The relevance of relationship benefits when entering an emerging market: A study focussing on the East African Community

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ABSTRACT

Business relationships have been studied as a driver for firm competitiveness through relationship marketing, but not as a strategic advantage when entering an economy. Prior research has identified several dimensions of market entry drivers from host country, home-location, sector-related as well as firm-level perspectives. This research study takes a managerial perspective and argues that relationships and their benefits are pivotal during market entry strategy formulation. It asserts that firms should alter their market entry strategies, specifically for emerging economies, taking into consideration the net gains of a client.

This study used a mixed method design involving exploratory research and explanatory research. Semi-structured face-to-face interviews were conducted to make sense of the use of relationship benefits when entering the African market. An online self-administrative questionnaire was also used to gather further insights of attributes that individuals use when entering the East African Community (EAC) market.

The findings revealed that institutions do stipulate the rules of the game in an emerging market. Although the research results were not conclusive regarding a wholly owned subsidiary being favoured for entry into an emerging market with stronger institutions, it was conclusive in indicating that firms still favour joint ventures into the EAC. Relationship building is time consuming and many who are given the opportunity to interact with clients still do not grasp the merits of building these relationships. This could be the reason why in general individuals still rely on social benefits like friendships; interactions beyond business relationships; sharing of information and knowledge with the client as opposed to psychological benefits.

KEYWORDS

East African Community (EAC); institutional voids; relationship benefits; mode of entry

DECLARATION

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

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Malebo Matolong   Date

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AT	-	Agency Theory
BEM	-	Big Emerging Markets
BRICS	-	Brazil, Russia, India, China, South Africa
CIVETS	-	Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa
D	-	Designation
E_{EAC}	-	Experience in the East African Community
EAC	-	East African Community
E_I	-	Experience in the industry
EAGLEs	-	Brazil, China, India, Indonesia, South Korea, Mexico, Russia, Taiwan, Turkey
FB	-	Functional Benefits
FBR	-	Relationship Marketing
FTSE	-	Financial Times and Stock Exchange
GDP	-	Gross Domestic Product
IRB	-	Relationship Selling
IT	-	Institutional Theory
JV	-	Joint Venture
n	-	Number of Observations
PS	-	Psychological Benefits
RBV	-	Resource-Based View
r_s	-	Spearman Correlation
SADC	-	South African Development Community
SB	-	Social Benefits
SPPS	-	Statistics software package used for statistical analysis
TC	-	Transaction Cost
TCIP	-	Trade, Capital, Information and People
$	-	United States of American Dollar

CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1. Introduction

Business relationships have received considerable attention from both academics and practitioners - specifically the concept of relationship marketing, which examines the establishment, development and maintenance of successful relational exchanges with clients (Friman, Gärling, Millett, Mattsson, & Johnston, 2002; Hutchinson, Wellington, Saad & Cox, 2011). Strong client relationships are some of the most valuable assets for any firm. They have been found to consist of many facets – such as trust, reciprocity and affective commitment (Wasko & Faraj, 2005). The attractiveness of these relationships comes, in part, from the postulation that building client relationships yields positive returns in the form of value creation, client satisfaction, loyalty, word of mouth, immediate service, and opportunity for future appointments, amongst others.

1.2. Research Problem

Nevertheless, less is known about the development of business relations during the establishment of an international business (Friman *et al.*, 2002). Particularly, the topic of the benefits a firm obtains from building relationships with clients while entering an emerging market has received little empirical attention in the academic and business literature. International business scholars have looked extensively at firm-specific attributes as factors that influence success entry into an emerging market, with little work done in trying to understand the influence of relationships on market entry success.

Furthermore, the approach around relationship building in an emerging market is of interest due to the indefinable trait of interaction with clients. An effectual relationship establishment approach provides a firm with competitive advantage as a result of indefinable facets of a relationship that are not easily cloned (Huang, 2008).

1.3. Research Motivation

The decision to enter new international markets is a strategic one, due to the effects on resources, risks, management, and firm performance. Many firms have internationalised into the African market using the project-based approach allowing development of close and intense relationships during the project life cycle from a project management terms instead of relationship benefits terms (Purchase & Olaru, 2004).

Project business entry has resulted in interimistic relationships (Kock, Owusu & Sandhu, 2003) that are driven by project life span, project focused business opportunities, trust based on previous project experience, and relational norms embedded in project management techniques (Purchase & Olaru, 2004). However, recently China added the guanxi concept to project business entry into Africa, which challenges the assumption that internationalisation is one-dimensional. The guanxi concept (pronounced "gwan-shee") is a Chinese word that describes a delicate art of building and nurturing business relationships through "trust (respect and knowledge of others); favour (loyalty and obligation); dependence (harmony and reciprocity); and adaptation (patience and cultivation)" (Buderi & Huang, 2006, p.6). Therefore the intention of this research study is to examine the internationalisation process of firms into Africa on the basis of relationships and their benefits.

1.4. Research Objectives

Literature on market entry has studied internationalisation of firms by considering firm-specific attributes (activity mode, establishment mode, firm size, mode of entry, and timing of entry); industry specific attributes; cultural distance and economic distance; country openness; and country risk (Abramkov & Panibratov, 2012; Al Khattab, Anchor & Davies, 2007; Dikova & van Witteloostuijn, 2007; Holtbrügge & Baron, 2013; Johnson & Tellis, 2008; Mihailova & Panibratov, 2012; Morschett, Schramm-Klein & Swoboda, 2010; O'Cass, Ngo & Heirati, 2012; Panibratov, 2009; Perks, Hogan & Shukla, 2013; Slangen & Hennart, 2008; Uhlenbruck, Rodriguez, Doh & Eden, 2006).

However, Peng, Wang, and Jiang (2008), as well as Li, Ramswamy and Petitt (2008), advocated for the inclusion of business relationships as a driver of market entry success, specifically where institutions are weak. In spite of the significant attention devoted to internationalisation in the practical and academic world, far less research has been carried out in understanding the impact of establishing strong business relationships when entering emerging economies. Over and above the international business literature finding mode of entry as being prominent as a construct in internationalisation (Dikova & van Witteloostuijn, 2007; Holtbrügge & Baron, 2013; Morschett *et al.*, 2010; O'Cass *et al.*, 2012; Panibratov, 2009), Philippe and Léo (2011) found that entry mode is also significant due to its ability to influence the relationship networks that a firm establishes.

In line with the above, the purpose of the research study is to determine the following:

- Does the type of mode chosen by a firm entering an emerging market enhance relationship benefits during the exploration stage of business?
- Are relationship benefits (functional, social and psychological benefits) relevant during entry into an emerging market?
- Are relationship benefits, specifically social and psychological benefits, a concept which is key to entry into an emerging market only, or can it be used to establish any new business relationship?

This study therefore expands the conceptualisation of emerging market entry by testing the role of relationship benefits when a firm enters such a market, as well as the impact of institutional voids on entry mode choice. The conceptualisation of the emerging market entry framework was further underpinned on the attribute evaluability theory, which construes that the experience of the representatives of firms is a key enabler to market entry success (Dagger & O'Brien, 2008; Majocchi, Bacchiocchi & Mayrhofer, 2005).

The convergent parallel mixed methods was used for the research study – this allowed data collection and data analysis to be conducted using both the quantitative and qualitative research separately, with mixing of the two research strands taking place only during the overall interpretation of the results

(Creswell & Clark, 2011). Although the mixed methods approach is not normally used for emerging market studies, Hoskinsson, Eden, Lau, and Wright (2000) found consistency when applying this type of research strategy in emerging market research. The researcher therefore combined the qualitative and quantitative research approaches, with the latter taking primacy in an attempt to provide business reasoning for the inclusion of relationship benefits when formulating an emerging market entry strategy.

1.5. Research Significance

Businesses are starting to appreciate the significance of their initial interaction with potential clients, thus pushing for relationship selling (Huang, 2008). As a result, firm's representatives are no longer about selling services and closing contracts for firms; they also need to shape the client's perceptions as part of the interpersonal communication process. The firm's representative is central to the identification and management of costs and profitability generated by each client. As a result, they influence repeat work and increase client share of spend that could help their firms appropriate value (Blocker, Cannon, Panagopoulos & Sager, 2012) and in so doing increases their firm's success in entering new markets.

Although business relationships come about as a result of inter-organisational exchange, research conducted by Tellefsen and Thomas (2005) as well as Palmatier, Scheer and Steenkamp (2007) provided evidence that client relationships are tied to the individuals and they require the commitment of the individual (Friman *et al.*, 2002), making it more important than a client-firm relationship. This research study brings together two areas of academia and practice, namely internationalisation and relationship marketing. Current thinking on emerging market entry does not discount both theories, however their convergence is of interest as it studies relational exchange as opposed to transactional exchange in an emerging market (Peng *et al.*, 2008).

1.6. Research Study Context

Many in business and government are persuaded that substantial growth in the next several decades is likely to come from emerging markets (Khanna & Palepu, 2010). The long-term economic diagnosis for the African continent is arguably strong (McKinsey Global Institute, 2010). As an emerging market, Africa is experiencing its best economic growth on record (Visa Sub-Saharan Africa, 2013). According to Visa Sub-Saharan Africa (2013) Africa is one of the world's fastest growing regions – her collective gross domestic product (GDP) is over $1.8 trillion, a figure that is anticipated to exceed $2.6 trillion by 2020.

Furthermore, a number of African countries have experienced faster economic growth than the established Asian economic success stories in recent years – "six of the world's ten fastest-growing economies between 2001 and 2010 were African" (Visa Sub-Saharan Africa, 2013, p.4). Africa's annual economic growth has been above five percent per annum since 2000, outpacing the worldwide average by more than two percent per annum. This resilient economic growth is expected to continue.

Africa is also rich with projects in agriculture; financial services; manufacturing; telecommunications; transport; resources; and wholesale and retail, just to mention some of the prominent industries (McKinsey Global Institute, 2010). Africa is not only the world's fastest growing continent, it is also the world's least globalised. Its lack of integration as a result of low connectivity when compared to Latin America, emerging Asia, Eastern Europe or Central America (Visa Sub-Saharan Africa, 2013) puts Africa high on the list with respect to institutional voids - in other words lack of institutional infrastructure - thus making it a suitable geo-reference point for the research project.

Although the African market proved to be ideal for the research study due to its dynamism, its heterogeneous nature posed a challenge for the research study. As a result of this, the East African Community, an economic regional cluster within the African market, was chosen as the study context to avoid a one size fits all approach to market entry (Atsmon, Kertesz, & Vittal, 2011).

1.7. Research Scope

The generic term "firm" is used to denote business organisations that have been on the internationalisation path, and includes large and small firms in the services industry. Based on the work by Hubbard (2013), these firms use numerous approaches to expand their global footprint, namely: (1) staged approach - firms gravitate towards nations with a common language and shorter cultural distance to aid a progressive and step approach to expanding internationally; (2) network approach - firm expansion following the development of relationships through the formation of formal and informal relationships; (3) born-global approach - firms that are global from almost the moment they are created; and, (4) early-strategic internationaliser - firms that move into international markets at a very early stage of development. This research will be limited to the second approach to internationalisation, where market intelligence and knowledge are gained through relationship development.

Furthermore, the research study is confined within the emerging market setting. 'Emerging markets' and 'dynamic markets' will be taken as synonymous and refer to low-income countries undergoing rapid growth through economic growth and rapid changes in the social and political environment (White, 2013). The objective of the research will be to determine the relevance of relationship benefits as a firm enters emerging markets, with specific focus on the East African Community.

Wright, Filatotchev, Hoskisson, and Peng (2005, p.3-4) classified four strategic options for emerging markets, namely:
1. Firms from developed economies entering emerging economies;
2. Domestic firms competing within emerging economies;
3. Firms from emerging economies entering other emerging economies; and,
4. Firms from emerging economies entering developed economies.

This research will be limited to the first and the third strategic options. As such, the firms in the context of this study are from both developed and other emerging markets that invest in the East African Community.

1.8. Report Structure

This research report is divided into seven distinct chapters. Chapter one stated the problem that the research study will be addressing. It provided the background to the problem statement and explores the importance of conducting the research study. It justifies why the research study is of importance to both academia and business. It further discusses the scope of the research – confining it to firms that have entered the East African Community to establish their businesses.

Chapter two (Literature Review) provides a review of relevant theory and literature on internationalisation; an approach to market entry formulation; and an emerging market entry strategy underpinned on institutional voids; relationship benefits; relationship commitment; and mode of entry. The final section of this chapter sums up the findings from the literature together in a framework that proposes the drivers of market entry into an emerging economy. Chapter three (Research Hypotheses) outlines the four hypotheses that guided the course of this research study.

Chapter four (Research Methodology) describes the research approach for the research study. The fixed mixed methods approach, which combines qualitative and quantitative analyses, was used for this research study. The chapter further provides an overview of the approach to data collection and data analysis. It concludes by presenting the limitations to the research study. Chapter five (Research Results) presents the results obtained through qualitative and quantitative data collection approaches. Chapter six (Discussion of Research Results) evaluates and interprets the research results presented in Chapter five against the theory and literature presented in Chapter two.

Chapter seven (Conclusions) concludes the research study. It presents recommendations for management and business development managers to improve their firms' market entry strategies into dynamic economies. The chapter also presents suggestions for future research.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The field of international business has an unusual lack of common theoretical base concerning internationalisation. As a result, research on internationalisation frameworks has been explained from various perspectives (Canabal & Wright III, 2008), however none of these frameworks have considered relationship benefits as a driver of emerging market entry.

This chapter presents the literature reviewed for the research study in six separate sections. Firstly a full review of internationalisation theories is provided, with particular emphasis on their application in dynamic economies. The summary of internationalisation theories is followed by an exploration of the different approaches firms use to formulate their market entry strategies in Section 2.3, which was used to derive a concept for entry into an emerging market (Section 2.4). The next section formulates an emerging market framework that became the basis for this research study, where mode of entry and relationship benefits were postulated as key drivers of successful emerging market entry. The chapter concluded with a summary of literature and ties the research objectives to the expectations indicated by literature.

2.2. Internationalisation Theories

Internationalisation is defined by Liu, Li, and Xue (2011) as the process in which firms increase their involvement in international operations across their home borders - it is gradual and progressive in nature with the purpose being expansion of operations beyond the country of origin. Scholars have used three distinct market entry theoretical frameworks to explain the process of internationalisation, namely transaction cost economics, resource-based view, and institutional theories.

2.2.1 Transaction cost economics perspective

Having been predominantly applied in developed economies that are characterised by strong institutions, the transaction cost (TC) economics perspective underpinned international expansion on the firm's ability to protect itself through proper structuring of its contracts (Hoskisson *et al.*, 2000) for the

purposes of reducing transaction and information costs. Kock *et al.* (2003) suggested that one way of reducing transaction costs and overcoming market inadequacies, which are prominent in an emerging market, is through the use of non-market authority relationships or networking firms.

The network-based approach affords a firm or an individual the ability to analyse international markets as networks of relationships, thus putting a focus on the impact and importance of social relationships (Kock *et al.*, 2003), suggesting that firms and individuals need to use social relationships to enter international markets.

2.2.2 Resource-based view theory

The resource-based view (RBV) of internationalisation is underpinned by the characteristics of resources needed to overcome the liability of going global. A firm's resources encompass both economic (plant, equipment, financial, human capital) and social entities (skills, knowledge, information, relationships) necessary for the implementation of its entry strategy (Hansen & Kuada, 2006; Hogan & Armstrong, 2001; Malhotra, Agarwal & Ulgado, 2003). A number of scholars have suggested that firms should use their resources, business relationships included, to differentiate themselves in terms of value, rarity, individuality, and substitutability (Hough, Thompson Jr., Strickland, & Gamble, 2011). Business relationships can therefore become a source of sustainable competitive advantage that sets a firm apart from its competitors with respect to its entry strategy and business approach.

In emerging markets, good relationships are vital to position a firm against its competitors. Although Hoskisson *et al.* (2000) advocated for the essence of understanding the association between a firm's resources, the varying nature of the institutional framework, and the characteristics of the industry, good business relationships are an invaluable resource that translates to tangible benefits to firms. In certain instances, competencies for relationship-based management, as a form of a firm's resource, can be more important than institutional infrastructure (Peng & Luo, 2000).

2.2.3 Institutional theory

Institutions constitute a collective and regulatory composite comprising of political and social agencies (Child & Tsai, 2005; Khanna, Palepu & Sinha, 2005). Institutional theory (IT) emphasises the influence of legal, political, economic and social structures on the organisational management, processes, and performance (Canabal & White III, 2008; Holtbrügge & Baron, 2013; Hoskisson *et al.* 2000). Khanna *et al.* (2005) maintained that the advantage of approaching internationalisation through the institutional approach allows firms to combine specific features that will enable efficient exchange in the market, thus allowing real and first-order effects on the business strategy. Since the nature of these political and regulatory agencies differ from market to market, firm performance across markets also varies as a result of localised processes in each country (Makino, Isobe & Chan, 2004).

Due to environmental uncertainty, firms are required to rely more on the relations they have with the business community and/or government officials to conduct business (Li *et al.*, 2008), therefore managerial connections may prove to be prominent in gaining firm competitive advantage in uncertain environments like emerging markets.

2.2.4 Implication for the research study

In summary, it is clear from the review of internationalisation theories that emerging markets, which are constituted by environmental uncertainty, give the institutional infrastructure scope to depict the success of a firm's entry strategy. Furthermore, relationships play a pivotal role in markets that have environmental uncertainty, with different aspects of relationships being mentioned - business relations and social interaction. Both forms of relationships can afford firms the opportunity to set themselves apart from their competitors with respect to market entry and business approach. Due to relationships being two-dimensional – in other words the firm as well as its management (firm representatives) – both units are an important form of a firm's resource that can be used as a competitive advantage in uncertain environments.

2.3. Approach to Market Entry Strategy Formulation

According to Malhotra *et al.* (2003), the process of internationalisation ranges from pre-entry and entry to post-entry strategies, however the focus for this research study was primarily on market entry strategies. Market entry strategy formulation has emanated from a combination of country, sector, and firm differentiation concepts (Holtbrügge & Baron, 2013; Johnson & Tellis, 2008; Mihailova & Panibratov, 2012; Perks *et al.*, 2013). Country-specific concepts include host country and home-location perceptions, whilst firm-specific concepts are comprised of a firm's strategy and resources.

2.3.1 Host country concept

Environmental uncertainty within the host country (political, financial, and economic) have been used to describe the country risk construct (Al Khattab *et al.*, 2007; Johnson & Tellis, 2008; Perks *et al.*, 2013), whilst country openness has normally explained elements that reduce barriers of entry like laws and regulations (Perks *et al.*, 2013). Although each construct has its own merit in market entry strategy formulation (Johnson & Tellis, 2008), the two constructs have recently been denoted as institutional voids, which have been expanded further to include elements like capital markets, labour markets, openness, political and social systems, and product markets (Khanna *et al.*, 2005; Khanna & Palepu, 2010).

2.3.2 Home-location concept

Further to the abovementioned host country constructs, Johnson and Tellis (2008) captured economic distance and cultural distance as home-location paradigms, with the former being a measure of economic disparity between two countries whilst the latter is the shared values and meanings of the members of the two societies. A study by Perks *et al.* (2013) found that firms prefer to enter new markets that have similar language, business systems and level of culture to their own. Although little has been said in recent literature about the impact of economic distance on market entry success, Kogut and Singh (1988) reported that the construct impacts the implementation of the marketing and management strategies as well as the behaviour of clients towards the firm.

2.3.3 Sector-related concept

Taking into consideration the sector-related constructs mentioned by Yin and Shanley (2008) as well as Mihailova and Panibratov (2012), namely level and type of technology, resource endowments, competition type and relationships, Radosevic and Sadowski (2004) found relationships and developed networks to influence the outcome of the mode of entry chosen by the firm. Further to the above, not much is known about sector-related concept, therefore it is applicability within the scope of this research was not considered further.

2.3.4 Firm-level concepts

The literature on firm-level attributes for internationalisation identified firm size as an element of firm resources based construct, whilst those for the firm differentiation construct included establishment mode, entry timing, activity mode, and entry mode (Abramkov & Panibratov, 2012; Dikova & van Witteloostuijn, 2007; Johnson & Tellis, 2008; Perks *et al.*, 2013; Slangen & Hennart, 2008; Welch, Benito & Petersen, 2007).

Johnson and Tellis (2008) as well as Perks *et al.* (2013) found that a firm's size influences its international strategic marketing decisions, enabling a firm to choose an entry mode that maximises its resource advantage. According to Abramkov and Panibratov (2012), firms have established themselves in different markets through greenfield investments (establishing new operations) or brownfield investments/acquisitions (developing an already existing asset). Although the establishment mode is key when entering an emerging market as they offer much needed access to market institutions and market knowledge (Meyer & Nguyen, 2005), Holtbrügge and Baron (2013) found no significant relationship between establishment mode and emerging market entry success.

Although market entry timing affords a first market entrant with the opportunity to unlock access to key resources - business relationships included (Pan & Chi, 1999) - it does not guarantee that a pioneer will be a long-term winner in an emerging market (Golder & Tellis, 1993). Activity mode choice can be of export or foreign investment in nature (Dikova & van Witteloostuijn, 2007; Slangen & Hennart, 2008; Welch *et al.*, 2007). Firms usually export to overcome internal institutional pressures that result from institutional voids (Uhlenbruck *et al.*,

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2006). On the other hand, deciding to operate from a foreign base, which is capital intensive and requires long-term relocation of assets abroad, result in more management complication and an exposure to economic and political risks from institutional weaknesses.

Recently, other market entry theorists other than Johnson and Tellis (2008) have promoted ownership mode or mode of entry as another essential decision a firm makes when it enters a new market (Abramkov & Panibratov, 2012; Holtbrügge & Baron, 2013). Argued from the resource-based view, an increase in level of control has been found to increase the chance of successful market entry (Johnson & Tellis, 2008), whilst the transaction cost view argues for an increase in costs with an increase in control of the mode of entry. This view is contrary to Holtbrügge and Baron (2013), who found no significant relationship between emerging market entry success and mode of entry chosen. Amidst the above mixed observations, the research study argued that firms are more likely to enter emerging markets through shared-ownership modes than through wholly-owned subsidiaries if environmental uncertainty is high and institutional hazards exist, which was proved by Brouthers (2002) and Xu, Pan, and Beamish (2004).

2.4. Concept of Entry into an Emerging Market

Table 2-1 summarises the definitions of the drivers of market entry used in previous research. Previous literature on market entry strategies has put too much emphasis on firm-level differentiators (Abramkov & Panibratov, 2012; Dikova & van Witteloostuijn, 2007; Holtbrügge & Baron, 2013; Johnson & Tellis, 2008; Slangen & Hennart, 2008; Uhlenbruck *et al.*, 2006; Welch *et al.*, 2007), however there is an increasing need for incorporation of other attributes that will force firms to search for new ways of differentiating themselves, specifically in emerging markets (Holtbrügge & Baron, 2013).

Table 2-1: Summary of the antecedents to market entry success

Antecedent	Definition	Reference
Activity mode	Value activities that a firm will be transferring abroad	Uhlenbruck *et al.*, 2006; Dikova and van Witteloostuijn, 2007; Welch *et al.*, 2007
Establishment mode	Approach to investment towards foreign operations	Slangen and Hennart, 2008; Abramkov and Panibratov, 2012
Firm size	Total amount of investment by the foreign firm in the form of registered capital in the year of entry	Johnson and Tellis, 2008
Ownership mode (i.e. mode of entry)	Whether a firm should use hierarchical forms of foreign operations or shared ownership with a local partner.	Dikova and van Witteloostuijn, 2007; Panibratov, 2009, Morschett, Schramm-Klein and Swoboda, 2010; O'Cass *et al.*, 2012; Holtbrügge and Baron, 2013
Timing of market entry	First entrant into a new market as opposed to being a follower.	Johnson and Tellis, 2008; Holtbrügge and Baron, 2013
Industry/Sector	Each economic sector defines the level and the type of technology, resource capabilities, competition type, and relationship	Mihailova and Panibratov, 2012
Cultural distance	Shared values and meanings of the members of society	Johnson and Tellis (2008)
Economic distance	Economic disparity between two countries	Johnson and Tellis (2008)
Country openness	The lack of regulatory and other obstacles to foreign firms	Johnson and Tellis, 2008; Perks *et al.*, 2013
Country risk	Economic, political and financial risks of a country that impact on foreign investment decisions	Al Khattab *et al.*, 2007; Johnson and Tellis, 2008; Perks *et al.*, 2013

For that reason, the research study was underpinned by the three constructs, namely relationships and their benefits and mode of entry within the setting of institutional voids. A market entry strategy is context specific (Kidd & Pels, 2012). As a geo-reference for the research study the emerging market afforded internationalisation practice with the opportunity to understand the characteristics relevant to markets bounded by the institutional context. Since institutions stipulate the rules of the game in an emerging market (Khanna & Palepu, 2010, Mihailova & Panibratov, 2012), the concept of institutional voids was chosen as a basis for defining the impact of institutions when firms enter an emerging market. Moreover, extant internationalisation studies have suggested that the extent of institutional voids in a host country may alter the level of foreign firm engagement (O'Cass *et al.*, 2012).

According to Acemoglu and Robinson (2012), institutions allow nations to overcome other factors such as geography and culture. For that reason home-

location attributes were excluded from the study. Adhering to the call by Holtbrügge and Baron (2013) for firms to differentiate themselves when entering an emerging market, the impact of relationships and their benefits was also chosen as an attribute for the research study. The inclusion of the relationship dimension during market entry has been argued by a number of market entry scholars (Li *et al.*, 2008; Peng *et al.*, 2008), however since emerging markets are scarcely identical in nature, it is important to understand the importance of relationships in the context of institutional voids. Moreover, other authors have found development of relationships during the exploratory stage to impact the success of entry into a new market (Philippe & Léo, 2011).

Literature indicates that the role of the mode of entry (ownership mode) is the most important consideration by firms when developing an entry strategy as it influences the entire firm's strategy in that market (Dikova & van Witteloostuijn, 2007; Morschett *et al.*, 2010; Nielsen & Nielsen, 2011; O'Cass *et al.*, 2012; Panibratov, 2009). Furthermore, Philippe and Léo (2011) found that the type of entry mode chosen by a firm is also significant due to its ability to influence the relationship networks that a firm can establish. The remainder of the chapter presents concepts that were used to substantiate a business case for the inclusion and combination of mode of entry and relationships as a driver of emerging market entry success.

2.5. Formation of an Emerging Market Entry Strategy

The term 'emerging market' has several commonly accepted definitions depending on whom you are asking. The Financial Times and Stock Exchange (FTSE) Group (2012) there are 22 emerging markets in the world – split between advanced and secondary economies. Standard and Poor's classified 19 out of 126 countries into emerging markets as a result of high sovereign debt. Since then there has been a myriad of different groupings of emerging markets with 12 countries of the Big Emerging Markets (BEM) resulting from the United States' conviction during Clinton's administration that these countries (Argentina, Brazil, China, Hong Kong, India, Indonesia, Mexico, Poland, South Africa, South Korea, Taiwan, and Turkey) accounted for the overwhelming growth potential in the world's imports, economic growth and political influence (Garten, 1996).

The EAGLEs defined 10 emerging and growth-leading economies (Brazil, China, India, Indonesia, South Korea, Mexico, Russia, Taiwan, Turkey, and Egypt – which fell off the list in 2011), which were expected to contribute to the world's economic growth from 2010 to 2020. The significance of these countries is that they are expected to be larger than the average of the G6 economies. BRICS (Brazil, Russia, India, China and now South Africa) were grouped together as the biggest emerging economies. CIVETS, which are named after the cat-like animals found in Colombia, Indonesia, Vietnam, Egypt, Turkey, and South Africa, were considered the next generation of tiger economies after the BRICS. The attractiveness of CIVETS is underpinned by their growing populations, diverse and dynamic economies, and political stability.

White (2013) defined an emerging market as a state where politics (institutions and its public organisations) are as important as the market. Further to that, he indicated that although the term "emerging markets" is viewed as being narrow as a result of lumping fast-growing, less-developed and demographically countries together, the world still uses the term to define countries on the basis of their economic status. The attractiveness of the emerging market has increased significantly in recent years from an academic as well as business point of view (Corkin, 2007; Economist Newspaper Limited, 2013). This booming interest was brought about by the increasing opportunities presented by the growth of consumer demand from the emergent middle class, availability of market blind spots resulting from neglected niche-markets, high production levels and the need for raw material – a case in point for emerging markets like Latin America, Africa and East Asia.

Emerging markets are expected to continue to enjoy growth – the International Monetary Fund and the World Bank both estimated that by 2025, the growth of the emerging markets will double that of developed markets (Visa Sub-Saharan Africa, 2013).

2.5.1 Rationale for the study context – the case for the East African Community

Amidst the three big emerging economies in the world (East Asia, Latin Americans and Africa), the geo-reference of the research study needed to afford the author with an opportunity to justify if relationship benefits have a role to play when entering an emerging market. There are two main enabling factors that drove the choice of the geographic reference for the research study, namely:

Dynamism as a catalyst

The conventional wisdom to entering an emerging market has been to focus on its size or growth potential (Corkin, 2007; Khanna & Palepu, 2010; Sakarya, Eckman & Hyllegard, 2007). However Khanna and Palepu (2010) took a different approach – that the principal exploitable characteristic of an emerging market should be its lack of institutional infrastructure. Figure 2-1 shows the level of dynamism for different economic regions of the world.

The dynamism view presented in Figure 2-1 was brought about by what is defined as "soft" infrastructure, namely the extent of institutional development in each economic zone. It is evident from Figure 2-1 that the African market has weak institutions as well as complex and costly regulatory processes, as opposed to the Latin American and East Asian economies, yet the African emerging market is becoming a big economic player in the world economy (Wright *et al.*, 2005). Visa Sub-Saharan Africa (2013) reported a collective gross domestic product (GDP) of over $1.8 trillion – a figure that is anticipated to exceed $2.6 trillion by 2020 - offering investors opportunities in the agricultural, tourism, mining, infrastructure and fast moving consumer goods sectors (Nsehe, 2011).
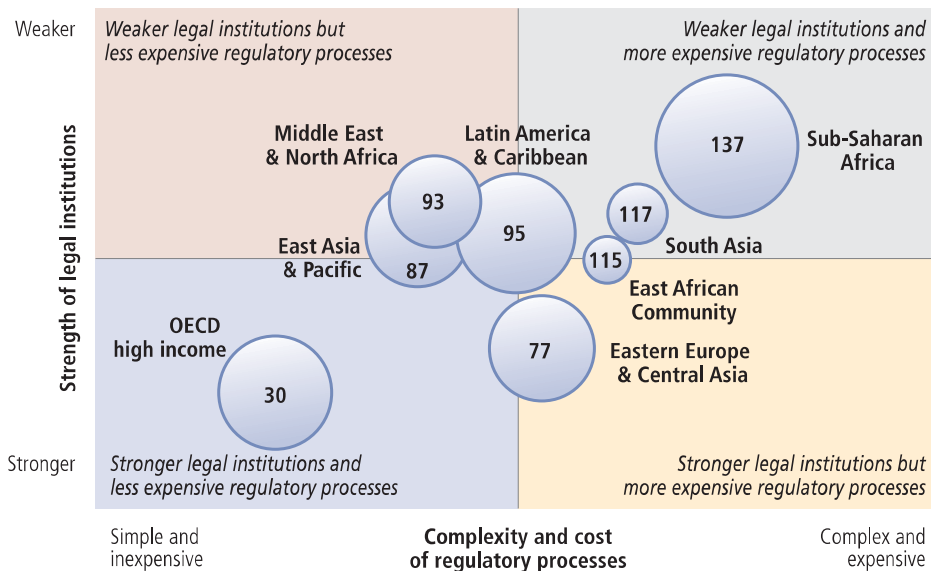
Figure 2-1: World view of dynamism

Source: Global Competitiveness Report (2012/2013, p.3)

For the above reason the research study was underpinned on the African emerging market.

<u>Importance of homogeneity</u>

Although the composition (culture, economic, financial, institutional, legal, political as well as social environment) of Africa's 54 states is ideal from a dynamic point of view, her heterogeneous nature presented a problem for the research study. While some generalisation may be reasonable amongst some of the African member states, very strong differences exist even within economic regions. For this reason going well beyond the already significant dynamic variance was a necessity to avoid a one-size fit all approach to market entry into the African market (Atsmon *et al.*, 2011). The African integration index, which was developed by Visa Sub-Saharan Africa in 2013 using the TCIP (Trade – Capital – Information – People) framework, was thus used to further refine the geo-reference for the research study.

Figure 2-2 presents the TCIP global integration score, the regional integration score, as well as the Africa integration index for key African trade regions, namely West Africa (Nigeria and Ghana); East Africa (Kenya, Uganda, Rwanda,

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and Tanzania) and Southern Africa (South Africa, Angola, Mozambique, Zambia and Zimbabwe). It is evident from the relative score of the East African cluster that the policies behind the East African Community are contributing positively to the cluster's rising connectedness. When compared to other economic clusters within the African market, the East African cluster seems to be more uniform than the other clusters.
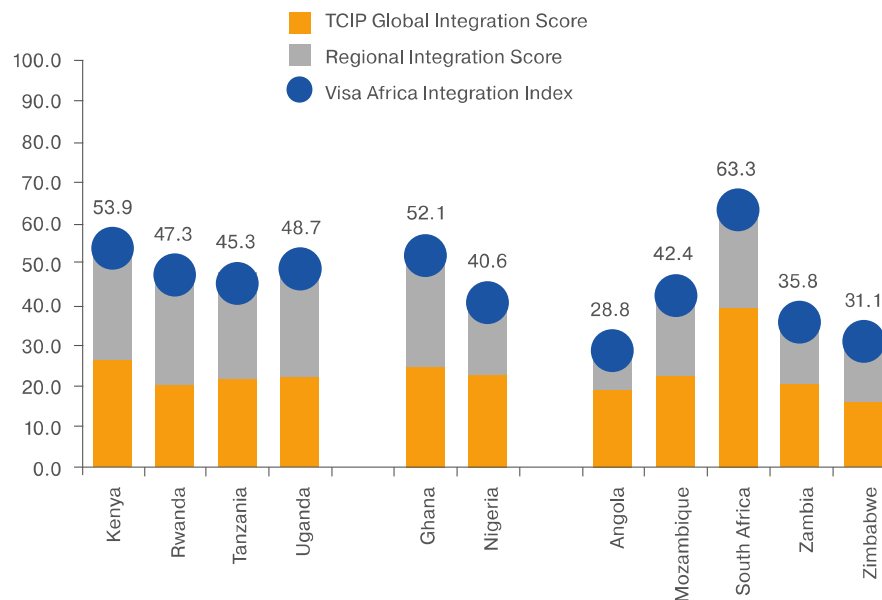
Figure 2-2: Degree of economic integration in African regions
Source: Visa Africa Integration Index Report (2013, p.28)

For that reason, the East African Community was chosen as the geo-reference point for the research study.

2.5.2   Introduction to the East African Community (EAC)

The East African Community (EAC) is an integrated economic and political entity of the Republics of Burundi, Kenya, Rwanda, Tanzania and Uganda, which was formed in 1967 as a common market. After its collapse in 1977 as a result of lack of political willpower, it was re-established in 1999 with integration being their key focus (East African Community, 2010).

The EAC consists of a landmass of approximately 1.82 million km^2. Population estimates in 2011 were 135.4 million people, with a youthful demographic structure. The combined GDP of the EAC in 2011 was approximately US$85

billion (East African Community, 2012). As a gateway for business and investors between Africa and East and West Europe, the EAC relies on its innovative potential, well-developed financial markets and relatively well-functioning public institutions to facilitate business opportunities within the region (Sala-i-Martín, Bilbao-Osorio, Blanke, Crotti, Hanouz, Geiger & Ko, 2012).

Business Monitor International (2013) made a business case for the EAC (refer to Appendix A) with the identification of agribusiness, consumer goods, energy, healthcare, infrastructure, mining and telecommunications projects. All the identified opportunities presented in Appendix A are embedded in institutional voids, which create obstacles to firms wanting to exploit them. The next sub-section presents the nature of institutions within the EAC.

2.5.3 Nature of institutions in the EAC

There are three primary markets that drive the development of a business strategy - product, labour, and capital - and in an emerging market institutional voids are evident in any, or all, of these markets (Khanna & Palepu, 2010). During his interview with the Gordon Institute of Business Science in July 2012, Professor Robinson of the University of Harvard and co-author of 'Why Nations Fail', classified institutions as inclusive or exclusive – with a view that politically, inclusiveness underpins a country's economic institutions which further determines sustainable economic growth of a country.

According to Khanna and Palepu (2010) the benefit of an institutional approach when entering an emerging market is that it enables firms to specify the exact blend of features that have the potential to enable efficient exchange. Khanna *et al.* (2005) developed a toolkit that provides firms with insights into the working of a particular emerging market based on a Five Context Framework (refer to Appendix B), whilst Khanna and Palepu (2010) expanded the focus by developing strategic choices and options firms can use to respond to institutional voids (refer to Appendix C). Kamau (2011) mapped the Five Contexts Framework for the EAC (refer to Appendix B).

His findings indicated that the five EAC countries are at varied stages of democracy (a good indication of political system) with the exception of Burundi, which appears to be lagging in the planned timelines for economic reform. The other EAC countries have all instituted significant reforms. Generally the labour market in the EAC is highly constrained, with Kenya having the large pool of highly skilled workers. In the other countries, the bulk of the labour force is unskilled and employed in the agricultural sector. Product markets can be illustrated by marketing and advertising agencies operating in a country. Kamau (2011) found the product market in Kenya to be very well developed. The product markets in Tanzania and Uganda were at an intermediate level of development, whilst those in Rwanda and Burundi were in their infancy. The EAC's financial industry is dominated by Kenya's financial industry, with significant development observed in Rwanda, Uganda and Tanzania.

Based on the observations made by Kamau (2011), a number of rankings were sourced to quantify the strength of institutions in each EAC country (refer to Appendix D). Ranking has been used in numerous empirical studies in emerging market studies (Meyer, Estrin, Bhaumik & Peng, 2008; Mihailova & Panibratov, 2012). The World Bank and International Financial Corporation's 'Ease of Doing Business Index' as well as the World Bank's 'Competitiveness Ranking' were deemed appropriate for institutional ranking. These rankings were used to identify key institutional variables in the EAC in line with the Five Context Framework developed by Khanna *et al.* (2005).

The next sub-section presents the merits of business experience when entering an emerging market.

2.5.4 Significance of experience

According to Majocchi *et al.* (2005) experience is a key variable in enabling a firm's market entry strategy to succeed. Since a firm relies heavily on its representatives when establishing relationships with potential clients, the experience and knowledge of the representatives is also key in enabling market entry strategy success.

Presenting the same view as Majocchi *et al.* (2005), Dagger and O'Brien (2008) underpinned the importance of experience on the attribute evaluability theory, which states that an expert possesses more highly developed conceptual structures than those that are less experienced. In other words, the choice of mode that enhances relationships and the use of relationship benefits can be associated with respondents that have more experience.

There are numerous measures that can be used to illustrate an individual's experience, with the key one being exposure or accumulation of experience. According to Majocchi *et al.* (2005) the exposure of the firm's representative to international markets should afford the firm the ability to become familiar with "different national market rules (institutional knowledge); contact with clients of different tastes and preferences (business knowledge); and, development of internal resources and routines dedicated to servicing of international markets (internationalisation knowledge)" (p.21).

In line with the view by Dagger and O'Brien (2008), the perceptions of the participants in the research was assumed to be experience-dependent, allowing the research study to underpin the postulations against their level of experience such as the position they hold, the level of exposure in years within the respective industries and within the African market. The remainder of the chapter presents the theory base for the research constructs, namely mode of entry and relationship benefits.

2.5.5 Mode of entry

An entry mode enables a firm to implement its marketing strategy in a host country (Canabal & White III, 2008). According to Nielsen and Nielsen (2011), an entry mode is highly influenced by the level of institutional voids, allowing a firm entering an emerging market to select their entry choice based on the level of the environmental uncertainty. Furthermore, Philippe and Léo (2011) found that entry mode is also significant due to its ability to influence the relationship networks that a firm establishes.

Firms can expand internationally in five ways – listed from the highest to the lowest risk: (1) wholly owned subsidiaries; (2) strategic alliances; (3) joint

venture; (4) contractual (licensing and franchising); and (5) exporting (Johnson & Tellis, 2008). Other authors recognised only four modes of market entry by combining joint venture with the strategic alliance mode (Ling, Ibbs & Cuervo, 2005). Kock *et al.* (2003), on the other hand, advocated that project business should also be seen as a separate market entry strategy. Although this view is acknowledged, its merit was disqualified by the premise that project business can take any form of the above mentioned entry modes (Ling *et al.*, 2005).

Entry modes have been separated into equity and non-equity modes, depending on the investment requirements and extent of control the firm envisages (Johnson & Tellis, 2008; Malhotra *et al.*, 2003). These authors classified joint ventures and wholly owned ventures into equity modes and contractual arrangements such as licensing, research and development contracts and alliances into non-equity approaches.

2.5.5.1 Non-equity entry modes

Malhotra *et al.* (2003) as well as Johnson and Tellis (2008) provided a description for the three non-equity entry modes. An alliance results from agreement and collaboration between a firm located in the host country and a firm in the home market to share activities in the host country. Licenses/contractual arrangements and franchises result from a formal consent by a home firm to a host country firm to use the former's proprietary or knowledge resources in return for payment. Exporting result from the home market firm selling goods/services produced in the home market in the host country through an entity located in the host country. According to Driscoll and Paliwoda (1997), firms normally use non-equity entry modes when they cannot exploit their competitive advantage due to resource constraints.

2.5.5.2 Equity entry modes

Malhotra *et al.* (2003), as well as Johnson and Tellis (2008), further identified two types of equity entry modes, namely wholly owned subsidiaries and joint ventures. Wholly owned subsidiaries are firms completely owned by a home country firm in a host country, whilst joint ventures signify an entity in the host

country that is shared by two partners, one located in the host country and the other in the home country.

When a firm uses a wholly owned foreign subsidiary to enter a market there is no direct involvement of the firm in the formulation of the subsidiary (Ling *et al.*, 2005), allowing the firm to maintain a presence in the foreign country. For joint ventures (JVs) a firm teams up with another to share resources and capabilities, as well as the returns and risks associated with the new venture (Ling *et al.*, 2005). The different types of JVs include a consortium or a marketing alliance, a full-blown JV company (equity JV), and project joint ventures (cooperative JV) (Meyer *et al.*, 2008). Generally JVs are well liked in emerging markets as a result of the benefits they offer due to transferral of technology, sharing of risk, creation of jobs and foreign direct investments (Meyer *et al.*, 2008).

Meyer *et al.* (2008) further explained that a JV that is formed as a result of project business can be characterised by the coming together of firms for the purposes of undertaking a project together. An equity JV, also known as a "limited liability company", materialises when the alliance members apportion "assets, control, risk and profit" in line with the agreed split (Meyer *et al.*, 2008, p.62). When comparing an equity JV to a project JV, the former involves the formation of a new firm that might be a more permanent structure.

With the mode of entry being the critical determinant of international expansion, Phillippe and Léo (2011) found that the type of entry mode chosen by a firm is also significant due to its ability to influence the relationship networks that a firm can establish. Phillippe and Léo (2011) defined wholly owned subsidiaries as integrated modes of entry, while joint venturing was defined as non-integrated modes of entry. Figure 2-3 illustrates a relationship between internationalisation and relationship development. Phillippe and Léo (2011) identified two aims to internationalisation, namely maximisation of turnover growth or differentiation. Since this research study argues for a need for firms to separate themselves when entering emerging economies, it is evident from the scholars' view that formation of informal and ad-hoc relationships, which could be social in nature, are significant in aiding a firm to formulate a successful market strategy.
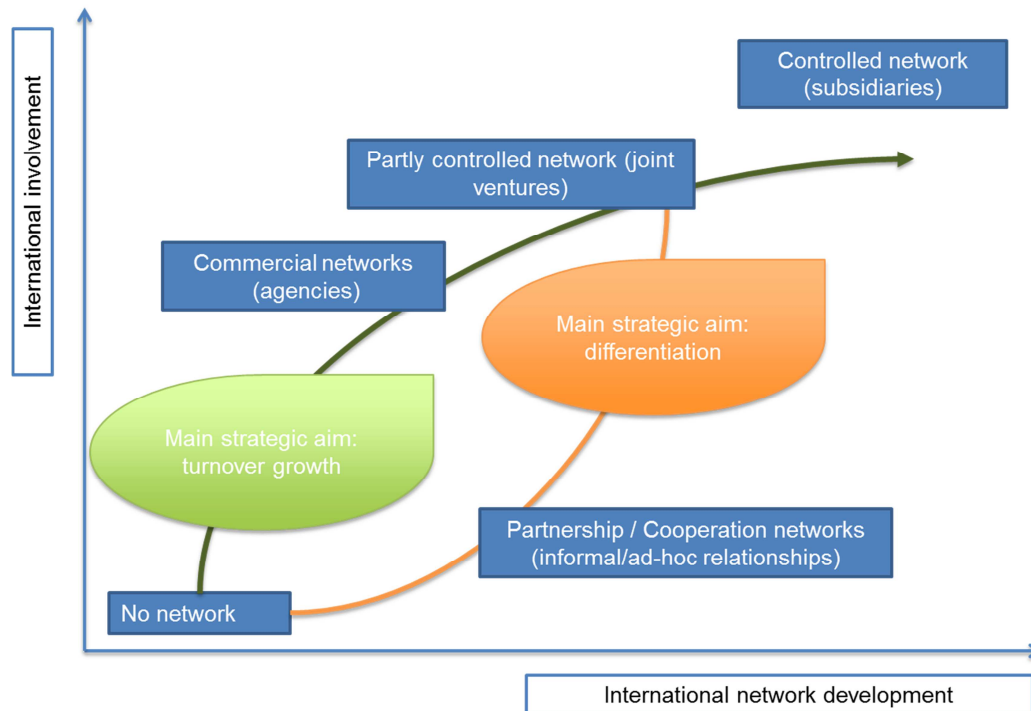
Figure 2-3: Relationships and international development strategies

Source: Phillippe and Léo (2011, p.648)

Further to the above, the level of institutional voids in the host country also has a significant impact on a firm's approach to a new market. Particularly when the host country's context is weak, JVs are appropriate due to their ability to access vast resources (Abramkov & Panibratov, 2012; Meyer *et al.*, 2008; Nielsen & Nielsen, 2011; O'Cass *et al.*, 2012) – relationships included. This research study posits that firms will likely use the equity mode of entry into a market with institutional voids. Drawing from Meyer *et al.* (2008) that when the institutional framework within a country is strengthened a need for a partner declines, the research study suggests that a firm will opt for a wholly owned subsidiary when institutions are strong. Based on the work by Meyer *et al.* (2008), Nielsen and Nielsen (2011), Abramkov and Panibratov (2012), and O'Cass *et al.* (2012), the research study further posits that joint ventures will be opted for when institutions are weak. The next subsection presents the relevance of including relationship benefits during the preparation of a firm's emerging market entry strategy.

2.5.6 Relationships benefits

Relationship benefits, which are based on exchange theory (Friman *et al.*, 2002), reflect the net gain that a firm and a client derive from the business relationship (Tellefsen & Thomas, 2005). Sweeney and Webb (2002) listed a number of relationship benefits that are functional in nature (refer to Table 2-2 below). These functional relationship benefits, which are supported by economic-based literature, put emphasis on the need by firms to build social and structured relationships to develop and bond with potential key clients.

Table 2-2: Categories, definitions and examples of relationship benefits

Benefits category	Description
Operational benefits	Operational systems/processes provided/carried out in a value adding way
Symbiotic benefits	Derived from a sense of sharing and mutuality
Economic benefits	Economic advantage of dealing with the other organisation, either directly or indirectly
Customisation benefits	Customising or tailoring the nature of a product to add extra value for the client
Strategic benefits	Strategic/longer term benefits (i.e. factors that facilitate an organisation's competitive position, other than income, operational and symbiotic benefits)
Social benefits	Perceptions of affinity, friendship, or a sense of familiarity, homophily in the other party

Source: Sweeney and Webb (2002, p.2)

Although the development nature of business relationships passes through different stages over time, the disparity in the level of relationship benefits constructs or the difference as a result of the effect of relationship benefits constructs over time is mixed and inconclusive (Sweeney & Webb, 2007). In turn, Sweeney and Webb (2007) developed three variables that drive relationship benefits, namely social benefits, functional benefits, and psychological benefits.

2.5.6.1 Social benefits

Social benefits result from trust, commitment and relationship power between participants (Sweeney & Webb, 2007). Further to these, Dagger, David and Ng (2011) as well as Dagger and O'Brien (2008) postulated that friendship and personal recognition, which are part and parcel of social benefits, are bound to increase the client's and firm's experience, and are also motivation for the participants to keep the relationship. Building such relational bonds ensures

participation of relevant parties, thus creating a barrier for competition and a strategic advantage in the market place (Sweeney & Webb, 2007). Figure 2-4 shows some of the descriptive used to denote social benefits in literature, with their meaning provided in Table 2-3.
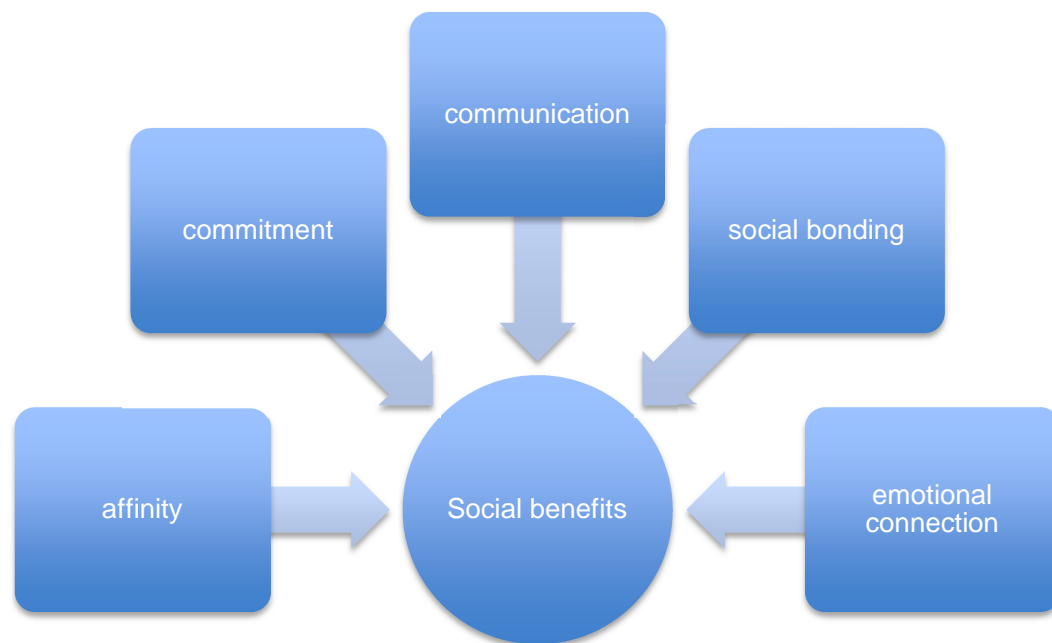
Figure 2-4: Descriptive for social benefits

Table 2-3: Summary of descriptive for social benefits

Descriptive	Definition	Reference
Affinity	Familiarity and like-mindedness	Sweeney and Webb (2007)
Commitment	Working together	Purchase and Olaru (2004)
Communication	Information sharing	Purchase and Olaru (2004)
Social bonding	An attitudinal measure of a relationship that results into friendship and social support	Chang and Chen (2007); Purchase and Olaru (2004)
Emotional connection	Enjoying each other's company	Chang and Chen (2007); Reynold and Beaty (1997)

2.5.6.2 Functional benefits

Functional benefits are economic gains that result from networking with another organisation, which in turn improve the firm's competitiveness and financial position (Sweeney & Webb, 2007). Sweeney and Webb argued in 2002 that these economic gains result from price concessions or through referrals as a result of an existing relationship. When a strong relationship has been built, clients save time by not having to search for another firm (Gwinner, Gremler &

Bitner, 1998). Figure 2-5 shows some of the descriptive used to denote functional benefits in literature, with their meaning provided for in Table 2-4.
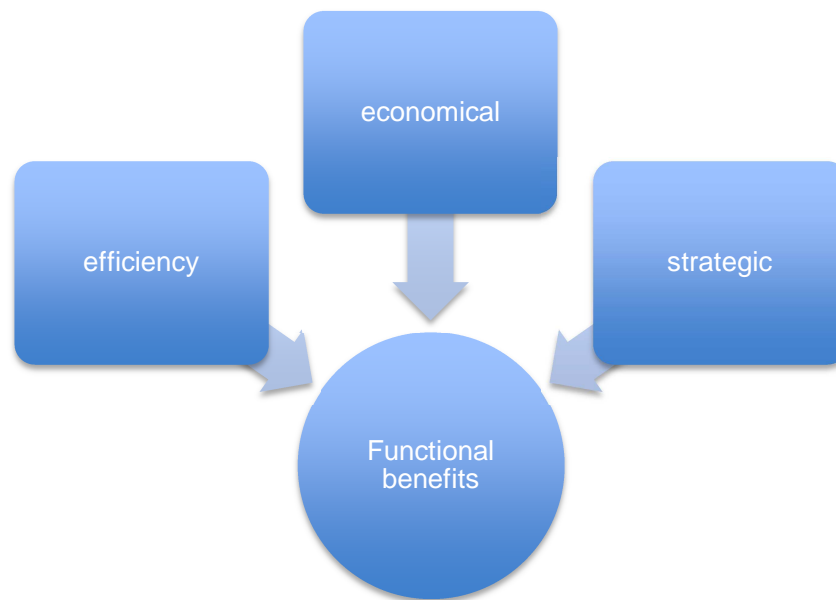
Figure 2-5: Descriptive for functional benefits

Table 2-4: Summary of the descriptive for functional benefits

Descriptive	Definition	Reference
Efficiency	As a result of task performing, time savings, price lowering, and good quality performance	Sweeney and Webb (2007); Reynolds and Beatty (1997)
Economical	Resulting in better purchase decision and reduced transactional costs	
Strategic	Aligned to convenience, advice, profitability, resource savings	

2.5.6.3 Psychological benefits

Psychological benefits emanate from the feelings of trust and confidence a client shows towards a firm (Sweeney & Webb, 2007). Sweeney and Webb (2002) earlier attached the feeling of confidence to the perceptions the client has with a specific person they deal with within a firm and not necessarily with the organisation itself. Gwinner *et al.* (1998) attested that these feelings of trust and confidence towards a firm are time dependent and rely on past relations between the client and the firm. Figure 2-6 shows some of the descriptive used to denote social benefits in literature, with their meaning provided for in Table 2-5.
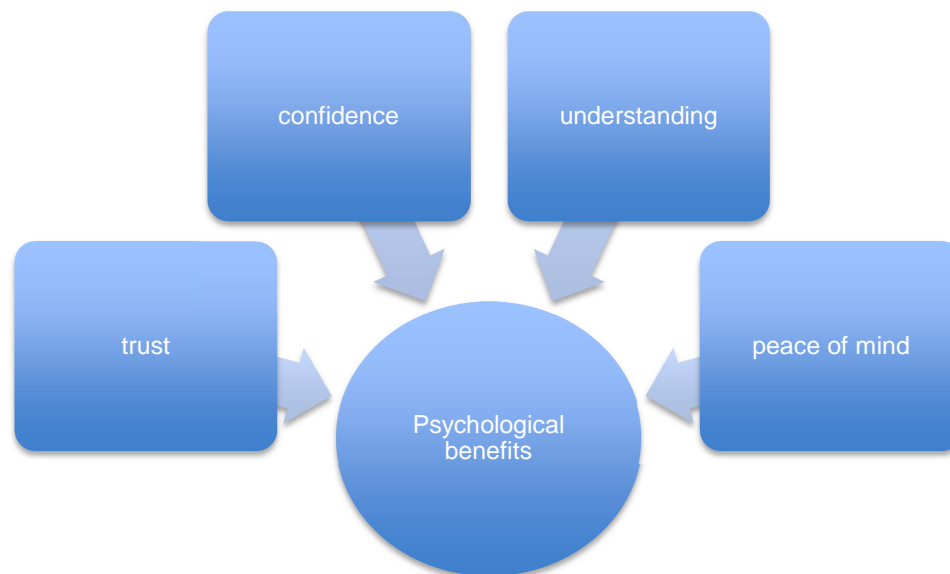
Figure 2-6: Descriptive for psychological benefits

Table 2-5: Summary of the descriptive for psychological benefits

Descriptive	Definition	Reference
Trust	Sense of reliance and dependence on one another	Sweeney and Webb (2007)
Confidence	Assurance in the relations between the parties	
Sense of understanding	Providing meaning for both parties	
Peace of mind	Resulting from a belief that there is mutual obligation between parties	

2.5.7 Role of relationships benefits

Sweeney and Webb (2007) found psychological benefits to be more significant during the exploration stage, followed by functional benefits and social benefits respectively. Furthermore, psychological benefits were found to "increase over the stages of the relationship", that is from exploration → expansion → commitment stages), whilst "social benefits were greatest during the expansion stage" (p.474). Functional benefits were found to be greatest "during expansion and commitment stages of the relationship" (p.474). Drawing from Sweeney and Webb (2007), this research study argued that the use of relationship benefits are fundamental when entering an emerging market, positing that relationship benefits are highly dependent on the level of institutional voids in the market being entered by the firm.

2.5.8   Use of relationships as a business strategy

Relationships are key in business strategy formulation (Hogan & Armstrong, 2001) due to their ability to enhance competitive advantage for the firm as well as client loyalty and business performance (Barry & Terry, 2008). As a result, firms have committed huge budgets to establish, maintain, and enhance lasting relations with their key clients. Key concepts to business relationship establishment are client equity and value equity (Richards & Jones, 2008; Ulaga & Eggert, 2006). Client equity is important from the firm's point of view, as it institutes a measure that can depict the benefits of investing in a relationship with a client (Richards & Jones, 2008). On the other hand, value equity is the client's measure of perceived value from the relationship with the firm (Ulaga & Eggert, 2006).

Drivers of client equity include value equity and relationship equity, whilst those of value equity have been found to be trust, satisfaction and commitment. The strength of value equity has been observed by Foster and Cadogan (2000), who maintained that the more a client trusts a manager of a firm the higher the value a client places on a relationship. Further to this, Foster and Cadogan (2000) added that trust is an antecedent to satisfaction, and that once a business relationship is well established the client tends to interact with the firm in potential future dealings. Two concepts in relationship management are key to relationship establishment, namely relationship marketing and relationship selling.

2.5.8.1   Relationship marketing

Relationship marketing is widely acknowledged by academics and practitioners as a philosophy and a set of practices for developing business relationships that are critical for the "establishment and maintenance of a competitive advantage in the market" (Flambard-Ruaud, 2005, p.53). Values brought about by relationship marketing include trust and commitment (Caceres & Paparoidamis, 2007); which can be conveyed through attracting a potential key client and then building a relationship that is economically beneficial. To that effect, a firm representative's approach to selling relationships to a client is key since it tends to create strong bonds between the parties (Crosby, Evans & Cowles, 1990; Huang, 2008). Although there is consensus between relationship marketing

theorists that the quality of the relationship between a client and a firm is a vital cause of the firm's performance, literature still fails to determine how these relationships impact the market entry success of the firm (Gwinner *et al.*, 1998).

2.5.8.2 Relationship selling

Relationship selling is a personal approach to promoting business connections with the objective of building and maintaining long-term relationships with clients (Bayaa, Goedegebuure, & Jones, 2009). It requires positioning from the firm's representative that enables him or her to encounter the interaction from the viewpoint of the client. Relationship selling provides a firm with the opportunity to co-design and interpret the complicated needs of the client with its representatives. One-on-one encounters are in many cases the only opportunity where exchanges between a client and a firm's representative can happen, therefore this new rationale highlights the requirements for relationship selling (Bayaa *et al.*, 2009).

Scholars other than Huang (2008) and Crosby *et al.* (1990) have presented evidence that a business relationship is tied to an individual (Palmatier *et al.*, 2007; Tellefsen & Thomas, 2005), making it more important than a client-firm relationship.

2.5.8.3 Relationship marketing vs. Relationship selling

Academic research on relationship marketing has disclosed and empirically tested processes by which relationships are developed (Foster & Cadogan, 2000). Relationship marketing depicts a firm's efforts to maintain client loyalty and stimulate repeat work, whilst relationship selling focuses on the relationship behaviours of the firm's representative (Foster & Cadogan, 2000). The relationship that the firm's representative builds with the client impacts the perceptions of the client towards the firm (Lambert, Sharma, & Levy, 1997), thus it can be implied that a strong client relationship feeds into the firm's relationship marketing strategy (Foster & Cadogan, 2000). The importance of the firm representative's role in business relationship formulation was also supported by Beverland (2001), who encouraged exceptional relationship selling behaviour by a firm's representative to ensure a successful and distinct firm relationship marketing strategy. Therefore an embedded tradition of

relationship selling, whereby a firm's activities are directed towards building relationships with potential key clients, is a must for any firm to benefit profitably from such relationships (Weitz & Bradford, 1999). Based on the views presented above, the research posits the importance of relationship benefits despite the institutional framework in a particular market.

2.6. Conceptual Emerging Market Entry Framework

2.6.1 Basis for the Research Study

In summary, the literature review on internationalisation has shown that relationships are vital when entering a market – the transaction cost economies theory suggested that social relationships can be used to reduce transaction costs (Kock *et al.*, 2003) whilst the resource-based view theory indicates that resources, relationships included, are a good source of firm differentiation as well as sustainable competitive advantage when entering a market (Hough *et al.*, 2011). Whereas the institutional theory is underpinned by the influence of institutions when a firm enters a market, Li *et al.* (2006) maintained that a firm's market entry strategy is influenced by the different institutions governing a particular market, thus reliance on associations with business communities and/or government officials within these markets is fundamental.

The concept of market entry is multi-dimensional, with many authors offering different measurements for the variable, including activity mode (Dikova & van Witteloostuijn, 2007; Uhlenbruck *et al.*, 2006), establishment mode (Abramkov & Panibratov, 2012; Slangen & Hennart, 2008), firm size (Johnson and Tellis, 2008), mode of entry (Dikova & van Witteloostuijn, 2007; Holtbrügge & Baron, 2013; Morschett *et al.*, 2010; O'Cass *et al.*, 2012; Panibratov, 2009), timing of market entry (Holtbrügge and Baron, 2013; Johnson & Tellis, 2008), industry specific attributes (Mihailova & Panibratov, 2012), cultural distance and economic distance (Johnson & Tellis, 2008), country openness (Johnson and Tellis, 2008; Perks *et al.*, 2013) and country risk (Al Khattab *et al.*, 2007; Johnson & Tellis, 2008; Perks *et al.*, 2013). The relevance of relationships and their benefits have not received any prominence in these market entry studies.

2.6.2 Purpose of the Research Study

Relationship establishment with a potential client has been underpinned by two key concepts, namely client equity and value equity. The former depicts the benefits the firm gets from investing in a relationship with a client (Richards & Jones, 2008), whereas the latter depicts the benefits the client gets from investing in a relationship with a firm (Ulga & Egger, 2006). There are three variables that drive benefits that a client and firm can derive from a relationship, namely functional, social, and psychological benefits (Sweeney & Webb, 2007). By including relationship benefits as a research construct the researcher hoped to reflect the importance of considering the perspective of the client and the net gain that a client derives from the potential business relationship (Tellefsen & Thomas, 2005) when a firm formulates its market entry strategy. The mode of entry was also included as the final construct due to its ability to influence the entire firm's market entry strategy as well as its significance as a result of its ability to influence relationship establishment (Philippe & Léo, 2011).

Additionally, since a firm's market entry strategy is context specific (Kidd & Pels, 2012), it is imperative to acknowledge that a 'one-size fits all' entry strategy during internationalisation is not ideal. For that reason the East African Community (EAC) was used as the geo-reference for the research study. As a context for the research study the EAC affords internationalisation practice with the opportunity to understand the characteristics relevant to markets bounded by the institutional context, because according to Khanna and Palepu (2010), institutions stipulate the rules of the game. Furthermore, the reason for underpinning the research study on the EAC was that the extent of institutional voids in a host country may alter relationship formulation (O'Cass *et al.*, 2012). Since business relationships are underpinned on an individual (MacMillan, Money, Money & Downing, 2005), the approach undertaken by firms and their representatives when developing new business was used to determine if relationship benefits, specifically social and psychological benefits, are specific to an emerging market only, or if it is a phenomenon used broadly by firms and their representatives when entering any economic market.

2.6.3 Research Study Expectations

Based on the above reasons the research study aimed to determine if the type of mode chosen by a firm entering the EAC enhance relationship benefits during the exploration stage of business. Moreover, the research study aims to find out if relationship benefits are relevant during entry into the East African Community. Lastly, are relationship benefits, specifically social and psychological benefits, relevant to entry into an emerging market only or can it be used to establish any new business relationship?

The research study hoped to support a number of literature findings, namely: (1) the level of institutional voids in the host country has a significant impact on a firm's approach to a new market; (2) firms will likely use joint ventures to enter an emerging market with weak institutions, whilst the establishment of an wholly owned subsidiary will be opted where institutions are strong; (3) relationship benefits are necessary when entering an emerging market; (4) relationship benefits are prominent when entering an emerging market as opposed to other economic markets; (5) the higher the position held by an individual (top-tier management) the more they are inclined to the use and enhancement of relationship benefits; and (6) the more exposure an individual gets to their respective industry and a particular market, the more accustomed they are to the use and enhancement of relationship benefits.

In conclusion, a review of the literature has revealed that a framework based on empirical evidence has yet to be developed that measures the drivers of market entry in an emerging market, which takes into account the role of relationship benefits. This research therefore posits that in order for a firm to gain a competitive advantage when entering an emerging market, an entry strategy that takes account of institutional voids and uses an optimal mode of entry choice and relationship benefits will help a firm gain a competitive advantage over its competitors.

CHAPTER 3: RESEARCH HYPOTHESES

The main objective of the research study was to investigate and gain insight on the applicability of relationships when a firm enters an emerging economy. The research sought to understand the relevance of relationship benefits when firms enter an emerging market in practice. The literature reviewed in the previous chapter suggested that successful entry into an emerging market depends on establishing business relationships that benefit both the client and the firm. Furthermore, emerging market entry success is bound to be achieved when a firm's representatives demonstrate the benefits of the business relationship when interacting with a potential client, and that the firm's choice of entry mode is such that it enhances relationship building.

A research project of this nature requires the application of several methods in order to form or increase knowledge (Welman & Kruger, 2005). Although it is not common, Hoskinsson *et al.* (2000) found the application of the mixed methods approach to be relevant for emerging market research. The researcher therefore combined the qualitative and quantitative research approaches - the latter research approach took precedence since the researcher was attempting to prove business relevance for relationships as an imperative for firms and their representatives during internationalisation into emerging economies. Qualitative research was used to answer the following proposition: "There is relevance in the use of relationships and their benefits when entering an emerging market". The constructs proposed in Chapter two illustrate that the researcher has studied the literature in the pursuit of testing the hypotheses stated below.

3.1. Hypothesis 1

Khanna and Palepu (2010) concluded that firms should use institutional voids to create a sustainable strategic positioning when entering an emerging market. Furthermore, Meyer *et al.* (2008) argued for an institution-based view of business strategy, advocating that the prominent mode of entry into an emerging economy is the joint venture, as it allows the firm entering an emerging market to access resources held by a local firm (i.e. including relationships). Furthermore, Meyer *et al.* (2008) indicated that a need for a

partner when entering an emerging economy declines with the strengthening of the institutional framework. In line with the view by Dagger and O'Brien (2008) that the perception of individuals is experience-dependent, it is therefore hypothesised that:

H_0: *There is no relationship between mode of entry chosen and level of individual's experience in an emerging market.*

H_{1a}: *There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with stronger institutions.*

H_{1b}: *There is a high likelihood that more experienced individuals will establish joint ventures in an emerging market with weaker institutions.*

3.2. Hypothesis 2

Sweeney and Webb (2007) developed three variables that drive relationship benefits, which reflect the net gain a client might derive from establishing business relationship with a firm. They are functional, social and psychological benefits. Functional benefits have been found to improve firm-level commitment to a relationship, whilst psychological and social benefits have been found to affect an individual's commitment directly and firm-level commitment indirectly. The literature however still fails to determine how business relationships impact the market entry success of the firm (Gwinner *et al.*, 1998). Since insight is experience-dependent (Dagger & O'Brien, 2008), hypothesis two asserts that:

H_0: *There is no relationship between institutional voids and relationship benefits.*

H_{2a}: *More experienced individuals entering an emerging market with institutional voids rely on functional benefits.*

H_{2b}: *More experienced individuals entering an emerging market with institutional voids rely on social benefits.*

H_{2c}: *More experienced individuals entering an emerging market with institutional voids rely on psychological benefits.*

3.3. Hypotheses 3

This hypothesis tests if relationship benefits, particularly social and psychological benefits, are context specific – in other words are social and psychological benefits dependent on institutional voids or is it a concept for any economic market despite the institutional framework? The basis for positioning this hypothesis is that relationships have clearly been used during business

strategy formulation (Hogan & Armstrong, 2001). Furthermore, to prove that there is relevance for relationship benefits when entering an emerging market an opposite view needed to be posited. Based on the view that observations are likely to be experience-dependent (Dagger & O'Brien, 2008), the third hypothesis postulated that:

H_0: *There is no association between relationship benefits (social and psychological benefits) and the establishment of a new business.*

H_{3a}: *Social benefits preferred by highly experienced individuals when they establish any new business.*

H_{3b}: *Psychological benefits are preferred by highly experience individuals when they establish any new business.*

The proposed research framework captured in Figure 3-1 aims to illustrate the relationships that were tested in this research study.
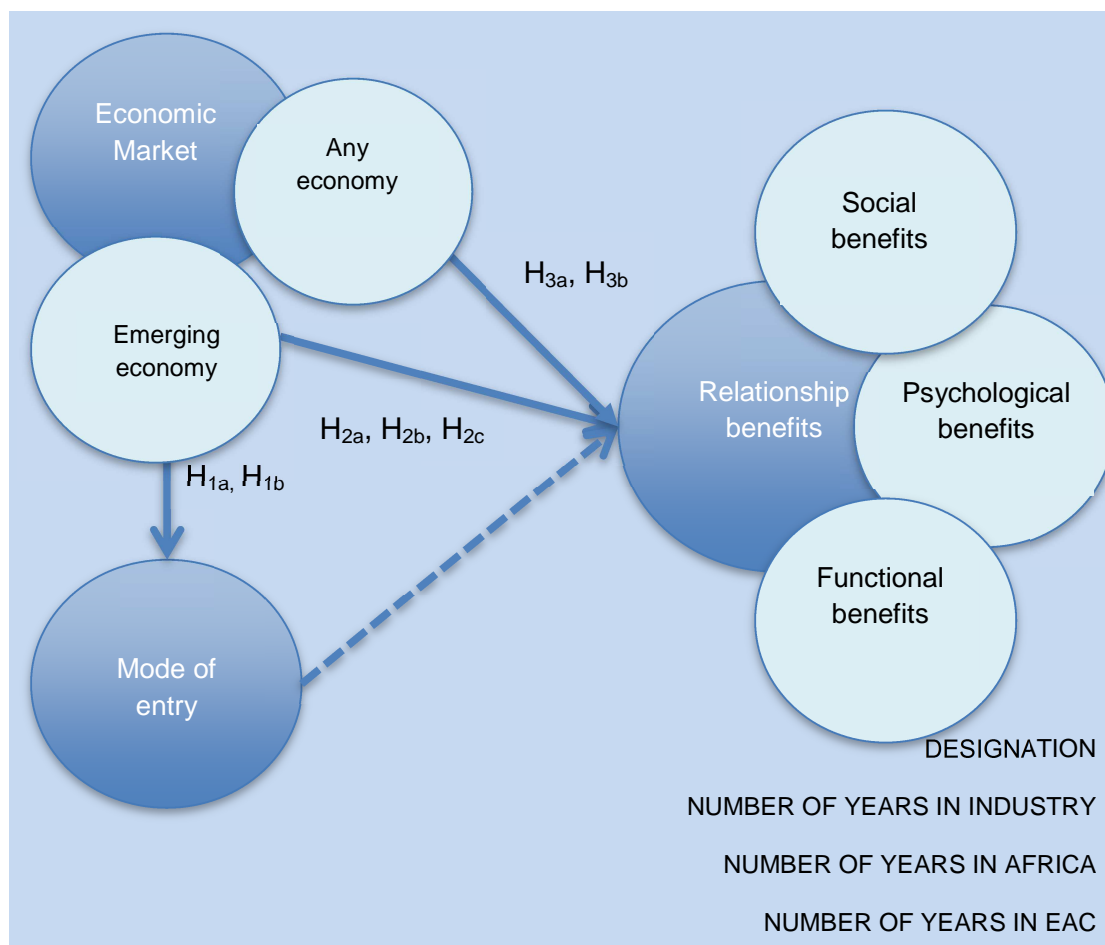
Figure 3-1: Proposed model based on literature review

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

4.1. Introduction

Saunders and Lewis (2012) described research methodology as an approach for collecting, analysing, interpreting, and reporting research data. This chapter details the research methodology for the research study and provides the procedure followed by the researcher to reach the research findings. Guided by the research objectives mentioned in chapter one, the researcher adopted a research methodology that is based on a fixed mixed methods philosophy. Mixed methods research is defined by Bergman (2008) as a type of research where elements of qualitative and quantitative approach are combined for the purposes of increasing the breadth and depth of understanding. According to Johnson and Onwuegbuzie (2004) quantitative research is deductive in nature – it tests and validates an already constructed theory to predict how, and to a lesser extent why, a phenomenon happens. Qualitative research, on the other hand, is inductive in nature and provides an understanding and description of people's personal experience of a phenomenon being studied. The strengths of quantitative and qualitative research are illustrated in Table 4-1.

Table 4-1: Difference between quantitative and qualitative research approach

Quantitative	Qualitative
Reality is independent and one-dimensional in nature	Reality is independent and multi-dimensional in nature
The researcher is independent from what is being researched	The researcher interacts with the subject being researched
Approach is unbiased	Data is value-laden, therefore biased
Uses formal language (i.e. definitions) and very impersonal	Uses informal language and interaction is personal
Used to prove cause and effect relationships	Factors are mutually shaped
Concepts are static and determined prior to research	Concepts are emergent
Allows for context free research	Allows for research to be context bound
Uses generalisation to explain, understand and predict phenomenon	Uses patterns to develop understanding
Accuracy and reliability obtained through validity	Accuracy and reliability obtained through process of verification

Source: Johnson and Onwuegbuzie (2004)

The researcher deemed it appropriate to combine qualitative and quantitative approaches - the quantitative methodology was incorporated to prove a business reasoning for the phenomena being studied, whilst qualitative methodology was used to understand the multi- faceted phenomena being assessed.

The researcher predetermined and planned the use of the mixed methods as a result of its ability to provide common sense realism and a pragmatic view. Although most of the data collected for this research study was quantitative in nature, the researcher saw the need to balance the generalised view of quantitative research with the particularistic viewpoint offered by qualitative research. Based on Bergman (2008), the relevant reasons for using the mixed methods approach for this research study are captured in Table 4-2.

Table 4-2: Purpose of using mixed methods approach

Strength	Implication for the research study
Triangulation	Seeks convergence, corroboration and correspondence from different methods to ensure credibility of the research study
Completeness	Bringing together a more comprehensive account of the area of inquiry (i.e. relevance of relationship benefits when entering an emerging market)
Credibility	Employing both approaches enhances integrity of findings
Context	Qualitative approach is expected to provide contextual understanding, whilst quantitative approach was supposed to provide generalised and broad relationships amongst variables.
Utility	Approach is more useful to practitioners
Diversity of views	Combining perspective of experts from qualitative research and generalists through quantitative research allow for divergence, which can be compared and contrasted.

Source: Bergman (2008)

An integral part of mixed methods is its ability to yield novel, relevant and reliable insights into emerging market research (Hoskisson *et al.*, 2000). Further to this, Johnson and Onwuegbuzie (2004) indicated that by using quantitative and qualitative techniques within the same framework, the strengths of both methodologies can be incorporated. For this research study exploratory research was deployed for the purposes of discovering general information about the topic that was not well understood by the researcher, whilst explanatory research was used to determine the exact significance of the different constructs to the success of entering an emerging economy.

4.2. Research Design

A research design is defined as a logical process that links collected data to the primary objectives of the research study (Saunders & Lewis, 2012) – it is a research 'blue print' that dictates what data is relevant, what data to collect and how to collect it and analyse it. The selection of a research design is informed by how the research problem is posed, by questions it raises and by the type of outcome desired (Saunders & Lewis, 2012). The purpose of this sub-section is to explain the researcher's strategy, choice and data collection techniques, as shown in Figure 4-1 below.
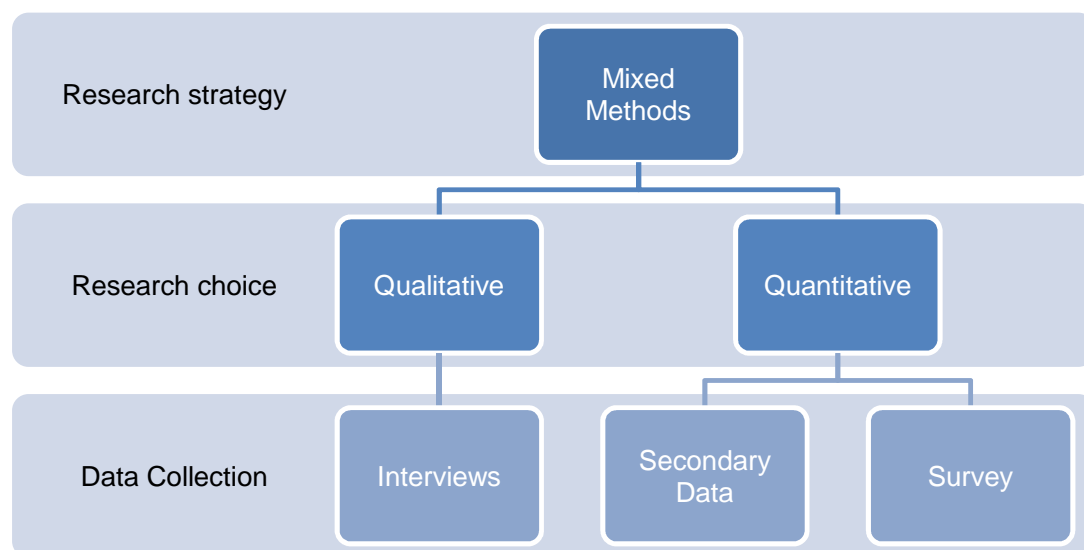
Figure 4-1: Research model

4.2.1 Research strategy

The research study was designed as a convergent parallel mixed methods study by separating the quantitative and qualitative research data collection and data analysis, with mixing of the two research strands only during the overall interpretation of the results (refer to chapter six). According to Creswell and Clark (2011), the advantages of convergent parallel mixed methods design over the other designs - explanatory sequential, exploratory sequential, embedded, and caveat - is its ability to provide the researcher with the potential to understand, contextualise and develop interventions concurrently and in a short space of time. Further to that, the research study utilised a quantitative priority approach – this afforded the researcher the ability to put greater emphasis on quantitative methods (refer to Chapter three), while the qualitative method was

given a secondary role. Although the qualitative method has a secondary role, it played a critical part in the research study as it complemented the lack of comprehension in the quantitative method. This choice allowed the research to be deductive in nature. As a result the researcher tested hypotheses and theory with collected data and used the inductive nature of qualitative research to incorporate the contextual and personal views of experts who had operated within the African market.

4.2.2   Research choice

By the nature of the mixed methods approach the content of this research required a quantitative and qualitative research premise. Saunders and Lewis (2012) explained descriptive research as a way to seek to accurately describe person, events or situations. Zikmund (2003) also stated that descriptive research seeks to determine the answers to what, where and how questions; in this case the hypotheses presented in chapter three and summarised in Table 4-3.

Table 4-3: Research hypotheses

Research hypothesis	Literature review
H_{1a}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with stronger institutions	Ling *et al.* (2005), Peng *et al.* (2008), Dagger and O'Brien (2008), Meyer *et al.* (2009)
H_{1b}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with weaker institutions	
H_{2a}: More experienced individuals entering an emerging market with institutional voids rely on functional benefits	Child and Tsai (2005), Peng *et al.* (2008), Sweeney and Webb (2007), Dagger and O'Brien (2008)
H_{2b}: More experienced individuals entering an emerging market with institutional voids rely on social benefits	
H_{2c}: More experienced individuals entering an emerging market with institutional voids rely on psychological benefits	
H_{3a}: Social benefits are preferred by highly experienced individuals when establishing any new business	Sweeney and Webb (2007), Dagger and O'Brien (2008)
H_{3b}: Psychological benefits are preferred by highly experienced individuals when establishing any new business	

The inclusion of the qualitative approach is debated from the observation made by Barbour (2007), who suggested that qualitative research is able to make non-numerical mechanisms visible that link particular variables by looking at explanations provided by others. Furthermore, the qualitative approach adds understanding to meanings and interpretation that management assigns to the

phenomena when explaining their market entry behaviour (Johnson, Buehring, Cassell & Symon, 2006), specifically when within emerging markets. Therefore, the qualitative approach was used to determine if there is relevance in the use of relationships and their benefits when entering an emerging market.

The choice of using both research approaches made it possible to study how firm representatives and ultimately firms make sense of emerging market entry strategy imperatives and how they use relationships during internationalisation.

4.2.3 Unit of data collection

The data collection strategy for this research study kept the unit of data collection and the unit of analysis distinct. According to Flambard-Ruaud (2005) relationship benefits are context specific. For that reason, experts working for a South African-based services firm that has been operating in Africa for a period exceeding 20 years were chosen as the unit of data collection for the qualitative research. The population frame was deemed relevant for the research study for the following reasons:

- the services firm had operated for over two decades in the African market;
- the services firm had a footprint in over 10 African countries; and,
- the services firm had operated in over 50 African countries using wholly owned subsidiaries and strategic alliances as a mode of entry.

For the quantitative research the unit of data collection included individuals working for firms that had entered the EAC.

4.2.4 Qualitative data collection

There are two ways to collect qualitative data, namely text and non-text formats (Saunders & Lewis, 2012). The researcher opted to use recorded text type in the form of interviews, since its applicability in business sciences is generally accepted (Saunders & Lewis, 2012). Figure 4-2 shows the approach chosen for qualitative data collection.

Data collection instrument	Interviews
Type	Non-standardised one-on-one
Theme	Sense-making
Typology	Semi-structures
Medium	Face to face
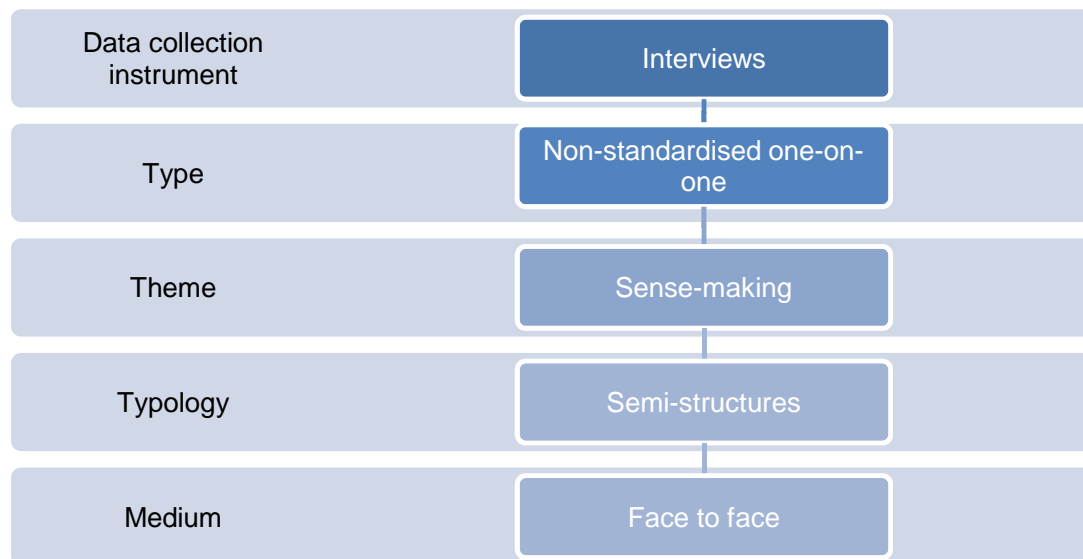
Figure 4-2: Data collection approach for interviews

4.2.4.1 Target population

The study was limited to senior management responsible for operations in Africa. The population was selected because of the experience the above individuals had on the continent.

4.2.4.2 Sampling

The researcher used purposive sampling, a type of non-probability sampling technique where the researcher's judgment was used to select the sample members based on a range of possible reasons and premises (Saunders & Lewis, 2012). The researcher selected the sample based on the level of experience and exposure to clients in Africa, therefore three managers that had worked in the African market longest were chosen.

4.2.4.3 Research instrument

Since the qualitative approach was deployed to sense the way firm representatives have been entering the African market, semi-structured interviews were chosen over structured interviews due to their ability to provide flexibility (Saunders & Lewis, 2012). Furthermore, the ability offered by semi-structured interviews to pursue new questions or discoveries whilst being guided by the respondent's responses was deemed a necessary advantage. The researcher included leading structured questions for standardisation and unstructured questions to allow participants to speak openly about what the

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variables were that drove their perception regarding market entry success within Africa. As shown in Table 4-4, the researcher targeted a technical director, a business development manager and a regional manager with exposure to clients in the South African Development Community (SADC) as well as the Eastern, Central and Western economic clusters.

Table 4-4: Target sample for interviews

Level of Responsibility	Number of experience in Africa	African regions involved in
Technical Director Business Development Manager Regional Manager	> five years	SADC, eastern cluster central cluster, western cluster

Once the researcher received a permission letter to interview the identified interviewees (letter dated 7 November 2013 and received on 8 November 2013), the researcher contacted the interviewees via email and telephonically. Once a date and time was confirmed a meeting was scheduled with each respective interviewee. Each interview was scheduled to take 40 minutes. At each interview the respondents were reminded of the objectives of the interview and of their anonymity status in this research. Audio recording and handwritten notes were made during and immediately after the interview to maintain data reliability. The startup set of questions used during the interview sessions are attached as Appendix E.

4.2.5 *Quantitative data collection*
Surveys, which are a quantitative research approach that involves a structured collection of data from a sizeable population (Saunders & Lewis, 2012), was chosen as the data collection instrument for the research study. There are three types of surveys – questionnaires, structured observation and structured interviews. Figure 4-3 shows the approach chosen for the quantitative data collection.
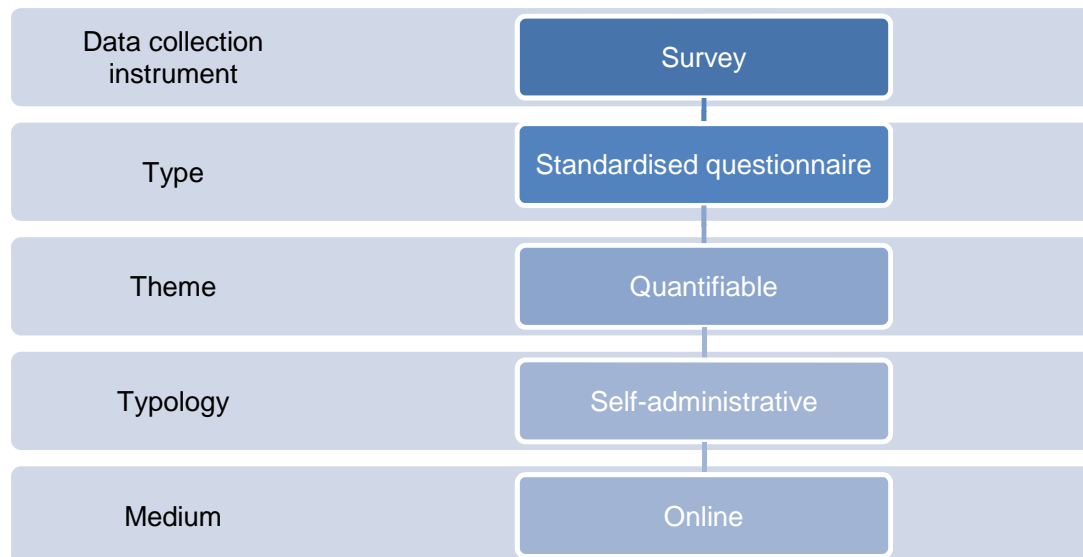
Figure 4-3: Data collection approach for surveys

The quantitative research approach decided on for the research study involved an anonymous self-administered questionnaire that was used as the primary data collection tool and was developed based on the work of Child and Tsai (2005), Ling *et al.* (2005), Sweeney and Webb (2007), Peng *et al.* (2008), Meyer *et al.* (2009), Dagger *et al.* (2011) and Holtbrügge and Baron (2013). The set of questions are attached as Appendix F.

The questionnaire consisted of the following six parts. Part one requested participants to provide general information about themselves, which was used to determine the level of experience of the respondent. Part two, which was based on the work by Ling *et al.* (2005); Peng *et al.* (2008); Meyer *et al.* (2009); Holtbrügge and Baron (2013), was used to determine the effective mode of entry into the African emerging market. Part three was included to determine the impact of institutional voids on relationship benefits (Child & Tsai, 2005; Sweeney & Webb, 2007; Peng *et al.*, 2008); and Part four was used to determine if participants use relationship benefits (social and psychological benefits) when establishing new business relationships, despite the market context (Sweeney & Webb, 2007).

4.2.5.1 Target population

In terms of the research problem the universe was defined as firms that had operated in the East African Community (EAC). The population was the seller of services in the EAC member states.

4.2.5.2 Sampling

A non-probability quota sampling method was applied since the sample needed to have certain characteristics (individuals who had started business for their firms). According to Hair, Black, Babin, Anderson and Tatham (2006), the sample size for a survey must have more observations than variables whilst the minimum absolute sample size should be 50 observations. The survey had five variables (institutional voids, mode of entry, functional benefits, social benefits, and psychological benefits), therefore a sample size of 50 observations or more was warranted for the research study. A total of 25 emails were sent in October 2013, with an anticipated snowball effect of five people per identified online respondent candidate.

4.2.5.3 Research instrument

An online questionnaire was employed and respondents were asked to respond to fixed alternative questions. The type of questions used in the questionnaire included:

- Ranking, which asked respondents to rank categorical data;

- Rating, which asked respondent's opinions and beliefs; and

- Matrix, which allowed the respondent to select two or more answers from the same set of possible answers.

After designing the research instrument the researcher conducted a pilot study to assess and improve the questionnaire with the aim of refining the study design prior to surveying the entire sampling frame. The pilot study was also conducted to ensure that there were no problems in recording and collecting data (Saunders, Lewis & Thornhill, 2003). Five respondents from the MBA class were selected as a sample for the pilot study. The five respondents were requested to: (1) comment on the attractiveness and layout of the questionnaire; (2) remark on the simplicity of the questionnaire itself and the

precision of the instructions provided; (3) comment on the easiness of completing the questionnaire online; (4) point out questions that were considered to be vague and unclear; and (5) note the time that it took to complete the questionnaire.

Once corrections were made to the first questionnaire the subsequent questionnaire was circulated to another sample of respondents, who varied in proficiency. The process resulted in another alteration, which was followed by circulation of the online questionnaire link by e-mail to the participants. The researcher experienced a slow response on the online questionnaire, which was dealt with through the identification of key contacts providing services to the EAC clients. These key contacts were requested to distribute the link to the online questionnaire to their colleagues in their respective industries who had started operations for their businesses/firms in the EAC market (snowball effect). Although the poor response from the self-administered web-surveys was expected, this approach was opted for due to its speed in completing/obtaining data and its cost effectiveness (Blumberg, Cooper, & Schindler, 2008).

4.2.6 Secondary data collection

In line with Khanna and Palepu's (2010) view that institutions or the lack thereof (institutional voids) should derive a firm's strategic positioning, the researcher opted to source a number of rankings to quantify institutional voids within the EAC member states. The significance of using ranks in the emerging markets has been evident through the work of Meyer *et al.* (2008), Mihailova and Panibratov (2012) and Holtbrügge and Baron (2013). Ranking, which is a form of ordinal scaling, assigns values to variables on the basis of their relative ranking (Multon & Coleman, 2010).

For this research, the 'Global Competitiveness Report' published by the World Economic Forum in 2012 as well as the 'Ease of Doing Business Report' for the EAC published by the World Bank and International Financial Corporation in 2012 were used to quantify the different components of the Five Context Framework as follows:

- The political and social system of a country can be defined using measures like laws to protect private property rights and judiciary

independence (Khanna *et al.*, 2005). The institutions pillar of the Global Competitiveness Report was used to quantify the political and social system of each EAC member according to its composition of legal and administrative framework, governments' attitudes towards markets and freedom, and management of public finances.

- Khanna *et al.* (2005) defined the labour system in terms of strength of educational institutions, level of proficiency in English and level of pay for performance standard practice. The labour market efficiency pillar from the Global Competitiveness Report was used to quantify labour systems in each EAC member state.

- According to Khanna *et al.* (2005), simple questions that can be asked to ascertain product market level in a country include reliability of data on consumer preferences, level of network of suppliers and strength of transportation infrastructures. The sixth pillar of the Global Competitive Report was used to quantify product market per country (i.e. goods market efficiency pillar).

- Openness alludes to restrictions put in place for foreign investments and procedures for launching new ventures. The 'Ease of Doing Business Index' was used to quantify level of openness per country.

- A capital market can be illustrated by the efficiency of a financial market and reliability of corporate performance information (Khanna *et al.*, 2005). The eighth pillar of the 'Global Competitive Report' was used to quantify capital market per country (i.e. financial market development pillar).

The ratings for base year 2012 are attached below as well as in Appendix D.

Table 4-5: Five country rankings constituting the Five Context Framework

Five context framework elements	Burundi	Kenya	Rwanda	Tanzania	Uganda
Global Competitiveness Report (2012) – out of a total of 144 economies					
Political and social systems	142	106	20	86	102
Labour market	112	39	11	47	23
Product market	139	93	39	110	103
Capital market	144	24	49	85	62
Ease of Doing Business Report (2012) – out of a total of 183 economies					
Openness	169	109	45	127	123

Source: Global Competitiveness Report (2012); Ease of Doing Business Report (2012)

4.3. Data Analysis Process

Data analysis relates to the evaluation of collected data for the purposes of understanding, contextualising and developing interventions that address the research objectives. The chosen research strategy (mixed methods) allowed the researcher to keep data analysis emanating from the two research choices (qualitative and quantitative) separate, even at the data analysis phase (convergence parallel analysis process). This approach afforded the researcher the opportunity to conduct data analysis separately yet concurrently, giving equal priority to each research choice (Crewswell & Clark, 2011).

The unit of analysis for both qualitative and quantitative research was based on the opportunities that each participant was exposed to when entering the African and the EAC, making each experience the unit of analysis for the research study. Figure 4-4 depicts the approach followed by the researcher to analyse the data collected. To arrive at Figure 4-4, the researcher made the following suppositions: (1) due to the lack of a holistic index indicating the institutional environment of a country, the researcher made use of the rankings from the 'Global Competitiveness Report' of 2012 as well as the 'Ease of Doing Business Report' of 2012 to populate the Five Context Framework adopted by Khanna *et al.* (2005) to arrive at a uniform ranking system that was applied in the research study. This dimension was used to analyse H_{1a}, H_{1b}, H_{2a}, H_{2b} and H_{2c} captured in Table 4-2; (2) the questionnaire used in the research study made use of the five-point Likert scale and used responses ranging from Strongly Disagree (represented by 1) to Strongly Agree (represented by 5) (Blumberg *et al.*, 2008). Respondents were also asked to indicate relevant choices applicable to each member state of the EAC. This was used to analyse H_{3a} and H_{3b} captured in Table 4-2; and (3) interviews were used to add a contextual dimension to the study as well as to bring the postulations presented in Table 4-2 to reality.

Data was collated as follows:

- Since all interviews were recorded on a Dictaphone, the researcher was able produce transcripts for the interviews. These transcripts were reviewed for accuracy and revised where necessary.

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- An electronic data processing tool (Excel) was used to prepare an institutional ranking for each EAC member state based on the equal weighting method.

- A statistical analysis tool, SPSS 14.0 (Norusis, 2005), was used by the researcher to attain two sets of findings - descriptive statistical analysis was used to describe the sample whilst data analysis was used to provide evidence that the measuring instruments and variables were reliable and valid for the purpose of the study.
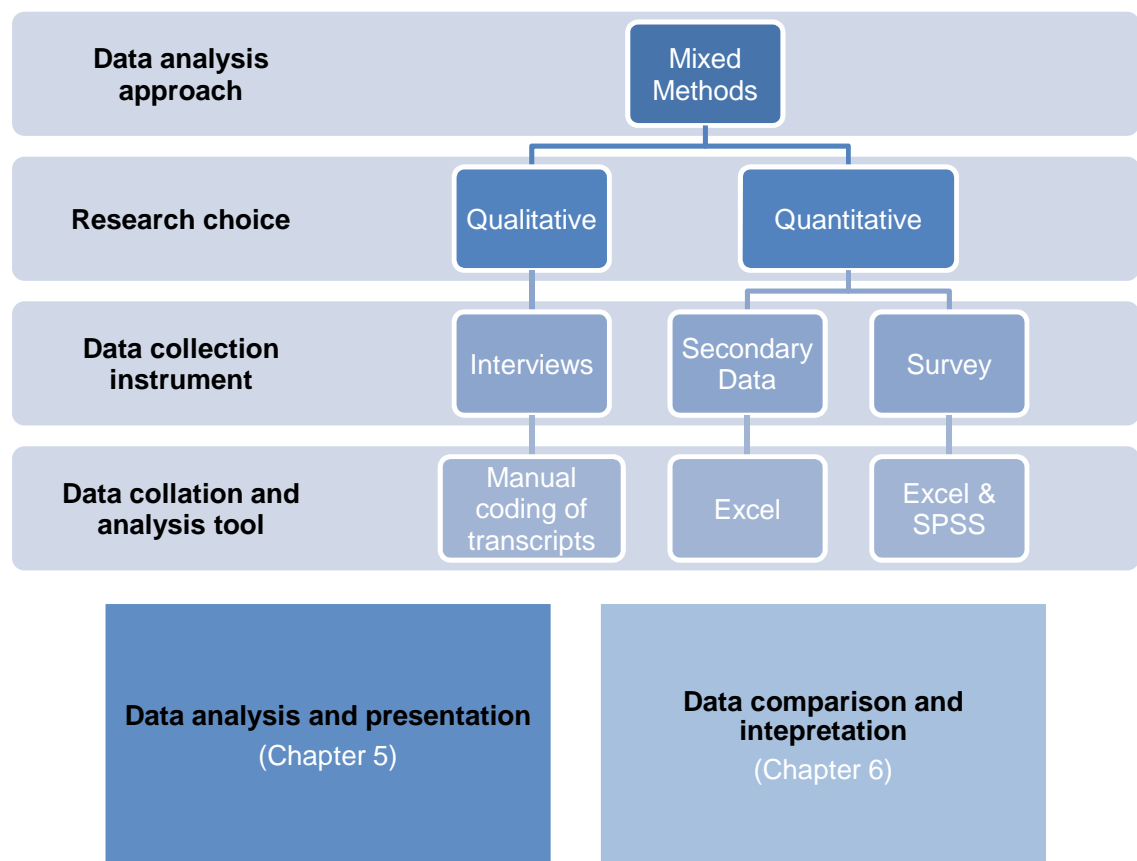
Figure 4-4: Data analysis process for the research project

The remainder of the section provides further insight into how the researcher analysed the data collated for the research study.

4.3.1 Institutional void index formation

The concept of an institutional environment is multi-dimensional in nature due to the multiple items used to describe it. When incorporating the five different rankings aligned to the Five Context Framework proposed by Khanna *et al.*

(2005), the research opted for equal weighting to determine a single ranking that indicated the level of institutional environment per country. Although a legitimate argument can be given for the use of varied weighting for the different elements of the Five Context Framework, the researcher chose equal weighting for its ability to tie-up the different ranking and addresses the dimensionability across the different sources in a simple and straightforward manner.

4.3.2 Transcripts analysis

Thematic and narrative analyses were undertaken for each transcript to extract key themes related to the research objectives and variables, as framed in Figure 3-1 in Chapter three. The researcher used the deductive coding framework to arrive at a number of codes developed from literature (Saunders & Lewis, 2012). The codes derived from literature include:

- Economic gain for the firm was denoted as functional benefits (FB).

- Words like "friendship with the client" and "personal recognition" were coded as social benefits (SB).

- Words like "trust", "client expectation" and "client's understanding" were coded as psychological benefits (PB).

- Relationship selling when entering an emerging market was coded as individual relationship building (IRB) since it relates to the relationship behaviour of the firm's representative.

- Relationship marketing was coded as firm's relationship building (FRB) since the concept relates to a firm's approach to maintaining client loyalty and stimulation of repeat work.

The interviews were therefore evaluated through the FB, SB, PB, IRB and FRB lens.

4.3.3 Descriptive statistics

Descriptive statistics summarise and describe data collected, providing the researcher with an opportunity to understand the characteristics of a set of data (Weiers, 2011). Since the research study aimed to determine the relevance of relationship benefits during the exploration stage in an emerging market, the researcher underpinned the understanding of this phenomenon on the

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perceived views of the research participant; both interviewees and online respondents. Therefore proportions were chosen to illustrate the views of participants based on their level of experience. Experience was measured in terms of designation, the number of years in the respective industries, the number of years working in Africa, and the number of years in the EAC.

4.3.4 Other statistical tests

Further analyses were conducted to investigate statistical relationships between variables and gain an understanding of variables that explained variation in the data. The inferential tests undertaken for the research study included the chi-square test and the Spearman correlation. The chi-square test of independence tests whether or not the dependent variables (mode of entry, functional benefit, social benefit, psychological benefit) can be explained based on the independent variables (measurements of experience) (Weiers, 2011; Salkind, 2013). In chapter two it was established that the experience and knowledge of a firm's representatives is key in enabling market entry strategy success. The chi-square test, which is a nonparametric inference statistics, allowed the researcher to determine if there is probability of an association between the dependent variables and independent variables. The dependent variables were further underpinned on the different outcomes or statements that literature has identified as inferences to the dependent variables (refer to Table 4-6).

The chi-square test was used for all hypotheses – the merit of using a test of variable independence (contingency tables) was to not identify the exact nature of the relationship between the dependent variables and the measurement of their experience, but to examine if an association between the two variables was occurring by chance. A statistically significant (p-value being less than 0.05) was used to ensure sufficient association with the preference indicated by the online respondents. The p-values were estimated based on the exact distribution of the test statistic, allowing the researcher to obtain an accurate p-value without relying on assumptions that may not be met by the dataset. The p-value forms part of the theory of hypothesis testing and is regarded as an index for judging whether to accept or reject the null hypothesis (Weiers, 2011). A large p-value indicates compatibility with the null hypothesis, whilst a very small p-value indicates evidence against the null hypothesis. The Fisher's exact

test presented the exact probability value for the relationship between the outcomes and the five treatments. Statistical significance of less than five percent was used to ensure sufficient association from the preference indicated by the online respondents for all three hypotheses. For the third hypothesis an additional validation measure was used (Spearman correlation), which verified the relationship between the outcomes or statements and the measurements of experience.

Another way of ensuring reliability of quantitative data is through the collection of adequate observations. The sample must have more observations than variables, in other words 50 observations, whilst the minimum sample size should be 30 observations. This research study achieved a total of 20 observations, resulting in a response rate of 40%. During data analysis, the quality of the results emanating from the small sample was assured by using the exact method of analysis technique. Exact statistical analysis calculates the significance levels for the statistics and provides a powerful means for obtaining accurate results when a data set is small and not normally distributed (Mehta & Patel, 1996). Furthermore, it also allowed the researcher to meet the necessary standard asymptotic method assumptions that were not afforded by a small sample (Mehta & Patel, 1996).

During the interpretation of the results the Fisher's exact test was used to assess the credibility of the quantitative data. The Fisher's exact test calculates an exact probability value for the relationship between two variables (Mehta & Patel, 1996).

Table 4-6: Chi-square testing – dependent and independent variables

Dependent variable		Hypothesis	Expected outcome or statements	Independent variables
Mode of entry		H_{1a}, H_{1b}	• Different types of mode of entry	
Functional benefit	FB	H_{2a}	• Our interaction with the client enabled us to become more competitive in the market • In my view the client fully capitalised on the value the firm offered • Our interaction with the client enabled us to enhance financial outcomes for the firm • Our interaction with the client enabled us to maximise financial outcomes • Our interaction with the client anabled us to proactively identify other opportunities	
Social benefit	SB	H_{2a}	• My relationship with the client went beyond just business • The client has called on us more than twice subsequent to our first interaction • I worked closely with the client on a continuous basis, which resulted in repeat work • The client continues to say positive things about me • The client continuous to continuously utilise us	Designation Number of years in industry Number of years in African market Number of years in the EAC
		H_{3a}	• I developed a real friendship with the client • I interact with the client outside business relationship • I ensure the client and I work together • I share information and knowledge with the client beyond what the business relationship requires	
Psychological benefit	PB	H_{2c}	• I felt easily trusted by the client • I gave my word and I stuck to it • My first conduct with the client resulted in repeat work for the firm • I felt respected when I interacted with the client • I was highly valued by the client	
		H_{3c}	• I always ensure minimum conflict between myself and the client • I am constantly trustworthy • The new client normally knows what to expect of/from me • The new client normally knows what to expect of/from the firm • The firm is normally trusted by clients • There is a real sense of understanding of who we are by the client	

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Further to conducting the chi-square analysis, the researcher also conducted the Spearman correlation for hypothesis three on the basis of the ordinal data being used. The Spearman correlation is a statistical measure of the strength of a monotonic relationship between paired data – were if one number increases so does the other, or vice-versa (Mehta & Patel, 1996). The researcher used the Spearman correlation to verify if the relationship between the outcomes or statements relating to the dependent variables and the measurements of experience were notable (Mehta & Patel, 1996). The Spearman correlation is denoted by r_s and just like other correlation measurements, the closer it is to one or negative one the stronger the monotonic relationship. The following guide was used to interpret the strength of the correlations: 0,00 to 0,19 (very weak); 0,20 to 0,39 (weak); 0,40 to 0,59 (moderate); 0,60 to 0,79 (strong); and, 0,80 to 1.00 (very strong).

4.4. Reliability and Validity of the Research Data

According to Saunders and Lewis (2012), reliability refers to the extent to which data collection methods and analysis procedures will produce consistent findings, whilst validity is concerned with whether the findings of the research study are really what they appear to be about. The remainder of the section outlines how the researcher controlled valid principal factors threatening reliability and validity of the research findings and conclusions.

4.4.1 Reliability and validity of secondary data

Secondary data for the research study was sourced from the 'Global Competitiveness Report' of 2012 as well as the 'Ease of Doing Business Report' of 2012. Both reports used credible key variables and definitions are clear and precise as well as relevant for this research study. They are also deemed credible due to their acceptance in academia and practice for a number of years.

By virtue of using two sets of data the reliability and credibility of rankings sourced from the 'Global Competitiveness Report' of 2012 as well as the 'Ease of Doing Business Report' of 2012 were assured (Hastings, 2010). Furthermore,

since both rankings were produced with more than 50 data points, their credibility was ensured.

4.4.2 Legitimation of the primary data

According to Johnson and Onwuegbuzie (2004) the validity of mixed methods data is known as legitimation, which is defined as the assessment of the trustworthiness of both the qualitative and quantitative data as well as subsequent interpretation. Onwuegbuzie and Johnson (2006) developed nine legitimation types for mixed methods (refer to Table 4-7).

Table 4-7: Measures of validity – mixed methods data

Legitimation type	Definition
Sample integration	Extent to which the relationship between the quantitative and qualitative sampling designs yields meta-inferences
Inside-outside	Extent to which the researcher accurately presents and appropriately utilize the insider's view and the observer's views for purposes such as description and explanation
Weakness minimisation	The extent to which the weakness from one approach is compensated by the strengths from the other approach
Sequential	Extent to which one has minimized the potential problem wherein the meta-inferences could be affected by reversing the sequence of the quantitative and qualitative phases
Conversion	Extent to which the quantitising or qualitising yields quality meta-inferences
Paradigmatic mixing	Extent to which the researcher's epistemological, ontological, axiological, methodological, and rhetorical beliefs that underlie the quantitative and qualitative approaches are successfully (a) combined or (b) blended into a usable package
Commensurability	Extent to which the meta-inferences made reflect a mixed worldview based on the cognitive process of Gestalt switching and integration
Multiple validities	Extent to which addressing legitimation of the quantitative and qualitative components of the study result from the use of quantitative, qualitative, *and* mixed validity types, yielding high quality meta- inferences
Political	Extent to which the consumers of mixed methods research value the meta-inferences stemming from *both* the quantitative and qualitative components of a study

Source: Onwuegbuzie and Johnson (2006), p.57

Each legitimation type is discussed next.

Sample integration legitimation refers to the use of quantitative and qualitative samples to ensure meta-inferences. Since the mixed method deployed in this research study was concurrent in nature, different individuals were used for both the qualitative and quantitative samples, implying that the views of the research study participants could not be used to make general comments about

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the larger population. The restriction to infer general views about the population from the samples was also impacted by the collection of a small sample for both the qualitative and quantitative datasets. Therefore, generalisation was avoided when interpreting the study findings (Chapters five, six and seven). Inside-outside legitimation refers to the researcher being cognitive about the impact of her own views on the study findings, in other words recognising that there is a difference between being a trained analyser of raw data (being etic) and making observations as an insider (being emic). To ensure etic viewpoints the researcher used peer reviewers (one Masters student and one Doctoral student) to examine the research interpretation inferred by the researcher (Chapters five, six and seven).

By virtue of choosing the mixed methods strategy for the research study the weakness of each research approach (qualitative and quantitative approaches) was minimised, were the weakness of one approach was compensated by the strength of the other. Furthermore, sequential legitimation is not applicable to this research study since a concurrent mixed methods approach was opted for. Conversion legitimation refers to scrutinizing all inferences after qualitising or quantitising the datasets. For this research study, qualitising was opted for, were quantitative data was converted into narrative data. The researcher was of the view that quantitising the qualitative data, were counts of observations are added to narrative description, was not appropriate for the research study. Verbal counting would have misled the meta-inference quality.

The paradigmatic mixing legitimation, which results from competing dualism of the quantitative and qualitative approaches, was avoided by using both viewpoints in the study (Chapter five) and then making meaning of the two components thereafter (Chapter six). Commensurability legitimation was addressed by being conscious of the need for constant switching between the qualitative analysis lens and quantitative analysis lens (Chapters five and six). Multiple validities legitimation requires the validation of both the qualitative and quantitative components separately. For qualitative research paradigm, the primary focus is to capture authentically the experiences of the research participants. According to Onwuegbuzie and Johnson (2006) the trustworthiness of qualitative data within the mixed methods strategy can be

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secured by using the following measures: (1) credibility, which is the replacement for quantitative concept of internal validity, (2) transferability, which is the replacement of quantitative concept of external validity, (3) dependability, which is the replacement for quantitative concept of reliability, and (4) confirmability, which is the replacement for quantitative concept of objectivity.

The credibility measure was secured through the comparison of responses of the interviewees as well as the online survey participants. The transferability measure was met because the research study was conducted within the African market; moreover the interviewees were selected based on their exposure to the East African market as well. The number of interviews undertaken was two instead of three interviews, which compromised the dependability measure. The confirmability criterion was met because at least two sources of information were used to investigate each construct and the analysis of the data was conducted using the concurrent mixed methods process, thus allowing the researcher to undertake thematic and narrative analyses.

For quantitative data within the mixed methods strategy, trustworthiness can be assured through statistical conclusion validity, internal validity, external validity, and construct validity (Onwuegbuzie and Johnson, 2006). Although the research study collated a small sample size the exact statistical testing was used to ensure that the statistical conclusion were credible. Threats to internal validity comprise of biases (behavioral, observational, researcher) as well impact of sample size whilst threats to external validity comprises of elements like biases (researcher amongst others) as well as the impacts of population, temporal and ecological validities. Construct validity has five elements to it, namely substantive validity, structural validity, comparative validity, outcome validity, and generalisability. By virtue of deploying the mixed methods strategy for the research study all types of construct validity were assured except generalisability, which was compromised by the collated small sample size.

4.5. Limitations to the Research Study

Due to the nature of this study, various limitations (including time constraints) were identified. These included:

- Research has proven that there are a number of drivers of emerging market entry, however due to time constraints the research tested the relevance of relationships when entering a typical emerging market by considering the relevance of relationship benefits and entry mode only.

- Although the research had unrestricted access to the three interviewees, one proved to be difficult to engage despite constant emailing and telephonic follow-ups. The researcher was hoping to bring a different regional perspective to the study (i.e. Central and Western regions) as well as a black woman's view to relationship establishment in Africa.

- Although the two interviews added value to the research study, their reliability and credibility can be questionable since they were not fully triangulated – in other words not all aspects of triangulation for qualitative approach, namely observation, archival analysis and interviews, were undertaken.

- Furthermore, the intent of the study was not to measure any of the construct - therefore to add more value to the business case for inclusion of relationship benefits when entering an emerging market the researcher only presented it as just that, a summary that provides an overarching perspective.

- During data collection the geographic restriction to the East African Community was found to be limiting and proved to be a challenge for quantitative data collection. While interacting with potential online survey respondents some of them indicated that they operated in the western economic cluster and had no contacts in the eastern economic cluster. It would be interesting to compare the influence of relationships on market entry in different African geographical locations (SADC, Western or Central economic clusters) despite the lack of homogeneity amongst the member states of these economic clusters (refer to Figure 2-2 on p.19). Perhaps arguing that institutions allow nations to overcome other factors such as geography and culture (Acemoglu & Robinson, 2012) the

researcher could have been able to use other economic clusters as a case for the research study, which would have potentially eliminated the challenge of acquiring a small sample.

CHAPTER 5: RESEARCH RESULTS

5.1. Introduction

The previous chapter defined the research methodology chosen for this research study, which was a mixed methods approach. The mixed methods approach afforded the researcher the opportunity to collate and analyse data using both the quantitative and qualitative approaches. Based on observations by Johnson and Onwuegbuzie (2004) the mixed approach methodology setting was selected for several reasons: firstly, it allowed the simultaneous use of numbers and words to add value to the former; secondly, it allowed stronger conclusion to be drawn from the convergence and corroboration of findings; and thirdly, by combining qualitative and quantitative methods it allowed the researcher to make more complete knowledge necessary to inform theory and practice.

This chapter presents both narrative and statistical results of the interviews and online questionnaires that were deployed during data collection. A systematic process of analysing the collated information allowed the researcher to analyse it on the basis of the research objectives and hypotheses presented in chapter three, thus increasing the understanding of the role of relationships when entering a market and the antecedents that influence it.

5.2. Data Collection

Based on the work by Johnson and Onwuegbuzie (2004) as well as Creswell Clark (2011) the research study deployed a quantitative dominant mixed method approach that was concurrent in nature. This allowed the researcher to collect secondary and primary data (both qualitative and quantitative data) simultaneously.

The Five Context Framework adopted by Khanna *et al.* (2005) became the basis for determining the institutional environment for the EAC member states. Two widely used business reports that rank business conditions in different countries across the world, namely 'Global Competitiveness Report' of 2012 and the 'Ease of Doing Business Report' of 2012, were used to determine

political and social system, labour system, product market, openness, and capital market.

Two sets of primary data were collected for the research study - the quantitative and qualitative research data was collected in parallel. Two out of three interviews were conducted with experts that have worked in the African market to understand and contextualise their approach to entry into the African market. Further to that, an online questionnaire was used to deduce the current practice used to enter the EAC. These choices allowed the research study to test hypotheses presented in Chapter three as well as present the contextual and personal views of experts who had operated within geo-reference of the research study.

5.3. Data Analysis

Data analysis consisted of three phases, namely secondary data analysis, qualitative data analysis (i.e. interviews), and quantitative data analysis (i.e. online survey). (Refer to Figure 4-4, p.50). The adopted convergence mixed method used for the study allowed the interpretation of qualitative and quantitative findings. Johnson and Onwuegbuzie (2004) recommended seven steps to analysis of data collated from mixed method approach (Refer to Figure 5-1.)

Data reduction

Data display

Data transformation

Data consolidation

Data correlation

Data comparison
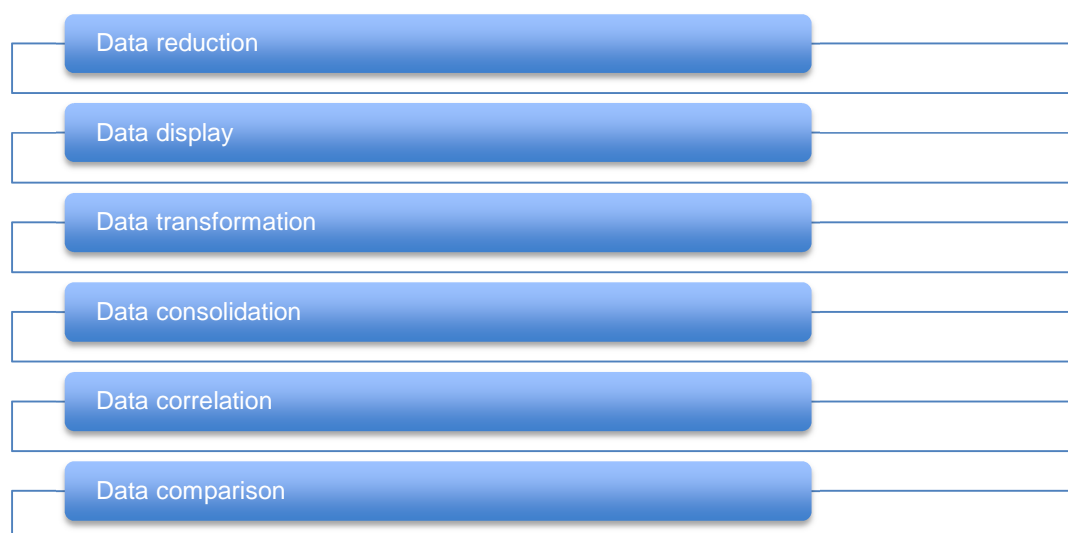
Figure 5-1: Mixed method data analysis process

Data reduction, which entailed the reduction of the dimensionality of data from both data sets – where thematic and narrative analysis was undertaken for qualitative data whilst descriptive statistics was undertaken for quantitative data. Data reduction was followed by data display, were qualitative data was depicted through verbalisation of the views of the interviewees around the deduced themes, while tables were opted for quantitative data.

Data transformation refers to conversion of qualitative data into numerical codes or conversion of quantitative data into narrative data. The latter approach was opted for this research study due to the ease of the approach as well as the time consumed by converting qualitative data into numerical codes. This was followed by data consolidation, data comparison and data integration – which was presented in Chapter six. Data correlation involved the correlation of quantitative data with the qualitative data, whilst data comparison related to the combination of the two data sets. Data integration, which concluded the data analysis process, integrated the two data sets into a comprehensible whole.

The research findings are presented as follows: Section 5.4 presented the characteristics of the datasets. Section 5.5 presented the view of interviewees on the relevance of institutional voids in an emerging economy, which was substantiated by the institutional environment findings for the EAC from the 'Global Competitiveness Report" and the "Ease of Doing Business Report". Section 5.6 presents findings relating to the preferred as well as the less preferred mode of entry into the EAC. Section 5.7 presents the view of both the interviewees and the online respondents on the role of business relationships and their benefits when entering the EAC. The findings relating to the importance of social and psychological benefits when forming any business relationship are presented in Section 5.8.

Sections 5.9 and 5.10 presents the statistical tests of the results respectively, whilst the latter summarises the research study findings.

5.4. Characteristics of Sample

5.4.1 Characteristics of the qualitative sample

The permission letter to interview the three identified experts was received on the 8th November 2013. Once the firm's management granted permission to interact with their employees the researcher sent an email to the respective interviewees asking for an opportunity to interact with them. The request email was followed by a phone call, which was used to confirm the date, time and venue for the interview. The scheduled meeting with each interviewee is shown in Table 5-1.

Table 5-1: Characteristics of interviewees

Level of responsibility	Interview schedule	Gender (estimated age)	Number of years in industry	Number of years of experience in Africa	African regions involved in (EAC members italic)
Respondent 1 (Technical Director)	Thursday 28 Nov 2013, at 13h00	Male (<40 yrs.)	>10 years	5 years	Lesotho, Swaziland, Mozambique, Namibia, Zambia, Malawi, *Kenya*, Ethiopia, *Uganda*, Sierra Leone
Respondent 2 (Regional Manager)	Tuesday 3 Dec 2013, at 11h30	Male (>40 yrs.)	>20 years	5.5 years	Lesotho, Swaziland, Mozambique, Malawi, Zambia, Zimbabwe, *Burundi*, *Kenya*, *Rwanda*, *Tanzania*, *Uganda*, South Sudan, Ethiopia, Mauritius, Seychelles, Madagascar

Of the three interviews that were scheduled for the research study only two took place. The third interview did not take place despite continuous sending of emails and numerous follow up calls. For those interviews that took place, each interview was conducted in an office environment in a private meeting room. Both interviews took less than 45 minutes to complete. A summary of the characteristics of the qualitative sample is shown in Table 5-1. The interviewees were both male, with respondent one being of Afrikaans descent and younger than 40, whilst respondent two was of Portuguese descent and older than 40. Respondent one had worked in the engineering industry for more than 10 years

and in 10 African countries, whilst respondent two had worked in the engineering industry for more than 20 years and in 16 African countries.

5.4.2 Characteristics of the quantitative sample

A total of 25 emails were sent in October 2013, with an anticipated snowball effect of five people per identified online respondent candidate. The assumed snowball effect was based on the number of persons who had worked in Africa within one global organisation that the researcher was exposed to (nine in total). A total of 20 online responses were received by the cutoff date of 20 December 2013, resulting in a response rate of 40%. Figure 5-2 shows the number of responses received while the online survey was active. The majority of the online respondents completed the online questionnaire during December.
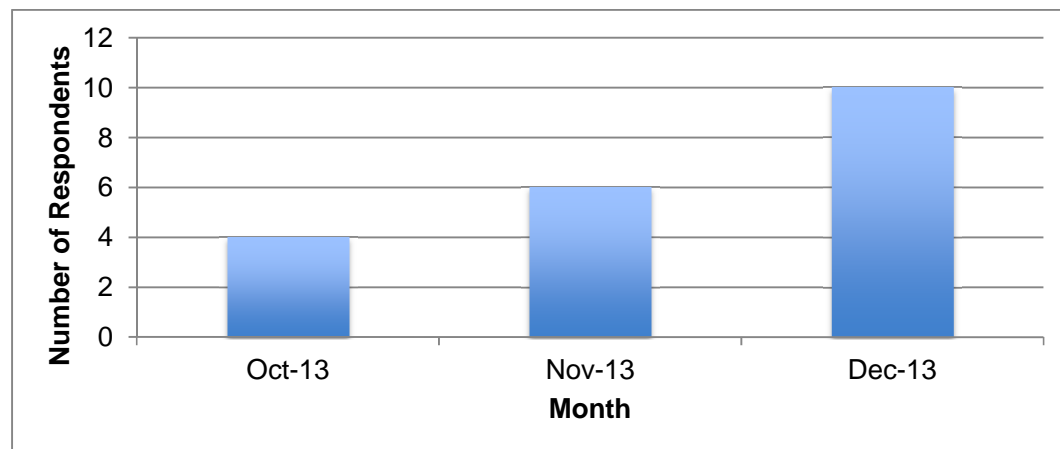
Figure 5-2: Responses by month – online survey

The remainder of the sub-section presents the demographics of the online respondents by service industry as well as the measurements of experience chosen for the research study.

All respondents were requested to indicate the type of service industry served (primary, secondary or tertiary sectors), their designation (high-tier management vs. low-tier management), number of years in industry (less than 10 years and more than 10 years), experience in African market (less than five years and more than five years), and experience in the EAC (less than five years and more than five years).

Thirteen of the 20 online respondents (65%) held top management positions, whilst seven of the 20 online respondents (35%) held low-tier management positions. (Refer to Table 5-3.)

Table 5-2: Designation – online survey

Level of responsibility	Response %	Response count (n)
Top Management (CEO, COO, GM, Regional Manager, Unit Manager, Technical Director)	65%	13
Low-tier Management (Project Manager, Business Development)	35%	7

The majority of the online respondents (55%) had less than five years of experience in Africa (refer to Table 5-4) and the East African Community respectively (refer to Table 5-5).

Table 5-3: Years of experience in Africa – online survey

Years of experience	Response %	Response count (n)
1 – 5 years	55%	11
>5 years	45%	9

Table 5-4: Years of experience in EAC – online survey

Years of experience	Response %	Response count (n)
1 – 5 years	75%	15
>5 years	25%	5

Each online respondent was asked to indicate the EAC member state-based clients that they had personally engaged with at an exploratory stage of the business. The majority of the online respondents had interacted with EAC member state clients based in Kenya (90%), followed by Tanzania (65%), Uganda (45%), Rwanda (40%) and Burundi (10%). (Refer to Figure 5-3 on the next page.)
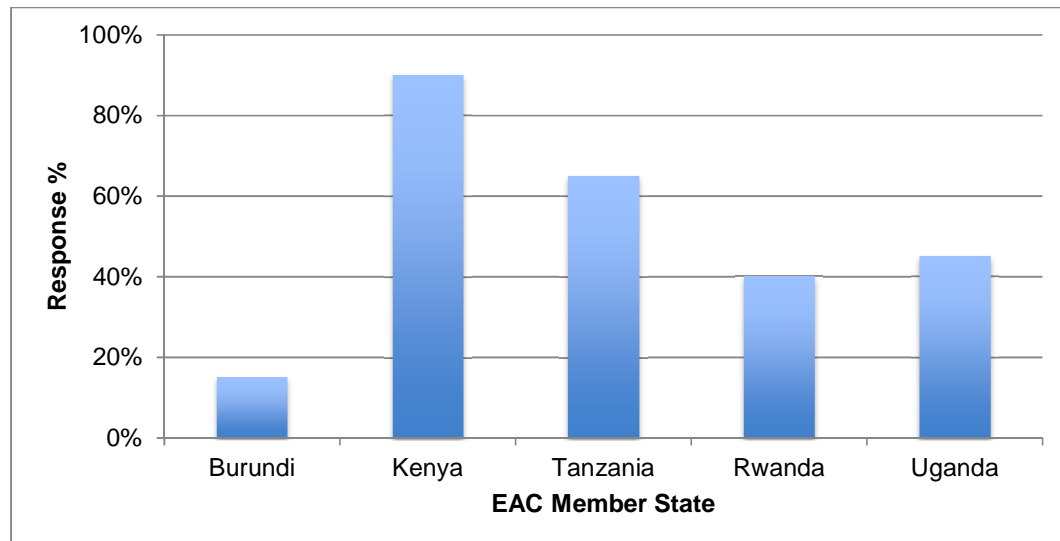
Figure 5-3: Engagement of EAC-based clients during exploration stage – online survey

Appendix H presents further information relating to the characteristics of the online respondents. Although only two respondents out of 20 indicated that they had engaged clients from Burundi during the exploratory stage of the business, both respondents had worked in their respective service industries for over ten years. They both had more than five years' work experience in Africa as well as the EAC market. Kenya had 18 out of 20 respondents indicating that they had engaged clients during the exploratory stage of the business. It also recorded the majority of respondents holding higher-tier management experience (67%). Eleven out of 18 respondents worked in either the secondary or tertiary sectors. Eight out of 18 respondents (44%) had more than five years' experience in Africa, whilst five out of 18 respondents (28%) had more than five years' experience in the EAC market.

Eight respondents out of 20 had engaged clients from Rwanda during the exploratory stage of the business. Five out of the eight respondents (63%) held top management positions. Furthermore, six out of the eight respondents (75%) worked within the primary sector industry with more than ten years of experience. Only 63% (five out of eight respondents) had more than five years' experience in Africa, whilst 38% (three out of eight respondents) had experience in the EAC market. Only 13 respondents out of 20 indicated that they had engaged clients during the exploratory stage of the business, with the

majority of respondents holding higher-tier management experience (62%). The industries that the respondents were working in were almost equally represented, with seven of the 13 respondents (54%) working in the secondary and tertiary sectors. Eight respondents out of 13 (62%) had more than ten years' experience in their respective industries. Furthermore, only six out of 13 respondents (46%) had more than five years' experience in Africa, whilst four out of 13 respondents (31%) had more than five years' experience in the EAC market.

Although only nine respondents out of 20 indicated that they had engaged clients from Uganda during the exploratory stage of the business, the majority of the respondents held top management positions (six out of nine respondents). Furthermore, seven out of nine respondents (78%) had worked in their respective service industries for over ten years. Five out of nine respondents (55%) had worked in the African market for over five years, whilst only four of the nine respondents (44%) had more than five years' work experience in the EAC market.

5.5. Relevance of Institutional Voids

The researcher sourced country rankings in accordance with the Five Context Framework developed by Khanna *et al.* (2005) to quantify institutional voids within the five EAC member states from the 'Global Competitiveness Report' (World Economic Forum, 2012) as well as the 'Ease of Doing Business Report' for the EAC (World Bank and International Financial Corporation, 2012). The ratings for base year 2012 are attached in Table 5-5.

Equal weighting analysis was used to determine a single ranking that indicated level of institutional environment per country by adding the elements constituting the Five Context Frameworks together and dividing the sum by five. The final ranking indicated that Rwanda has the strongest strength, followed by Kenya, Uganda, Tanzania and lastly, Burundi. (Refer to Figure 5-4.)

Table 5-5: Ranking for institutional environment and institutional voids

Institutional ranking	Burundi	Kenya	Rwanda	Tanzania	Uganda
Global Competitiveness Report (2012) – a total of 144 economies					
Political and social systems	142	106	20	86	102
Labour market	112	39	11	47	23
Product market	139	93	39	110	103
Capital market	144	24	49	85	62
Ease of Doing Business Report (2012) – a total of 183 economies					
Openness	169	109	45	127	123
Total	706	371	164	455	413
Final country rank (Equal weigh factor application)	141.2	74.2	32.8	91.0	82.6
Institutional strength ranking	5	2	1	4	3
Institutional voids ranking	1	4	5	2	3
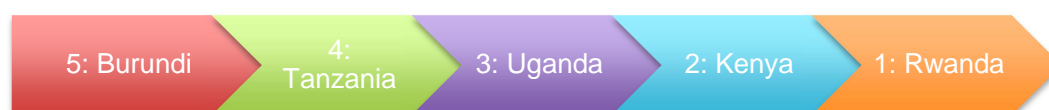
Figure 5-4: Ranking for institutional strength - weak (5) to strong (1)

5: Burundi → 4: Tanzania → 3: Uganda → 2: Kenya → 1: Rwanda

Figure 5-5 indicates the inverse of Figure 5-4, which portrays the level of institutional voids within the East African Community. Rwanda has the lowest institutional voids whilst Burundi has the highest.

5: Rwanda → 4: Kenya → 3: Uganda → 2: Tanzania → 1: Burundi
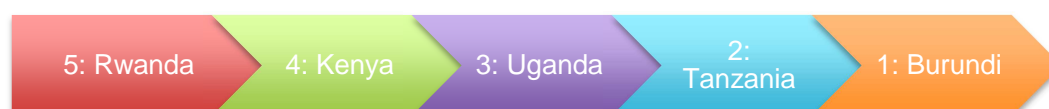
Figure 5-5: Institutional voids – low (5) to high (1)

Respondent two showed a strong view on the impact of institutions when establishing relationships with potential client. He referred to institutional voids as the deficiency in the capacity of an institution to perform its role. He illustrated the impact of institutional capacity on relationship establishment by saying "*…countries with higher institutional capacity allow you to develop longer, stronger relationships with your client bodies*". He added that the capacity of an institution puts pressure on the client's representative, which in turn provides the opportunity for firms entering these markets to assist the client beyond what they might be requesting. Due to the act of going the extra mile for the client, the firm's representative can in turn develop longer and stronger relationships with them.

5.6. Mode of Entry into the EAC

Online respondents were asked to indicate the mode of entry that they normally used to enter the East African Community (EAC), as well as the least preferred. These findings were used to determine if mode of entry chosen by the online respondents enhances relationship development when entering an emerging market. The findings are presented as follows: Table 5-6 presents the prominent mode of entry per EAC member state whilst Table 5-7 and Table 5-8 provide a view on the success of the preferred mode of entry and the reasons for failure, where applicable. Table 5-9 shows the responses relating to the least preferred mode of entry into the EAC.

Preferred mode of entry

Table 5-6, on p.71, presents the prominent mode of entry per EAC member state. One of the two respondents who had ventured into Burundi indicated that they did so through setting up a branch office within Burundi, while the other undertook a project jointly with a Burundi firm.

Firms going into Kenya used diverse entry mode approaches, with eight out of the 18 respondents (45%) that had entered the Kenyan market undertaking projects jointly with a Kenyan firm, followed by four out of 18 respondents (22%) setting up a new firm through a JV with a firm from Kenya.

Of the eight respondents out of 20 (40%) that had engaged prominent clients for the first time in Rwanda, five (39%) undertook projects jointly with another firm from Rwanda. The prominent mode of entry into Tanzania proved to be undertaking a project with a partner firm, with four out of nine respondents (44%) indicating this preference. Four out of nine respondents (44%) had undertaken projects jointly with a firm in Uganda.

The prominent mode of entry across the EAC was undertaking projects jointly with an EAC firm. Another recognised mode of entry into the EAC was through the establishment of a branch office within the respective EAC member states. Setting up a new subsidiary within the EAC member state was the third prominent mode of entry within the EAC.

Table 5-6: Descriptive statistics – preferred mode of entry

Outcome		Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
Number of observations (n)		2	18	8	13	9	50
Branch office within EAC member state	Count	1	2	3	3	3	12
	Column n %	50,0	11,1	37,5	23,1	33,3	24,0
New subsidiary within the EAC member state	Count	0	2	0	2	2	6
	Column n %	0,0	11,1	0,0	15,4	22,2	12,0
Merged with or acquired a firm from EAC member state	Count	0	1	1	1	0	3
	Column n %	0,0	5,6	12,5	7,7	0,0	6,0
New firm by JV with another firm from EAC member state	Count	0	4	1	1	0	6
	Column n %	0,0	22,2	12,5	7,7	0,0	12,0
New firm by JV with another firm from own home country	Count	0	0	0	0	0	0
	Column n%	0,0	0,0	0,0	0,0	0,0	0,0
New firm by JV with an international firm	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Project jointly with EAC firm	Count	1	5	2	3	2	13
	Column n %	50,0	27,8	25,0	23,1	22,2	26,0
Project jointly with another firm from own home country	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Project jointly with an international firm	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with a financial institution	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with a home country client who is investing in EAC member state	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with an EAC member state client	Count	0	1	0	1	0	2
	Column n %	0,0	5,6	0,0	7,7	0,0	4,0
Alliance with a foreign client who is investing in EAC member state	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
None/Not indicated	Count	0	3	1	2	2	8
	Column n %	0,0	16,7	12,5	15,4	22,2	16,0
Total	Count	2	18	8	13	9	50
	Column n %	100	100	100	100	100	100

Table 5-7 (on the next page) shows the success of the preferred mode of entry into the EAC. The success rate of each mode of entry used to enter the EAC market was high – only 10% of the respondents indicated that the chosen mode of entry was not successful. 14% of the respondents indicated that they do not know the success level of the mode of choice indicated in Table 5-6, whilst 76% of the respondents indicated that the mode of entry indicated in Table 5-6 was successful.

Table 5-7: Descriptive statistics – success of preferred mode of entry

		Highly unsuccessful	Not successful	Neither successful or unsuccessful	Successful	Highly successful	Total
Burundi	Count	0	0	1	1	0	2
	Row n %	0,0	0,0	50,0	50,0	0,0	100
Kenya	Count	0	3	3	6	6	18
	Row n %	0,0	16,7	16,7	33,3	33,3	100
Rwanda	Count	0	1	2	4	1	8
	Row n %	0,0	12,5	25,0	50,0	12,5	100
Tanzania	Count	0	1	0	7	5	13
	Row n %	0,0	7,7	0,0	53,8	38,5	100
Uganda	Count	0	0	1	6	2	9
	Row n %	0,0	0,0	11,1	66,7	22,2	100

Table 5-8 presents the reasons for the potential failure of the preferred mode of entry per EAC member state. Reasons given by the respondents were relationship related, in other words partnerships with the wrong people and irreconcilable differences with JV partners, as well as institutional related, in other words red tape and not understanding local regulations and cultural nuances.

Table 5-8: Reasons for failure of preferred mode of entry

Country	Reasons for failure
Burundi	Not applicable
Kenya	Partnering with the wrong people; not understanding local regulation and cultural nuances; performance requirements not met adequately
Rwanda	Irreconcilable disagreements with JV partners, not understanding local regulation and cultural nuances
Tanzania	Red-tape
Uganda	Not applicable

Least preferred mode of entry

Table 5-9 (on the next page) presents the least prominent mode of entry per EAC member state, which was the formation of an alliance with a foreign client investing in the EAC, as well as the formation of an alliance with an EAC member state client.

One of the least prominent modes of entry across the EAC is the formation of new entities - setting up a branch office, setting up a new subsidiary and

merging or acquiring another firm. Another less prominent mode of entry into the EAC is the formation of strategic alliances with an EAC member state client or a foreign client. Of interest, 40% of the respondents did not indicate their less preferred mode of entry.

Table 5-9: Descriptive statistics – least preferred mode of entry

Outcome		Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
Number of observations (n)		2	18	8	13	9	50
Branch office within EAC member state	Count	1	3	2	2	0	8
	Column n %	50,0	16,7	25,0	15,4	0,0	16,0
New subsidiary within the EAC member state	Count	0	2	0	2	1	5
	Column n %	0,0	11,1	0,0	15,4	11,1	10,0
Merged with or acquired a firm from EAC member state	Count	0	3	1	1	0	5
	Column n %	0,0	16,7	12,5	7,7	0,0	10,0
New firm by JV with another firm from EAC member state	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
New firm by JV with another firm from own home country	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
New firm by JV with an international (Non-home country) firm	Count	0	1	0	0	0	1
	Column n %	0,0	5,6	0,0	0,0	0,0	2,0
Project jointly with EAC firm	Count	0	0	0	1	1	2
	Column n %	0,0	0,0	0,0	7,7	11,1	4,0
Project jointly with another firm from own home country	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Project jointly with an international (non-home country) firm	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with a financial institution	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with a home country client who is investing in EAC member state	Count	0	0	0	0	0	0
	Column n %	0,0	0,0	0,0	0,0	0,0	0,0
Alliance with an EAC member state client	Count	1	2	1	1	1	6
	Column n %	50,0	11,1	12,5	7,7	11,1	12,0
Alliance with a foreign client who is investing in EAC member state	Count	0	1	0	1	1	3
	Column n %	0,0	5,6	0,0	7,7	11,1	6,0
None/Not indicated	Count	0	6	4	5	5	20
	Column n %	0,0	33,3	50,0	38,5	55,6	40,0
Total	Count	2	18	8	13	9	50
	Column n %	100	100	100	100	100	100

The two respondents who had ventured into Burundi indicated that the less prominent mode of entry into Burundi was setting up a branch office as well as forming an alliance with an EAC member state. Firms going into Kenya do not prefer the use of setting up a branch and acquisitions. The setting up of a

branch office as well as the formation of a new firm through a merger or acquisition is also less preferred when entering Rwanda, at just three out of eight respondents (38%). A less prominent mode of entry into Tanzania includes setting up a branch office, setting up a new subsidiary, merger/acquisition, project joint venture and alliances with an EAC client or foreign client – eight out of 13 respondents (62%) did not prefer these modes of entry into Tanzania. Four out of nine respondents (44%) indicated less preference to setting up a new subsidiary, undertaking projects jointly, and forming an alliance with an EAC client or a foreign client.

5.7. Role of Business Relationships and their Benefits when entering the EAC

There are two types of clients that firms can sell their services to within the African market, namely "public sector or quasi-public clients" and "private sector clients". According to both interviewees the private clients normally appoint firms based on their experience; authentic intent by the firm to service the client; and ability to deliver on time and within the agreed cost, whilst public and quasi-public clients are governed by strict procurement rules. Both interviewees acknowledged the importance of establishing relationships with potential clients when entering a market. The above is illustrated by respondent one's view that *"…you need to have a relationship with the clients*" and respondent two's view that "*the successful businesses are the ones that know and have utilised and shaped a relationship tool to the best of their advantage*".

Respondent two described institutional voids as the deficiency in the capacity of an institution to perform its role. He illustrated the impact of institutional capacity on relationship establishment by saying "*…countries with higher institutional capacity allow you to develop longer, stronger relationships with you client bodies*". He added that the capacity of an institution puts pressure on the client's representative, which in turn provides the opportunity for firms entering these markets to assist the client beyond what they might be requesting. Due to the act of going the extra mile for the client the firm's representative can in turn develop longer and stronger relationships with them.

There are challenges faced when establishing these business relationships. Both respondents acknowledged that building business relationships is time consuming. Respondent two says "*it is very time consuming, …but it does not have to be done in only one day*". This view was repeated by respondent two again when he said "*challenge for us as a company, okay, is having adequate time*". Respondent one identified physical distance as a challenge for building sustainable business relationships in Africa – according to him "*you need to actually have frequent communication with the client*". Respondent two admitted that understanding the merits of building a relationship with clients and the need to internalise the importance of long-term relationships is a challenge for many. Respondent two also indicated that self-interest hinders development of business relationships by saying "*delivery guys… ignore the investment that is required… so service above self…*".

Of interest, both interviewees conceded that there is a difference between relationship marketing and relationship selling. A stronger viewpoint was raised by respondent two, who defined relationship marketing as "*general marketing*" and described it as "*branding the company but almost without a focus. It is almost like virtual*" – he added, whilst he described relationship selling as "*business development*" or "*developing of business*". Of interest was a comment by respondent two that he never carries a firm's profile when selling a service line or a product. He believes that if a client wants to know about the company he will look at the firm's website. He however ensures that by the time he engages a prospective client both parties know enough about the need of the client and his role during that time is to "*listen to the client*" and "*to understand broadly what our clients in Africa are asking us to do*".

Contrary to respondent two's view on relationship marketing, respondent one sees it as a responsibility of the firm's representative representing the firm in each country. He is of the view that the act of taking clients out for lunch and inviting clients to functions is relationship marketing, instead of relationship selling. Both interviewees acknowledged the importance of business relationships when entering a market. Respondent two said, "*I am completely aligned to the principle of having to build relationships*" whilst respondent one said, "*look, I think it is important that a client needs to know you*". Three specific

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questions were asked in relation to each element of relationship benefits, namely functional, social and psychological benefits. The remainder of this sub-section captures the view of the two interviewees as well as that of the respondents to the online survey.

5.7.1 Functional benefits

The researcher asked respondent one about his view regarding the significance of functional benefits. He made mention that for him although the establishment of a relationship with a potential client as well as marketing himself and the firm is important, what is more important for him is "*does all the above feed into or go over into projects*" and "*does the firm actually gain from this?*" For him the end results need to be the acquisition of projects for the firm. He further indicated that he is inclined to the application of functional benefits when acquiring business for his firm by saying "*…whatever I do or the relationship that I build is normally technically-based*". Contrary to respondent one's viewpoint, although respondent two was not explicitly asked about the importance of functional benefits during his interview, he likened function benefits to the following illustrative: "*doing it* (the technical work) *well*" and "*providing a solution to the client*".

The view of the interviewees was substantiated by an online questionnaire that asked respondents to indicate if certain statements were either achieved or not achieved when they engaged with the respective EAC member state clients they interacted with during the exploratory stage of the business. Table 5-10 (on the next page) illustrates descriptive statistics for the online question relating to the utilisation of functional benefits when entering an emerging market.

46% of the responses indicated that their interaction with an EAC client enabled them to become more competitive in the market, while 42% of the responses indicated that their interaction with the client enabled them to proactively identify other opportunities. Less than 40% of the responses felt that: (1) the client capitalised on the value the firm was offering; (2) the interaction with the client enhanced financial outcome for the firm; and (3) their interaction with the client enabled maximum financial outcomes for the firm.

Table 5-10: Descriptive statistics – use of functional benefits when entering the EAC

Outcome		Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
Number of observations (n)		**2**	**18**	**8**	**13**	**9**	**50**
Our interaction with the client enabled us to become more competitive in the market	Count	2	10	3	4	4	23
	Row n %	100,0	55,6	37,5	30,8	44,4	46,0
In my view the client fully capitalised on the value the firm offered	Count	2	5	2	7	3	17
	Row n %	100,0	27,8	25,0	53,8	33,3	34,0
Our interaction with the client enabled us to enhance financial outcomes for the firm.	Count	2	6	2	7	3	18
	Row n %	100,0	33,3	25,0	53,8	33,3	36,0
Our interaction with the client enabled us to maximise financial outcomes	Count	2	5	2	3	1	11
	Row n %	100,0	27,8	25,0	23,1	11,1	22,0
Our interaction with the client enabled us to proactively identify other opportunities	Count	1	9	2	6	3	21
	Row n %	50,0	50,0	25,0	46,2	33,3	42,0

5.7.2 Social benefits

The researcher asked the two respondents during their respective interviews the following question "*How do you use social benefits when entering a market like Africa?*", which was corroborated by the online questions that asked respondents to indicate if statements relating to social interaction with clients when entering an emerging market were achieved or not.

Both interviewed respondents posited that when entering an emerging market like Africa, the importance of building a relationship with a client's representative is key. This was illustrated by an explanation by both respondents on the difference between public and private sector clients and that "*both these clients are ultimately represented by individuals*". Moreover, both respondents acknowledged that a relationship with the client's representative needs to be beyond functional in nature. This was illustrated by respondent one saying, "*they* (the client) *need to know you*" and respondent two saying, "*…the clients are represented by individuals. … we should know that individual's* KPIs (key performance indicators) *in his or her organisation*". Although respondent 1 acknowledged the importance of building a relationship with a prospective client, he recognised that he has not mastered the use of other relationships benefits except functional benefit. This was supported by him saying *"…I think*

that's maybe the one aspect where I struggle a bit" when he was asked about his use of social benefits to build a business relationship with a client. Additionally, respondent one indicated that his ability to easily interact with clients has enabled him to improve his use of social benefits when interacting with the client – he said, "*I can talk to anyone. I can associate with their problems and so on. So when I am discussing with people I have a bit of laughter on some issues and then talk a bit more of important issues*".

Respondent two illustrated his strength of using social benefit when engaging a potential client, for example:

- "*If the relationship is already predetermined by the client that the client wants to appoint us, the client will call us and will renegotiate with us*";
- "*We can never ever deliver a project in a country without making commitments to that country*";
- "*You always seek to have a social, some level of social interaction with the client, because it provides us with an opportunity for us to understand each other*"; and
- "*If you start asking those questions* (i.e. referring to asking client questions on how he/she is measured) *you will have pretty much a social relationship with the client, because that is quite a personal question to ask*".

The view of the interviewees was substantiated by an online questionnaire that asked respondents to indicate if certain statements were either achieved or not achieved when they engaged with the respective EAC member state clients during the exploratory stage of the business. Table 5-11 illustrates descriptive statistics for the online questions relating to the utilisation of social benefits when entering an emerging market.

Table 5-11: Descriptive statistics – use of social benefits when entering the EAC market

Outcome		Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
Number of observations (n)		**2**	**18**	**8**	**13**	**9**	**50**
My relationship with the client went beyond just business	Count	0	5	0	2	0	7
	Row n %	0	27,8	0	15,4	0	14,0
The client has called on us more than twice subsequent to our first interaction	Count	1	9	3	7	3	23
	Row n %	50,0	50,0	37,5	53,8	33,3	46,0
I worked closely with the client on a continuous basis, which resulted in repeat work	Count	1	8	3	5	3	20
	Row n %	50,0	44,4	37,5	38,5	33,3	40,0
The client continues to say positive things about me	Count	1	6	3	7	3	20
	Row n %	50,0	33,3	37,5	53,8	33,3	40,0
The client continues to continuously utilise us	Count	1	7	2	6	3	19
	Row n %	50,0	38,9	25,0	46,2	33,3	38,0

46% of the responses indicated that their interaction with an EAC client has resulted in more work, while 40% of the responses indicated that: (1) repeat work resulted from working closely with the client on a continuous basis; and (2) the client continued to say positive things about them. Less than 40% of the responses indicated that the client did not continuously utilise their service. Surprisingly only 14% of the responses indicated that their relationship with the client went beyond just business.

5.7.3 Psychological benefits

Respondent two connected psychological benefits with one's wellbeing. He said wellbeing is when "*we use our information and our relationship with our client to elevate us to a higher level*". He further indicated that psychological benefits can be achieved by "*always listening to what the client needs*" and "*understanding what the solution to the project is*". Other insights on psychological benefits mentioned by respondent two were that you need to have an emotional connection with the client and that "*whatever ambitions and aims and desires that we have, our clients have*" and that we need to get along well with the

client, because "*if you do not get along well with the client, the client can never trust you as a person that is going to deliver* (the project)".

When asked about the importance of psychological benefits, respondent one talked about the impact of the client's trust by saying "*if the client trusts your ability and your intentions then you know, and he's happy with the work that you are doing, then I think then you had a successful encounter with him, a successful project*". Even prior to being asked about the significance of the client's psychological benefits, respondent one made mention of the importance of the potential client trusting you and the potential client's peace of mind about the company.

Table 5-12 illustrates descriptive statistics for the online question relating to the utilisation of psychological benefits when entering an emerging market. Only 38% of the respondents indicated that they felt trusted by the client, whilst 52% suggested that they gave their word and stuck to it. Only 30% of the respondents reported that their first conduct with the client resulted in repeat work for the firm. Furthermore, 38% of the respondents felt trusted by the client. Less than 45% of the respondents felt respected and valued during their first interaction with a potential EAC client.

Table 5-12: Descriptive statistics – use of psychological benefits when entering the EAC market

Outcome		Burundi	Kenya	Rwanda	Tanzania	Uganda	Total
Number of observations (n)		**2**	**18**	**8**	**13**	**9**	**50**
I felt easily trusted by the client	Count	1	9	2	3	4	19
	Row n %	50,0	50,0	25,0	23,1	44,4	38,0
I gave my word and I stuck to it	Count	2	9	4	7	4	26
	Row n %	100,0	50,0	50,0	53,8	44,4	52,0
My first conduct with the client resulted in repeat work for the firm	Count	2	6	2	5	2	15
	Row n %	100,0	33,3	25,0	38,5	22,2	30,0
I felt respected when I interacted with the client	Count	1	9	3	5	4	22
	Row n %	50,0	50,0	37,5	38,5	44,4	44,0
I was highly valued by the client	Count	2	7	3	6	3	21
	Row n %	100,0	38,9	37,5	46,2	33,3	42,0

5.8. Importance of Social and Psychological Benefits when establishing Business Relationships

Table 5-13 (on the next page) illustrates descriptive statistics for the online questions relating to the importance of social and psychological benefits when establishing a new business. Four questions were asked to illustrate the online respondents' intent to use social benefits to influence a new business relationship. 14 out of 20 respondents (70%) used the approach of developing real friendships with the potential client to enhance their commitment towards the business relationship. 10 out of 20 respondents (50%) put effort into interacting with the potential client outside business relations to enhance the potential client's commitment towards the business relationship, whilst five out of 20 respondents (25%) did not prefer this approach. 18 out of 20 respondents (90%) preferred using potential working relations as an relationship commitment enhancement. All respondents (100%) shared information beyond what the business relationship required to ensure a potential client became committed to a business relationship.

Six questions were asked to illustrate the online respondents' intention to use psychological benefits to influence a potential client's commitment to a business relationship. 17 out of 20 respondents (85%) avoided conflict with the potential client to maximise the possibility of the prospective client's committing to the business relationship. 16 out of 20 respondents (80%) were constantly trustworthy when engaging a potential client, whilst only two out of 20 respondents (10%) did not believe being constantly trustworthy would influence the client to commit to a business relationship. 13 out of 20 respondents (65%) believed that if a client has a real sense of who the firm is they will easily commit to the business relationship, whilst four out of 20 respondents (20%) disagreed with this view.

13 out of 20 respondents (65%) believed that if a client knows what to expect from them as individuals they will easily commit to a business relationship, whilst five out of 20 respondents (25%) disagreed with the statement. 13 out of 20 respondents (65%) believed that if a client knows what to expect from the firm they will easily commit to a business relationship, whilst four out of 20

respondents (20%) disagreed with the statement. The last two statements were confirmed by the final statement posed to the respondents, which indicated that 12 out of 20 respondents (60%) believed that if a client trusts a firm they will commit to a business relationship, whilst four out of 20 respondents (20%) disagreed with this view.

Table 5-13: Descriptive statistics – importance of social and psychological benefits when establishing any business relationship

Outcome		Strongly disagree	Disagree	Neither agree or disagree	Agree	Strongly agree	Total
I develop a real friendship with a client	Count	0	3	3	8	6	20
	Row n %	0,0	15,0	15,0	40,0	30,0	100
I interact with the client outside the business relationship	Count	0	5	5	5	5	20
	Row n %	0,0	25,0	25,0	25,0	25,0	100
I ensure the client and I work together	Count	0	0	2	10	8	20
	Row n %	0,0	0,0	10,0	50,0	40,0	100
I share information and knowledge with the client beyond what the business relationship requires	Count	0	0	0	10	10	20
	Row n %	0,0	0,0	0,0	50,0	50,0	100
I always ensure minimum conflict between myself and the client	Count	0	0	3	7	10	20
	Row n %	0,0	0,0	15,0	35,0	50,0	100
I am constantly trustworthy	Count	0	2	2	5	11	20
	Row n %	0,0	10,0	10,0	25,0	55,0	100
The new client normally knows what to expect of/from me	Count	1	4	2	6	7	20
	Row n %	5,0	20,0	10,0	30,0	35,0	100
The new client normally knows what to expect of/from the firm	Count	1	3	3	8	5	20
	Row n %	5,0	15,0	15,0	40,0	25,0	100
The firm is normally trusted by clients	Count	1	3	4	6	6	20
	Row n %	5,0	15,0	20,0	30,0	30,0	100
There is a real sense of understanding of who we are by the client	Count	1	3	3	8	5	20
	Row n %	5,0	15,0	15,0	40,0	25,0	100

5.9. Statistical Testing

Statistical testing affords the research study with an opportunity to make decision about certain suppositions. Within this research study, statistical testing was used to determine whether there is enough evidence to reject the null hypotheses about the use of mode of entry as well as relationships and their benefits when entering an emerging market.

The exact testing method was used for this research study to enable the

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researcher to make reliable inferences based on the small research dataset received through the online survey. Two tests were undertaken to determine if there was enough evidence to reject the null hypotheses about the use of relationships and their benefits when entering an emerging market, namely the chi-square test and the spearman correlation test. The three hypotheses that were tested and their purposes are outlined in Table 5-14.

Table 5-14: Research hypotheses and their purpose

Research hypothesis	Purpose of the hypothesis
H_{1a}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with stronger institutions	Institutional voids in the host country impact on an approach to a new market – if institutions are strong there is high likelihood that a wholly owned subsidiary will be used as a mode of entry, thus creating less dependency on relationship development. If institutions are weak there is high likelihood that experienced individual will choose joint venturing as a mode of entry, therefore leveraging on the establishment of the relationships.
H_{1b}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with weaker institutions	
H_{2a}: More experienced individuals entering an emerging market with institutional voids rely on functional benefits	There is high reliance on relationship benefits to succeed in entering an emerging market.
H_{2b}: More experienced individuals entering an emerging market with institutional voids rely on social benefits	
H_{2c}: More experienced individuals entering an emerging market with institutional voids rely on psychological benefits	
H_{3a}: Social benefits are preferred by highly experienced individuals when establishing any new business	Are relationship benefits, particularly social and psychological benefits, a concept only obvious in an emerging market or are they required for the establishment of any business relationship?
H_{3b}: Psychological benefits are preferred by highly experienced individuals when establishing any new business	

In chapter four it was established that the measurements of experience that the study will be underpinned on were designation of the respondents, their level of experience in the industry, their level of experience in Africa and their level of experience in the EAC. The chi-square testing, which is a test of independence, was used to determine whether the different statements associated with each dependent variable (refer to Table 4-6) are pertinent when considered for each measurement of experience. Chi-square testing was undertaken for all three hypotheses. The results were considered to be statistically significant if the p-value was less than five percent. Both the Pearson chi-square and Fisher exact tests were presented – the statistical significance of the results was based on

the latter test. The Pearson chi-square results were included to illustrate the robustness of the Fisher exact test, which is normally indicated by the closeness of the two results.

For hypothesis three an additional statistical test was undertaken, namely the Spearman correlation test. The Spearman correlation tested the strength of the relationship between the statements associated with the two dependent variables (social and psychological benefits) and the measurements of experience. For a monotonic relationship to be stronger, the Spearman correlation needs to be closer to one or negative one, with only strong to very strong being considered for the study (r_s greater than 0,60).

5.9.1 Hypothesis 1: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with stronger institutions, whilst the establishment of a joint venture is preferred in an emerging market with weaker institutions

A test of independence was conducted to determine whether the preference or lack thereof of the modes of entry into the EAC depends on the experience of the individual entering the EAC market. A chi-square test was used to determine if the observations presented in Section 5.6 (refer to p.70), that is the prominent mode of entry as well as the less preferred mode of entry into the EAC, are what one would expect to occur or if they happen by chance.

The probability of association between the mode of entry and the measurements of experience is indicated in Table 5-15 for preferred mode of entry and Table 5-16 (on the next page) for the least preferred mode of entry.

Table 5-15: Chi-square test – preferred mode of entry

Measure of experience	Pearson Chi-Square			Fisher's Exact Test
	Value	df	Assump. Significance	Exact Significance
Designation	8,07		0,23	0,24
Type of service industry	9,71		0,14	0,14
Experience in industry	9,34	6	0,16	0,17
Experience in Africa	10,01		0,12	0,14
Experience in EAC	11,19		0,08	0,09

Table 5-16: Chi-square test – least preferred mode of entry

Measure of experience	Pearson Chi-Square			Fisher's Exact Test
	Value	df	Assump. Significance	Exact Significance
Designation	16,80		0,02	**0,01**
Type of service industry	10,80		0,15	0,16
Experience in industry	11,48	7	0,12	0,11
Experience in Africa	13,51		0,06	**0,05**
Experience in EAC	13,94		0,05	**0,04**

The null hypothesis specifies that there is no relationship between the level of experience of the individual and the choice of mode of entry in an emerging market with either strong or weak institutions. Based on the above observations (refer to Table 5-15 on p.85), the null hypothesis is accepted since all p-values associated with all the measurements of experience are greater than five percent. However, a counter argument can be based on the chi-square analysis output for the least preferred mode of entry (refer to Table 5-16), where three out of the five measures of experience, namely familiarity based on position held by the respondents, exposure in Africa and exposure to the EAC were statistically significant. Based on the observations presented in Table 5-16 the null hypothesis is not supported and the research hypotheses are supported. In other words there is a relationship between the individual's experience and the mode of entry choice they make in an economy with institutional voids. The researcher also checked each entry within the respective crosstabs tables to determine which measures of experience play a significant role in arriving at the above observations (refer to Table 5-17 below and Table 5-18 on p.86). These tables confirm that consensus on mode of entry should be based on experience obtained in the EAC market.

Table 5-17: Dependency of the preferred mode of entry into the EAC market on different treatments

Outcome	Measure of experience*				
	Designation	Type of service industry	Experience in industry	Experience in Africa	Experience in EAC
Establishing a wholly owned subsidiary	No	No	Yes	Yes	Yes
Establishing a joint venture	Yes	Yes	No	No	Yes

* Based on the count for mode of entry per measurement of experience

Table 5-18: Dependency of the least preferred mode of entry into the EAC market on different measurements of experience

Outcome	Measure of experience*				
	Designation	Type of service industry	Experience in industry	Experience in Africa	Experience in EAC
Establishing a wholly owned subsidiary	No	No	No	No	No
Establishing a joint venture	No	No	No	No	No

* Based on the count for mode of entry per measurement of experience

The inconclusive views will be discussed further in Chapter six.

5.9.2   Hypothesis 2: Experienced individuals entering an emerging market with institutional voids rely on relationship benefits

A test of independence was conducted to determine if the dependent variables (functional, social and psychological benefits) are associated with the measurements of experience - in other words do experienced respondents rely on relationship benefits when entering a typical emerging market like the EAC?

The chi-square test was used to determine if the observations presented in Section 5.7 were by chance or if they are real preference. The results of the chi-square output (crosstabs) are illustrated in Table 5-19 (p. 87 – 88) for functional benefits.

Based on the chi-square output for functional benefit it was observed that three out of five statements are statistically significant, with p-value less than five percent for two measurements of experience, namely designation and experience in the industry.

Table 5-19: Chi-square test – the use of functional benefits when entering the EAC market

Outcome	Measure of experience			
	Designation			
	Value	df	Assump. Significance	Exact significance
Our interaction with the EAC member client enables us to become more competitive in EAC and African market	4,84	1	**0,03**	**0,04**
In my view the EAC member client fully capitalised on the firm's offering	1,37	1	0,24	0,35
Our interaction with the EAC member client enabled us to improve financial outcome for the firm	0,10	1	0,75	0,77
Our interaction with the EAC member client enabled us to maximise financial outcome for the firm	4,68	1	**0,03**	**0,04**
Our interaction with the EAC client enabled us to proactively identify other opportunities	7,03	1	**0,01**	**0,02**

Outcome	Measure of experience			
	Type of service industry			
	Value	df	Assump. Significance	Exact significance
Our interaction with the EAC member client enables us to become more competitive in EAC and African market	0,30	1	0,59	0,78
In my view the EAC member client fully capitalised on the firm's offering	0,25	1	0,62	0,77
Our interaction with the EAC member client enabled us to improve financial outcome for the firm	0,05	1	0,83	1,00
Our interaction with the EAC member client enabled us to maximise financial outcome for the firm	0,24	1	0,62	0,74
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,00	1	0,96	1,00

Outcome	Measure of experience			
	Experience in industry			
	Value	df	Assump. Significance	Exact significance
Our interaction with the EAC member client enables us to become more competitive in EAC and African market	2,59	1	0,11	0,10
In my view the EAC member client fully capitalised on the firm's offering	1,37	1	0,24	0,35
Our interaction with the EAC member client enabled us to improve financial outcome for the firm	0,10	1	0,75	0,77
Our interaction with the EAC member client enabled us to maximise financial outcome for the firm	4,68	1	**0,03**	**0,04**
Our interaction with the EAC client enabled us to proactively identify other opportunities	2,12	1	0,15	0,23

| Outcome | Measure of experience | | | |
| | Experience in Africa | | | |
	Value	df	Assump. Significance	Exact Significance
Our interaction with the EAC member client enables us to become more competitive in EAC and African market	0,00	1	0,98	1,00
In my view the EAC member client fully capitalised on the firm's offering	0,25	1	0,62	0,77
Our interaction with the EAC member client enabled us to improve financial outcome for the firm	1,94	1	0,16	0,24
Our interaction with the EAC member client enabled us to maximise financial outcome for the firm	3,46	1	0,06	0,09
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,00	1	0,96	1,00

| Outcome | Measure of experience | | | |
| | Experience in EAC | | | |
	Value	df	Assump. Significance	Exact Significance
Our interaction with the EAC member client enables us to become more competitive in EAC and African market	0,57	1	0,45	0,56
In my view the EAC member client fully capitalised on the firm's offering	0,49	1	0,49	0,55
Our interaction with the EAC member client enabled us to improve financial outcome for the firm	0,10	1	0,75	0,49
Our interaction with the EAC member client enabled us to maximise financial outcome for the firm	0,47	1	0,50	0,72
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,07	1	0,79	1,00

The results of the chi-square output (crosstabs) for social benefits are illustrated in Table 5-20 (p.89 – 90) for social benefits.

Based on the chi-square output for social benefit it was observed that two out of five statements underpinning reliance of emerging market entry on social benefits are statistically significant, with a p-value less than five percent for three measurements of experience, namely designation, experience in Africa, and experience in the EAC market.

Table 5-20: Chi-square test – the use of social benefits when entering the EAC market

Outcome	Measure of experience			
	Designation			
	Value	df	Assump. significance	Exact significance
My relationship with the EAC member state client went beyond just business	0,17	1	0,68	0,69
The EAC member state client has called on us more than twice subsequent to our first interaction	0,18	1	0,67	0,77
After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis	1,20	1	0,28	0,37
After our first interaction, the EAC member state client continues to say positive things about me	0,01	1	0,90	1,00
Our interaction with the EAC client enabled us to proactively identify other opportunities	7,03	1	**0,01**	**0,02**

Outcome	Measure of experience			
	Type of service industry			
	Value	df	Assump. significance	Exact significance
My relationship with the EAC member state client went beyond just business	0,09	1	0,80	1,00
The EAC member state client has called on us more than twice subsequent to our first interaction	0,00	1	0,98	1,00
After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis	2,26	1	0,13	0,16
After our first interaction, the EAC member state client continues to say positive things about me	0,12	1	0,73	0,78
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,00	1	0,96	1,00

Outcome	Measure of experience			
	Experience in industry			
	Value	df	Assump. significance	Exact significance
My relationship with the EAC member state client went beyond just business	4,43	1	0,04	0,08
The EAC member state client has called on us more than twice subsequent to our first interaction	1,03	1	0,31	0,38
After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis	1,17	1	0,28	0,37
After our first interaction, the EAC member state client continues to say positive things about me	0,23	1	0,63	0,77
Our interaction with the EAC client enabled us to proactively identify other opportunities	2,12	1	0,15	0,23

Outcome	Measure of experience			
	Experience in Africa			
	Value	df	Assump. Significance	Exact Significance
My relationship with the EAC member state client went beyond just business	8,82	1	**0,00**	**0,00**
The EAC member state client has called on us more than twice subsequent to our first interaction	1,24	1	0,27	0,40
After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis	0,65	1	0,42	0,57
After our first interaction, the EAC member state client continues to say positive things about me	0,12	1	0,73	0,78
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,00	1	0,96	1

Outcome	Measure of experience			
	Experience in EAC			
	Value	df	Assump. Significance	Exact Significance
My relationship with the EAC member state client went beyond just business	4,58	1	**0,03**	**0,05**
The EAC member state client has called on us more than twice subsequent to our first interaction	0,03	1	0,87	1
After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis	1,17	1	0,28	0,37
After our first interaction, the EAC member state client continues to say positive things about me	1,17	1	0,28	0,37
Our interaction with the EAC client enabled us to proactively identify other opportunities	0,07	1	0,79	1,00

The results of the chi-square output (crosstabs) for psychological benefits are illustrated in Table 5-21 (p.91 – 92).

Based on the chi-square output for psychological benefit it was observed that three out of the five statements that underpinned the reliance of emerging market entry on psychological benefits are statistically significant, with p-value less than five percent for two measurements of experience, namely designation and experience in industry.

Table 5-21: Chi-square test – the use of psychological benefits when entering the EAC market

| Outcome | Measure of experience | | | |
| | Designation | | | |
	Value	df	Assump. significance	Exact significance
I feel easily trusted by the EAC client during our first interaction	9,81	1	**0,00**	**0,00**
During my first encounter with the EAC client I gave my word and I stuck to it	0,14	1	0,71	0,77
My first conduct with the EAC client resulted in repeat work for the firm	12,96	1	**0,00**	**0,00**
I felt respected when I interacted with the EAC client for the first time	1,52	1	0,22	0,25
I am now highly valued by the EAC client	7,03	1	**0,01**	**0,02**

| Outcome | Measure of experience | | | |
| | Type of service industry | | | |
	Value	df	Assump. Significance	Exact significance
I feel easily trusted by the EAC client during our first interaction	0,43	1	0,51	0,57
During my first encounter with the EAC client I gave my word and I stuck to it	0,74	1	0,39	0,41
My first conduct with the EAC client resulted in repeat work for the firm	1,85	1	0,17	0,22
I felt respected when I interacted with the EAC client for the first time	6,41	1	**0,01**	**0,02**
I am now highly valued by the EAC client	1,42	1	0,23	0,27

| Outcome | Measure of experience | | | |
| | Experience in industry | | | |
	Value	df	Assump. significance	Exact significance
I feel easily trusted by the EAC client during our first interaction	1,72	1	0,19	0,23
During my first encounter with the EAC client I gave my word and I stuck to it	0,05	1	0,83	1,00
My first conduct with the EAC client resulted in repeat work for the firm	8,75	1	**0,00**	**0,01**
I felt respected when I interacted with the EAC client for the first time	0,41	1	0,52	0,57
I am now highly valued by the EAC client	0,75	1	0,39	0,55

Outcome	Measure of experience			
	Experience in Africa			
	Value	df	Assump. significance	Exact significance
I feel easily trusted by the EAC client during our first interaction	0,43	1	0,51	,057
During my first encounter with the EAC client I gave my word and I stuck to it	2,04	1	0,15	0,17
My first conduct with the EAC client resulted in repeat work for the firm	1,24	1	0,27	0,36
I felt respected when I interacted with the EAC client for the first time	6,41	1	**0,01**	**0,02**
I am now highly valued by the EAC client	0,00	1	0,96	1,00

Outcome	Measure of experience			
	Experience in EAC			
	Value	df	Assump. significance	Exact Significance
I feel easily trusted by the EAC client during our first interaction	0,50	1	0,48	0,55
During my first encounter with the EAC client I gave my word and I stuck to it	0,94	1	0,33	0,39
My first conduct with the EAC client resulted in repeat work for the firm	0,81	1	0,37	0,52
I felt respected when I interacted with the EAC client for the first time	1,30	1	0,25	0,37
I am now highly valued by the EAC client	2,12	1	0,15	0,23

The researcher also checked each entry within the respective crosstabs table to determine which measures of experience play a significant role in arriving at the above observations (refer to Table 5-22 on p.93, Table 5-23 on p.93, and Table 5-24 on p.94). These tables confirm that the position held by the respondents as well as their experience within their respective industries plays a notable role in answering the hypothesis.

Table 5-22: Dependency on the use of functional benefits when entering the EAC market

<table>
<tr>
<th rowspan="2"></th>
<th rowspan="2">Outcome</th>
<th colspan="5">Measure of experience*</th>
</tr>
<tr>
<th>Designation</th>
<th>Type of service industry</th>
<th>Experience in industry</th>
<th>Experience in Africa</th>
<th>Experience in EAC</th>
</tr>
<tr>
<td rowspan="5">Functional benefits</td>
<td>Our interaction with the EAC member client enables us to become more competitive in EAC and African market</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>In my view the EAC member client fully capitalised on the firm's offering</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Our interaction with the EAC member client enabled us to improve financial outcome for the firm</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Our interaction with the EAC member client enabled us to maximise financial outcome for the firm</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Our interaction with the EAC client enabled us to proactively identify other opportunities</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</table>

Based on the total count for each outcome per measurement of experience

Table 5-23: Dependency on the use of social benefits when entering the EAC market

<table>
<tr>
<th rowspan="2"></th>
<th rowspan="2">Outcome</th>
<th colspan="5">Measure of experience*</th>
</tr>
<tr>
<th>Designation</th>
<th>Type of service industry</th>
<th>Experience in industry</th>
<th>Experience in Africa</th>
<th>Experience in EAC</th>
</tr>
<tr>
<td rowspan="5">Social benefits</td>
<td>My relationship with the EAC member state client went beyond just business</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The EAC member state client has called on us more than twice subsequent to our first interaction</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>After our first interaction with the EAC member state client, I worked closely with the client on a continuous basis</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>After our first interaction, the EAC member state client continues to say positive things about me</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Our interaction with the EAC client enabled us to proactively identify other opportunities</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</table>

*Based on the total count for each outcome per measurement of experience

Table 5-24: Dependency on the use of psychological benefits when entering the EAC market

Outcome		Measure of experience*				
		Designation	Type of service industry	Experience in industry	Experience in Africa	Experience in EAC
Psychological benefits	I feel easily trusted by the EAC client during our first interaction	Yes	No	Yes	No	Yes
	During my first encounter with the EAC client I gave my word and I got stuck to it	Yes	No	No	No	No
	My first conduct with the EAC client resulted in repeat work for the firm	Yes	No	Yes	No	Yes
	I felt respected when I interacted with the EAC client for the first time	Yes	Yes	Yes	Yes	No
	I am now highly valued by the EAC client	Yes	No	Yes	Yes	Yes

* Based on the total count for each outcome per measurement of experience

Based on the above observations the null hypothesis is not supported, and the following three hypotheses are accepted:

H_{2a}: *More experienced individuals entering an emerging market with institutional voids rely on functional benefits.*

H_{2b}: *More experienced individuals entering an emerging market with institutional voids rely on social benefits.*

H_{2c}: *More experienced individuals entering an emerging market with institutional voids rely on psychological benefits.*

5.9.3 Hypothesis 3: Social and psychological benefits are preferred by experienced individuals when establishing any new business

Two tests were conducted for hypothesis 3, namely (1) a test of independence to determine if the viewpoints of the respondents were occurring by chance or if a real pattern of preference existed, in other words do experienced respondents rely on social and psychological benefits when establishing any new business relationship; and (2) a symmetric measure to determine further meaning of the relationship between the outcome and the measures of experience. The chi-square was selected to determine if the observations presented in Section 5.8 were by chance or a real preference – the results for the chi-square analysis are presented in Table 5-25 (refer to p.95 – 96) and Table 5-26 (refer to p.96 – 98) for social and psychological benefits respectively.

Table 5-25: Chi-square test – use of social benefits when establishing any new business relationship

Outcome	Measure of experience			
	Designation			
	Value	df	Assump. significance	Exact significance
I develop relationships with clients	2,67	3	0,45	0,41
I interact with the client outside business relations	3,00	3	0,39	0,84
I ensure the client and I work together	1,20	2	0,55	0,71
I share information and knowledge with the client beyond what the business relationship requires	4,95	1	0,06	0,07

Outcome	Measure of experience			
	Type of service industry			
	Value	df	Assump. significance	Exact significance
I develop relationships with clients	0,12	3	1,00	1,00
I interact with the client outside business relations	3,77	3	0,29	0,59
I ensure the client and I work together	1,27	2	0,53	1,00
I share information and knowledge with the client beyond what the business relationship requires	0,74	1	0,39	0,59

Outcome	Measure of experience			
	Experience in industry			
	Value	df	Assump. significance	Exact significance
I develop relationships with clients	1,13	3	0,77	0,86
I interact with the client outside business relations	6,51	3	0,09	0,18
I ensure the client and I work together	2,88	2	0,24	0,27
I share information and knowledge with the client beyond what the business relationship requires	0,74	1	0,39	0,59

| Outcome | Measure of experience | | | |
| | Experience in Africa | | | |
	Value	df	Assump. significance	Exact significance
I develop a relationship with a client	6,16	3	0,10	0,12
I interact with the client outside business relations	3,77	3	0,29	0,59
I ensure the client and I work together	7,25	2	0,08	0,07
I share information and knowledge with the client beyond what the business relationship requires	0,74	1	0,39	0,59

| Outcome | Measure of experience | | | |
| | Experience in EAC | | | |
	Value	df	Assump. significance	Exact significance
I develop a relationship with a client	3,42	3	0,33	0,35
I interact with the client outside business relations	4,89	3	0,18	0,51
I ensure the client and I work together	4,95	2	0,08	0,14
I share information and knowledge with the client beyond what the business relationship requires	2,58	1	0,61	1,00

Table 5-26: Chi-square test – the use of psychological benefits when establishing any new business relationship

| Outcome | Measure of experience | | | |
| | Designation | | | |
	Value	df	Assump. significance	Exact Significance
I always ensure minimum conflict between myself and the client	0,77	2	0,68	1,00
I am constantly trustworthy	0,93	3	0,82	1,00
The new client normally knows what to expect of/from me	1,18	4	0,88	1,00
The new client normally knows what to expect of/from the firm	1,52	1	0,22	0,25
The firm is normally trusted by the client	0,93	4	0,92	1,00
There is a real sense of understanding of who we are by the client	2,00	4	0,74	1,00

Outcome	Measure of experience			
	Type of service industry			
	Value	df	Assump. significance	Exact Significance
I always ensure minimum conflict between myself and the client	3,08	2	0,22	0,28
I am constantly trustworthy	2,20	3	0,53	1,00
The new client normally knows what to expect of/from me	2,29	4	0,68	1,00
The new client normally knows what to expect of/from the firm	6,41	1	0,37	0,39
The firm is normally trusted by the client	4,83	4	0,31	0,40
There is a real sense of understanding of who we are by the client	2,98	4	0,56	0,81

Outcome	Measure of experience			
	Experience in industry			
	Value	df	Assump. significance	Exact significance
I always ensure minimum conflict between myself and the client	1,20	2	0,55	1,00
I am constantly trustworthy	2,44	3	0,49	1,00
The new client normally knows what to expect of/from me	5,13	4	0,27	0,35
The new client normally knows what to expect of/from the firm	0,41	1	0,52	0,57
The firm is normally trusted by the client	9,33	4	**0,05**	**0,03**
There is a real sense of understanding of who we are by the client	8,80	4	0,07	**0,05**

Outcome	Measure of experience			
	Experience in Africa			
	Value	df	Assump. significance	Exact significance
I always ensure minimum conflict between myself and the client	2,98	2	0,23	0,28
I am constantly trustworthy	3,11	3	0,38	0,50
The new client normally knows what to expect of/from me	4,95	4	0,29	0,39
The new client normally knows what to expect of/from firm	7,67	4	0,10	0,10
The firm is normally trusted by the client	6,17	4	0,19	0,21
There is a real sense of understanding of who we are by the client	5,02	4	2,86	0,33

Outcome	Measure of experience			
	Experience in EAC			
	Value	df	Assump. significance	Exact significance
I always ensure minimum conflict between myself and the client	5,09	2	0,08	0,13
I am constantly trustworthy	0,80	3	0,85	1,00
The new client normally knows what to expect of/from me	0,83	4	0,93	1,00
The new client normally knows what to expect of/from firm	4,79	4	0,31	0,56
The firm is normally trusted by the client	4,10	4	0,39	0,52
There is a real sense of understanding of who we are by the client	3,11	3	0,38	0,45

Based on the chi-square output results there is no association between the use of relationship benefits when establishing any new business relationship and the individual's experience, therefore the null hypothesis is supported. The above conclusion is based on the following observations: (1) social benefits - none of the four statements that underpinned reliance of establishing any new business relationship on social benefits are dependent on any measure of experience, and (2) psychological benefits - only one out of the six statements that underpinned the reliance of establishing any new business relationship on psychological benefits on measurement of experience are statistically significant, with p-value less than five percent for industrial experience.

The dependence on the use of social and psychological benefits on the respondents' experience (designation, type of service, experience of respondents' in their respective industries and experience in Africa and EAC) is presented in Table 5-27 (refer to p.99) and Table 5-28 (refer to p.99) for social and psychological benefits respectively. Based on the dependency results the observations made in Section 5.8 will be based on designation of the respondents as well as their exposure to the EAC.

Table 5-27: Dependency of social benefits on different measurements of experience

Outcome		Measure of experience*				
		Designation	Type of service industry	Experience in industry	Experience in Africa	Experience in EAC
Social benefits	I develop a relationship with a client	Yes	No	No	No	Yes
	I interact with the client outside business relations	Yes	No	No	No	Yes
	I ensure the client and I work together	Yes	No	No	No	Yes
	I share information and knowledge with the client beyond what the business relationship requires	Yes	No	No	No	Yes

* Based on the total count for each measurement of experience

Table 5-28: Dependency of psychological benefits on different measurements of experience

Outcome		Measure of experience*				
		Designation	Type of service industry	Experience in industry	Experience in Africa	Experience in EAC
Psychological benefits	I always ensure minimum conflict between myself and the client	Yes	No	No	No	Yes
	I am constantly trustworthy	Yes	No	No	No	Yes
	The new client normally knows what to expect of/from me	Yes	No	No	No	Yes
	The new client normally knows what to expect of/from firm	Yes	No	No	No	Yes
	The firm is normally trusted by the client	Yes	No	No	No	Yes
	There is a real sense of understanding of who we are by the client	Yes	No	No	No	Yes

* Based on the total count for each measurement of experience

The results of the Spearman correlation for dependence of social and psychological benefits on the different measures of experience are presented in Table 5-29 (refer to p.100 – 101) and Table 5-30 (refer to p.101 – 102) respectively.

Table 5-29: Spearman correlation – use of social benefits when establishing any new business relationship

Outcome	Measure of experience Designation			
	Value	Std. Error	Approx. significance	Exact significance
I develop a relationship with a client	0,42	0,21	0,15	0,24
I interact with the client outside business relations	0,32	0,24	0,32	0,45
I ensure the client and I work together	0,10	0,25	0,75	0,90
I share information and knowledge with the client beyond what the business relationship requires	**0,62**	0,16	0,03	0,07

Outcome	Measure of experience Type of service industry			
	Value	Std. Error	Approx. significance	Exact significance
I develop a relationship with a client	0,00	0,28	1,00	1,00
I interact with the client outside business relations	-0,38	0,28	0,23	0,32
I ensure the client and I work together	-0,28	0,25	0,36	0,47
I share information and knowledge with the client beyond what the business relationship requires	0,24	0,27	0,43	0,59

Outcome	Measure of experience Experience in industry			
	Value	Std. Error	Approx. significance	Exact significance
I develop a relationship with a client	-0,20	0,27	0,53	0,59
I interact with the client outside business relations	**-0,69**	0,16	0,02	0,04
I ensure the client and I work together	-0,46	0,22	0,11	0,18
I share information and knowledge with the client beyond what the business relationship requires	-0,24	0,27	0,43	0,59

Outcome	Measure of experience Experience in Africa			
	Value	Std. Error	Approx. significance	Exact significance
I develop a relationship with a client	-0,54	0,22	0,06	0,08
I interact with the client outside business relations	-0,38	0,25	0,23	0,32
I ensure the client and I work together	**-0,74**	0,12	0,00	0,02
I share information and knowledge with the client beyond what the business relationship requires	-0,24	0,27	0,43	0,59

| Outcome | Measure of experience | | | |
| | Experience in EAC | | | |
	Value	Std. Error	Approx. significance	Exact significance
I develop a relationship with a client	-0,18	0,21	0,60	0,67
I interact with the client outside business relations	-0,28	0,25	0,36	0,47
I ensure the client and I work together	-0,55	0,15	0,05	0,12
I share information and knowledge with the client beyond what the business relationship requires	-0,14	0,27	0,65	1,00

Table 5-30: Chi-square test – the use of psychological benefits when establishing any new business relationship

| Outcome | Measure of experience | | | |
| | Designation | | | |
	Value	Std. Error	Approx. significance	Exact significance
I always ensure minimum conflict between myself and the client	0,05	0,26	0,88	1,00
I am constantly trustworthy	-0,18	0,22	0,53	0,72
The new client normally knows what to expect of/from me	-0,26	0,23	0,36	0,41
The new client normally knows what to expect of/from firm	-0,22	0,24	0,44	0,52
The firm is normally trusted by the client	0,06	0,26	0,84	0,89
There is a real sense of understanding of who we are by the client	-0,12	0,23	0,68	0,70

| Outcome | Measure of experience | | | |
| | Type of service industry | | | |
	Value	Std. Error	Approx. significance	Exact significance
I always ensure minimum conflict between myself and the client	-0,47	0,21	0,09	0,12
I am constantly trustworthy	-0,38	0,21	0,18	0,22
The new client normally knows what to expect of/from me	-0,34	0,24	0,24	0,30
The new client normally knows what to expect of/from firm	-0,37	0,23	0,19	0,23
The firm is normally trusted by the client	-0,23	0,25	0,31	0,31
There is a real sense of understanding of who we are by the client	-0,24	0,25	0,41	0,43

Outcome	Measure of experience			
	Experience in industry			
	Value	Std. Error	Approx. significance	Exact significance
I always ensure minimum conflict between myself and the client	-0,06	0,27	0,84	1,00
I am constantly trustworthy	-0,15	0,26	0,62	0,71
The new client normally knows what to expect of/from me	-0,33	0,27	0,25	0,30
The new client normally knows what to expect of/from firm	-0,30	0,27	0,31	0,32
The firm is normally trusted by the client	-0,22	0,31	0,45	0,44
There is a real sense of understanding of who we are by the client	-0,40	0,26	0,15	0,16

Outcome	Measure of experience			
	Experience in Africa			
	Value	Std. Error	Approx. significance	Exact significance
I always ensure minimum conflict between myself and the client	-0,45	0,23	0,11	0,21
I am constantly trustworthy	-0,21	0,27	0,47	0,55
The new client normally knows what to expect of/from me	-0,24	0,26	0,41	0,47
The new client normally knows what to expect of/from firm	-0,28	0,26	0,33	0,33
The firm is normally trusted by the client	-0,41	0,23	0,15	0,15
There is a real sense of understanding of who we are by the client	-0,48	0,21	0,08	0,10

Outcome	Measure of experience			
	Experience in EAC			
	Value	Std. Error	Approx. significance	Exact significance
I always ensure minimum conflict between myself and the client	-0,03	0,33	0,93	1,00
I am constantly trustworthy	0,08	0,23	0,80	0,90
The new client normally knows what to expect of/from me	0,00	0,26	1,00	1,00
The new client normally knows what to expect of/from firm	-0,05	0,28	0,88	0,99
The firm is normally trusted by the client	-0,02	0,20	0,94	0,97
There is a real sense of understanding of who we are by the client	-0,34	0,20	0,24	0,25

Only three outcomes had a strong to very strong monotonic relationship with a measurement of experience (refer to Table 5-29 on p.100 – 101 and Table 5-30 on p.101 – 102) as follows:

- r_s = -0.69: there is a decrease in the interaction with clients outside the business relationship as experience in an industry increases.

- r_s = 0.62: there is an increase in sharing of information and knowledge with a potential client as one holds more responsibility.

- rs = 0.74: there is more collaboration with the potential client as the experience in Africa increases.

- All the r_s for psychological outcomes were less than 0,6 – indicating that there is no strong to very strong monotonic relationship between the psychological outcomes and the different measures of experience.

Although three social benefit outcomes indicate that some monotonic relationship exists between social benefits and experience in the industry, designation and experience in Africa, they are not deemed adequate to accept that relationship benefits are a determinant of any new business relationship. Therefore, it is accepted that there is no association between social or psychological benefits and establishing any new business relationship.

5.10. Summary of Research Study Results

The exact statistical results presented in Table 5-31 were used to determine whether or not research findings supported the hypothesis developed in chapter three.

Table 5-31: Exact method testing results

Research hypothesis	Statistical significance ($p < 0,05$)	Spearman correlation ($r_s > ,6$)	Type of Experience Dependency	
H_{1a}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in markets with stronger institutions	Not conclusive			E_{EAC}
H_{1b}: There is a high likelihood that less experienced individuals will establish joint ventures in markets with weaker institutions	Not conclusive	N/A	X	N/A
H_{2a}: More experienced individuals entering an emerging market with institutional voids rely on social benefits				E_I, D

Research hypothesis	Statistical significance ($p < 0,05$)	Spearman correlation ($r_s > ,6$)	Type of Experience Dependency
H2b: More experienced individuals entering an emerging market with institutional voids rely on functional benefits			E_{EAC}; E_I
H_{2c}: More experienced individuals entering an emerging market with institutional voids rely on psychological benefits			D
H_{3a}: Social benefits are preferred by highly experienced individuals when establishing any new business	X		D, E_{EAC}
H_{3b}: Psychological benefits are preferred by highly experienced individuals when establishing any new business	X	X	

denote that the hypothesis is supported; X *denote that a hypothesis is not supported; N/A = not applicable; E_{EAC} = Experience in EAC; E_I – experience in industry; D = designation.*

Hypothesis one was found to be statistically insignificant – in other words the choice of mode of entry cannot be associated with any of the measurements of experience used in the research study. However, the dependency analysis indicated that the discussion on the relevance of mode of entry as a means of establishing relationships when entering an emerging market should be discussed based on the level of experience within the EAC.

Hypothesis two was found to be statistically significant – in other words on the basis of the position held by the respondents, their level of experience in their respective industries, and the level of experience in the EAC it can be concluded that relationship benefits are used when firms and individuals enter the EAC.

Hypothesis three was found to be statistically insignificant – in others words the online participants do not necessarily make use of social and psychological benefits when establishing business relationships in general. However, the research findings indicate that there is a relationship between social benefits and experience in an industry, the position held by the respondents and their level of experience in Africa.

CHAPTER 6: DISCUSSION OF RESULTS

6.1. Introduction

Chapter six discusses the hypotheses presented in Chapter three by linking the findings presented in chapter five with literature interpretations made in chapter two. The extent to which the international literature is relevant was determined by how closely the sample (both interviewees and online respondents) adhered to the principles presented in chapter two. Should there be a recognisable pattern between what the literature proposes and observations made from practice, the research would be able to conclude that the literature on relationship and their benefits is applicable and credible for firms to consider when developing their emerging market entry strategies for the East African market.

The structure of this chapter is as follows: each hypothesis will be discussed in turn, with the closeness of the findings presented in chapter five compared to the literature. A conclusion will be drawn for each of the hypotheses in turn, with a final summation at the end of the chapter.

6.2. Discussion of Results

As stated in Chapter one, the purpose of the research study is to determine the following:

- Does the type of mode chosen by firms entering the East African Community enhance relationship benefits during the exploration stage of business?

- Are relationship benefits (functional, social and psychological benefits) relevant during entry into the East African Community?

- Are relationship benefits, specifically social and psychological benefits, a key to entry into an emerging market only or can it be used to establish any new business relationship?

Since the extent of access to resources (including relationships) is highly dependent on the type of equity mode chosen, the research study tested if the choice of mode of entry is dependent on the extent of institutional voids. Moreover, the study tested the role of relationships and their benefits when

entering a market embedded with institutional voids. The last hypothesis tested if relationship benefits, specifically social and psychological benefits, are influenced by institutional voids, or if it is a concept that can be used when entering any economic market. The relevance of the above inferences was based on the perception illustrated by the research respondents, where it was argued that those with extensive experience are likely to support the above inferences.

Salient findings can be drawn from chapter five, but the most profound one was drawn from both interviewees agreeing that relationships are key when entering an emerging market as "*successful businesses are the ones that know and have utilised and shaped a relationship tool to the best of their advantage*". These views were made within the context of the African market, which was defined by respondent 2 as having a deficiency in the capacity of the institutions. Respondent 2 illustrated the impact of institutional capacity on relationship establishment by saying "*…countries with higher institutional capacity allow you to develop longer, stronger relationships with you client bodies*".

Based on the strength ranking computed in chapter five, Rwanda and Kenya were found to have the strongest institutions amongst countries within the East African Community (EAC), whilst Uganda, Tanzania and Burundi were found to have the weakest institutions. (Refer to Table 6-1.)

Table 6-1: EAC countries institutional strength grouping

Strong Institutions		Weak Institutions		
Rwanda	Kenya	Uganda	Tanzania	Burundi

The categorisation of Rwanda and Kenya into emerging economies with strong institutions and Uganda, Tanzania and Burundi into emerging economies with weak institutions is in line with the view presented by Kamau (2011), where: (1) Kenya was found to have good labour, products and capital markets; (2) Although Rwanda was found to lag behind in product market by Kamau (2011), it is ranked first amongst the EAC countries in most of the Five Context Framework elements by the World Bank and the International Financial

Corporation; (3) Uganda and Tanzania were found to have intermediate markets, which is in line with Kamau (2011)'s view; and (4) Burundi lagged all markets. When considering the views of the interviewees within the context of the above categorisation of the EAC, it can be concluded that institutional framework within Rwanda and Kenya will enable firms and individuals to develop longer and stronger relationships with clients as opposed to Uganda, Tanzania and Burundi.

This chapter presents some of the views by the interviewees and online respondents that took part in the research study. The remainder of the research discusses the findings of each hypothesis against theoretical base.

6.2.1. Hypothesis 1

H_{1a}: There is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in an emerging market with stronger institutions.
H_{1b}: There is a high likelihood that more experienced individuals will establish a joint venture in an emerging market with weaker institutions.

6.2.1.1   Discussion of hypotheses 1a and 1b

According to Meyer *et al.* (2008), a wholly owned subsidiary denotes complete ownership of an entity located in a host country by a firm located in the home country to perform value added services in the host country, whilst a joint venture is shared ownership of an entity located in a host country by two partners. Although joint venture businesses tend to create coordination challenges, a firm deciding to use a joint venture as a mode of entry into an emerging market is able to access resources previously embedded in its partner firm – relationships included.

Meyer *et al.* (2008) indicated that a need for a partner declines with the strengthening of the country's institutional framework. Also, Kock *et al.* (2003) found that joint venture business entry results in interimistic relationships that are derived from a JV life span, JV focused business opportunities, trust based on previous experience and relational norms embedded in JV management techniques (Purchase & Olaru, 2004), as opposed to relationship benefits. Additionally, Meyer *et al.* (2008) found that joint ventures required access to

networks (relationships) that can assist the firm to counteract the idiosyncrasies of a weak institutional context.

Hence the research study positioned that the more experienced individuals will likely establish a wholly owned subsidiary in an emerging market with stronger institutions, whilst joint venturing will be preferred for an emerging market with weak institutions.

6.2.1.2   Conclusion of findings relating to hypothesis one

Although the chi-square outputs in chapter five found the different measurement of experience to have no statistical relevance towards preference of using a subsidiary or joint venture when entering the East African Community, there is however a business case for considering research hypotheses 1a and 1b on the basis of the results from the analysis of the crosstabs entries.

Hypothesis 1a posited that "*there is a high likelihood that more experienced individuals will establish wholly owned subsidiaries in an emerging market with stronger institutions*". Table 6-2 shows the results of the prominent mode of entry into the EAC from the perspective of the level of exposure in the EAC (refer to Table 5-31 on p.103 were discussion for mode of entry was more dependent on experience in the EAC more than other measurements of experience).

Table 6-2: Preferred mode of entry – view from experience in EAC

Outcome		Experience in the EAC > 5 years			Experience in the EAC <5 years			Total
		Stronger institutions	Weak institutions	Total	Stronger institutions	Weak institutions	Total	
Number of observations (n)		8	10	18	18	14	32	50
Set up a new subsidiary firm	Count	**0**	1	1	**2**	3	5	**6**
	Column n %	**0,0**	10,0	5,5	**11,1**	21,4	15,6	**12**
Using joint venture	Count	3	**2**	5	9	**5**	14	**19**
	Column n %	37,5	**20,0**	27,8	50,0	**35,7**	43,8	**38**
Total	Count	3	3	6	11	8	19	25
	Column n %	37,5	30,0	33,3	61,1	57,1	59,4	50

Based on the output presented in Table 6-2 (refer to red cells), those with work experience of five years and more in the EAC do not prefer setting up a subsidiary in Kenya or Rwanda. The output presented in Table 6-2 shows that there is equal preference for using joint ventures in countries with strong and weak institutions. Furthermore, the use of joint ventures is preferred by those with less than five years' experience when entering countries with stronger institutions. Furthermore, viewing all emerging economies within the EAC (Rwanda, Kenya, Uganda, Tanzania and Burundi) as a collective the prominent mode of entry is joint venture - this includes a newly formed firm through a joint venture or project execution through a joint venture. When considering that the EAC is an emerging region with generally weak institutions, then it is conceivably acceptable that the preferred mode of entry into the five countries within EAC is through joint venturing, as suggested by Meyer *et al.* (2008).

Hypothesis 1b posited that *"there is a high likelihood that more experienced individuals will establish a joint venture in an emerging market with weaker institutions".* Based on the output presented in Table 6-2 (refer to the green cells), those with work experience of five years and more in the EAC do not prefer the use of joint ventures when entering Burundi, Tanzania or Uganda, however respondents with less than five years' experience in the EAC prefer joint venturing. The above indicates that the level of risk within the African market still motivates the use of joint ventures. Drawing from the literature it can be concluded that business relationships are still intermediary in nature (Kock *et al.*, 2003) and are therefore not based on relationship benefits.

The researcher went on to consider if the inconclusive results of hypothesis 1a and hypothesis 1b might be as a result of the type of errors resulting from hypothesis testing. According to Slakind (2013) there are two types of statistical errors – namely Type I error (when the null hypothesis is not supported despite it being true) and Type II error (when the null hypothesis is accepted despite it being false). Furthermore, exposure to the Research Methodology coursework highlighted other two errors – Type III error (when a wrong hypothesis is posited) and Type IV error (when one solves the wrong problem). The researcher is of the opinion that the mixed results observed for hypotheses 1a and 1b are as a result of Type III error. Of interest, the researcher's view is

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supported by insight provided by respondent two when he was asked of the difference in relationship marketing (approach taken by the firm when building business relationships) and relationship selling (approach taken by the firm's representative when building business relationships). Respondent 2 highlighted the importance of either setting up a subsidiary or having a partner company during relationship establishment by saying "*Number one, localisation is when I make a commitment to have either my subsidiary in* (host) *country or I have a partner company. Okay, so it starts right here*". Therefore, the research hypotheses 1a and 1b should have rather not been underpinned on the level of experience of each individual but rather on the context of the research study only (the EAC as a region and not as countries).

Having proven that interimistic relationships are still prevalent in the EAC, the research study went on to determine if relationship benefits are being considered in practice when individuals interact with EAC clients for the first time.

6.2.2. Hypothesis 2

H_{2a}: More experienced individuals entering an emerging market with institutional voids rely on functional benefits.

H_{2b}: More experienced individuals entering an emerging market with institutional voids rely on social benefits.

H_{2c}: More experienced individuals entering an emerging market with institutional voids rely on psychological benefits.

According to Tellefsen and Thomas (2005), relationship benefits reflect the net gain that both the firm and a potential client derive from a new business relationship. The discussion presented in Section 6.2.1 indicated that the choice of mode of entry is not dependent on the measurements of experience chosen for the research study, however it was justified that some relationship form other than relationship benefits is still preferred to engage potential clients. Recently China has illustrated the importance of relationships when undertaking work in the African market through the use of the guanxi concept, where relationships

are built through respect and knowledge of others, loyalty and obligation, harmony and reciprocity, and patience and cultivation.

The remainder of the subsection discusses theoretical basis for each aspect of relationship benefits and the findings regarding the process of using relationships and their benefits for firms entering the EAC.

6.2.2.1   Discussion of hypothesis 2a

According to Sweeney and Webb (2007), functional benefits are economic gains that result from networking with another organisation – they provide an improvement in a firm's competitiveness and financial position. Based on the view by Gwinner *et al.* (1998) that clients are influenced by the relationships they built with firms when procuring services, the concept of functional benefits has been the most noticeable amongst the three elements of the relationship benefits. Some of the definitions used for functional benefits include efficiency, economic and strategic **(**Sweeney & Webb, 2007; Reynolds & Beatty, 1997). Sweeney and Webb (2007) also found that functional benefits enhanced firm-level commitment to a relationship.

6.2.2.2   Discussion of hypothesis 2b

According to Dagger *et al.* (2011), social benefits are as a result of an interaction between the client and the firm. Sweeney and Webb (2007) found that social benefits resulted in trust, commitment and relationship power between participants. Moreover, Dagger *et al.* (2011) suggested that friendship and personal recognition are bound to improve the client and firm experience, as well as provide motivation for the participants to keep the relationship. Some of the descriptions used to denote social benefits in the literature include affinity, commitment, communication, social bonding and emotional connection (Sweeney & Webb, 2007; Chang & Chen, 2007: Purchase & Olaru, 2004; Reynold & Beaty, 1997). According to Sweeney and Webb (2007), building relational bonds based on social benefits creates a barrier for competition and a strategic advantage in the market place for the firm.

6.2.2.3   Discussion of hypothesis 2c

Psychological benefits result from the feelings of trust and confidence a client shows towards a firm (Sweeney & Webb, 2007). It has been described by the same scholars as trust, confidence, understanding and peace of mind towards a specific person they deal with within a firm and not necessarily with the organisation itself. Sweeney and Webb (2007) found psychological benefits to have precedence over functional and social benefits when establishing a business relationship.

6.2.2.4   Conclusion of findings relating to hypothesis 2

The findings for H_{2a}, H_{2b} and H_{2c} are consistent with the literature review.

Both interviewees acknowledged the importance of business relationships when entering a market. Respondent two indicated his alliance to the principle of having to build a relationship with a potential client, whilst respondent one acknowledged the importance of a potential client to know you. Three specific questions were asked in relation to each element of relationship benefits, namely functional, social and psychological benefits. The remainder of this sub-section captures the view of the two interviewees as well as that of the respondents to the online survey.

The view by Sweeney and Webb (2007) that functional benefits are economic gains for the firm as a result of networking with the client was confirmed by respondent one, when he acknowledged that establishing a relationship with a potential client is important but the interaction needs to result in work for the firm. This view was also articulated by respondent two who likened functional benefits to "*doing it (the technical work) well*" and "*providing a solution to the client*" – attributes that are likely to improve a firm's competitive and financial position.

Based on the strength ranking computed in chapter five, Rwanda and Kenya were found to have the low institutional voids amongst countries within the East African Community (EAC), whilst Uganda, Tanzania and Burundi were found to have the highest institutional voids. (Refer to Table 6-3 on the next page.)

Table 6-3: EAC countries institutional voids grouping

Low Institutional voids		High Institutional voids		
Rwanda	Kenya	Uganda	Tanzania	Burundi

The dependency analysis in Chapter five confirmed that the position held by the online respondents was suitable for the discussion on the relevance of functional benefits when entering the EAC. Table 6-4 captures the use of functional benefits when entering the EAC for countries with low and high institutional voids from the prominent measure of experience, namely the position held by the respondent.

Table 6-4: Use of functional benefits when entering the EAC – view by designation

Outcome		Top-tier management		
		High institutional voids	Low institutional voids	Total
Number of respondents (n)				20
Our interaction with the client enabled us to become more competitive in the market	Count	4	7	11
	Row n %	36,3	63,7	100
In my view the client fully capitalised on the value the firm offered	Count	6	4	10
	Row n %	60,0	40,0	100
Our interaction with the client enabled us to enhance our financial outcomes for the firm.	Count	7	5	12
	Row n %	58,3	41,7	100
Our interaction with the client enabled us to maximise our financial outcomes	Count	2	5	7
	Row n %	28,6	71,4	100
Our interaction with the client enabled us to proactively identify other opportunities	Count	3	6	9
	Row n %	33,3	66,7	100

The expected pattern, namely a higher entry or response for countries with high institutional voids, was observed for three of the five statements supporting the relevance of functional benefits, namely: (1) our interaction with the client enabled us to become more competitive; (2) our interaction with the client enabled us to maximise our financial outcomes; and (3) our interaction with the client enabled us to proactively identify opportunities. The other two remaining statements indicated a different view to the expected pattern – in other words top managers entering the three countries with the highest institutional voids did not agree with the following statements: (1) the client capitalising on the value

the firm offers; and (2) the interaction with the client enabling the firm to enhance financial outcome.

By virtue of the fact that the EAC is a growing dynamic region, one should expect a different view because functional benefits are qualifiers of business engagement – there is a presence of many nations as a result of multiple business opportunities that are offered in the EAC (refer to Appendix A). Therefore, the evenly balanced views indicated by the respondents for low and high institutional voids countries are acceptable.

Both interviewees indicated the importance of other relationship benefits when entering an emerging market by acknowledging that a relationship with the client's representative needs are beyond functional in nature. Respondent 2 indicated that he always seeks to have some level of social interaction with the client. The interviewees used words like "*commitment*"; "*asking personal questions*"; "*associate with client's problems*"; "*laughter*"; "*give comfort to client*"; "*listening to them*"; "*localisation*"; and "*personalised*". These descriptive words for social benefits are similar to those provided by Reynold and Beaty (1997), Purchase and Olaru (2004), Sweeney and Webb (2007) and Chang and Chen (2007).

The dependency analysis in Chapter five confirmed that the level of exposure to the EAC was suitable for the discussion on the relevance of social benefits when entering the EAC (refer to Table 5-31, p.103). Table 6-5 (on the next page) captures the use of social benefits when entering the EAC from the perspective of exposure into the EAC.

When comparing responses for each statement for countries with low institutional voids against countries with high institutional voids, there is relatively very small significant difference except for one statement, namely "my relationship with the client went beyond just business". This statement shows relevance to countries with low institutional voids, which differs to what was expected. When comparing the response to this particular statement to others this looks like a potential outlier. The closeness of responses illustrates the

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importance of using social benefits despite the level of institutional voids in an emerging region.

Table 6-5: Use of social benefits to enter the EAC market – view by experience in the EAC

Outcome		Experience in the EAC (>5yrs)		
		High institutional voids	Low institutional voids	Total
Number of respondents (n)				20
My relationship with the client went beyond just business	Count	6	3	9
	Row n %	66,7	33,3	100
The client has called on us more than twice subsequent to our first interaction	Count	5	3	8
	Row n %	62,5	37,5	100
I worked closely with the client on a continuous basis, which resulted in repeat work	Count	5	4	9
	Row n %	55,5	44,5	100
The client continues to say positive things about me	Count	6	3	9
	Row n %	66,7	33,3	100
The client continues to continuously utilise us	Count	5	3	8
	Row n %	62,5	37,5	100

If the EAC is considered as a collective (an emerging market with high institutional voids), only 46% of the respondents indicated that their interaction with an EAC client has resulted in more work and 40% of respondents indicated that: (1) the repeat work resulted from working closely with the client on a continuous basis; and (2) the client continued to say positive things about them. Furthermore, the exact statistical testing also indicated that two additional statements were statistically significant, namely "the relationship going beyond just business" as well as "the continuous utilisation of their services after their first interaction". From a regional point of view there is an emphasis on the importance of using social benefits when entering an emerging market.

Lastly, both interviewees attached social benefits to individuals, which is contrary to the view of Dagger *et al.* (2011) that social benefits are as a result of the interaction between the client and the firm. Both respondent 1 and respondent 2 identified the importance of spending time with clients to cultivate a business relationship. According to Sweeney and Webb (2007) building relational bonds based on social benefits create a barrier for competition and a

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strategic advantage in the market place for the firm. The above observations therefore indicate that firms use the concept of social benefits when entering an emerging market to build business relationships to create a barrier for competition and strategic advantage.

Interviewees connected psychological benefits with "*one's wellbeing*"; "*information sharing"; "listening to the client's needs*"; and "*understanding*". These incorporate descriptive words by Sweeney and Webb (2007), which included trust, confidence, sense of understanding and peace of mind. The dependency analysis in Chapter five confirmed that the position held by the respondents was suitable for the discussion on the relevance of psychological benefits when entering the EAC (refer to Table 5-31 on p.103). Table 6-6 illustrates the utilisation of psychological benefits when entering an emerging market from the perspective of the position held by the respondents (refer to Table 5-31).

Table 6-6: Use of psychological benefits when entering the EAC market – view by designation

Outcome		High institutional voids	Low institutional voids	Total
		Top-tier management		
Number of respondents (n)				20
I felt easily trusted by the client	Count	2	5	7
	Row n %	28,6	71,4	100
I gave my word and I stuck to it	Count	8	8	16
	Row n %	50,0	50,0	100
My first conduct with the client resulted in repeat work for the firm	Count	2	3	5
	Row n %	40,0	60,0	100
I felt respected when I interacted with the client	Count	5	7	12
	Row n %	41,7	58,3	100
I was highly valued by the client	Count	4	5	9
	Row n %	44,4	55,6	100

When comparing responses for each statement for countries with low institutional voids against countries with high institutional voids, there is relatively no difference between the views of the respondents. The common view observed for the importance of using social and functional benefits when entering the EAC region is also eminent here, indicating an equal weighting

between the different countries irrespective of their ranking. Based on a conclusive view that firms do use relationship benefits to enter the EAC market, the research study further determined if firm representatives consider social and psychological benefits to be an imperative concept when establishing business relationships, or if this concept is only key in an emerging market.

6.2.3. Hypothesis 3

H_{3a}: Social benefits preferred by highly experienced individuals when they establish any new business.

H_{3b}: Psychological benefits are preferred by highly experience individuals when they establish any new business.

6.2.3.1   Discussion of hypotheses 3a and 3b

The literature differentiated between relationship marketing and relationship selling, with the former referring to the formation and protection of a competitive advantage in the market (Flambard-Ruaud, 2005), whilst the latter refers to the ability of the firm representatives to sell a relationship to a client (Huang, 2008; Crosby, Evans & Cowles, 1990).

Relationship selling suggests that personal approach to promoting business connections is important (Bayaa *et al.*, 2009) and that an opportunity exist to co-design and interpret the complicated needs of the client. Therefore embedded in the tradition of relationship selling, activities directed towards building relationships with potential key clients are a must to benefit profitably from such relationships (Weitz & Bradford, 1999). Based on the above argument it was positioned that social and psychological benefits are a key to any relationship development and not necessarily for relationship development in an emerging market.

The online respondents were asked to rank certain statements that spoke to general use of social and psychological benefits when engaging any client for the first time.

6.2.3.2 Conclusions of findings for hypothesis 3

Both interviewees conceded that there is a difference between relationship marketing and relationship selling. Respondent 2 defined relationship marketing as "*general marketing*" and described it as "*branding the company but almost without a focus*" – he called it a virtual process. He described relationship selling as a process of developing business. Respondent one however did not connect some of the tools of social benefits to relationship selling when he indicated that interaction with clients outside a business relationship is someone's responsibility and never his. His view contradicts the observation by the majority of top managers who took part in the online survey.

Table 6-7 illustrates the view of online respondents regarding their use of social and psychological benefits when interacting with any new client, irrespective of their origin.

Table 6-7: Indication of the use of social and psychological benefits when establishing new business

Outcome			Top management		
			Disagree	Neither agree or disagree	Agree
Social benefits	I develop a real friendship with clients	Count	1	1	7
	I interact with the client outside business relation	Count	2	1	5
	I ensure the client and I work together	Count	0	1	12
	I share information and knowledge with the client – beyond what the business relationship requires	Count	0	0	13
Psychological benefits	I always ensure minimum conflict between myself and the client	Count	0	1	13
	I am constantly trustworthy	Count	1	1	12
	The new client normally knows what to expect of/from me	Count	4	2	9
	The new client normally knows what to expect of/from the firm	Count	2	2	6
	The firm is normally trusted by clients	Count	3	3	8
	There is a real sense of understanding of who we are by the client	Count	3	2	9

Four questions were asked to illustrate the online respondents' intent to use social benefits when establishing a business relationship despite the client's context, in other words the institutional infrastructure of the market the client

operates in. The majority of respondents use social benefits when interacting with any new client irrespective of the results being statistically insignificant. Furthermore, three out of four of the statements related to social benefits indicated that there is a relationship between social benefits and some measurements of experience: (1) there is a decrease in the interaction with clients outside the business relationship as experience in an industry increases, (2) there is an increase in sharing of information and knowledge with a potential client as one holds more responsibility, and, (3) there is more collaboration with the potential client as the experience in Africa increases.

Six questions were also asked to illustrate the online respondents' intent of using psychological benefits despite the client's institutional infrastructure – the majority of the respondents indicated that they do make use of psychological benefits despite the results being statistically inconclusive. Based on Sweeney and Webb (2007) view psychological benefits should drive the establishment of a new relationship as opposed to social benefits. Accordingly, psychological benefits are more difficult to support as opposed to social benefits – psychological benefits are about minimising conflict, trustworthiness, and a sense of understanding by the other party. Many individuals can easily associate with social benefits, in other words developing friendships, interacting outside business hours, working together, information and knowledge sharing, however psychological benefits require depth and a lot of time and effort to enhance, as supported by respondents one and two when they said *"relationship development is time consuming"*.

Although the above observation indicates that both social and psychological benefits are instrumental in establishing any business relationship, despite the institutional framework of the economic market it is not that definitive for psychological benefits.

6.3. Conclusion

The research study has proven that institutions do stipulate the rules of the game in an emerging market (Khanna & Palepu, 2010; Mihailova & Panibratov, 2012), including the game of entering an emerging market. Although the research results were not conclusive regarding the wholly owned subsidiary

being favoured for entry into an emerging market with stronger institutions, it was conclusive in indicating that firms still favour joint ventures when entering the East African Community.

Joint venturing allows partnering firms to learn together as well as share expenses and contacts, specifically local partners' contacts. The preference for joint venturing is understandable – there are normal uncertainties associated with any business as well as problems specific to an emerging market that firms need to consider, therefore extra precaution needs to be taken and joint ventures offer that to firms.

There are a number of challenges that are facing firms when establishing relationships in an emerging market – relationship building is time consuming and many who are given the opportunity to interact with clients still do not grasp the merits of harnessing these relationships during the exploration stage of the business. This in turn causes individuals to ignore the investment needed to develop these business relationships. This could be the reason why in general individuals still rely on social benefits (friendships, interactions beyond business relationships, sharing of information and knowledge with the client) as opposed to psychological benefits (trust, understanding, expectations), even when the literature says the inverse should happen to build sustainable business relationships.

In conclusion, other insights gained from the research study include: (1) the lack of disparity in low versus high institutional voids was unexpected. It indicates that institutional voids are relative and that the results are independent of institutional voids' ranking within the EAC. This observation could be as a result of assumptions taken when arriving at using the EAC as the context for the study, i.e. that the region should be homogenous. Perhaps a study where the EAC is compared relative to other economic regions (western cluster, central cluster, SADC) will potentially yield different viewpoints, and (2) firms entering emerging markets have been particularly strong in the use of functional benefits - the pricing of services and products right and receiving referrals from clients who have benefited from their relationship with the firm, allowing them to benefit functionally. Social benefits are also prominent – businesses still take clients to

lunches, and they give clients calendars, pens, and other souvenirs. However building trustworthy and empathetic relationships is still overlooked.

CHAPTER 7: CONCLUSION

7.1. Introduction

The purpose of chapter seven is to present the findings of the research study in line with its main objectives. The chapter presents a summary of the findings per chapter, followed by the presentation of their implications for key stakeholders and ideas for future research.

A scan of the business environment in chapter one revealed that while business relationships received considerable attention from both academics and practitioners from a relationship marketing (Hutchinson *et al.*, 2011), less is known about the development of business relations during the establishment of an international business (Friman *et al.*, 2002). Particularly, the topic of the benefits obtained from building relationships with clients while entering an emerging market has received little empirical attention in the academic and business literature.

A review of the literature in chapter two revealed that the concept of market entry is multi-dimensional, with many authors offering different market entry variables, including activity mode (Dikova & van Witteloostuijn, 2007; Uhlenbruck *et al.*, 2006;), establishment mode (Abramkov & Panibratov, 2012; Slangen & Hennart, 2008;), firm size (Johnson & Tellis, 2008), mode of entry (Dikova & van Witteloostuijn, 2007; Holtbrügge & Baron, 2013; Morschett *et al.*, 2010; O'Cass *et al.*, 2012; Panibratov, 2009), timing of market entry (Holtbrügge and Baron, 2013; Johnson & Tellis, 2008), industry specific attributes (Mihailova & Panibratov, 2012), cultural distance and economic distance (Johnson & Tellis, 2008), country openness (Johnson & Tellis, 2008; Perks *et al.*, 2013) and country risk (Al Khattab *et al.*, 2007; Johnson & Tellis, 2008; Perks *et al.*, 2013). The relevance of relationships and their benefits have not received any prominence in these market entry studies.

The research study took into consideration the following key variables considered to be necessary for successful entrance into an emerging market: institutional voids, relationship benefits and mode of entry. Since a firm's market entry strategy is context specific (Kidd & Pels, 2012), it was imperative to

acknowledge that a 'one-size fits all' entry strategy during internationalisation was not ideal. For that reason the East African Community (EAC) was used as the geo-reference for the research study. By including relationship benefits as a research construct, the researcher hoped to reflect the importance of considering the perspective of the client and the net gain that a client derives from the potential business relationship (Tellefsen & Thomas, 2005) when a firm formulates its market entry strategy. The mode of entry was included as the final construct due to its ability to influence the entire firm's market entry strategy as well as its significance as a result of its ability to influence relationship establishment (Philippe & Léo, 2011).

After establishing the above research constructs, an approach was established to determine the relevance of relationship benefits when entering an emerging market. The convergent parallel mixed methods was chosen for the research study, allowing data collection and data analysis to be conducted using both the quantitative and qualitative research separately, with mixing of the two research strands only during the overall interpretation of the results (Creswell & Clark, 2011). The quantitative research approach took primacy in an attempt to provide business reasoning for the inclusion of relationship benefits when formulating an emerging market entry strategy.

7.2. Key Findings

Amidst the study limitation – namely the inability to generalise the findings for a particular population and only reflecting the views of the sample – the research study did prove that institutions do stipulate the rules of the game in an emerging market (Khanna & Palepu, 2010; Mihailova & Panibratov, 2012). Although the research results were not conclusive regarding the wholly owned subsidiary being favoured for entry into an emerging market with stronger institutions, it was conclusive in indicating that firms still favour joint ventures into the East African Community. Joint ventures are still favoured because they allow partnering firms to learn together as well as share expenses and contacts, specifically local partners' contacts.

The preference for joint ventures is understandable – there are normal uncertainties associated with any business as well as problems specific to an

emerging market that firms need to consider. Therefore extra precaution needs to be taken and joint ventures offer that to firms.

There are a number of challenges that face firms when establishing relationships in the East African Community – relationship building is time consuming and many who are given the opportunity to interact with clients still do not grasp the merits of building these relationships. This in turn causes individuals to ignore the investment needed to develop these business relationships. This could be the reason why in general individuals still rely on social benefits as opposed to psychological benefits.

The reconstruction of the relationship benefits measurement framework unfolded as this research project progressed. The literature reviewed in Chapter two provided conceptual factors to be identified when entering an emerging market (refer to Figure 3-1 on p.37). The results and discussion from chapters five and six indicated that:

(1)   The only measurement of experience that was not meaningful is the individual's years of experience in Africa. The research findings found the most prominent measurement of experience to be the position held by the individual and the individual's years of experience within the EAC market.

(2)   Furthermore, only three probable associations were proved for the study: functional benefits were found to be in association with the extent of exposure to the industry and the EAC, social benefits were found to be in association with the position held by the individual as well as the individual's exposure to the industry, and psychological benefits were found to be in association with position held by the individual.

(3)   Only one dependent variable (social benefits) out of the four dependent variables of the research study (mode of entry, functional benefits, social benefits, psychological benefits) correlated with the measurements of experience: a decrease in the interaction with clients outside the business relationship was observed with an increase in experience in their respective industry, (2) an increase in sharing of information and knowledge with a potential client was observed with an increase with in

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responsibility (designation), and, there is an increase in collaboration with the potential client as the experience in Africa increases.

(4)   Functional, social and psychological benefits are used in practice when establishing businesses in the EAC. However, the same individuals do not necessarily make use of social and psychological benefits when establishing any other business relationship, therefore institutional framework do influence the way individuals approach business relationships.

7.3. Theoretical Implications

The research has some key theoretical implications for two areas of academia and practice, namely internationalisation and relationship marketing. In line with Khanna *et al.* (2005) and Khanna and Palepu (2010) context is key when entering the emerging market. However, the research study illustrated that the understanding of the specific market is more important that having a relative understanding of the emerging market. This is illustrated by the inappropriateness of years of experience in Africa as a measurement of experience, as opposed to years of experience in the EAC.

The literature indicated the importance of relationship selling and the dominance of individual – client relationship over firm – client relationship (Friman *et al.,* 2002; Palmatier et al., 2007; Tellefsen & Thomas, 2005). The research results indicate the importance of taking into consideration the position held by the individual as well as their exposure to a specific economic market during relationship establishment.

7.4. Management Considerations

The research has some important managerial implications for entry into emerging markets.

7.4.1. Recommendation 1: Recognition of institutional voids and their impact on choice of market mode entry

The lack of difference in low versus high institutional voids was unexpected. It indicates that institutional voids are relative and that the results are independent

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of institutional voids' ranking within the EAC. This observation could be as a result of the researcher's assumptions taken in arriving at using the EAC as the context for the study, in other words the region should be homogenous. Perhaps a study where the EAC is compared relative to other economic regions (western cluster, central cluster, SADC) will potentially yield different viewpoints.

Although the results from the hypotheses were inconclusive, the observations made from the views of the research participants indicated that firms still choose an entry mode that affords them the greatest degree of creating relationships, while balancing the impact that is accustomed to an economy with institutional voids. This implies that formation of interimistic relationships are still preferred by firms (Kock *et al.*, 2003), were relationships are based on short-term interaction, project focused business opportunities, trust based on previous project experience and relational norms embedded in project management techniques (Purchase & Olaru, 2004).

For management to fully leverage on the relationship establishment opportunities provided by choice of mode of entry (be it setting up a subsidiary or a JV) the perceived role of trust in reducing risk and uncertainty needs to be considered. Trust, which is a sub-construct of psychological benefits, has been reported by Laing and Lian (2005) as having a notable role to play in reducing uncertain during market exchanges.

7.4.2. Recommendation 2: Role of relationships in the EAC

Firms entering the EAC have been particularly strong in the use of functional benefits - the pricing of services and products right and receiving referrals from clients who have benefited from their relationship with the firm. Social benefits are also prominent – businesses take clients to soccer games and rugby games, and they give clients calendars, pens, and other souvenirs. However building trustworthy and empathetic relationships is still overlooked.

Therefore the concept of relationship commitment should be of interest to management. Relationship commitment is based on the perceived importance of a relationship – it includes the desire to continue the relationship through the willingness to invest resources into a relationship (Goldring, 2010). Rooted in

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the organisational behaviour theory, relationship commitment involves both the client and the firm as well as the firm's representative (Goldring, 2010). When entering the EAC, normative commitment or moral commitment is of importance since it suggests that one commits to a relationship as a result of identifying with the other party. It has been argued by scholars that relationship commitment brings about effective communication, shared value, personal friendships and trust (Bhagat, 2009), which speak to aspects already identified for social and psychological benefits.

7.5. Recommendations for Future Research

The following areas are recommended for further study. These include suggestions aimed at further development of this particular research whilst other proposals pertain to additional issues related to the concept of relationship benefits.

- This study focused on the views of a very limited sample, which restricted the researcher to make inferences for the envisaged study population. Further research should be conducted to better understand the impact of relationship benefits on market entry success within the African market. The researcher recommends the inclusion of other African economic clusters (Western cluster – Nigeria and Ghana; Southern cluster – South Africa, Mozambique, Zimbabwe, Botswana, Angola, Zambia). The study would further test the strength of this research finding.

- While conducting literature review, it became evident that other researchers have sought the opinion of both service providers as well as clients simultaneously in wanting to understand the concept of relationship building in an emerging market. Researchers are encouraged to test the proposed relationship benefits framework looking at both the spectrum of those impacted during relational exchange.

7.6. Conclusion

The research project has provided a comprehensive review of relationships and their benefits literature, and together with the data collected proposed a framework for using relationship benefits when entering an emerging market. Measuring relationships and their benefits is far too complex to be explained by

associations and independency frameworks, hence relationship managers and executives involved in the development of emerging market strategies are advised to employ a multi-dimensional approach when including relationships benefits in their emerging market strategies. The framework developed in the study provides explanations about the role and importance of each driver of relationship benefits, and more importantly the role relationships received plays during market entry.

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APPENDIX A: BUSINESS OPPORTUNITIES IN THE EAC

- **Agribusiness**: with its close trade links with Uganda and Tanzania, as well as easy management of complex supply chains, dealing with European imports, and health requirements positioning Kenya as an economic hub of the EAC.

- **Consumer goods**: the rapid rise in middle-class should put excessive force on demand for consumer goods in the region. Kenya has a strong potential as a good base for regional production expansion on the basis of its large skilled and transportation infrastructure.

- **Oil, Gas and other energy alternatives**: EAC countries have been hotbeds for large oil and gas discoveries, with oil production expected in Kenya by 2016. There are other energy alternatives being considered in the region, namely:

  o The East African power sector suffers from inefficiencies and lack of investment. The development of geothermal power in Kenya, Ethiopia, Rwanda, Tanzania and Djibouti therefore boasts energy security for the region;

  o Off-grid renewable energy systems is also receiving attention, specifically in rural areas in the region;

  o The Asian investment in the region includes a $4bn dual pipeline investment between South Sudan, Kenya and Rwanda; and, gas pipeline in Tanzania. There are also talks of a 352km refined fuel pipeline between Kenya and Uganda.

- **Infrastructure**: The East African governments have announced investments in regional roads and rail infrastructure to the tune of over $5 billion (Visa Sub-Saharan Africa, 2013). This amount exclude the planned Rwanda, Tanzania and Burundi rail link that is expected to cost $5.2bn as well as the $10bn that the Chinese have earmarked for the port of Bagamoyo in Tanzania.

- **Mining**: Foreign investment, notably from China has risen rapidly, which has helped underpin mining in EAC (i.e. uranium in Tanzania; gold in

Kenya). Although African governments in general intends to introduce super tax on mining companies as well as introduce policies that tighten regulation, investment in mining and other infrastructure is welcomed.

- **Pharmaceuticals**: drug manufacturing in Kenya is best placed to capitalise on the high growth demand for drugs, lately as a result of increasing longevity.

- **Telecommunications**: network expansion in EAC member states like Tanzania is envisaged, with investment amounting to $124mn. Other telecommunication projects of significance include:

  o Investments in growth of regional broadband market that will potential connect Nairobi, Dar es Salaam, Kampala and Kigali.

  o Migration from analogue to digital broadcasting in Tanzania, in line with SADC guidelines on digital migration.

APPENDIX B: IDENTIFICATION OF INSTITUTIONAL VOIDS FOR THE EAC

Framework for spotting institutional voids in emerging market

Context	Questions to ask when spotting institutional voids
Political and social system	• To whom are the country's politicians accountable? Are there strong political groups that oppose the ruling party? Do elections take place regularly? • Are the roles of the legislative, executive, and judiciary clearly defined? What is the distribution of power between the central, state, and city government? • Does the government go beyond regulating business to interfering in it or running companies? • Do the laws articulate and protect private property rights? • What is the quality of the country's bureaucrats? What are bureaucrats' incentives and career trajectories? • Is the judiciary independent? Do the courts adjudicate disputes and enforce contracts in a timely and impartial manner? How effective are the quasi-judicial regulatory institutions that set and enforce rules for business activities? • Do religious, linguistic, regional, and ethnic groups coexist peacefully, or are there tensions between them? • How vibrant and independent is the media? Are newspapers and magazines neutral, or do they represent sectarian interests? • Are nongovernmental organisations, civil rights groups, and environmental groups active in the country? • Do people tolerate corruption in business and government? • What role do family ties play in business? • Can strangers be trusted to honour a contract in the country?
Openness	• Are the country's government, media, and people receptive to foreign investment? Do citizens trust companies and individuals from some parts of the world more than others? • What restrictions does the government place on foreign investment? Are those restrictions in place to facilitate the growth of domestic companies, to protect state monopolies or because people are suspicious of multi-nationals? • Can a company make greenfield investments and acquire local companies, or can it only break into the market by entering into joint ventures? Will that company be free to choose partners based purely on economic considerations? • Does the country allow the presence of foreign intermediaries such as market research and advertising firms, retailers, media companies, banks, insurance companies, venture capital firms, auditing firms, management consulting firms, and educational institutions? • How long does it take to start a new venture in the country? How cumbersome are the government's procedures for permitting the launch of a wholly foreign-owned business? • Are there restrictions on portfolio investments by overseas companies or on dividend repatriation by multi-nationals? • Does the market drive exchange rates, or does the government control them? It it's the latter, does the government try to maintain a stable exchange rate, or does it try to favor domestic products over imports by propping up the local currency? • What would be the impact of tariffs on a company's capital goods and raw materials imports? How would import duties affect that company's ability to manufacture its products locally versus exporting them from home? • Can a company set up its business anywhere in the country? If the government restricts the company's location choices,

Context	Questions to ask when spotting institutional voids
	are its motives political, or is it inspired by a logical regional development strategy? • Has the country signed free-trade agreements with other nations? If so, do those agreements favor investments by companies from some parts of the world over others? • Does the government allow foreign executives to enter and leave the country freely? How difficult is it get work permits for managers and engineers? • Does the country allow its citizens to travel abroad freely? Can ideas flow into the country unrestricted? Are people permitted to debate and accept those ideas?
Product markets	• Can companies easily obtain reliable data on customer tastes and purchase behaviours? Are there cultural barriers to market research? Do world-class market research firms operate in the country? • Can consumers easily obtain unbiased information on the quality of the goods and services they want to buy? Are there independent consumer organisations and publications that provide such information? • Can companies access raw materials and components of good quality? Is there a deep network of suppliers? Are there firms that assess suppliers' quality and reliability? Can companies enforce contracts with suppliers? • How strong are the logistics and transportation infrastructures? Have global logistics companies set up local operations? • Do large retail chains exist in the country? If so, do they cover the entire country or only the major cities? Do they reach all consumers or only wealthy ones? • Are there other types of distribution channels, such as direct-to-consumer channels and discount retail channels that deliver products to customers? • Is it difficult for multi-nationals to collect receivables from local retailers? • Do consumers use credit cards or does cash dominate transactions? Can consumers get credit to make purchases? Are data on customer creditworthiness available? • What recourse do consumers have against false claims by companies or defective products and services? • How do companies deliver after-sales service to consumers? Is it possible to set up a nationwide service network? Are third party service providers reliable? • Are consumers willing to try new products and services? Do they trust goods from local companies? How about foreign companies? • What kind of product-related environment and safety regulations are in place? How do the authorities enforce regulations?
Labour markets	• How strong is the country's education infrastructure, especially for technical and management training? Does it have a good elementary and secondary education system as well? • Do people study and do business in English or in another international language, or do they mainly speak a local language? • Are data available to help sort out the quality of the country's educational institutions? • Can employees move easily from one company to another? Does the local culture support that movement? Do recruitment agencies facilitate executive mobility? • What are the major post recruitment-training needs of the people that multinationals hire locally? • Is pay for performance a standard practice? How much weight do executives give seniority, as opposed to merit, in making promotion decisions? • Would a company be able to enforce employment contracts with senior executives? Could it protect itself against executives who leave the firm and then compete against it? Could it stop employees from stealing trade secrets and intellectual

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Context	Questions to ask when spotting institutional voids
	property? • Does the local culture accept foreign managers? Do the laws allow a firm to transfer locally hired people to another country? Do managers want to stay or leave the nation? • How are the rights of workers protected? How strong are the country's trade unions? Do they defend workers' interests or only advance a political agenda? • Can companies use stock options and stock-based compensation schemes to motivate employees? • Do the laws and regulations limit a firm's ability to restructure, downsize, or shut down? • If a company were to adopt its local rivals' or suppliers' business practices, such as the use of child labour, would that tarnish its image overseas?
Capital markets	• How effective are the country's banks, insurance companies, and mutual funds at collecting savings and channeling them into investments? • Are financial institutions managed well? Is their decision making transparent? Do non-economic considerations such as family ties influence their investment decisions? • Can companies raise large amounts of equity capital in the stock market? Is there a market for corporate debt? • Does a venture capital industry exist? If so, does it allow individuals with good ideas to raise funds? • How reliable are sources of information on company performance? Do the accounting standards and disclosure regulations permit investors and creditors to monitor company management? • Do independent financial analysts, rating agencies, and the media offer unbiased information on companies? • How effective are corporate governance norms and standards at protecting shareholder interests? • Are corporate boards independent and empowered, and do they have independent directors? • Are regulators effective at monitoring the banking industry and stock markets? • How well do the courts deal with fraud? • Do the laws permit companies to engage in hostile takeovers? Can shareholders organise themselves to remove entrenched managers through proxy fights? • Is there an orderly bankruptcy process that balances the interests of owners, creditors, and other stakeholders?

Source: Khanna, Palepu and Sinha (2005)

Institutional voids within the EAC

Context	Burundi	Kenya	Rwanda	Tanzania	Uganda
Political system	Government dominated by one party. Last elections president re-elected with 91% of vote due to withdrawals and allegations of fraud.	Dynamic multi-party politics. Last election resulted in worst violence in the country since independence. Incumbent government in coalition between the two main rivals in last election.	Government formed by coalition of six parties. Last election marred by allegation of voter intimidation. Incumbent president received 93% of votes.	Stable democracy, however traits of socialism remain in government policies.	Ruling party dominates politics in the country. Incumbent president has been in power for 25 years. Opposition charged last election as fraudulent.
Social system	More than 600,000 people died in the country's ethnic war and over 6% of population was displaced.	An estimated 47% of population lives in poverty and 20% in extreme poverty.	More than 800, 000 people lost their lives during the 1994-1998 genocide. There is generally high levels of inequality.	More than 1/3 of the population lives in poverty.	There are high levels of poverty and income inequality.
Openness	Implementation of structural reforms lags somewhat, reflecting the complex political environment and weak administrative capacity. Private property is subject to government expropriation.	Business-friendly reforms have been recently introduced. Furthermore, competition law were introduced in 2011.	Rwanda recently embarked on a privatisation and liberalisation, aiming to attract private investors into labour-intensive industries.	State promoting privatisation. However red-tape and bureaucracy a significant hindrance within the business environment.	Tax incentives has been introduced to encourage foreign investment and bolster exports.
Labour markets	90% of the population depends on subsistence agriculture. There is also shortage of skilled workforce.	Most developed labour market in the region, with high skilled workers. 80% of the workforce is employed in the agricultural sector.		82% of the population employed in the agricultural sector. There is a shortage of skilled workers.	50% of the population is employed in the agricultural sector. There is significant shortage of skilled labour.
Capital markets	Relatively small undeveloped financial sector dominated by banking. Burundi is in the process of setting	Well developed and competitive banking system. The Nairobi stock exchange is amongst the leading capital markets in	Efforts to develop the financial sector.	Recent banking reforms are helping to increase private sector growth and investment.	Establishment of four commercial banks has helped to increase lending the private sector,

Context	Burundi	Kenya	Rwanda	Tanzania	Uganda
	up a capital market under the development of a central bank.	the continent.			
Product markets	Poorly developed.	Well-developed, sophisticated product market. High competition.	Rapidly developing product market encouraged by strong economic reform and investor-friendly policies.	Well-developed but constrained by archaic socialist policies. Private consumption can be subject to significant shocks, based on the strength of the harvest.	Well-developed, well-researched product market. Medium-low competition.

Source: Kamau, 2011

APPENDIX C: FRAMEWORK FOR RESPONDING TO INSTITUTIONAL VOIDS

Set of options for responding to institutional voids

Strategic Choice	Options for MNCs from developed markets	Options for Emerging Market-based Companies
Replicate or adapt?	• Replicate business model, exploit relative advantage of global brand, credibility, know-how, talent, finance, and, other factor inputs. • Adapt business models, products/ services or organisations to institutional voids	• Copy business model from developed markets.. • Exploit local knowledge, capabilities, and ability to navigate institutional voids to build tailored business models.
Compete alone or collaborate?	• Compete alone. • Acquire capabilities to navigate institutional voids through local partnerships or JVs	• Compete alone • Acquire capabilities from developed markets through local partnerships or JVs with companies to bypass institutional voids.
Accept or attempt to change market context?	• Take market context as given. • Fill institutional voids in services of own business.	• Take market context as given. • Fill institutional voids in services of own business.
Enter, wait or exit?	• Enter or stay in market in spite of institutional voids. • Emphasise opportunities elsewhere.	• Build business in home market in spite of institutional voids. • Exit home market early in corporate history if capabilities unrewarded at home.

Source: Khanna and Palepu (2010)

APPENDIX D: RANKINGS FOR COMPUTING INSTITUTIONAL VOIDS

For purposes of consistency, the year of analysis was kept to 2012.

Ranking	Burundi	Kenya	Rwanda	Tanzania	Uganda
Global Competitiveness Report (2012) – a total of 144 economies					
Political and social systems	142	106	20	86	102
Labour market	112	39	11	47	23
Product market	139	93	39	110	103
Capital market	144	24	49	85	62
Ease of Doing Business Report (2012) – a total of 183 economies					
Openness	169	109	45	127	123
Total	**706**	**371**	**164**	**455**	**413**
Final Country Rank (Equal weigh factor applied)	**141.2**	**74.2**	**32.8**	**91.0**	**82.6**
Ranking for Institutional Environment	**5**	**2**	**1**	**4**	**3**
Ranking for Institutional Voids	**1**	**4**	**5**	**1**	**3**

Source: Global Competitiveness Report (2012); Ease of Doing Business Report (2012)

APPENDIX E: GUIDE FOR SEMI-STRUCTURED INTERVIEWS

Research Topic

The role of relationship benefits when entering an emerging market: A case for the East African Community

Consent

I am conducting research on how relationship benefits impact the success of entering an emerging market using Africa, specifically the East African Community, as the context for the study.

In essence the purpose of the study is to determine if psychological, functional and social benefits can be used successfully to enter an emerging market. To that end, you are asked to participate in this interview. This will help us better understand the value of relationship benefits when a firm formulates its internationalisation strategy.

The interview, which is semi-structured in nature, will not take longer than 1 hour and 30 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. **All data will be kept confidential**. By taking part in the interview you indicate that you voluntarily participate in this research.

If you have any concerns, please contact me or my supervisor. Our contact details are provided below.

Researcher:	Supervisor:
Malebo Matolong	Allan Maram
072 316 6776	076 186 2474
malebo123@gmail.com	ajmaram@gmail.com

Process

- Thank person for availing themselves and attending the interview.

- Explain purpose of research and interview, emphasising that it is the participant's own opinion that is important.

- Ask participant if she/he is willing to be interviewed.

- If willing, ask the participant to sign a consent form. If not, thank the participant for her/his time and close the interview.

- If consent form is signed, notify participant that the session will be recorded for analysis. Inform the participant that the recording will be part of the research hand-in.

- If approved, check battery power, confirm details of interview and begin.

- If not, thank them for their time and close the interview.

- Ask participant if they have any questions for the interviewer about the process prior to beginning.

Administrative Information

- Participant name:

- Elias for confidentiality:

- Current role in Firm:

- Number of years in current role:

- Previous roles (period in role):

- Total number of service years in African market:

Semi-Structured Interview

- Please tell me a bit about your journey in your current role in the firm?

- Which African countries have you worked in?

- Which countries have been difficult to enter?

- What are the main challenges you have faced when entering an emerging market like Africa?

- What are some of the challenges you have faced when you engage with clients from the African region for the first time, as opposed to other regions?

- What is your understanding of the concept of relationship selling? (*Concept of relationship selling focuses on your relationship behaviour as the firm's representative*)

- What about relationship marketing, what is your understanding of the concept? (*Concept depicts firm's approach to maintaining client loyalty and stimulation of repeat work*)

- How do you normally sell the firm's offering?

- How do you use your relationship selling approach to ensure firm's differentiation in the African market?

- In your opinion, how do you ensure that relationship selling results in economic gain for the firm? (*This question talks to functional benefits*)

- How do you use social benefits when entering a market like Africa? (*Use words like friendship, personal recognition, commitment to guide respondent to tell a story*)

- How do you normally leverage on psychological benefits when entering the African market? (Rephrase as follows if required to guide respondent to tell a story: *How do you leverage on trust, client expectation, client understanding to ensure it results in client loyalty?*)

- In your opinion, how does your level of commitment to a relationship with a potential client impact the firm?

- How do you influence the potential client's perceived trust in you?

Interview Closure

- Describe the way forward with regards to the research.

- Thanks the participant for her/his time.

- Stop recording and check if the session was recorded successfully.

- Close the interview.

Consent Form

Participation in the research project titled "The role of relationship benefits when entering an emerging market: A case for East African Community".

I, …………………………………………………….., the undersigned agree to partake in the abovementioned research project undertaken by Ms Malebo Matolong as part of partial fulfilment of the requirement for her degree of Masters of Business Administration.

I agree to the following:

- I have been informed accordingly by the candidate as to the purpose of the study;

- The costs and benefits of participating in the research have been explained to me;

- I partake in the research project on a voluntary basis; and,

- I understand that the data will be kept confidential, and its use is solely for the intended purpose only.

………………………………….. …………………..

Signature Date

APPENDIX F: ON-LINE SURVEY

Consent Form

Participation in the research project titled "The role of relationship benefits when entering an emerging market: A case for East African Community".

I am conducting research on how relationship benefits impact the success of entering an emerging market, using the East African Community as the context for the study. In essence the purpose of the study is to determine if functional, psychological and social benefits can be used successfully to enter an emerging market. To that end, you are asked to participate in this on-line survey. This will help us better understand the value of relationship benefits when a firm formulates its internationalisation strategy.

The interview will take approximately 15 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. **All data will be kept confidential**. By taking part in the interview you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor. Our contact details are provided below.

Researcher:	Supervisor:
Malebo Matolong	Allan Maram
072 316 6776	076 186 2474
malebo123@gmail.com	ajmaram@gmail.com

Context for the Questions

Although the research study aims to understand how firms can enter an emerging market successfully by using relationship marketing and relationship selling, Africa cannot be used as the context for the study due to its heterogeneous nature. To that effect the research study will be confined to the East African Community (EAC).

- Respondents are asked to consider clients they have engaged with from the EAC member states (i.e. Burundi, Kenya, Rwanda, Tanzania and Uganda).

- The questionnaire is presented in five parts – first part requires respondents to provide information about themselves; whilst the second to fifth part of the questionnaire ask questions specific to firm internationalisation and the importance of relationship marketing and relationship selling when entering an emerging market.

Part 1: General Information about the Respondent

- Designation: Top Management; Middle Management; Business Development

- Years in Service Industry: 1 – 5 years; 6 – 10 years; 10 – 20 years; > 20 years

- Years of experience working in Africa: 1 – 5 years; 6 – 10 years; 10 – 20 years; > 20 years

- Years of experience working in the EAC: 1 – 5 years; 6 – 10 years; 10 – 20 years; > 20 years

Part 2: Impact of Institutional Voids

Adopted from Child and Tsai (2005); Sweeney and Webb (2007); and, Peng *et al.* (2008)

- A1: Our relationship with the client enabled us to become more competitive in the market

- A2: In my view the client fully capitalised on the value the firm offered

- A3: Our relationship with the client enabled us to enhance financial outcomes for the firm.

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- A4: Our relationship with the client enabled us to maximise financial outcomes.
- A5: Our relationship with the client enabled us to proactively identify other opportunities

Keeping with the EAC-based client(s) you have engaged with (i.e. Burundi, Kenya, Rwanda, Tanzania or Uganda), which of the following is relevant:

- B1: My relationship with the client went beyond just business
- B2: The client has called on us more than twice subsequent to our first interaction.
- B3: I worked closely with the client on a continuous basis, which resulted in repeat work
- B4: The client continues to say positive things about me.
- B5: The client continues to continuously utilise us

Keeping with the EAC-based client(s) you have engaged with (i.e. Burundi, Kenya, Rwanda, Tanzania or Uganda), which of the following is relevant:

- C1: I felt easily trusted by the client
- C2: I gave my word and I stuck to it
- C3: My conduct with the client resulted in repeat work for the firm.
- C4: I am highly valued by the client
- C5: I feel respected when I interact with the client.

Part 3: Impact of Relationship Benefits on any market entry

Adopted from Sweeney and Webb (2007) and Goldring (2010)

During the exploration stage of the relationship with a prospective client, my intentions are always:

- To develop real friendship with the client
- To interact with the client outside business relation.
- To ensure the client and I worked together.
- To share information and knowledge with the client – beyond what the business relationship required.

When I interact with a prospective client for the first time:

- I always ensure minimum conflict between myself and the client
- I am constantly trustworthy
- The new client normally know what to expect of/from me

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- The new client normally knows what to expect of/from the firm

- The firm is normally trusted by clients

- There is a real sense of understanding of who we are from the client

Part 4: Effective Mode of Entry for penetrating an Emerging Market

Adopted from Ling *et al.* (2005); Peng *et al.* (2008); Meyer *et al.* (2009); and, Holtbrügge and Baron (2013).

Which mode of entry did the firm prefer?

- Setting up a branch office within EAC member state

- Set up a new subsidiary firm within the EAC member state

- Merged with or acquired a firm from EAC member state

- Set up a new firm by JV with another firm from the EAC member state

- Set up a new firm by JV with another firm from own home country

- Set up a new firm by JV with an international (non-home country) firm

- Undertook project jointly with EAC firm

- Undertook project jointly with another firm from own home country;

- Undertook project jointly with an international (non-home country) firm

- Formed an alliance with a financial institution

- Formed an alliance with a home country client who is investing in EAC member state

- Formed an alliance with an EAC member state client

- Formed an alliance with a foreign client who is investing in EAC member state

How successful was the preferred mode of entry?

If preferred mode of entry did not succeed, what were the reason(s) for failure?

APPENDIX G: INTERVIEW TRANSCRIPTS

Interview with Respondent 1 (28 November 2013)

Interviewer: All right. I think maybe because I also need to do the administrative part of it, for the report, if you can just say your name.

Interviewee Okay. (…).

Interviewer: And your current role in the firm.

Interviewee: It is a Technical Director in Environmental and Planning Unit.

Interviewer: And then how many years have you held your current role?

Interviewee Well, four months.

Interviewer: Four months and then your previous one, was an associate?

Interviewee: That was an Associate. That was, I am not sure, but probably about five years or so.

Interviewer: Five years. Okay. Then I know you have been heavily involved in the African Market as well. How many years do you remember that you were really involved with projects in the African Market?

Interviewee: Well. Since 1999, but not full time since then. It has been a mixture of South Africa and Africa.

Interviewer: Oh. Okay.

Interviewee: Yes. One can almost say 50/50 or perhaps 60/40 to RSA.

Interviewer: Oh. Okay.

Interviewee: Something like that, maybe.

Interviewer: Okay, but you have been a player for quite a while.

Interviewee: Yes. Yes.

Interviewer: All right. In which African countries have you worked in?

Interviewee: Okay.   Lesotho,   Swaziland,   Mozambique,   Namibia,   Zambia,
Malawi...

Interviewer: Lesotho, Swaziland, Mozambique, Namibia, Zambia, Malawi.

Interviewee: I have done little bits in Kenya and Ethiopia but I think, you know it
is not so much.

Interviewer: Okay.

Interviewee: And Sierra Leone. And that is probably about it.

Interviewer: All right.

Interviewee: Oh. And Uganda. And Uganda.

*Interviewer: Oh and Uganda as well. All right. And in your own opinion, how
difficult has it been to enter... I am sure you have written tenders where you
engage clients. How difficult was it with respect to acquiring this work?*

Interviewee: All of the projects really, have gone through tenders.

Interviewer: Okay. So it is a tender process.

Interviewee: Yes. So it was a tender process. So, I think what probably helped
is that (firm) had a name.

Interviewer: So it is a known brand. Sort of.

Interviewee: A… you mean a non-brand?

Interviewer: A known brand.

Interviewee: Oh, a known brand. Yes, yes, certainly. I think the brand made a huge impact in the tender evaluation. And with the client often with the funder. Those two are different so you need to know the funding agency. Normally as I say, they need to you know, believe in Oracle and the client as well.

Interviewer: All right.

Interviewee: Well normally the client makes a...

Interviewer: The final say.

Interviewee: They do the Tender evaluation, but I am sure the Funder also has a certain impact. There is one recent example where we just got appointed based on a project based on Billiar Project that we completed successfully. And that was earlier this year in Sierra Leone.

Interviewer: Oh, Okay. So that was an impact from a funder's point of view not a clients.

A funder's point of view.

Interviewer: All right.

Interviewee: That is a World thing that pointed us for a filler of selling. Which was eventually done by (colleague's name), not myself specifically.

Interviewer: But in your opinion what is some of the main challenges that you really face when you engage and enter...

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Interviewee: When entering?

Interviewer: Yes. When you enter a market like Africa.

Interviewee: Look, I think it is important that a client needs to know you. It has been communicated to me through a number of people for example (name of colleague), who is Country Manager in Kenya and Ethiopia. He always says that and you know we have tried a few times to enter that market with, to submit Tenders unsuccessfully and he always says that, you know, well after the tender evaluation then, it is almost like I told you so type of thing, that you need to have a relationship with the clients. So they need to know you. They need to trust in you. So that is like Kenya and Ethiopia. I think that some of the others, other countries that I have mentioned, I think all of those we have had previous work. So they know about us. So the project that we did there is maybe not a case of entering the market, because we have already established a presence...

Interviewer: Oh. Okay.

Interviewee: …In the market.

Interviewer: Okay. And then in terms of engaging these clients, how … what are some of the challenges that you faced?

Interviewee: Engaging with the clients?

Interviewer: Yes. Specifically in the African regions.

I think, well the first thing perhaps is the distance. Okay? That is a practical thing, because often we do the project from Pretoria. Which sometimes is a bit of an obstacle, because you need to actually have frequent communication with the client.

Interviewer: Okay.

Interviewee: Okay, so from a practical point, it is difficult to go there on short notice or to go there on a weekly basis for a progress meeting and so on. Engage the client, so that is a challenge. You know, maybe the first challenge. I am trying to think of other challenges. I think also from a practical point is the communication such as email and even phones and so on is just a bit more difficult in Africa to reach people sometimes.

Interviewer: Okay, from an infrastructural point of view.

Interviewee: Yes. ICT or that point of view. I am trying to think what else. Yes. Especially where we had to meet with a number of stakeholders, not necessarily our client but other Government departments and so on. It was sometimes a struggle to get hold of the people they, you might have a meeting with them but they just don't pitch up.

Interviewer: Shew.

Interviewee: Yes, you know that type of thing. So – yes. Maybe they over booked or whatever. I think those are the obvious ones. I am trying to think if there are anything else, but not really. I think that is it... those are the only ones.

Interviewer: That is it.

Interviewee: Yes.

Interviewer: The next few questions are more aligned to my... the topic of the research. There are two concepts that marketers normally talk about. They talk about "Relationship Selling", so it is your own approach to a client, interaction.

Interviewee: Okay.

Interviewer: Let's look at it from a... it is a potential client. So how you interact with that potential client. You yourself. And then they talk about relationship marketing from a point of view of how Oracle, as a firm will approach and try to

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maintain and build that reputation to stimulate repeat work, which you have touched a little bit on. So I wanted to perhaps find what is your view? Have you perhaps differentiated the two and how do you normally apply them especially for African new clients?

Interviewee: I see the marketing part, so the (…) and its point of view. I see that is more something that has been done by Country Manager, in the case of (…) now, in the case of Country or Regional Manager. Okay, so we have people like (…)

Interviewer: (…)

Interviewee: And (…), and those guys who from their side go and see clients sometimes. Maybe would take them out for lunch and give them calendars and booklets or those type of stuff and maybe even invite them to an Oracle function or whatever. That type of thing. From myself, then, so on an individual basis where I do the type of selling then, normally... well first of all it is on a project base. You know, so first of all I make sure that whatever the project is about, that everything is technically sound and according schedule and so on. And I try to inform them about that, so that first of all they get piece of mind in terms of the current project that we are doing. And then the other thing is and especially during the start of the project where you talk in general about what needs to be done and speak of capabilities and a team and so on. That is certainly a period or an opportunity where you can then tell them a bit more about Oracle and then yes, Oracle can certainly do that part as well and we have got this nice person on the team who has done this type of work for ten years. So certainly, there is a lot of opportunity for a selling point and then I think maybe at the end of the project as well. I normally see that as a further opportunity to then maybe touch on, you know the way forward and then so they see the implementation of wherever we have proposed and maybe try and sell Oracle there as well. So from a selling point of view, that is normally how I approach it.

Interviewer: I think you have also covered maybe number eight. How do you normally sell the firm? I think you have touched a little bit on that. And then how do you... you know, because another aspect that literature touches on is

companies are increasingly, for them to be successful, it is quite important that they differentiate themselves as well. So your relationship selling skills, how do you really ensure that you differentiate the organisation and yourself within the African Market?

Interviewee: Okay. I think the one thing that people, the one problem that people often make is because it is long distance. Normally the phone is somewhere else. So they don't have frequent communication with the client. So that is the first thing. Even if you email. I prefer email because telephone long distant calls is always a mess. But you need to have frequent communication with them. Just informing them of the status and so on. The other thing, but that is more of a technical thing. Is to make sure that they are aware of the team and who is working on the team and shouldn't be vastly different from what you have proposed.

Interviewer: Okay.

Interviewee: And that is more of a technical thing. The relationship bit is, and that is now whether it is in Africa or South Africa. I mean both are the African Market. Myself, I don't try and be a certain person, so I don't try and have a picture of how I think you should approach a person. I really just try to be natural, to be myself.

Interviewer: Okay.

Interviewee: Because you know, if you can only try to be somebody else you know, for a few months and then after that, you know, things will start falling apart. So I think my personality skills maybe that I see as a benefit is that firstly I am not an arrogant type of person so I can talk to anybody. I can associate with their problems and so on. So when I am on discussions with people and have a bit of laughter on some issues and then talk a bit more of important issues, technical issues again, and so on.

Interviewer: Okay.

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Interviewee: And then, I think the other thing, I think I am fairly self-confident and I try to bring that over in my interaction with clients because I know the worst thing is to see somebody making a presentation or talking about their deliverables and then starting to wonder – oh, is this actually correct or how did we do this again, or we are not quite sure about this answer. So I try to stay away from that as far as possible. So I think that is the second point that may be in my personality that I try to bring forward when I speak to clients. And then obviously just technical excellence. I think that is a very important way of selling your services and your company. You need to give them what they expect from a job. So you need to understand, you know, what is their expectation, when do they want it and so on, and give it to them.

Interviewer: Okay. And remember I talked about the three aspects that really talk to relationship benefits, so the next three questions that are really around that.

Interviewee: Okay.

Interviewer: The first one mainly talks to using your, your selling skills to ensure we, or the organisation gains. So I think maybe you've actually touched a little bit on it...

Interviewee: Okay.

Interviewer: In terms of, you know, you ensure technical excellence. Any other that you would want to add perhaps?

Interviewee: Maybe just show me which specific one that I can just read again. That relationship, selling results...

Interviewer: Economic heads, so how, how, how do you ensure that thing, maybe things along the line of your, your, not necessarily technical skills, your managerial skills as well.

Interviewee: Okay, is that with the functional...?

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Interviewer: Yes.

Interviewee: Means?

Interviewer: Yes.

Interviewee: Functional, okay.

Interviewer: Functional really, benefits says you, you strive to ensure your organisation gets the maximum economic benefit out of the relationship.

Interviewee: Okay.

Interviewer: I think it normally, what organisations do in this aspect is couple it with, as you said, your technical excellence.

Interviewee: Yes, yes.

Interviewer: That's how you sell yourself.

Interviewee: Yes.

Interviewer: And as I said managerial wise, because you, you are able to then manage the finances better, manage your resources. I think you've talked about it along the way.

Interviewee: Although maybe the one thing that I pick up here is, okay, because you can establish a relationship with a client. You know, market yourself and market the firm, but the question is: Does it actually feed into or go over into projects?

Interviewer: Yes.

Interviewee: So does the firm actually then, you know, gain from it? And I think that's probably the difficult part, because at the end of the day you want it to result in projects for the firm.

Interviewer: Yes.

Interviewee: That is sometimes difficult to achieve, because in most, there's, it's very little that you have a direct type of appointment from a client where it doesn't go through a procurement process and so normally you can convince the client that, you know, you are a very nice guy and a very capable firm. But then you still need to tender and somebody else comes in cheaper than you and they still get the job. So there is still that risk and so it's a bit difficult to sometimes put it over into economic gain. Although I think there are still a bit of and, what's the word, maybe a subconscious type of benefit that you can gain even during the tender process. Because still, you know, there's tender evaluation, the financial price is simply a formula that has been applied, but in the technical evaluation, you still get points for people and for previous experience and company profile. And that's a qualitative type of assessment and a lot of that then depends on their view of the company. So if you can ensure that they know about Oracle and they have belief in, you know, the specific individuals that you propose in the team. Certainly, I think that will be a benefit in the tender evaluation process and that will then increase your chances of actually getting the project.

Interviewer: Okay.

Interviewee: Yes.

Interviewer: And then in terms of, have you ever approached, and I think perhaps it may be difficult to assess, where you, instead of relying a lot on our, the organisation's technical ability where you have made an effort to either build a friendship with or recognise that client from a personal, a personal point of view? Have you ever, those are normally called the social benefits, you are applying social benefits to your relationship selling approach, have you ever done...?

Interviewee: I think that's maybe the one aspect where I struggle a bit, because normally what, whatever I do or the relationship that I build normally is technical. So I'm not too good at inviting people for, maybe lunch or dinner or whatever. So no, up to date that's not something that I've really worked on. I think there are opportunities now and I know there is a need for me to actually work on that as well. For example, you know, to take some of the clients to a rugby or soccer match.

Interviewer: Yes.

Interviewee: You know? That type of thing or even have a lunch session, you know, with a bit of informal discussion and then maybe at the end a bit of opportunity discussions. There is actually one client where I have applied that a bit in the last year or two where we, we had I think two or three lunch sessions long after a project has been completed just to discuss a bit of, of what's going on in the market and so on.

Interviewer: And have you, does it, have you realised it adds value to, I think your interactions with clients although it's a once off thing? If you compare it with the other approaches where you were just technical, it's a technical approach.

I think, well it, I think it will certainly add value, yes. In that particular case, it did not result in a new project for us.

Interviewer: Okay.

Interviewee: Although, you know, it certainly gave us a bit of insight into the market so we maybe understood the market a bit better.

Interviewer: Okay.

Interviewee: But yes, I think it will because it just results in people having a better feeling or a more peace of mind about the company.

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Interviewer: Yes.

Interviewee: They know you as a person, yes.

Interviewer: Yes.

Interviewee: So I think it will.

Interviewer: Actually, that's what literature also says, it says because interaction is mainly a one-on-one. Companies that don't realise that they need to build their, in our case, country managers as well as technical directors associates that interact directly with clients, that's where you can't differentiate yourself. So that's exactly what I am trying to prove more or less.

Interviewee: Okay, okay.

Interviewer: Then one last aspect in terms of relationship benefits talks to also using psychological benefits. And they talk on, you know, how you leverage on the trust that you build with the client, what leveraging on, you know, understanding what the client expects from an organisation and from yourself, and the understanding that they have of the business that we do. To ensure that at the end you have that repeat work. How do you normally leverage on that? And I think you've touched a little bit on, on, on it although you didn't necessarily say, you know, we touched on trusting, etc.

Interviewee: Yes.

Interviewer: But I think what I've picked up is you leverage a lot on the technical ability of the organisation as well as yours to ensure you build the psychological benefits.

Interviewee: Yes.

Interviewer: Have I understood you right?

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Interviewee: Yes.

Interviewer: Okay.

Interviewee: I think so, I think that certainly builds the trust and the trust I think is the main thing. So if the client trusts your abilities and your intentions then, you know, and he's happy with the work that you did, then I think then you had a successful encounter with him, a successful project. And if that results in a further project from that client then great, if not then you know, that's also fine. I think people talk to each other and that client will maybe talk to somebody else and, you know, to somebody else and at the end of the day if you have, you know, fifty projects and then fifty people that feel, that trust Oracle then obviously that has an impact in the market. So...

Interviewer: Okay.

Interviewee: So that's how I approach it.

Interviewer: All right. Just to bring another aspect that I brought into the study, there are arguments within literature that because a relationship is on a one-on-one basis between yourself as a seller of services as well as the client, your level of commitment is quite important in determining the type of relationship you really build with a potential client. Have you realised that being, playing a role in your interactions? Like if your, let me put it this way, if your, you are not committed to this particular client, have you realised it doesn't really result in anything other than when you put a lot of commitment into it?

Interviewee: Okay, I see what you mean, yes. As well as it's an interesting question and I don't know if I have a straight answer on that. I know obviously if you have a low level of commitment, you know, it will, the client will pick it up and it will certainly result in, or impact on his opinion. You can probably still perform a technical, or still give him a technically sound project and theoretically then he should still be happy with what you did.

Interviewer: Yes.

Interviewee: But I, I, I've just seen in my last couple of years that if you have frequent communication with them, it certainly builds, you know, it builds a bit of trust.

Interviewer: Okay.

Interviewee: And I think that, you know, is more of an advantage to the project. Yes, yes.

Interviewer: Okay. Then lastly, how you influence potential clients to perceive trust. The argument here is, you know, you, to grab a client's attention, for them to be part of, or even offer you an appointment there needs to be a creation of some level of trust towards you as an individual.

Interviewee: Yes.

Interviewer: But I guess for our industry it's a little bit difficult because you don't really, especially for a new client, you don't really interact with them until you really learn a project. So a model for our industry might be a little bit different than, than the others.

Interviewee: Yes.

Interviewer: Do you have the same feel or...?

Interviewee: Okay, let's see. Okay, so there's a potential client. Just re-phase it again?

Interviewer: So you, remember for a client, for a client to end up allowing you to, to get a, enjoy an appointment...

Interviewee: Yes.

Interviewer: There needs to be a, a, a perceived, they need to get to some level of trusting.

Interviewee: Yes.

Interviewer: Yes, so I was saying I think for our industry it's a little bit difficult because they, we normally go for tender, they won't get exposed to you until...

Interviewee: Yes.

Interviewer: And I think, you know, when I, top of my head, I think it then comes back to the idea that at that level perhaps a firm plays an important role than an individual.

Interviewee: Yes.

Interviewer: Especially a tender process.

Interviewee: Yes.

Interviewer: Yes.

Interviewee: Okay, yes, I agree with that.

Interviewer: Does it make sense?

Interviewee: Yes, so it's almost like how do you leverage from that trust?

Interviewer: Yes.

Interviewee: And I think it maybe adds to one of the earlier points that we discussed. Because we go through a tender process, and because there's such big focus nowadays on the BMFA and, you know, stay to the tender rules and all of that. I think it's very difficult to, to, to leverage a lot from the trust

because you still need to go through the process and you still need to, to check all the boxes.

Interviewer: Yes.

Interviewee: And, and if somebody on paper gives a better offer than you then they will be appointed. So I think the best you can do is probably to, on their subconscious level, to, to remind them that, you know, the firm and yourself are good options for them. And then somewhere as far as possible in the procurement process, you know, that will, they can just make the difference between your team and the other team. If everybody, if everything else is more or less equal...

Interviewer: Okay.

Interviewee: Yes, so, so it is, sometimes you are lucky and especially if it's a private client and then they just appoint you based on things that you did earlier. For example the [inaudible 00:33:34] client, the mine clients and so one, they approach you directly, they let you, or you did a previous study for them so they appoint you for, you know, just start up work and, yes. So in those cases you can certainly, it can make a huge difference because you can just land in your project.

Interviewer: Oh, okay. Right, I think that's the end of it.

Interviewee: Okay.

Interviewer: Thank you so much, (…), I really appreciate it.

Interviewee: Okay.

Interviewer: I think it will add value to, because the next step that I really need to do is, this interview will be typed up for me and they've taught us how to code certain things, so I read your sentences.

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Interviewee: Yes.

Interviewer: So this particularly talks to trust, this talks to particular construct, and from there I can really prove that relationship benefits should, institutes should start using it as a, as a construct into successful entry...

Interviewee: Yes.

Interviewer: Entry of the market.

Interviewee: Okay.

Interviewer: Thank you so much, I'm going to stop now.

Interviewee: All right.

Interview with Respondent 2 (3 Dec 2013)

Interviewer: Okay.

Interviewee: I hope you can hear because my accent is very high.   I hate my accent, when I hear my voice.

Interviewer: No, it is okay. Okay, thank you so much respondent 2. I think just to highlight on what I am trying to do. When I started with the research project, my concern was majority of organisations, firms when they particularly go into the African Market or any emerging market, if you look at their approach, it is basically project based. I was looking at the way sometimes we tend not to want to build relationships. We would just go in, do the job, yes, build a relationship from a project level point of view, and satisfy the client, and pull back and relying on our own work to talk for us. Then the question that I started asking earlier in the year, I said but I know that relationships are very important. What value can they add in insuring that we become competitive? It becomes a competitive advantage for the firm. So I did a bit of research and I found a bit of articles talking about relationship benefits.   Or the concept of relationship benefits, and what they are saying is that a client usually favors certain organisations that addresses certain things from a relationship point of view. And they talk about psychological aspects that the client, that you need to connect to the client. Social, you build friendships. Some people, they just do projects and they move on. They don't want to interact at that level. And obviously functional aspects where obviously the client feels that they gain from an economic point of view. So how as a firm of individuals do we ensure those three elements show when we interact with clients in the beginning, not even during or after they have done a project? This is like a new client that you are interacting with. So the reason why I have approached my research in two ways, I am doing mixed method. I am doing three interviews with people that I think are experts in that area. And then I have also done an online, and I have spread it around to other organisations and people that have interacted in Africa.   And the reason why I actually went the East African community.

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Opportunities I think people haven't grasped EAC as well. People talk about Nigeria and Ghana becoming the next boom after South Africa more or less. Fair enough from an economic point of view, but I think there is a lot to learn from the East African community, because it is a bit integrated, the five countries and stuff. So I will ask you a few questions for instance we know your current role is that you are a Regional Manager for EAC. How many years have you been in the current role?

Interviewee Five and a half years or so.

Interviewer: Five and a half years.

Interviewee: The EAC as is not recognised as the East African Community in (firm), the East African region is broader than that. In (firm) the East African Region is Mozambique, Swaziland, Lesotho.

Interviewer: Swaziland and Lesotho.

Interviewee: And then we have got the three clusters of central land, which is Malawi, Zambia and Zimbabwe.

Interviewer: Malawi, Zambia and Zim.

Interviewee: Zimbabwe, yes. Then we have the EAC countries.

Interviewer: The EAC.

Interviewee: Okay. Then we have South Sudan, which has applied to become a member of the EAC.

Interviewer: Oh, I wasn't even aware of that. Okay.

Interviewee: Yes. They have applied and we have got Ethiopia. Okay?

Interviewer: Alright.

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Interviewee: In addition to that we have got the Indian Ocean Islands.

Interviewer: Oh. Okay.

Interviewee: And the reason why I mentioned them is because a lot of people think the Mauritius and Seychelles are small economies etc., but the Indian Ocean Islands also includes Madagascar.

Interviewer: Yes.

Interviewee: Okay, which is a massive potential economy.

Interviewer: Oh, it is vast hey?

Interviewee: So in (…) the East African community, I will send you a slide, okay, that gives you an idea of the size of the community. Of the region from a GDP point of view and a population point of view.

Interviewer: Okay.

Interviewee: Okay, which is an interesting slide. The GDP of these countries collectively is almost the size of the GDP of South Africa. And we have got about, in all the East African Region, we have got about close to four hundred million people. Okay, and it supports what you are saying that there is a giant in the making, in the whole of East African, in our region East Africa.

Interviewer: It is.

Interviewee: In terms of GDP growth. In terms of population growth, and you know, we need population growth to support the GDP growth and vice versa. I will send it to you.

Interviewer: No, I appreciate it. And what are some of the challenges that you faced? I mean, for instance interacting with a client in those regions for the first time. What are some of the challenges that you have experienced?

Interviewee: Can I give you one from the introduction of your topic? I am completely aligned to the principle of having to build relationships. Okay. The reason for it is because we are providing services to clients and there is two large chunks of different clients. The one is the Public Sector Client or a Quasi-Public Sector Client and a Private Sector Client. Okay. Both those clients are ultimately represented by individuals, okay. That have to have comfort, okay. That we at (…), first of all have the competency to do the work, okay. Secondly, we have the genuine intent to service the client, okay. And thirdly, we will deliver what the client has asked for in terms of time and cost. Okay. If we meet that, the client will be keen to appoint us. Now in the two cases, if it is a Public Sector Client, the Public Sector Client has to abide by very strict procurement rules. But where there is in every strict procurement rule, there is an opportunity for the client to say I want to appoint these guys, so I am giving these individuals a higher technical mark or a higher mark for this. So the client, even in Public procurement processes can influence to a smaller extent. Okay, and it works to a point for a company like ours, but it can only do so if our relationship with the client has given him or her comfort that we can do the work, we really want to do it. Okay. And we are going to do it well. The other, in the Private Sector the client usually is much more flexible. Okay. The procurement processes are not as rigid, and the client is much more flexible to make an opinion about (…), our company. And to say these are the guys that I want to appoint. So much so that even if you are, our bidding for example is not 100%, it not what the client is expecting. If the relationship has already predetermined to the client that the client wants to appoint us, the client will call us and will renegotiate with us. Okay. So relationship is, is with a client, is paramount to our business. Okay. The other aspect of relationship is, we have to, because the clients are represented by individuals. Okay. We, as quickly as possible, we should know what that individuals KPI's are in his or her organisations. Okay. So if the individual understands that I want, we at (…), want to make money and there is an impact on our P&L, we must also understand what the individual's KPI is, inside that client body. Sometimes he

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is driven by, you know, he has to show cases that he or she has appointed successful consultant. That he has delivered successfully. Okay. Sometimes it may be that a Private Sector Client is appointing us so that he can fast track a particular aspect in his business that will improve the share price in his business. Okay. In both cases we have to have the closest possible relationship with the individuals that are making decisions about appointing us. Okay. The challenge for us as a company, okay, is having adequate time. Okay. To engage with these individuals, to establish the relationships. It is very time consuming. Okay. But it doesn't have to be done in only one day. It can be done as building blocks over many, many years. Okay. So there are other tools we can use to give comfort to the client, if we know what the client is wanting. So to me relationship building is, with a client, has other requirements. Okay. Challenge is time and challenge is educating (…) on the merits of relationship building with clients. Okay. The second one, let me tell you, on a level internalising, internalising in the culture of our organisation the need to have long term relationships with Public Sector as well as Private Sector Clients, is the biggest challenge. Okay. So it is like in some of our units, the delivery guys are, the KPI's are delivering the projects in BST, we make a profit markup to point four etc. Etc. Okay. And they will ignore the investment that is required. Okay. So service above self or the extra time that you need to spend with the client, or the extra information that we need to pay for the client which is outside the project, or the extra, the extra input, okay, whatever the client is asking, or sharing with the client information about similar projects that we are doing in the West, for example. Okay. So that extra investment, alright, and internalising within our company, that when we deliver a project there is always opportunity for an extra investment.

Interviewer: Yes.

Interviewee: Okay. It is the biggest challenge. Because a lot of our training, Technical Engineering training, used to say I am a Pavement Engineer, that is what I want to deliver. Okay. So...

Interviewer: No. It is okay. I like this. I like this. You actually also touched on some of the principles I am trying to outline in my research. The concept of

relationship marketing and relationship selling. Relationship Marketing talks to a firm like (…) doing the marketing itself, Jacques and his team downstairs. Ensuring our marketing capabilities sell the firm. The relationship selling is quite different. It talks to me as an individual selling the firm, as selling my capabilities on behalf of the firm. A lot of literature now is starting to separate the two. Long time ago it used to be, as long as there is a relationship marketing, it is adequate. So if a firm sells itself, it is enough. But now there is a conscious need for especially people at management level and above in an organisation like (…), to start realising that the fact that they are going to see their client, it is a selling opportunity. So they need to sell the firm obviously. Sell themselves and ensure that they use that skill to make (…), give (…) a competitive advantage. Just a little bit on that. How have you used your relationship selling skills, just to give (…) a bit of advantage in the market?

Interviewee: There is a fundamental different between what I call developing of business. Okay. Where, and that is the main focus of our work. Where we engage with existing and future clients on a basis where we sell in a specific focus. With a specific end service line or product at the end. Okay. Whereas general marketing is more broader. It is about branding the company but almost without a focus. It is almost like virtual. So to me marketing in a company services the business development function. Okay. And the fundamental about selling in a business development, which is selling, you engage with a client. First of all, you always listen to what the client needs. Okay. So that we can identify something that we can provide a solution to the client. By the time I am engaging with the client, say to the client, I understand you need a particular solution to this project of yours. Okay. This is our competency for it. Can I talk to you a little bit more about this competency and the solution to you? So it is always related to a particular, always specific opportunity or very specific service line. It is never, I mean my job with my team is, I would never carry an (…) profile. Okay.

Interviewer: That is interesting.

Interviewee: I never, never carry (…) profile.

Interviewer: That is interesting.

Interviewee: Because if you want to get a broad profile of (…), you go to our Website. Okay. By the time I am talking to you as a prospective client, or as an existing client, you know and I know already more than enough about a particular opportunity that is worrying you or that is affecting your programme, etc., etc. And that is so it is never generic. Okay. Now let me preempt some of the questions that you asked me, because one fundamental thing that I think about relationship building and when you listening to the client. I have to understand. Our team has to understand what broadly, okay, our clients in Africa are asking us to do. Okay. So when we engage with our clients, and I am listening to them, the client is saying localise. Okay. Now in localising it means that I have to expand my relationship building with clients to relationship building with either my own team in country or partners in country. Okay. Those two things go hand in hand. In Africa, the comment that you made about companies coming and just delivering a project. Okay. This is light years away now. This is history. Okay. No company can succeed without presenting to a client in a particular country, okay, our own countries strategy. Okay. We can never ever deliver a project in a country without making commitments to that country. Commitments either to local staff, or local plans or even commitments to local partners. Okay. In each one of those, I have to have a relationship. So relationship building with a client is not exclusive, because what Africa is asking us is broader. Because effectively the client is asking, I will... the clients broadly, both Public Sector and Private Sector are saying I will only create a relationship with you (…). Okay. If you have a relationship with this country, with its people, and with the industry. I happen to be in the Engineering Industry. With the industry and all that is associated with it. So if you are not establishing, if you are not localising, now localisation, okay, is a range of things. Each one of those things creates a relationship. Number one, localisation is when I make a commitment that I want to have either my subsidiary in country or I have a partner company. Okay, so it starts right there. Now, I am just giving it as an example, so the relationship for us to pursue work for a client is only one aspect. It is never exclusive. I can never win work, well I could, one or two projects, but I could never have a growth sustainable. It is not sustainable. For me to have sustainable work in country

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XXX, okay. I have to, as I engage with perspective clients, and I am listening to them, I have to at the same time be engaging with, either create capacity in country of my own, or create capability through local partnerships. I can never have relationship only with the client.   Okay, now this message is, most companies struggle with this message. Okay, we just, we are having a lot of meetings with contractors.   South African contractors are coming to us and looking for opportunities and opportunities for understanding the continent better. Okay. If they don't have the dual role. Okay, if they don't have the dual principle of relationship with the client, of relationship with the country, with the industry. They are dead, it is not sustainable.

Interviewer: The reason why I am smiling, respondent 2, is in one of the hypotheses that I am trying to prove, I actually said, what is the impact of building that relationship on an organisation going on its own. Probably subsidiary or an organisation going JV or getting a partnership. I am actually trying to prove that relationship does drive where one chooses, pending on obviously the environment that that country is. I have also within this study, established the level of institutional voids. That means if for instance, if (firm) goes to Burundi or Rwanda, which one would be difficult to enter. Enter with prospective the level of institutions. Be it Financial Institutions, Social Institutions, Political … so all for there is an element that I have also put in for the impact of how strong institutions are in a country. How does it impact relationship building? So it is an interesting part that you brought that element in as well.

Interviewee: To me it is a direct relationship between capacity. Okay. Let's say Government's institutional capacity and the ability to establish relationships, because the role of the capability, the more challenging the relationship. Because institutional capacity, if you have a deficiency in institution capacity, it means that your client in the ministry of roads or the ministry of tourism or the ministry of finance, your client is under pressure. Okay. The client in a deficient institutional capability, whether it is Private Sector or Public Sector, okay? Your client is under stress. He provides opportunities for us to assist the client. Okay. But the counter thing is the client doesn't even have enough time to even

think about you, or to engage with you. So I mean it has an impact on decisions we make about where to go and seek business.

Interviewer: Yes. It does.

Interviewee: Because countries of higher institutional capacity in principle, alright, you can develop longer, stronger relationships with your client bodies. Okay. And it gives you a better chance of business and sustainability. Okay. Right.

Interviewer: Okay. On another level. Have you found that interacting with a client from a social point of view gives you a leeway in terms of lending business for your organisation? And by social, I mean like building friendships. Providing a client with personal recognitions. In some instances illustrating that you are committed to the particular client. Has it given you, within the East African cluster, an opportunity to lend the client easier?

Interviewee: Yes.

Interviewer: It has.

Interviewee: Yes. Socially, you always seek to have a social, some level of social interaction with the client, because it provides us with an opportunity for us to understand each other. Okay. When you start asking the client, how are you measured inside your department? Or how are you measured inside your mining company? Okay. What are the KPI's that they impose on you? Okay. If you start asking those questions, you will have pretty much a social relationship with the client, because that is quite a personal question to ask. Okay. So if a client says I have to spend these $500 000.00 (Dollars) this year and I can't go over budget. Okay. And that is my KPI. I will be measured by it. If I don't do this, my job is on the line. If you start talking like that, you have crossed, you are already much more personalised relationship with the client. You always have to do it. The ideal situation for us to create the relationship that is, gives professional comfort, that is as well as subjectively. You get on well with the client. If you don't get on well with the client, the client can never trust you as a

person that is going to deliver. Okay. You have to, there is always a level of subjectivity and the social thing. I feel very importantly about it. The challenge is the time required. Okay. And you find the country managers, for example, are being sucked left, right and center because people need attention. And a trustworthy client needs more attention. Okay, because can you help me solve my problems. And we can solve. And that is the ideal situation. For us to have a lesser amount of clients, but with whom we are spending much more time. The social factor is indispensable. The only alert is, never the social interaction can result in a conflict of interest. Okay, so never should it result in a conflict of interest. So because you are having a very close relationship with your client, okay, it should not, it should not, a conflict of interest could arise, for example when a client asks us to employ her husband. Okay, or things like that, or asks us to subcontract her husband on one of our appointments. Okay. That is, you never cross the conflict of interest line. So you can have that social relationship, but when it comes conflict of interest, and the word conflict of interest, I mean if one of our staff is having an affair with a client, that is conflict of interest. Okay. And so you never cross that line. I know that is a little bit ridiculous, but I am just illustrating the point.

Interviewer: Okay. And then in terms of psychological benefits, how have you seen them benefiting you when you build those relationships? And perhaps it is in line with what you have talked about. Having a better client understanding and those KPI's. Understanding what the client is expecting from you and the trust element as well. You have raised a lot on those, just to build a relationship with a new client.

Interviewee: On better relationship, on the social aspect?

Interviewer: On the psychological benefit. So psychological benefit talks to leveraging on the clients understanding. What the client expects, building that, you know, trust element.

Interviewee: Yes. Yes, yes. To all of what you are asking. Okay, to me the psychological benefit relates to wellbeing. Okay. And in everything we do, okay, we should always reach a certain level of wellbeing. Okay. You know,

just like we, you know, in our values, we want our staff to have a good life. Okay. Wellbeing so, if we use our information and our relationship with our client, if that elevates us to a level higher level of wellbeing, then you are in a win-win situation. Okay. It is the same issue. It is very difficult for us as a company to be engaging with a client who may not create any relationship whatsoever. Okay. Bottom line is, if you don't get on well with somebody it is very difficult to create business and develop a relationship. Okay. So in every relationship that we are trying to build, if we are driven by, wait I can get on well, I can be in a state of better wellbeing. So you wake up in the morning and you are happy to go to work, because you are going to be engaging with clients that you understand and they understand you, and there is this trust between us and clients. It is a win-win situation.

Interviewer: Yes. Another aspect that I was also testing regards my research is the concept of the level of commitment to a relationship. Literature says, you know, up front, even when you interact with a first time client. Your level of commitment needs to be at a particular level. You can't just go in with an aim of just getting a project and going out. You need to illustrate that you are really committed to this partnership that you are trying to build. Have you found that to also work in your case?

Interviewee: If you don't commit, it is not sustainable. If you don't commit, it is not sustainable because every client is a mirror of ourselves. Okay. So whatever ambitions and aims and desires that we have, our clients have. Okay. If the client smells that I am just trying to secure a Million Dollar project, okay, and I have no respect for the client and I have no respect for what this appointment or this project means to him and to his world. Okay. It is not sustainable. I may win that project but I won't get the next one. Okay. So every relationship we build with any client or any partner, okay, has to have genuine and has to have transparently, okay, expressed as commitment. Otherwise the client won't get comfort in our ability to deliver. Okay. Everything that we do is about giving the client comfort.

Interviewer: Okay. That is about it Paris. I think you have touched a lot on the concepts that I am trying to ensure they are pulled into literature going on,

because the majority of this aspect of relationship building, it sits within the marketing basket. It is not translated into the strategic, you know, when you build a strategy for a business or whatever, you still need to consider the benefits of a relationship from a client's point of view. Not even from my perspective. Look at what the client needs. Look at how, if you interact with them socially, will it benefit the client and the organisation at the end. So I am trying to influence academia to also move it more into strategy building and strategy execution. It sits too much in relationship marketing and all that study strategy relationship stuff don't even think this is necessary. That is why I am trying to interlink the two theories more.

Interviewee: No, I think that is quite interesting. It is quite interesting. There is an aspect about relationship that sometimes I pick up. In the continent, okay, perhaps in South Africa more. There would be some comment about the fact that Black Culture requires more relationship building. Okay. Than so called European Culture. This is a very patronising view that South Africa has. Okay. This is complete hogwash. Every group of people relies very strongly on relationship building. Okay.

Interviewer: It is true.

Interviewee: And sometimes the indigenisation policy, localisation policy that South Africa has, which is Empowerment and Affirmative Action. Okay. Which is the exact same principle that we apply throughout the continent. Okay. So my localisation, the pressure that I have localising from a client in Dar es Salaam. Okay, is exactly the same principle. Sometimes we see that as something new and peculiar to Africa. That is hogwash. Complete hogwash. Okay. Because other communities and other societies, the European Union, will be based on strong, strong links of something that people find and share. Okay. And that is something, it doesn't matter what it is, but the principle is more important. People find something that they share. Okay. And they use that to build a relationship. Okay. And that sharing is usually, it could be a common objective, a common purpose or a common background or sometimes it is just a common KPI. Okay. If I have a KPI and my client has a similar KPI. It doesn't matter what that client looks like or what I look like, but we have found

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something common. And that common, something to share. Okay, sometimes it is a surname. Okay. Sometimes it is just the colour of our skin, but whatever it is that we find something to share, that gives us a quicker in road to relationships. Okay. Now you will find, and I actually think that South African business is struggling with that principle. Okay, and it is one of the reasons although, we in South Africa there are so many businesses that are investing in the continent. Okay. The successful businesses are the ones that know and have utilised and shaped a relationship tool to the best of their advantage. Okay. So it doesn't... they have found something that they have in common with a client. It creates an opportunity of wellbeing. Okay. And so everybody wins. You know, so localisation, which is something that we don't use too often, but I am using this opportunity to whoever I talk to, so localization, the model that we have in Mozambique. Where everybody in Mozambique is a Mozambican National. With a training programme and the career programme. We happen to be an Engineering Company, so obviously they will go through a training programme, an engineering programme. Okay. So everyone in Mozambique is localised as Mozambican. The Government is asking me, the clients are asking me, both Public Sector and Private Sector, and that is what it is. That is first prize. Okay. So wherever we are or wherever we go, people get alarmed about the Zimbabwean Indigenisation Policy. Wait a second, we apply that elsewhere in the Continent. Okay, because how do I give, how do I give a Kenyan National Director of Roads comfort, okay, that I am completely serious about doing this work. I am completely serious about training somebody else, okay, as a good Engineer. Alright, because if I do that, I have to be there long term and I have to do things long term and the client says okay fine, and I am beginning to understand that you are committed. Use the word committed. Okay. All of that is in localisation. Can I tell you something? Independently from this thing, I am going to send you a document that we have just submitted to (firm). (Firm) is (industry and location given).

Interviewer: Okay.

Interviewee: There are a colossal player. They are now exploring for gas in Tanzania. Okay. Because they, not because we, alright, because we are really the client, because sometimes the client pushes us into things. Because they

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said, wait a second, I am very impressed with (…) but I want to see, what is your localisation policy in Tanzania. So we reflected it in a way, that wait a second, I am localised, I have a subsidiary company in Sabia. That is part of localisation. It may not be full, but it is part of localisation. I will send you that document. Okay. It is three or four pages of what localisation means. Okay. But I think that the word localisation goes so hand in hand with the relationship building. Okay. Which is relationships with our clients have to go hand in hand with the relationships with our partners and relationships with our own staff. Okay. Which if you are working in China, our staff should be Chinese. Okay. It shouldn't be Expatriate Americans or something like that. If we are working in Tanzania, our staff should be Tanzanian.

Interviewer: Yes. I hear you. No, I appreciate that. I really do.

Interviewee: Okay.

Interviewer: I think you have crystallised some of the ideas that I have, but you have also given me additional knowledge that I, the aspect of localisation. I didn't look at it that way. So it is a new perspective for me. Thank you for that. Thank you Paris for your time.

Interviewee: You are very welcome.

Interviewer: Thank you so much. I really appreciate it.

APPENDIX H: CHARACTERISTICS OF ONLINE RESPONDENTS

			All	Designation		Type of service industry		Experience in industry		Experience in African market		Experience in EAC	
			n	Top/ Higher-tier	Lower-tier/ Business development	Built environment/ Energy/ Resources and mining/ Water	Financial/ IT/ Telecommun-ications/ Retail/ Other	1 - 10 yrs	>10 yrs	1 - 5 yrs	>5 yrs	1 - 5 yrs	>5 yrs
1. Designation	Top management	n	5	5		1	4	1	4	1	4	3	2
		%	25,0%	38,5%		11,1%	36,4%	10,0%	40,0%	9,1%	44,4%	20,0%	40,0%
	Higher-tier management	n	8	8		4	4	3	5	5	3	6	2
		%	40,0%	61,5%		44,4%	36,4%	30,0%	50,0%	45,5%	33,3%	40,0%	40,0%
	Lower-tier management	n	6		6	4	2	5	1	5	1	5	1
		%	30,0%		85,7%	44,4%	18,2%	50,0%	10,0%	45,5%	11,1%	33,3%	20,0%
	Business development management	n	1		1		1	1			1	1	
		%	5,0%		14,3%		9,1%	10,0%			11,1%	6,7%	
Total		N	20	13	7	9	11	10	10	11	9	15	5
		%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
2. Years of experience in industry	1 - 5 years	n	4	1	3	3	1	4		4		4	
		%	20,0%	7,7%	42,9%	33,3%	9,1%	40,0%		36,4%		26,7%	
	6 - 10 years	n	6	3	3	1	5	6		4	2	6	
		%	30,0%	23,1%	42,9%	11,1%	45,5%	60,0%		36,4%	22,2%	40,0%	
	11 - 20 years	n	7	6	1	3	4		7	3	4	3	4
		%	35,0%	46,2%	14,3%	33,3%	36,4%		70,0%	27,3%	44,4%	20,0%	80,0%
	>20 years	n	3	3		2	1		3		3	2	1
		%	15,0%	23,1%		22,2%	9,1%		30,0%		33,3%	13,3%	20,0%
Total		N	20	13	7	9	11	10	10	11	9	15	5
		%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
3. Years of experience in African market	1 - 5 years	n	11	6	5	6	5	8	3	11		11	
		%	55,0%	46,2%	71,4%	66,7%	45,5%	80,0%	30,0%	100,0%		73,3%	
	6 - 10 years	n	2	1	1		2	2			2	2	
		%	10,0%	7,7%	14,3%		18,2%	20,0%			22,2%	13,3%	

			All	Designation		Type of service industry		Experience in industry		Experience in African market		Experience in EAC	
			n	Top/ Higher-tier	Lower-tier/ Business development	Built environment/ Energy/ Resources and mining/ Water	Financial/ IT/ Telecommun-ications/ Retail/ Other	1 - 10 yrs	>10 yrs	1 - 5 yrs	>5 yrs	1 - 5 yrs	>5 yrs
	11 - 20 years	n	5	4	1	2	3		5		5	1	4
		%	25,0%	30,8%	14,3%	22,2%	27,3%		50,0%		55,6%	6,7%	80,0%
	>20 years	n	2	2		1	1		2		2	1	1
		%	10,0%	15,4%		11,1%	9,1%		20,0%		22,2%	6,7%	20,0%
Total		N	20	13	7	9	11	10	10	11	9	15	5
		%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
4. Years of experience in East African Community (EAC)	1 - 5 years	n	15	9	6	8	7	10	5	11	4	15	
		%	75,0%	69,2%	85,7%	88,9%	63,6%	100,0%	50,0%	100,0%	44,4%	100,0%	
	6 - 10 years	n	2	1	1	1	1		2		2		2
		%	10,0%	7,7%	14,3%	11,1%	9,1%		20,0%		22,2%		40,0%
	11 - 20 years	n	2	2			2		2		2		2
		%	10,0%	15,4%			18,2%		20,0%		22,2%		40,0%
	>20 years	n	1	1			1		1		1		1
		%	5,0%	7,7%			9,1%		10,0%		11,1%		20,0%
Total		N	20	13	7	9	11	10	10	11	9	15	5
		%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%