Gordon Institute of Business Science
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Exploring the Impact of Home- and Host-Market Institutions on Entry Strategies Utilised by South African Small and Medium Enterprises When Regionalising into the Rest of Africa

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A research project submitted to the Gordon Institute of Business Science,
University of Pretoria,
in partial fulfilment of the requirements for the degree of
Master of Philosophy (MPhil International Business).

27 November 2023

Abstract

South African Small and Medium Enterprises who have pursued regionalisation activities have to contend with a myriad of home and host-market institutions in their regionalisation journeys. These institutions can either foster or push their regionalisaion given the host-market conditions, and influence the type of entry-mode strategy used. As a middle-income country, the South African institutional context is characterised by weak institutions, this is also the same for the Rest of Africa given most markets are economically underdeveloped. This research therefore seeks to examine impact of these home and host-market institutions on entry strategies used by South African SMEs to overcome these voids. The study reveals that the South African institutional environment fosters regionalisation through its more developed production and stable financial market conditions compared to the rest of the African region. It also pushes regionalisation due to the high market saturation. Home-market institutions that contribute to this are government and South African Multinational Enterprise who also have presence in the African region.

The research employed qualitative, exploratory research methods and conducted ten semi-structured interviews with SME founders or senior individuals directly responsible for internationalisation. The SME businesses were in the food and beverage manufacturing, technology and diversified sectors. The research used non-probability sampling haphazard and snowballing method to reach the target sample size. All interviews were conducted online, and the recordings were then used to transcribe data for systematic thematic analysis of coding and theming using Atlas TI. Key research findings extend emerging research that suggests that SMEs in emerging markets will employ resource-heavy entry modes in their regionalisation strategy where risk and opportunity are high.

Keywords: Institutions, home market, host market, entry modes, SME, regionalisation, internationalisation,

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 Philosophy in International Business 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.

Name & Surname   Signature

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Abbreviations

AfCFTA	-	African Continental Free Trade Agreement
AGOA	-	African Growth and Opportunity Act
AU	-	African Union
BRICS	-	Brazil Russia India China South Africa
COMESA	-	Common Market for Eastern and Southern Africa
CSA	-	Country Specific Advantages
EAC	-	East African Community
ECOWAS	-	Economic Community of West African States
FDI	-	Foreign Direct Investment
FSA	-	Firm-Specific Advantages
IB	-	International Business
JV	-	Joint Venture
EMNE	-	Emerging Market Multinational Enterprise
MNC	-	Multinational Corporate
MNE	-	Multinational Enterprise
mMNE	-	Micro Multinational Enterprise
RTA	-	Regional Trade Agreement
SADC	-	Southern African Development Community
SME	-	Small and Medium Enterprises
SMME	-	Small, Medium and Micro Enterprises
TNC	-	Trans National Corporation
UNCTAD	-	United Nations Conference on Trade and Development
WHO	-	Wholly-Owned Subsidiary

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Definitions

Institutional Theory: A framework used to understand how institutions influence social and economic behaviour. Institutions can include formal rules (laws, regulations and procedures) and informal constraints (customs, norms and cultures) (North, 1990)

Small and Medium Enterprises: The South African definition, as per the National Small Enterprise Act, 1996 (Act No. 102 of 1996) as amended, considers the total full time equivalent of paid employees and annual turnover categories. The Act defines small enterprise as a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy (Department of small business Development, 2023). Broadly, the revenue categories used for small enterprises between R2,5 million and R10 million per annum, and medium enterprises between R10 million and R20 million per annum. However, this is sector dependant (Banking Association of South Africa, 2021),

Entry Mode: a firm expanding its products or services to an outside market to take advantage of growth opportunities (Child et. al., 2022)

Home Market: "Home" is where the FDI arises from (Cliff Notes, 2023)

Host Market: "Host" is the country where the FDI goes to (Cliff Notes, 2023)

CHAPTER 1: RESEARCH BACKGROUND, PROBLEM AND PURPOSE

1. Introduction

Small and Medium Enterprises (SMEs) are internationalising at rapid pace (Child et al., 2022). While internationalisation and entry choices can enable SMEs to gain competitive advantage ((Elbanna et al., 2023)) it Is important to keep in mind that their internationalisation is highly influenced by their institutional context ((Child et al., 2022)). Small and Medium Enterprises (SMEs) are the bedrock of many economies, emerging and developed alike. Moreover, the role of the SME in emerging markets as a vehicle for economic development and the provision of jobs cannot be further underscored (World Bank, 2023). Thus given the current pace of change in the global business environment highlighted above, SMEs face opportunities and challenges continue to internationalise (Deng & Zhang, 2018)

This research seeks to "Examining the impact of home market institutions on entry strategies utilised by South African Small and Medium Enterprises".

In aiming to give further context to the research question, this chapter starts with the background to the research which unpacks the narrative of Foreign Direct Investment (FDI) and trade from an African perspective in comparison to the global context. Institutional theory as the lens utilised by this research is contextualised. This is followed by an anthropological perspective that lays embedded in the African institutional context. This is narrative is positioned with the aim of giving context to the systemic conditions of African institutions i.e. asking providing a view of the contributing factors of why African institutions are where they are before the context for African trading and the SME landscape are shared. As a means to respond to their context, entry modes are then contextualised. Sections that follow include the outlining of the research problem, and providing the scope for the research. The research significance of the study is then outlined, followed by the research contributions. This chapter ends off with by outlining the structure of this report.

1.2 Background to the Research

Despite possessing a wealth of mineral resources, boasting the youngest population, having a highly diverse and rich cultural landscape, providing access to cheap labour and being a hub of vibrant entrepreneurial activity, the African continent is almost always characterised by the word “potential”. It is not coincidental.

The connection between FDI and trade has long been considered a symbiotic relationship that contributes to globalisation and the growth of the world economy (Fontagne, 1999; World Trade Organisation, 1996). Over the past three decades, global FDI has grown sevenfold, reaching $1.5 trillion in 2021 (UNCTAD, 2022). In 1990, Africa had roughly 1.3% FDI and, in 2021, the figure had grown to 5.2%.

Within the African region in 2021, Southern Africa dominated in inward FDI activity with South Africa making up 49% of total FDI in Africa (UNCTAD, 2023).

As one of the most advanced markets in Africa, South Africa has the highest share of exports to overseas markets; however, in contrast – as a percentage of total goods exported by South Africa – it is not in the top ten of markets participating in regional trade (UNCTAD, 2019).

Over the years, while more effort has been made in promoting overseas trade and trade initiatives, Africa’s share of FDI moved up only 2% in three decades and Africa’s share of global trade is insignificant at 3%.

The focus on activity with overseas trading partners has been high despite the known benefits of regional trade integration (Kaplisky & Morris, 2019). As a result, reports and studies indicate that Africa’s intra-regional trade remains low at 15.2% compared to other regions globally (UNCTAD, 2019). Geographically, 35% of the African population lives in landlocked countries; this places dependence on coastal countries to access overseas markets (Geda & Seid, 2015). Coupled with poor connections and infrastructure (UNCTAD, 2023), this places further challenges onto landlocked countries. African countries have entered into a number of regional economic communities (RECs) like Southern African Development Community (SADC), AEC and ECOWAS that, among other things, aim to facilitate trade across the region. However, their performance has had minimal effect on regional trade (Geda & Seid, 2015). The recent AfCFTA being the latest attempt (African Union, 2023).

Of interest in this research is trade being the voluntary buying and selling of goods, of an exchange taking place between entities in separate countries. Trade, like FDI, has the ability to improve the economic condition of countries and place them on the global map (Economist, 2023).

At 3%, Africa remains a marginal contributor to global trade and, of this, 80%–90% is exported to overseas markets (UNCTAD, 2019; AfDB, 2023). Of the goods Africa exports, 50% are minerals, followed by stone and glass at 13% and metals at 6%. Overall, with these and other products, natural resources make up the majority of exports into overseas markets.

Although there has been a steady decline in trade, the European Union, with a share of 23%, is Africa's largest trading partner. Perhaps the EU decline is the result of a diversion of trade into China that, on the other hand, has become Africa's largest trading partner (22%), rapidly matching EU levels (Statista, 2023). The United States trade with Africa is at 4%.

Institutional Theory

Institutional Theory (IT) is defined by formal and informal regulatory, normative and cognitive rules in emerging markets (Arregle et al., 2016; Dow, 2017; Jafari Sadeghi et al., 2019; Meyer & Peng, 2005, 2016).

To enable the researcher to examine the impact of home and host-market institutions on entry strategies utilised by South African SMEs, we use institutional theory. This theory finds added relevance in emerging markets over developed ones because they are less organised in the areas of transportation infrastructure, capital markets, human capital and property rights (Meyer & Peng, 2005, 2016). Africa, in particular, is a context that allows for the study of institutional theory owing to institutional voids brought about by colonialisation and the radical nature of institutions on the continent (Zoogah et al., 2015).

An anthropological perspective that lays embedded in the African institutional context

Among other factor, Africa's debt crisis finds its roots in the colonial era where resources were often exploited with little to no investment or return, and with each African market inheriting more debt than assets at their point of independence. Further to this, cold war geopolitics saw African countries receive loans and military aid that increased their debt strain. Today, commodity dependence, recurring crises, corruption and mismanagement, and high borrowings to bridge the infrastructure gap have led to even more unsustainable debt for Africa.

High debt results in high debt service costs; currently Africa pays 11.6 on debt compared to Germany at 1.5 and USA at 3.1, which means African markets have to consider debt commitments alongside the development of essential trade pre-requisites, like infrastructure, road, electricity development, access to finance, and building of human capital or social needs. In 2020, 54% of public revenues in Africa were used for interest payments. “More than half of Africa’s population live in countries that spend more on interest than on education or health” (UNCTAD, 2023). High debt also creates high dependency for borrowers, and, arguably, have an impact on trade negotiation on resources among other things. With little to no room to manoeuvre, African markets are left to trade off regional opportunities and pursue overseas markets for trade activity to grow their markets.

Despite the unfavourable context, Africa is looking inward to improve trade activity within its continent, and to present a unified trade front to overseas markets (African Union, 2018). This is because data reveal that, unlike other continents, intra-Africa trade is abysmal (at 15.2%) in comparison with Europe (67.1%), Asia (61.1.%) and America (47.4%). The 15,2%, similar to international trade data, is made up of minerals at 33%, followed by food and agricultural products at 15%, chemicals and allied industries, and machinery and or electric goods, both at 9% (UNCTAD, 2019). In sum, the product categories that exist in intra-regional trade are less concentrated and more diverse, making entry points wider.

Regional trade integration remains a sore point for African nations and, despite the efforts made through bi-lateral, multilateral and regional trade agreements – or regional economic communities (RECs) – there have been minimal shifts in regional integration. Thus, regional trade remains hampered by institutions built to facilitate extraction from South to North rather than trading between countries. Many remain conscious of and concerned by the African FDI and trade context. These concerns were, perhaps, best articulated by the musician Kwela recently in his song about all the African resources that make it into overseas markets with minimal benefit for Africa (Kwela, 2023).

The African Trading Landscape

Africa has a fragmented regional market that is characterised by unfavourable import and export policies, by a lack of implementation in agreed bi-lateral and regional trade agreements, and by border and cross boarder conflicts (African Union, 2023; AfDB, 2023). To resolve these problems, Africa needs institutional reform (African Union, 2023).

Many international institutions and governments have intervened with the aim of assisting Africa boost its share in global trade. Since 2006, the World Trade Organisations (WTO) has disbursed $451bn for capacity support and the building of infrastructure through the Aid for Trade initiative. The WTO also oversees the multilateral trade system that enables African markets to access global value chains (WTO, 2021). The USA's African Growth and Opportunity Act (AGOA), enacted in 2000, and the recent launch of Prosper Africa under the Biden administration aim to increase trade relations with South Africa – currently at 6% of total exports – and with the rest of the African continent which currently has strong ties with China (Gbadamosi, 2022; Prosper Africa, 2022).

The African Union's Agenda 2063 aims to improve intra-Africa trade among other key developmental initiatives in Africa (African Union, 2023). The initiative will be facilitated mainly through the AfCFTA agreement which was signed in March 2018 and aims to integrate trade across 55 African markets. The role of AfCFTA will not undermine existing RECs.

South Africa has a trading agreement with the EU and the European Free Trade Association (Department of Trade and Industries, 2023) and, as a result, the EU is SA's largest export partner (ATLAS, 2022; Esterhuyse, 2022). South Africa has, in addition, a trading partnership with BRICS and regionally with the African Union and the Southern African Development Community with which it has several trade agreements (Department of Trade and Industries, 2023). The BRICS nations make up 59% of SA's imports and 41% of its exports with China making up the majority, followed by India, while Russia is at 2% (ATLAS 2022; Esterhuyse, 2022; News24, 2012).

In Africa, South Africa's top export markets are into Mozambique, mainly minerals, iron and steel products, and chemicals. Mozambique is followed by Botswana and Namibia, for machinery, prepared food, and vehicles, aircraft and vessels. The top import partners in Africa are Nigeria (with almost 99% of goods transported being mineral products), Eswatini (mainly food stuffs, chemicals and textiles), Namibia (precious metals, live animals, vehicles, aircraft and vessels). Mozambique's main import to South Africa is mineral products (South African Revenue Services, 2022).

1.3 The SME Context

Small and medium-sized enterprises (SMEs) account for 90% of businesses and 50% of jobs globally (World Bank, 2023), 80% of jobs in Africa (NEPAD, 2023) and 50% of national GDP in emerging markets (World Bank, 2023). SMEs are crucial in enabling socio-economic development in Africa and in other developing markets (NEPAD, 2023; World Bank, 2023). African entrepreneurs are known to have a high failure rate, which institutional and market failures are said to contribute to significantly (NEPAD, 2023). Institutional challenges include inadequate infrastructure, political instability, corruption and a non-conducive policy environment (NEPAD, 2023). This results in between 20% and 33% of SMEs in Sub-Saharan Africa having access to credit.

Due to their smallness, SMMEs have an advantage over larger firms as they are able to make rapid and nimble decision. SMEs also possess qualities of dynamism, flexibility, efficiency. Despite this, SMEs still compete with large firms who are stronger due to their economies of scale, scope, marketing prowess, and have access to capital and technology. As a result of their large resources, large firms have a competitive advantage in global marketplace as they can adapt and influence trade restrictions more effectively than SMEs who tend to have limited resources (Wolff & Pett, 2000).

Determinants for SMEs to internationalise are highly dependent on the SME's context, the environment, the meso level and their firm and owner characteristics (Child et al., 2022) and, in comparison with large firms, SMEs are challenged by their smaller size (African Union, 2022; Child et al., 2022; Mariotti et al., 2021; Vanninen et al., 2022). However, their smaller size enables them to be nimble and agile, allowing them to take faster action when opportunities are presented, and their smaller productions allow them to serve niche markets (Kaplisky & Morris, 2019).

SMEs have failed to capitalise on regional integration initiatives owing to a myriad of institutional challenges (Sakyi et al., 2017) and because reliance is placed on larger firms for intra-Africa integration (White et al., 2019). As evidenced in the World Bank Governance Report, these challenges include weak institutions, lack of coordination across the region, poor policy frameworks and a lack of governance structures that span markets (Ajide & Osode, 2017; Njinkeu et al., 2008; Sakyi et al., 2017; Sakyi & Afesorgbor, 2019; Zoogah et al., 2015).

Entry Choices

Home-market institutions can have a contrasting effect on SME’s internationalisation, even going as far as influencing the SME’s choice of entry into foreign markets. While International Business literature suggests that level of control is highly important to the selection of an entry mode, the opposite remains true for SMEs given their limited resources (Wu & Deng, 2020). As a means of exploring business opportunities outside their home market, exporting is seen as the most common way of internationalising for SMEs (D'Angelo et al., 2013). The authors further add that SMES are connected through intra-regional business opportunities brought about by free trade policies.

Practical and Academic Problems

South African Multinational Enterprises (MNEs) dominate the rest of the African region with many of them having subsidiaries in markets outside South Africa (Teuteberg, 2020). One can argue that South African MNEs have found a formula but while that may be the case the same cannot be said of SMEs.

Owing to their lack of resources, SMEs may find it more challenging than MNEs to bridge the institutional gap that exist in their countries of operation (Child et al., 2022).

A compelling regional perspective on institutions is emerging which positions the use of regional versus overseas integration as a means of overcoming local market, or home country, institutional voids (Arregle et al., 2016).

Arregle et al. (2016) suggests that institutional complexity is lessened when firms leverage region-bound firm-specific advantages – like geographic distance, culture, ability to share learning, and having similar labour practices – which would enable firms to reduce costs of informal and formal institutional voids in a region (Arregle et al., 2016). To demonstrate this, the authors studied 698 Japanese companies across 9 regions, and found that extremely low or high institutional diversity has a negative effect on internationalisation, whereas a moderate one has a positive impact (Arregle et al., 2016).

The extent of the research problem can be summarised as follows:

- Despite their significant contribution to global trade, little is known about how SMEs make entry decisions(Fernandes et al., 2023)

- There is limited knowledge on the entry choice and strategies for emerging market SMEs from a home-market institutional perspective (Laufs & Schwens, 2014; Wu & Deng, 2020).
- Given home-market conditions, SMEs may choose to pursue outside markets as a means of diversifying (Ng'ombe et al., 2023) or reducing the impact of weak home institutions, thus, further knowledge is needed on the impact of home-market conditions on SMEs internationalisation (Child et al., 2022; Deng & Zhang, 2018; Rissanen et al., 2020; Wu & Deng, 2020).

Developing literature in institutional theory needs continuous development given the dynamic African context (Zoogah et al., 2015) as the World Bank's indicators do not necessarily paint a full picture of country specific institutional nuances affecting intra-African FDI (White et al., 2019).
Lastly, due to the dynamic nature of institutions (Deng & Zhang, 2018) current research on the internationalisation of smaller firms fails to take into account their full context (Child et al., 2022; Laufs & Schwens, 2014).

1.4 Research Scope

With the aim of examining the impact of home and host-market institutions on entry strategies utilised by South African SMEs, the research will focus on South African SMEs that are pursuing business operations in the African region with specific focus on:
Home-market conditions that enable or become barriers for SMEs to regionalise into the Rest of Africa
Entry choices by South African SMEs given the institutional context in home and host markets

Given the tendency for SMEs to be to be family owned and run (Wu & Deng, 2020), participants are founders or directors who are entrusted with internationalisation activities. Three sectors were covered, namely, manufacturing, technology and diversified.

1.5 Significance of the Study

The purpose of the study is to explore home and host institutional voids affecting South African SMEs' entry and growth into the African region. Furthermore, the study aims to add to literature on the entry choices of South African SMEs into the African region – given the institutional context. Further, studying the internationalisation of SMEs into the region enables us to understand the enablers and constraints of the low levels of regional integration in Africa.

Given SME's small size yet large impact on socio-economic development, the study aims to help identify and deepen the knowledge of home and host-market institutional voids experienced by SMEs with the aim of contributing to thought leadership on the implementation of the AfCFTA and SADC regional trade agreements. The study also aims to shed light on home-country governments' role in aiding South African SMEs to enter regional markets.

Research Contribution

The study aims to contribute to the body of knowledge on developing home- and host-market institutional conditions that impact entry-choice strategies for SMEs as they undertake their internationalisation activities.

Secondly, the study aims to equip SMEs with information from literature and findings alike that will assist the strategic decision-making process impacting their internationalisation.

Lastly, the researcher aims to contribute to decisions on policies and programs that will enable the achievement of the African Union Agenda of doubling intra-Africa trade by 2050, thus helping to improve the socio-economic landscape in Africa's future generations.

Research Report Structure

The report for this study contains seven chapters, including chapter one which has covered the introduction to the research.

- Chapter two unpacks relevant literature on the institutional theory and its implications in emerging markets and for SMEs or entrepreneurs. It then looks at entry-mode strategies and, lastly, it unpacks the context, the enablers and the constraints of regional trade activity in the African continent.
- Chapter three is informed by the literature and it sums up the research objectives, followed by the research questions.
- Chapter four unpacks the research method used in the systematic research process. This section covers the research philosophy and design which include the units of

analysis, population selection and sample size with the sampling method. Data collection and the data analysis process is also covered alongside the research ethical considerations and limitations.

- The last three chapters, being five, six and seven, form the second half of this report. Chapter five starts by systematically detailing the results captured during the interview process, while chapter six links the findings and reports on these to the literature and themes found.
- In chapter seven, the report closes with the research findings and analysis based on the main- and sub-research questions. This section also outlines theoretical implications.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

When deciding to enter a market, the home-country firm aims to leverage its existing capabilities and competitive advantages, like technology or organisational processes, into a host country where, in the inverse, the host country enables the home-country firm to use its resources and infrastructure to access its market (Fuentelsaz et al., 2020).

The systematic literature review will provide a view of institutional theory (IT) and its context in Africa, this will be followed by linking IT with market-entry choices available for SMEs, given the institutional environment in Africa. The trade context in Africa is reviewed from literature, and this is then followed by a review of institutional theory in for Small and Medium Enterprises. Home and host market institutions and voids are then unpacked. The literature then goes into entry modes used in internationalisation followed by SME entry choice factors and modes Chapter then ends off with an regional perspective on the trade context and opportunities for entry in Africa.

2.2 Institutional Theory

Institutional Theory is defined as formal and informal regulatory, normative and cognitive rules in emerging markets (Arregle et al., 2016; Dow, 2017; Jafari Sadeghi et al., 2019; Meyer & Peng, 2005, 2016). These normative and regulatory rules are understood to directly impact the strategic decisions of a firm and thus its competitive advantage (Meyer & Peng, 2005). Moreover, these factors determine a firm's ability to access resources and knowledge (Deng & Zhang, 2018).

IT finds its antecedents in a number of disciplines. For international business and the African context, IT is rooted in the social sciences and economics fields (Fuentelsaz et al., 2020). The social perspective delves into the organisation's ability to mimic and adapt to its new environment in order to gain legitimacy, while the economic perspective looks at the reason firms with similar contexts perform differently, given their unique institutional contexts (Fuentelsaz et al., 2020).

In addition, IT can be positioned from an international business perspective as it forms an integral part of business strategy, given that it enables a business to make strategic decisions about FDI based on location choices and their impact on a firm's performance (Fuentelsaz et al., 2020; Meyer & Peng, 2005; Zoogah et al., 2015).

A market that is deemed to have quality institutions is characterised by limited government intervention. It has a fair justice system, robust financial markets and the lack of onerous regulations (Deng & Zhang, 2018).

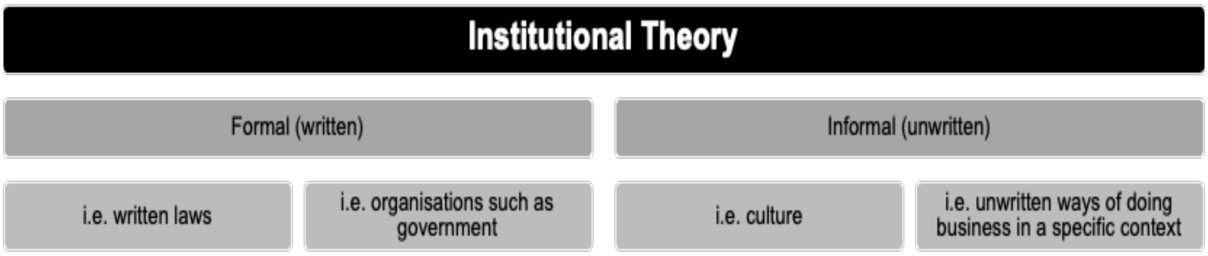
On the other hand, Chipp et al. (2019) suggest that institution voids, characterised by imperfect conditions for markets and institutions, are mainly found in developing markets. These can be a lack of financing systems or professional intermediaries, government interference, corruption and regulatory uncertainty (Deng & Zhang, 2018).

Poor institutions have a detrimental effect on SMEs which, unlike MNEs or other larger-type organisations, have the liability of smallness. Moreover, with their origin effect, the home-market conditions have an effect on the SMEs' ability to access resources (Deng & Zhang, 2018).

In conclusion, institutions are critical for the functioning of markets (White et al., 2019), and even more determinantal for SMEs, given their limited resources to deal with external risks (Deng & Zhang, 2018).

Making the Distinction Between Formal and Informal Institutions

Literature makes distinctions between the two kinds of institutions that constitute the theory, that is, formal and informal institutions (Meyer & Peng, 2005). As depicted in diagram 1 below, according to North (1991) and Scott (1995) as cited by (Arregle et al., 2016; Jafari Sadeghi et al., 2019; Meyer & Peng, 2005, 2016), the noteworthy distinction is important because the former encapsulates what is written and the latter what is unwritten. Formal institutions are, thus, organisations that produce and enforce policies, regulations and laws while informal institutions are unwritten collective understandings, such as culture.



Source: Author’s own

Diagram 1: Institutional Theory

The functioning and strength of formal institutions are critical as these enable transparency and enforce the rules that enable a market to function with fewer risks and information costs, thus making a market more attractive (Dow, 2017; Fuentelsaz et al., 2020; Zoogah et al., 2015). For businesses, weak institutions may mean an inability to enforce contracts and, for SMEs, accessing quality institutions enables them to gain critical resources needed to reduce their lability of smallness (Deng & Zhang, 2018). Conversely, the availability of resources may enable larger firms to benefit significantly from the domestic environment.

Where formal institutions are weak, SMEs tend to rely on informal institutions to conduct business operations that support their internationalisation. For example, once an SME decides to pursue overseas markets through exporting, it may be hindered by home-market processes and it relies on personal networks to meet its exporting requirements (Deng & Zhang, 2018). On the other hand, quality institutions foster export capability for SMEs. Informal institutional research thus finds more utility in developing markets, given the voids (Chipp et al., 2019; Cuervo-Cazurra, 2016; Cuervo-Cazurra & Genc, 2008; Mthombeni et al., 2022). This is covered in greater depth below.

Institutional Theory in Emerging Markets

As said above, institutional theory finds added relevance in emerging markets over developed ones (Meyer & Peng, 2005, 2016). Thus Africa, in particular, is a context that allows for the study of institutional theory due to institutional voids brought about by colonialisation and the radical nature of institutions on the continent (Zoogah et al., 2015).

	Specific characteristic	Emerging markets	Developed markets
Aggregate-level market differences	Population	Larger populations, estimated at 40 %–60 % of the global population	Smaller population, estimated at 15 % of the global population
	Economic growth rate (GDP at purchasing power parity)	Fast (6 %–12 % per annum since 2000)	Slow or negative (−3 to 3 % per annum since 2000)
	Heterogeneity of population	Large income disparity, very heterogeneous in income, education, individual buying behavior	Relatively homogenous population
Individual consumer differences	Price sensitivity	Relatively high	Relatively low
	Brand importance	Very high for higher income segments, but intense unbranded competition at lower end	Relatively less brand importance disparity across consumers
	Social norms	Collectivist purchasing behavior, but wide variation across population in level of influence	Individualistic purchasing behavior
	Age	Relatively younger consumers	Aging population
Institutional environment differences	Legal system	Evolving, opaque, slow legal system	Stable, transparent, fast legal system
	Political environment	Volatile, not always democratic	Stable, democratic
	Hard infrastructure	Poor hard infrastructure (transport, roads, connectivity, banking, etc.)	Well-developed hard infrastructure
Business context differences	Business to business relationships	Large number of informal business relationships	Relatively formal contractual relationships
	Business to government relationships	Largest buyers are often government-owned enterprises	Dispersed set of B2B buyers

(Source: Grewal & Lilien, 2015)

Table 1: Key Differences Between Emerging and Developing Market Institutions

Table 1 suggests stark differences between formal and informal institutions. As a starting point, we observe that the heterogeneousness in emerging markets tends to be more diverse with regard to income, education levels and buying power, whereas those factors tend to be more heterogeneous in developed markets. Secondly, without drawing links, price sensitivity is high in emerging markets compared to being low in developed markets. The institutional environment in developed markets is stable and democratic with a fast legal system, while in emerging markets we see predominantly volatile political environments and a slower justice system. When it comes to the context in which firms do business, it is suggested that developed markets use formal contracts in managing relationships while emerging markets rely heavily on informal business relationships. Government is a bigger role player in emerging markets (Grewal & Lilien, 2015)

Institutional Context in Africa

Current literature states that Africa is characterised by large institutional voids owing to the lack of enforceability and governance (White et al., 2016). The literature posits that in the context of weak formal institutions, where rules are less defined, ties with the ruling party and tribal leaders are important (Meyer & Peng, 2016; Zoogah et al., 2015).

In addition, new insights are found in research on the interrelationships that exist between formal and informal institutions. The research gives evidence that the void created by informal institutional distance is lessened by the regulative climate and enforceability of strong formal institutions (Fuentelsaz et al., 2020) – this is of particular importance to Africa given the massive institutional voids (Zoogah et al., 2015). Developing country SMEs experience institutional voids where the inadequacy of laws and supporting systems affects their internationalisation (Child et al., 2022).

Institutional Environments and Resources and Capabilities of Firms

Dimension	Formal	Informal	Level
Institutional environment			
Economic	Markets and policies	Barter	N
Political and legal	Democratic system; rule of law; private property	Chieftaincy, rule of tribe; communal property	N
Financial	Banking and stock exchanges	Interpersonal lending, *susu*	N/I
Sociocultural	Competence and festivals	Tribalism and nepotism	N/I
Resources and capabilities			
Human	Patents and inventions	Knowledge	I/O
Financial	Reserves and securities	Potential investors, transfers	O
Technology	Copyrights and trade secrets	Ingenuity and "brain gain"	I/O
Management capabilities*	Leadership and structure	Relationships and planning	O

Note: N, I, and O refer to national, industry, and organization, respectively.

*Includes marketing and production capabilities, which are essential for not only controlling communication and collaboration systems but also operations and plans of organizations.

(Zoogah et al., 2015).

Table 2: The Difference Between Formal and Informal Institutions

As a means to find a new course, emerging research on institutional distance emphasises a need to move away from institutional distances to an institutional overlap perspective. Overlaps seek to find commonalities, and are facilitated by third-party organisations, that both countries are connected to and that seek to find institutional overlaps and common ground (Dow, 2017; Verbeke et al., 2017).

Institutional Theory for SMEs

Institutions play a critical role in SME behaviour. Functioning institutions have a positive effect on SMEs by reducing three things: transactional costs, the level of uncertainty and the risk (Kuijpers & Eijdenberg, 2020). Owing to their smallness, however, SMEs find it challenging to navigate and influence market institutions and relationships (Deng & Zhang, 2018).

Emerging market SMEs are slowly realising that internationalisation outside their home market is no longer an option, but is a necessity (Islam et al., 2023a, 2023b). The internationalising of an SME can be driven by the home-market institutional context. As a means to escape the poor context and reduce its impact on their businesses, SMEs may make decisions to pursue outside markets (Deng & Zhang, 2018; Wu & Deng, 2020). In addition, and related to this study, is that institutions influence a firm's decision on choice of location, market entry mode and the strategic practices that are linked to its internationalisation (Deng & Zhang, 2018). It is important to note that the ability to shape the institutional environment is limited for SMEs, given their size (Child et al., 2022).

Trade Within Africa – an Institutional Failure

There is a general theoretical perspective that believes increased trade improves economic growth. However, African markets, or those with weaker technological integration or knowledge asymmetry, benefit minimally from trade activity (Sakyi et al., 2017). The categories of formal institutions' influence on trade can include lengthier import and export time, significantly higher costs of exporting and importing, and more documentation required for import and export activity. Poor government coordination and trade policy design contribute to a challenging environment for African traders (Sakyi & Afesorgbor, 2019). As for the informal institutions, corruption remains with bureaucracy as the main contributors to institutional voids (Sakyi and Afesorgbor, 2019).

As articulated by Kandogan and Hiller (2018), being allies in Inter-Government Organisations (IGOs) increases the likelihood of the presence of trade agreements between two countries. As an umbrella body covering all other sub-regional IGOs, the African Union (AU) exists to foster inter-government collaboration, and economic development and diplomacy within Africa, and it presents a unified stance to the outside governments (Obeng-Odoom, 2020).

African has significant trade challenges, one of which is the abysmally low formal trade within the region, where the focus has been on the trading of natural resources without much value add (Obeng-Odoom, 2020). To put it into context, between 2015 and 2017 Africa's contribution to global trade was around 3%–4% while intra-Africa trade skirted at a low 15.2% (Maliszewska et al., 2020; Obeng-Odoom, 2020) . While the numbers are declining, Europe is Africa's largest trading partner, but we are seeing the diversion of goods into Asia (Obeng-Odoom, 2020). The post-Covid reality emphasises a greater need for regional value chains (RVCs) (de Melo & Twum, 2021).

Trade intervention programmes are formed as a result of policy shifts and are another way to enable market access – an important outcome of these intervention programmes.

An example close to home was the USA and South Africa's Rooibos Fair Trade Agreement, which connected black-owned SME rooibos tea producers with a network of buyers in the USA (Raynolds & Ngcwangu, 2010). In this case, the producers and farmers were connected to a network through government, market and non-market players in the formal institutional network using contractual agreements.

Fair trade has a social justice focus and incumbent firms may already have access to international markets. The aim is, thus, to ensure better returns for producers. Rooibos tea is exclusively produced in the Western Cape and South Africa declared it an indigenous produce, giving producers a Country Specific Advantage (CSA). Additionally, fair trade has SME growth as a strong outcome, with the almost doubling of volumes between SA and the USA over a period of a year (Raynolds & Ngcwangu, 2010).

However, fair trade is highly critical of the sustainability of existing global value chain models, and opposing views on fair trade are growing. These views indicate that fair trade is hardly fair, given that it tends to harm the farmer (Obeng-Odoom, 2020).

2.3. Home-market Conditions

Home-market conditions cannot be ignored by SMEs in their decision to internationalise because they are an important factor in the choice of entry. Home-market characteristics can affect an SME's internationalisation through either trade or FDI. Home-market uncertainties brought about by political risk and corruption can negatively influence a firm's ability to internationalisation and its performance (Cuervo-Cazurra, 2016; Mthombeni et al., 2022; Rissanen et al., 2020). However, home-market corruption and political risk can increase a firm's capacity to deal with change, making it more adaptable to changing rules in the host market (Rissanen et al., 2020).

South African SMEs face similar challenges in their home market too. These challenges include regulations and lack of government policies to aid internationalisation, poor research and development, and deteriorating physical infrastructure. Other challenges include the increasing cost of electricity, high labour and transportation costs, as well as lack of finance. All these challenges impact the SMEs' ability to export (Van Staden, 2022). The high labour costs and unstable labour landscape are also noted by Banga and Balchin (2022) who highlight backlashes from trade unions against firms looking to move more of their manufacturing to Botswana and Lesotho, which present lower costs and higher labour-relations stability.

Home-market Institutions, Stakeholders and Stakeholder Management

Home-market institutions can have contrasting effects on SMEs' internationalisation: one being an escape view and the other being a fostering view. The escape view suggests that home-market institutions push SMEs to seek opportunities in overseas or outside markets, while the fostering view is SMEs being aided to internationalise through a facilitated process (Deng & Zhang, 2018). For Chinese SMEs, Deng and Zhang (2018) argue that the approach was more integrated. Interestingly, while empirical evidence states that institutional quality has a negative impact on the SME's ability to internationalise, it positively impacts sales once they do internationalise (Deng & Zhang, 2018).

Home-country support allows local firms to overcome internationalisation difficulties and gain competitive advantage abroad (Cuervo-Cazurra, 2008) – for example, through resource allocation aided by possessing economic strength and a level of development (Child et al., 2022). In addition, the host-country's institutional context plays a substantial role on a firm's entry choice into its market, because post entry the firm must abide by local rules (White et al., 2019).

In closing institutional gaps, emerging market governments play a major role in promoting entrepreneurship (Armanios et al., 2017; Deng & Zhang, 2018). When China was growing economically, institutional reform was not naturally geared to support SMEs. However, the Chinese government interventions for SME internationalisation have yielded an increase in Chinese FDI outflows. This was not always the case, as, unlike state-owned enterprises and MNEs, government does not have ownership of Chinese SME businesses as they are mostly family owned (Deng & Zhang, 2018).

Through their National Development Plan, the South African government has placed exporting as a priority (van Staden, 2022). Actions to demonstrate this support is seen through the promulgation of the Broad Based Black Economic Empowerment (B-BBEE) codes, part of which require large and qualifying South African businesses to spend 2% of their Net Profit After Tax on enterprise and supplier development (ESD). Other actions include tax incentives and networking programmes (van Staden, 2022)

The work to facilitate home-country support is done mostly through intermediaries. These intermediary organisations mainly help entrepreneurs gain necessary skills through training interventions or incubation programmes, so that they ultimately qualify for business resources and funding – given the lack of Venture Capital (VC) funding available in emerging markets, and such finance to entrepreneurs is still maturing (Armanios et al., 2017).

Other players include development organisations and incubators (Armanios et al., 2017; Sydow et al., 2022). These organisations can assist entrepreneurs with certification, which gives legitimacy and signals quality of products or services offered by the entrepreneur’s venture (Armanios et al., 2017). Trade associations provide alternative commercialisation resources to entrepreneurs (Sydow et al., 2022).

Informal institutions, like community, family and political connectedness, also aid entrepreneurs in developing markets to gain access to government resources (Armanios et al., 2017). This form of support may have its limitations because it comes with the extra cost of ongoing reliance on the entrepreneur to continue to feed the network (Sydow et al., 2022). The resulting corruption – in the form of nepotism – is prevalent (Sydow et al., 2022).

From a different perspective, while the SMEs’ ability to internationalise is driven by the institutional context at a micro level, the SME manager or founder’s experience or exposure to international markets, or exposure to internationally recognised accreditation, influences their internationalisation. The exposure fosters personal ties and increases an ability to interpret regulation and market information. SMEs with more experience and exposure are better able to leverage home-market institutions for their internationalisation. For example, those SMEs will develop personal ties with resource controllers as a means of reducing voids (Deng & Zhang, 2018).This was also found to be true in relation to South African SMEs taking part in exporting activities (van Staden, 2022).

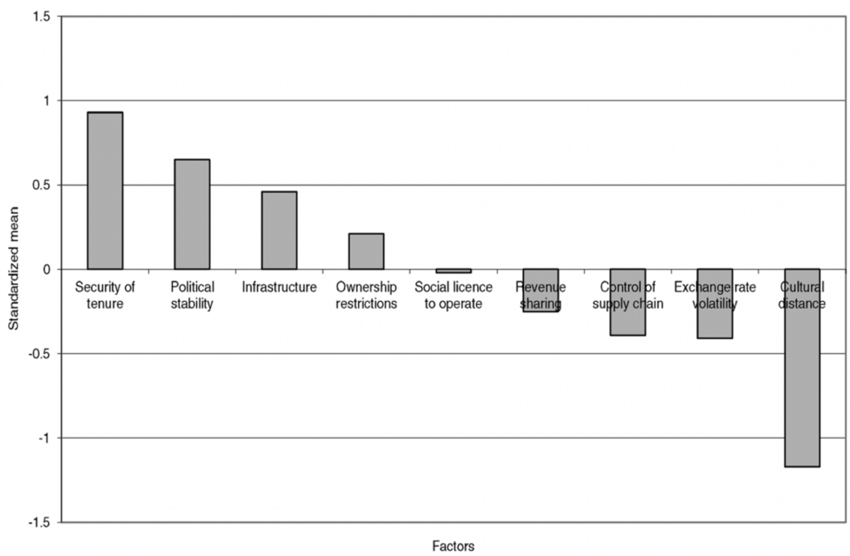
Boundary spanning is seen as crucial for developing market SMEs in managing vendor relationship in the IT sector. The management of vendor relationships for SMEs ensures management of existing projects and may also secure long-term business. As a means of building strong ties with their clients, boundary spanners not only maintain formal relationships through contracts but also build interpersonal relationships in the client’s business. A boundary spanner needs to have attributes that enable them to cross cultural identities and also to have professional social skills (Chattopadhyay & Aundhe, 2021).

Personal networks play a role in the SME growth. SMEs need funding in order to pursue international markets and, for that, they may struggle to get funding from banks. Thus, reliance is placed on the family or personal networks to get funding. SMEs in developing markets still find reluctance from family or personal networks to get business funding needed for growth endeavours.

Factors South African Firms Contend With When Entering the African Region

As an emerging market, South Africa's level of development affects local firms' internationalisation (Barnard, 2021). For SMEs, this is more apparent because their decision to go into more- or less-developed markets than their home market ultimately weighs on the strategic entry choice (Wu & Deng, 2020).

A study on South African mining MNEs entering Africa found that South African firms have had to contend with factors like poor infrastructure, security tenure and political instability – all of which speak to institutional voids (Luiz & Ruplal, 2013). Interestingly, and given the experience of operating in South Africa, one of the hypotheses of their paper explored whether these mining companies would choose a location with a high degree of institutional voids as a means of gaining a competitive advantage. The research found that, despite their expertise, companies would rather not invest where there are institutional voids; however, when they have to, they factor in the costs and returns upfront to check for net present value.



(*Source:* Luiz & Ruplal, 2013).

Figure 1: Ranking of factors taken into account by mining companies when internationalising

1

Strategies in Navigating Institutional Voids

- Political risk: The CEO leverages the corporate brands to build a relationship with the host-country government. This is done directly and, where that is not possible, lobby groups would be used. When engaging with the local government, it is suggested that proposals outlining the mutual benefit of the FDI remain crucial for the conversation. The authors further note that this must be done before navigating the regulatory environment, like taxes and operating licences, as it will ease the liability of foreignness (Luiz & Ruplal, 2013).
- Laws and regulations: MNEs noted that the clarity of regulations remains important and was cited as such. Moreover, the ability to argue regulations in the local court or even involve the international court, was mentioned. Thus, given that South Africa uses English law, entrants preferred anglophone countries with their familiar legal structure (Luiz & Ruplal, 2013).
- Corruption: There are many definitions of corruption. Cuervo-Cazurra (2016) defines it as “the abuse of entrusted power for private gain” which is unique in that it does not limit corruption only to governments but to all parties, including citizens, staff or executives of companies or development organisations. Although many countries have anti-corruption laws and bodies, it remains widespread – companies even partake to gain competitive advantage (Cuervo-Cazurra, 2016). Countries with high corruption see less FDI (Luiz & Ruplal, 2013). Transparency International, as cited in Cuervo-Cazurra (2016), which measures the level of corruption among other governance indicators, finds that African countries are among the worst ranked. Despite this key finding, in the case of mining companies Luiz and Ruplal (2013) suggested that they would avoid taking part in corruption as a means of gaining access. MNEs rather used agents in situations where there is arbitrary corruption. This is perhaps justified at the company level, where the management want to reduce transactional costs associated with institutional voids or to gain competitive advantage (Cuervo-Cazurra, 2016). MNEs felt the need to comply with company values and international standards of doing business (Luiz & Ruplal, 2013).
- Lack of infrastructure: Where infrastructure is lacking, MNEs prefer to invest only in what is necessary for their core business operation. Where there is a request by the government to invest in more infrastructure, MNEs lobby other businesses in the area

where they are present, or they invest through the World Bank and not directly with the government (Luiz & Ruplal, 2013).

2.4. Overview of Entry Strategies

Generally, firms that seek to do business in a foreign market must choose the most suitable mode of entry (Anderson & Gatignon, 1981; Pehrsson, 2008). The entry mode will enable the firm to pursue growth opportunities outside its home market (Islam et al., 2023a, 2023b) by facilitating, through institutions, the movement of its products and or services into the destination (Pehrsson, 2008).

Level of Control as a Lens to Entry-mode Choices

Entry modes can be categorised using both level of control (Anderson & Gatignon, 1981; Wu & Deng, 2020) and risk and cost (Wu & Deng, 2020).For larger or service-led entities, having some form of control is a prerequisite to market entry. The form can be through either full control or shared control (Pehrsson, 2008). Control is having the ability to influence systems, methods, actions and decisions for desired outcomes, and is a major consideration for the entrant in making the decision about choice of entry (Anderson & Gatignon, 1981; Pehrsson, 2008).

Ultimately, entry choice has a strong relationship to control and location. Control can be achieved through centralised control, where decisions are made only in headquarters, or bureaucratic control, where the foreign entity is managed through reports and policy, and lastly through socialisation, where the foreign entity adopts behaviours and rules at an individual level (Pehrsson, 2008).

Ideally, firms would want to maintain higher control post entry; however, higher control comes at a higher cost because it requires the entrants to be more acquainted with the target environment to make sufficiently informed decisions. Given the scarcity of resources, smaller firms may not have control as a determinant (Wu & Deng, 2020) because being acquainted entails a high investment into the target market through the commitment of resources and overheads (Anderson & Gatignon, 1981).

Entry Mode Classified by the Entrant's Level of Control

High-Control Modes: Dominant Equity Interests

Wholly-owned subsidiary
Dominant shareholder (many partners)
Dominant shareholder (few partners)
Dominant shareholder (one partner)

Medium-Control Modes: Balanced Interests

Plurality shareholder (many partners)
Plurality shareholder (few partners)
Equal partner (50/50)
Contractual joint venture
Contract management
Restrictive exclusive contract
(e.g., distribution agreement, license)
Franchise
Nonexclusive restrictive contract
Exclusive nonrestrictive contract

Low-Control Modes: Diffused Interests

Nonexclusive, nonrestrictive contracts
(e.g., intensive distribution, some licenses)
Small shareholder (many partners)
Small shareholder (few partners)
Small shareholder (one partner)

Figure 2: Entry-mode classification by entrants' level of control *Source (Anderson & Gatignon, 1981)*

Figure 2 classifies entry-mode choices with levels of control, where high control entails investing in a wholly-owned subsidiary, and being a dominant shareholder. Given the high investment, the risk thus becomes greater because high investment means high switching cost should the entrant want to diversify or to exit the targeted market (Anderson & Gatignon, 1981). Control can be achieved through greenfield investments or through the acquisition of an existing company (Laufs & Schwens, 2014) or by entering into an equity joint venture (Dau, 2018). Pehrsson (2008) views dominant equity interest as having full control with the rest seen as shared control – with the exception of a tightly run franchise that has full control. Whereas Dau (2018) points out that the three most important entry choices are to enter either through an equity JV, as a wholly-owned subsidiary or through a greenfield investment or and acquisition.

Firms can also choose other entry modes, like exporting, or licensing agreements to enter a market (Islam et al., 2023a, 2023b; Laufs & Schwens, 2014). These, according to Anderson and Gatignon (1981) have medium and low control, and are thus less resource heavy.

Moreover, Pehrsson (2008), Laufs and Schwens (2014) argue that a firm’s entry mode has an impact on its performance. Indeed, Dau’s (2018) investigation into emerging market firms in Latin America demonstrated how the choice of entry, as a moderating factor, impacted organisational learning and thus improved profitability and saw adjustments to the home market, which had been characterised by institutional voids. The research suggests that various entry modes are more advantageous than others in respect of speed of access and agility. Where voids exist, Dua (2018) suggests that joint ventures over wholly-owned subsidiaries, through international alliances over greenfield investment, are the more advantageous. Logically, over time the pace of access translates to higher profitability and competition – particularly when there are home-country pro-market reforms that seek to improve institutional gaps (Dau, 2018).

White et al., (2019) and Meyer and Peng (2016) suggest that for larger entities countries with higher institutional predictability attract more high-commitment entry modes. For SMEs, in particular, the opposite is true (Vendrell-Herrero et al., 2017).

SME Entry Choices

SMEs that have internationalised can be defined as those that have activities and/or processes in markets outside their own (Child et al., 2022). SMEs are internationalising as a way to survive and increase business profits (Fernandes et al., 2023). SMEs that pursue opportunities in outside markets are able to take advantage of opportunities for revenue growth, knowledge exchange and enhancement of capabilities (Islam et al., 2023a, 2023b). While this remains, research on entry modes for small and medium firms in international business is still scant compared to that of large firms or MNEs (Brouthers et al., 1996). As a result, and despite the significant differences between MNEs and SMEs, entry-mode research is mainly looked at through the lens of an MNE with their higher resources. SMEs have unique characteristics that they have to take into account when deciding to enter a foreign market(Fernandes et al., 2023). These include the availability of resources (Fernandes et al., 2023), the level of commitment into the host market, the way they are able to deal with risks associated with the host market (Laufs & Schwens, 2014) and lastly, the extent to which host-market activities can be controlled.

Owing to the lack of human and financial resource availability (Fernandes et al., 2023; Islam et al., 2023b; Laufs & Schwens, 2014; Wu & Deng, 2020), and fewer benefits from formal institutions (in comparison with larger entities), SMEs may not have the ability to adopt high-control entry modes and may thus rely on lower-resource entry modes, like exporting or licensing (Wu & Deng, 2020). As an example, SMEs may not have a big enough human-resources pool to send a home-market employee to the host market for an extended period, and not have the resources to establish a competent management system in the host country (Laufs & Schwens, 2014). Exporting, thus, is suggested as the main internationalising entry mode available to SMEs (Vendrell-Herrero et al., 2017; Wu & Deng, 2020).

Despite the popular view, however, Ng'ombe, Mans and Barnard (2023) challenge the notion of SMEs using less resource-heavy entry modes to internationalise. There is growing evidence that SMEs are also using higher resource-heavy entry modes by setting up subsidiaries abroad, these are termed "micro-multinational enterprises" (mMNE) (Ng'ombe et al., 2023). In their research into 22 SMEs across four Southern African low-to-medium income markets, it emerged that SMEs had a higher tolerance to risk, as a result of the home market or region. As a result, these SMEs were willing to enter high-risk markets.

SMEs find themselves more sensitive to risk factors and, as a result, may choose an entry mode that enables them to deal effectively with host-country risk. The risks include, but are not limited to, political, institutional and market changes (Laufs & Schwens, 2014). For example, a smaller entity may find itself bankrupt from using more resource-heavy entry modes because of the level of risk involved in international expansion coupled with the lack of institutional support and funding. There is no consensus yet on entry choices available to SMEs that enable them to mitigate risks effectively,

Distance plays a role in market selection for SMEs, with greater distances introducing increased risk, risk being an impediment for SMEs. Distance can be grouped into four main categories, namely, geographic, cultural, economic and administrative (Kalafsky & Raymond, 2023) Owing to the cumbersome processes linked to exporting, geographic distance is a major determinant for market selection. Cultural distance, like language and historical ties, also play a factor in market selection (Kalafsky & Raymond, 2023). In fact, a participant in a study of 22 SMEs on the Southern African region confirmed that participants saw the colonial history of their host markets as a factor that reduced cultural differences (Ng'ombe et al., 2023).

Ownership structure plays a role for SME entry choices, given that most SMEs are family owned. Unlike MNEs, SMEs are seen to be less willing to share control of their business with a partner through equity or joint ventures. This is because SMEs tend not to separate the business decisions from the control of the founder or owner. The owners' pre-disposition on matters related to levels of control impact entry-choice decisions (Laufs & Schwens, 2014).

Earlier, when looking at home-market conditions and institutions, reference was made to the SME's level of exposure to international markets. Laufs and Schwens (2014) further add that prior experience enables the SMEs to adopt higher commitment entry points, like acquisitions (Laufs & Schwens, 2014).

Exporting

Exporting has been noted as the most common method of SME internationalisation. (Child et al., 2022) and its challenges for SMEs differ from those for MNEs (Kalafsky & Raymond, 2023). The home institutional environment plays a role in the decision to export (Krammer et al., 2018). The authors posit that home markets with more political uncertainty, higher corruption, and informal competition are more likely to take up exporting as a choice of entry.

When exporting, SMEs use distributors to deal with a lack of host-market knowledge, with fake buyers and with border mismanagement. A study on internationalisation in Bangladesh, on SMEs who were exporting, highlighted the lack of host-market knowledge as a major gap, and revealed how this led to a reliance on agents to facilitate entry. The challenge with agents was, however, the high costs that come with the contractual agreement, and that they also conceal end customer information (Islam et al., 2023b, 2023a). SMEs who choose to export directly may also need to deal with "fake buyers" who stage requests for sales, and vanish after much time is invested in their big orders. Another massive challenge for SMEs is dealing with mismanagement at borders, with theft, unnecessary protocols and the time taken to fill in paperwork (Islam et al., 2023a, 2023b).

Host-market Conditions

In addition to the home market, as discussed above, SMEs must consider the host-market's conditions. First, the economic development of the home market is a determining factor in whether SMEs should either internationalise into lower- or higher-performing host markets or stay in their own. When firms choose to enter markets that are more developed than their own, they are faced with more competition, stricter laws and they must overcome geographical distance and the liability of being foreign in the legal, economic and political systems. The benefits of these markets are, however, institutional stability and availability of resources. On the other hand, when a firm chooses to enter less-developed markets, they experience less competition; however, they find similar, or worse, institutional voids than in the home market(Wu & Deng, 2020).

Thus, when internationalising in developed markets, SMEs will have higher transactional competition and costs, and thus may choose a less resource-heavy entry, like exporting. Whereas, for a less-developed market, they may opt for higher-resourced entry modes to circumvent the wider institutional gaps of the host market. In such cases, the SME would want to benefit from the transfer of skills, technology and knowledge that would take place from the home to the host market (Wu & Deng, 2020).

As an emerging market, South Africa's level of development affects local firms' internationalisation (Barnard, 2021). South African SMEs are sensitive to the size of opportunity when pursuing an entry market and they tend to look for internationalisation opportunities in other middle-income countries. This, in turn, makes them have a less synergistic relationship with MNEs that then see them as competition (Ng'ombe et al., 2023).

In their study of 23 Southern African SMEs, Ng'ombe C, Mans T, Barnard H (2023) came to the following conclusions about host-market considerations:

- Southern African SMEs seek risk diversification when internationalising
- Southern African SMEs want to target markets where they can make money
- These SMEs seek locations with cultural proximity.

South African firms entering Africa have had to contend with factors like poor infrastructure, security tenure and political instability – all of which speak to institutional voids (J. Luiz & Ruplal, 2013).

Research on MNEs suggests that Emerging Market Multinational Enterprises (EMNEs) have fewer firm-specific advantages (FSAs) owing to their coming late to the party or, rather, joining international markets later than developed markets did. However, it is argued that South African EMNEs who have entered the African region have been able to use their local CSA, enabling them dominance in the African region (J. Luiz & Ruplal, 2013).

The authors, Luiz and Ruplal (2013) posit that Africa has been a fertile ground for South African MNEs. An enabling factor that sees South African MNEs thrive in the African region is the proximity in culture and in colonial experiences. Thus, the similarity in voids experienced by South Africa on their home country increased their knowledge of doing business in difficult country conditions. This, in turn, reduced the liability of foreignness for South African MNEs (J. Luiz & Ruplal, 2013).

Adaptation of the home-market brand may be a requirement for some host markets so as to meet local preferences or requirements, placing a bigger burden on SMEs wanting to internationalise (Buganova et al., 2023).

Leveraging Networks

Networks present a strong alternative form for entering foreign markets (Barnard, 2021; Chipp et al., 2019). To overcome the difficulties associated with internationalisation, SMEs tend to use networks (Child et al., 2022). This is supported by Chipp et al. (2019), who state further that external partners are most useful in emerging markets and that the use of formal and informal relationships, to form a network, bridges some institutional voids(Chipp et al., 2019).

Networks are an extremely powerful tool to reduce institutional voids when entering emerging markets (Chipp et al., 2019). A network enables a firm to build its supply chain – as part of its value chain – in markets with weak institutions. An example cited in Chipp et. al's (2019) study is that of Imperial, a South African-based MNE, which offers end-to-end logistics from South Africa. Evidently, they would need a strong presence to meet requirements, although they "make(s) it clear that they do not enter markets ahead of their partners, stating that they do not generally do greenfield operations" (Chipp et al., 2019). Through their deep networks, they are able to bridge the voids brought about by the lack of infrastructure and the country dynamics related to customs and duties, et cetera. (Chipp et al., 2019). Arguably, through their network, Imperial becomes a network to its customers in the African region, some of whom are Fast Moving Consumer Goods corporations in South Africa.

Service firms, which are characterised by intangible activities (or no physical product to sell its customers) are able to enter markets using various entry modes. Despite other factors that may be more important for SMEs, the need to protect a service firm's reputation by the delivery of the service – by their having control over it – is vital when considering modes of entry. For soft services, where delivery and consumption take place in real time, or cannot be decoupled, wholly-owned or majority-owned subsidiaries are preferred. Conversely, for hard-service firms, delivery and consumption can be decoupled, for example in software firms, thus lower-control modes of entry, like licensing, contacting or alliances, are options (Blomstermo et al., 2006).

Service firms, that have entered multiple markets, develop an ability to source and screen for suitable business partners, to leverage alternative ways of maintaining control through vetoing decisions, and to build trust in relationships(Blomstermo et al., 2006).

Internationalising Through Piggy Backing

Deemed a quicker route to internationalising – because it is usually closer than arm's length but short of a formal JV – piggy backing is a form of marketing collaboration between firms which can take the form of a strategic alliance. Piggy backing offers the ability to leverage complementary contributions and a non-equity form of cooperation (Terpstra & Yu, 2007). For resource-constrained SMEs (Wu & Deng, 2020), this option may be favourable; however, SMEs still have to contend with MNEs that perceive them as competition (Ng'ombe et al., 2023).

Piggy backing can be seen as a form of marketing where one firm performs distributing functions for another, alongside their own products; the distributor being the carrier while other is called the rider. Typically, the rider would begin by servicing the carrier in a domestic market, then they would leverage their international footprint to service the carrier's outside markets, thus enabling them to internationalise (Terpstra & Yu, 2007). Typically, the carrier uses the rider's products to expand its own product line, whereas the rider leverages the carrier's footprint and customer base. Importantly, the rider's brand names are retained in the distribution process (Terpstra & Yu, 2007).

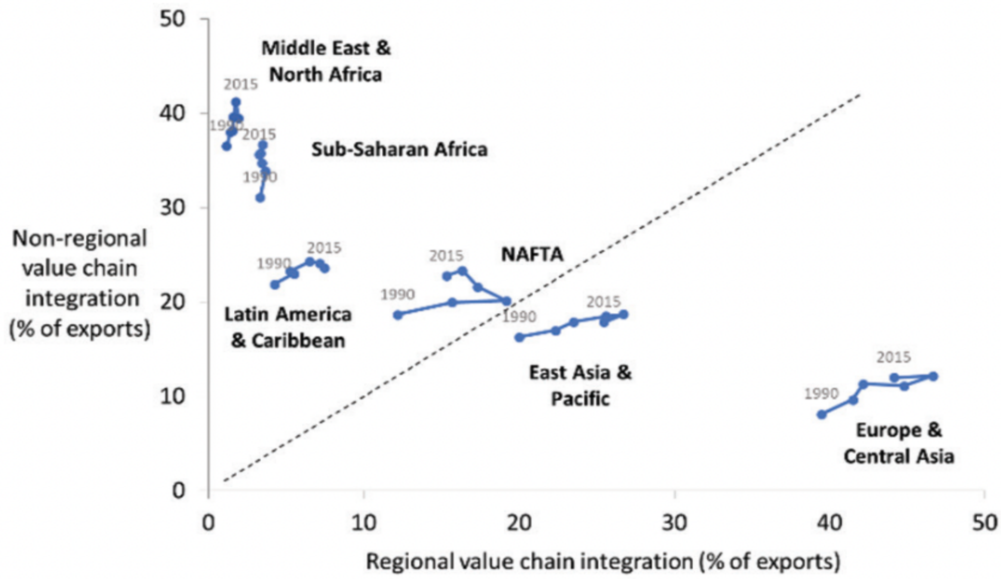
Thus, through piggy backing, both parties have their various objectives met through their cooperation. Some of the benefits for the rider are the faster access to the geographic locations where they have resource limitations for expansion, this also gains them exclusive access to markets and an ability to test foreign markets in an inexpensive way. Finally, the rider gains a partner with existing knowledge of the outside market where the rider's knowledge may be limited. The carrier may be motivated by being able to pair the rider's product with their, the carrier's, complimentary one and introducing a product to their markets with minimum investment(Terpstra & Yu, 2007).

Leveraging Global Value Chains of Larger Entities

Global Value Chains (GVC) are defined as activities that are coordinated from multiple, geographically-dispersed locations based on their comparative advantage (McWilliam et al., 2020) As an irreversible factor in global economies (Kano et al., 2020), GVC has become a more relevant feature in the world as globalisation and the fourth industrial revolution accelerate (Smorodinskaya et al., 2021). Within GVC, IB is interested in how organisations can increase their profitability and value creation by leveraging cross-border relations through GVC activity (Kano et al., 2020). As cross-border trade is on the rise, GVC is recognised as one of the most prominent features of international business (de Marchi et al., 2020; Epede & Wang, 2022; Kano et al., 2020). The role of MNEs in GVC remains core to trade (Benito et al., 2019), and can form linkages through which SMEs can play in GVCs by piggy backing MNE networks (Storz et al., 2022).

Furthermore, McWilliam et al., (2020) note power asymmetries that exist in the GVC network. For this, De Marchi et al. (2020) emphasise the need for GVC and IB to take into account non-economic players, like policymakers and NGOs, with the view to their ability to unearth literature on unsavoury business practice on the part of the MNE (De Marchi et al., 2020). Given that SMEs can enter global markets on the back of MNEs, power dynamics also need to be studied further (Child et al., 2022).

GVC participation is a component of regional participation in that it measures both backward and forward movement commodities from one market to another for the purpose of adding further value (De Melo & Twum, 2021). In Africa, linkages on GVC are extremely low, at 3.5% in 2015, with African markets have more linkages outside the continent than within it (De Melo & Twum, 2021).



source (De Melo & Twum, 2021)

Figure 3

The authors De Melo and Twum (2021) chose to compare African RVC, like SADC and EAC, to ASEAN (25.5% in 2015). ASEAN was deliberate about their RVC by building Asian factories. Moreover, ASEAN upskilled labour, developed trade policies with zero trade tariffs among themselves and devised simple trade rules, which were transparent. Lastly, and more aligned to this paper, is how strong institutions were developed across ASEAN member countries to ensure that all were able to participate. In contrast, trade costs in the African regions remain high. Outside the region, and as a spillover, was the strength of non-regional GBV between Europe and Central Asia (De Melo & Twum, 2021).

In an attempt to mirror ASEAN, and the EU, article 3 of the African Union's AfCFTA outlines the aims of AfCFTA on the movement of goods as follows: "use industrialisation to diversify and create RVCs, spur agriculture development, and achieve food security" (Obeng-Odoom, 2020).

From a sector perspective, the RVC trade in over 17 products, with metal being at the top across all RVC sub-categories. In addition, EACs strongly focus on food and beverage, metal products, transport equipment and wholesale trade, while ECOWAS focus on wood and paper as well as on transport. SADC has 50% regional integration for metal while COMESA also leads with transport equipment (De Melo & Twum, 2021). Notably, sectors that lag behind are food and beverage in SADC and ECOWAS, fishing in COMESA and East African Community (EAC), hotel services in EAC, ECOWAS and SADC (De Melo & Twum, 2021).

Table 3 below shows the various sub-regional trade agreements, that can be compared with AfCFTA. It demonstrates ECA as having one of the more advanced sub-regional trade agreements(Maliszewska et al., 2020) despite SADC having the most value of traded goods(Obeng-Odoom, 2020). It also shows how AfCFTA lacks in areas such as labour-market regulation, environmental laws, state aid and public procurement – which would require member states to hold each other accountable (Maliszewska et al., 2020) over and above their country's laws.

	East African Community (EAC)	Common Market for East and South Africa (COMESA)	South African Development Community (SADC)	Economic Community of West African States (ECOWAS)	West African Economic and Monetary Union (WAEMU)	South African Customs Union (SACU)	Economic and Monetary Community of Central Africa (CEMAC)	African Continental Free Trade Agreement (AfCFTA)
Tariffs on manufacturing goods	✓	✓	✓	✓	✓	✓	✓	✓
Tariffs on agricultural goods	✓	✓	✓	✓	✓	✓	✓	✓
Export taxes	✗	✓	✓	✗	✓	✗	✓	✓
Customs	✓	✓	✓	✓	✗	✓	✗	✓
Competition policy	✓	✓	✓	✗	✓	✓	✓	✓
State aid	✓	✓	✓	✗	✗	✗	✓	✗
Anti-dumping	✗	✓	✓	✓	✗	✗	✓	✓
Countervailing measures	✗	✓	✓	✗	✗	✗	✗	✓
STE	✗	✗	✗	✗	✗	✗	✗	✓
TBT	✓	✓	✓	✗	✗	✓	✓	✓
GATS	✓	✓	✓	✓	✓	✗	✓	✓
SPS	✓	✓	✓	✗	✗	✓	✓	✓
Movement of capital	✓	✓	✗	✓	✓	✗	✓	✓
Public Procurement	✓	✗	✗	✗	✗	✗	✗	✗
IPR	✓	✗	✗	✗	✗	✗	✗	✓
Investment	✓	✓	✓	✗	✗	✗	✗	✓
Environmental laws	✓	✓	✗	✓	✗	✗	✓	✗
Labor market regulation	✓	✓	✗	✗	✗	✗	✗	✗

Source: (Maliszewska et al., 2020

Table 3: Regional Trade agreements at a Pan African level

Given its more advanced manufacturing capability, and GVC linkages in international markets, South African has the potential to become a lead country (with lead firms) and enhance the GVC network in the Southern African region (Banga & Balchin, 2022b). This can be done through backward integration or, in this case, forward integration, by providing exports to the production activities of SADC markets.

The Use of Trade Programmes – an Institutional Initiative

Supportive policies affect choice of location when firms do jurisdictional shopping (Georgallis et al., 2021) and, according to Verbeke and Nguyen (2011) as cited in (Georgallis et al (2021), firms choose to invest in countries with the most supportive policies. As an example, markets like Asia use trade policies as trade facilitators (Geda & Seid, 2015).

The Varied Effect of Trade Agreements on Firm Sizes and Formalisation

Firm size (Ramdani et al., 2019) and whether or not the business is formalised (Moore et al., 2021) have an impact on its ability to benefit from regional trade.

Technical standardisation, in the form of reference or measurement, product attributes and safety, and product compatibility are the three key element of the EU's free common market programme. At the country level welfare is protected, while at the firm level companies that do not meet the minimum standard, or that produce low-quality goods, are given incentives to make investments that enable them to participate. Firms in various participating countries are subject to the same laws and regulations (Ramdani et al., 2019).

In their study of 17 000 SMEs across various sectors in 30 European countries, (Ramdani et al., 2019) found that smaller firms or entrepreneurs are perceived to be less likely to benefit from regional integration versus larger firms (Ramdani et al., 2019). This was mainly due to the costs associated with meeting the compliance standards in factors like technology and human capital. Changing the production process may result in those firms being pushed out of the market, while larger firms tend to benefit from economies of scale. At times, there is a lack of awareness of the regional standards. Owing to their size, larger firms have, in addition, an increased ability to lobby regulators to influence standards. Their size enables them to ensure, first, that they meet standards, reduce compliance costs and force smaller rivals out of the market (Ramdani et al., 2019).

Regional integration through trade is observed to have varying impacts on entrepreneurship, with two major schools of thought having opposing arguments on the benefits of trade. In their paper, Moore et al., (2021) emphasise the need to distinguish between formal and informal business and entrepreneurship because the distinction brings about a clearer answer. Put simply, formal business is registered while informal is not. Developing and underdeveloped markets have more informal than formal entrepreneurship (Moore et al., 2021).

Formal entrepreneurs experience greater access to regional markets than informal enterprises. This is, first, a result of the WTO regulations that require firms partaking in trade to adhere to rules prescribed by them and governed by the country. As an outcome of needing to comply in order to access cross-border opportunities, informal firms will register their businesses so as to partake in regional trade. Secondly, and from an IT perspective, the formalising of institutions and rules through trade agreements provides greater protection to the entrepreneur’s investment because it reduces voids, like in ways of doing business. Lastly, trade agreements tend to follow a policy of decreased travel limitations of individuals between countries, thus contributing to their ability to formally facilitate trade (Moore et al., 2021). To further support this, Obeng-Odoom (2021) notes that it is more difficult for Africans to access their continent than it is for Europeans and Americans.

The last of these benefits may have the positive impacts that Ramdani et al. (2019) observes, in that companies who employ foreign labour are more likely to apply the regional rules and bring about uniformity through regional integration. Part of the African Union’s AfCFTA seeks to enable the free movement of persons to foster the movement of goods (Obeng-Odoom, 2020).

However, despite being done through formalised business, in some respects trade can have a negative impact on country-level entrepreneurship. This is because local micro businesses may not have the size advantage of incumbent larger businesses or MNEs, thus discouraging their entry into cross-border markets(Moore et al., 2021).

Despite this, regional integration can promote ease of exporting between two or more markets, with spillover effects into the macro and micro levels (Moore et al., 2021). The authors posit that trade integration has a positive impact on formal entrepreneurship while it is negative on informal, with the least-developed markets seeing the most potential impact (Moore et al., 2021).

2.5 Conclusion

The institutional context in emerging markets affects SME internationalisation and entry modes can be use to bridge institutional voids. Literature further tells us that the home market conditions can positively or negatively impact SME internationalisation while entry mode selectin can be strategically used to bridge voids. There are a number of entry modes available to SMEs, however they are predominantly seen to take up less resource heavy entry modes. Emerging literature however challenges that. Through networks, SMEs also have a number of entry modes available to them, and those are of particular importance given the RVC opportunities in Africa.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Research Questions

This chapter is an extension of the previous chapter because the research questions that are posed in it result from constructs that emerged consistently in the literature review. Despite the many possible angles available to approach the research, the research questions were limited to three, allowing the researcher to focus on obtaining answers to questions in those areas where literature was scant or that needed further development. Three main questions helped the researcher to explore insights; they were a means to probe the research topic through the process of data gathering.

Research Objectives:

Explore the Various Entry- Mode Strategies Used by South African Micro Enterprises to Bridge Institutional Voids.

The main research question:

The research examines the impact of home-market institutions on entry strategies utilised by South African SMEs when regionalising into the Rest of Africa

Research Question 1:

What institutional voids from the home to the host country are experienced by South African SMEs internationalising in the region?

While home-country support allows local firms to overcome internationalisation difficulties and gain competitive advantage abroad (Cuervo-Cazurra, 2008), this is aided – as an example – through resource allocation and through possessing both economic strength and a level of development (Child et al., 2022). The host country's institutional context plays a substantial role in a firm's choice of entering its market, because, post entry, the firm must abide by local rules (White et al., 2019).

Research Question 2:

When entering the Rest of Africa, how do South African SMEs overcome institutional voids through formal and informal institutions?

Institutional overlap versus institutional distance perspectives is beginning to explain why firms are able to internationalise into markets despite the so-called distance (Dow, 2017; Verbeke & Tulder, 2018). Three South African EMNEs, namely MTN, SAB and MassMart, successfully entered and grew in African markets whose governance scores were sub-par according to the World Bank governance indicators (White et al., 2019). In the case of those EMNEs, the impact of the host country's weak institutional regional environment was mitigated by utilising joint ventures, wholly-owned subsidiaries and partnerships with government as an initial mode of entry. This enabled these South African giants to help shape the institutional environment (White et al., 2019).

In closing institutional gaps, emerging market governments play an important role in promoting entrepreneurship, which is often achieved by using intermediaries. These intermediary organisations mainly assist entrepreneurs to gain the necessary skills through training interventions or incubation programmes so that they ultimately qualify for business resources and funding, given the lack of VC funding available in emerging markets, and finance to entrepreneurs is still maturing (Armanios et al., 2017).

***Research Question 3*:**

What entry mode is most favourable given the current institutional voids in the African region?

Firms that seek to do business in a foreign market must choose the most suitable mode of entry (Anderson & Gatignon, 1981; Pehrsson, 2008). The entry mode will enable the firm to do business outside its home market by facilitating, through institutions, the movement of its products and/or services into the destination (Pehrsson, 2008).

Entry modes can be categorised by using a level of control (Anderson & Gatignon, 1981), where having some form of control is a prerequisite to market entry. This can be either through full control or shared control (Pehrsson, 2008). Given their resource constraints, SMEs find it more challenging to use resource heavy entry modes.

White et al., (2019) and Meyer and Peng (2016) suggest that countries with higher institutional predictability attract more high-commitment entry modes. For SMEs in particular, exporting, given it is less resource-heavy, is the most accessible means of entry into foreign markets (Vendrell-Herrero et al., 2017).

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The topic of this paper aims to explore impact of home and host-market institutions on entry strategies used by South African SMEs when regionalising into the Rest of Africa.

In their study, Rottig et al. (2020) highlight that qualitative research is recommended for exploratory questions. Qualitative research methods are designed to express the experiences of research participants and to take into account their context (Ponterotto, 2005).

The researcher, therefore, decided on a qualitative research method, using interpretivism as a means to make sense of the realities and findings of the research participants who took part in the exploratory interviews. The intended approach to theory development was inductive where data collection took place during semi-structured interviews.

4.2 Outline of Research Philosophy

According to Creswell et al. (2007), researchers need to take philosophical assumptions into account because these will govern which approach should be selected over the others. Saunders et al. (2019) state that the main assumptions when looking at research philosophy are ontology, epistemology and axiology. Epistemology and ontology hold rather divergent assumptions about the nature of the world and how nature should be investigated (Ponterotto, 2005).

Ontology makes assumptions about the nature of reality (Saunders et al., 2019), moreover, what the nature and form of reality are for the reseacher (Ponterotto, 2005). This further links to how positivism and interpretivism perceive ontology, where the former believes that there is one true reality and that reality is measurable, while the latter believes that there are multiple constructed realities rather than one single form, and that reality is subjective to individual experiences (Ponterotto, 2005). Given the choice to explore a qualitative research topic, the researcher used interpretivism. This philosophical approach enabled the participants to fully give an account of their reality. This was further enhance by using open-ended questions in the interview protocol with the use of prompts where it was necessary.

The purpose of this research is that of exploration. The researcher selected an approach that enabled the participants to give a full account of their reality – this was further enhanced by leaning towards open-ended questions with the use of prompts where necessary.

Epistemology makes assumptions about what constitutes knowledge (Saunders et al., 2019), positivism would be concerned with the objectivity of knowledge, and interpretivism would be concerned with the dynamism of the engagement between the researcher and participant (Ponterotto, 2005). Positivism in epistemology ensures that rigorous standards and procedures are followed in the research process and the non-existence of biases (Ponterotto, 2005). An assumption on interpretivism suggests that dialogue and interaction bring about deep insights. By unpacking the research questions outlined in chapter 3 into an opened ended interview protocol, the researcher got deep insights through engagements with research participants. The first question on the interview protocol “Tell me about your business and the products and/or service the business has regionalised?” was designed to get as much insight from the participants without being too prescriptive on the manner that questions needed to be answered. This led the participants to give salient experiences about regionalisation upfront. The last question “Is there anything about regionalisation which we have not covered” enabled the participants to either bring up points that they did not cover in questions that were already asked or give new insight on in line with regionalisation. To evidence these unique insights, quotations were recorded on chapter 4 as part of the research theme findings.

By unpacking the research questions outlined in chapter 3, the researcher gained deep insights through engagements with research participants. To evidence the themes through the lens of the participants, where the researcher felt the participant’s articulation captured unique insights, quotations were recorded, and are recorded in chapter 4.

Lastly, axiology is about understanding the role of values and ethics in making assumptions, and researchers are encouraged to present a statement of personal values (Saunders et al., 2019). While positivism views value and ethics as factors that should not be in existence, interpretivism posits that the researcher’s personal experiences cannot be disregarded in the research process.

The researcher documented their values as part of the study's axiology and data integrity in order not to influence the study's outcomes.

4.3 Research Assumptions

A paradigm sets out the context for research (Ponterotto, 2005). The dominant research paradigm in IB, positivism, posits that phenomena are understood through objective facts which can be modelled to give true explanations that can still be reached without the researcher (Sanchez et al., 2022). The scientific methods require that there be a systematic observation and description of the phenomena, and that the phenomena must be contextualised within a model, the hypothesis must be tested in a controlled environment through inferential statistics and an interpretation of results ought to be done about the outline theory (Ponterotto, 2005).

In contrast to positivism is interpretivism, where researchers find meaning through people's lived experiences (Sanchez et al., 2022), and what is important is understanding the meaning from each participant's reality, and it requires the researcher to move away from pre-conceived ideas. Interpretivism is concerned with the essence (Sanchez et al., 2022) and the hidden meaning, which can be understood through deep reflection (Ponterotto, 2005). As a result, the conversation between the researcher and the subject is central to the process (Ponterotto, 2005).

Both qualitative and quantitative studies can use positivism by relying on statistical and non-statistical data to observe patterns, to search for relationships and generalisations (Sanchez et al., 2022b).

For this study, the researcher used interpretivism because it enables the research questions to be answered through lived experiences to gain the deep insights for meeting the study objectives.

4.4 Approach to Theory Development

The research used an inductive approach to theory development because this is the method for exploring research questions using interpretivism (Ponterotto, 2005; M. N. Saunders et al., 2019).

4.5 Research Strategy and Method Choice

The researcher used the qualitative exploratory research approach in aiming to understand the institutional voids experienced by South African SMMEs who have regionalised into the Rest of Africa. This was done using face to face semi-structured interviews with individuals from various businesses. The interview platform was MS Teams and Google Meets.

4.6 Outline of Population

The study population are South African SMMEs that have regionalised into the African continent and those who are in late-stage engagement. A complete list of SMMEs doing business in the Rest of Africa can be found with the South African Reserve Bank and the South African Revenue Services. This list is, however, not available to the public.

South Africa boasts 24% of its SMEs in manufacturing, agriculture and construction (Seda, 2023); the researcher selected SMEs in these sectors for the study as they are arguably relatively movable products or services.

4.7 Unit of Analysis

Units of analysis for case studies can refer to an individual or a group, an organisation (business or association), a process or an event, a programme, or an activity (Creswell et al., 2007; M. N. Saunders et al., 2019).

Within the organisation, the researcher interviewed the decision-makers with influence on the Rest of Africa operations. Majority (90%) of the participants were the founders who are directly involved in the day- day operations.

4.8 Sampling Technique and Sample Size

Researchers can use a combination of sampling methods to access the targeted population (Saunders et al., 2019). A total of 37 firms were contacted to take part in the study. 10 response and a sample of ten firms were be selected to take part. The interview was conducted with one person, that being an executive controller or a founder or a key decision-maker on the Rest of Africa operations.

The researcher used three non-probability sampling methods. Haphazard was used for convenience as the researcher access to SMEs working with a USAID SME programme tp assist with internationalisation. The study then used purposive sample to make sure that the participants would be able to answer the research questions. Where the target sample was not reached in the first two, the researcher used the snowballing method and relied on their professional network to gain two participants.

Description of Sample

The profile of the participants are shown on the table below. The aspects of the participants' demography that have been recorded are only those required for answering the research questions.

Nine of the ten participants were founders or co-founders of the businesses that took part in the study, all whom are very active in the day to day running of the businesses. From an operations perspective, one participant had over 21 years in operation, while another between 16–20 years. Three participants had between 11–15 years of operation while the majority, totalling four participants, had between 6–10 years. One participant had between 1–5 years in operation.

Sector representation was split mainly between technology and manufacturing enterprises, with one participant being diversified. Within technology, one firm was interviewed business-to-business (B2B) with another, the other also having business-to-customer (B2C) offerings. All the food enterprises were manufactures in the oil, baked goods (packaged), energy supplement and beverage subsector – the representation was two firms across all subsectors apart from beverage which had one participant. One participant was diversified, participating in agriculture, financial services, property and manufacturing.

All but one participant was based in South Africa, with the participant in Zambia located in their subsidiary operation in Lusaka. Within South Africa, four of the participants were based in the Western Cape, followed by three in Gauteng while Limpopo and KwaZulu-Natal had one participant each.

4.9 Research Instrument

The instrument used for the research to collect data was open-ended questions formulated by the researcher (see appendix). While maintaining structure, probing questions were effectively used to explore responses that are of significance to the research topic (Saunders et al., 2019; McCracken 2011). Probing and pre-empting questions were selected to encourage participants to provide extensive answers (McCracken 2011). The protocol had four sections to the interview, as an opening, posing a firm-level questions to understand the product offering and how they regionalised. The second part was be about the home and host-country formal and informal institutions. Section 3 covered the host market voids and how they were overcome using the choice of entry. The last question was to assess which entry mode was preferred and cover points the participants felt were not covered in the protocol but were crucial to add on the research about regionalisation.

4.10 Data Collection

Data were collected for the research in order to answer the research question articulated in chapter three. Data collection in qualitative research can take many forms, which includes interviews, observations, documents, and artefacts (Creswell et al., 2007). This research collected data through ten semi-structured interviews,

To ensure the purpose of the study is clear, the researcher used an interviewer guide (McCracken, 2011). Participant interviews were confirmed directly with participants via email, and a diary invite with an online meeting link would be sent along with the consent form that participants were requested to sing prior to the interview. None of the participants returned a signed consent form, thus the researcher read the consent form at the beginning of the interview for permission to proceed as well as to request permission to record. Subsequently, upon request to the participants over email, the researcher was able to enlist the services of a transcriber. These offered anonymity, thus replacing the participants' names with letters determined by the researcher.

The researcher collected data over a period of six weeks with three interviews taking place in the first week and the rest spread out to accommodate participant's schedules.

The researcher selected four sections for the interview. As an opening, posing firm-level questions to understand the product offering and how they regionalised. The second was about the home- and host-country formal and informal institutions. Section 3 covered the host market voids and how they were overcome using the choice of entry. The last question was to assess which entry mode was preferred and to cover points the participants felt were not covered in the protocol but that were crucial to add on the research about regionalisation.

The researcher provided a consent form to all the research participants via email ahead of the interview. None of the participants returned a signed consent form, thus the researcher read the consent form as a statement at the beginning of the interview for permission to proceed as well as to request permission to record. Subsequently, upon permission grated by the participants on a follow up email, the researcher was able to enlist the services of a transcriber. The transcriber signed a confidentiality agreement - refer to the contract example on appendices. To offer anonymity, the participants' names were replaced with letters determined by the researcher for the transcript saved at the GIBS repository. As mentioned above, all interviews were conducted online via MS Teams for all but one participant. The average interview time was 61 minutes, with the shortest being 42 minutes, and the longest being 1 hour and 27 minutes. The longest interview was with participant 3, AWK, and was held over one session with the participant needing to attend to two matters at their home, which was their location. The shortest interview was with a participant 7, BWR, who had asked for, and was provided with, sample questions prior to the interview.

4.11 Proposed Data Analysis

The researcher used an inductive data analysis approach which included a process following the following steps:

- Condensing interview transcripts into summaries
- Establishing links between research objectives and findings
- Developing a theory or model about the experiences and processes in the raw data (Saunders et al., 2018).

The process of inductive coding to develop themes is shared by Saunders et al., (2018).The process was applied in the process below:

- Data cleaning: voice recordings were provided to the transcriver to transcribe the interviews into a dialogue. The transcripts were received from the transcriber and cleaned up for errors and against the interview notes.
- A close reading of the text: The researcher then read closely to understand for meaning, this was also done by relistening to the audio recordings.

- Creation of categories: the clean-up up transcripts were then loaded on Atlas TI for coding and theming using systematic coding. 367 initial unique codes were created. At the end, these were reduced through categorisation.
- Overlapping coding and uncoded text: similar codes were then grouped into themes in preparation for conceptualising chapter five.
- Continuing refinement of category process: continuous amendments of codes, categories was done as the framework was being developed. At the end, 147 themes emerged.

4.11 Data Quality

Data quality issues associated with semi-structured interviews include reliability, forms of bias, cultural differences, transferability, and credibility (Saunders et al., 2019).

To address reliability and credibility, the researcher minimised changes in the interview guide (Barnard & Mamabolo, 2022) and did a pilot study one month before the data collection process.

Given the researcher had little knowledge of some of the participants' businesses, to build rapport the researcher used cultural reflexivity by visiting the interviewers' workplaces and observing the environment before conducting interviews (Saunders et al., 2019). The rapport was managed so as to not create too much familiarity (McCracken, 2011).

4.12 Data Storage

All the collected data from interview processes, being transcripts and recordings, will be aggregated and stored without identifiers on a UP system for a period of 10 years. This forms part of the University of Pretoria's Gordon Institute of Business Science examination requirements.

Ethical Considerations

Confidentiality and anonymity: The researcher ensured the anonymity of participating organisations and individuals as well as their information about their network. Raw data has been transcribed and saved on the GIBS info central page in such a way that participants cannot be identified to protect the identities of the organisations or participants (Saunders et al., 2019). In addition, the researcher sought permission from the participants before publishing (Saunders et al., 2019).

Informed consent and voluntary participation: The researcher provided a consent form to all the research participants ahead of the interview. None of the participants returned a signed consent form, thus the researcher read the consent form at the beginning of the interview for permission to proceed as well as to request permission to record. Subsequently, upon request to the participants over email, the researcher was able to enlist the services of a transcriber. To offer anonymity, the participants' names were replaced with letters determined by the researcher in the transcipts and the research. This is presented in chapter five (Saunders et al., 2019).

4.13 Study Limitations

Despite the use of exogeneity in experiments, they are still susceptible to threats of internal validity (Zellmer-Bruhn et al., 2016). The limitation to the study may be the concentration of SMEs in one of the chosen sectors over the other. To mitigate this, the researcher reached out to trade programmes and financial institutions for a more diverse list of participants. The second limitation could have been the ability to access the owner of the businesses or the key decision-makers, as those partaking in internationalisation activities are expected to travel. To manage this, the researcher made provision for video conference interviews.

5.1 Introduction

Description of the Sample

The profile of the participants is shown on the table below. The aspects of the participants' demography that have been recorded are only those required for answering the research questions.

No.	Identifier	Role	No. of years in operation (1-5, 6-10, 11-15, 16-20, 21+)	Sector	Participant country location	Location of business
1	ANK	Co-founder and Partner	6–10	Technology - B2B	South Africa	Gauteng
2	KCC	Co-founder and Managing Director	11–15	Technology - B2C/B2C	Zambia	Lusaka
3	AWK	Co-founder	16–20	Manufacturing – Baked	South Africa	Western Cape
4	MLB	Founder	6–10	Manufacturing – Baked	South Africa	Gauteng
5	LMU	Founder	6–10	Manufacturing - Oil	South Africa	Western Cape
6	BWR	Founder	11–15	Manufacturing - Oil	South Africa	Western Cape
7	SGE	Founder	21+	Manufacturing – food supplements	South Africa	Kwazulu Natal
8	WVM	Founder	1–5	Manufacturing – energy food	South Africa	Limpopo
9	CWB	Head of International Sales	6–10	Beverages	South Africa	Western Cape
10	WBF	Founder and CEO	11-15	Diversified	South Africa	Gauteng

Table 4: Profile of participants

The researcher provided a consent form to all the research participants ahead of the interview. None of the participants returned a signed consent form, thus the researcher read the consent form at the beginning of the interview for permission to proceed as well as to request permission to record. Subsequently, upon request to the participants over email, the researcher was able to enlist the services of a transcriber. To offer anonymity, the participants' names were replaced with letters determined by the researcher. As mentioned in chapter 4, all interviews were conducted online via MS Teams for all but one participant. The average interview time was 61 minutes, with the shortest being 42 minutes, and the longest being 1 hour and 27 minutes. The longest interview was with participant 3, AWK, and was held over one session with the participant needing to attend to two matters at their home, which was their location. The shortest interview was with a participant 7, BWR, who had asked for, and was provided with, sample questions prior to the interview.

As presented in table 4 above, nine of the ten participants were founders or co-founders of the businesses that took part in the study, all whom are very active in the day to day running of the businesses. From an operations perspective, one participant had over 21 years in operation, while another between 16–20 years. Three participants had between 11 - 15 years of operation while the majority, totalling four participants, had between 6–10 years. One participant had between 1–5 years in operation.

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All but one participant was based in South Africa, with the participant in Zambia located in their subsidiary operation in Lusaka. Within South Africa, four of the participants were based in the Western Cape, followed by three in Gauteng while Limpopo and KwaZulu-Natal had one participant each.

5.2 Representation of Results

The results are presented in line with the research questions posed in chapter 3. The ten semi-structured interview transcriptions were analysed using the thematic analysis from 147 codes that were grouped in code groups, categorised and then themed.

Results from Research Question 1

Research question 1: What institutional voids from the home to host country are experienced by South African SMEs internationalising in the region?

The intent of this question was to bring forth the home-market conditions that either enable or inhibit SMEs from entering the Rest of Africa. The aim was to unpack the South African market conditions, stakeholders and institutions, and their impact on the SME's ability to regionalise. Themes were grouped into home-market country specific advantages, home-market barriers, home-market formal institutions and, lastly, home-market stakeholders.

Country Specific Advantages (CSA)

CSA emerged from the data analysis process with three main themes: production factors, country competitiveness and the MNE landscape. These CSAs are seen to enable SMEs to regionalise on the African continent.
Table 5 below covers the code category groupings that will be discussed under each theme.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ1	Labour conditions	Production Factors	Country Specific Advantages
RQ1	Production		
RQ1	Natural commodities		
RQ1	More stable and advanced financial market	Country Competitiveness	
RQ1	Stronger country brand		
RQ1	Market saturation		
RQ1	Large number of reputable MNEs	MNE Landscape	
RQ1	Africa focused MNEs		

Table 5: Thematic code groupings and themes for Country Specific Advantages

Production Factors:

The participants viewed the South African production conditions to be an enabler for their businesses. Labour conditions, for a start, are viewed as relatively favourable for small business because South Africa has many unemployed and relatively well-skilled people to support their level of production. In addition, South African labour costs are seen to be low enough to enable manufacturing SMEs. One respondent said:

> *We've got, our labour is relatively, let's say, inexpensive versus the rest of the world*

(CWB)

Another participant's business is centred on the vast amount of available labour and job scarcity. They said:

> *All in all, what we do is we create employment for previously unemployed women from informal settlements in and around [redacted – province]; a number of women who work for us have not had any formal education; therefore, their barrier to entry in the workplace is due to their inability to speak and write in English, so by the worldly standard they are unemployable, so that is the heart of [redacted – company name] where we teach these women how to hand-make*
> (AWK)

One participant in the technology space viewed the post-Covid environment to be more conducive for remote working and the rendering of services while working remotely. Both participants in the technology space leverage remote working in their companies. Thus, while the staff may not be seated in South Africa, the company is able to leverage the global connectivity. One of the participants said:

> *We then re-opened our office in Bryanston, Peter's place, which was a very beautiful place. Then Covid hit, and we realised we did not need it, and we decided to close it down. We then decided to go to Regus, the Regus type of office. At the moment, we do not have an office; we work remotely because one of our members works in England, one in Zimbabwe, then there is one in Johannesburg*
> (KCC)

There was much consensus about how South African standards influence the SMEs ability to regionalise. First, the respondents perceived South Africa as a much more developed market in the African region. As such, it enables higher production and manufacturing standards. Secondly, participants view the level of institutional innovation in South Africa to be relatively beneficial as they are able to offer unique products which are adaptable to the African. One respondent said:

> *South Africa's got great produce and great quality produce, and there's, you can find almost anything here in terms of food and beverage. That is why we can supply. You name it, we can supply it, you know, every sort of beverage you think of*

(CWB)

For many participants, quality was tied to their competitive advantage in the host market. They said:

So, from quality perspective and taste profile … when you look up in the Africa trade [it is higher]
(AWK)

So, you have to look for [local] competitors because … I want my product to stand out, and maybe somebody can ask in what way? [for the business it is] in terms of quality of the product
(MLB)

They [host-market wine distributor] understand the process, they understand that it's made artisanally that there's quality
(BWR)

Lastly, under the production-factors theme is South African commodities. Two participants use South African commodities in their manufacturing; both participants, one who has been in business for 21+ years, see the ability to access an internationally available yet locally grown commodity advantageous to their ability to manufacture, while the other relies heavily on indigenous raw material available within SADC. One participant said:

Maize … is actually very stable in terms of rand value. It has a price internationally, and we do not have any shortage of it
(SGE)

On the contrary, given the informal nature of harvesting the indigenous raw material, the other said:

The [redacted - raw material] is available everywhere. There is nothing advantageous about having access to it as anyone can get it, apart from the fact that it's freely available in its quantities, both in South Africa and the SADC belt
(WVM)

Country Competitiveness

Participants view their home market, South Africa, to be very competitive in the region, and also promote competition within. Two aspects of competitiveness which arose were the financial markets where participants really relied on the rand stability in order to remain competitive on the continent. Participants added that, despite the rand weakening over the last couple of years, the currency is more stable than some of the markets that they do business in. One participant said:

> *We tried to take advantage of the currency stability. The SA rand did experience some challenges over the last ten years, but as compared to other currencies it's probably a bit more stable. So it sort of gives you some kind of guarantees.* (KCC)

Secondly, participants felt that the South African interest rates were more favourable in the region and this enabled them to keep rand or dollar reserves in their location. Some participants did, however, feel that the South African Reserve Bank can be very stringent about rules for moving money between countries, and some felt that tax treatments from the South African Revenue Services between parent and subsidiary could be improved. A participant said:

> *Yes, I think it has to do with our South African Reserve Bank; they make it difficult for funds to flow out of SA to the region and for it to come back. From that perspective, I think that is a big hurdle to any flow of capital to do these investments* (WBF)

While not as negative about them, this participant did not foresee the SARB adding further value to enabling regional transactions.

> *[T]he banks did what was expected of them to do if you were in need of two hundred dollars, you need some approval, so you go to your banker and say you arrange some approval, and you get the reserve bank approval, but I do not think that they aided us. I would not want to give any institution any credit, to be honest* (KCC)

Despite some participants noting the challenges experienced by Brand South Africa, there was a strong sentiment from them that South Africa's country brand remains strong in the African region. This, and the associations tied to quality of product mentioned on CSA above, they felt enables them to be better received in African markets. Participants mentioned that South Africa is also seen as an advanced market in the African region, enabling them a softer landing when having business conversations.

Though market saturation can be seen as a negative aspect, in this case participants reported that saturation of the South African market was a positive push. As a result of the highly competitive environment in South Africa, they have had to find locations with a high demand for their products. Outside South Africa, densely populated markets are a target for technology companies and those that have a sizable middle class are targets for manufacturers. One participant said:

> *It's a difficult one, we are worried about the market here in SA the truth is it's more of a push factor from the SA side and a cool factor from the sub-Saharan side*
> (WBF)

Two other participants added to the point of the South African market being "small" and that there is greater opportunity elsewhere. This participant said:

> *It also shows you the size of our market in South Africa, you know, it's relatively small, and then you look at the rest of the world that's out there. It's fantastic actually by dealing with exports*
> (CWB)

And another one said:

> *For example, in places like Botswana and Namibia, there is a band of middle class who can afford my product*
> (LMU)

The MNE Landscape

During the interviews, participants were asked about the institutions that either enabled or acted as a barrier to regionalising, and where participants saw links to the South African environment as an enabler for regionalising. An overwhelming number of participants mentioned South African MNE/MNC in both a positive and a negative light. The negatives will be discussed under the “barriers” theoretical category, which follows this one. South African Multinational Corporates (MNCs) have aided in charting the route for South African MNEs to market into the African region. Given the vast number of South African MNEs who have regionalised, South African SMEs find themselves leveraging trust built by successful MNEs who have regionalised. One participant in technology said:

> *I think it’s because we are a B2B, they will say you build something for [a specific market] … leading [into the region] with a big brand like Old Mutual, RMB, FirstRand and that allows it to be easier than you trying to do it alone*
> (ANK)

Another, who is a beverage manufacturer, said:

> *I think it's just a question of reputation. We've got one of the best beer companies in the world, one of the biggest beer companies in the world. The Springboks had Switch on their branding, which is a great local brand for energy drinks and for hydration. So, people do notice, and our wines are fantastic. So, people do notice from a beverage side what South Africa is capable of and the brands that come out of South Africa. There are a lot of famous brands that come out of South Africa*
> (CWB)

On the Africa focus, one participant said:

> *[As an entry point] I think the advantage, without a doubt, is that we work with a lot of organisations that are all Africa focused by their headquarters here in SA*
> (AWK)

Home-market Barriers to Regionalising

In questioning participants on enabling and challenges to regionalising from a home-market perspective, three main themes emerged. Participants mentioned how the negative country perceptions around social ills, though not a sticking point, is something that potential markets in the continent mention. Production factors and MNEs were themes in the entry enablers; however, they also become a barrier in some instances. The code categories, themes and theoretical categories are in table 6 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ1	Social and political ills	Negative Country Perception	Home-Market Barriers
RQ1	Loadshedding	Production Factors	
RQ1	Lack of manufacturing support		
RQ1	Anti-competitive MNE behaviour	MNE/SME Power Dynamics	
RQ1	Power dynamics		

Table 6: Thematic code groupings and themes for Home Market Barriers

Negative Country Perception

The country brand was mentioned above as an enabler; however, some participants responded that the same county brand becomes an inhibitor when engaging the African continent. First xenophobia, which was mostly seen in South Africa towards the Rest of Africa diaspora living in South Africa over the last decade, becomes an sore point for some African customers and business colleagues – although this does not stop business transactions. One participant said:

> *[T]he second one is Xenophobia, but a lot of people really relate to Africans, believe it or not, for instance, when you visit certain countries, people are not really negative they are usually very nice*
> (KCC)

Secondly, from a business development perspective, South Africa's corruption is seen by participants as raising a red flag if they are associated with a South African business. Certain participants experience a level of scepticism when they deal with some potential business partners on the continent. Again, this was not noted as something that stops transactions. And, despite corruption being a factor, another participant said:

> *I think people viewing it on all those other negatives like corruption and stuff like that, and I think when you have conversations with other people, they're really not talking about that, and I think its media sensationalising a whole lot of things*
> (MLB)

The respondents in manufacturing stated that production factors, like the inconsistent availability of electricity and poor support for manufacturing, hampers their growth. Consquently, they are at times not able to meet the demand. Loadshedding was a push factor to find manufacturing facilities in Botswana. One participant said:

> *Loadshedding takes a lot of, so if I go to another country, I'm able to [keep producing]; so for me, these are the benefits [of producing in another country]: If I produce in Botswana, load shedding is not the biggest factor*

The same participant is also having pull factors as the Botswana government is actively engaged with them, and they are now going to manufacture locally in Botswana.

> *So, I'm starting with Botswana, where these wholesalers are saying: "Come, we like your product, tested it. We don't have anything like this; come and do it here."* (MLB)

The findings on MNEs as enablers were discussed above. As a host-market barrier, MNE/SME power dynamics are a hinderance to regionalising. The findings, as mentioned, highlighted the vast number of MNEs and the way they have enabled SMEs by leveraging their footprint, and the home-market trust in them. Participants across all the sectors do highlight the power dynamics that exist between MNEs and SMEs. Participants state that MNEs view them as competition and, instead of enabling their entry into the region through piggy backing, will develop costly and time-consuming retailing and manufacturing processes which SMEs cannot afford to do. For instance, multiple manufacturers stated that, when they sell to retailers, they need a person who will get merchandise into each store location otherwise the product will not sell. One participant (WVM) specifically mentioned how a particular retailer asked them to change their packaging, and listed a number of requirements.

When discussing packaging, a participant (MLB) mentioned how the retailer went as far as asking for the ingredients to be listed in specific measurements – which, owing to the lack of protection of their intellectual property, resulted in their pulling out. The fees attributed to retailing are also mentioned as exorbitant, with one SME stating that, in the distribution model of retailing, the retailer takes the highest margin. If they then have to leverage the retail footprint into Africa, they will need to have a merchandiser in each country location – this becomes a massive barrier. This is overcome using the distributor model which will be discussed in RQ2 on the theme of entry strategies. One participant said:

> *This is the biggest barrier, because a small company like us cannot afford to have merchandisers. Then we thought as an olive oil body, we could employ someone to merchandise just for us, but that's a huge job*
> (BWR)

Another participant, who also happens to be manufacturing the same product as BWR, said:

> *Private sector has never been too friendly. I have never seen an example of them being friendly to SMMEs that are black. The red tapes they want and all these things they want*
> (LMU)

The recorded discussion below is from an interview with one of the participants who shared frustrations with the power dynamics that exist between MNEs and SMEs:

> *Interviewer: Then, in terms of navigating and entering the markets, how have you experienced the process of navigating the host markets that you're going into?*
>
> *Interviewee: It's not easy, right? It's not easy to navigate. I think our biggest, biggest, biggest challenge is big business, right?… so big business doesn't like competition because I always say to them, they must not look at us as competition, but I don't know, I don't have the right word for it, but, you know, they could just tag along, right*? [as in tag along to the SME entering or enable the SME entering]
>
> *Interviewer: Yeah, that's interesting. And when you say big business, are you referring to South African enterprises that are also in the Rest of Africa, or are you referring to local entities?*
>
> *Interviewee: The local [South African] ones, because remember, the majority of the things that you find. South Africa has penetrated the market in a way that sometimes, you know, you can't. So, like, we've got big brands, like your Sasko and other things like that. Like for example, you know, for us to go into the African market, we need to package, right? We need factories that have stuff where you do contract packaging. But you get the likes of your Tiger Brands, where they say:*

"Unfortunately, you cannot contract [redacted – entity name] because there is competition"
(MLB)

The findings on MNEs do not end here. As an active contributor to some of the SMEs, MNEs are legislated to spend 2% of their net profit after tax in enterprise and supplier development – this impact is covered in more detail in the section below on home-market institutions and stakeholders who contribute to their entry.

5.2 Home-market Formal Institutions and Stakeholders

In the analysis, host-market institutions as well as stakeholders were said to have played a role in the SMEs ability to regionalise. The institutions were seen to be either very proactive in supporting SMEs or to be following processes that they are mandated to do. Some receive negative sentiments, while a few received very strong positive sentiments. The code categories, themes and theoretical categories are in table7 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ1	Banks	Private Sector	Home-market Formal Institutions
RQ1	MNE/MNCs		
RQ2	Other SMEs		
RQ1	Home-market distributors		
RQ1	Enterprise and supplier development	Private/Public Partnership	
RQ1	Wesgro	Non-government Institutions	
RQ1	Department of Trade and Industry	Government Institutions	
RQ1	USAID / USA Government		
RQ1	Department of International Relations		
RQ1	Provincial departments		
RQ1	Intergovernmental organisations		
RQ1	SEFA		
RQ1	SEDA		

Table 7: Thematic Code Groupings and Themes for Home-market Formal Institutions

Home-market Formal Institutions

Home-market stakeholders were broken done into four categories; namely, private sector, private/public organisations, non-government institutions and government institutions.

Within the private sector, three participants mentioned banks as a stakeholder with none having positive sentiments, but rather two neutral and one negative sentiment. For instance, when regionalising, one participant expected banks to leverage their South African profile for banking into Africa; they were disappointed when this was not the case. The other participant said that the banks only did what they needed to do for payments into the region, nothing else. MNCs were, however, highly praised for their enterprise and supplier development (ESD) programme and, while the link may not have been direct, some saw the corporate ESD programmes to have enabled them to internationalise. One participant said:

> [*A*]*nd even our corporate ties you have these ESDs, so all that comes with the privilege of being in South Africa and allows you to do business with other countries*
> (LMU)

Despite the sentiments expressed above on MNEs, they, alongside distributors, are said by the participants to play a massive role in their ability to access African customers. As a formal institution, MNEs enable SMEs to access markets through contracting with the headquarter and providing solutions, firstly, with the South African market. Gradually, the SME is able to penetrate the MNC's market and to follow the MNCs. One participant (LMU) who is already providing product to one of South Africa's major retailers, Woolworths, in South Africa said this:

> *Our key strategy is to get into Checkers, which has a great footprint in Africa in terms of retail, and that is how we want to move our products, especially through Checkers and Shoprite available in Kenya, Angola, and so forth*
> (LMU)

Another one, who is retailing at Woolworths's South African market and is doing white label manufacturing for a Woolworths home brand, said they are also looking to engage the retailer on purchasing their product and taking it into the African region as an additional point of entry. Therefore the Woolworths home brand is an indirect entry as it is available in the African markets.

In enabling scale through the South African headquarter, one participant in the technology space said:

> *The second one is similar to the one we did with Standard Bank, where we reach out to other satellites or motherships or headquarters, as we call it. So you go to a Standard Bank or Absa or any other organisation that has a large footprint in different areas in Africa, and once you build that solution in one of those areas and it easy to scale and repeat it.*

The largest private-sector institution mentioned by participants on their route into African markets is home-market distributors. The detail on the exact entry mode with a local distributor is covered under RQ2, under the theme of exporting. The main takeaway from participants is that distribution can be very costly, and structuring the contract for delivery on South African soil is ideal as it takes away the work of figuring out shipping. One of the participants in the interview said:

> *Interviewee: They [distributor] are re-ordering, we are presuming that the orders are going well. And they all have re-ordered so it has been good for the business.*
>
> *Interviewer: What charges come with this kind of model?*
>
> *Interviewee: Again, we don't take on the duty or the transport charges as we deliver for free to Cape Town. This is because we understand that shipping is the difference between affording the product or not. So we try and do our part, obviously we can't ship to Johannesburg or to Malawi or Zambia or Namibia as it makes it our cost. So they ship it with wine or with other deliveries. They manage the travel with that, so that it's easier for each of us. They know how to bring it in, and they know how to deliver it. Shipping is another whole business so we leave it to the people that know.*
>
> *Interviewer: If I may clarify, what are the benefits of this model?*
>
> *Interviewee: More time to concentrate on the next order. Whereas, if we did get in shipping, imagine how much of my day would be involved with paperwork, delivery,*

delivery times. And when you can see now that I have a delivery with Checkers, my day revolves around that delivery because they expect it at that time. Imagine how much I took out of my business if I took on the shipping. So the shipping is totally different business. And I'm glad we show that now that I think about it. Also, each country is so different: Namibia, Zimbabwe, Malawi, Zambia.
(BWR)

A non-governmental institution was mentioned by multiple stakeholders, particularly the one situated in the Western Cape, as a massive contributor to regionalising. As a precursor to sharing these findings, it was established through the research that trade shows are a very good introduction into host markets. Not just for Africa, but internationally. Trade shows are mainly driven by government institutions. Wesgro, being a non-government institution, is also a big player. In addition to the exhibitions staged in outside markets, Wesgro takes it a step further by arranging meetings with buyers, host-market distributors and decision makers from large potential customers during the trade shows. They are also said to have more links into host markets and tend to be more organised. In addition, Wesgro covers the travel costs associated with trade shows, whereas some government institutions do not. This is important for SMEs because travel costs are a major barrier. One participant said:

Wesgro, I must say, I take my hat off for them; the team there is phenomenal. If you take Wesgro and what they do and fire all the idiots at [redacted - trade department] and put Wesgro … and we have physically seen it. Now, with the Zambia trade show, we had SEDA, DTI, and Wesgro as the Western Cape group. We went with Wesgro, and the rest of the country was supported by the Gauteng Business Development. The difference with Wesgro, because we had discussed this, I met with four hotels, three companies, and one hospital, there are B2B meetings they set up for me, we displayed our product at the [United States Agency for International Development] USAID tent, and they had everyone at the show come to their tent to see what is available internationally and we did not have to go there for five days and stand on our feet and wait for someone to walk by and ask what we do and we had B2B meetings set up by the USAID through Wesgro, whereas none of the other eight provinces had that, if I can say that in Mozambique
(AWK)

Another participant, also located in the Western Cape, said:

We get invited on a weekly basis by a company called Wesgro. To attend trade missions and visits to various countries. Sometimes there's a little bit more sponsorship involved from the country you visit, so they'll pay for the tickets or the accommodation. We run on a very tight budget at our company. We're a small company. So, we cannot just afford ourselves to go on every trade mission
(CWB)

Lastly, on formal institutions are the government institutions which support the exporting and capacity building of local SMEs. A majority of the participants mentioned the role the Department of Trade and Industries (DTI) plays in supporting them with exposure and exporting opportunities. Evidently, the DTI provincial initiatives also contributed massively. The main activity, as explained above, being trade shows to foreign markets. One participant said:

[W]we were actually at a trade show which is a fantastic way of entering any market because you are under the umbrella of organisations like the DTI
(SGE)

Notably, besides the Africa region the DTI has exposed some of the SMEs to overseas markets. This has had a spillover effect, in that it enabled the South African SMEs to test themselves against international standards and pricing which, in turn, contribute to the matters they consider when they regionalise.

Interviewer: Any other home-market conditions?

Interviewee: I travelled a lot with the DTI, not necessarily to Africa but to Peru, Russia, Europe, London, America. One of the things I've come back with is that all those trips not necessarily brought business but it's given me the confidence to say, we make in South Africa some of the best oils in the world at a price point that is most affordable to most consumers everywhere else
(BWR)

Another participant said:

I think in the past four and a half years I have travelled in over four (overseas) countries through the DTI. I have realised that there is nothing I can do in Europe because Africa is the future.
(LMU)

Despite their massive involvement, the DTI did not always earn positive sentiments, such as when participants expressed that they may not always be as organised, not always reliable and may not cover much-needed costs.
One participant said:

The DTI invited us to go to [redacted – international trade show] this year. And then we applied online, and we qualified and everything. And we were approved, and then last minute, they said our application was withdrawn, which really made me angry. Because [redacted – international trade show] is one of the biggest trade shows that we really want to go to, to get our products known
(CWB)

USAID was said by participants to work closely with other organisations to facilitate trade interventions. They were praised for working closely with the DTI and Wesgro to support the AGOA initiatives. USAID was observed to be reputable and trusted by participants. One participant said:

So, having … there are agencies and distributors and then also, but not all agencies, another thing that you can trust, right? So, you learn who's reputable, then check their credibility, their work ethic, and stuff like that. Some of them can be in the market, but is their work ethic what you want to associate with … So, those are the kinds of things that you need, to really get the likes of your USAID.

Other government departments that have been noted for playing a role in the participants' ability to regionalise include the Department of International Relations who facilitated an introduction for one of the participants (LMU) into Ghana. Provincial departments are also said to have a trade mandate. For example, one participant from Limpopo (WVM), who markets an indigenous product, mentioned that the local Department of Tourism introduced them to Namibia.

From a capacity building and training perspective, SEDA was mentioned by multiple participants. The training provided by SEDA enabled the SMEs to build internal capacity to meet their need to service outside markets. One participant who was interviewed explained:

> *Interviewee: You know what is very powerful for me is going on a training course with SEDA. It took me from a one-man-show to a really big business.*
>
> *Interviewer: Really?*
>
> *Interviewee: Really, yes, because I was just … because I was empowered with knowledge that I could actually employ during my growing phase.*
>
> *Interviewer: That is amazing. When was that course?*
>
> *Interviewee: I did it six years ago.*
> (SGE)

In addition, participants need certain licences in order to access outside markets. Ghana, for example, is said to need Food and Drug Approval (FDA) approval for all food imports, and FDA was said to be costly and resource heavy to attain. SEDA, as an enabler, pays for licences required to export. One participant said:

> *SEDA in terms of paying for us, for our ISO 22,000 Food Management Systems, and Hazard Analysis Critical Control Points Processes, and then also paying for, like, SABS testing and all those other SABS certified because we've done those. So SEDA had come in the form of non-financial assistance; they did actually help us with that*
> (MLB)

Home- Market Stakeholders

During the interviews, not much was mentioned – despite probing – about specific stakeholders. However, where there was mention, home-market stakeholder themes were mainly decision makers, support networks and personal networks. The code categories, themes and theoretical categories are presented in table 8 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ1	High ranking people in organisations	Decision makers / influential	Home market stakeholders
RQ1	Business owners		
RQ1	Program staff	Support network	
RQ1	Banker		
RQ1	Personal contacts	Personal network	
RQ1	Extended personal network		

Table 8 Thematic Code Groupings and Themes for Home-market Stakeholders

Participants referred to high-ranking officials in their endeavours to enter the African region, especially when piggy backing or when government institutions are concerned. One participant in the IT space mentioned how they would engage the most senior decision-maker directly in order to ensure alignment and that their services are enlisted for regional rollout. As far as participants are concerned, the same applies to home and host markets when piggy backing: both countries need to be aligned on the plan.

> *Key stakeholders that would make headway for you, lastly, within the same space, so your business owners, your procurement, head of sales, head of legal if it's a legal solution and, on the consumer end, whoever is heading that is very important in terms of connecting the dots for you. The product owner or CEO will drive the mandate to say there is a new digital service that is there, and we are driving it, but from a business ownership point of view, those people bring functionality or context to say why this would add value*
> (ANK)

With regard to institutions, participants leveraged programmes' implementation and support staff to maintain their connection in order to benefit further from some of the trade facilitation initiatives.

Some participants relied on both their personal network and the formal institution's network to get themselves to the point of exporting or regionalising. Two participants even noted that there was no intervention outside their personal network that enabled them to do business in foreign markets. One participant said during the interview:

Interviewer: [to confirm] No South African organisations, stakeholders, or people generally who aided you to enter those markets?

Interviewee: No. Not necessarily. I am trying to think, to think … could the banks helped us? I mean, the banks did what was expected of them to do if you were in need of [transferring] two hundred [thousand] dollars, you need some [Reserve Bank] approval, so you go to your banker and say you arrange some approval, and you get the Reserve Bank approval, but I do not think that they aided us. I would not want to give any institution any credit, to be honest … we mostly did it ourselves and though our own network.

Another participant said:

Interviewer: in terms of the entry mode, you mentioned your contact – who would you say in your home market helped you in your regionalising? Like people who have helped you get into the markets you go into.

Interviewee: Ourselves, we did it ourselves! Because we've lived there, we understand the market, and they understand us.

5.3 Host Countries

Based on the responses, the participants' relationship to host markets can be categorised into three, namely: existing host countries, targeted host countries and host markets that have been exited. The majority of markets were existing.

The code categories, themes and theoretical categories are in table 9 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ2	Existing host countries	Presence Markets Outside SA	Host Country
RQ2	Targeted host countries		
RQ2	Exited host countries		

Table 9: Thematic Code Groupings and Themes for Host Countries

Existing host markets outnumbered the targeted and exited countries with majority (70%) of countries with already existing sales while three participants are at the tail end of negotiations with new host markets. Mozambique has the highest count for the existing markets among the participants. Analysis reveals that for three participants already present there, and despite the distance, Kenya has the highest count, while two participants have it as a target market. Of the participants, AWK and WBF have the highest number of existing markets each (n=6), followed by CWB and WBF with four and five respectively. Table 10 below displays a count of host countries with the all the participants.

Host-market Geographic Location Selection

Countries of entry are also sorted by African Union region categorisation (Onambele et al., 2022) to analyse for geographic distance. Southern Africa is the leading region of entry, closely followed by East Africa making East and Southern Africa host regions for the participants.

. No.	Region (African Union Categorisation)	Host Country	(n)	Existing	(n)	Target	(n)	Exited	(n)
1	**East Africa**	**Ethiopia**	1	KCC	1				
2	**East Africa**	**Kenya**	5	WFB, ANK, CWB	3	MLB, BWR	2		
3	**East Africa**	**Mauritius**	3	WBF, ANK, CWB	3				
4	**East Africa**	**Rwanda**	1	ANK	1				
5	**East Africa**	**Seychelles**	1	ANK	1				
6	**East Africa**	**Tanzania**	2	WBF, CWB	2				
7	**East Africa**	**Uganda**	2	WBF	1	KCC	1		
	East Africa total		15		12		3		0
8	**North Africa**	**Egypt**	2			MLB, SGE	2		
	North Africa total		2	0	0		2		0
9	**Southern Africa**	**Botswana**	3	WBF	1	SGE, MLB	2		
10	**Southern Africa**	**Eswatini**	1	ANK	1				
11	**Southern Africa**	**Malawi**	1	BWR	1				
12	**Southern Africa**	**Mozambique**	4	AWK, WBF, SGE, CWB	4				
13	**Southern Africa**	**Namibia**	3	CWB, BWR	2	WVM	1		
14	**Southern Africa**	**Zambia**	3	KCC, BWR	2	AWK	1		
15	**Southern Africa**	**Zimbabwe**	1					KCC	1
	Southern Africa Total		16		11		4		1
16	**West Africa**	**Ghana**	2	KCC	1	LMU	1		
17	**West Africa**	**Nigeria**	3	ANK	1	SGE	1	CWB	1
	West Africa Total		5		2		2		1

Table 10: Count of Host Countries, and Categories Across All the Participants

Host Market Selection Considerations

When choosing a host market, participants who are exporting said they firstly consider the population size; countries with bigger populations are preferred. Secondly, logistics is a major consideration when they seek a distribution partner. While bringing a new product into the market was a consideration, participants also took into account how extensive the host market's gap in knowledge would be, and the level of similarity in tastes, culture and their ability to adapt to local host-market tastes. In markets where the product is typically consumed by the middle classes, population size is not necessarily considered when the exporters seek to find their niche. The SMEs that piggy back have opportunities to choose countries made available by the parent company's regional footprint from their HQ operation in South Africa. Lastly, participants in multiple markets chose countries as a diversification strategy, given that markets tend to be strong in one major commodity. One participant said:

> *In Ethiopia we were a bit calculative in that we asked ourselves what the second biggest market in Africa was, you got a hundred million people. There was one [redacted – technology service] over a hundred million people, 94 % still doing [redacted – technology product]. It was just so legit, and we spent all these years learning how to do this business, this thing is meant for us – let us go. We went and spent a week there, so it was really about the opportunity in the market. We (also) always had issues of diversified revenue where we had a theory in place where we said diversify everything*
> (KCC)

Another participant who focused on diversification said:

> *That is also the diversification, and we want to diversify our operations. So, from that side, it's straight-down reciprocation. If you look at our business model, we diversify from a business side and now we want to diversify from a country perspective.*
> (WBF)

Host Market Barriers and Voids

During the interviews, participants highlighted host-market entry barriers and voids where the barriers were from, they said, the level of intervention by formal institutions on trade. The main themes that emerge include host-market entry barriers, distance and instability. The code categories, themes and theoretical categories are in table 11 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ2	Costs of doing business	Maintaining Host Market Competitiveness	Host-market Entry Barrier
RQ2	Switching cost		
RQ2	Cost of physical presence	Travel	
RQ2	Knowledge of local dynamics	Distance	Host -market Voids
RQ2	Language		
RQ2	Culture		
RQ2	Navigating local landscape		
RQ2	Poor regulatory transparency	Political and Regulatory Landscape	
RQ2	Poor stability		
RQ2	Formal SME support		

Table 11: Thematic Code Groupings and Themes for Host-market Barriers and Voids

Maintaining Host Market Competitiveness

Participants mentioned that there is a challenge in maintaining competitiveness despite the host market presenting opportunity. First, the cost of doing business in host markets is said to be high because of the cost of distribution and human resource required to merchandise stock in retail stores, affecting the profit margins for the SME. Retailing, at this point, is said by SMEs not even to be an option if they operate directly, without a South African MNE. Secondly, when SMEs have to set up bank accounts or local registration, there needs to be a local agent that works with set ups, and that service comes at a fee. At times, registration is renewed annually. Lastly, in two of the markets, one participant had to have funds in cash deposits upfront. They said:

> *I actually applaud anyone who runs a company in Ethiopia. In order to be legible to open up a business in Ethiopia, you needed to have two hundred thousand dollars*
> (KCC)

Owing to the impact of the distribution model, some markets are not able to afford the product, especially when they do not know the brand. Moreover, some participants noted that, owing to the high quality of South African production output, at times they struggle to compete with lower-quality products. The South African MNE retailed products that are produced in bulk and thus benefit from economies of scale also become their competitors.

Being physically present is said by the SMEs to be a costly and time-consuming exercise. One participant said:

> *Now, if you do not go into partnerships and want to go into those areas directly, take everything I have said and what I am about to say: the company needs to be registered there … Visas, because you need to be on the ground, so you need to look at that. You need to consider vaccines and accommodation, and then … a sim card for communication, and having someone on the ground who can move with you and tell you where stuff is*
> (ANK)

Distance

During the interviews, a majority of the participants mentioned language as a consideration when entering the African region. Markets where English is not mainly spoken is said to be challenging and, despite Mozambique being the highest existing market among the participants, the language is said to be a void given that business is mainly conducted in Portuguese. Packaging in Mozambique has to be completely changed to the local language and, in most instances, the product or service offered has to adapt to accommodate the dominant local language. Anglophone markets are said to be less challenging than francophone markets.

Cultural uniqueness is also a factor in entry decisions, where some participants mentioned that they have to consider the local cultural environment in terms of behaviour, tastes and preferences before bringing a product or solution into the market. Adaptation was a word used as a response to local uniqueness. For some markets, however, participants mentioned that similarities do exist and adaptation is not a consideration.

Lastly, most participants emphasised the voids caused by the difference in market conditions, as well as by a lack of knowledge thereof. To understand local conditions, participants mentioned, is a key driver to entry, thus it is necessary to learn various ways of closing the knowledge gap. Having someone local to loop back on for context was mentioned as being critical, whatever the entry mode. In certain markets, hiring of locals as part of doing business is a requirement. With distributors, some participants even take it a step further to get their own feedback. One participant said:

> *I think again it's to get the monitoring right and ensure a reporting system between you and distributor that you can see. To our advantage we have software on [*Customer Relationship Management*] CRM you can use and it's something we have started to write in the background when we onboard a distributor from 3rd party survey*
> (AWK)

Political and Regulatory Landscape

During the interviews, the political and financial landscape was said to be a void that impacts entry into the African region. Currency volatility was mentioned by some participants as a hindrance to trade. Some participants viewed political instability as a challenging factor, making them unable to predict neither demand in their markets nor the movement of goods. One participant said:

> [*Y*]*ou know the exporting of [redacted – commodity] from Zambia to South Africa, you put all your paperwork in place, you have financial institutions, logistics companies, you have suppliers, funds getting transferred cross-border, you have aggregation centres and resources in place, and have a lot of moving parts that need to align and your first truck goes to the border and they tell you the border is closed and you have to contend with that which is very negative for sub-Saharan Africa … You cannot operate a business where a million things need to line up and markets are shut. So, it comes with its challenges. At the end of the day we are the one choosing to operate there, you can either sit and complain or adapt*
> (WBF)

In line with the sentiment shared above, another participant said that the African markets will always have some level of instability. This same participant shared the value they see in coming into a market where there is political instability, and suppling services at a crucial time. One has to decide whether they are going in or not – and if they do, they have to go all in. The participant, in their own words, said:

My theory would be that if you are going to try and go into these [big] markets, don't go in with one foot in and one foot out
(KCC)

Entry Strategies

During the interviews, participants walked the researcher through the various entry strategies that they use to penetrate the Rest of Africa markets. These entry strategies can be assigned to four major categories which are grouped into themes. Exporting emerged as the largest method used, followed by piggy backing and strategic alliances. Wholly-owned subsidiary ownership was selected by one of the respondents. It is important to note that in response to the host-market opportunity and context, six participants used multiple strategies to enter various markets. The code categories, themes and theoretical categories are shown in table 12 below.

RQ	Code Group Categories	Themes	Theoretical Categories
RQ2, RQ3	Strategic alliances	Strategic Alliances	Entry Strategies
RQ2, RQ3	Joint venture		
RQ2, RQ3	South African MNE	Piggy Backing	
RQ2, RQ3	Home distribution	Exporting	
RQ2, RQ3	Host distribution		
RQ2, RQ3	Individual customers		
RQ2, RQ3	Personal network		
RQ2, RQ3	Wholly-owned subsidiary	Full Control Ownership	

Table 12: Thematic Code Groupings and Themes for Home-entry Strategies

Strategic Alliances

Participants outlined the entry strategies when forming strategic alliances with either host market distributors or host manufactures. With host-market distributors, a joint venture was formed particularity for co-branding purposes where the South African entity enabled the local distributor to co-brand with themselves, adapting packaging to local context, regulations and language where needed. Two participants (SGE and MLB) are also looking at manufacturing in a market like Botswana.

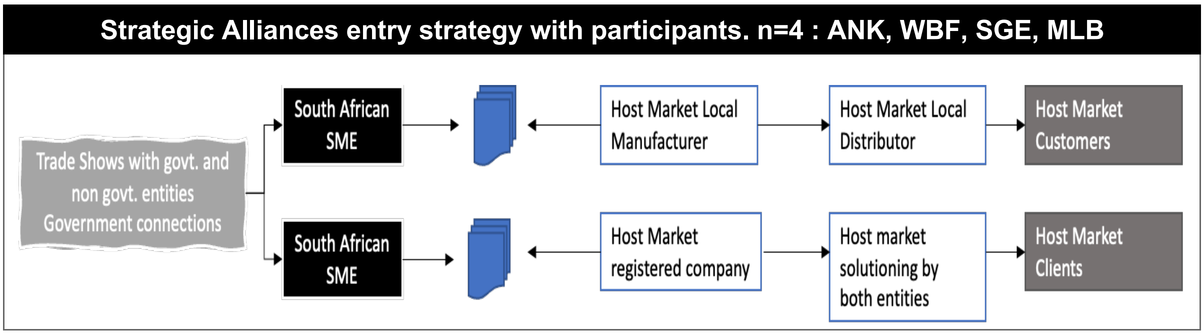


Figure 4: Strategic Alliance Entry Strategy

One participant is close to finalising agreements with the local government and the other is engaging a local manufacturer directly for what may look like a franchising agreement. One participant said:

> *To be honest, I do not really like it when you put, like, an investment where you actually just put money there and, having said that, there is a place for it, a place for a greenfield investment. It is when you go to Botswana now and export to them because they need the product for all their hospitals. But there is a particular person … We have decided that he is going to put up a factory. I will actually give him the blueprint of the factory plan and also the formulations but at the same time, leave out some critical parts, just like how Coca-Cola did. To make sure that I get something out of it and the factory, he will either have to pay me for the blueprint or I will become a 50 % partner. They have complete utter ownership of it and every six months, the make sure that they keep up with the control. We will do the installation as well so empowering other people who can buy from us. If we are at a critical point, that is also great and also empowering those people to start delivering to their own people*
> (SGE)

<u>Piggy Backing</u>

In terms of piggy backing, two of the participants who made use of this strategy were in the technology sector, one was diversified and one was in manufacturing. The participant in manufacturing is indirectly piggy backing, as they are producing on behalf of a South African retailer who has a house brand that they export into the African region. The participants in the technology sector leveraged the South African relationships to enter other markets. Both of the participants had previous engagements with their entry-point

relationship, where one previously worked for them and the other provided solutions to them under a supplier-entity work contract.
Through the entry point, one of the participants started providing solutions for the South African operations after they were trusted with solutions for the Rest of Africa operations. Participants here stressed the importance of networking withing the organisation and finding the “right person” who would then take the SME into the region. This right person must have a combination of influence, budget and decision-making capability. They must also have influence with the host-market decision-makers and enable the SME links with host-market decision-makers and implementation teams. The participants said that piggy backing is highly governed by service level agreements (SLAs) and non-disclosure agreements (NDAs) between the headquarter, host-market subsidiary and the SME. The participants view this entry mode as highly beneficial as it enables the SME to replicate their solutions in various markets without needing to set up office or deal too much with the “red tape” of entering a new market. An understanding of the market is also facilitated through the headquarters. A challenge mentioned by participants on this entry strategy is the bureaucracy that comes with navigating into a large MNC, as well as the reducing annual budgets for MNC wanting higher Return on Equity which then impact the SME revenue. Figure 5 shows piggy backing entry strategy.

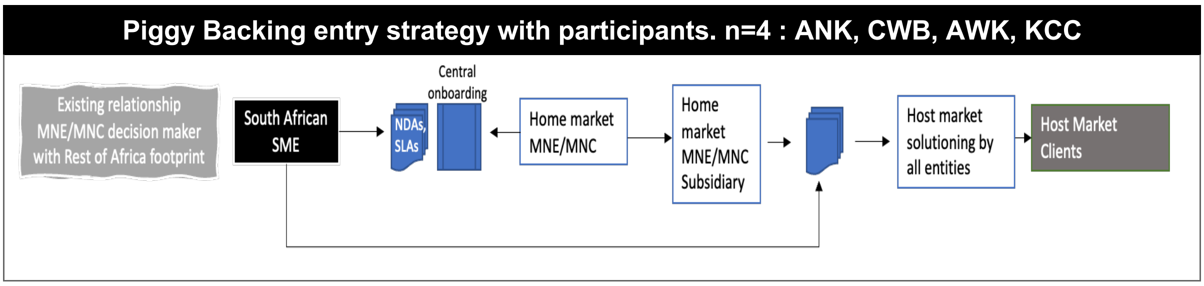


Figure 5: Piggy Backing Entry Strategy

Exporting

In the analysis of the data, exporting was strong with manufacturers. Here, exporting refers to products being shipped from the home to the host market with the SME having no physical presence in the host market. In this instance, participants said, to leverage distributors to move product into the host market. Two routes to market emerged with distributors, where one involves a home-market distributor and the other a host-market distributor. In both, NDAs and SLAs needed to be signed, with the frequency of engagement varying across the participants. The distinct difference between the two lies on which the side of the SA border the goods are delivered. Most participants said that it is better to "simplify" their access into African markets because the logistics of navigating borders, couriers, road networks and host-market dynamics become too complicated and shrinks time and resources needed to run their business. In the recording from the interview, one participant discussion covered the following:

> *Interviewer: So they take it from South African soil, and they handle all logistics post that?*
>
> *Interviewee: They handle the duties, the paperwork, the everything … I think what our philosophy is, let us make good olive oil and we leave what we don't understand … so shipping can be very complicated. So people who live in Malawi know how to ship properly, people who live in Zimbabwe know how to do that, so we leave it to them.*

Some host-market distributors are also said to have strong networks. One participant said:

> *[W]e have Zambian counterparts [distributors] who have strong relations with the government that we will never be able to get*

(WBF)

Another participant said:

> *Yeah, they've got their own contacts in a market, whether it be, whether they have their own distribution set up or not. Excuse me, their own distribution set-up, or they sell to distribution or to retail, or they go online*
>
> (CWB)

Distributors, said the participants, enable a much quicker access to markets in that they – the participants – can hit the ground running, especially where the SME lacks understanding of the host-market landscape. Where payment terms include the distributor paying between 70 % and 90 % upfront, the upfront payment is that the risk is reduced. A challenge noted by participants with distributors is the cost of, or rather the impact of, other intermediary fees on the final cost of the product because "everyone has to get a cut". This does not work well in price-sensitive markets where the brand is unknown. Distributors may also not be conscious of the SME's values, their way of doing business and the care they place in customer engagement, and this may compromise the longevity of the product in the host market. For instance, one participant said:

> *The second thing is service delivery; we used to have excellent delivery when [business partner] and I went to Maputo, the hotel distributor. I mean, their biggest complaint is that sometimes they get the order, and sometimes they do not, if the service delivery is not up to standard you have a bad label*
> (AWK)

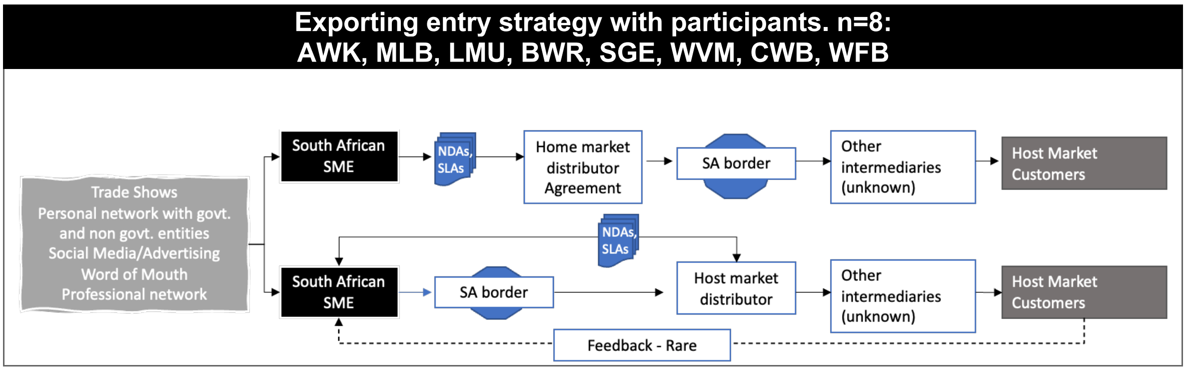


Figure 6: Exporting Entry Strategy

Wholly- or Majority-owned Subsidiary

The analysis revealed two participants who utilised the wholly- and majority-owned subsidiary entry strategy. Participants mentioned that this entry strategy is most beneficial when the opportunities in a market are large; then the market moves quickly and quick decisions must be made in response to it. One participant (KCC) used this strategy in Zambia, which is now their largest operation in terms of both their employees and their client base. They have also managed to achieve backward and forward integration into the market and have invested in setting up a local office. They note that they missed an opportunity of doing the same in another market, Ethiopia, where – they now understand – the fly-in fly-out model did not work. In hindsight, they said that setting up an office in Ethiopia would have yielded them a similar result as in Zambia. The participant said:

> *For countries like Ethiopia, the perspective is biggest bank is CBE … when I was there, they had about 20 million customers, just one bank. I come from a*

country that has fewer people than this bank has. So now if I were to try and get this one bank to do [redacted - technology service] then I would have to camp there. It is like trying to get a bank that has a million customers in a market like Zambia to this, it will mean 20 times so you really need to push. With [redacted - SME company name] we have actually now decided to say that if it is one of those Ethiopian situations, someone like myself has to go. Literally, the same way we did with Zambia. With Zambia, the board made a decision saying that '[redacted - participant name] you needed to leave', and that is how I moved here in 2013. I think it's because of that that we managed to tackle challenges quicker because in our markets someone cannot be telling you that this … but you can actually see and say that I actually see what you are talking about. Our products have also changed in such a way that we could literally partner with a bank, but necessarily not have a subsidiary, so we are saying that in those entities or areas where we get a partner, we will do so. But if we had to open up a branch in such a huge market with the Nigerians and Ethiopians, do not treat them like small fishes, but rather you need to put your best foot forward

(KCC)

Another participant (WBF) opened a majority-owned subsidiary in Mauritius to take advantage of the favourable financial regulations. They required a local director, whom they found, who sits in the parent structure as well. For this participant, it was about finding a partner that can add value to the business.

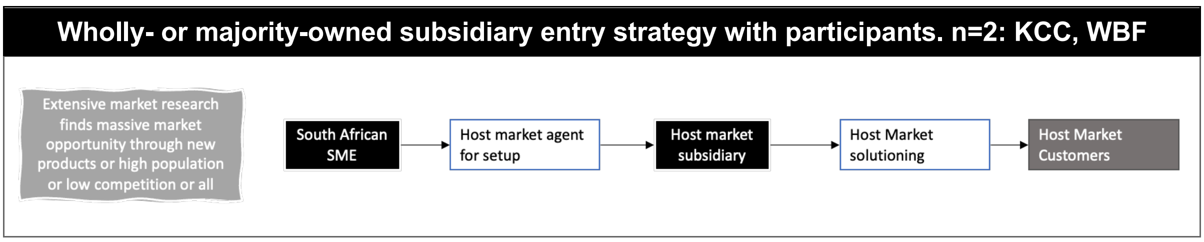


Figure 7: Wholly- or Majority-owned Subsidiary

5.4 Summary of Favoured Entry Choice

During the interviews, participants referred to selecting an entry strategy that suits the opportunity and is also the simplest. What this meant for manufactures was an exporting agreement with a home-market distribution partner that was knowledgeable enough of the host-market logistics and environment to enable them to take the product to their customers. Participants, in both manufacturing and technology, favour opportunities to manufacture and set up in the host market. Piggy backing is another favoured entry mode owing to its simplicity, particularly for technology firms, as it allows SMEs to leverage HQ relationships to enter host markets without the need to set up. A wholly-owned subsidiary is said by participants to be most beneficial when the market opportunity is a sizable one.

<table>
<tr><th>RQ</th><th>Code Group Categories</th><th>Themes</th><th>Theoretical Categories</th></tr>
<tr><td>RQ1</td><td>Labour conditions</td><td rowspan="3">Production Factors</td><td rowspan="8">Country Specific Advantages</td></tr>
<tr><td>RQ1</td><td>Production</td></tr>
<tr><td>RQ1</td><td>Natural commodities</td></tr>
<tr><td>RQ1</td><td>More stable and advanced financial market</td><td rowspan="3">Country Competitiveness</td></tr>
<tr><td>RQ1</td><td>Stronger country brand</td></tr>
<tr><td>RQ1</td><td>Market saturation</td></tr>
<tr><td>RQ1</td><td>Large number of reputable MNEs</td><td rowspan="2">MNE Landscape</td></tr>
<tr><td>RQ1</td><td>Africa focused MNEs</td></tr>
<tr><td>RQ1</td><td>Social and political ills</td><td>Negative Country Perception</td><td rowspan="5">Home Market Barriers</td></tr>
<tr><td>RQ1</td><td>Loadshedding</td><td rowspan="2">Production Factors</td></tr>
<tr><td>RQ1</td><td>Lack of manufacturing support</td></tr>
<tr><td>RQ1</td><td>Anti-competitive MNE behaviour</td><td rowspan="2">MNE/SME Power Dynamics</td></tr>
<tr><td>RQ1</td><td>Power dynamics</td></tr>
<tr><td>RQ1</td><td>Banks</td><td rowspan="4">Private Sector</td><td rowspan="9">Home-market Formal Institutions</td></tr>
<tr><td>RQ1</td><td>MNE/MNCs</td></tr>
<tr><td>RQ1</td><td>Other SMEs</td></tr>
<tr><td>RQ1</td><td>Home-market distributors</td></tr>
<tr><td>RQ1</td><td>Enterprise and supplier development</td><td>Private/Public Partnership</td></tr>
<tr><td>RQ1</td><td>Wesgro</td><td>Non-government Institutions</td></tr>
<tr><td>RQ1</td><td>Department of Trade and Industry</td><td rowspan="3">Government Institutions</td></tr>
<tr><td>RQ1</td><td>USAID / USA Government</td></tr>
<tr><td>RQ1</td><td>Department of International Relations</td></tr>
</table>

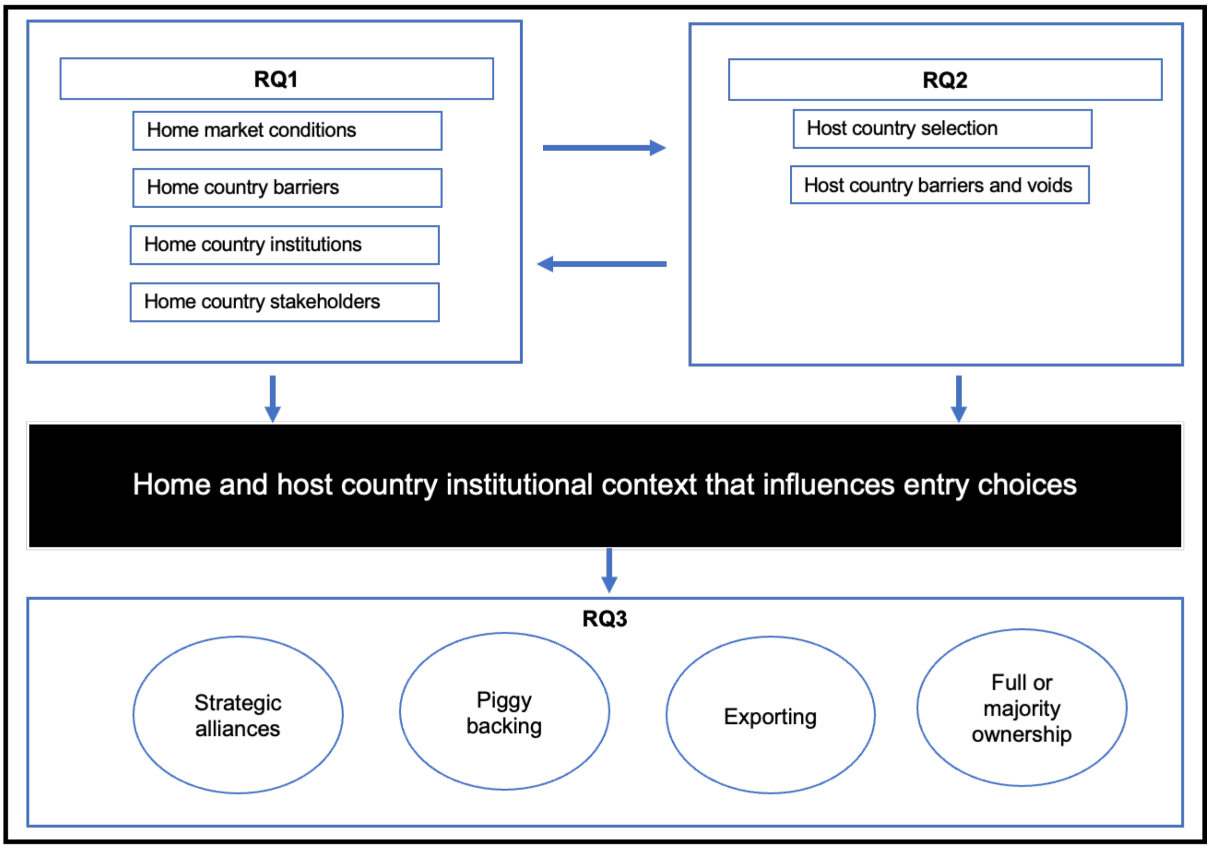
RQ1	Provincial departments		
RQ1	Intergovernmental organisations		
RQ1	SEFA		
RQ1	SEDA		
RQ1	High ranking people in organisations	Decision makers / influential	Home market stakeholders
RQ1	Business owners		
RQ1	Program staff	Support network	
RQ1	Banker		
RQ1	Personal contacts	Personal network	
RQ1	Extended personal network		
RQ2	Existing host countries	Presence Markets Outside SA	Host Country
RQ2	Targeted host countries		
RQ2	Exited host countries		
RQ2	Costs of doing business	Maintaining Host Market Competitiveness	Host-market Entry Barrier
RQ2	Switching cost		
RQ2	Cost of physical presence	Travel	
RQ2	Knowledge of local dynamics	Distance	Host -market Voids
RQ2	Language		
RQ2	Culture		
RQ2	Navigating local landscape		
RQ2	Poor regulatory transparency	Political and Regulatory Landscape	
RQ2	Poor stability		
RQ2	Formal SME support		
RQ3	Strategic alliances	Strategic Alliances	Entry Strategies
RQ3	Joint venture		
RQ3	South African MNE	Piggy Backing	
RQ3	Home distribution	Exporting	
RQ3	Host distribution		
RQ3	Individual customers		
RQ3	Personal network		
RQ3	Wholly-owned subsidiary	Full Control Ownership	

Table 13: Fill List of Codes Categories and Theoretical Categories

CHAPTER 6: DISCUSSION

6.1 Introduction

This chapter discusses the findings that are presented in chapter five and examines those in conjunction with the literature outlined in chapter two. The main objective of the research was to examine the impact on home-market institutions of entry strategies used by South African SMEs when regionalising into the Rest of Africa. The discussion chapter will be structured to answer the three research questions presented in chapter three, which emerged out of the literature. Diagram 2 below is the conceptual framework that shows the themes associated with each research question.



(Source: Author's own compilation)

Diagram 2: Conceptual Framework of the Study

This discussion is structured around the three research questions. The first asks what institutional voids from the home to host country are experienced by South African SMEs when internationalising in the region. The second asks about the way South African

SMEs overcome institutional voids through formal and informal institutions when regionalising. Research question three enquires about the most favourable entry mode given the current institutional voids in the African region. Themes emerged under each research question; the findings will be examined alongside the literature to compare and contrast the participants' experiences with the evidenced body of work.

6.2 Discussion for Research Question 1:

To enable the researcher to examine the impact of home- and host-market institutions on entry strategies utilised by South African SMEs, we use institutional theory which is defined as formal and informal regulatory, normative and cognitive rules in emerging markets (Arregle et al., 2016; Dow, 2017; Jafari Sadeghi et al., 2019; Meyer & Peng, 2005, 2016). Institutions are formal and informal in nature (Meyer & Peng, 2005). For the discussion, we look at formal home- and host-market institutions and stakeholders because they represent the bodies that enable SMEs to internationalise. The institutions include both governments and the private sector, and have laws and regulations that either enable or create barriers for internationalisation. These laws and regulations are also said to inform entry choice. Informal institutions are also discussed because they support SMEs' endeavours to internationalise in instances where the formal institutions are lacking or where there are voids from an institutional perspective. Their support may include personal network support and non-regulated ways of doing business. While understanding that host-market institutions can have positive and negative effects on SMEs (Deng & Zhang, 2018), this section seeks to unpack – from the findings and the literature – the home-market conditions and their impact on entry modes. A research question asks what institutional voids from the home to host country are experienced by South African SMEs internationalising in the region. From the findings and literature chapters, four themes emerge and are discussed as shown in the conceptual framework diagram 2 above.

6.3 RQ 1 Theme 1 Discussion: Home-country Conditions

Home-country Factors and Their Effect on the SMEs Choice to Internationalise

The study found that home-country factors that enabled SMEs to regionalise included favourable production factors. A number of participants saw the quality of production coming out of South African to be higher than other countries in the African region and, at times, globally. SMEs in beverages and oil (olive) perceived the quality of their products to be on a par international competitors, given their awards and the connection they have to GVCs. This enables them to compete well on price in the Rest of Africa, despite the liability of foreignness.

The study also found there to be enough availability of skilled and low-cost unskilled labour for manufacturing in South Africa, given its high unemployment figures. Additionally, the post-Covid environment was found to have changed the work context for SMEs, benefitting them from a cost perspective by reducing the need for office space. Owing to the digital connectedness and the remote working context in South Africa, the research found SMEs to be more open to hiring in locations outside South Africa. SMEs relooked at hiring and setting up offices in their host markets, with the difference being closing offices if staff are able to work remotely. While remote working did not have an impact on entry choice, it did, however, alter the business model in the choice of entry.

The research found that in comparison to the host market, South Africa is seen as more stable, and thus more favourable from an economic and financial markets perspective. This saw SMEs with host market presence through wholly owned subsidiaries hold surplus cash in South Africa. SMEs who exporting were less impacted by the rand's instability in comparison to the host market's instability as they were able to plan for expected market changes by bulking up on raw material as an example. SMEs saw the host-market currency instability as more of a void given they had less risk mitigation available to them.

The study also found that SMEs felt more pushed to find business opportunities outside the South African border owing to market saturation. SMEs further stated that South Africa is a highly competitive and heterogenous market and, as a result, they have been driven to be innovative on their offerings within South Africa. The agility learnt from operating in the South African competitive environment has enabled them to adjust well in adapting to the Rest of Africa markets in terms of product offering and taste, and finding a market that can afford the quality provided.

In comparison to the African region, the study found that SMEs perceived the South African brand to be relatively strong. The SMEs experienced this positiveness on the South African brand to be tied, but not limited, to the quality coming out of South Africa in related and unrelated sectors. Host-market business partners also expected high-quality products and services from the South African SMEs as a consequence of the quality that South African MNEs deliver out of South Africa.

In light of the above, the study also found that South Africa is perceived by the SMEs to have many reputable MNEs that are Africa-focused, some see them as an enabler for their entry. From the SMEs' perspective, these CSA included South Africa's being a more developed market in the region for production, giving the host-market customers inherent trust in the quality that would be delivered. The MNEs' reputations thus increased the SMEs' legitimacy for other potential clients. Interestingly, MNEs that have presence in lower-income countries made use of services from technology participants in areas they could not physically access because of their size and operating model. Further insights on the MNE/SME relationship are discussed in forthcoming themes.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

Literature tells us that home-country conditions play a crucial role in the firm's ability to internationalise (Cuervo-Cazurra, 2016; Mthombeni et al., 2022) as well as in their choice of entry (Rissanen et al., 2020). This is because the level of a host market's economic development determines its ability to either support or create barriers for SME internationalisation (Child et al., 2022). Country Specific Advantages are also argued in the literature to have enabled MNEs to dominate the African continent (Luiz & Ruplal, 2013).

Deng & Zhang (2018) note that, among other competitive factors in the host market, saturation brings shrinking opportunities in the home market and is a push factor for SMEs to regionalise. Additionally, internationalisation can be forced either from lack of opportunity or because it is facilitated as part of the country strategy (Deng & Zhang, 2018; Wu & Deng, 2020). On the other hand, literature tells us that the labour environment in South Africa is strained (Van Staden, 2022). In addition, the cost of labour in South Africa is more expensive than in the Southern African region (Banga & Balchin, 2022).

Lastly on home-market conditions are South Africa's MNE who are deemed be the most significant indigenous players in the African region (Ibeh, 2015). According to Ng'ombe et al., (2023), MNEs enable market access for smaller players in lower-income countries as they allow the SME to become their service provider in locations they are unable to reach. De Melo and Twum, (2021) emphasise the regional GVC links for SMEs that can be created by emerging market MNEs in the region – these links can be achieved by SMEs piggy backing off MNE's RGVC networks (Storz et al., 2022).

Findings about the labour conditions in South Africa being favourable contrast with Van Staden (2022) who argues that the South African labour market is expensive. This is also supported by Banga & Balchin (2022) who position South African labour to be expensive in the SADC region. The implication could be that affordable labour is conducive to the business model where manufacturing is manual or needs low skills level, as in the case of some food manufacturers. In line with literature, home-market competition and saturation has pushed SMEs to internationalise. Most SMEs begrudgingly lean towards the shrinking opportunity in South Africa as the main motivator for internationalisation. While the facilitated and push factors can work hand in hand (Deng & Zhang, 2018), the ability of the SMEs to access support for internationalisation was seen as secondary. Thus, we can conclude that the primary driver for internationalisation comes from the push factor of the home market's shrinking economic opportunities. Luiz & Ruplal (2013) highlighted that the stability of institutions plays a role in the African region's markets and may negatively impact investments. This corroborates with literature, because South Africa's relatively stable currency and foreign exchange market was seen as a favourable factor, particularly for those participants with wholly-owned or majority-owned subsidiaries in the Rest of Africa. A more stable economic factor (in comparison with their host markets) enabled them to hold surplus cash, for investment, securely in South Africa. It was surprising, however, that exporters did not regard the fluctuating rand to the dollar to be a barrier, considering the impact of the dollar on host-market currencies but rather the instability of host market currencies as they were not able to manage the risk as much as they can have in the host market. This was evidenced by some participants who purchased raw materials in advance to accommodate for expected weakening in of the rand.

6.4 RQ 1 Theme 2 Discussion: Home-market Barriers

Under this theme, we look into the institutional voids that are present in the home country and the way those affect the SMEs' internationalisation choices. Chipp at al. (2019) defines institutional voids as imperfect market and institutional conditions that are found mainly in developing markets. The voids can be lack of financing systems or professional intermediaries, government interference, corruption and regulatory uncertainty (Deng & Zhang, 2018). We will be using this context to discuss the barriers in the home market.

Findings on Home-market Barriers and Their Impact on Entry

Findings show that, while negative events – like xenophobia and the high level of corruption in South Africa – become topical in SME engagements in the Rest of Africa, they do not have much impact on the ability to regionalise or to change the intended entry mode. Moreover, in engagements with host-country citizens participants noted that the African philosophy of ubuntu element emerged as they would see each other as one. This may suggest that the size of the SMEs enables them to overcome the void of cultural distance through ubuntu. It was further revealed by the SMEs that home-market production conditions – like loadshedding – were a hinderance. As a result, two of the participants are in late-stage negotiations with manufacturers in Botswana. One participant is looking to license their manufacturing with a host-market partner, and have that partner distribute for them in Botswana. The SME is, moreover, working with the host-market government to build a manufacturing facility for the product in other locations, like Botswana – they will then be distributing their product from Botswana and have South Africa as an administrative headquarter. The research findings also revealed that MNE's relationships with SMEs appear to be strained, given the power dynamics. In fact, an overwhelming number of participants mentioned that MNEs see them as competition. The prospects of manufacturing businesses using piggy backing as a means to enter the Rest of African region are thus negatively impacted.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

As said above, the literature informs us that the perception others have of a country can also contribute to internationalisation, while home-market uncertainties – brought about by political risk and corruption – can negatively influence a firm's ability to internationalise and to its performance (Cuervo-Cazurra, 2016; Mthombeni et al., 2022; Rissanen et al., 2020). Contradictory to literature, SMEs' that regionalised into Africa were not impacted negatively by the current political instability and the xenophobia aimed at the African diaspora living in South Africa. That hurdles of xenophobia and corruption were overcome through conversation at the micro level with business partners, who could also relate on the Pan-African philosophy of ubuntu, music and other cultural practices. This is further discussed in home-market voids with the cultural distance theme. The literature tells us that South African SMEs experience production voids in the form of increasing electricity costs (Banga & Balchin, 2022; Van Staden, 2022). This void was consistent with literature, where manufacturing participants saw loadshedding as a barrier to internationalising because it reduces their production capabilities and increases their costs. And, in affirmation of literature outlined by Banga and Balchin (2022), other research participants cited electricity challenges as a push factor to locating manufacturing facilities in Botswana. This corroborates with Deng and Zeng (2018), who postulate that internationalisation can be driven by a need to escape the home market. MNEs were discussed above as an enabler; however, the literature also tells us that while MNEs in low-income countries view SMEs as delivery partners, MNEs in middle-income countries see them as competition (Onambele et al., 2022). In corroboration with literature, and given that South Africa is a middle-income country, MNEs do see SMEs as competition, both in the home and the host market. It was unsurprising that some participants who already have foot in the South African market were not considering piggy backing, given the already strained relationship. In contrast to literature however, technology firms were quite comfortable with the power dynamics presented in the MNE/service provider relationship because the relationship is governed centrally through formal SLAs and contracts.

6.5 RQ 1 Theme 3 Discussion: Home-market Formal Institutions

We maintain, from the literature, that the institutional environment can have contrasting effects on SMEs' internationalisation: these being an escape view versus a fostering view. The escape view suggests that home-market institutions push SMEs to seek opportunities in overseas or outside markets, while the fostering view is when SMEs are aided to internationalise through a facilitated process (Deng & Zhang, 2018).

Findings on Home-market Institutions' Impact on SMEs' Internationalisation

The study found that the role of government as an institution that fosters internationalisation was indeed seen by participants as impactful in varying degrees. Institutions like the DTI were generally viewed positively for the way they exposed the participants to international and regional markets through trade shows. The limiting factor found in their approach was that they were unreliable in terms of travel costs and logistics management. Another government entity that, the study revealed, plays a fostering role is SEDA which was noted as an institution that helped SMEs with training and export capabilities. It was surprising that SEDA was also noted to have paid for the licences that enabled SMEs to export, which, SMEs said, they would not have had the financial resources to cover. The research also revealed a non-government institution, Wesgro, as a massive role-player in fostering internationalisation through their exporting support initiatives. They provide free access to trade shows, including travel, and provide business development support and training geared for SME capacity-building. Their approach came across as being better in quality than that of the DTI. We observed, however, that only participants located in their province, Western Cape, mentioned this organisation as an institution that provided them with support.

We now focus on the research findings of the US Government's USAID as a fostering entity – one we expected more mention of in the research (expected because most of the participants were sourced through their trade intervention programme). While we had assumed that USAID would be on top of participants' minds, the research shows a different picture. Whenever USAID *was* mentioned, however, it was mentioned with much admiration for the quality of their delivery. Findings also revealed private–public legislated policy, such as ESD in South Africa, was indeed an enabler, and some participants noted these institutions as having helped them build capacity, which ultimately enabled them to internationalise through exporting. Lastly, from a private sector perspective, the results showed a glaringly obvious gap in bank funding, or in banks closing the institutional gap of SME funding – this was made clear by banks not being mentioned initially, not until probing occurred. When banks were then mentioned, it was clear SME funding was still not being provided to SMEs in their journey to internationalisation.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

In line with literature, the impact of government interventions through trade shows have had a positive impact on SME internationalisation, as stated by Haung and Dang (2020 stats). They highlight the way that the SME experience in, or exposure to, international markets – or exposure to internationally recognised accreditation – influences their internationalisation. Rightfully, all the participants who regionalised had had some form of exposure to international markets, while all in the manufacturing sector had attended trade shows. The impact of the trade shows enabled the participants to assert themselves and promote their business in the regional and international markets. Additionally, institutions foster internationalisation by providing training and support to SMEs so as to help build their capacity (Armanios et al., 2017; Sydow et al., 2022).

Literature also tells us that developmental organisations are crucial to the enabling of SMEs to flourish (Armanios et al., 2017). While fostering organisations from non-government organisations, and from other governments, do indeed play a critical role in fostering. The reason USAID is not first mentioned – despite most participants being sourced from their trade intervention initiative – may be because external government support, while necessary for the internationalisation of South Africa SMEs, comes second to the national government initiatives. Perhaps, based on the location limitations of the Wesgro support, it may be that – despite non-government support being available to SMEs for internationalisation – the support is limited by location and the non-governmental entity's resources limitations.

Although we we discussed, above, private-sector institutions, such as MNEs, being barriers, literature tells us that government policy interventions require private-sector organisations to participate in ESD, building capacity through training and supply-chain development and entry, thus opening market opportunities for SMEs (Van Staden, 2022). Indeed, findings are that these programmes have aided SMEs in capacity building, enabling them to achieve internationalisation. The assistance, however, did not tie into supply-chain initiatives, and SMEs leveraged some of the MNE's footprint into the African markets through piggy backing or RVCs. Lastly on private-sector institutions, we understand that despite SMEs' lack of funding necessary for growth and internationalisation, they struggle to get it from banks. The finding on the absence of banks as institutions was surprising because most of the participants were established businesses, with 80% of them having operated for at least six years. This finding can be juxtaposed with the knowledge that all the major banks in South Africa enlist trade finance banking solutions and funding which claim to support exporting needs in enterprise or business banking. The implication, from a practice perspective, may be that private-sector institutions, like banks, do not consider the business case seriously or investigate its track record when they do the risk assessments of supporting SMEs that need to export within the region.

6.6 RQ 1 Theme 4 Discussion: Home-market Stakeholder

Within informal networks in institutional theory lie stakeholders that enable the SME to internationalise, and may include personal and business networks (Meyer & Peng, 2005). Access to informal institutions reduces the gaps of formal institutional voids (Meyer & Peng, 2005). Of interest is the study mentioned in the literature that SMEs tend to rely on informal institutions to conduct business operations that support their internationalising (Wu & Deng, 2020).

Findings on Home-market Stakeholders' Impact on SMEs' Internationalisation

Findings from the study, despite much probing, did not present many insights into home-market informal institutions or about stakeholders. However, what did emerge were three main themes. First was the impact made by links with decision-makers in institutions, links that would enable the participants to internationalise. This was immensely beneficial for SMEs in the technology and diversified sectors who gain from strong relationships in the South African headquarter offices and at host-country levels. The research also revealed that that the more senior the level of engagement within an institution, the greater the SMEs chances of getting networked into internationalisation conversations and opportunities. Secondly, where the participant is enrolled in trade initiatives, either with a trade programme or with an MNE, the support network becomes vital to maintain, as they bring future opportunities. The challenge experienced by SMEs in this, however, is human resource constraints for maintaining these relationships. The technology participants, despite being resourceful, made a strategic decision to trade off their entrepreneurial set-up and went as far as subcontracting, as an individual not as a legal entity, into the client's organisation. This enabled the SME to build relationships and then pitch for work into the region through their legal entity.

What was evident though the findings is that, despite the DTI's exposure to international markets, participants' perceptions were that they relied heavily on their personal and professional networks to get their internalisation over the line. Some participants, particularly those who had or still have lived outside South Africa, even attribute their internationalisation's support to be purely by their personal networks. The said personal network came in handy when participants needed to pay for exporting costs, given that banks would not finance them.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

Literature by Chattopadhyay and Aundhe (2021) emphasises the need for emerging market SMEs to have boundary spanners to link vendors and clients in the technology space. The role of the boundary spanner is to build strong ties within the client organisation through contract management and interpersonal relationships. In this way, the SMEs can entrench themselves into an organisation, capturing sales on an ongoing basis (Chattopadhyay & Aundhe, 2021). As an extension to what is offered in this research, we suggest that for services SMEs, the boundary spanner role should extend beyond building and maintaining though contracts and personal relationships into physical co-location in the client's premises. This is the same practice one would find with big corporate consultants. As we end the discussion for RQ1, we look at another informal institution: personal networks (Meyer & Peng, 2005). Given the absent role of banks, personal networks play a role in SME growth, through funding in order to pursue international markets. SMEs are also seen to rely on personal networks to meet their exporting requirements, especially where institutions, like banks, or unsuitable regulations limit SME internationalisation (Deng & Zhang, 2018). The use of formal and informal relationships to form a network bridges some institutional voids(Chipp et al., 2019). Indeed, the research findings corroborated with literature as findings on stakeholders were highly geared towards the SMEs' ability to create networks that enabled their internationalisation. SMEs' leveraged their network from their home country, focusing on:

- building senior management relationships with decision makers who would influence their internationalisation
- placing reliance on their professional and personal network for funding
- maintaining relationships with MNE to grow into their RVC – this however has its own limits, given SMEs can be seen as competition.

Literature also states that funding from a family can be limited given that the conditions of families in emerging markets may not allow that behaviour (Islam et al., 2023b). This cannot be confirmed because no mention participant mentioned family financial support, unless they were a business partner. The implication can be that family financial support, in line with Islam et al., (2023) is limited in emerging markets.

6.7 RQ1 Discussion Conclusions

Discussion for Research Question 2

The aim is to answer the main research question which seeks to examine the impact of home- and host-market institutions on entry strategies utilised by South African SMEs. In line with institutional theory, we now turn to the host market which is said to influence the choice of entry (Wu & Deng, 2020). Three main themes will be discussed to answer the second research question, which asked how South African SMEs overcome institutional voids through formal and informal institutions when regionalising. The first theme covers the host-market selection in consideration of the literature that implies geographical distance influences market choice and mode of entry (Kalafsky & Raymond, 2023; Ng'ombe et al., 2023; Wu & Deng, 2020). The second theme covers the host-county barriers and voids experience, while the last theme discusses the way South African SMEs overcome host-country voids through formal and informal institutions.

6.8 RQ 2 Theme 1 Discussion: Geographic Distance and Host-market Conditions on Host-market Selection

Findings on Geographic Distance and Host-market Condition on the Selection of Host Countries

The research findings revealed that geographic location distance was not highly considered, despite there being a big difference in logistics brought about by long distances. This is because SMEs saw that the need to pursue opportunities outweighed distance. SMEs relied on road shipments when doing product shipments to the Southern African region, whereas boats were utilised for East and West Africa. The research findings, though, indicate that logistics costs and administration associated with higher distances influenced the mode of entry and the route to market, because exporting was preferred for locations with greater distances. Findings from the research sample further revealed that technology SMEs, in particular, considered the host-market's population size and level of technological development to determine the size of the opportunity. This was because their services generated lower margins per service taken up. Manufacturing SMEs, however, weighed up the ability to make money against the costly distribution network, liability of foreignness and product uptake. The findings further revealed that participants considered an entry mode that would reduce the degree of host-market oversight. For example, participants revealed that their preference for using exporting agents, or piggy backing, reduced the need for travel – which comes with costs including visa and communication costs. Southern African markets were favoured for easier access should oversight be required, given the reduced- or no-visa entry requirements.

Lastly, the study revealed that a knowledge gap was present across all host markets, participants thus selected markets in which they had local partners with whom they could partner in order to reduce the knowledge void.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

When selecting a host market in order to internationalise, SMEs have to contend with a myriad factors, one being the ability to access the geographic location of the host market (Kalafsky & Raymond, 2023; Ng'ombe et al., 2023; Wu & Deng, 2020). Literature suggests that SMEs will have a higher preference for markets geographically closer to them, to overcome costs, logistics and administration burdens associated with distances further out (Kalafsky & Raymond, 2023; Ng'ombe et al., 2023). Within the research participants' findings, geographic distance as a factor could not be fully confirmed with the literature because host markets were almost equally found in both the Southern African and East African regions. Perhaps geographic distances between East and Southern Africa are not perceived as significant given the study by Ng'ombe et al., (2023). Their research highlights that geographic distance is an important consideration for SMEs, while also sharing the extensive cross-border regionalisation between Southern- and East-African SMEs (Ng'ombe et al., 2023). The implication can be that East and Southern Africa are not regarded as geographically accessible by SMEs who seek regionalisation. This is discussed further in the next section, under the host-market cultural distance. In considering host-market conditions, Wu and Deng (2020) highlight that by selecting lower economically developed markets, SMEs enable a transfer of skills, knowledge and technology. This is because less developed markets tend to have less knowledge and/or the technology needed to compete in formal trade (Wu & Deng, 2020). In corroboration with literature, but not as heavily represented, is the drive or need to share knowledge with the host-market environment. There were, however, mixed results in this area, but they clearly outline two kinds of entry:

- where an SME was exporting, knowledge was not a consideration, and
- where participants were using strategic alliances, piggy backing and equity, knowledge sharing between home and host market was present.

Technology upgrading confirms literature for both technology participants and for manufacturing participants, as the latter who chose Botswana as a manufacturing location, would use their South African manufacturing blueprint to set up another plant in Botswana.

Where SMEs found host-market knowledge to be a void, they ponder the most suitable entry choice given their limited resources (Islam et al., 2023b). This also confirmed with participants who chose an entry strategy that seeks to exploit the host-market knowledge while gaining them access to the market.

6.8 RQ 2 Theme 2 Discussion: Host-country Barriers and Voids

Institutional theory finds more relevance in emerging markets (Chipp et al., 2019) and so host market's institutional context is considered a high determinant on entry choice (White et al., 2019). Some institutional considerations include cultural distance (Child et al., 2022; Luiz & Ruplal, 2014), political and regulatory instability (Cuervo-Cazurra, 2016) and language (Kalafsky & Raymond, 2023).

Findings on Host-country Barriers and Voids

The research findings revealed that SMEs were careful in selecting their host market to regionalise into. Considerations for SME's when selecting a host market included:

- Host-market political and regulatory instability: Findings from the research show that host-market risk and regulatory conditions are highly considered for choice of entry. This did not stop any participant from entering a specific market. However, SMEs exited one market, Zimbabwe, because of its economic and political instability. To reduce the level of risk exposure, some participants chose to enter the host market using either a home- or host-market distributor. To further reduce host-market institutional risk, these relationships were managed through contracts and upfront payment terms and, in some instances, daily engagement via phone calls or stock management software. It was surprising, though, that an SMEs were eager to do business under war conditions because of the degree of opportunity presented. That decision was made owing to the lack of competition in the given political context and that the high population in the host market yielded high demand for the product. Unregulated groups, like mafias, were highlighted by participants to be a deterrent to entry as participants are discouraged from entering markets or using entry modes where mafias have a massive say. This is because mafias erode profit margins for SMEs, and tend to be very directive in the manner in which an SME should conduct business with specific partners or locations. Furthermore, despite Mozambique being known for having them, it still has the highest count of present markets. When entering Mozambique, no SME has gone in directly, or entered using resource-heavy entry modes, all entry is facilitated through a host-market partner.

- Host-market diversification: Further to the above, SMEs considered the kind of country risk and host commodities when selecting markets. For instance, SMEs would select a market with different risks or natural commodity to South Africa, and a country with different risk or commodities to the next. Some participants who chose to entered Ghana for example were looking to do regional geographic diversification and country commodity diversification in cocoa. The study also revealed that the level of risk was not necessarily a deterrent for SMEs – however, SMEs would choose the less resource heavy entry modes like exporting or licensing. Moreover, where the risk was high and the opportunity was sizable, SMEs then had appetite to shift towards more resource heavy entry modes like wholly or majority owned subsidiaries.
- Host-market language: This void was not seen as a deterrent into a host market, but rather it informed the entry mode. SMEs leaned towards exporting into anglophone countries, but where markets were Spanish or French they would fly in and be chaperoned as an entry choice. In addition, they would adapt labels to accommodate local languages. Markets with similar food tastes were accessed through exporting, as they would amend the branding to accommodate local language, and adjust for texture where needed. These actions would not delay their entry.
- Host market culture: SMEs in food manufacturing revealed cultural distance is a consideration for internationalisation, and South African firms – large and small alike – benefit form cultural proximity when regionalising in the African continent. Some factors that create closeness are shared colonial experiences and compatible cultural practices and tastes. SMEs remarked consistently that, despite host market tastes and price sensitivities brought about by liability of foreignness, it was important that quality was maintained.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

The strength of institutions or the quality thereof is said in the literature to create a stable political and regulatory environment, thus making a host market more attractive. This is because quality institutions limit the risk associated with doing business in a market (Dow, 2017; Fuentelsaz et al., 2020). Conversely, political and regulatory instability is said to be a high consideration when SMEs choose a market entry mode (Cuervo-Cazurra, 2008, 2016). Entry-mode selection also takes into account risk and the level at which that risk can be manged by the SME (Laufs & Schwens, 2014). Interestingly, while literature tells us that most MNEs would not enter this market owing to the exposure, SMEs chose to enter because of the opportunity. The implication may be that SMEs are agile enough to enter locations that MNEs cannot because of their size.

Secondly, while not a complete deterrent, the existence of unregulated groups like mafias does limit entry-mode choice for SMEs given the high level of risk. Literature also informs us that a significant driver to internationalising into a specific host market may be the pursuit of revenue growth (Islam et al., 2023b) given that growth opportunities may be limited in the home market. In essence, the suggestion is that SMEs pursue outside markets as a means to survive the home country growth limitations brought by competition from local and outside firms (Wu & Deng, 2020). Thus, economic conditions are an additional consideration for SMEs when selecting a host market. According to Ng'ombe et al., (2023), South African SMEs are sensitive to the size of the opportunity when regionalising. The literature adds that Southern African SMEs seek risk diversification when internationalising, and they target the markets where they can make money (Ng'ombe et al., 2023). Research findings corroborate with literature, because South African SMEs did, indeed, consider the size of the population, size of opportunity and diversification when entering, This also informed their entry choice as some entry modes would erode their margins if not carefully selected (J. Luiz & Ruplal, 2013; Ng'ombe et al., 2023).

Despite their cultural proximity, South African firms continue to experience the liability of foreignness in the host markets (J. Luiz & Ruplal, 2013). The findings align with the literature on the way historical political and social difficulties brought about colonialism are a binding factor. Additionally, from a cultural distance perspective, the findings further corroborate with literature as South African SMEs did not identify cultural differences as a void, rather as a factor they needed to consider and adapt to. Moreover, we identified earlier that SMEs felt that South Africa's competitiveness and heterogeneousness forced them to accommodate for different tastes, and, therefore, adjusting to a different culture was a learnt skill. Host-market language also forms part of either cultural distance or proximity and has an impact on the country selection and entry mode (Kalafsky & Raymond, 2023). Additionally, SMEs may also have to consider local preferences, like the language, and adapt the brand to suit the host market, which does require more effort and place more of a cost burden on the SMEs (Buganova et al., 2023). In line with the literature, the findings from the study confirm the high level of consideration placed on host-market language, which is then factored into the entry-mode decision and the product naming. At times, it makes the SME consider strategic alliances whereby a product is co-branded with a local distributor to better assimilate into the host-market context. And, while maintaining their brand identity, some SMEs do adapt the product name to accommodate host-market languages.

In closing, and of most interest, is how findings strongly suggest that over and above the colonial ties, Africans are united by the concept of ubuntu. For the participants, this concept brings proximity. The implication may be that, when regionalising, SMEs overcome cultural and geographic distances by engaging at both the micro and the meso levels with host markets and, though ubuntu, voids are reduced.

6.10 Discussion for Research Question 3: Entry Strategy by SMEs to Reduce Voids

With the aim of answering the main research question, which seeks to examine the impact of home- and host-market institutions on entry strategies utilised by South African SMEs, research question three asked which entry mode is the most favourable, given the current institutional voids in the African region. While International Business literature suggests that the level of control is a highly important consideration when selecting an entry mode, the opposite remains true of SMEs, given their limited resources (Wu & Deng, 2020). SMEs are internationalising as a means of survival and, in choosing an entry mode, they take into account the availability of resources (Fernandes et al., 2023), the SME level of commitment into the host market, how they are able to deal with risks associated with the host market (Laufs & Schwens, 2014) and, lastly, the extent to which host-market activities can be controlled (Fernandes et al., 2023).

Literature suggests that that institutions and resource availability can influence the entry choice of SMEs into foreign markets (Wu & Deng, 2020) and it highlights the following entry choices to geared to the SME:

- Lower-resource entry modes, like exporting or licensing (Wu & Deng, 2020)
- Ng'ombe et. al (2023) challenges this, however, and presents micro-multinationals
- Non-equity joint strategic partnership owing to aversion to share ownership (Laufs & Schwens, 2014)
- Networks are used to overcome the difficulties associated with internationalisation (Child et al., 2022; Chipp et al., 2019), this can be done through the next entry mode
    - Piggy backing offers the ability to leverage complementary contributions and a non-equity form of cooperation (Terpstra & Yu, 2007)

- Participation in GVC or RVC linkages through which SMEs can participate in either forward or backward integration for an MNE (de Melo & Twum, 2021; Storz et al., 2022).

The discussion on findings and literature will follow the themes as they were outlined in chapter five, and show which emerged as the major entry choices for the participants. These are: strategic alliances, piggy backing, joint ventures and wholly- or majority-owned subsidiaries. While the various entry modes are discussed, it is important to keep in mind that a few of the participants relied on one entry choice.

6.11 RQ 3 Theme 1 Discussion: Strategic Alliances as an Entry Strategy to Reduce Voids

Findings on the Choice to Use Strategic Alliances to Reduce Voids

Research findings established that some participants would enter into strategic alliances with distributors – as was noted – that being the most cost-effective way to enter a market while adapting to the host-market localisation requirements. Some participants achieved this through co-labelling distribution agreements. These participants perceived co-labelling to be sharing some form of ownership of the product without equity involvement. Where the host-market laws required indigenous ownership to do business, the participants spent time finding a “valuable” partner who would also contribute to supporting business operations on the ground and would close host-market knowledge gaps. Similar to exporting, participants considered this method of entry to enable faster access into a market because they would leverage a partner with host-market presence. This mode of entry was the least utilised of the entry points with less resource requirements, because it required contractual agreements upfront which SMEs were found not to have capacity for or the skillset to do on their own.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

According to the literature, SMEs may choose less resource-heavy entry modes. These may include licensing, exporting and joint ventures (Wu & Dang, 2020). Laufs and Schwens (2014) further state that, given the nature of SMEs to be resource constrained, they may utilise entry modes that give them less control in the host market. Another consideration suggested by Laufs and Schwens (2014) is that SMEs entering into strategic alliances prefer non-equity JVs because some may be family owned and they find it a less-desirable share ownership. Despite the findings corroborating with literature, strategic alliances that required complex and costly contracts were seen as undesirable for short- to medium-term business deals – this is especially true given the cost versus benefit. Thus, research revealed, SMEs were more open to these contracts when they were more long term in nature. As an extension to literature, strategic alliances that are complex in nature can perhaps be seen as a longer-term entry mode for SMEs. These alliances require a smaller investment than, for instance, wholly-owned subsidiaries and ultimately SMEs would make up the costs and the time invested in the set up of the strategic alliance or JV.

Literature further says that service firms are sensitive to strategic alliances because they need to protect their reputation while the service is being rendered. This is because, for service firms, the customer experience or "product" is being consumed in real time. Where service SMEs do not have physical oversight, the ability to remedy undesirable customer experiences is limited – thus leaving the brand or service exposed (Blomstermo et al., 2006).

The entry mode selected by one of the technology companies for their operations in Zambia, which is discussed at length in Q3 theme 4, confirms literature in that the SME provides services both to large corporates and to individuals in Zambia. While the corporate services are labelled under the large corporates, the individual product is labelled under their brand. In the latter they have a presence of between 80 and 100 service agents, strategically located across the country.

6.12 RQ 3 Theme 2 Discussion: Piggy Backing as an Entry Strategy to Reduce Voids

Findings on Piggy Backing as an Entry Strategy to Reduce Voids

We previously shared the research findings on how population influences internationalisation and entry choice given the size of the opportunity. Strongly tied to this, as research reveals, are technology and diversified clients who used the piggy backing entry mode. This is because piggy backing was the least resource-heavy entry mode given the size of the opportunity brought about by MNE footprint and population reach. Thus, through their home-market location, SMEs are able to service the host markets and, on occasion, would hire a local employee and travel to the host market for oversight through a fly-in-fly-out model. These participants also noted that, while vendor onboarding may take time, it is mainly done only once through the South African headquarter with additional service level agreements and contracts added to the specific host-country opportunity. Bureaucracy was said to stifle the speed of access. However, findings for manufacturers who already have special agreements – that do not require merchandising for their products in large South African retailers with wide African footprints – indicated that these SMEs did not intuitively consider leveraging the retailers' Rest of Africa footprint. This is because of the strained relationship through power dynamics experienced in the home market. Some participants however found the piggy backing model to be limiting in retail given the need to have merchandisers in the host markets.

Surprisingly, only one participant leveraged the GVC network of a South African SME – this was done through manufacturing a product that would labelled by a retailer and exported through their retail chain in the region.

Comparative analysis of findings from the primary study and findings from literature

Networks present a strong alternative form for entering foreign markets. A network enables a firm to build its supply chain – as part of its value chain – in markets with weak institutions and this can be done through piggy backing (Chipp et al., 2019). Piggy backing offers an ability to leverage complementary contributions and non-equity forms of cooperation as well as a faster access to markets with lower resource involvement (Terpstra & Yu, 2007).

Research findings confirms literature because participants who used both networks and piggy backing confirmed that this entry mode enabled a faster access to markets. The main delays experienced through this entry mode was bureaucracy within the MNE's internal organisation.

6.13 RQ 3 Theme 3 Discussion: Exporting as an Entry Strategy to Reduce Voids

Findings on Exporting as an Entry Strategy to Reduce Voids

The research findings revealed how SMEs that were exporting highlighted the lack of host-market knowledge, and the need to access the market in a much faster way, as the main drivers for this entry choice. This entry choice also allowed participants to test the market demand without fully investing in product distribution investigation, selection and contract. The research further revealed that this entry mode enabled SMEs to drive demand through social media – thus filling host-market customer orders remotely. The research findings also revealed that a major gap for SMEs was host-market knowledge and, thus, when exporting SMEs relied on agents or distributors to facilitate entry. Participants opted for a home- or host-market distributor and/or agent who would enable their entry.

At times, the agent and distributor are two different entries who both charge their respective fees while, in other instances, agents are contracted to the SME as external consultants and use the SME-allocated email address for engagements. Research findings indicate that challenges with this entry mode were the cost of logistics, time in finding a suitable distributor, and negotiating payment terms that reduce risk for the SME. Secondly, a trade-off was often needed, either on decreasing the cost price to the distributor to enable the product not to be over-inflated at the host-market retail chains or the end customer – thus overcoming liability of foreignness by being more price competitive.

And thirdly, the presence of mafias in a host-market distribution network was very restrictive in terms of partner–host distributors, as the mafias had control of pre-determined locations, fees and conditions that ultimately erode profit margins, or trigger blacklisting in a host market if there is any form of retaliation.

It was made very clear in the findings that SMEs wanted the simplest way to enter; by that they mean outsourcing the exports to a trusted distributor from the home or host market who would collect the shipment from home-market soil, pay majority costs upfront and deal with all the logistics of distributing in the host market themselves. Despite some having these ideal conditions, participants found it difficult to lose control or oversight of the product distribution once the product had left their hands and the shipment was paid for. As a result, some participants, who use distributors for their business engagements, find that having regular contact with the end customer is important, especially for sizable orders. This is done though their service desk that is manned by internal staff, or via email.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

As said above, literature tells us that SMEs may choose less resource-heavy entry modes (Wu & Dang, 2020). Vendrell-Herrero et al, (2017) adds that exporting is the main internationalisation method available to SMEs, given that it is not resource heavy

(Vendrell-Herrero et al, 2017). Despite the high number of SMEs who have used the exporting method as a choice of entry, findings are inconclusive on whether or not the method is less resource-heavy and simpler, as indicated in the challenges outlined above. Firstly, participants who have also internationalised, reveal that the African export market is less developed, with very little policy intervention to govern the formal and, mostly, informal voids brought through export challenges. Where the agent and distributor are separate, the costs are even higher, with little room for negotiation This, then, forces the cost of exporting up, given that contracting takes place on a one-to-one basis.

Lastly, contracting the distributor/agent takes place bilaterally, thus exposing exporters to more informal institution voids, like the unregulated mafias.

Literature tells us that by not using an agent and going alone, a risk is the presence of fake buyers who are known to disappear after much investment in putting together their big orders (Islam et al., 2023b, 2023a). While findings could possibly corroborate with literature, SMEs who export to distributors located in high-corruption countries use a 90% to 100% upfront payment term to mitigate the potential risk of loss.

6.14 RQ 3 Theme 4 Discussion: Wholly- or Majority-owned Subsidiaries

Findings on Wholly- or Majority-owned Subsidiaries as an Entry Choice to Reduce Voids

A smaller sample, just two SMEs, chose the entry mode of have wholly- or majority-owned subsidiaries – and findings reveal that this is the most high-risk high-reward entry mode for the SMEs. The two SMEs who chose this mode of entry had the following challenges to contend with:

- Host market knowledge gaps: These were overcome by investing in local resources upfront and, in one of the entities, the South African-born SME – who is Zimbabwean – moved to the host market to manage the business growth.
- Host market regulation: One of the markets, Mauritius, demanded a local shareholding. This was overcome by investing time in finding a suitable business partner who would take a minority shareholding.
- Market and political instability and market anticipation: In three instances of responding to market demand and investing in assets and resources, two SMEs experienced financial losses which resulted in their exiting, and one SME closely

monitors economic trends and has diversified in the host country by having various products with different risk profiles and by being present in multiple locations.

- Local hiring requirements: Subsidiary operations required the two SMEs to hire host-market citizens – this presents as a challenge when there is a skills shortage.

Some of the main benefits revealed through this method of entry are:

- Opportunity size: This entry mode enables the SMEs to monetise big opportunities, especially ones that MNEs do not have the agility to fulfil. For one of the SMEs, the subsidiary operation has overtaken the South African entity in size.
- Overcoming liability of foreignness: Given that the SMEs have invested over 10 years in these jurisdictions, their brands are well known, thus removing the liability of foreignness.
- Responding to and adapting to opportunities: Results indicate that this method enables the SME to continuously build on existing business opportunities and responding to new demands in the market. Something that would be tougher to do without being physically present.

Comparative Analysis of Findings From the Primary Study and Findings From Literature

From the literature, we know that wholly-owned investments are favoured (Dau, 2018). However, these are said to be limited for SMEs with their resource constraints, and thus SMEs may choose less resource-heavy entry modes (Wu & Dang, 2020).The literature also suggests that, given the knowledge SMEs may gained from a previous internationalisation activity, prior internationalisation experience enables the SMEs to adopt higher-commitment entry points, like acquisitions (Laufs & Schwens, 2014). Emerging literature contradicts the notion that SMEs use less resource-heavy entry modes; it shows that by using Micro-multinational Enterprises (mMNE) the SMEs are helped to pursue sizable opportunities in host markets (Ng'ombe et al., 2023). This latter finding of mMNEs and knowledge agrees with the findings of SMEs who chose this method of entry. The one participant, who specifically chose this, pursued technology opportunities in Zambia post their failed Zimbabwe attempt. This mMNE has now been present in Zambia for over ten years and is well integrated into the local value chain, with government and local large corporates alike. What was interesting, and in contradiction to the literature, was the risk appetite of SMEs towards this kind of entry mode, given that it is seen as averse. Findings indicate that, if the size of the opportunity warrants it, SMEs will take the risk to set up with wholly-owned mMNEs.

6.14 Conclusion

The discussion chapter highlighted the major findings in the report, these were categorised into the main themes that follow the research questions found on chapter 3. Firstly the research confirmed that The research confirmed that host-market institutions and conditions impact the SMEs’ ability to internationalise as well as the choice of entry. Secondly host and home market condition affect internationalisation and entry modes. Lastly, despite SMEs using less resource heavy entry modes, emerging literature tells us that they will use resource heavy modes where the opportunity is sizable.

CHAPTER 7: CONCLUSIONS

7.1 Introduction

The study objective was to **examine the impact of home-market institutions on entry strategies used by South African Small and Medium Enterprises** when regionalising into the Rest of Africa. This research aimed at establishing the extent to which entry modes reduced home- and host-market institutional voids when they regionalise.

Following the background, problem and purpose of the research outline provided in chapter one, the research then went to systematically explore relevant literature on the research constructs of 'host market and home market' and its impact on 'internationalisation' and 'entry modes utilised firms and SMEs'' given the previous former constructs. The literature then informed the main research question and three sub questions which informed the research methodology outlined in chapter four. The study findings were then presented in chapter 5 and discussed in chapter six alongside literature from chapter two in. Conclusions and research implications were then drawn from chapter six's comparative analysis. Those conclusions and implications are now carried into chapter 7 to draw final conclusions and recommendations. The structure of this chapter starts by outlining the main findings and conclusion from each of the themes discussed in chapter six. Recommendations are then outlined before providing research limitations. The research ends with recommendations for future research.

7.2 Main Conclusions and Recommendations

This section outlines findings from the three research questions outlined in question three. The researcher arrived at these findings and conclusions through indictive analysis, as explained in chapter three.

Host Country Institutions

The research confirmed that host-market institutions and conditions impact the SMEs' ability to internationalise as well as the choice of entry. The host conditions also push or foster internationalisation of SMEs (Deng & Zhang, 2018). The research findings confirmed that the host market conditions in South Africa do push SMEs to internationalise. This is because of the high saturation and competition in the South African market.

Luiz & Ruplal (2013) highlight that the stability of institutions plays a role in the African region's markets and may negatively impact investments given the current voids. Given South Africa's relatively stable financial markets as compared to the region, the study corroborates with literature as SMEs who had wholly owned subsidiaries in host markets preferred to retain their surplus funds in the South Africa headquarter location which is more stable. Exporters on the other had did not remark negatively about the host market fluctuating exchange rate as they had risk mitigations. Instead, the study found SMEs to be more concerned about the host market's currency unpredictability. This could imply that despite the exchange rate instability of the home country, exporters are more impacted by host market currency changes given limitations on mitigate the risk. As an extension to literature, we can conclude that the exporting limits the ability for SMEs to control host market variables like currency fluctuations.

7.3 Recommendations:

- The South Africa private sector financial institutions should leverage South Africa's country specific advantages like the high level of financial control in further supporting SME regionalisation. This can bring more FDI in South Africa and continue to fuel job creation. This should be done through as a South African government and private sector initiative that will see banks issue government backed manufacturing plant funding for South African SMEs who seek to grow their market base into the Rest of Africa region.
- The same institutions should investigate more effective ways SMEs can reduce financial export exposure when trading with highly volatile markets.
- The South African government and the South African Revenue Services should work closely together to attract technology and Fintech SMEs with presence across the African region by issuing tax incentives that attract them to hold surplus reserves in a South African investment account held in the SME's name.

Home-country Barriers:

Home-market voids like political risk and corruption are said to have a negative impact on an SMEs internationalisation (Cuervo-Cazurra, 2016; Rissanen et al., 2020). The study findings contradicted literature in this regard as SMEs were able to maintain their host market entry goals despite South Africa’s political instability and the horrific xenophobia directed at the Rest of Africa diasporas living in South Africa. The implication as found in the research may be that as SMEs engage business on business prospect in the Rest of Africa at both the meso and micro level, the African philosophy of ubuntu emerges and reduces the impact of this void. We can therefore conclude that when SME’s conduct business in the Rest of Africa, the host market political and regulatory instability does not hamper regionalisation, but may, through ubuntu, bridge voids. This is further discussed in the host market distance conclusions. What the research found confirm research was that host market voids indeed drive and inform internationalisation (Chipp et al., 2019). The production factor challenge of electricity pushes South African SMEs, particularly in manufacturing, to seek production facilities in neighbouring markets like Botswana. The choice of entry found to be utilised by SMEs in response to this void was either licensing or leveraging Botswana as a regional value chain (RVC) market. The implication to research may be that South African manufacturing SMEs can indeed participate in RVC activity through manufacturing and even extend their business into the region through licensing. We can therefore conclude that host market voids like electricity push South African SMEs to partake in RVC activity and utilise licensing as a means to maintain production growth through neighbouring host markets.

7.4 Recommendation:

- The South African government should fast track its electricity improving initiatives and consider unique solutions for SMEs in manufacturing. This is to ensure South African SME’s survival in South Africa, and thus into the region.

Home-market Formal Institutions

Findings confirmed Zhang and Dang (2018) who highlight that government plays an important role in fostering SME internationalisation intervention. The research findings also corroborate with Haung and Dang (2020) who further state that the SME’s international exposure influences their internationalisation. Given the host market’s national and provincial government program of taking SMEs to trade shows, SMEs have been able to assert themselves in outside markets and maintain connections that have resulted in internationalisation. In conclusion, the host market the government as a stakeholder fosters internationalisation. It is important to note that the government program support however came secondary, as push factors like saturation noted above drove the SME’s need to internationalise. When it comes to legislated government interventions, findings are mixed in their role in fostering internationalisation and entry modes. Despite corporate ESD programs enabling capacity building for SMEs, they do not postnatal GVC activity through MNE piggy backing or RVC opportunities. The extension to research may be that despite government intervening to foster internationalisation, there needs to be further intervention in the public-private initiatives. We can thus conclude the host market formal institutions have a fostering role in enabling internationalisation, however, more effort needs to be put in to see RVC opportunities emerge with private sector institutions. Banks as formal market institutions also need further government interventions to foster internationalisation.

7.5 Recommendations:

- There is more potential that lies beyond ESD. That being linking South African SMEs into South African MNE's RVC activity, particularly where the MNEs find it too risky for entry or too big to access, thus:
    - Private Sector should map their regionalisation into Africa and identify areas of collaboration with South African SMEs in delivering products or services into host markets
    - Government should provide multiplier points, similar to the "YES employment Program" , for MNEs who extend the ESD supply chain initiative by adding SMES into their regional supply chain
    - MNEs should set aside a portion of their ESD funding purely for SME RVC or GVC initiatives
    - Banks, at the back of SME regional contracts with MNEs, should provide cheaper upfront investment funding guaranteed by the MNE's ESD supply chain funding set aside to grow regional supply chain initiatives.

Home-market Stakeholders

The research findings confirm the literature that states the use of formal and informal relationships to form a network indeed bridges some institutional voids(Chipp et al., 2019) where informal institutions like personal networks are able to reduce voids created by formal institutions (Child et al., 2022). Personal networks played in important role in enabling SMEs to internationalise through the development of senior management relationships and trade program staff. They can also confirm the use of personal network in establishing export related internationalisation. As no participant mentioned family support, the study is inconclusive their role in SME internationalisation. The implication can be that family financial support, in line with Islam et al., (2023) argument is limited in emerging markets. We can therefore conclude that home market stakeholders create internationalisation opportunities for SME, closing the formal institutional gaps in host market.

Recommendations to overcome home market stakeholder voids are indirectly catered to in the recommendations stated above. The research has no home market stakeholder specific recommendations.

Geographic Distance and Host Condition

The research findings on the selection of geographic distance as a factor could not be fully confirmed with the literature because host markets were almost equally found in both the Southern African and East African regions. Perhaps geographic distances between East and Southern Africa are indeed not perceived as significant given the study by Ng'ombe et al., (2023) the extensive cross-border regionalisation between Southern- and East-African SMEs. The implication can be that East and Southern Africa are not regarded as geographically accessible by SMEs who seek regionalisation. As an extension to literature on distance between East and Southern Africa internationalisation we can therefore conclude that East and Southern African markets are not regarded by SMEs as geographically distant.

7.6 Recommendations:

- In keeping with East and Southern Africa being more geographically accessible, the inter-governmental organisation (IGO) of the East African Community (EAC) and the Southern African Development Community (SADC) should look at bolstering East and Southern African (ESA) IGO regional trade initiatives that improve the free movement of people by issuing an ESA trading passport for individuals taking part in business engagement across the region
- These same entities should look at improving border trade policy that see's regulated distributor and agent distribution in exporting
- ESA IGO should look to incentivise policy adhering distributors and agents by providing more efficient border processes and reduced or zeroised tariffs. The assumption is that the first two recommendations, in time, will increase trade volumes

in ESA and eventually make up for the revenue initially lost when reducing or zeroised tariffs

- Lastly, ESA IGO should prioritise requesting African Development Bank (AfDB) funding towards the development of road infrastructure and main port distribution points between ECA markets.

Host-country Barriers and Voids

The research findings on the host market political and regulatory instability is inconsistent with literature which suggests that these factors inhibit internationalisation while the findings confirm that it influences entry choice (Cuervo-Cazurra, 2008, 2016). What the findings may imply is that SMEs may not necessarily not take up an opportunity in a host market but may leverage their agility in managing host market instability given opportunity size. The study findings also contradicted literature by Laufs and Schwens, (2014) which suggest that SMEs mainly prefer resource light entry mode where there is high risk. The study does however confirm emerging literature that suggests that SMEs are open to utilising resource-heavy entry modes, in spite of the risk, where the host market opportunity is sizable (Ng'ombe et al., 2023). This is further discussed in wholly- or majority-owned subsidiaries section of the conclusions. The study would still like to underscore that where unregulated institutions, like mafias, exist, the study found SMEs to rely only on less resource-heavy entry modes, like exporting, to navigate the host market. The study contribution may be that SMEs do not mainly rely on resource light entry modes where there is high risk, as where the opportunity is sizable, the SME will also rely on heavy resource heavy entry modes in order to fully take advantage of the host market opportunity. We can thus conclude that emerging literature on the use of resource-entry heavy entry modes by SMEs despite the host market high risk holds ground.

To the extent possible, recommendations to overcome host-market institutional voids and barriers are catered to in the recommendations on geographic distance and host conditions as well as home-market formal institutions. Given the level limited level of influence on host country policies, research has no host market void specific recommendations ss it would need to directly need to impact sovereign policy.

7.7 Conclusions on Research Question 3: Entry Strategy by SMEs to Reduce Voids

The researcher wishes to therefore highlight, not in order of the research themes, the main findings on entry mode selection to overcome home and host market voids are that:

- Emerging literature contradicts the notion that SMEs use less resource-heavy entry modes; it shows that by using Micro-multinational Enterprises (mMNE) the SMEs are helped to pursue sizable opportunities in host markets (Ng'ombe et al., 2023). This latter finding of mMNEs and knowledge agrees with the findings of SMEs who chose this method of entry. This further confirms the literature that indicates that, if the size of the opportunity warrants it, SMEs will take the risk to set up with wholly or majority-owned mMNEs.
- Given the number of study SMEs utilising exports, it confirms literature that this entry mode is the most utilised by SMEs (Vendrell-Herrero et al, 2017). However, this research would like to extend this knowledge by suggesting at SMES may not at tims have other options to internationalise, for instance they are forced to use exporting as a means to regionalising. This may be that the level of trade intervention is still nascent in the African region, and SMES are forced to use exporting despite the African export market being less developed, with very little policy intervention to govern the formal and mostly informal voids brought about through export challenges. We therefore conclude that exporting may not only be the main preferred entry mode for SMEs, but at times the only available one given the nascent RVC and trade intervention activity in the African region.
- Lastly, the study confirms literature that argues that opportunities to leverage networks through piggy backing and RVCs exist for SMEs. This however seems to require more intervention both from a public and private sector perspective. We therefore conclude that manufacturers need to further develop GVC and piggy backing entry modes.

7.8 Recommendations:

- mMNEs have established themselves as vehicles of economic growth, thus, the public sector funding institution, the IDC should allocate technology mMNE investment funding towards the business growth of these institutions.
- Similar to MNEs, mMNEs should receive tax breaks for trading taking place between home and host markets.

- Recommendations to improve exporting and piggy backing entry modes ahs been covered above.

7.9 Research Limitations

The study limitations in this section are an extension of those discussed in chapter three. They are as follows:

- While the study focused on participants who mostly have successfully regionalised, and a small portion (30%) who are in late-stage engagements, it did not take into account SMEs who failed to regionalise. As a result of the survivorship sampling, the study cannot be dully generalisable to SMEs who have regionalised despite some having had failed attempts in some markets
- While the study undertook to demonstrate informal institutions that close the formal institutional gaps, there was limited findings and therefore recommendation on how informal institutions can further close formal institutional voids for SMEs. The research reverted back mostly to how formal institutions can further foster SME internationalisation and entry modes
- The research aimed almost equal splits for SMEs sectors, so as to not have too many SMEs from one sector. The alternative was to then complete the research using only the manufacturing SMEs interviews and possibly discarding the other three SMEs who were in technology and diversified or increasing the sample for at least the technology SMEs to five and discarding the diversified SME's interview. As a result of time limitations, the researcher chose to use all SME interviews for the research and provide sector specific findings, conclusions and recommendations where a finding was significant enough. The sector specific insights may not be generalisable given the size of the sample

7.10 Recommendations for Future Research

Based on the study conclusions and limitations, the following areas have been identified for future research:

- Further research should focus exploring informal market institutions at the micro and meso level as a means to close formal institutional RVC voids
- Future research on mMNEs is required from a regional perspective to further understand how they overcome institutional voids through their entry mode strategy

- Further research should focus exploring how export entry strategies can be improved through informal institutions at the meso and micro levels.

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Appendices:

Informed Consent

I am conducting research on ***entry-mode strategies utilised by South African SMEs to reduce institutional voids when operating in the African region.*** You are asked to participate in a **1hour15min interview** that will help us understand **how South African SMMEs overcome institutional voids by their choice of entry mode when entering the African region.**

Your participation is voluntary and you can withdraw at any time without penalty.

By signing this consent letter, you indicate that you;

- voluntarily participate in this research
- permit the researcher to use verbatim quotations in their report should the need arise, without identifying your name or company
- understand that the data to be reported and stored without identifiers
- understand that the report data and findings will be available publicly post the examination process

Do you give consent for the interview to be audio recorded?

☐ Yes

☐ No

If you have any concerns, please contact my supervisor on the details are provided below.

Research supervisor name: Kerry Chipp on chippk@gibs.co.za or +27 82 330 8759The researcher's details are: Thokozile Mcopele - 22027516@mygibs.co.za or 076 900 0246

Respondent's Name and Surname: ___________________________________

Respondent's Signature: ____

Researcher's Name and Surname: Thokozile Mcopele

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Thokozile Mcopele,

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.

Ethical Clearance Form

Kind Regards

Appendices: Research Guide

Context

1. Tell me about your business and the products and/or services the business has regionalised?

What formal institutional voids from the home country are experienced by South African SMEs internationalising in the region

2. Share a walkthrough on the journey of entering into African markets
   a. Prompt - which South African institutions supported that process
3. Describe how your home market institutions and networks impacted your entry into other markets in the African region?
   a. Prompt – who the stakeholders or role players are
   b. Prompt – the role or impact of the stakeholder

•

How do South African SMEs overcome institutional voids through formal and informal institutional overlaps

- **Pre-Prompt: Thinking about the market(s) you entered**

4. What factors did you have to contend with on your choice of entry?
   a. Prompt – regulation, networks, way of doing business, etc.
5. How was your experience in navigating host market requirements in the process of entering?
   a. Prompt - barriers, costs, technology, documentation, regulation
6. What were some of the benefits of your chosen entry mode with the host market post entry?
7. What were some of the challenges your business faced post entry?
8. How did your entry mode assist or impede you in overcoming the challenges?
9. Who were some of the key role players or stakeholders in the host county and how did they support or challenge your entry choice?

•

What entry mode is most favourable given the current institutional voids and overlaps

10. What home market conditions supported or enabled your choice of entry?
11. How would you describe the impact of the entry choice your ability to penetrate the host market versus other alternatives?
    a. Prompt: other entry modes that have been beneficial over others?
12. Is there anything else would you like to share about the internationalization of your business that we have not covered?

Information provided including all transcripts and audio and video recordings, upon the earlier of (i) the completion or termination of the project between the parties being contemplated hereunder; (ii) the termination of this Agreement; or (iii) at such time as the Disclosing Party may so request.

5. Miscellaneous.

(a) This Agreement constitutes the entire understanding between the parties and supersedes any and all prior understandings and agreements, whether oral or written, between the parties, with respect to the subject matter hereof. This Agreement can only be modified by a written amendment from each party's validated form of communication.

(b) The validity, construction and performance of this Agreement shall be governed and construed in accordance with the laws of South Africa applicable to contracts made and to be wholly performed within such state, without giving effect to any conflict of laws provisions thereof. The courts located in South Africa shall have sole and exclusive jurisdiction over any disputes arising under the terms of this Agreement.

(c) Dispute Resolution (Negotiation/Mediation/Arbitration). In the event of any controversy or claim arising out of or relating to this agreement, or the breach thereof, the parties hereto shall enter into negotiation with each other and, recognizing their mutual interests, attempt to reach a solution satisfactory to both parties. If they do not reach settlement within a period of 7 days, then either party may, by notice to the other party and an online based recognised mediator, demand mediation. If settlement is not reached within 7 days after service of a written demand for mediation, any unresolved controversy or claim arising out of or relating to this contract shall be settled by arbitration administered with guidance from South African law. The language(s) of the arbitration shall be English.

(d) Paragraph headings used in this Agreement are for reference only and shall not be used or relied upon in the interpretation of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Receiving Party By

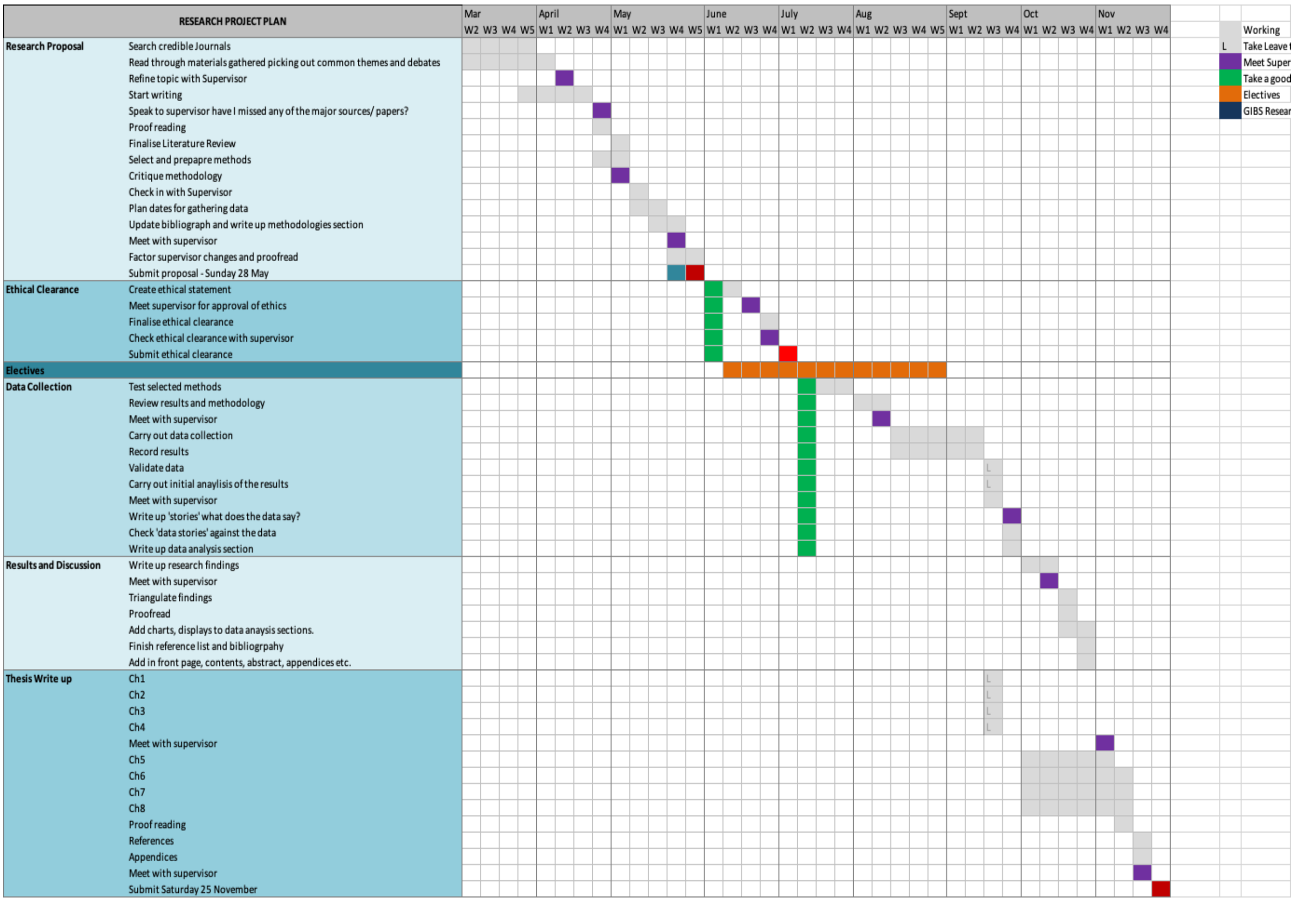
[redacted]

[redacted]

[redacted]

[redacted]

[redacted]


RESEARCH PROJECT PLAN
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Research Proposal
Search credible Journals
Read through materials gathered picking out common themes and debates
Refine topic with Supervisor
Start writing
Speak to supervisor have I missed any of the major sources/ papers?
Proof reading
Finalise Literature Review
Select and prepapre methods
Critique methodology
Check in with Supervisor
Plan dates for gathering data
Update bibliograph and write up methodologies section
Meet with supervisor
Factor supervisor changes and proofread
Submit proposal - Sunday 28 May
Ethical Clearance
Create ethical statement
Meet supervisor for approval of ethics
Finalise ethical clearance
Check ethical clearance with supervisor
Submit ethical clearance
Electives
Data Collection
Test selected methods
Review results and methodology
Meet with supervisor
Carry out data collection
Record results
Validate data
Carry out initial anaylisis of the results
Meet with supervisor
Write up 'stories' what does the data say?
Check 'data stories' against the data
Write up data analysis section
Results and Discussion
Write up research findings
Meet with supervisor
Triangulate findings
Proofread
Add charts, displays to data anaysis sections.
Finish reference list and bibliogrpahy
Add in front page, contents, abstract, appendices etc.
Thesis Write up
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Ch3
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Meet with supervisor
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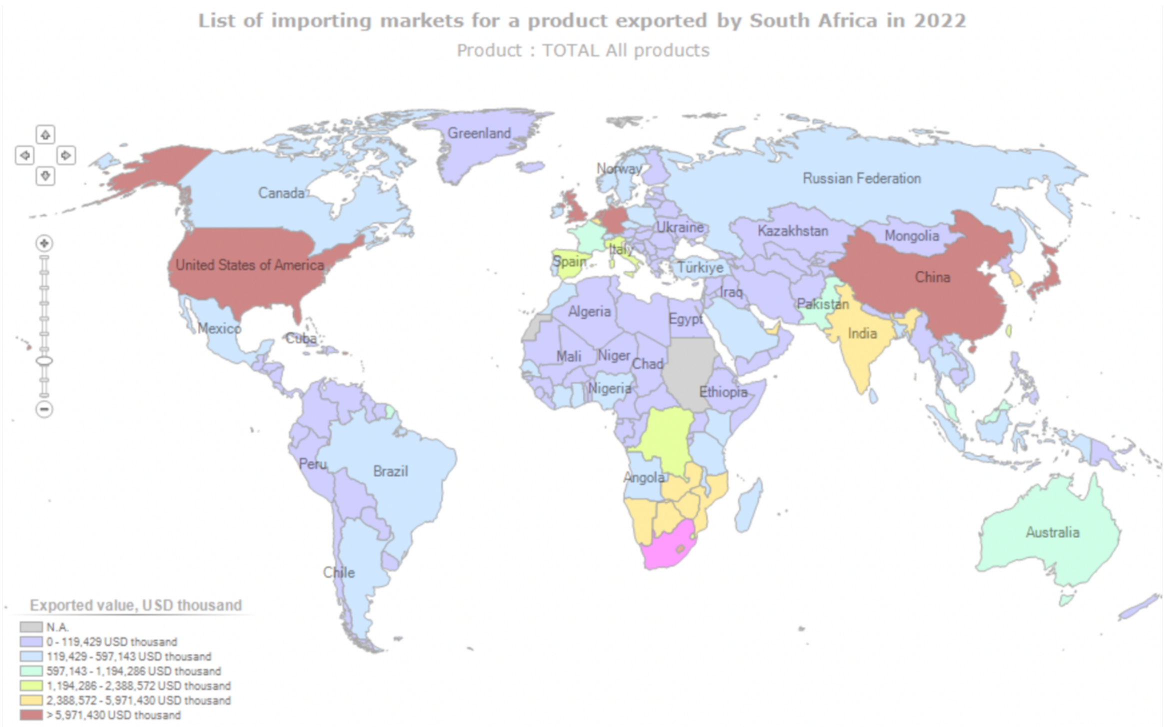
Sub-Saharan Africa: Member Countries of Regional Groupings

The West African Economic and Monetary Union (WAEMU)	Economic and Monetary Community of Central African States (CEMAC)	Common Market for Eastern and Southern Africa (COMESA)	East African Community (*EAC-5)	Southern African Development Community (SADC)	Southern African Customs Union (SACU)	Economic Community of West African States (ECOWAS)
Benin	Cameroon	Burundi	*Burundi	Angola	Botswana	Benin
Burkina Faso	Central African Republic	Comoros	*Kenya	Botswana	Eswatini	Burkina Faso
Côte d'Ivoire	Chad	Congo, Democratic Republic of the	*Rwanda	Comoros	Lesotho	Cabo Verde
Guinea-Bissau	Congo, Republic of	Eritrea	South Sudan	Congo, Democratic Republic of the	Namibia	Côte d'Ivoire
Mali	Equatorial Guinea	Eswatini	*Tanzania	Eswatini	South Africa	Gambia, The
Niger	Gabon	Ethiopia	*Uganda	Lesotho		Ghana
Senegal		Kenya		Madagascar		Guinea
Togo		Madagascar		Malawi		Guinea-Bissau
		Malawi		Mauritius		Liberia
		Mauritius		Mozambique		Mali
		Rwanda		Namibia		Niger
		Seychelles		Seychelles		Nigeria
		Uganda		South Africa		Senegal
		Zambia		Tanzania		Sierra Leone
		Zimbabwe		Zambia		Togo
				Zimbabwe		


List of importing markets for a product exported by South Africa in 2022
Product : TOTAL All products
Greenland
Canada
Norway
Russian Federation
Ukraine
Kazakhstan
Mongolia
United States of America
Spain
Italy
Türkiye
China
Iraq
Pakistan
Algeria
Egypt
Mexico
Cuba
India
Mali
Niger
Chad
Nigeria
Ethiopia
Peru
Brazil
Angola
Australia
Chile
Exported value, USD thousand
N.A.
0 - 119,429 USD thousand
119,429 - 597,143 USD thousand
597,143 - 1,194,286 USD thousand
1,194,286 - 2,388,572 USD thousand
2,388,572 - 5,971,430 USD thousand
> 5,971,430 USD thousand

List of importing markets for a product exported by South Africa in 2002

Product : TOTAL All products