EMERGING MARKET ENTRY STRATEGY AND DECISION-MAKING: THE INFLUENCE OF TACIT KNOWLEDGE AND EXPLICIT KNOWLEDGE

by

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Abstract
This research posits that tacit knowledge, explicit knowledge and hubris influence the decision-making process of managers when deciding to enter an emerging market. The literature on emergent market strategy and the decision-making process is abundant but tends to focus on the extant explicit information available. However, the prevalence of literature on the influence of tacit knowledge or experience needs to be further developed. Given the focus on Africa as an area for economic development and the complexity that comes with doing business in Africa, this study seeks to explore what homage is given to tacit knowledge and experience by strategy makers during the process of strategy development, how this knowledge is harboured and developed. The study also seeks to explore the transferability of the knowledge between countries, and if this knowledge can become an inhibitor in developing strategy.

A review of the relevant literature is undertaken and a model is developed to map out this decision-making process. A qualitative tool is developed and eight interviews with managers responsible for emergent market strategy development are held to obtain an understanding of how tacit knowledge and explicit knowledge feature on the decision-making process.

Key learnings from the study includes a disparity between literature on the importance of tacit knowledge and the growing tendency to formalise the country entry process; the prevalence of heuristics and hubris in the decision-making process, and absence of a review process to validate strategies and decision making.
Keywords
Emerging markets, tacit knowledge, explicit knowledge, decision-making, hubris.
Declaration
I declare that this research project is my own work. It is submitted in partial fulfilment of the requirement for my degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any examination or degree at any other university. I further declare that I have obtained the necessary approvals and authorisation to carry out this research.

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Signature

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Date
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Chapter 1 - Introduction

1.1. BACKGROUND TO THE RESEARCH QUESTION

1.1.1. Knowledge management and decision-making
The field of knowledge management is described as ‘the process of acquiring, creating, disseminating and applying knowledge that enables a firm to develop and maintain a competitive advantage’, and in so doing attain it’s financial and strategic goals (Nicolas, 2004). The literature on knowledge management reveals that it has two aspects, these being the management of explicit knowledge and that of tacit knowledge (Sandhawalia and Dalcher, 2014; Schoenerr, Griffith and Chandra 2014). Sandhawalia and Dalcher (2014) state that there is a need for both tacit and explicit knowledge to be available for effective decision making to take place but argue that the need tacit knowledge and individual insights more so due to the complexities and unpredictability of unstructured situation. Nicolas (2004) illustrates that the decision-making process relies on both tacit and explicit knowledge, but shows a higher dependency on tacit knowledge as the problem becomes more complex.

1.1.2. Decision-making in emerging markets
Khanna and Palepu (2005, 2010) state that the strategic decision to enter an emerging market is often driven by the size of the market or potential for growth, however, argue that there are a host of other influential factors that need to be considered when making this decision. In trying to address these complexities, academics who focus on emerging market strategy has offered a host of frameworks to aid management in identifying those features that encompass both ‘hard’ and ‘soft’ topics of market entry, and ultimately need to be considered in the development of the emergent market strategy. Of these that stand out is Pankaj Ghemawat’s CAGE framework, which talks to measuring the distance between cultural, administration, geographic and economic conditions between home and host countries when deciding to enter this market (Ghemawat, 2001). Khanna and Palepu (2005, 2010) offers us to the ‘five-context frameworks’ to adequately analyse the emerging market, and thereby inform the decision-making process prior to market entry. Building on the institutional frameworks, Holtbrügge and Baron (2013) state that the decision and strategy on emergent market entry is influenced by both formal and informal forces that include the regulatory, cognitive and normative structures that affect human and organisational behaviour. They elaborate that a key influencer is that of national
culture, which influences managerial costs but also influences the way uncertainty is assessed in foreign markets. Perks, Hogan, and Shukla (2013) introduces us to the ‘multi-level factors’ that needs to be evaluated when entering a market that they group as firm ‘level factors, country-level factors, and cultural level factors’.

What we see developing in literature is a shift from the importance of just the economic and market intelligence metrics, as identified in Porters five forces model, to include a softer, intangible context-based understanding of the new business environment when deciding to enter an emerging market. This view is supported by Fletcher, Harris and Richey (2013) who suggest that “cross-cultural knowledge” comprising of “an understanding of cultural differences, ethical values, language, negotiation styles, decision-making styles, and organisational features” are essential is reducing a firm’s cost when entering a foreign market.

Given the array of frameworks and models developed on considerations when entering an emerging market we can infer that academics agree that the decision to enter an emerging market is a complex one and that it requires not only a sound knowledge base of the countries that the firm wishes to enter but also effective management of that knowledge in order to make an informed decision.

1.2. RESEARCH SCOPE

This study does not focus on the emerging market strategy or frameworks suggested, but rather the decision-making process when using these frameworks. While the market scanning tools suggest what to look for, this study seeks to understand how the explicit and tacit knowledge bases are mobilised when developing and deciding on a strategy and to further understand if these knowledge bases influence each other during the decision-making process.

1.3. CONTEXT

Given the lack of available explicit knowledge on emerging markets (Haley and Haley, 2006), this study seeks to explore the underlying influences of tacit knowledge and explicit knowledge in the decision-making process, and explore how
management view, harness and utilise these knowledge bases when deciding on a strategy to enter the emerging market. The researcher has chosen emerging markets, and specifically in the African context as the researcher believes that the complexity of an emerging market emphasises

1.3.1. Emerging markets

The literature on ‘emerging markets’, a term created by Antoine van Agtmael in 1981, and what characterises an emerging market has been abundant (Rottig, 2016). This study will lean on two of these characteristics: that of institutional voids (Khanna and Palepu, 2005, 2010) and informational voids (Haley and Haley, 2006). These voids result in the lack of accurate information on these markets (Haley and Haley, 2006; Singh, 2012).

1.3.2. Africa as an emerging market

Review of the contemporary literature on emerging markets (2005 to 2016) reveals that although prolific, a gap exists in that the literature centres primarily on the Brazil, Russia, India and China or BRIC countries, with some attention given to Taiwan, South Korea, Chile, Mexico and Turkey (Khanna and Palepu, 2005, 2010; Haley and Haley, 2006; Enderwick, 2009; Singh, 2012; Lee, Lin, Wong, and Calantone, 2011; Holtbrügge & Baron, 2013; Keith J. Perks, Stephen P. Hogan, & Paurav Shukla, 2013; Khanna, 2014; Marquis and Raynard, 2015).

Reference to Africa, although a continent is generalised, with some focus on South Africa, Ghana and Nigeria (Esemeh, 2008; Peters, 2011; Bokpin, Mensah and Asamoah, 2015 Agyemang, Fantini, and Ansong, 2016). This supports the argument for additional research on Africa within the emerging market space. This view has been supported in a study by Moore (2010) who evaluated the knowledge of American and African business students on Africa as an emerging market, and revealed that African students were far more cognisant of these emerging markets than Americans. Further evidence that there is room for academic business research on Africa has been shown by a study of the literature that has been published in the Journal of Business to Business Marketing. Africa has only attracted 1.9 per cent of this literature with 1.3 per cent being devoted to South Africa (Iacobucci and Onyemang, 2016).

Africa, as an emerging market has been defined as the next important centre for business attraction (Iacobucci and Onyemang, 2015). An earlier study by Peters
(2011) supports this view. He states that the rise of multinational corporations in Africa has been a fundamental feature of the economic, social and political landscape of the continent. The attraction to these developing and emerging markets is in large as a result of the wealth of untapped natural resources (Peters, 2011; Iacobucci and Onyemah, 2015), and what is seen as the investment in the primary or principal sectors (“United Nations Statistics Division - Classifications Registry”) – including mining, land for agriculture and oil extraction. Africa, once seen as conflict-ridden and high risk, is now the second fastest growing continent, led by Asia. This growth in Africa has been fuelled by increasing political stability and multi-party elections (democracy), steady inflation rates, and positive economic growth in spite of a global economic downturn evident by double-digit stock market performance (Peters, 2011). Emeseh (2008) describes this growth in Africa as the “scramble for resources”, especially petroleum and solid minerals, through Foreign Direct Investment (FDI). Broadberry and Gardner (2013) echo this view that rapid growth in Africa is a result of abundant resources of minerals, oil, land and cash crops.

1.4. ACADEMIC MOTIVATION

Given the fact that managers are continually challenged to make complex decisions in a dynamic, unstable and unpredictable environment, da Silva and Roglio (2015) argue that contrary to just using successful business cases to illustrate best practice as the key driver for learning, there is a strong case for learning from unintended consequences as a result of decision-making processes. They highlight that the study of unintended consequences encourage a reflective process, but also state that these reflective processes are met with resistance. This resistance as a result of the strategic manager having to admit to failure during the reflective process.

Heeding the call of da Silva and Roglio (2015) to extend the study of decision-making processes and executive reflection, a variation of the decision-making model (figure 3) as proposed by Simon (1997) was developed (Figure 4). The model factored in the knowledge bases of tacit and explicit as key determinants of decision making.

1.5. STRUCTURE OF THE PROPOSAL

Chapter one of this report introduces the area of research and justifies that a knowledge gap exists that can be further developed. Chapter two looks at the various
literature available on knowledge management, tacit knowledge and explicit knowledge, decision making and emerging markets and draws a linkage between these constructs. Chapter three introduces us to the research question and sub-questions in understanding how management addresses the constructs defined in the literature review for strategy development. Chapter four substantiates why this research is exploratory and justifies why a qualitative methodology was employed. Chapter five presents the information collected during the interview process, while Chapter six discusses the themes and finding revealed and supports or argues these findings using the relevant literature. Chapter seven concludes the research and summarises the key findings from the project. Chapter seven also highlights the limitations of the study and offers potential avenues for further development on these topics.
Chapter 2 – Literature Review

2.1 INTRODUCTION

To develop an understanding of the complexity that managers’ face in deciding whether to enter an emerging market, we briefly review the literature as it pertains to knowledge management and explicit and tacit knowledge. We then explore the roles of these knowledge bases in strategic decision making. A review of emergent market theory is undertaken. Combining these concepts, we develop the framework for understanding how management develop strategies for emergent market entry, with a specific context to Africa.

2.2 KNOWLEDGE MANAGEMENT IN THE BUSINESS ENVIRONMENT

The field of knowledge management is described as ‘the process of acquiring, creating, disseminating and applying knowledge that enables a firm to develop and maintain a competitive advantage’, and in so doing attain it's financial and strategic goals (Nicolas, 2004). The importance of knowledge management in firms, stems from the increasing view that knowledge is a resource (Brahma and Mishra, 2015) that allow firms to effectively transfer and integrate knowledge to multinational subsidiaries to control and coordinate organisational complex tasks (Sandhawalia and Dalcher, 2014), thereby maintaining a global competitive advantage in the subsidiary market (Dhanaraj, Lyles, Steensma and Tihanyi, 2004). Sheng, Hartman, Chen and Chen (2015), show that the reciprocal is also true, and illustrate that a sound knowledge base of a foreign market is imperative for success in that market (Sheng et al., 2015).

Brahma and Mishra (2015) suggest that knowledge management in business developed popularity in the 1990s, and is a result of growing complexity, competitiveness, technology and dynamic customer demands. They state that the seminal work of Michael Polyan in 1962 and 1966 on identifying and differentiating between tacit and explicit knowledge formed the basis for the extant literature now
available, and argue that to be competitive and sustainable, the management of knowledge and competence is vital. This view is supported by a number of academics. Dhanaraj et al., (2004) state that the application of knowledge-based resources is at the heart of the competitive advantage of the multinational firm, and to adequately exploit the new market requires the transfer of both tacit and explicit knowledge. Organisations that function in rapidly changing environments are subject to significant unpredictability that require a combination of both tacit and explicit knowledge to develop creative solutions to solving these problems (Sandhawalia and Dalcher, 2014). In a more specific study, focussing on supply chains, Schoenerr, Griffith and Chandra (2014) state that in an increasingly competitive environment, knowledge management, and the leveraging of explicit and tacit knowledge is essential to remain competitive (Schoenerr et al., 2014). Building on these views we explore the literature on explicit and tacit knowledge.

2.2.1 Explicit knowledge
Smith (2001) defines explicit knowledge as the ‘know what’ or systematic knowledge that can be easily communicated and shared through physical means such as print. It can be stored and accessed quite quickly; and the collection and reuse of the knowledge assumes repeatability and stability in its application (Smith, 2001). Dhanaraj et al., (2004) describes explicit knowledge as ‘highly codified’, easy to access and transmit. They continue by adding that this form of knowledge is quantifiable, and commonly technological and process driven. Schoenerr et al., (2014) states that explicit knowledge comes in various forms that include ‘manuals, blueprints, procedures, policies, forecasts, inventory levels, production schedules, market intelligence data, etc’. (Schoenerr et al., 2014; Frias, Gonzalez and Beltran 2012). Sheng et al., 2015 reflects the views of Smith and describes explicit knowledge as the ‘know what’, that is based on work processes (Sheng et al., 2015).

2.2.2 Tacit Knowledge
The notion of tacit knowledge was first introduced by Polyani (1962) in his book titled The Tacit Dimension. Polyani (1962), coins the term “tacit knowing”, and at its most rudimentary aims to define it by saying “we know more than we can tell” (Polyani, 1962. p 4). He elaborates that tacit knowledge is both the ‘know how’, a practical approach, such as that of a skilled craftsman, and the ‘knowing what’, an intellectual
that comes through experience, but further states that neither of these exists independently. He argues that the tacit knowing always involves two aspects that he describes as the ‘two terms of tacit knowing’ (Polyani, 1962. p 10), and it is only through focussing on the second aspect, that we become aware of the first. In developing his argument for the basis of tacit knowledge, Polanyi provides us with a host of examples that range from paying attention to the features of a face and thereby recognizing that face; paying attention to facial expressions and gauging a mood, (Polyani, 1962. p 5); the attention given to muscle movement in the development of a skill, such as painting and sculpting (Polyani, 1962. p 8). At a cognisant level he uses the recognition of the fact that someone plays a skilful game of chess is as a result of one’s tacit comprehension of the game (Polyani, 1962, p 33), and relies on the observance of the rules, but the observance of the rules does not make a skilful player (Polyani, 1962. p 34). The last example is very important as it clearly defines the link between tacit and explicit knowledge.

Tacit knowledge is the knowledge gained through practical actions, observation, and experience in various contexts and is therefore closely related to skill. Tacit knowledge, therefore, increases as more experience is gained (Insch, McIntyre and Dawley, 2008). Tacit knowledge is difficult to articulate or conceptualise, and is largely subjective as it is conceptually individual (Polyani, 1962; Masqood, Finnegan and Walker, 2004; Schoenerr et al., 2004; Insch et al., 2008).

Smith (2001) gives us the view that tacit knowledge can be both technical and cognitive. Technical tacit knowledge she ascribes to the mastery of a specific body of knowledge or a skill such as a craftsman. Cognitive tacit knowledge made up of mental models, assumptions, beliefs, values, and perceptions. She argues that tacit knowledge can be grouped into, content, context and orientation. Content is the knowledge applied to manage oneself or others within a given situation or context, to orientate a pragmatic solution or outcome to a specific problem (Smith, 2001).

In addition to being ‘cognitive tacit’ and ‘technical tacit’, a further dimension of tacit knowledge being social is added by Insch et al., (2008). They, therefore, describe tacit knowledge as the knowledge of self, tasks, and others. The importance of social ties in the transfer of tacit knowledge has been demonstrated by Dhaneraj et al., (2004), who argued that ‘relational embeddedness’ was paramount in developing and transferring tacit knowledge.
In their study to identify the role of tacit knowledge in management practices, Venkitachalam and Busch (2012, p. 356), draw on the definition by Harlow (2008) that says ‘tacit knowledge in an organization is from a process perspective and is concerned with the accumulation of implicit knowledge over time in organizational routines’, but also acknowledge that this is a very limited view of tacit knowledge and its applicability and transferability across the organization. They also raise the point that tacit knowledge is specific to that individual and therefore contextual, and in this way, it differs from the organisational knowledge that is largely procedural, free of an individual’s context and is, therefore, implicit (Venkitachalam & Busch, 2012).

There is growing emphasis placed on the role of tacit knowledge in strategic management practices in emergent markets. Sheng et al., (2015) argue that although both explicit and tacit knowledge can be transferred, it is the tacit knowledge, which is context driven, that is the more complex to transfer. They state that tacit knowledge is of specific importance to the multinational firm that wishes to enter an emerging market, because in developing the strategy, explicit knowledge of the new market is easily obtainable. It is the tacit knowledge within the local context that is difficult to develop (Sheng et al., 2015). They substantiate this view of transfer complexity by suggesting that tacit knowledge is ‘rare, valuable, inimitable, non-substitutional’, and it is because of these characteristics that it is not easily replicable, not easy to articulate and internalise and, therefore, understand. They embellish that tacit knowledge is highly specific to the context in which it has been created. They provide the view that the transfer of tacit knowledge takes place through social interactions and for this knowledge transfer to take place there needs to be a level of social cognitive capability. Social cognitive ability creates the platform for learning in socially complex environments (emerging markets), taking into account the nature of the reciprocal interactions of cognition, behaviour and environment. It is for these reasons that those multinationals which have a better understanding of the subsidiary markets are better enabled to develop products and services for these markets (Sheng et al., 2015).
2.2.3 Tacit knowledge and Cognitive Schemas (Gestalt)

Insch et al., (2008) suggest that tacit knowledge finds its underpinning in the information process theory and the concepts of cognitive schemas. They state that these mental models are mental representation of knowledge that has formed over time. They suggest that there are three cognitive schemas – that of self, others and tasks and that cognitive schemas are ‘mental repositories of knowledge, which guide behaviours and perceptions. These mental models can shape the way that explicit knowledge is perceived (Insch et al., 2008).

2.2.4 Tacit knowledge and Hubris

Maqsood, Finnegan and Walker (2004) state while experienced managers are better empowered to make more informed decisions as a result of their tacit knowledge and expertise, they argue that there is a strong possibility that this tacit knowledge can lead to incorrect decisions being taken. They attribute that tacit knowledge is subject to human processing factors that influence the way that information is constructed. These factors include perception and recognition that influences how knowledge was received and therefore recognised, and further state that the knowledge is reused and, therefore, subject to being reconstructed. They elaborate that the individual’s cognitive style, or how the individual performs intellectual and perceptual activities; the mental frameworks and models used in problem solving; and the learning mechanism of the individual will impact the tacit knowledge created. Given these human information processing factors, tacit knowledge is also subject to the industry context in which it was created, and when it was created, as memory tends to lapse. The tacit knowledge created then leads to biases and heuristics, or mental shortcuts during the decision-making process (Maqsood et al., 2004).

Cognitive schemas of self, includes that of self-efficacy, which relates to the knowledge of performing a certain task (Insch et al., 2008). This further encapsulates concepts of self-motivation skills, self-organizational skills, technical skills and social skills. Picone, Dagnino, and Minà, (2014) suggest that these skills are key traits of leadership, and cultivates creativity, excitement, enthusiasm and the willingness to
take risks. However, they also suggest that too much of this self-efficacy can result in over ambitious internationalisation, acquisition, strategies, excess risk taking, impulsivity and pride that could result in catastrophic failure as a result of the decision taken. They term they ascribe to these traits is ‘managerial hubris’. (Picone et al., 2014). Building on the concept, Ford (2006) describes hubris as an excessive ego or pride, and a failure to recognise the limitations of one’s own ability. Ford also introduces us to the concepts of hamartia and anagnosia, both of which could have similar decision outcomes as hubris. Hamartia he indicates is the limit to one’s level of perception, an inability as opposed to a cognitive state. Anagnosia he describes as the lack of knowledge, not as a result of a receptivity issue, but from a lack of availability, thus limiting us from seeing the full picture (Ford, 2006).

A further illustration of the negative effects of tacit knowledge is demonstrated by Sheng et al., (2015). They illustrate that because it is difficult to communicate, tacit knowledge can create a lack of creativity and innovation in the subsidiary firm.

2.3 DECISION-MAKING

When a complex strategic decision needs to be made, it requires the use of both explicit and tacit knowledge. Nicolas (2004) illustrates this in his study ‘Knowledge management impacts on decision making processes. He comments that strategists do not only draw on existing information but also rely on their ‘own factual knowledge’ (tacit), in so doing creating a new knowledge base. He also suggests that strategy can occur through random actions of managers and coupled with trial and error learning. In complex situations managers may not have the information to process the complexity within the environment and illustrates that the higher the complexity of a problem, the more managers tend to draw on a higher tacit base.

*Figure 1: The measure of complexity: Source: Nicolas, 2004*
He proposes three phases to the decision-making process: the intelligence or identification phase; the conception phase and the selection phase. In these phases of the decision-making process, he illustrates that individuals and groups switch between tacit knowledge and explicit knowledge during the decision-making processes. In these cases, new approaches are adopted and filter down to middle management who enact the strategies of the firm. This can ultimately shape the organisations official strategy. The strategic decision-making process assumes that the decision maker is a bounded rational, and seeks to eliminate uncertainty (Nicolas, 2004). This illustrates how strategic convention can be influenced by tacit knowledge or heuristics.

**Figure 2: Decision-making in a complex situation: Source: Nicolas, 2004**
da Silva and Roglio (2015) build on the model by Simon (1997) and re-introduces us to a fourth phase of the decision-making process: revision. They state that given the continuous complexity of the business environment, the process of revisiting the consequences of a decision will reveal both the intended and unintended consequences. They argue that a bulk of literature focusses on best practice in aiding decision making for the business context, but understanding the unintended consequences will affect future decision-making processes that are necessary to maintain the essential element of competitive advantage or rarity and inimitability (da Silva and Roglio, 2015). da Silva and Roglio (2015) also include an intermediary phase to the model proposed by Simon (1997), that of implementation. The researcher argues that the phase of implementation is the actionable summation of the preceding three decision-making processes, and although the consequences and deviations that arise during this phase can be altered during the implementation phase, it is through revision that these changes are effected.

Figure 3: Decision making process: Adapted from da Silva and Roglia, (2015)

![Decision making process](image)

2.4 DEFINING EMERGING MARKETS

The definition of emerging markets has attracted numerous academic discourses, as such an array of definitions are postulated. Singh (2012) characterises emerging markets by access to vast previously untapped markets, resource rich with relatively cheap access to talent. She further suggests that emerging markets have undergone a relatively recent economic liberalisation process; and that government is more ‘relational based’ as opposed to ‘rules based’, signifying a lack of formal institutions (Singh, 2012). Agyemang, Fantini, and Ansong (2016) share this view and state that from an institutional perspective, emerging markets differ politically, legally, socio-culturally and technologically from developed markets. A key feature is the level of government involvement evident in the number of state-owned enterprise and partnerships (Agyemang et al., 2016). The high degree of informality in government and regulatory institutions imply that corporate controls like transparency,
governance and accounting practices will be less reliable (Agyemang et al., 2016). Holtbrügge and Baron (2013) have echoed this view of weak institutions in emerging markets, and add that these institutions are subject to constant transformation as characteristic of emerging markets. These institutions include formal and informal forces, such as the regulatory, cognitive and normative forces that influence human behaviour (Holtbrügge and Baron, 2013). The formal constraints include laws that govern the economic environment and define the ‘rules of the game’. The informal are those that effect stakeholders including employees, management, and consumers in a new country. They further comment that firms that enter these market are subject to bureaucracy, weak business information, poor legal frameworks, and corruption. Khanna and Palepu (2010) define emerging markets as economies that lack the specialised intermediaries to establish efficient capital, product, and labour markets commonly found in more developed economies. These institutional voids result in markets that do not provide platforms where buyers and sellers can easily transact. They argue that indices and measures commonly used when evaluating EMs such as gross domestic product (GDP), do not capture these institutional voids, and reference the United Arab Emirates as an example, as it has a strong economic presence, with an underdeveloped market structure. They attribute that the three main sources of business failure in emergent markets are the lack or absence of reliable market information, uncertain regulatory environments and inefficient judicial systems (Khanna and Palepu, 2010).

Marquis and Raynard (2015) suggest that emergent markets can be differentiated from advanced economies by its economic and institutional conditions. From an economic perspective, this includes being a low-income economy, whose rapid growth is being fuelled by recent market liberalisation. A good indicator being robust growth in the economy’s GDP (Marquis and Raynard, 2015). They further indicate that the market is characterised by labour intensive and large-scale heavy industry sectors. From this, we can infer that there is a high degree of activity in the principal sector. A further economic attribute is that of a fairly unsophisticated capital market when compared to an advanced economy. This has a negative influence on the ease of trade and exposes the industry to volatility from inflationary influence. The low development of the capital market means that there is a lack of key intermediary presence such as financial analysts, accounting firms, and legal practices. This has the effect of creating opportunism due to the lack of financial mediation and also limits the enforceability of legal contracts (Marquis and Raynard, 2015).
In an earlier study on emerging market strategy, Haley and Haley (2006) define emerging markets as low and middle-income economies, in which people have less access to goods and services that are available to high-income economies. They also introduce us to the term ‘informational voids’, elaborating that these markets lack adequate information that enables strategic planning, and research on these markets are limited to searching the internet (Haley and Haley, 2006).

More recently, Rottig (2016) opts to define emerging markets by saying what they are not: they are not developed economies and are different in that they lack the presence of the strong formal institutions characteristic of developed economies. Singh (2012) expands on this heterogeneity, by that stating they differ not only from developed economies but also by differing from each other as well.

What we see developing from the various definitions of emerging markets is some common themes:

- Emerging markets differ from developed markets but are also in themselves heterogeneous.
- Institutional voids (Khanna and Palepu, 2005, 2010) – this being the lack of financial, regulatory and judicial systems that are prerequisites for an efficient market place.
- Informational voids (Haley and Haley, 2006) – the absence or lack of information that enables management to make accurate decisions.

2.4.1. Emergent market strategy formulation

The strategic decision to enter new markets has significant impacts on a company’s risk, resources, management and overall performance (Perks, Hogan, & Shukla, 2013). While there are a host of differing frameworks for strategic environment scanning that can be used for market entry like PESTLE, Porters 5 Forces, SWOT, CAGE and TOPAC-G, the strategic decision to enter new markets often depends on a manager’s cognitive style that can range from tacit knowledge and socially complex cognitive process to limited research of the markets they wish to enter (Perks et al., 2013). Perks et al., (2013) introduces us to a conceptual framework of multi-level factors that needs to be considered when deciding to enter an emerging market. They divided the factors into three categories, the firm level, the country level, and cultural distance.
In trying to bridge some of this knowledge gaps in an emerging market, Khanna, Palepu, and Sinha (2005) have developed ‘the five contexts framework’ to identify ‘institutional voids’ in an emerging market. Mapping the institutional voids identifies areas where the market entry strategy needs to be adapted to fit the local context. They argue that most companies focus either on the macro-economic factors or on the market factors when developing a strategy, never both.

In a more recent study, Khanna (2014) argues for the case of context, and as such contextual intelligence as a key driver of the multinational corporation’s success rate in an emerging market. The key insight of contextual intelligence he delivers here is that it allows us to understand the limitations of our knowledge, and also to adapt the knowledge that we do have to the context in which we find ourselves. Khanna (2014) shows that because conditions such as institutions, physical geography, educational levels, social norms and cultural differences exist, the conditions that make an MNC successful in a specific market are as a result of the operating models that has been designed in accordance with the specificities of that market. He further suggests that adapting these models to the new context becomes increasingly difficult as a result of the combination of the success previously experienced, and the level of adaption required, increases (Khanna, 2014, 2015). He suggests that although the analytical tools and models we have for market scanning are adequate, it is the manner in which these tools are used that requires special thought (Khanna, 2014).

2.5. SUMMARY OF LITERATURE REVIEW

The literature review reveals that the area of knowledge management is gaining importance in management practices. We see that knowledge management consists of two facets, these being explicit knowledge, that is codified and easily transferrable, and tacit knowledge that has its base in the cognitive, and is a result of experience, mental processing models, is context based, and is formed over time.

We see that both explicit and tacit knowledge influences the decision-making process, but as complexity increases, with less explicit information available, management tends to rely more on tacit knowledge. The lack of coded information leads to heuristics during the decision-making process. This can be framed by gestalt: the ways in which available information is perceived. We include the step of
revision as a process that can influence both the tacit and explicit knowledge in future decision-making processes.

A review of the emergent market theory reveals that emerging markets differ from developed markets as well as themselves, and are characterised by institutional and informational voids. We see that success in emerging markets requires a robust understanding of the contextual nuances. Building on the models of Nicolas (2004), Simons (1997), and da Silva and Roglia (2015), the researcher proposes the following model to illustrate the roles of tacit knowledge and explicit knowledge in emergent market entry strategy formulation, and attempts to use this model as a basis to understand how strategic management view and utilise these knowledge bases in the African context.
Figure 4: Conceptualisation of the decision-making process using a knowledge management framework within the context of an emerging market
Chapter 3 – Research Questions

The literature reveals that a key characteristic of emerging markets is the lack of knowledge on these markets. The nature of this study is exploratory and seeks to answer the following overarching question:

*Given that strategic decision making requires a sound knowledge base, this research project seeks to obtain a strategic managers perspective of the role of tacit knowledge whether positive or negative, given the absence of the explicit knowledge characteristic of emerging markets, when deciding to enter an emerging market.*

**Question 1:**

From a knowledge management perspective is structured country entry processes a common theme for multinationals when deciding to enter a new market?

**Question 2:**

How is explicit knowledge viewed by management and firms when deciding to enter a new market?

**Question 3:**

How and when in the strategic decision-making process do firms obtain tacit knowledge?

**Question 4:**

How does the gestalt influence (relationship and perception between explicit and tacit Knowledge) decision making in emergent market entry strategies?

**Question 5:**

Is tacit knowledge transferrable in terms of?

- interpersonal,
- from country to country, and
- between individual and multinational?
Question 6:

- Is there a review process of the strategic decision-making cycle, and does this add value to the firm?
Chapter 4 – Research Methodology

4.1. INTRODUCTION

The study was exploratory in nature (Saunders and Lewis, 2012, p. 110), and as a result, a qualitative approach was adopted. Although the research cannot be defined as nascent per se, but rather intermediary (Edmondson and McManus, 2007), a nascent approach was employed to develop insight into the phenomenon of tacit knowledge in decision making, with specific attention to emerging market entry strategy.

4.2. RESEARCH METHOD

The researcher undertook a phased approach to the research instrument design. In the first phase, a familiar business scenario was identified, this being the decision to enter an emerging market. The researcher then looked at the relevant literature to develop an understanding and piece together a relationship management between strategic decision-making processes, emergent market theories, and knowledge management; these being primarily secondary data such as published journals, and textbooks. A review of the literature resulted in the evolution of two aspects of the research:

1. A model that detailed the process of decision making for emergent markets using the knowledge basis of tacit knowledge and explicit knowledge.
2. An overarching question to that of the influence of tacit knowledge and explicit knowledge in the decision-making process within the context of emergent market entry. This question was then subdivided to address several steps that emerged as a result of the development of the model.
3. A review of literature revealed that sub-optimal application of knowledge management can result in erroneous decision making that materialises as heuristic or hubristic decision making. The researcher opted to explore this as an additional theme in his project.

This resulted in multiple revisits of the questions on the interview guide. Edmondson and McManus (2007) has documented and modelled this process as the iterative,
cyclical journey of a researcher in moving from the ideal view of the research to that of a feasible and viable one. This graduation process is evidence of the need for the refinement of the research questions as the study develops. The researcher was faced with this challenge early in the development of the proposal, and has now become acutely aware of the dynamic of the research process.

In the second phase, a pilot interview was held to test the clarity of the questions developed, as well to test if the questions were in fact leading, and that sufficient data can be captured or extracted from them. The pilot test offered the researcher an opportunity to also gauge the time the interview will take. This had two beneficial outcomes:

a) Enable the researcher to streamline the questionnaire;

b) Advise the interview candidates of a more accurate time allocation for the interview (Saunders and Lewis, 2012, p158).

In the third phase, primary data was gathered through face to face semi-structured interviews using a series of pre-defined open-ended questions. In some instances, the interview was conducted via video conferencing due to the locality of the candidate. 

Research questions were developed using knowledge management theory and existing literature. The questions were searching in nature (Saunders and Lewis, 2012, p. 123), and follow-up or probing questions were included to gain a deeper understanding of the topic presented. This view has been supported in a study by Hannes, Heyvaert, Slegers, Vandenbrande, & Van Nuland (2015) where eighteen experts agreed that the use of a research guideline would limit the response.

4.3. UNIT OF ANALYSIS

The unit of analysis is managers in senior roles who influence strategic business development and decision making.
4.4. UNIVERSE

The universe is companies that have expanded through entry into an emerging market, specifically on the African continent.

This universe has been selected as the researcher believes that the emerging market context provides the necessary complexity to put emphasis on the importance of tacit knowledge and explicit knowledge in the strategic decision-making process, thereby creating an engaging platform for leaders interested in this business field.

The continent is also arguably the most complex and diverse from a race, religion, language, colonial history, current politics and cultural perspective.

4.5. SAMPLING METHOD

Due to the nature of the study being exploratory, a convenient purposive sampling technique was adopted. When possible, leveraging off candidates that had accepted to interview, a snowballing technique was employed to seek for additional candidates (Saunders and Lewis, 2012). The interviewers were selected based on their strategic roles within an organisation, with at least five years experience in a strategic position. The researcher has been fortunate in that his career has given him access to a number of these people, directly and indirectly, through symbiotic and competitive activities. To ensure diversity amongst candidates and experience, the researcher aimed to interview just one member of an organisation or at least one member from an independent division within an organisation.

This was possible in all but one case where a joint interview was granted by a strategy consulting firm. This afforded the interviewer an interesting dynamic, as both candidates were intimately involved in emerging markets strategy, however, from completely different spectrums: one offered a large corporate perspective, and the other from the perspective of a number of small entrepreneurial type firms.

The table below summarises the sample method and objectives.
Table 1: Planned Research Sample and Objectives

<table>
<thead>
<tr>
<th>Sample focus</th>
<th>Target Candidates</th>
<th>Number Of Samples</th>
<th>Key Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management roles who influence strategic business development and decision making.</td>
<td>CEOs, Vice Presidents, MDs; Business Development Managers; Strategic Managers; Marketing Managers</td>
<td>Eight individuals were interviewed.</td>
<td>Gauge the level of management perception on the importance of knowledge management in strategy development, specifically tacit knowledge.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Establish if strategic managers formally incorporate decision-making processes into their operation structures.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Understand if companies review the strategic decision, its outcomes, and learn from these processes.</td>
</tr>
</tbody>
</table>

4.6. DATA COLLECTION

Data was collected through a series of semi-structured face to face interviews. The data collected was both of the text form, where the interviewer captured notes, and non-text in the form of audio recordings (Saunders and Lewis, 2012, p. 187). The recordings are to ensure a high level of accuracy. The audio recordings were then transcribed to improve the review process.

A standardised interview guideline was employed to maintain consistency across all candidates. However, there was a need to modify and expand on some of the questions originally posed as the interview process progressed. As a result, the researcher allowed the interview candidate to freely express themselves during the
interview process, as the researcher found that this freedom allowed the candidate to develop a level of candidness in their responses. This view has been supported by Leung (2015).

All interviews were held outside of working hours and not in an office environment in the aim of removing the constraints and formality that could be created from the formal settings of an office.

4.7. ETHICAL CONSIDERATIONS

A formal ethical clearance process was facilitated by the Business School to ensure that both the interview candidates and the Business School are protected from harm. The researcher has not used names of people or firms in the presentation of the findings. However, the industry and experience of the candidates are mentioned as the researcher believes that is essential to the nature and credibility of the study.

As part of the ethical considerations, all transcripts will be kept in duplicate in soft copy format by both the researcher and the Business School for a period of 10 years. Should it be possible, the researcher will attempt to keep the hard copies of the interview notes and an original print of the transcribed recordings.

4.8. DATA ANALYSIS

Data analysis was conducted through deductive reasoning (Saunders and Lewis, 2012 p. 109) of the responses to the questionnaire against the theory that has been presented.

The research sub-questions were used as a guide to extract information from transcripts of the interviews. The audio recording provided support to gauge the tone of the interview candidates and to check the accuracy of the transcripts. The researcher then extracted areas of relevance from the transcripts in support of the research sub-questions posed.
4.9 VALIDITY, RELIABILITY AND GENERALISABILITY

Leung (2015) simply defines the validity of a qualitative study as the ‘appropriateness’ of the tools, processes, methodology and data in achieving the desired outcome. Although his research is prioritised within the medical fraternity, he argues that the methodology must enable the detection of the findings that are culturally and contextually different. The researcher believes that because the nature of the research was exploratory, the interviews being in person, and that fact that it consists of open-ended questions it did not delimit the interview candidate from expressing his or her view. Contrarily, the researcher believes that it promotes free expression. This free expression is supported by the confidentiality agreement that is signed prior to the interview process, which supports the validity of the methodology adopted.

Leung (2015) argues that reliability in research is specifically aimed at the quantitative studies that require repeatability for processes and results. For qualitative studies, this comes in the form of consistency. In this instance, consistency is created by the standardised interview guide that has been developed.

Leung (2015) presents us with a view that the most qualitative research is designed to research a specific problem or phenomenon and hence, does not require to be generalisable. The researcher agrees with this view, however, offers that the research explored can be generalisable within a given context, this being the emergent market entry decision-making process.

4.10. RESEARCH LIMITATIONS

There are several research limitations that exist and should be considered:

- The nature of the research, being qualitative and based on an open-ended question could result in a degree of bias on the part of the interviewee. This would be specifically prevalent if the interviewee has a direct affiliation with a previously unfavourable outcome of a strategic decision.

- As a result of a personal perception, the researcher/interviewer could be subject to interview bias in the analysis of the data.
• Attempts were made to have the sample spread across a diverse range of industries, however, due to this being primarily a convenient sample method, the data collected was biased to that of the primary (mining) sectors in which the researcher finds himself.

• Based on the specificity of the topic, similarity universe, and sample, there was a strong possibility that data saturation reached early in the interview process. This was experienced where a number of the interviewees responded in similar fashions to the questions that were posed to them.

• Due to the nature of the research and its bias to the resources or primary sector, the data collected suffered from a strong element of gender bias. In this case, only one female was interviewed

4.11. CONCLUSIONS

Being exploratory in nature the research was qualitative by design. Applicability of the research was achieved as the themes identified are applicable to different firms and industries. Through semi-structured interviews, the research aims to bring relevance to the topic in a contemporary field i.e. being the emergent market entry strategy.
Chapter 5 – Results

5.1. INTRODUCTION

In this chapter, the data that has been captured from the semi-structured interviews are presented. The chapter starts with a summary of the respondents’ background and length of experience within a strategic role in an emerging market.

In trying to answer the overarching question as detailed in Chapter three, sub-questions were formulated using the decision-making process framework postulated in Chapter two as a basis to extract insights into the strategic decision-making cycle in emerging markets.

5.2. RESULTS

5.2.1 Respondent Profiles

Table 2: Respondent Profiles

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Strategic Experience in Emerging Markets</th>
<th>Position</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT 1</td>
<td>Approximately 40 years</td>
<td>Entrepreneur: Director and CEO</td>
<td>Oil and Gas sector, mining. Focus on West and Central Africa</td>
</tr>
<tr>
<td>CT 2</td>
<td>In excess of 30 years</td>
<td>Corporate: Director</td>
<td>Corporate: Oil and Gas sector, mining. Focus on West and Central Africa</td>
</tr>
<tr>
<td>MD 1</td>
<td>In excess of 30 years</td>
<td>Managing Director</td>
<td>Mining Services: Africa</td>
</tr>
</tbody>
</table>
5.2.2 Response to questions

Research Question 1: From a knowledge management perspective are structured country entry processes a common theme for multinationals when deciding to enter a new market?

The responses to research question one varied and this variation was in large dependent on the industry background and position held by the interview candidate. For the entrepreneurial consultant from the oil and gas sector, we saw little to no formal structure. The decision to enter an emerging market was largely motivated by an individual or group of individuals substantiated by the following extract from CT 1:

“….but for a while now I have been running small companies or affiliated to small companies or consulted for what we call westbirth cowboys and there’s no such thing, nothing like this country has this sort of history this sort of social system these are the rules and regulations that you follow in there, you just go to the country and go there and suck it and see so it’s a very different experience…”

“….Again my experience with small companies with an individual chairman entry into a certain country you’d evaluate at the board level and see whether
you’ve got a good case or not, and then let’s put some money towards it and go see what the country is like…”

CT 2 presents us with a slightly different view of the country entry process when it comes to multinationals. We see a recent evolving process of country entry and some acknowledgement of the softer important of tacit topics start to emerge. However, the commentary presented indicates that it is not given the homage it deserves.

“…I think over the course of my career think early on, I think the 70s and 80s and 80s in particular when I started to be in management there really was very little consideration. I think more recently in the past 10 years in the companies I have worked for there is, in one global company I worked for, they are certainly conscious of the need to have a little bit more than just the economic thing in your mind, to have a little bit of cultural awareness and people will be trained, I wouldn’t say trained but given some level of, you got to learn a bit about the country before you get involved and I think that’s increasing but it’s still quite superficial in my opinion…”

MD 2 is a managing director of sub-division of a large multinational. He reveals that the organisation is undergoing a restructuring process, and with this restructure there is an integration of the sub-division into the larger organisation. This integration has influenced the country entry process, in that a more formal, structured and scientific approach to country entry strategy has been adopted. We also see the introduction of technology as a means to analyse data that guides the strategy and decision-making process.

“…maybe it’s because we use to be a small company that really operated independently within the big… but now it’s changed now we are not a small company anymore because business is more put together and we’ve got bigger business units we have more structure to it than we used to have….”

“…Nowadays yes, nowadays it’s a more structured approach, so now we have got all kinds of programmes that we use to analyse so it’s a lot more scientific so we try to be a lot more scientific, we have got a programme called Growth for Profits for instance G for P where you really would analyse the country, analyse the market, analyse the customers, so really it’s a lot more analysis and a lot more detail…”

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VP 1 stems from a large multinational that supplied both services and products to the primary sector. In most cases, this involves a significant capital investment, so deals are generally subject to a contract with a minimum fixed term.

“Well I think it’s important to have that structured approach when you are talking about large investments because you’ve gotta cover the organisation’s funding and to make sure you are managing the risk and that’s when the risk bit comes in.”

VP 2 is also from a large multinational that supply products across the globe. Previous experience has exposed him to a very structured, efficient country entry process that included a specialised department to manage this process.

“…a separate department called Country Entry Anti-Bribery and Corruption. We had one official on each continent reporting into legal, there was a template and it was electronic when you do your external ratings and stuff. Then there is this bit about the implicit tacit knowledge that comes into play and that’s why they had people in each continent and the business managers of every country or region got involved but it was a highly structured process and it took no longer than two weeks to get approval or rejection with reasons, no longer than two weeks and why it was relevant to me because I had a lot to do with it because I was running the exploration business and exploration happens in all these funny countries in Africa and for every new country we had to sell into we had to go through that process and it needed to be quick because otherwise if you are slow you lose the business…”

CFO 1 from a large banking sector and we see a regimented view of this with the country entry process characteristic of the financial sector. Here we see a tailored specificity to the country entry process. The quote below also infers that some of these processes are outsourced.

“… that’s why a lot of these companies spend a lot of money on due diligence that is very bespoke, tailored to the organisation and what they are looking to achieve…”

“…It is bespoke as well you would have actual specialists in those sort of risk factors, reviewing and understanding what exposure the company is opening itself up to by entering into an emerging market. It doesn’t mean that because
there is cash on the other side of the road then it’s safe to go to the other side of the road…”

MD 1, also from a large multinational indicates that the country entry process is a very structured and rigorous process as indicated by the statement below:

“…I respected what [Company A] did in terms of country entry paper analysis, I didn’t like doing the paper work. If you look at a first tier company coming into a third tier environment, sorry into a developing country you cannot apply all the rules that you learnt in a developed society…”

Research Question 2: How is explicit knowledge viewed by management and firms when deciding to enter a new market?

Explicit knowledge in the form of published indices by NGOs such as Transparency International, ratings agencies such as Standards and Poor, and intergovernmental institutions like the World Bank and International Monetary Fund (IMF) are used in to develop a risk profile of the emerging market that the multinational seeks to enter. Commonly used indices are those produced by Transparency International’s Corruption Perception Index, the World Bank’s Ease of Doing Business, as well as published macroeconomic indices like GDP growth rates, unemployment rates and inflation rates. This question was designed to acquire an individual’s view of these market indices as a contributor to strategy, but also to understand if the strategic managers’ view is, in fact, different from that of the firm from which they stem. The responses varied in terms of industry source as well as tenure.

In answering these question we also obtain insight into how strategic managers view the role of tacit knowledge in the formulation of an emerging market strategy. The following statements illustrate these views.

Strategic Managers View of Explicit Knowledge

VP 1: “So explicit knowledge is very important to try and get the facts behind why you are doing what you are doing things like the World Bank Transparency International and all that and then the implicit knowledge is knowledge you bring with you which is very important and experiential knowledge which is attained through having learnt your lessons over time so both are very important, country papers are more of tacit knowledge because that’s what boards and organisations wanna hear but it’s also how you are gonna go about
that transaction, it's important it's where the experience comes, in that you don't get from a tacit knowledge person."

CT 1: “...Again you rely generally on outsiders’ assessments from the World Bank”

MD 2: “...I think it’s definitely the tacit. Explicit ones you can research, you can touch it you can read it and you know you can make your own judgement but if you do not have the tacit knowledge, tacit experience you know despite having these answers and having all the data at your fingertips you can still make the wrong decision if you don't have the tacit knowledge, the tacit experience. It’s almost like reading up on or studying to fly a Boeing 747 from A to Z over a period of 6 months, you read the book a hundred times you know where all the buttons are. The difference is getting to that Boeing and flying for the first time without someone sitting next to you, an experienced pilot. Reading that book is not gonna help you fly that Boeing 747…”

CT 2: “…I think quite a lot of the explicit information that’s available what we say the stuff that’s readily available you can subscribe to you can read in articles newspapers some of it is quite repetitive and quite a lot of it is written outside the country and deals with you know GDP and those sorts of things but you miss a lot of things that you could find in a country. It’s also biased say take for example we had a company that we had built in Rwanda and the background for that is not really relevant, the reaction say when we were talking to investors, and people would say Rwanda!... And that stuck in their minds like what are you doing in Rwanda that must be a terrible place, so you’ve sort of got that bias so there’s that sort of thing and then there’s this not enough example we all look at these Transparency International, ranking therefore this one is number 47 that one is 57 so 47 is better than 57 but till you actually are on the ground you don’t really appreciate that this may be the case in one area and another area might be fine, it’s too generalised and that explicit information is much too generalised,…”

VP 2: “…if you are gonna go out there and you are gonna say listen, I am gonna abide by all these and rate my risks determined by all the IMF or what are these other country factors?... If you are gonna do that as part of your due diligence of whether you are going to decide to enter into an African country, you will never go into an African country. If that’s your criteria to say is it too risky or
not, I think in most cases you will find that those factors will indicate or those indicators will tell you rather stay out. So you need to bend the rules or not take these factors too literally, too seriously and you see [Company X] doing exactly that … where the [CEO] said, yes I am aware of these things but they don’t mean anything, if you want to open a mine in the DRC you have to open a mine with all these external factors and risks and so what?…”

Firms’ view of Explicit Knowledge

Further commentary from VP 2 illustrates a divergence in his view of the explicit knowledge and that of the firms:

“…Explicit knowledge, look you have gotta know about them and try, and because that’s the risk….. I voiced my opinion and I took on [executive management] about it and my point was simple, and I don’t know how many times I have said it, all our competitors are operating in West Africa, our customers are operating in West Africa. We are either there or not, you can go and analyse the intrinsic explicit factors and research as much as you like, that’s not gonna change, you either decide to accept what they are, go and compete and service your customers or you are not, so doing analysis paralysis until you have ruined the face of that country entry, doesn’t make sense to me if it’s good enough for [Client 1, Client 2], name them….”

MD 2 reflects a similar view of differing opinions between the greater firm and the strategic manager:

“…The thing for me is I think scientific stuff is important but you need to understand where the growth is going to, you need to understand the country set up but you need to know whether you will be able to make money and to expropriate money. So you need to really analyse the country that you want to do business with, you need to analyse the company that you want to do business with and those are very important factors but sometimes you need to let your gut feel about the business guide you in what you are trying to do, I mean as I have said to you I want to go to do business in a country that was number 180 out of 185 ease to do business with and everyone is saying are you mad? But my gut feel just says to me the opportunities here are enormous so even though the statistics are important factors, they are not the only ones. You should look deeper than the cold hard statistics on making a decision on where you want to do business. That's the difficult part because that's the non-tangible things that
you need to convince accountants on and I mean we all know that is not easy. I mean I had a proposition that I had to discuss with our financial department. I had to set up a meeting with two of our accountants and it’s the shortest meeting I have ever had because I started the meeting by saying, guys, we need to think out of the box here and they stopped me and they said listen we don’t get paid to think out of the box and I said well thanks, end of meeting because sometimes you have to think out of the box…”

What we see developing from a very rigid company view of the explicit indices, without adequate respect to the local knowledge, is that some countries are completely excluded as areas for future development. The ramifications of this are twofold – a lost opportunity for the multinational, as well as a loss in potential FDI for the country:

CT 2: “…some emphasis is put on local representatives but not greatly, one area of emphasis that is quite strong is security for people and a potential show stopper is areas where you are potentially putting a bigger risk, and I know one company particularly has a list of countries that they won’t go to for security reasons, short list buy yeah but whatever the opportunity they are not prepared to accept that risk. … […]influenced by World Bank, IMF, the Economist[…] … I think quite greatly in my experience and also by the Transparency International and the ranking of countries, and also by the newspaper. I think people react you know, they read three people kidnapped in [Country A], and there is a strong reaction because they read that last week. I think there is a bit of, ah I think the sad thing about that, it’s like the work that you are doing [CT 1] in Africa you have a country that may have some troubled areas and you don’t want to be in those troubled areas but that does not necessarily dismiss, you can’t generalise you might have an area in the country where there is fighting going on there are security issues and problems, the other side of the country may be fine so you can’t just generalise based on one number and wipe out the whole country because of [ratings], Mali is a classic example.”

Research Question 3: How and when in the strategic decision-making process do firms obtain tacit knowledge?

In understanding the ‘how’ and ‘when’ this knowledge is obtained gives us insight into how much of the knowledge is used in the development of strategy.
All interview candidates agree that the ‘local’ [tacit] knowledge is critical to the success in the emerging market, and often the method of obtaining this local knowledge is through the recruitment of a strong local contingent within the workforce.

CFO 1: “In terms of a personnel running operation it would pretty much be a lot of local parties I mean they would be more trained around the brand side of things as well as the product side of things as opposed to the actual nuts and bolts, the financial strategy that would be more or less controlled from the head office,....”

MD 1: “..., I don’t think you should just waltz into a country and we’ve seen big companies falter and they falter because they don’t do their homework and I have seen people who do their homework falter as well so you have gotta go in there without blinkers literally absorb ok, and the other thing that is actually worth doing is, in fact, hiring a local, it’s very good to hire local management I think local management are keen to this. Sometimes the local management don’t know your company that well but hiring a local manager to represent your company may be a little tricky in the first few weeks but you will find that If you find someone you are in the right way I think they will open more doors than they shut especially if you find someone who shares at least basic values with you or at least someone that worked as an expert somewhere else or studied somewhere else in the world, anywhere, you will always find those people somewhere...”

MD 2: “You have to, I mean a lot of it is involving locals so there is a lot of that I can’t say necessarily getting a partner because you are not getting a partner, you make local contact to assist you and it’s been also a policy of ours also to employ locals if you enter into a country, into business in a country. I mean in Africa where we are, and I am talking outside of the business, 95% of the workforce is local so therefore understanding the local culture is very important. and to a larger part of it is part of the analysis side of it where you analyse the legal structure of a country and analyse the way they do business and obviously, you will pick up a lot of that in the customer...because in a lot of cases they would have local ....people as well...”

VP 1: “...you wanna be talking to people who actually have the experience of actually going into those markets and learn and learned lessons from them rather than go through the learning yourself. That’s where the other part of the, it’s very important to have the balance.”
A few of the respondents gave an alternate view to the recruitment of locals only. Here we see the notion of immersion and supporting the views of Sheng et al., (2015) and Dhaneraj et al., (2004).

CT 1: “…I think that’s where the beginning stages of going to the country should be done by somebody who is culturally sensitive, culturally aware, that doesn’t mean that he knows it but he is aware that there will be different behaviours, ways of doing things, different relationships and relationship building is the most important thing. It doesn’t matter how many procedures how many rules and regulations you have, you must build a relationship with the local people and you should build relationships because they all will be fruitful for everyone.”

MD 1: “…if I have to convince them [foreign shareholders] that entering a country is worth entering I have to be convinced that it’s a good idea first personally so I have always made like, wherever I have gone I have always made a….visit where I touched the ground, felt the air, went to the shops, tried to meet the ambassador sometimes and even meet your own ambassador in that country, ask people to introduce you to someone, you know just a few business men just a few discussions and a couple of ideas just to get a feel of the society, and then I would ask the local people what they do, I have always done a bit of personal investigation and sometimes that actually helped me quite a lot because on person introduces you to the next and you start having a little cycle and I have always found that somewhere there is a bit of a ….and I do a bit of a survey myself.”

We also see the use of formalised structures such as joint ventures and acquisitions as a mechanism of obtaining tacit knowledge in emerging markets, where the local management is retained to ensure that there is continuity and business relationships are maintained.

CT 2: “…The tendency if both are service companies is to get in on the back of somebody else that is already established either through joint venture or some form of partnership and try to leverage off those people who are already established.”

MD 1: “…they would first enter a country via a distributor, so they would go to a distributor appoint an agent to let him sell their stuff a little bit, test the market and then later on they would buy a share and the distributor 20% and later on they buy 50% and later on they buy the distributor and then they become
the company. So that was their entry strategy for countries they didn’t understand so they had to first get local knowledge… Then you might just keep the local managers anyway because you have also taught them your culture at the same time.”

CFO 1: “…in terms of going into any new country or area with your product whatever the case is you obviously, the safest thing to do is to buy an established organisation that understands the back yard already and continue operating through it right it would be very risky to go into a new country and set up a new operation from scratch. Your risk is a lot more limited entering the one way…”

Some multinationals choose to enter a market on their own, without giving too much reverence to tacit knowledge of the market they choose to enter. The statement below substantiates and gives evidence of what a potential outcome could be.

CT 2: “…I have seen in the past but with [Company B] a little bit different, with that company they had some process for country entry but they always wanted to go on their own, and in some cases that was probably not very successful… but then they wanted to do things their way… they stumbled… Lost about a billion dollars.”

Strategic managers also note that the level of tacit knowledge required is country and context specific.

MD 1: “…I fundamentally believe that you can’t just go there and put down a whole management team down, I have seen people come to South Africa and literally do that, put a whole foreign management team down, they failed, they just don’t have the connectivity with the local market in South Africa which is actually quite developed in terms of having in some sectors, the finance sector or other sectors. If you go to the less developed countries that connectivity with the local markets is actually quite essential. In Mauritania you cannot make it without local connectivity, you can just forget it, you won’t go anywhere, you won’t have a permit you will have a truck stuck at the port and your raw materials will not be offloaded and your staff will be arrested that’s how it works in that country. Other countries are more open I mean like Zambia you can do business there in a normal way, they will allow you in but the local guy you will employ the local manager he will always …because he will get there faster…”

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From a timing perspective, we see that there is a level of perception that engaging and utilising tacit knowledge of the emerging market for emergent market strategy development could, and should take place earlier in the decision-making process.

VP 2: “I think companies don’t plan that well in any event, I think sometimes it’s, and this is why the country entry process for [Company D] takes so long because they obviously want to do it themselves and they are so aware of all these risks so rather than using a [Local], just decide to stay out. This is a relinquishing of power issue sometimes, I think it gets in the way, so what do you need to do upfront besides doing your homework, how do you go into all that tacit experience? It’s almost impossible if you are not using locals.”

MD 2: “I think you really should do it before you decide. I think companies are more reactive than pro-active in their process, so in the case of this is a good place to go to so we have decided to go how are we going to make it work. Instead of saying beforehand no maybe the feeling side of it is more important so maybe these stats they don’t really convince me.”

Research Question 4: How does the gestalt (relationship and perception between Explicit and Tacit Knowledge) influence decision making in emergent market entry strategies?

The notion of gestalt talks to cognitive schemas or mental frameworks that have been created from past external stimuli (Insch et al., 2008), and its effects on how we perceive information. A more laymen view of gestalt is the influence of past experience on perception and decision making. Masqood et al., (2004) illustrates that tacit knowledge can lead to biases and Picone et al., (2014) extends this view of biases to managerial hubris.

The question seeks to imbibe a viewpoint from the strategic managers interviewed on how past experience influences the strategic decision-making process when deciding on an emerging market entry strategy, both from a positive and negative perspective.

MD 2 gives us a clear representation and acknowledgement that a manager’s mental model influences the way statistical data is perceived.
“...you see the thing is, it most probably plays a subconscious part in how you evaluate because scientifically, stats, you can deal with statistics however you want to. It’s really your interpretation and it gets influenced by the way you feel about, the way you feel about people will influence your relationship and I think it’s the same with business, it’s the same with who you target because you need to be very focused when you target markets...I feel more comfortable with this or that. Take for instance language, you would rather go with the English speakers than the Portuguese speakers or French speakers because it becomes difficult you know communication, but it doesn’t mean that you shy away completely”

VP 1 affirms the notion of bias and elaborates that it can be both of a positive and negative nature.

VP 1: “…people get what they call a bias based on their experiences and being negative, either having a conservative view or an optimistic view. If you have a conservative view you might get a negative view and bias the outcomes, if you get a positive view you might get a different approach. That’s the natural thing that everyone does in every part of the organisation.”

MD 3 illustrates that previous experience in an emerging market sensitises the strategic manager to the cultural and contextual differences characteristic of emerging markets. This reflects Dhanaraj et al.’s, (2004) notion of social embeddedness as a mechanism to develop tacit knowledge.

“So from a personal point of view, you do refine your skills a little bit, and culture you know people are different so I guess when you move from one territory to the next you need to be more sensitive to that and don’t make judgement calls too quickly because you might not have context to that and this can put you in a bit of a spot if you jump to conclusions too quickly.”

VP 2 illustrates a disconnect in the understanding of the context between the multinational and emerging market as result a limited knowledge base of the emerging market.

“... I think so because if you don’t have any experience in Africa and you come from [Western Country] like [Executive one] you are going to worry about all these factors you know because you do not have that, you are not in tune with what is happening in Africa... What they read in the paper and hear in the news
when they hear about Zuma and all the risks in South Africa, if you are not South African yes I can understand that you are probably gonna be worried, if you hear about crime, hijackings and …like that but are you going to ignore 60% of the [Product X] market in Africa, it happens to be in South Africa... So, and with local knowledge, we know that democracy is still working more so than most other countries and that’s just an example. If you don’t have the experience you are gonna make the wrong decisions and you are gonna be risk averse particularly places like emerging markets it’s gonna be a challenge for you like Africa, Asia…”

In the statement from CT 2 we see an element of mental shortcuts and bias as a result of previously gained tacit knowledge. We also see the relevance of time in the development of tacit knowledge, as illustrated by Venkitachalam and Busch (2012).

“I worked for a guy 15 years ago who in the previous company worked for certain companies and came with a very strong bias to go back to those countries, maybe that’s a comfort zone thing, we should be there as well, not based on any analysis necessarily but more based on intuition gut feeling. I think we should be here and we shouldn’t be there and we should be there… I think in one case it was not successful and probably the reason why maybe this guy had success maybe 15 to 20 years prior, the landscape had changed in terms of competitive advantage and also the country had progressed, moved on, things were different, it was not successful at all.”

CT 2 also gives us some insight into managerial hubris as a theme in emerging market strategy development:

“…people first of all focus on the prospectivity, you know how much money I can make out of this country, and those factors very often the understanding of the people and so on comes a lot later. Unfortunately and sometimes to the detriment of that business because they’ve really gone in thinking oh we can go in and do so well and these road blocks come up because they don’t understand what they got into and then they start thinking ‘we better understand it’ but it’s the wrong way round. I would add, we talked earlier about hubris, I think there’s also the ‘you know you people should do it our way’, we will be able to succeed, because we know we are very successful, we are very successful Westerners.”

Building on this concept of hubris, VP 2 states that hubris is not a company trait, but that of an individual.
“…and I don’t think its companies per se. We have now got an experience with individuals, it’s individuals its personalities, and it’s when people think they are better and smarter than their workforce when they make these mistakes and they don’t listen to your personnel, the people you appoint to particular positions to do a particular job and you are only gonna follow your own … head, this is when these companies make these mistakes.”

Research Question 5: Are these new insights and knowledge created transferable

- interpersonally,
- country to country,
- and between individual and multinational?

This question seeks to gauge the opinions of the strategic managers into the learning processes of firms with respect to the transferability of knowledge, insights and experience gained from strategic decision making and emerging market strategy development.

Interpersonal

CT 1 gives us the view that specific knowledge important in understanding the nuances of emerging markets are not explicit and are found in individuals:

“…I think it depends on the country, it depends on the group, sometimes its knowledge locked inside peoples’ heads which is absolutely paramount to entry into a country when it’s never written down because it’s sensitive…”

Interpersonal transferability is possible but needs to consider the local tacit sensitivities.

VP 1: “At a personal level it can be quite good but you have got to be careful of the overlay of culture.”

CT 2 states that often sharing of information does not take place because people are self-absorbed:

“… the real sharing and leveraging of experiences no, and I think some of it gets down to people and personalities, some of it gets down to people
focused on their own little area you know that why do I need to help them sort of thing."

MD 3 gives us the view that learning is reciprocal and in large depends on the person that the knowledge is being transferred to. From personal experience, he indicates that the process of tacit knowledge transfer takes a long time to be of any value.

“As far as transferring it to the next guy it all depends on that persons’ demeanour… you know I have been fortunate to have had quite a long handover with my predecessor… I said to someone that is has been quite a soft landing for me here.”

Country to Country

Literature reveals that emerging markets differ from developed markets but also from themselves (Singh, 2012; Marquis and Raynard, 2015). Africa as an emerging market has 54 countries and it is estimated that there are up to 2000 languages spoken across the continent (“Official and Spoken Languages of African countries”, 2016). Given this complexity and Africa as the context for strategy development, the researcher seeks to gain insight into the strategic manager’s view of the transferability and applicability of decisions and strategies developed for one country to another.

MD 2 gives us the view that there is a level of transferability in the strategy provided that the industry is similar, and there has been a level of individual mobility across countries.

“…there are a lot of commonalities to a larger extent it is because of the nature of the business as I have said to you the customer relationship part of it and because companies are now multinationals it means that there is a lot of outsiders, non-citizens in these countries.”

MD 1 has a similar view but localises the transferability to similarities in colonial history, and the institutions that arose as a result of these colonies.

“I think there are markets where the basic rules are transferrable in terms of the way the countries work. I think we all know that if we go to the British colonies in Africa the laws are similar, they are not identical but they are similar…”
CT 1 takes a more country-specific view to the strategic decision-making process in that it needs to specific to that country.

“When you enter into a country you go there for a specific purpose and that’s to add value to your company so it’s a monetary it’s a corporate objective you go to but you go there for the natural resources and this is in the case of financial resources but you are dealing with people and people are the fabric to go through to achieve anything so I think before you enter into a country you should understand the cultural, historical and the social, the background and the social environment that is presently colouring the country if you like.”

VP 2 supports this view of a country-specific approach to the strategic decision-making process in emerging markets and advocates a strong understanding of the non-written tacit rules of the emerging market.

“…you need to have a local knowledge of how business is conducted and also understand the finer nuances, the non-written rules of society.”

“…if you ignore the tacit stuff and don’t know how to play the tacit rules, tacit game then you are only going to have a pragmatic approach to things. You are not gonna be successful in emerging markets because the people who do have the tacit knowledge will take those opportunities and turn them into profitable ventures.”

Between Individual and Multinational

Transferability of knowledge has grown in importance in industry. Academics agree that the management of knowledge, specifically tacit knowledge is essential in maintaining a firm’s competitive edge. They add that this knowledge needs to be dynamic, for it to support sharing across functional areas (Sandhawalia and Dalcher, 2014).

We see that although this premise exists, the common perception of management is that the tacit knowledge transfer to the firm at large can are faced with barriers and can be better instituted.

MD 2: “The problem with a lot of senior people in companies is I think they are divorced from the feelings and perceptions, rather for them, it’s about we are gonna make the most money, it’s the figures, it’s the hard facts side that speaks to them.”
VP 2: “… I think the learning curve is extremely long for international multinationals because of exactly that, the approach of trying to apply one culture or one charter, we’ve just been through at [Company C] through this charter process. I think it’s almost impossible to come up with one charter that will satisfy 130 countries… So I think the learning happens very slowly for arrogant organisations like [Company C] where they think they are a global organisation but they are not you know that whole question of if you are a global organisation with a head office in Australia that’s fine but if you are an Australian company with operations in the rest of the world that’s wrong. I think until organisations make that mind shift, they are gonna struggle to learn”

VP 1: “Ok it depends on the organisational culture, there can be a lot of arrogance.”

Research Question 6: Is there a review process of the strategic decision-making cycle, and does this add value to the firm?

Sandhawalia and Dalcher, (2014) and da Silva and Roglio (2015) illustrate the importance of a revision or review process of the strategic decision-making process. Feedback is essential for the flow of knowledge that will influence decision making (Sandhawalia and Dalcher, 2014). da Silva and Roglio illustrate that the revision process enables learnings from both the intended and unintended consequences from strategic decision making.

Although the literature on the importance of review is prolific, respondents indicated that we see that the occurrence of the place in the emerging market strategic decision-making process is not commonplace.

VP 1: “…Yes absolutely, I mean you should always review your strategy because strategy should always be made relevant to where you are at the moment, current situation to current situations, the current cultural bits they are all very important as companies go through acquisitions and it has to be reviewed constantly and it’s certainly the role of the board to ensure that the strategy of the organisation is optimised and best serves the organisation so reviewing it is a key, key part of that governance”

MD 2: “…for us to do that because that is really the way you learn. I am just trying to think of some of the country entries that I have done. There is no database to say these are the lessons that you have learnt. I think we go in there
every time from scratch and I think we sometimes make the same mistakes. If it wasn’t for continuity in the people doing it the same or more or less the same, I think we would re-invent the wheel every time.”

VP 2 indicates that the process of review is an unnatural process as it requires acknowledgement from an individual or firm that they have erred.

VP 2: “…I don’t think we do enough of that. Certainly not officially and maybe we should do post-mortems of certain events and why things are not working and it’s not always easy or comfortable to do that because you need to face reality and almost sometimes admit things didn’t work, my plan failed. You’ve got to sort of look at your neighbours and say I was unsuccessful and no one likes to do that, it’s not a natural thing to do but I think there can be a lot of value in there... And maybe there is another lesson in having reviews done because if you don’t have an official review and write it down and share it with the rest of the organisation, someone like [CEO] will think ah, it’s the people in Africa. It’s not what went wrong, it’s who did what wrong so I think there is a lot of value in that review because otherwise it’s not what went wrong it’s who did what wrong.”

The loss of tacit knowledge is illustrated by CT 2 who reinforces that companies are aware of the importance of knowledge retention and sharing but putting these into practice often falls short.

“In companies we have worked in we have constantly talked about this corporate knowledge actually how you, how do you do that, you’ve got all these people with great experience and yet so much walks out of the door when one person leaves and it’s just a really hard thing, people talk about these smart computers, super brains that you can put all this knowledge in and it will be there for everybody but I don’t think anyone has cracked it, the only thing you can do is really good communication, that’s probably the answer to a winning team, that they all help each other.”

5.3. CONCLUSION

In this chapter the results from the semi-structured interviews with strategic management were presented from various companies. The results illustrate different perspectives of these managers within the framework of the research sub-questions
as detailed in Chapter three, and in alignment with the decision-making framework suggested in Chapter 2. The summation of the themes captured, include

- The process and decision-making process on country entry;
- A strategic management’s perspective and firm’s perspective of explicit knowledge in developing strategy. This question also yielded insights into the view of tacit knowledge as perceived by management;
- We looked at how knowledge influences strategy development and the prevalence of bias and hubris in strategy formulation;
- How and when in the strategic decision management process is tacit or local knowledge obtained, and how does this informs strategy;
- We gauged a management perception of the transferability of the knowledge bases between individuals, applicability between countries and if knowledge is easily transferred from the individual to the firm.
Chapter 6 – Discussion of Results

6.1 INTRODUCTION

In this chapter, we discuss the findings as were presented in Chapter five. Each of the research sub-questions will be dealt with independently and the summations will be tied back to literature to establish if the findings are supported by the literature. In so doing the researcher will either validate or disprove the model proposed in Chapter two. The researcher will then use the findings from the semi-structured to answer the overarching question as set out in Chapter three.

6.2 DISCUSSION OF THE RESEARCH SUB-QUESTIONS

The overarching research question proposed in chapter three is as follows:

*Given that strategic decision making requires a sound knowledge base, this research project seeks to obtain a strategic manager’s perspective of the roles of tacit knowledge whether positive or negative, given the absence of the explicit knowledge characteristic of emerging markets, when deciding to enter an emerging market.*

6.2.1. Research Question 1: From a Knowledge Management perspective are structured country entry processes a common theme for multinationals when deciding to enter a new market?

Evidence gathered in response to the research question one illustrates that the country entry process is about risk identification and risk management. We also see that there is an increasing tendency towards a structured format to the country entry process. In so doing firms utilise the knowledge bases available to them to manage risk and create competitive advantage. This increasing importance of knowledge management in firms has been supported by Brahma and Mishra (2015), Sandhawalia and Dalcher (2014), Dhaneraj et al., (2004), Schoenerr et al., (2014).

Further revelations from the semi-structured interviews indicate that the level of importance of softer tacit based knowledge such as culture is increasing. This is

The intent of firms moving to a more structured, scientific and computer-based approach to market analysis infers that the tacit knowledge needs to be made explicit in order to be processed. This challenges the contemporary view of tacit knowledge of being difficult to codify and articulate (Polyani, 1962; Masqood et al., 2004; Schoenerr et al., 2004; Insch et al., 2008), but supports the views of Fletcher et al., (2013), Brahma and Mishra (2015) and Bautista-Frias, Romero-Gonzalez, Morgan-Beltran (2012) in arguing for the conversion of tacit knowledge to explicit as a competitiveness enabler.

Interestingly, respondents also reveal that the level of rigour that the country entry and strategic decision-making process is applied correlates to the increasing size of the firm; the level of integration of that subsidiary enacting the strategy, with the parent company; and the industry type.

We also see a level of frustration developing in the responses of strategic managers with the analytical and structured approach to the country entry process. One would assume that higher structured approach to country entry would imply more thorough analysis, and therefore more knowledge sharing, however, Sandhawalia and Dalcher (2014) show that with increased size, firms tend to share less information.

In answering our question we can confirm that there is an increasing tendency toward a more structured approach to country entry strategies.

6.2.2. Research Question 2: How is explicit knowledge viewed by management and firms when deciding to enter a new market?

The respondents have reflected their views of explicit knowledge as it pertains to emerging markets, primarily viewing this as the published composite indices used to rank countries against each other in terms of macroeconomic factors and market perception indices.

They attribute that using these indices to define strategy is adopting an ‘outsider’s view’ of the emerging market. They also suggest that these indices are biased, and if used too literally creates an exclusionary environment for both companies seeking to enter the emerging market, as well as the emerging market in need the investment.

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In these cases, the opportunity that exists and competitive advantage that could be created has been destroyed by the reliance on the explicit indices.

Khanna et al., (2005) argue that although composite indices are useful, the lists generated from them do not differentiate between developed economies from emerging ones. They suggest that companies should only use these indices where the institutional contexts are the same. Given that emerging markets are different from emerged markets institutionally, politically, legally, socio-culturally and technologically (Singh, 2012; Agyemang et al., 2016; Holtbrügge and Baron, 2013; Haley and Haley, 2006; Marquis and Raynard, 2015; Khanna and Palepu, 2010; Rottig, 2016) these indices cannot be applied effectively in emerging markets.

In commenting on their views of explicit knowledge, the respondents also expressed their views on tacit knowledge and argued that tacit knowledge is the more important of the knowledge bases in the emerging market context, as it enables the use and application of the existing explicit knowledge.

A further insight from this question supported Khanna et al.’s, (2005) view that companies are more reliant on the explicit information to develop and lead the strategic decision-making process.

6.2.3. Research Question 3: How and when in the strategic decision-making process do firms obtain tacit knowledge?

Literature shows us that context-based (tacit) knowledge is essential for strategy formulation in emerging markets (Khanna, 2014). This context-based knowledge is gained through social activities (Sheng et al, 2015) and embeddedness (Dhaneraj et al., 2004).

All respondents advocate a strong necessity for a local knowledge content to adequately formulate and inform the strategic decision-making process in an emerging market space. There are several recommendations that emerge:

The first is to have the country entry process led by someone who is culturally sensitive and aware. This view is supported by the following statement:

CT 1: “…so I think before you enter into a country you should understand the cultural, historical and the social, the background and the social environment that is presently colouring the country if you like.”
Khanna (2014) supports this view and describes this attribute as contextual intelligence.

A further recommendation to inform strategy reflects the notion of social learning through embeddedness (Dhaneraj et al., 2004; Sheng et al., 2015), and visiting the emerging market prior to embarking on the strategic decision-making process. This includes making contact with stakeholders such as government officials and engaging with locals to develop a relationship that can enable deeper insights into the market. Fletcher et al., (2013) supports this view and describes this as market entry internationalisation knowledge (IK).

Of the most prolific recommendation is the recruitment of a high contingent of local staff, a local general manager and that expatriates should be primarily employed for functional support. The researcher argues that although this is aligned to an effective business model in an established operation, this human resource structure is an outcome of the strategic decision-making process.

In trying to establish when a firm seeks to attain the country specific tacit knowledge we see that in a few cases that the decision to enter the emerging market preceded the acquisition of the local tacit knowledge. This can be as a result of the multinational wanting to ‘go it alone’ when deciding to enter an emerging market and ignoring the tacit knowledge required to make an informed strategic decision. Chapter five illustrates a costly example of where this went wrong. This leads us to the concept of management bias and managerial hubris in the strategic decision-making process.

Other recommendations to obtain emerging market specific tacit knowledge include formal business arrangements such as joint ventures, acquisitions and partnerships.

In summary, we see that strategic managers agree with literature that tacit knowledge is gained through a social and cognitive experience (Sheng et al., 2015) through immersion and embeddedness (Dhaneraj et al., 2004) in the context (Khanna, 2014) of an emerging market.
6.2.4. Research Question 4: How does the gestalt (relationship and perception between Explicit and Tacit Knowledge) influence decision making in emergent market entry strategies?

Respondents to question four illustrated the relevance of mental models or gestalt as a key factor in the strategic decision-making process of an emerging market entry strategy:

- MD 2 gives a definitive statement on how previous experiences influences the way that explicit data is perceived. This view is supported by Insch et al., (2008). He further illustrates mental shortcuts or heuristics (Masqood et al., 2004) in his preference for English-speaking countries.

- MD 3’s response illustrates a positive perspective on the effects of past experience in a development of cultural awareness and sensitivity, reflecting the concept of cognitive schemas and defined by Insch et al., (2008).

- VP 2 gives insight to what Ford (2006) terms anagnosism, “to act without knowledge” when decisions are made or not made without the necessary information.

- CT 2 again shows us an example of heuristics, and bias as described by Masqood et al., (2004), but that could be equally described as hubris.

- We then see two examples of hubris, a developed world hubris and an example of managerial hubris.

Nicolas (2004) illustrates that during a complex decision-making process the decision maker moves between tacit and explicit knowledge basis, and further shows that the more complex a decision the more the reliance on tacit knowledge. Masqood et al (2004) illustrate that mental shortcuts or a heuristic approach to decision making can be adopted as a result of previous tacit knowledge gained. The researcher suggests that because tacit knowledge is context (time and place) dependent (Venkitachalam and Busch 2012), the absence of new explicit knowledge will compound the propensity to adopt a heuristic approach to complex decision making. Hubris will follow heuristics if the decision is made by a manager that has a high level of self-efficacy or developed arrogant disposition through tenure (Picone et al., 2014).

Given the nature of the decision-making process the researcher argues that a bias needs to be created to enable the decision to be made. The outcome of the decision
can be positive or negative, but where possible needs to be void of heuristics, and more importantly hubris in the decision during the strategic decision-making process. Making the assumption that the strategic decision maker is a bounded rational (Nicolas, 2004), it, therefore, implies that given adequate information can be re-informed and in so doing create a new ‘gestalt’.

6.2.5. Research Question 5: Are these new insights transferable

- interpersonally,
- country to country,
- and between individual and multinational?

Respondents agree that transfer of knowledge between individuals in emerging markets is possible, but is dependent on country, group or culture. They agree that the knowledge is often not codified but locked in people’s heads due to inherent sensitivities, thereby being tacit. The researcher adds that this is a difficulty in that the knowledge being transferred is also as a result of the “individuals knowing more than they can tell” (Polyani, 1962). They also agree that this knowledge takes time through social activities reflecting the views of Dhaneraj et al., (2004) and Sheng et al., (2015).

Respondents also agree that the transferability of knowledge, in this case, strategies as a result of the decision-making process, is possible between emerging countries [markets] and attribute that this is possible due to the commonalities between countries [markets]. They further suggest that the applicability of the knowledge increases with similarities in background such as colonial history that influences the institutional landscape of that country or market. This notion of similarity is consistent and reflective of the literature by Ghemawat (2001).

Respondents’ state that the transfer of knowledge between individuals does not take place fluidly. They attribute that the focus on the explicit factors such as the financial metrics ‘divorces’ the multinational [senior or executive management] from tacit aspects of the emerging market. Dhaneraj et al., (2004) and Sheng et al., (2015) advocate that tacit knowledge transfer takes place to social convention and interaction. The researcher substantiates this statement by saying senior management, as a representation of the multinational cannot effectively receive tacit
knowledge due to the limited opportunities for social interaction and engagement that affords the knowledge transfer to take place.

A further theme developing from respondents is the case of hubris or arrogance from the multinational. The researcher attributes this to a lack of knowledge of the emerging markets as detailed above, and an overestimation of the abilities of the senior manager [multinational] relative to other, as detailed by Picone et al., (2014), or for the sake of this study, an underestimation of the capabilities of the strategic management team responsible for the strategic decision-making process, relative to the senior management [multinational].

The respondents reveal that in the case of strategic knowledge transfer between individuals and between the individual and the multinational, the experience differs. The researcher attributes that this is due to the fact that the knowledge as transferred between countries is the application of this knowledge and not the transfer of it.

6.2.6. Research Question 6: Is there a review process of the strategic decision-making cycle, and does this add value to the firm?

Responses to question six all support the view that a review of the strategic decision-making process is necessary to create a platform for learning, establish if the strategy employed is still relevant, and to inform subsequent strategic decision-making processes. This being said the respondents acknowledge that although this is a valid proposition this is not being done. They further suggest that this is attributable to the unnaturality of having to acknowledge mistakes or failure.

This is consistent with the view of da Silva and Roglio (2015), who show that reflection can encourage learning from both positive and negative outcomes of the decision-making process. They also state that the nature of review process highlights mistakes by executives who have focussed on the own mental models ignoring other key factors, and provides the basis for the revision of the strategy. In attempting to preserve their image, the executive confronts the process of reflection with a defensive attitude (da Silva and Roglio, 2015).

According to respondent VP 2 a further benefit of the formal review process, could serve to dispel views of ‘who did what wrong?’ often associated with failures to ‘what went wrong? In so doing becoming a communication tool to senior management.
The researcher feels that the research obtained is consistent with the extant literature available, and supports the view that the learnings, both positive and negative that can be extracted from the review process, can aid in the revision of the strategy by providing new explicit knowledge and updating the context, experience and action and observation aspects of the tacit knowledge base.

This process of review provides a mechanism to steer future strategic decision making. Furthermore, the process of a formal review can provide a means communication and tacit knowledge transfer to senior management.

6.3 SUMMARY OF FINDINGS – VALIDATION OF THE PROPOSED MODEL

A review of the findings revealed the following:

The context of an emerging market to test the proposed strategic decision-making process model was valuable in that it provided the platform and complexity to clearly identify the roles of tacit and explicit knowledge in the decision-making process. The African context was particularly valuable in that it was relevant to the researcher’s area of interest, as well as allowed the researcher access to strategic managers to form part of the study.

In validating the model we see that:

1. The area of knowledge management is a valid construct in the emerging market space and provides the platform to introduce tacit and explicit knowledge as key constructs in the contribution to the strategic decision-making process required for emerging market strategy.
2. The inclusion of explicit knowledge in the form of composite indices in developing strategy highlights the importance of these data points in emerging market strategy development as perceived by multinational firms and by management.
3. The inclusion of tacit knowledge is relevant, in that this market specific knowledge is critical to the success of multinationals wishing to enter this emerging markets. We also see that tacit knowledge influences the way that the explicit knowledge is perceived, creating a cognitive schema or gestalt of the factors that influence the decision-making process.
4. This mental schema or gestalt influences making decision process either through positive or negative bias, heuristics or in some cases hubris where the knowledge gained is inadequate to make an informed decision.

5. We include implementation / transferability of the knowledge between individuals, and between the individual and the multinational. We also highlight the transferability of this knowledge between various countries and note that this differs from the latter in that this is applied knowledge versus shared knowledge, and it is in the application of the knowledge that we can evaluate the outcomes during the review process.

6. We highlight the importance of the review process, in that this provides an opportunity to revise the strategic decision and influence future decision-making processes as it provides a mechanism to share knowledge thereby reducing the likelihood of heuristics, hubris and anagnosis in the strategic decision-making process.

6.4 CONCLUSION

The chapter provides the discussion of the results from the research sub-questions. Our findings reveal that as firms increase in size there is a tendency to adopt a more structured approach to the country entry process. This move to a structured approach is also dependent on the type of industry.

Managers that are required to make strategic decisions share the view that tacit knowledge in emerging markets is more important for success than the explicit knowledge commonly used in emergent market strategies. Their view of the explicit knowledge is that it is incomplete (Khanna et al, 2005) and biased, and are of the opinion that if only these metrics are used to guide strategy no market entry would, in fact, take place.

The move by multinational firms to a more structured approach implies that there is a higher dependency on explicit knowledge. We see that there is an underlying frustration building in managers who are responsible for strategic growth as a result of this higher structured requirements for market entry.

In trying to develop tacit knowledge strategic managers adopt various approaches. Of these include the obtaining of local knowledge of the market through recruitment
or through immersion. This approach is supported by the view that tacit knowledge is gained through social conventions (Dhaneraj et al, 2004).

We have been provided evidence of strategic decisions to enter markets where the knowledge that the decision has been based on has been flawed (heuristics) (Insch et al, 2008), incomplete (anagnosis) (Ford, 2006) or been taken based on self-efficacy (hubris) (Picone et al, 2008). The researcher proposes that if the knowledge could be effectively communicated that these incorrect decisions could be avoided.

The responses have indicated that tacit knowledge transfer is possible between individuals, and between individuals and multinational firms, however, show that it will be more difficult to transfer this knowledge base to the multinational due to the limited contact time required to adequately transfer this knowledge. We also see that strategic knowledge transfer is possible between emerging market countries due to inherent commonalities and that this transferability increases as with historical similarity (Ghemawat, 2001). The researcher attributes that this is knowledge transfer is possible because it is the application of knowledge as opposed to knowledge sharing.

Findings have also highlighted the need for a review procedure of the strategic decision-making process to enable organisational learning from both intended and unintended consequences of the decision-making process (da Silva and Roglio, 2015).
Chapter 7 – Conclusion

7.1 INTRODUCTION

The previous chapter discusses the results of the findings from the semi-structured questions against existing literature. This chapter seeks to summarise the findings from Chapter six in the aims of answering our overarching research question that seeks to understand what the roles of tacit and explicit knowledge are in the strategic decision-making process of emergent market entry strategies.

This chapter will then review that relevance for business and will conclude with limitations of this study and possible avenues for further research.

7.2. RESEARCH BACKGROUND AND OBJECTIVES

The literature on emerging markets has been prolific since Antoine van Agtmael coined the term in 1981 (Rottig, 2016). This has spurred on a host of market scanning tools to develop strategies to enter these emerging markets. These market scanning tools have evolved from purely looking at explicit economic drivers to include the softer tacit based influences such as culture, religion, historical influence and formal and informal institutions (Ghemawat, 2001; Khanna et al., 2005; Khanna and Palepu, 2010; Perks et al., 2013). While these market scanning tools suggested what to look for, this study seeks to understand how these explicit and tacit knowledge bases are used when developing and deciding on a strategy, and if these knowledge bases influence each other during the decision-making process. This decision-making process is then the second step in strategy formulation and takes the outputs from the market scanning models as inputs. The literature on knowledge management and the decision-making processes was then reviewed and a model was developed based the decision-making process with consideration given to tacit and explicit knowledge. The model was used to develop a series of questions to extract an understanding of the strategic managers’ perspective of these knowledge bases and the decision-making process.
7.3. PRINCIPLE FINDINGS

Strategic managers indicate that the consideration should be given to tacit knowledge factors as these are paramount to success in an emerging market. They further indicate that the explicit knowledge composite indices on emerging markets although useful, are biased and should be used secondary to the tacit knowledge, during the strategic decision-making process to enter an emerging market.

The tendency to have a more structured and scientific approach to the emerging market entry implies a higher dependency on explicit knowledge. This is in contradiction with the strategic managers’ view, as well as the literature. This further illustrates a growing disconnect between the view of the strategic manager and the multinational firm as evident in the tone of the responses. This higher dependency on the explicit knowledge may lead to lost opportunities for the firm.

Inadequate knowledge of the emerging market can result in mental shortcuts or heuristics (Insch et al., 2008) in the decision-making process when making a strategic decision to enter and emerging market. Senior management self-efficacy and the distance between a multinationals head office and the emerging market can create an element of hubris (Picone et al, 2014) or anagnosis (Ford 2006).

Given the findings above, the researcher suggest that the framework as detailed in Figure 4 can be used as a tool to map out the strategic decision-making process, as a secondary process to a chosen market scanning model. In so doing the strategic decision makers can identify the current tacit and explicit knowledge bases at their disposal. This process will inadvertantly start the coding process for the tacit knowledge at hand. Doing this will enable the strategic decision makers to identify any mental shortcuts, or hubristic tendencies present prior to the decision process being implemented. The populated framework can also be used as a communication tool to inform senior management.

Instituting of a formal review process to capture the intended and unintended consequences (da Silva and Roglio, 2015) of the decision making process will serve to provide new explicit information as well as additional tacit knowledge that will serve to inform the strategic decision makers and thereby progressively reduce the elements of heuristics, hubris and anagnosis in management decision making. Because the process is iterative, knowledge is built up over time and codification, communication and transfer can take place simultaneously.
7.4. IMPLICATIONS FOR MANAGEMENT

Emerging market entry is a challenging and exciting aspect of globalisation. There is significant opportunity to grow, but this growth also comes with significant risk. While most market scanning tools identify what the key factors should be considered to mitigate market risk, Figure 4 will assist with mitigating risk in the strategic decision-making process. A further benefit of using this model is that it eliminates the stigmas attached to being singled out as a failed strategy, and helps identify what went wrong as opposed to who did what wrong.

7.5. LIMITATIONS OF THE RESEARCH

- Being a qualitative report there are limitations with regards to the applicability of the findings to a larger population.
- The researcher could have a bias as a result of personal perception.
- A convenient purposive sample was carried out and as a result the industries were biased to the primary sector.
- Data reliability could be improved with a greater sample size.
- The nature of the industry held a bias towards males as respondents.
- The strategic managers interviewed were from Western firms, so there was a bias to developed markets.

7.6. SUGGESTIONS FOR FUTURE RESEARCH

- Given that the research was conducted with multinational firms from a Western disposition, it would be interesting to get this view from a multinational with an emerging market heritage. The research would focus on how these multinational firms view composite indices when developing a new market strategy.
- How do multinationals that wish to enter an emerging market price for emerging market risk?
• The applicability of the “decision-making process using a knowledge management framework” in a developed market or any other strategic choice.
Reference List


Appendices

APPENDIX 1: SIGNED COPYRIGHT FORM

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Signature: [Signature]

Date: 01/05/2014
APPENDIX 2: INTERVIEW GUIDE

Interview Guide:

Introduction

1. Thank the participant for taking the time to give the interview. Reinforce the ‘opt out’ clause, confidentiality of the information given. Explain that the candidates name will not be captured in the notes taken, instead a number will be allotted. i.e. interviewee 1. This will be later coded, prior to being data processed.
2. Explain the nature of the research:
   a. Develop an understanding of how tacit knowledge, institutional memory and management cognition influences decision making processes and strategy development within the emergent market space.
   b. Develop the importance of these attributes in business.
   c. Understand if this influence become hubristic in nature, at an individual level and ultimately at a firm level.
   d. Potentially develop a model for identifying these traits within a business and strategic environment.
3. Explain the structure of the interview process.
4. Request permission to document and record the session.

Personal Details:

Interview Candidate Number: _____________________

Date: _______________________

Venue: ______________________

Position (Current and previous roles):

____________________________________________________________________________
____________________________________________________________________________

Years in strategic position: ___________________________
Questions:

1. What has been your experience with emergent markets, specifically in the African context?

Given the fact a strategy to enter a new market is largely about managing risk: of profits, resources, reputation…..

2. When entering a new market there are a number of factors that needs to be considered. What do you believe are the important ones?
   a. Why and how did these become important to you?

3. From your company perspective is there a policy, or governance process that guides you in the decision and selection of the emergent market that your company wishes to enter, and the mechanisms of entry?
   a. And if so how much of this is based on explicit knowledge such as financial models, PESTLE, SWOT, CAGE analysis etc.,
   b. And how much is company specific nuances or principles? Are these documented?
   c. Is the decision to enter, largely individual, local management or at a board level?

4. From your colleagues, senior and junior are there people that have a different priority list for the factors that influence the decision making process?
   a. Why do you think this is?
   b. Have you ever changes your decision making priorities resulting from engaging with the company’s or a colleague?
   c. Were there aspects of this knowledge base that you had not experienced before, but will use going forward?

5. If you had to compare the explicit knowledge based criteria verses the tacit knowledge base criteria, overarching which do you think is more important?

6. Has the current structure of these guidelines proven applicable, and replicable in developing entry strategies, specifically within the emergent market space?
   a. Has there be been shortfalls?
   b. And how have these been addressed? (recruitment of an experienced person or a local from the intended country)

7. Has there been instances where the application of the policies have been in favour of, or negated the favour of a decision, and this has been overridden? If so, what were the outcomes of these decisions?
   a. How many of these have been successful – have these ventures delivered the financial value initially set out?
   b. Have you been in a position where you contradicted the policy or decision?
   c. How did you deal with this?
   d. Could the policy be changed or amended?

8. Do you have any parting thoughts or comments that you would like to add?

Closing

Thank you for your time.
APPENDIX 3: CONSENT FORM

Letter of Consent

I am conducting research on the influence of Tacit Knowledge, Explicit Knowledge, Institutional Memory and Hubris in the development of Multi-National Company’s (MNC’s) entry strategies into emerging markets.

The interview should take approximately an hour, and will help us understand how MNC’s navigate emergent market entry strategies, specifically with the African context.

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

All information will be kept confidential and data will be kept without identifiers.

Should you have any queries in this regard please feel free to contact my supervisor, or myself. Our details are provided below:

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Email: 15392067@mygibs.co.za

Tel: +27 71 4731133

Supervisor: Colin Rowley

Email: colinrowley@vodamail.co.za

Tel: +27 82 8285413

Signature of participant: _____________________

Date: ________________

Signature of Researcher: ____________________

Date: ________________

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