investment risks and government involvement in an industry in the following statement:

> *“What is important is the security of our investment. Last year we had to close down one of our countries, our business in Gabon. The government decided that overnight our industry is total illegal and they destroyed the whole industry.”*

General investment risk was not explicitly detailed as a market-specific factor that warrants consideration when internationalising but was implicitly raised through the discussion of various factors that have the potential to affect a firm’s foreign investment.

5.7 Research Question 2 Results

Research Question 2:

How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?

Research Question 2 deals with identifying the impact that cultural differences have on the success of internationalisation efforts by South African companies into sub-Saharan Africa. In order to collect appropriate data to aid in answering this question, participants were asked to share their views on the most common cultural differences experienced when internationalising into sub-Saharan Africa. Participants were then asked to discuss ways in which these differences are dealt with and whether or not these differences have the ability to affect the success of a South African firm's internationalisation effort or not.

Table 5-9 details all the themes that have emerged from the analysis of the interviews. All themes prefixed with an asterisk (*) are ones that have emerged inductively and were not part of the initial code book.

Table 5-9: Cultural difference themes, frequency and rank

Cultural Difference Theme	Frequency	Rank
Proposed solution to deal with cultural differences	23	1
Social interaction and relationships	16	2
Norms	13	3
Language	13	3
Values	8	4
Work ethic	8	4
Need for cultural adaptation	7	5
Communication	6	6
*Trust	6	6
Cultural similarity	4	7
Religion	4	7

Changing cultural difference dynamic	1	8
Cultural perception of corruption	1	8
*Gender perceptions	1	8
*Impact of cultural differences	1	8

From Table 5-9 we observe that the cultural differences most discussed relate to the social interaction and relationship dynamics of people, norms, language differences between home and host countries, values and work ethics.

In addition to the aggregated results relating to Research Question 2, participants made the following comments with regard to cultural differences.

Interviewee 1 discusses culture as something that goes beyond simply language and extends over to cover the manner in which people operate in general.

> *"So the culture, and not just culture as in the languages people speak, but literally in terms of how people operate: their strengths, their weaknesses and how it is that you operate a South African model*."

Interviewee 3 discusses proximity from South Africa and cultural similarity in the following statements:

> *"If we look at countries in Southern Africa, like Namibia, Botswana, Swaziland, Lesotho and even as far as Zambia, however Zambia starts taking more of an East African culture, I would say it is in between. When you start looking at all these countries and you start looking at South African business that have ventured in to these countries. You will find that, they tend to be a lot more successful South African companies in Southern Africa than there are north of that. To me I have always felt, if you look at a lot of those countries you could be in a little town in South Africa. It doesn't feel hugely different. The infrastructure doesn't feel hugely different. The brands that are there are the same ones that are here. The type of culture is not hugely different to what we find in South Africa."*

> *"In my mind, South African companies have succeeded in Southern Africa because of the culture and not the proximity"*

In the statements above, Interviewee 3 links cultural similarity with internationalisation success, implying that internationalising into a target market that has a similar culture and general infrastructure is more beneficial than geographic proximity. Participants have also expressed a sentiment that South Africa's neighbouring countries are culturally similar to a certain degree, thus making it easier for South African firms to expand into these countries.

Interviewee 1 discusses general communication and the relationship dynamic of sub-Saharan African culture in the following statement:

> *"I remember going into a meeting with a college of mines who is no longer with us at Company 1. Now this was his first time in East Africa, so he walks into the meeting, greets and introduces himself and then gets on with the business. So after fifteen minutes of chatting, the one guy stops him and then asks him, what is your name? What is your wife's name? How are your children? Where were you born?"*

This statement by Interviewee 1 succinctly captures the importance of understanding the manner in which people interact in SSA countries when internationalising. Participants have expressed a notion that relationships are much more of a personal nature in some SSA countries and that trust, between business partners in a transactions, is of vital importance.

Interviewee 3 discusses religion as a cultural differences in the following statement:

> *"People are very passionate about their religion. It is an integral part of their life. In South Africa I don't see the intensity about religion as it is in those markets. Now when religion is integral and people are that connected to the church, as an example. One needs to adapt and understand that the ways in which and the way you bring services into these countries is different too."*

Interviewee 10 adds further support with regard to religion as a cultural difference that warrants consideration when internationalising in the statement below. The core concept expressed in these statements are that firms need to be aware of a target market's religious dynamics and ensure that products offered are in line with religious beliefs of their potential client base.

> *"I think in terms of religion – that will always come into play irrespective of whichever country, anywhere in the world. I think that's important – so going into a country that's*

religiously conservative and taking in a product that won't necessarily be the right product to take to them, I need to be aware of those things."

In the following statement, Interviewee 7 asserts that both social norms and perceptions as to what is considered as corrupt or not, are largely informed by culture.

"Also I think the grey areas – what's considered as the right way to do business, what's considered as corrupt or what is normal, is very culture-dependant, and so you might structure a subsidiary company in a different country to fit a particular culture to still do business legally."

With regard to dealing with cultural differences, once identified, participants made the following comments:

Interviewee 5 discusses the value of a local partner when dealing with cultural differences. The use of a local partner has emerged as another major theme within this research study and has been discussed in Chapter 6 when answering both Research Questions 1 and 2.

"The biggest thing that people find value in is the use of a local partner. Once you have a local partner who is already part of the local culture, it is a lot easier to get business done. It is much more difficult to do it alone and it takes you longer to integrate into the local culture."

Interviewee 6, discusses the shortfall of addressing cultural differences by exposing foreign managers to local South African business culture in the following statement:

"*We can expose them to our business culture as an organisation and be prepared to share IP and our learnings openly. We can expose them to quick responses when they need help. But we can't change their environment by exposing them to ours."*

Interviewee 7, discusses the manner in which individuals should prepare in order to deal with cultural differences in the following statement:

"So it's very important to determine what's the do's and do not's ahead of time – and the only way you do that is you ask people from the country. And then you listen and

you try to understand, and you carry it out, and I find that generally that's been effective."

The following four statements have been made by various interviewees when discussing the need to understand local culture and adapt to it in order to succeed when internationalising into sub-Saharan Africa. A common theme across all five statements is the heterogeneity of culture in varying SSA countries and that firms need to be aware of the cultural dynamics in a foreign market. In order to successfully internationalise, firms must adapt accordingly to the local culture.

Interviewee 2:

"You have to learn the culture. You definitely have to understand it. You can't force your culture on them. I think any business man will know that. You read about it but now we have seen it. You go there and try and enforce your culture you are going to fail. No matter clever you are or how good you are."

"Culture definitely plays a role. You must accept the fact that when you go into Africa, you must buy in to their culture. You have to change your strategy to the culture. It is definitely important."

Interviewee 3:

"What the South Africans did and what I think they did well was, they embraced the locals. They didn't try and take South Africa and put it into that country. What they did try and do was embrace and understand the local market. Understand what they wanted and what they needed. Understand the culture. Embraced the culture. They didn't try and create a South African company in that country, but try and embrace the culture, embrace the people."

Interviewee 8

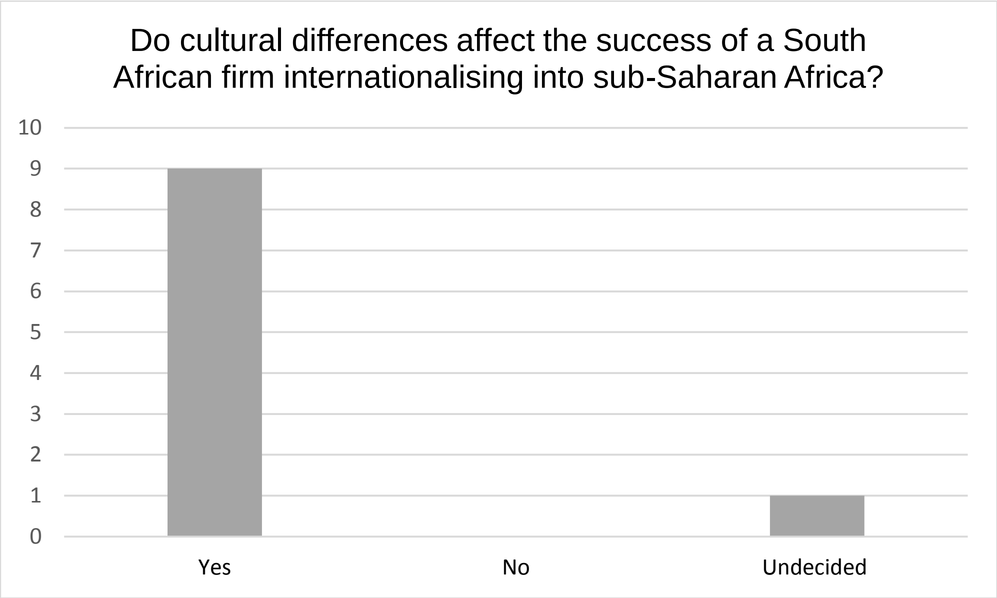
"You just need to adapt. You learn these things through experience. No one tells you. If you go with your South African mind-set you will be very frustrated."

Interviewee 9

"I think understanding the culture of where you go and particularly the business culture. Business culture varies from every country to another. Some countries, it is easier to understand their culture and in some, it can take years to understand it"

Participants were explicitly asked whether or not they believe that cultural differences affect the success of a South African firm's internationalisation effort into sub-Saharan Africa. Each interviewee's response has been categorised into one of three possible answers: yes, no and undecided. The results have been graphically represented in Figure 5-1. Nine interviewees responded with a yes and only one remained undecided.

Figure 5-1: Cultural differences



5.8 Research Question 3 Results

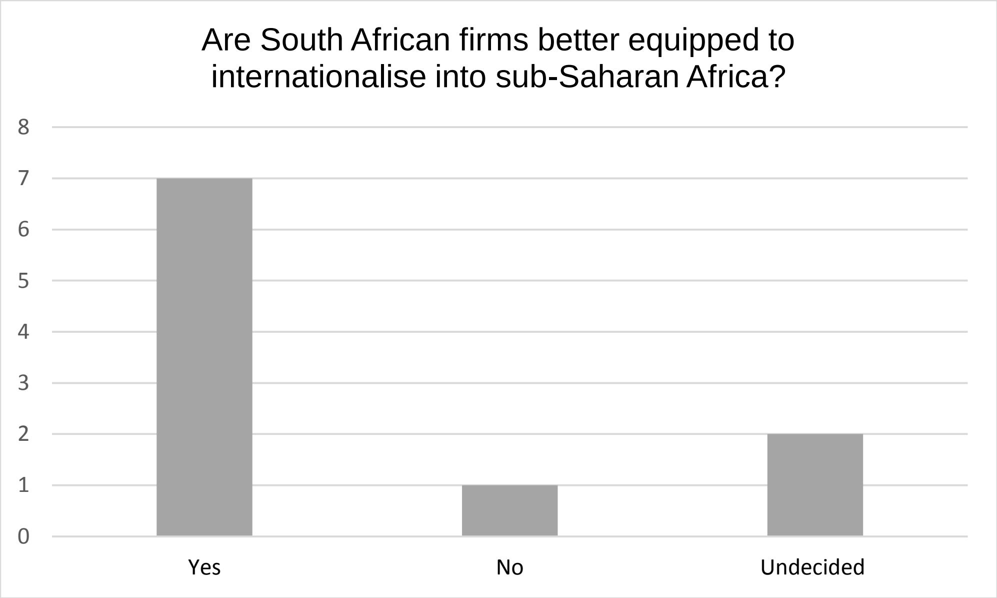
Research Question 3:

> Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?

Research question 3 deals with identifying if South African firms are at an advantage when internationalising into sub-Saharan Africa as a result of deriving form an emerging market base. Participants were asked to discuss their opinion and to elaborate on their views.

Figure 5-2 details the responses of all ten participants when asked if South African firms possess a competitive advantage or not. Seven interviewees responded with a yes, one with a no and two remained undecided. Both participants that remained undecided agreed that South African firms do indeed have competitive advantages but that certain characteristics of South African managers negate these advantages, resulting in such advantages being balanced out.

Figure 5-2: Are South African firms at an advantage?



Participant's responses to interview questions were analysed and themes were coded accordingly using ATLAS.ti. Table 5-10 provides a detailed list of all such themes as well as the frequency with which they occurred.

Table 5-10: South African firms entering SSA themes, frequency and rank

South African firm dynamic	**Frequency**	**Rank**
Mistakes made by SA firms	11	1
Knowledge trap	7	2
Emerging/developing market experience	6	3
Perception of African's regarding SA firms	5	4
Expectations on efficiency	4	5

Available human resources	4	5
Available infrastructure	3	6
Risk appetite	2	7
Access to capital	1	8
Understanding risks	1	8
Improving internationalisation process	1	8
Welcomed by foreign firms	1	8
Lack of SA government support	1	8

From Table 5-10 it is observed that the two most discussed competitive advantages that South African firms have when internationalising into SSA are experience with doing business in an emerging market setting and having similar expectations of business and operational efficiency when compared to firms from other SSA countries.

In addition to the results detailed above, the below quotes have been noted as further evidence to be used when attempting to answer Research Question 3.

Interviewee 1 discusses the concept of hindsight and experience as advantages that South African firms possess when internationalising into SSA. Given that South Africa is a more advanced economy than most sub-Saharan African countries, experience with certain aspects of a growing economy provides firms with competitive advantages over other firms in sub-Saharan Africa.

> *"So a number of countries are only getting into cycles. A number of countries are only starting to build malls. We have built malls so we know the mistakes that should be avoided. So that gives you an advantage. So a number of things that are happening on the continent are things that have happened in South Africa, 10-15 years ago. So we have the benefit of hindsight*."

Interviewee 3 discusses how South African firms have access to labour skills and have experience on how to operate within emerging markets in general. This experience that South African firms have, places them at an advantage when compared to firms from developed markets.

"South Africa has skill which is more in supply than most other sub-Saharan African countries. So it has skills. It has some understanding of how to operative in emerging markets where your GDP per capita is much lower and distribution networks are not as established. It has some experience with that."

"A European however has the skills but has zero understanding on how to deal with these challenges. They struggle on understanding on how to operate in the informal sector. Whereas South Africa, we understand on how to do business in an informal sector. This is our strength."

Interviewee 6 discusses how South African firm's expectations with regard to efficiency further provides them with an advantage when compared to firms from developed markets.

"I think we are more tolerant of delays. Maybe it is my naivety, but I think coming from a first world head office like New York, the reality of the on the ground delivery will not be matched and it will be such a contrast. I think in South Arica we have a mix of really great efficiencies and fair amount of inefficiencies. As well as some hardship factors like security and utilities. So it is not such a shock for us. Even if we went to a country that had more hardships, I think that it wouldn't be such a shock. The expectations would then be much closer. I think first world expectations of efficiency are completely different."

Interviewee 1, discusses some of the mistakes made by South African firms initially when internationalising into SSA in the following statements:

"Initially we thought that because our market is so sophisticated, because we are so good at what we do, we thought that we would just arrive at a market and just bulldoze and be successful. We did not apply proper market research."

"In South Africa, this is how we do things and therefore you will want to go here and do the same thing, and we will get it wrong."

Interviewee 2, discusses another mistake made by South African firms at times in the following statement:

> *"I think one of things that have resulted in our companies failing is that we have gone in with this attitude that we know more than you. It builds up a whole resistance from them."*

A common thread between the above three statements made by Interviewee 1 and 2 respectively is that perceptions held by South African managers and the unwillingness to adapt to a foreign cultural context have contributed towards failed internationalisation efforts by some South African firms.

5.9 Conclusion

This chapter presented all the relevant information that has been the result of the data analysis step of the research process. Interview transcripts, notes and interviewer observations have served as the primary source from which data has been used to detail the results presented above. Chapter 6 will discuss these findings in light of the literature review performed in Chapter 2 in an attempt to answer the three research questions formalised in Chapter 3.

6. Chapter 6: Discussion of Results

6.1 Introduction

The primary objectives of this research study was to develop a deeper understanding of the market-specific factors that South African firms consider when internationalising into sub-Saharan Africa, the impact of cultural differences on the success of an internationalisation effort and to understand if South African firms are at an advantage when internationalising into SSA. In line with these objectives, the results of the data analysis process have been presented in the previous chapter. All ten interviews were processed using ATLAS.ti and a code book. The results presented will now be interpreted in light of the literature detailed in Chapter 2 and will be presented in relation to each research question individually.

6.2 Research Question 1

Research Question 1:

> Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?

6.2.1 Introduction

Research Question 1 investigates whether or not South African firms internationalising into SSA consider the same market-specific factors as those that are considered by firms from developed markets when internationalising. This question will be answered by comparing the list of market-specific factors that has been formulated in Section 2.5.2 to the list of market-specific factors raised by the interview participants in Table 5.8. The key constructs relating to Research Question 1 will then be discussed followed by an analysis of supporting quotes made by interviewees.

6.2.2 Discussion of results

Selecting a target market is one of the most crucial aspect of any internationalisation strategy. According to the Eclectic Paradigm, in order to do so, firms need to be familiar with the market-specific factors unique to a particular host country. These factors are represented by the location-specific pillar of the model (Dunning, 1980 and Malhotra et al., 2009). The market-specific factors that are most commonly considered by firms internationalising from developed markets have been listed in Table 6-1. This list has been generated as a result of comparing multiple academic papers that have focussed on understanding internationalisation efforts of developed market firms (Dunning, 1980; Sethi et al., 2003; Galan et al., 2007; Campbell et al., 2012; Schotter & Beamish, 2013 and Kim & Aguilera, 2015).

Table 6-1: Market-specific factors as per literature

Political and social environment	Macro-economic environment
Regulatory environment	Market size
Income per capita (GDP per capita)	Quality of infrastructure
Labour force profile	Competitive landscape
Corruption	Language
Culture	

Table 6-2 details all the market-specific factors that are considered by participants when internationalising into sub-Saharan Africa. All factors prefixed with an asterisk (*) are factors that have emerged inductively and were not part of the initial list formulated.

Table 6-2: Market-specific factors considered by sample

Market-Specific Factor	Frequency	Rank
Political and social environment	22	1
Regulatory environment	16	2
Human resources	15	3
Physical distance from home country	14	4

Corruption	14	4
Language	13	5
Market potential and demand	13	5
Competitive landscape	12	6
Macro-economic environment	12	6
*Growth potential	8	7
*Regional hub	8	7
*Supporting industries	7	8
*Quality of local partners	6	9
*Host government involvement	6	9
Culture differences	6	9
Access to information	5	10
Institutions	5	10
*Logistics	4	11
*Ease of doing business	4	11

By comparing the two lists of market-specific factors, we note that all the factors considered by developed firms are indeed considered by internationalising firms from South Africa. What is also of significance is the importance that is placed on each of these factors by South African firms, as implied by the frequency of occurrence.

Table 6-3 details the key constructs raised by participants with regard to the market-specific factors that they consider when internationalising. These constructs, informed by the statements made by participants and detailed in Section 5.6, further support the observations made above with regard to the consideration of South African firms with regard to market-specific factors.

Table 6-3: Constructs relating to Research Question 1

Research Question 1: Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?
1. Internationalising into the sub-Saharan African region is filled with challenges and difficulties. The fear that most participants have expressed relates to the political and social environment of a country.
2. In order to mitigate many of risks associated with expanding into a foreign market, participants have stressed upon the use of a local partner as part of an internationalisation strategy. Participants have also implied that the success of an expansion effort will be linked to the quality of the local partner chosen.
3. Majority of participants identified the level of corruption within a country as a market factor that they would consider before internationalising. But neither of them suggested that it would be a deterrent. Instead, participants expressed a shared response in that firms need to be clear with regard to their own ethical standards before they decide to enter any markets.
4. Firms internationalise as they are primarily looking for growth opportunities. The assessment of market potential is often determined by population size and GDP per capita. The themes of growth potential and regional hubs (Table 6.2) are akin to the market-seeking and strategic asset-seeking rationales of internationalisation respectively. Further support for the market-seeking rationale is found in the fact that majority of the top ten countries raised by participants are classified as the largest economies within the SSA region (Table 5.7).
5. Local competition in target markets have been identified as a serious challenge.
6. A consistent regulatory environment over a favourable one is what most participants expressed as a crucial factor.
7. There is a clear understanding with regard to the challenges that differences in languages adds to an internationalisation effort. However, participants expressed concerns around delays and fears around knowledge transfer when

lower-skilled workers were involved. South African firms have shown a preference for internationalising into other Anglophone countries.

A discussion of some of the key constructs detailed above in relation to the literature presented in Chapter 2 and supported by various interviewee quotes follows. This will serve as further evidence in answering Research Question 1.

Internationalising into any region comes with its own risks and difficulties. A common threat to a firm's investment in a host country is the political and social environment of that country (Bekaert et al., 2014). This sentiment has been echoed by majority of the participants interviewed. Further support for the importance of the political and social environment can be found in the following statement made by Interviewee 9:

> *"If we know that a country is having a major election in a year, we would delay our investment by a year. Because you never know what can happen."*

Albeit changing, the SSA region has a history of political and social unrest which has been marred by wars, civil unrests and numerous coups (Berman, 2013 and Okafor et al., 2015). As a result, the political and social environment of a country remains one of the most crucial market factors to consider when internationalising into SSA.

Relating to the political and social environment is the regulatory environment of a country which includes government policies, tax policies, the legal framework, property rights, environmental laws as well as the stability and predictability of the environment as a whole (Ghemawat, 2001 and Campbell et al., 2012). In addition to these, participants discussed the importance of customs and clearance regulations, the enforceability of regulations as well as the importance of a stable and predictable regulatory environment over and above a favourable regulatory environment.

Participants expressed the importance of language when entering a foreign market. Despite being familiar with the challenges that language barriers add to an internationalisation effort, participants raised concerns around the communication difficulties experienced with lower-levelled workers in non-Anglophone countries. Interviewee 8 articulates this frustration in the following statement:

> *"In Mozambique, the obvious change we anticipated was language, being a Portuguese country. The surprise was the inability to talk English. We assumed that it is another country with another language. But below management and almost sub-supervisor level, we found that people were almost totally unable to speak English.*

> *But now they are the very same people that you need to train. So how do I use a trainer, teaching in English? Now my supervisor becomes my translator. But a lot of knowledge is lost through the translation process, and the project turned out to be three and half times longer because of the language challenges."*

Participants have expressed a preference for internationalising into other Anglophone countries due to the decreased risks associated with information asymmetries as a result of language barriers (Kang & Kim, 2010). This preferences is supported by the Uppsala Model's notion that firms have a preference to internationalise into foreign market where the cultural difference is smaller (Senik et al., 2010).

6.2.3 Conclusion: Research Question 1

Using the evidence in the form of frequency of observations, the key constructs, interviewee quotes as well as the discussion of various themes in relation to the literature reviewed in Chapter 2, it is observed that South African firms internationalising into SSA consider the same market-specific factors as those that are considered by firms from developed markets. This is contrary to the findings of Cleeve et al. (2015) who propose that firms internationalising into SSA consider factors that are different to those considered when internationalising outside SSA.

Due to information asymmetries, increased costs and time delays resulting from language barriers caused by differences in the languages spoken, South African firms have expressed a preference for expanding into other Anglophone countries within sub-Saharan Africa. Support for this observation is found in the both the Uppsala Model and the CAGE Framework, where it is noted that firms have a preference for internationalising into markets that have smaller distances along the dimensions of culture, administrative, geographic and economic facets (Ghemawat, 2001 and Senik et al., 2010).

The final observation that has been drawn from the analysis of all the results pertaining to Research Question 1 relates to the construct concerning the rationale for internationalisation. Firms from developed markets have been observed to prefer strategic asset-seeking investments while developing market firms favour market-seeking investments (Galan et al., 2007). This observation with regard to a developing market firms' rationale has been found to be true in this research study as supported by the importance and rank of the market-specific factors of market potential and growth potential (Table 6-2). Further support for this observation is found in the analysis of the top ten most discussed SSA countries (Table 5-7), in which majority of these ten countries represent the largest economies in the SSA region.

6.3 Research Question 2

Research Question 2

How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?

6.3.1 Introduction

Research Question 2 deals with identifying how cultural differences between the home and the host country impacts the success of an internationalisation effort of South African firms into the SSA region. This question will be answered by analysing the responses that participants had to the interview questions, an analysis of the themes identified as well as a discussion around the effects of cultural differences and how they are dealt with by internationalising firms.

6.3.2 Discussion of results

When asked if cultural differences affects the success of a South African firm's expansion effort into SSA, nine out of ten participants responded with a yes (Figure 6-1). This observation is supported by the notion that cultural differences between home and host countries are a vital component of any internationalisation strategy and have the ability to impact its success (Kogut & Singh, 1988 and Campbell et al., 2012). Further support is attained from the notion that there exists increased risks when internationalising into markets that have larger cultural distances (Ghemawat, 2001).

Figure 6-1: Cultural differences

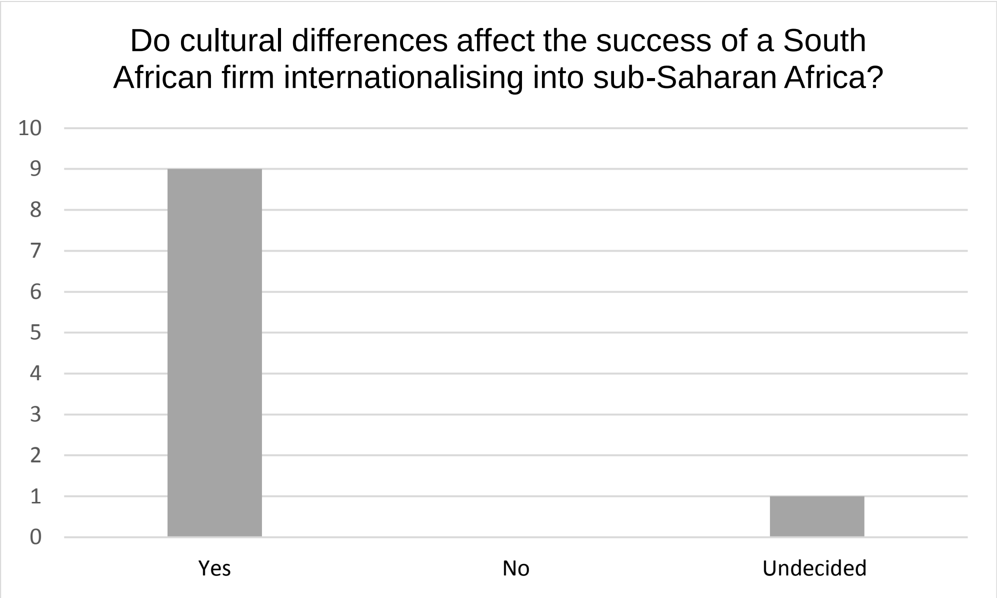


Table 6-4 details the specific cultural differences that have been raised by participants during the interview process. All themes prefixed with an asterisk (*) are themes that have emerged inductively during the coding process and were not part of the initial code book which was primarily informed by the CAGE Framework.

Table 6-4: Cultural difference themes, frequency and rank

Cultural Difference Theme	**Frequency**	**Rank**
Social interaction and relationships	16	1
Norms	13	2
Language	13	2
Values	8	3
Work ethic	8	3
Communication	6	4
*Trust	6	4
Cultural similarity	4	5
Religion	4	5
Cultural perception of corruption	1	6

*Gender perceptions	1	6

As observed from the frequency table, the cultural difference with the largest impact are with regard to the social interaction and the nature of relationships in the SSA region. This is followed by what is considered acceptable by each culture (norms) and then followed by language, values and work ethics. Support for the importance of these specific cultural differences is found in the CAGE Framework's classification of factors that contribute towards cultural distance. These are language, ethnicity, religion, social norms, work-ethic and values (Ghemawat, 2001 and Campbell et al., 2012). Further support is derived from the following statements that interviewees have made regarding some of the cultural differences they have encountered in sub-Saharan Africa.

Interviewee 1 details an example of the manner in which people prefer to interact and the relationship dynamic in SSA in the following statement:

> *"I remember going into a meeting with a college of mines who is no longer with us at Company 1. Now this was his first time in East Africa, so he walks into the meeting, greets and introduces himself and then gets on with the business. So after fifteen minutes of chatting, the one guy stops him and then asks him, what is your name? What is your wife's name? How are your children? Where were you born?"*

Interviewee 3 discussed the importance of religion as a cultural difference in the following statement:

> *"People are very passionate about their religion. It is an integral part of their life. In South Africa I don't see the intensity about religion as it is in those markets. Now when religion is integral and people are that connected to the church, as an example. One needs to adapt and understand that the ways in which and the way you bring services into these countries is different too."*

Interviewee 7 discussed social norms as a cultural difference:

> *"Also I think the grey areas – what's considered as the right way to do business, what's considered as corrupt or what is normal, is very culture-dependant, and so you might structure a subsidiary company in a different country to fit a particular culture to still do business legally."*

From the above three statements, we observe that culture affects the manner in which people socialise, religion is an important variable in SSA and that people's perception of what is wrong is often influenced by their culture. Accordingly, South African firms internationalising into SSA need to be aware of the individual components of culture and must adapt to them in order to successfully operate within a SSA market (Shi et al., 2014).

In order to aid in answering Research Question 2, some of key constructs that have emerged with regard to cultural differences between home and host countries are detailed in Table 6-5. These constructs have been informed by the statements made by participants detailed in Section 5.7.

Table 6-5: Constructs relating to Research Question 2

Research Question 2: How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?
1. In order to mitigate the risks associated with cultural differences, the use of a local partner emerged as a very strong theme amongst most participants.
2. To succeed in SSA, South African firms need to understand the culture of the host market and need to ensure that they adapt to it. Attempting to force a South African culture in a foreign market has been raised as one of the causes as to why South African firms have failed in the past.
3. Cultural differences cause delays and increased costs which results in firms attaining profitability much later.
4. A recurring construct in this research study is the heterogeneity of the SSA region. This applies to culture as well. Participants emphasised the need to treat countries independently and to avoid considering countries as similar to South Africa, or as similar to other regional countries within SSA.
5. Countries that are geographically closer tend to have some degree of cultural similarity making internationalisation easier at times.
6. Religion is an important cultural dynamic in SSA. Firms need to ensure that their business models, which includes products and services, marketing efforts

	and general operational processes, are designed accordingly. Christianity and Islam are the two most dominant religions in the region.
7.	Emphasis is placed on the relationship aspect during a business transaction in SSA countries. Participants stressed the importance of understanding the manner in which people interact socially as well as the importance of attaining a degree of trust when attempting to do business in most SSA countries.
8.	Another recurring construct in this research paper is the importance of market knowledge. Participants highlighted the importance of researching the proposed target market and being familiar with cultural differences so as to minimise risks.
9.	What is perceived as corrupt is often influenced by the social norms and values within a country. In order to understand the nature of corruption in a target market, firms need to be aware of the differences between home and host countries with regard to the social perceptions held on corruption.
10.	South African firms have shown a preference for expanding into other Anglophone countries as a result of the cultural similarity.

6.3.3 Effects of cultural differences

Participants have raised the following effects of cultural differences on a South African firm's internationalisation effort:

- Delays in integrating into local culture
- Increased costs
- Barriers to knowledge transfer
- Difficulties in communicating and misunderstandings, and
- Increased time taken to reach profitability

These effects that have been raised are in line with current literature. Tihanyi et al. (2005) argue that cultural differences often result in increased costs, decreased operational efficiencies and they inhibit the ability for firms to transfer competencies into foreign markets. Differences in language spoken is one of the factors that contribute towards the creation of knowledge gaps (Kang & Kim, 2010 and Sarala & Vaara, 2010). These gaps ultimately result in information asymmetries between the management team of the internationalising firm and the firm's local representatives, and often perpetuate miscommunications, mistrust, and conflicts (Zeng et al., 2013).

The next section deals with some of the techniques that participants have put forward in order to deal with the effects of the cultural differences that have been identified.

6.3.4 How to deal with cultural differences

Interviewee 5 discusses the value of a local partner as a means of dealing with cultural differences in the following statement:

> *"The biggest thing that people find value in is the use of a local partner. Once you have a local partner who is already part of the local culture, it is a lot easier to get business done. It is much more difficult to do it alone and it takes you longer to integrate into the local culture."*

The use of a local partner has emerged as a recurring theme throughout this research study. It is strongly advised that internationalising firms make use of a local partner when expanding into locations that are culturally dissimilar (Ahsan & Musteen, 2011). Developing relationships with key partners within the new environment forms part of the Uppsala Model's framework on how to manage under uncertainty (Vahlne & Ivarsson, 2014). Local partners with strong domestic alliances and networks as well as local value chains are preferred as they provide foreign firms with a strategic asset to leverage off (Shi et al., 2014).

Developing an understanding of the culture of the target market and adapting to it as a foreign market entrant is another recommended course of action when attempting to mitigate the risks associated with cultural differences (Malhotra et al., 2009 and Shi et al., 2014). Interviewee 2 expresses this sentiment in the following statement:

> *"You have to learn the culture. You definitely have to understand it. You can't force your culture on them. I think any business man will know that. You read about it but now we have seen it. You go there and try and enforce your culture you are going to fail. No matter how clever you are or how good you are."*

Interviewee 7 echoes this in the following statement:

> *"So once again local knowledge is actually very important. It's important to not only understand the business, but to understand the risk, to understand the culture – the more knowledge you've got, the more likely you're going to be successful."*

The importance of understanding and adapting to a market context relates to another recurring theme in this study, namely the heterogeneity of the SSA countries. This theme is the fourth most observed theme identified throughout this entire research study (Table 5.3). In the following statements made by Interviewee 1 and 3 respectively, evidence of heterogeneity is found.

> *"Another mistake we make is we refer it to as Africa. There is over fifty countries and each one has its own different dynamics. First we need to understand the geography of the area. I have brushed it broadly into East and West Africa, but in East Africa itself, Tanzanian's culture if very different to the Kenyans. If I am moving to Tanzania, you need find out what are the country-specific issues there."*

> *"Africa is not a homogenous market. You can't paint it all one colour. South Africa is hugely different to Nigeria which is hugely different to Kenya. These are not homogenous places."*

With over 52 countries, with numerous indigenous languages and religions as a result of various colonial influencers, SSA is a very unique and non-homogenous region (Bangwayo-Skeete & Zikhali, 2011 and International Monetary Fund, 2015). In line with this theme, participants stressed the importance of not falling into the trap of considering countries within SSA as similar to South Africa with regard to culture. They also strongly advised against firms attempting to force a South African business culture in the host country, citing it as one of the primary reasons why some South African firms have failed in the past.

6.3.5 Conclusion: Research Question 2

Based on the analysis of the samples' response, it is noted that cultural differences between home and host countries do indeed impact the success of an internationalisation effort by South African firms into SSA. The specific facets of culture that participants have raised as differences that they most commonly encounter when internationalising into SSA are in line with the cultural element of the CAGE Framework (Ghemawat, 2001). The impact that these cultural elements have on a firm's internationalisation effort are in line with the theoretical observations raised in Chapter 2, and ranges from increased costs, integration delays, difficulties in communicating, knowledge transfer barriers and extended periods before profitability is achieved (Tihanyi et al., 2005; Kang & Kim, 2010 and Sarala & Vaara, 2010). In order to mitigate the effects of cultural differences, firms are advised to perform extensive market research, to adapt and to integrate into the local culture, to appreciate the heterogeneity of the SSA region and to use a local partner when internationalising.

6.4 Research Question 3

Research Question 3:

Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?

6.4.1 Introduction

The final research question deals with identifying whether or not South African firms have a competitive advantage over developed market firms when internationalising into SSA as they derive from an emerging market base. This question will be answered by analysing the responses of participants to interview questions, a discussion of the key constructs and an analysis of a few relevant statements made by participants.

6.4.2 Discussion of results

Participants were asked if they believed whether or not South African firms were better equipped to internationalise into SSA. The results are graphically shown in Figure 6-2. Of the ten participants interviewed, seven responded positively with a yes, one said no and two participants were undecided. The participant that responded with a no, cited the construct of failing to adequately prepare due to the perception held by managers that other SSA countries are similar to South Africa, as a factor that negates all potential competitive advantages. Interviewee 5 and 9 remained undecided with regard to their response. Interviewee 5 believes that South African firms are well positioned given that South Africa is a much more advanced economy than most SSA countries, but believes that the South African managers' tendency to perceive all SSA countries as similar to South Africa balances out all other competitive advantages. Interviewee 9 also believes that South African firms are at an advantage due to the manufacturing and export capabilities of the country as a result of being a more advanced emerging market economy. However, Interviewee 9 believes that South African firms lack expert knowledge required to facilitate cross-border trade into the SSA region.

Figure 6-2: South African firms have a competitive advantage

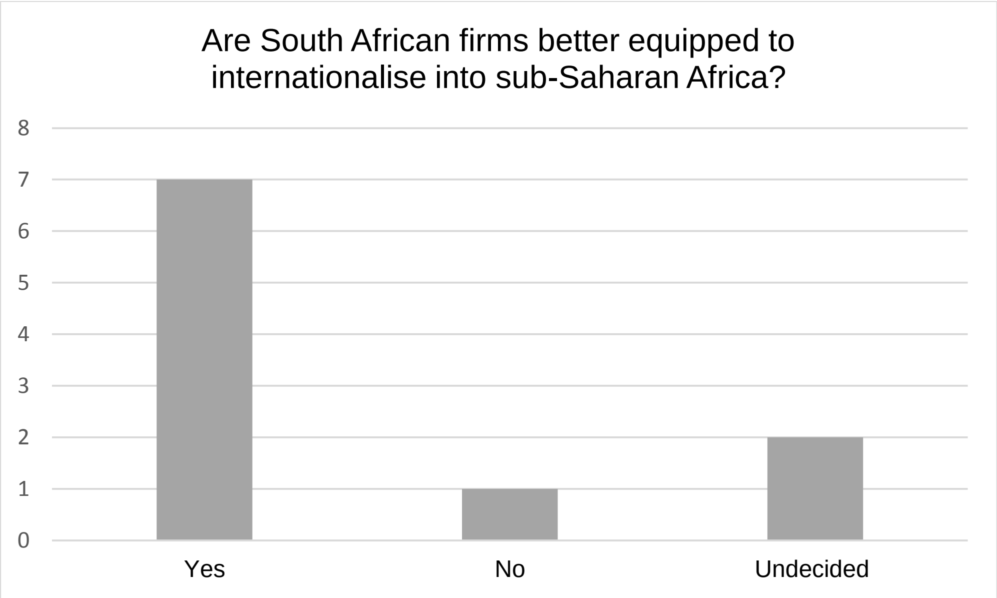


Table 6-6 details the key constructs relating to Research Question 3. These constructs have been informed by the statements made by participants detailed in Section 5.8.

Table 6-6: Constructs relating to Research Question 3

Research Question 3: Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?
1. South African firms have experience with doing business in an emerging market setting. This experience extends to knowledge of consumer behaviours and preferences, dealing with lower per capita incomes, dealing with the availability and quality of human resources, dealing with lower quality of infrastructure and distribution networks, dealing with larger informal markets and institutional weaknesses.
2. Emerging markets are characterised by varying degrees of similar distinct factors. These factors result in emerging markets having a similar, but not identical, contextual environment.
3. Management of South African firms are at risk of falling into a knowledge trap whereby they perceive their knowledge of the South African market as sufficient to successfully expand into other SSA countries. This is in contrast

	with other global firms who, due to their lack of experience, are aware that they are not familiar with the emerging market context.
4.	South Africa is a relatively advanced emerging market economy when compared to other emerging markets in the SSA region. Some of the advancements in infrastructure and real estate that are being seen in some SSA countries have already been achieved in South Africa. This places some firms at a competitive advantage as a result of competencies developed.
5.	Being a more advanced emerging market, South African firms have greater access to skilled human resources locally. These skills are vital to ensure the success of an internationalisation effort.
6.	Certain processes are less efficient in emerging markets when compared to developed markets. South African firms have become accustomed to such inefficiencies and are more tolerable towards them.
7.	Participants have expressed a notion on multiple occasions with regard to the perception that some SSA managers consider South African managers as arrogant. This perception stems from experiences with those who fail to appreciate the host country's diversity and are not willing to adapt accordingly.

Table 6-7 details all the themes that participants have raised specifically relating to the potential existence of competitive advantages of South African firms when internationalising into other sub-Saharan African countries.

Table 6-7: South African firms entering SSA themes, frequency and rank

South African firm dynamic	Frequency	Rank
Mistakes made by SA firms	11	1
Knowledge trap	7	2
Emerging/developing market experience	6	3
Perception of African's regarding SA firms	5	4
Expectations on efficiency	4	5

Available human resources	4	5
Infrastructure	3	6
Risk appetite	2	7
Access to capital	1	8
Understanding risks	1	8
Improving internationalisation process	1	8
Welcomed by foreign firms	1	8
Lack of SA government support	1	8

The frequency with which these themes have been observed and the statements underlying each observation have been used as evidence to support the arguments going forward.

6.4.3 Competitive advantages

There exists two varying opinions with regard to whether or not emerging market firms possess a competitive advantage over developed market firms when internationalising into other emerging markets. One group believes that home country factors, unique to emerging markets, provide emerging market firms with a contextual understanding in all other emerging markets (Luiz & Stephan, 2012). Support for this is found in the ownership pillar of the Eclectic Paradigm. Experience with a contextual environment can be considered to be a knowledge-based competency and can be classified as a resource owned by a firm. This resource can be used as a competitive advantage when internationalising (Brouthers & Hennart, 2007). The other group believes that host country factors take precedence and have the ability to negate or enhance any home country advantages (Cuervo-Cazurra, 2012).

Participants have identified the following competitive advantages that South African firms have over other global firms internationalising into sub-Saharan Africa:

- Experience with nuances of doing business in an emerging market setting. These experiences extend to cover knowledge of consumer behaviours and preferences, dealing with consumers with lower per capita incomes, dealing with human resource management, dealing with lower quality of infrastructure and distribution networks, dealing with larger informal markets and institutional weaknesses.

- South African firms have similar expectations with regard to inefficiencies of some business and operational processes when compared to firms from some SSA countries.
- South African firms have a greater understanding of the risks associated with emerging markets.
- South Africa has traditionally been seen as a gateway to the rest of Africa. Both firms and managers have developed competencies in doing business on the continent.

The competitive advantages that participants have raised supports the argument that experience with home country factors provide emerging market firms with a competitive advantage (Cuervo-Cazurra, 2012). The concept of experience adds further support for the Uppsala Model which proposes that a fundamental component of any firm's internationalisation effort is the experiences that a firm accumulates (Zeng et al., 2013). Underpinning this argument of experience is the familiarity that South African firms have with nuances specific to doing business in an emerging market environment. Interviewee 6 captures this construct in the following statement relating to experience with inefficiencies:

> *"I think we are more tolerant of delays. Maybe it is my naivety, but I think coming from a first world head office like New York, the reality of the on the ground delivery will not be matched and it will be such a contrast. I think in South Arica we have a mix of really great efficiencies and fair amount of inefficiencies. As well as some hardship factors like security and utilities. So it is not such a shock for us. Even if we went to a country that had more hardships, I think that it wouldn't be such a shock. The expectations would then be much closer. I think first world expectations of efficiency are completely different."*

The following statement by Interviewee 3 further supports this notion of experience by contrasting a South African firm's ability to deal with informal markets when compared to a European firm.

> *"A European however has the skills but has zero understanding on how to deal with these challenges. They struggle on understanding on how to operate in the informal sector. Whereas South Africa, we understand on how to do business in an informal sector. This is our strength."*

6.4.4 Disadvantages

In addition to the competitive advantages, participants have identified the following disadvantages that South African firms have when internationalising into SSA:

- In some SSA countries, there is a perception that South African managers are arrogant.
- There exists a lack of support from the South African government for internationalising firms.

Participants explain that the perception that some SSA managers have with respect to South African managers has been influenced by individuals not willing to adapt to host country diversity and refusing to acknowledge differences between South Africa and the host country. The importance of adapting to a contextual environment is once again highlighted as a crucial aspect of an internationalisation effort (Malhotra et al., 2009).

6.4.5 Mistakes made by South African firms

Participants have identified the following mistakes that they believe some South African firms have made which have contributed to failed internationalisation efforts:

- Some individuals have failed to understand the softer cultural issues, such as the manner in which people interact, which has led to scenarios where individuals in target markets have been offended.
- Some managers have attempted to force a South African business culture in a foreign market.
- Going into another country with a perception that South Africa and its business culture is superior. This has contributed significantly towards the perception held by some local managers that South African managers are arrogant.
- Having a perception that SSA is similar to South Africa and that extensive market research would not be required. This is tied to the fact that some managers have failed to appreciate the heterogeneity of the SSA region.

Support for these mistakes are found in the statements made by Interviewee 1 and 2 respectively:

> *"Initially we thought that because our market is so sophisticated, because we are so good at what we do, we thought that we would just arrive at a market and just bulldoze and be successful. We did not apply proper market research."*

"I think one of things that have resulted in our companies failing is that we have gone in with this attitude that we know more than you."

Foreign entrants are inherently at a disadvantage due to the liability of foreignness that they suffer from. This liability is the result of differences in culture, administrative, geographic and economic facets between their home country and the host country (Ghemawat, 2001 and Schwens & Kabst, 2011). Developing an understanding of the target market, adapting to it accordingly and acknowledging the heterogeneity of SSA markets has been identified in Research Question 2 as the preferred course of action in order to deal with cultural differences (Malhotra et al., 2009 and Shi et al., 2014). The use of these techniques can be broadened to be used when dealing with all forms of differences between home and host countries. This will allow internationalising firms the opportunity to overcome the liability of being a foreign entrant and ensure that they avoid the mistakes identified by participants.

6.4.6 Conclusion: Research Question 3

Having analysed the sample's response, despite the existence of some disadvantages, it is observed that overall, South African firms have competitive advantages when internationalising into SSA. Specific advantages relate to firm's knowledge with regard to operating within an emerging market context. Specifically, familiarity with consumer behaviours and preferences, dealing with consumers that have lower per capita incomes, dealing with availability and quality of human resources, dealing with lower quality of infrastructure and distribution networks, dealing with larger informal markets and institutional weaknesses (Cuervo-Cazurra, 2012). South African firms also share similar expectations with regard to operational and business inefficiencies, and have a greater understanding of risks inherent in an emerging market context. Based on the findings relating to Research Question 3, this research study sides with the group that attributes contextual experiences with an emerging market setting as the primary factor contributing towards any competitive advantages (Malhotra & Hinings, 2010 and Luiz & Stephan, 2012).

Perceptions held with regard to South African managers and the lack of South African government support have been cited as disadvantages that South African firms are faced with. In line with the findings relating to Research Question 2, developing an understanding of the target market, adapting to it accordingly and acknowledging the heterogeneity of SSA markets have been identified as techniques that should be inculcated so as to avoid negating any competitive advantages inherently held by firms.

6.5 Significance of interviewee observations

Majority of the participants interviewed discussed their perceptions on various topics specific to SSA with a high degree of humility. This is despite many having numerous successes within the region, and some being pioneers within their industries in some SSA countries. This observation ties in with the interpretation of the results in the previous sections with regard to the heterogeneity and the difficulty of doing business in SSA. Participants made it clear that they were not experts on doing business in sub-Saharan Africa as the region was too diverse and that constant challenges and unexpected difficulties kept them humble with regard to their successes.

When the discussion shifted towards corruption, it was observed that some participants chose to portray their activities in SSA in a very positive manner. Despite the assurance of confidentiality, some participants were observed to be unsettled when discussing their view on corruption when internationalising into SSA. This observations add further support towards the importance of corruption as a market-specific factor that must be considered when internationalising into SSA.

6.6 Conclusion to discussion of results

In an attempt to answer the three research questions that have been put forward in Chapter 3, this chapter focussed on discussing the results presented in Chapter 5 in relation to the literature identified in Chapter 2. The table below summarises the approach adopted in this chapter while attempting to answer all three research questions.

Table 6-8: Summary of Chapter 6

Research Question	Evidence Used	Literature Used
1. Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?	• Themes identified via coding • Discussion of key constructs • Interviewee quotes	Dunning, 1980; Ghemawat, 2001; Sethi et al., 2003; Galan et al., 2007; Malhotra et al., 2009; Kang & Kim, 2010; Senik et al., 2010; Campbell et al., 2012; Berman, 2013; Schotter & Beamish, 2013; Bekaert et al., 2014; Kim & Aguilera, 2015; Cleeve et al., 2015 and Okafor et al., 2015
2. How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?	• Response to interview question • Themes identified via coding • Discussion of key constructs • Interviewee quotes	Kogut & Singh, 1988; Ghemawat, 2001; Tihanyi et al., 2005; Malhotra et al., 2009; Slangen & Van Tulder, 2009; Kang & Kim, 2010; Sarala & Vaara, 2010; Ahsan & Musteen, 2011; Bangwayo-Skeete & Zikhali, 2011; Campbell et al., 2012; Zeng et al., 2013; Shi et al., 2014 and International Monetary Fund, 2015
3. Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?	• Response to interview question • Themes identified via coding • Discussion of key constructs • Interviewee quotes	Ghemawat, 2001; Malhotra et al., 2009; Malhotra & Hinings, 2010; Schwens & Kabst, 2011; Cuervo-Cazurra, 2012; Luiz & Stephan, 2012; Zeng et al., 2013 and Shi et al., 2014

7. Chapter 7: Conclusion

7.1 Introduction

The research objectives of this paper, as discussed in Chapter 1, was firstly to develop a theoretical perspective on the market-specific factors that developed market firms consider when internationalising and thereafter test it in the context of South African firms internationalising into SSA. The second research objective was to develop an understanding into whether or not cultural differences between home and host countries affects the success of internationalisation effort into SSA by South African firms. Finally, the third research objective was to develop an understanding into whether or not South African firms are better equipped at internationalising into SSA given that they derive from an emerging market base.

In order to meet these objectives, Chapter 2 focussed on critically analysing the appropriate literature, thereby supporting the formulation of the research questions presented in Chapter 3. Chapter 4 detailed the chosen methodology, after which Chapter 5 presented the results of the data analysis that was carried out. Chapter 6 discussed these results in relation to the theory detailed in Chapter 2.

This concluding chapter lays down the main findings of this research paper, the implications for theory, details some recommendations to management, discusses some limitations of the research study and concludes by proposing areas for future research.

7.2 Main findings

The main findings pertaining to each individual research question have been summarised below.

7.2.1 Research Question 1: Market-specific factors

Using the evidence relating to Research Question 1, this research study finds that South African firms internationalising into SSA consider the same market-specific factors as those that are considered by firms from developed markets when internationalising into other markets. This result is contrary to findings of Cleeve et al. (2015) who propose that firms internationalising into SSA consider factors that are different to those considered when internationalising outside SSA. Another key finding relating to Research Question

1 is that South African firms have a preference for internationalising into other Anglophone countries within the SSA region. The primary reason for this is due to information asymmetries, increased costs and time delays resulting from language barriers caused by differences in the languages spoken. Support for this finding is found in the both the Uppsala Model and the CAGE Framework (Ghemawat, 2001 and Senik et al., 2010). The final key finding is that South African firms internationalising into SSA primarily do so with a market-seeking rationale as opposed to firms from developed markets who primarily seek out strategic asset-seeking opportunities.

7.2.2 Research Question 2: Cultural differences

Based on the evidence relating to Research Question 2, it has been observed that cultural differences between South Africa and the host country do indeed impact the success of an internationalisation effort by South African firms into SSA. The cultural differences that participants raised the most were relating to the manner in which people interact and their relationship dynamics, social norms, language barriers, values and work ethics. The impact that these differences have on a South African firm's internationalisation effort are well supported by the theoretical observations raised by both Kang and Kim (2010), and Sarala and Vaara (2010). Impacts range from increased costs, integration delays, difficulties in communication, knowledge transfer barriers and extended periods before profitability is achieved. In order to mitigate the effects of these cultural differences, South African firms are advised to perform extensive market research prior to internationalising, to adapt and to integrate into the local culture of the host country, to appreciate the heterogeneity of the SSA region and to use a local partner when internationalising.

7.2.3 Research Question 3: Competitive advantage of emerging market firms

Based on the evidence relating to Research Question 3, this research study concludes that despite some disadvantages, firms from South Africa possess an overall competitive advantage when internationalising into SSA as compared to other global firms. These competitive advantages are primarily attributed to the emerging market base from which they derive from. Specifically, South African firms have a contextual understanding with regard to local factors that are unique to emerging markets (Cuervo-Cazurra, 2012). These competitive advantages place South African firms in a preferential position when internationalising into SSA as it allows managers to leverage off accumulated experiences and knowledge gained.

7.3 Implications for theory

The primary objective of this paper was to develop an understanding with regard to the internationalisation of South African firms into SSA in relation to market-specific factors, cultural differences and emerging market firms. Currently there exists limited academic research into these themes within the broader context of South African firms entering the SSA region (Luiz & Stephan, 2012). This paper contributes towards filling this void in existing literature.

In addition, this paper adds to the current debate with regard to whether or not emerging market firms possess competitive advantages as a result contextual experiences with distinct home country factors unique to emerging markets. Based on the findings relating to Research Question 3, this research study sides with the group that attributes contextual experiences with an emerging market setting as the primary factor contributing towards any competitive advantages for South African firms (Malhotra & Hinings, 2010 and Luiz & Stephan, 2012).

The final implication for theory deals with the selected research design of this paper. Despite quantitative research being the norm in the field of international business, this paper adds to the growing trend of qualitative research being produced in this field (Birkinshaw et al., 2011).

7.4 Recommendations to management

Two of the most prominent constructs throughout this research study have been with regard to market knowledge and the heterogeneity of the SSA region. In order to overcome the disadvantages of being a foreign market entrant in a region that is considered as one of the most ethnically and culturally diverse, firms need to equip themselves with the best possible understanding of the context of a potential target market (Bangwayo-Skeete & Zikhali, 2011 and Schwens & Kabst, 2011). Market research into the manner in which people interact and other relationship dynamics is thus considered crucial for South African firms embarking on internationalisation efforts into SSA. Other cultural differences to consider are language, social norms, values, work ethics and religion.

When internationalising, firms have been observed to consider the following market-specific factors: the political and social environment, macro-economic environment, market size, regulatory environment, income per capita, quality of infrastructure, labour force profile, competitive landscape, the level of corruption, language and culture. Management considering internationalising into SSA are advised to ensure that at the very least, all the market-specific factors listed above are considered to some degree before internationalising.

South African firms internationalising into SSA are recommended to use a local partner within the host country. Ideally, the partner selected should have strong domestic alliances and networks as well as access to local value chains. The use of a local partner will allow firms to integrate and adjust to local differences at a much faster rate (Shi et al., 2014).

Firms have a preference to internationalise into countries where the cultural differences are smaller (Senik et al., 2010). This observations has been found to hold true in this research study as South African firms have shown a preference for internationalising into other Anglophone countries. In order to overcome this bias and position firms to take advantage of opportunities in non-Anglophone countries within SSA, skilled human resources that are familiar with both Francophone and Lusophone cultural dynamics should be employed. Similarly, developed market firms that are considering internationalisation strategies into SSA should look to acquire management skill from South Africa. This is based on the findings that South African firms possess competitive advantages in the form of a contextual understanding and familiarity of doing business in SSA as a result of home country factors (Luiz & Stephan, 2012). South African firms should be aware of their competitive advantages with regard to internationalising into SSA. Accordingly, opportunities within SSA need to be considered in relation to these advantages.

In conclusion, Table 7-1 summarises the key findings of this research paper along with the primary recommendations to management.

Table 7-1: Summary of main findings and recommendations

Research Question	Main findings	Recommendations
1. Do South African firms internationalising into sub-Saharan Africa consider the same market-specific factors as those considered when firms from developed economies internationalise into other foreign markets?	• South African firms consider the same market-specific factors as those considered by firms from developed markets. • South African firms have a preference for Anglophone countries within SSA. • The rationale for internationalisation of South African firms tends to be market-seeking.	• At the very least, consider the following market-specific factors: political and social environment, macro-economic environment, market size, regulatory environment, income per capita, quality of infrastructure, labour force profile, competitive landscape, the level of corruption, language and culture.
2. How do cultural difference impact the success of internationalisation efforts by South African firms into sub-Saharan Africa?	• Cultural differences affect the success of internationalisation efforts of South African firms into SSA. • Differences around social interaction and relationship dynamics, social norms and language are the most prominent differences to consider. • Market knowledge, adaptation and the use of a local partner are techniques which firms should adopt to	• Use of a local partner • Develop an in-depth understanding of the host market. • Become familiar with cultural elements such as social interaction, relationships dynamics, language, values, norms, work ethic and religion. • Seek to employ talent that are familiar with Francophone and Lusophone cultural dynamics

	mitigate risks associated with cultural differences.	
3. Are South African firms better equipped to internationalise into sub-Saharan Africa given that they derive from an emerging market base?	• South African firms possess competitive advantages when internationalising into SSA. • Competitive advantages identified are: contextual understanding, familiarity, similar expectations of inefficiency and an understanding of investment risk. • Market knowledge, adaptation and acknowledgement of heterogeneity is advised.	• South African firms should be aware of the competitive advantages that they inherently have deriving from an emerging market base. • Developed market firms should look to employ management talent from South Africa when considering internationalisation efforts into SSA.

7.5 Limitations

The population identified for this research study resulted in a sample being drawn that was both industry-agnostic and indifferent with regard to the size of the internationalising firm. As a result, nuances of internationalising strategies that are pertinent to certain industries and to specific firm sizes have not been explicitly detailed in this research study. These are crucial elements of an internationalisation strategy and need to be considered. However, due to the limited academic literature available on the context of South African firms internationalising into SSA, a broader sample was more appropriate at this point in time (Luiz & Stephan, 2012).

Convenience sampling, a non-probability sampling technique was used to identify this research study's sample. As such, any findings relating to the sample cannot be generalised beyond the sample to the wider population with any significant degree of confidence (Saunders et al., 2012).

7.6 Recommendations for future research

As detailed in Section 1.4, the scope for this research study has been limited to the characteristics of the market and the firm, and excludes the manner in which firms choose to structure their entry when internationalising. In order to develop a greater understanding of internationalisation efforts of South African firms, further research should be performed in understanding the link between cultural, administrative, geographic and economic distance, and market entry mode choice (Campbell et al., 2012). This will provide invaluable insight into the manner in which firms choose to structure their market entries when faced with larger distances along the four pillars of the CAGE Framework.

This research study has focussed on South African firm's internationalisation efforts into SSA where all 52 countries are classified as emerging markets. A comparative study should be performed to determine if South African firms approach internationalisation differently when attempting to expand into a developed market versus an emerging market. Various aspects such as market mode, location, cultural differences, market-specific factors considered and industry dynamics should be investigated for a narrower focus.

The SSA narrative is changing due to the reforms it is currently undergoing and the interest that global firms are now showing in the region. This paper was designed to be a cross-sectional study of the phenomena occurring at this particular point in time. Given the change that the SSA region has witnessed over the past two decades, a longitudinal study approach should be conducted in order to develop an understanding into the manner in which internationalisation into SSA by South African firms is changing over time.

Finally, this paper concludes that South African firms possess competitive advantages when internationalising into SSA due to a contextual understanding and familiarity of factors unique to emerging markets. Further research should be performed to identify if these advantages are transferable outside of the SSA context and into other emerging markets globally.

7.7 Final conclusion

The internationalisation of a firm is a very complex topic due to the myriad of factors that have the ability to affect its outcome. This research paper's primary objective was to develop a deeper understanding into the dynamics of market-specific factors, cultural differences and emerging market firms within the context of South African firms expanding into other sub-Saharan African countries. The key findings of this paper are:

- South African firms consider the same market-specific factors when internationalising into SSA as those that are considered by internationalising firms from developed markets.
- Cultural differences have the propensity to affect the success of an internationalisation effort of South African firms, often resulting in increased costs, integration delays, difficulties in communicating, knowledge transfer barriers and extended periods before profitability is achieved.
- Finally, South African firms possess competitive advantages when internationalising into SSA as a result of a contextual understanding and familiarity of factors unique to emerging markets.

These three key findings contribute to the limited academic research available on expansion efforts of South African firms.

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9. Appendices

9.1 Appendix 1: Official confirmation letter

Gordon Institute of Business Science
University of Pretoria

25 August 2015

TO WHOM IT MAY CONCERN

This letter confirms Mr. Naeem Ebrahim, is currently completing his Masters in Business Administration (MBA) at the Gordon Institute of Business Science, University of Pretoria.

He is carrying out an Integrative Research Project as one of the components of the MBA and any assistance you could give him with collecting his data would be greatly appreciated.

Should you have any queries please do not hesitate to contact me.

Kind Regards,

Adele Bekker
MBA Senior Programme Manager
Gordon Institute of Business Science
bekkera@gibs.co.za
+27 11 771 4000

Gordon Institute of Business Science
Reg. No. 99/19816/08

26 Melville Road, Illovo, Johannesburg
PO Box 787602, Sandton, 2146, South Africa

telephone (+27) 11 771 4000
fax (+27) 11 771 4177

website gibs.co.za
University of Pretoria

9.2 Appendix 2: Interview guideline

Interview guideline

- Thank them for the opportunity
- Introduce the research
  - Qualitative
  - Exploratory
  - Sample
  - Themes and
  - Key outcomes.
- Discuss
  - Semi-structured nature
    - I have a set list of questions
    - Note taking
  - Confidentiality
  - Right to opt out at any time
  - Openness for interview to be recorded
  - Sign consent form
  - Process post interview
    - Transcribe, analyse and discuss
- Ask if there are any concerns
- Discuss recording procedure
  - Will refer to you as the participant or anonymously so as to not record your name
  - Dual recording devices
- Boundaries of the discussion
  - Specific to the context of South African firms entering SSA

Time

- 45 min in total
- 5 min for intro and procedure
- 10 min each section

Checklist before leaving

- 2 x signatures on consent form
- 2 x audio recordings
- Interview notes

9.3 Appendix 3: Letter of Consent

Letter of consent

I, Mohamed Naeem Ebrahim, am conducting research in part completion of a Masters of Business Administration (MBA) degree at the Gordon Institute of Business Science, University of Pretoria; on the factors influencing the success of the internationalisation efforts of South African companies entering Sub-Saharan Africa.

The interview is expected to run the duration of 45 minutes to a maximum of 1 hour; and will help towards the development of a deeper understanding surrounding this topic.

Your participation in this interview is voluntary and you have the right to withdraw at any time without penalty. The interview will be recorded using an audio recorder.

Your personal details and all information shared with me will be kept confidential at all times.

If you have any concerns, please contact my supervisor, Matthew Birtch or myself.

Researcher: Mohamed Naeem Ebrahim

Student No.: 22100921

22100921@mygibs.co.za

082 564 2789

Research Supervisor: Matthew Birtch

Lecturer: Strategic Management

birtchm@gibs.co.za

011 771 4000/4355

Signature of participant ……………………………………

Date …………………..

Signature of researcher ……………………………………

Date ……………………

9.4 Appendix 4: Interview Schedule

Theme 1: Location

Interview question

1. What are the most critical factors to consider when determining the geographic location of a foreign market subsidiary?
2. Does the geographic location of a foreign subsidiary affect the success of an internationalisation effort?
3. Does being geographically closer to the parent company make a subsidiary more likely to succeed?

Theme 2: Cultural distance

Interview question

1. What are common cultural differences encountered when internationalising into Sub-Saharan Africa?
2. How are these differences dealt with?
3. Does cultural differences between the parent company's country and the host country affect the success of an internationalisation effort?

Theme 3: Market attractiveness

Interview question

1. What are the most important factors to consider when determining if a foreign market is attractive or not?
2. Does entering a market that is deemed to be more attractive more likely to result in a successful internationalisation attempt?

Additional interview question

1. Are there any other market-specific factors that influence the success of a firms' internationalisation effort?
2. Are South African firms better equipped to expand into Sub-Saharan Africa, given that they come from an emerging market base?

9.5 Appendix 5: Code book

Parent Theme	Sub-theme	Code	Code Description
Sub-Saharan Africa	**Country**	SSA_Nigeria	Nigeria
		SSA_Mozambique	Mozambique
		SSA_Kenya	Kenya
		SSA_Botswana	Botswana
		SSA_Ghana	Ghana
		SSA_ZAmbia	Zambia
		SSA_Tanzania	Tanzania
		SSA_Zimbabwe	Zimbabwe
		SSA_Namibia	Namibia
		SSA_Angola	Angola
		SSA_Rwanda	Rwanda
		SSA_Ethiopia	Ethiopia
		SSA_Gabon	Gabon
		SSA_Lesotho	Lesotho
		SSA_Uganda	Uganda
		SSA_Sierra Leon	Sierra Leon
		SSA_Swaziland	Swaziland
		SSA_SouthSudan	South Sudan
		SSA_Malawi	Malawi
		SSA_IvoryCoast	Ivory Coast
		SSA_DRC	Democratic Republic of Congo
	Language	SSA_Anglophone	Anglophone
		SSA_Francophone	Francophone
		SSA_Lusophone	Lusophone
		SSA_Arabophone	Arabophone
	Regions	SSA_EastAfrica	East African region
		SSA_WestAfrica	West African region
		SSA_SouthernAfrica	Southern African region
		SSA_CentralAfrica	Central Africa
	Characteristics	SSA_Hetrogeniety	Heterogeneity
		SSA_Chinese	Chinese-firm presence
		SSA_ChangingNarrative	Changing narrative
		SSA_Risingmiddleclass	Rising middle class
		SSA_Colonisation	Colonisation
		SSA_Disease	Disease
		SSA_war	War
	Allure of SSA	SSA_Mkt	Large market size

		SSA_Risingmiddleclass	Rising middle class
		SSA_InfrsEx	Infrastructure expenditure
		SSA_DD	Demographic dividend
		SSA_NR	Natural resources
		SSA_Growth	Growth markets
		SSA_LrngOps	Learning opportunities
		SSA_EOS	Economies of scale
		SSA_ChngNar	Changing narrative
		SSA_Pop	1 billion people in Africa
		SSA_Future	Future prospects
		SSA_PerRisks	Risks are potentially perceived
		SSA_EconStbl	Increasing economic stability
		SSA_PolStbl	Increasing political stability
		SSA_Arbl	Arable land
		SSA_Security	Increased security to natural resources
	Miscellaneous	SSA_Quote	Quotable statement
Market-Specific Factors	**Factors**	MSF_PolSocStbl	Political and social environment
		MSF_RegEnviron	Regulatory environment
		MSF_HR	Human resources
		MSF_Distance	Physical distance from home country
		MSF_Corruption	Corruption
		MSF_Language	Language
		MSF_MktPT	Market potential and demand
		MSF_Comp	Competitive landscape
		MSF_EconStbl	Macro-economic environment
		MSF_Growth	Growth potential
		MSF_RegionalHub	Regional hub
		MSF_SupportingIndustries	Supporting industries
		MSF_QualityofLocalPart	Quality of local partners
		MSF_Govinvolvement	Host government involvement

		MSF_Culture	Culture differences
		MSF_AccessInfo	Access to information
		MSF_RegionalHub	Regional hub
		MSF_Institution	Institutions
		MSF_Logistics	Logistics
		MSF_Easeofbus	Ease of doing business
		MSF_BMfit	Business model fit
		MSF_Technology	Technology environment
		MSF_Infras	Infrastructure
		MSF_Risk	Investment risk
		MSF_HighIncome	High income customers
		MSF_Network	Business network
		MSF_GDPcap	GDP per capita
		MSF_UndCon	Understanding the consumer
		MSF_PurchasingPower	Purchasing power of customers
		MSF_HostGovSupport	Host government support
		MSF_Demographic	Demographics
		MSF_ExchangeRate	Foreign exchange rate
	Miscellaneous	MSF_Quote	Quotable statement
Cultural Differences	**Differences**	CD_Solution	Proposed solution to deal with cultural differences
		CD_Interaction	Social interaction and relationships
		CD_Norms	Norms
		CD_Language	Language
		CD_Values	Values
		CD_WorkEthic	Work ethic
		CD_CulturalAdap	Need for cultural adaptation
		CD_Comms	Communication
		CD_Trust	Trust
		CD_Similarity	Cultural similarity
		CD_Religion	Religion
		CD_Changing	Changing cultural difference dynamic
		CD_PercepCorruption	Cultural perception of corruption

		CD_GenderPerceptions	Gender perceptions
		CD_Impact	Impact of cultural differences
	Difficulties experienced	DE_costs	Unexpected costs
		DE_delays	Unexpected delays
		DE_delayprofit	Delays in profitability
		DE_failure	Failure
		DE_highcosts	High costs
		DE_supplychain	Supply chain issues
		DE_climate	Climate
	Miscellaneous	CD_Quote	Quotable statement
SA firms entering EM	**Why they are better**	SA_Mistakes	Mistakes made by SA firms
		SA_KnowTrap	Knowledge trap
		SA_Experience	Emerging/developin g market experience
		SA_Africasperception	Perception of African's regarding SA firms
		SA_ExpectationEfficiency	Expectations on efficiency
		SA_HR	Available human resources
		SA_Infrastructure	Infrastructure
		SA_RiskAppetite	Risk appetite
		SA_Capital	Access to capital
		SA_Understandrisk	Understanding risks
		SA_Improving	Improving internationalisation process
		SA_CompAd	Competitive advantage
		SA_Welcomed	Welcomed by foreign firms
		SA_LackofSAgovsupport	Lack of SA government support
	Miscellaneous	SA_Quote	Quotable statement
Internationalisation	**Factors**	Int_IncGlbl	Increase in globalisation
		Int_DecBrs	Decrease in the barriers to entry
		Int_Tech	Technology
		Int_Comp	Competition
		Int_TrnsCost	Transaction costs

		Int_RecSeek	Resource-seeking
		Int_MktSeek	Market-seeking
		Int_EffSeek	Efficiency-seeking
		Int_StrAssSeek	Strategic asset-seeking
		Int_Incremental	Incremental approach
		Int_Know	Knowledge accumulation
		Int_AccInfo	Access to information
		Int_FirmSize	Firm size
		Int_RiskApp	Risk appetite
		Int_Comp	Competencies
		Int_CompAd	Competitive advantages
		Int_PreExp	Previous experience
		Int_MktPot	Market potential
		Int_RegionalHub	Regional hub
		Int_InvRisk	Investment risk
		Int_LocalPartner	Local Partner
		Int_MktKnow	Market Knowledge
		Int_Establishingnetwork	Establishing the right network
		Int_BusMofdelAdaptation	Business model adaptation
	Miscellaneous	Int_Quote	Quotable statement

9.6 Appendix 6: Ethics Approval Letter

Dear Mohamed Ebrahim

Protocol Number: **Temp2015-01986**

Title: **Factors influencing the success of internationalising firms: South African companies internationalising into Sub-Saharan Africa**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker