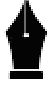
International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. IX, Issue 4, April 2021



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FACTORS INFLUENCING INTERNATIONAL MARKET ENTRY STRATEGIES; A CASE STUDY OF SOUTH AFRICAN COMPANIES OPERATING BUSINESS IN TANZANIA

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Abstract

The aim of this study was to examine factors which Influence international market entry strategies to Tanzania with specific reference to South African companies. The Research objective are to examine the extent to which economic factors in the host country affects international market entry, To examine the extent to which legal factors in the host country affects international market entry and To examine the extent to which perceived international experience and culture affects the effectiveness of mode of entry choice. The companies selected were TBL, NBC, Vodacom Tanzania Limited, Murray and Robert Construction Company and Protea Hotel. Sample size was 55 respondents. The study used two methods in collecting data viz. questionnaire and interview. In this study, both Qualitative and Quantitative were used in data analysis. Data were compiled and coded in tabular form in terms of ratio, percentages. For the case of non-quantifiable content analysis was applied. The study found out that there are a number of factors which influence international market entry strategies to Tanzania. Respondents mentioned economic factors as the first factor which influenced international market strategies to Tanzania. This was followed by legal factors and international experience. From the operational experiences, study found out that company approach and mapping-out mode of market entry is crucial for business success by engaging local partners, building relationships with local people, recognizing and entering into partnership with strong partners and brand and building brand trust in the brand. From the findings of the study a number of recommendations have been provided in order to strengthen and build strong relation between Tanzania and South African companies.

Keyword: Internationalization, Market Entry Strategies, South African Companies, Business, Tanzania

INTRODUCTION

The new millennium has seen the desire to make this the “African century”. The initiatives such as the African union and the related new partnership for Africa’s development have attracted either a good deal of enthusiasm or scorn (Whitehouse 2004). The debate has been centered on the role of large South African companies. There have been two schools of thought, one being that they are not doing enough to revitalize the continent whilst the other suggests that they have become the new colonial masters of the continent (Jonah, 2006).

The South Africa economy is experiencing a process of accelerated globalization with the private sector making rapid strides in moving offshore since 1994. These are still early stages of progress as South Africa companies re-integrate themselves into the global economy.

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Political change, to a certain extent has been the enabler to this process. Another fundamental shift is occurring as South Africa business move away from traditional to emerging market economies (Davies, 2005). Global growth is now being driven by emerging markets that offer new commercial opportunities as well as competitive challenges for South Africa. While co-operation is sought the peers in emerging markets, they undoubtedly pose the greatest commercial competition as well.

Geographical proximity has made South Africa the gateway for doing business in Africa, placing South African companies in the best position to take advantage of Africa opportunities. South Africa investors need to capture opportunities by doing their homework's and basing entry on solid market research, analysis of competition and risk assessment (Nwanko, 2000). South Africa has a vested interest in the development of the rest of Africa and has become Africans economic powerhouse and major player in the continents economy. The result is that the country's destiny is tied up with that of the rest of the African continent (Jonah, 2006).

South Africa investors could capture the opportunities by following a portfolio approach, not putting all their eggs in one basket, but investing in multiple countries over time and expanding market size through regional integration and encouraging regional growth (Davies, 2005). The decision to enter a specific country must be based on doing homework in that the products and services must be tailored to the needs of the market. Products and investment approaches have to be changed completely since operating in Soweto is not the same as operating in Accra, Nairobi or Dakar *(Ibid).*

Most importantly, consideration has to be taken in taking the best teams out there, but also investing in developing local talent that is identified as quickly as possible (Coleman, 2006). The crucial difference is that businesses in Africa thrive on relationships and having the right local partners with contacts and access is crucial to the success of any investment in Africa. With the help of local partners adapting to cultural differences and business practices is made easier. The local knowledge and the right partners bring to accessing vital information for business reports, market research and the analysis of competition is invaluable (Ngasongwa, 2006).

Many companies have rushed head-on into emerging market eager to claim prospective consumers that have been liberated from planned economies and protectionist barriers. These companies quickly realize that local consumers do not reciprocate their enthusiasm. The path to entry into emerging markets are littered with failure if companies transfer products or marketing ideas from their home markets and wait for emerging market consumers to involve towards them. Emerging markets are different and successful business models have relied on consistent

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and basic functionality of the products and /or services, low margins and more adaptable brands for localization (Chattopadhyay and Dawar, 2004).

Clearly, each emerging market has a unique profile and the right strategy for a company will depend on the nature of industry and its capabilities among other factors. However, too many companies remain captive to the products and strategies that have served well in the past missing the opportunities to win new customers (Coleman, 2006

South African companies operating in Tanzania

Local companies have invested R 200 billion since 1994 in operations in the rest of Africa, making South Africa one of the five largest global investors in the continent (Piliso, 2006). According to Games (2004), South African companies have invested aggressively in franchising, transport, retail, finance and telecommunications and are also investing in long term projects. South African companies operating in Tanzania have based investment or project decisions on the merits of each individual case and more importantly the desire for Tanzania, country specific advantages, to attract foreign direct investment into the country (Pillay and Oludele, 2003). South African investments to Tanzania topped US $ 600 million-a country that few years ago had virtually no trade links with South Africa (Nyirabu, 2004). The need to be in the international environment, whether by exporting, investing or undertaking projects has driven relatively high growth rates in some neighbouring countries with Mozambique, Angola, Tanzania, Uganda and Mauritius recording growth in excess of 5 to 10% (Whitehouse, 2004).

One of the most noticeable points of evaluating the evolution of the market entry into African countries is primarily those countries that have undergone substantial and positive political and regulatory reforms. Tanzania has been able to attract investment by South African companies as a result of opportunities and a revised regulatory environment. The environment in Tanzania is described as a stable and workable. Financial analysts list Tanzania as the new investment destination of choice (Naidoo, 2006).The current trade between Tanzania and South Africa is in a healthy state. Exports from south Africa to Tanzania have grown from R 901 million in 1997 to over R 2billion in 2003 (Pillay and Oludele,2003).

Trade with East Africa has been showing steady growth given the strong ties between business cultures as well as the relative proximity of East African countries to South Africa. However, the endemic corruption in Kenya, the biggest market in East Africa, but one of the continents worst performing has pushed out South African business people who are reluctant to compete in a business sector through patronage and corruption (Kabelwa, 2002; Games, 2004).

South Africa was ranked fourth on the list of investors in Tanzania (Pillay and Oludele, 2003). South African Airways invested $ 20 million for a 49% stake in Air Tanzania. It hoped to

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build into a strong regional airline. SAA is pivotal to increase business and aimed to develop Tanzania as a regional hub for exploiting refueling stops. ABSA required a 55% stake in Tanzanians best retail bank, the formerly government owned National Bank of Commerce (Games, 2004). ABSA has taken over local networks in Tanzania and coupled with new IT systems in local banks has helped to strengthen their competitiveness in terms of product offering and efficiency. AngloGold is mining in Tanzania and considers the country to be among the safest for mining investment. Indirect investment to the date has been $185.3 million and direct investment $ 15.8 million (Nyirabu, 2004) page 28

One of the head of Standard banks Africa research said that Tanzania will achieve a sustainable growth of 6%. The growth rate is attractive to investors and they will become more comfortable with risk. A sustainable growth rate is mainly because of micro-economic reforms, more political stability and privatization (Khan, 2006).

Shoprite Checkers one of the largest retailers in Africa has more than 600 outlets in 16 countries including stores purchased from the main competitor. Pick & Pay in Tanzania SABMiller is steadily expanding through African and boasts brewing operations in nine countries and bottling plants in 10 countries through the subsidiary ABI. The countries that contribute to SABMiller annual turnover of R 1.9 billion include Botswana, Tanzania, Ghana, Lesotho, Zimbabwe, Zambia, Uganda, Swaziland and Mozambique (Naidoo, 2006, Piliso, 2006).

Vodacom in Tanzania invested $142 million and start up growth was beyond the company's expectations. Vodacom anticipated 36,000 subscribers in the first year, after only eight weeks it had 38,000 subscribers (Games, 2004). Vodacom was fourth into the market and by mid-2003 had more than 50% of market share. Recently Vodacom launched a third generation (3G) network in Tanzania, making it the second country in Africa with the wireless technology. According to Vodacom CEO "Vodacom would spend $1.3 million(R 8million) extending its network in Tanzania and build a 3G cell phone network in Dares salaam". This would allow users to surf the web on their phone. Vodacom will build an earth station to cut the costs of international calls (Craig-Knott, 2006).Other SA companies doing business and seeking opportunities in Tanzania include consumer goods distributor Metro Cash &Carry, financial services company Alexander Forbes, Africon Engineering International, De Beers, the Protea Hotel Chain, Murray and Roberts Construction Company.

The financial parastatals have played a key role as they have acted as levers for South African investors in Tanzania. The IDC and DBSA are both critical reposition of research and information of the region that adds a valuable body of knowledge and support services that can be used by South African private sector companies (Whitehouse, 2004). This role cannot be overlooked as a key constraint and failures in Tanzania has traditionally been lack of reliable

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verifiable data. Portent, the South African parastatal in charge of port development has invested heavily in the upgrade of the Dares Salaam harbor making it one of the best harbors in the East African region (Games, 2004).

The Johannesburg Stock Exchange (JSE) has been working with the Tanzania Stock Exchange to help improve their operational, regulatory and technical capabilities, increase market liquidity, enhance trading, promote development of efficient and transparent securities markets making them more attractive to both regional and international investors (Ibid).

The role of Tanzania Government in attracting South African Companies

The increased South African presence has led to "The East African" calling the process "The South Africanisation of the Tanzania Economy" (Nyirabu, 2004). What is interesting is that the Government of Tanzania has come out in the open supporting South African investment in Tanzania. Opening a tourism conference in Arusha the third president of Tanzania urged Tanzanians to accept South Africa as a partner in development. He said

"*Those of you who follow events in this country will not have missed the criticism in the media and in certain political circles leveled at my government concerning increased South African investment in Tanzania. I have only one answer to such criticisms. Wish we could have more South Africans investments in this country. We would be patently foolish not to access South African capital for our development. Post-apartheid South Africa is our friend and our partner in development-bilaterally as well as in the context of the SADC, the Africa Union and economic program, NEPAD"* (Nyirabu, 2004).

The fourth president of Tanzania endorsed a new package of investment incentive for Tanzania setting the stage for a new business climate for the country. Known as Blue Book, the new arrangements commit the country to implement specific measures to support the private sector (Munaita, 2006). The measures include a commitment to improve the administrative support to commercial courts, develop performance charters for agencies in charge of business regulations and inspections and enhance transparency in tax administration. Tanzania will be required to bring into force the East African Community double taxation treaty and to issue, jointly with Kenya and Uganda, the East African Community member state business visas (Wahome, 2006; Munaita, 2006).

Profile of South African companies

Tanzania Breweries Ltd is a private company categorized under Malt Liquors and located in Dar Es Salaam, Tanzania. Records show it was established in and incorporated in. TBL is under SABMiller which is one of the world's leading brewers with more than 200 beer

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brands and some 70,000 employees in over 75 countries. It has growing businesses in soft drinks and one of the world's largest bottlers of Coca-Cola products.

Vodacom Tanzania Limited is Tanzania's leading cellular network company. Vodacom Tanzania is a subsidiary company of Vodacom Group (Pty) Limited, South Africa which is also a subsidiary of Vodafone Group UK and Vodacom Group (Pty) Limited. It owns a majority share portion of 65%, with the remaining 35% being owned by Tanzanian shareholder, Mirambo Limited. As of January, 2013, Vodacom Tanzania had over 10 million customers. It is effectively the largest wireless telecommunications network in Tanzania (based on total wireless customers).Vodacom Tanzania was the second telecom company in Africa to switch on its 3G High-Speed Downlink Packet Access (HSDPA) which was available only in Dar es Salaam in early 2007. Vodacom Tanzania also prides itself as the first company to roll out its Long Term Evolution (LTE) network trial in Tanzania, in 2013 (Vodacom website, 2013).

National Bank of Commerce Ltd was formed on 1st April 2000 when NBC (1997) Ltd was privatized and sold to ABSA Group Ltd (now called Barclays Africa Group Limited) of South Africa. NBC (1997) Ltd was itself born out of the nationalization of banks and financial institutions in Tanzania in 1967.Tanzania later deregulated banking in 1991. In 1997, a decision was taken to split NBC into three entities, namely NBC Holding Corporation, National Micro-finance Bank (NMB) and NBC (1997) Limited. This was the first step towards the privatization of NBC (NBCTZ, 2012).

Murray & Roberts Holdings Ltd is a South African based construction contractor, located in Johannesburg, South Africa. Murray & Roberts Group is listed on the JSE Securities Exchange (Murray & Roberts Listing on JSE, 2012). Murray & Roberts is South Africa’s leading engineering, contracting and construction services company, with a primary focus on the resources-driven construction markets in industry & mining, oil and gas and power and energy in Africa, Middle East, Southeast Asia, Australasia and North and South America. The company offers civil, mechanical, electrical, mining and process engineering; general building and construction; materials supply and services to the construction industry; and management of concession operations. In addition to the many buildings, Murray & Roberts has been involved in the construction of the Gautrain railroad, the Medupi Power Station, and the Cape Town Stadium (Murray & Roberts Construction Capability, 2012).

Protea Hotel Oysterbay is situated only 3 kilometers from the center of Dar es Salaam; the hotel has a selection of studio to three-bedroom apartments in a garden setting. These apartments are fully serviced and fitted with all modern amenities. All 48 apartments are designed to offer complete peace of mind. The property offers high security, swimming pool and

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fitness center all exclusive for use of hotel guests and a new, fine dining restaurant and lounge bar. A fully equipped business center and boardroom is available for 20 people (zoom Tanzania, 2012).

To enter the Tanzanian market, local contacts, cultural appreciation, and relationship-building are important (Pillay and Oludele, 2003). Successful South Africa companies have taken the time to visit Tanzania in order to get to know the market and meet with potential partners. Joint ventures and shared ownership are strategies preferred by the Tanzanian government, especially in order to access land. Marketing South Africa goods is generally done through local agent or distributor. Successful investing usually requires a South African or local representative on the ground to oversee operations and financial transactions. Doing foreign business in Tanzania has several challenges, including; Bureaucratic “red tape” and widespread corruption, difficulties enforcing contracts through the courts, poor infrastructure, unreliable power, Limited availability of skilled labour, difficulties in accessing land and High interest rates (Pillay and Oludele, 2003).

The choice of market-entry time is one of the major causes for market entry problem. The timing of market entry is a tactical as well as qualitative, strategic decision (Tawanda, 2006). The qualitative decision is typically addressed as an entry- strategy problem. Other causes for market entry problem include cultural distance, economic distance, firm size, country risks and openness (Tawanda, 2006).

The Government uses WTO’s Trade-related Investment Measures (TRIMs) to promote development objectives, to encourage investments in line with national priorities, and to attract and regulate foreign investment. However, the majority of South Africa companies have not adequately mapped their modes of market entry and engagement strategies for emerging markets. Successful operations in emerging markets are those that are able to modify their strategies to suit local business environment without compromising their fundamental values and principles. Execution often needs to be innovative (Coleman, 2006; Jonah, 2006).

Although some studies have found the main effect of pioneering in market share and profitability, that is, first movers achieve superior performance than their later counterparts (Luo, 1997), others have discovered that the effect of first mover advantages may be conditional on other factors such as entry mode and resource commitment (Isobe, *et al,* 2000).

Over the past several decades, corporations have gained increasing experience in expanding their operations in foreign markets, and the literature on emerging markets and global strategy has also grown. However, most Multinational Corporations (MNCs) investments have been targeted at developed countries (Arnold and Quelch, 1998; Sachs, 1998). These countries are also the context from most International business research. For example, most of

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the researches on subsidiary entrepreneurship have focused on developed countries in North America and Europe (Birkinshaw, 1997; Frost, 2001) limiting the generalizations of the theoretical stream to countries at the same stage of economic development and having the same cultural orientation.

This study sought to identify factors that influence international market entry strategies of South Africa companies that have entered Tanzania.

LITERATURE REVIEW

Theoretical Framework

Transaction cost theory

Rugman and Verbeke (1992) state the transaction cost theory as a predictive model. These authors argue that both the form and competitiveness of the international operations of a multinational corporation depend crucially upon the configuration of three elements which Dunning (1988), provides a comprehensive overview namely firm specific (or ownership specific) and internationalization advantages.

Firm specific (or ownership specific) Advantages (FSAs), including both proprietary know-how (unique assets) and transactional advantages. The transactional advantages reflect the MNC capabilities of economizing on transaction costs as a result of the multinational coordination and control of assets (Dunning, 1988). Hennart (1991) states that research efforts have focused on corporate capabilities to develop optimal internal coordination and mechanisms, taking into account their costs benefits.

On the other hand, Country Specific (or vocational) Advantages (CSAs) are benefits associated with locating certain activities in particular countries. According to Rugman and Verbeke (1992), these benefits may arise from structural market imperfections such as government regulations and the potential to economize on transaction costs by reducing risks and to benefit from local opportunities.

The third element is the internationalization advantages. It refers to the relative benefits associated with different modes of entry such as exporting, licensing, joint ventures, FDI, and other form of investments when serving foreign markets (Rugman and Verbeke, 1992). Here, market failure is the crucial reason for internalization. It can be related to both natural market imperfections such as the public goods nature of knowledge and government imposed market imperfections. Normative decision theory suggests that the choice of foreign market entry mode should be based on trade-offs between risks and returns (London and Hart, 2004).

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Resource based theory

The modes of entry and organizational capability have recently been introduced to explain entry mode choices. The organizational capability perspective is rooted in the resource based theory. According to Madhok (1997), organizational capability perceives the firm as a bundle of static and transferable resources which are transformed into capabilities through dynamic and interactive firm specific processes where individual skills, organization and technology are inextricably woven together. Peteraf (1993) views the resource based theory as having important implications for corporate strategy, that is, questions regarding boundaries of the firm, single business strategy to help managers differentiate between resources that might support a competitive advantage from other less valuable resources.

Modes of market entry for internationalization of business

When a firm is going to explore a foreign market, the choice of the best mode of entry is decided by the firm's expansion strategy. The main aim of every business organization is to establish itself in the global market. Thus, the process calls for developing an effective international marketing strategy in order to identify the international opportunities, explore resources and capabilities, and utilize core competencies in order to better implement the overall international strategies. The decision of how to enter a foreign market can have a significant impact on the results. Companies can expand into foreign markets via the following four mechanisms: exporting, licensing, joint venture and direct investment. All of them have their advantages for the firm to explore as well as disadvantages which must be considered by the firm's top management. "*What entry mode that a multinational company chooses has implications for how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market.*" (Charles Hill et al, 1990)

Mode of entry into an international market is the channel which organization that want operate in international markets employ to gain entry to a new international market. The choice for a particular entry mode is a critical determinant in the successful running of a foreign operation. Therefore, decisions of how to enter a foreign market can have a significant impact on the results. Expansion into foreign markets can be achieved via the following mechanisms Exporting, Licensing, Franchising, Joint Venture and Direct Investment

Exporting

Exporting is the process of selling of goods and services produced in one country to other countries (Tandawa, 2006). There are two types of exporting. These are direct and indirect.

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Direct exports represents the most basic mode of exporting made by a (holding) company, capitalizing on economies of scale in production concentrated in the home country and affording better control over distribution(Ibid). Direct export works the best if the volumes are small. Large volumes of export may trigger protectionism. Indirect exports are the process of exporting through domestically based export intermediaries. The exporter has no control over its products in the foreign market (Yadong, 1999). These study adopted same definition and explanations.

Licensing

Licensing is a relatively flexible work agreement that can be customized to fit the needs and interests of both, licensor and licensee (Kottler, 2007). An international licensing agreement allows foreign firms, either exclusively or non-exclusively to manufacture a proprietor's product for a fixed term in a specific market (Due and Temu, 2003). Summarizing, in this foreign market entry mode, a licensor in the home country makes limited rights or resources available to the licensee in the host country. The rights or resources may include patents, trademarks, managerial skills, technology, and others that can make it possible for the licensee to manufacture and sell in the host country a similar product to the one the licensor has already been producing and selling in the home country without requiring the licensor to open a new operation overseas(Ibid). The licensor earnings usually take forms of one time payments, technical fees and royalty payments usually calculated as a percentage of sales. As in this mode of entry, the transference of knowledge between the parental company and the licensee is strongly present, the decision of making an international license agreement depend on the respect the host government shows for intellectual property and on the ability of the licensor to choose the right partner and avoid them to compete in each other market (Ibid).

Franchising

The franchising system can be defined as: "A system in which semi-independent business owners (franchisees) pay fees and royalties to a parent company (franchiser) in return for the right to become identified with its trademark, to sell its products or services, and often to use its business format and system" (Zimmerer and Scarborough, 2008).

Compared to licensing, franchising agreements tend to be longer and the franchisor offers a broader package of rights and resources which usually include equipment, managerial systems, operation manual, initial trainings, site approval and all the support necessary for the franchisee to run its business in the same way it is done by the franchisor. In addition to that, while a licensing agreement involves things such as intellectual property, trade secrets and

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others in franchising it is limited to trademarks and operating know-how of the business (Hoy and Stanworth, 2003).

Strategic alliance

A strategic alliance is a type of cooperative agreements between different firms, such as shared research, formal joint ventures, or minority equity participation (Bartett, 2009). The modern form of strategic alliances is becoming increasingly popular and has three distinguishing characteristics such as joint venture based alliance, non-joint venture based alliance and linkages that are not strategic alliances (Bartett, 2009).

Joint venture

One of the most popular modes of entry is the establishment of a joint venture, in which two businesses combine resources to sell products or services (Coleman, 2006). Many countries with tightly controlled economies, such as China, often require foreign companies to partner with a local company if they wish to sell products to their residents. Although joint ventures provide foreign companies with a partner experienced in the foreign market, these partnerships can be difficult to manage and require a splitting of profits (Kottler, 2007).

Foreign Direct Investment

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology, and personnel. FDI can be made through *the acquisition of an existing entity* or *the establishment of a new enterprise*. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment.

Foreign Acquisition

Acquisitions can be defined as a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own.

"Green Field" Entry

Green field can be defined as a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities

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from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees.

We can conclude that *Acquisition* is appropriate when the market is developed for corporate control, the acquirer has high absorptive capacity, and when there is high synergy, whereas *Green field* entry is appropriate when there is lack of proper acquisition target, in-house local expertise, and embedded competitive advantage.

RESEARCH METHODOLOGY

Five South Africa companies doing business were selected using non-probability sampling both purposive sampling and simple random sampling are used. A total of 55 respondents were used as a sample size. The 55 respondents from the chosen South African companies were involved in the study. These involved potential customers, employees and leaders of various sections. The study used two methods in collecting data. These methods were questionnaire and interview. In this study both Qualitative and Quantitative were used in data analysis. Moreover this study content analysis was done, it involved the contents of interviews being examined systematically to record the frequencies of responses to the interview guide questions and the ways in which the themes were portrayed. Data were compiled and coded in tabular form in terms of ratio, percentages. For the case of non-quantifiable content analysis was applied.

RESULTS AND DISCUSSION

The extent economic factors affect international market entry

The first objective of the study was to examine the extent to which economic factors in the host country affect international market entry. Respondents were asked to indicate the way economic factors in the host country affect international market entry. Table 1 and Figure 1 illustrate the findings.

Table 1: Economic factors identified by managers, employees & customers

Economic factors suggested by managers, employees & customers (n=55)	**Frequency**	**Percent (%)**
Gross domestic product	10	18
Government economic policy	12	22
Inflation	10	18
Consumer expenditure	5	9
Financial system	10	18
Volume of external trade	8	15
Total	**55**	**100**

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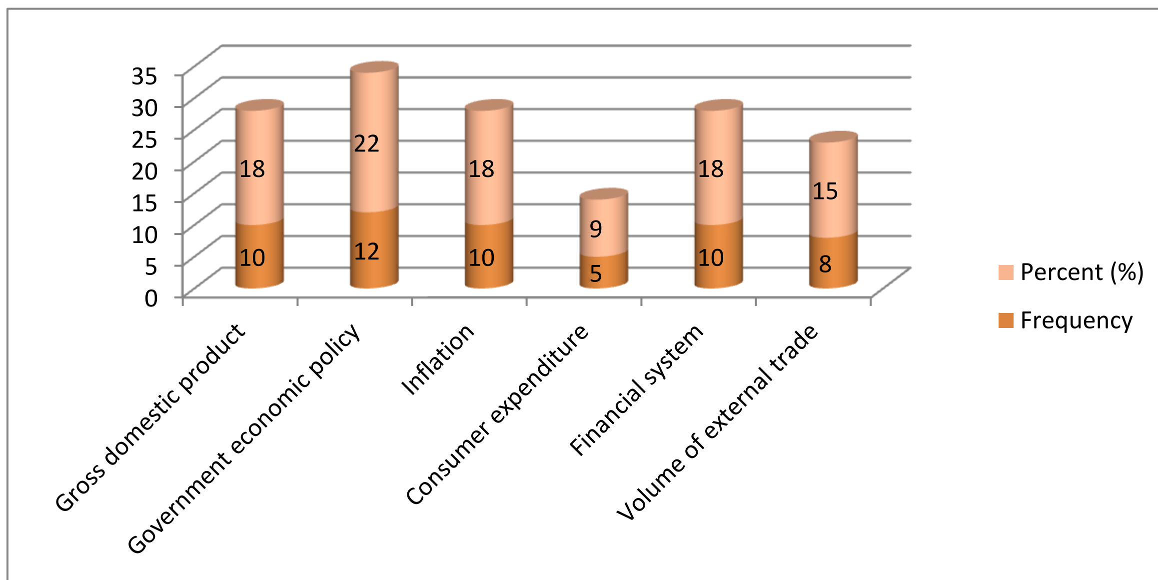
Figure 1: Economic factors identified by managers, employees & customers



The findings above illustrate that, 12 (18%), 10 (18%), 10 (18%), 10 (18%), 8 (15%) and 5 (9%) of the respondents identified government economic policy, gross domestic product, inflation, financial system, volume of external trade and consumer expenditure respectively as economic factors affects international market entry. From this finding it is shown that the government economic policy is the main obstacle for South African companies to enter into Tanzania market. The findings above correspond with observation seen by Bigsten and Danielsson (1999). They revealed that there are many economic factors that determine international market entry strategies such as Gross Domestic Product (GDP), price stability, government economic international Trade and investment,

The extent legal factors affect international market entry

The Second objective of the study was to examine the extent to which legal factors in the host country affect international market entry. Respondents were asked to indicate the way legal factors in the host country affect international market entry (Table 2 and Figure 2).

Table 2: Legal factors identified by managers, employees & customers

Legal factors suggested by managers, employees & customers (n=55)	Frequency	Percent (%)
Trade protectionism	15	28
Laws and regulation	20	36
International market policy	10	18
Investment policy	10	18
Total	**55**	**100**

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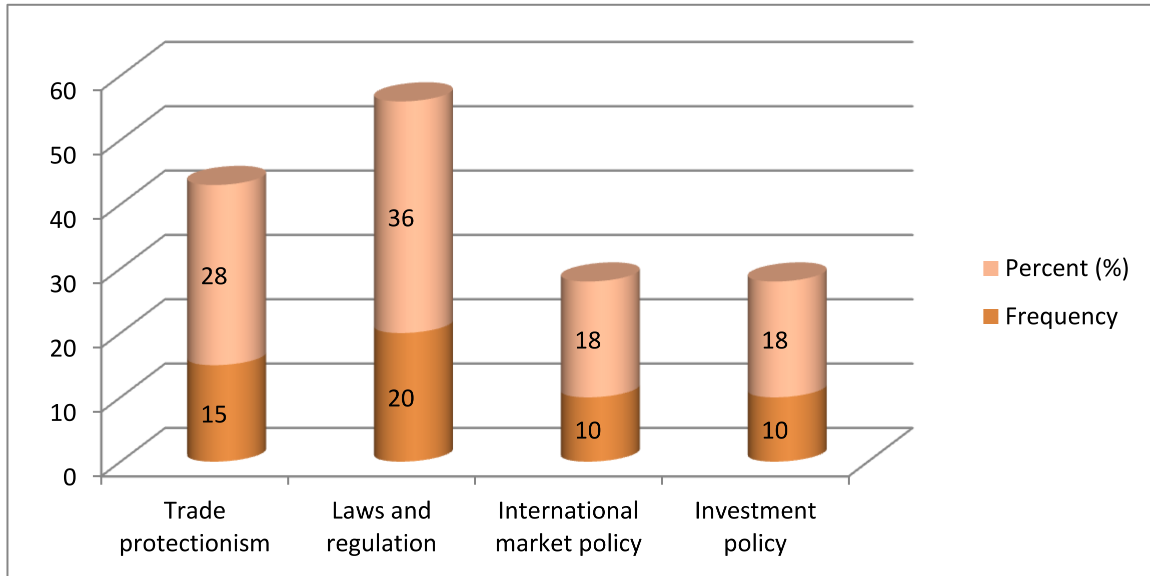
Figure 2: Legal factors identified by managers, employees & customers



The findings illustrates that Findings 20 (36%), 15 (28%), 10 (18%) and 10 (18%) of the respondents identified laws and regulation, trade protectionism, international market policy and investment policy respectively as legal factors in the host country which affect international market entry. From the findings laws and regulation imposed by the government inhibits South African companies from doing business in Tanzania. These findings concur with observation done by Cuts (2002). He observed that the rule of law is essential for the development of a market economy whilst growth requires good governance. It is obvious that private sector development requires a supporting institutional infrastructure and the government needs to be both non-corrupt and competent.

Extent international experience and Culture affects effectiveness of mode of entry choice

The last objective of the study was to examine the extent to which perceived international experience affect effectiveness of mode of entry choice. The respondents were asked to indicate the way perceived international experience affects the effectiveness of mode of entry choice (Table 3 and Figure 3).

Table 3: International experience identified by managers, employees & customers

International experience suggested managers, employees & customers (n=55)	Frequency	Percent (%)
Companies and country experience in international market	20	36
Companies and country not experience in international market	35	64
Total	**55**	**100**

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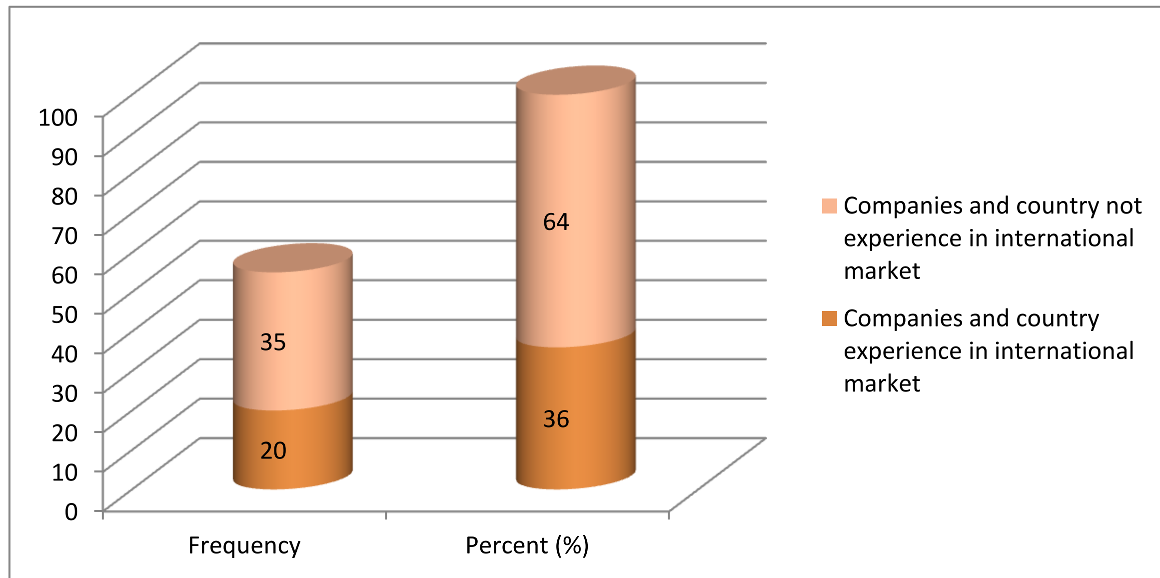
Figure 3: International experience identified by managers, employees &customers



The findings of the study reveal that 20 (36%) and 35 (64%) of respondents identified companies/country experience in international market and companies/country not experienced in international market respectively as perceived international experience affect effectiveness of mode of entry choice. From the findings it is evident that companies/countries with no international experience fail to enter foreign market. This findings correlate with the observation done by Pillay and Oludele (2003). They contend that South African companies operating in Tanzania have based investment or project decisions on the merits of each individual case and more importantly the desire for Tanzania country specific advantages, to attract foreign direct investment into the country.

The extent cultural factors affect effectiveness of mode of entry choice

The respondents were asked to indicate the way cultural factors affect the effectiveness of mode of entry choice (Table 4 and Figure 4).

Table 4: Cultural factors identified by managers, employees and customers

Cultural factors suggested by managers, employees & customers (n=55)	Frequency	Percent (%)
Cultural distance	25	45
Cultural values	5	10
Home country culture of a firm	25	45
Total	**55**	**100**

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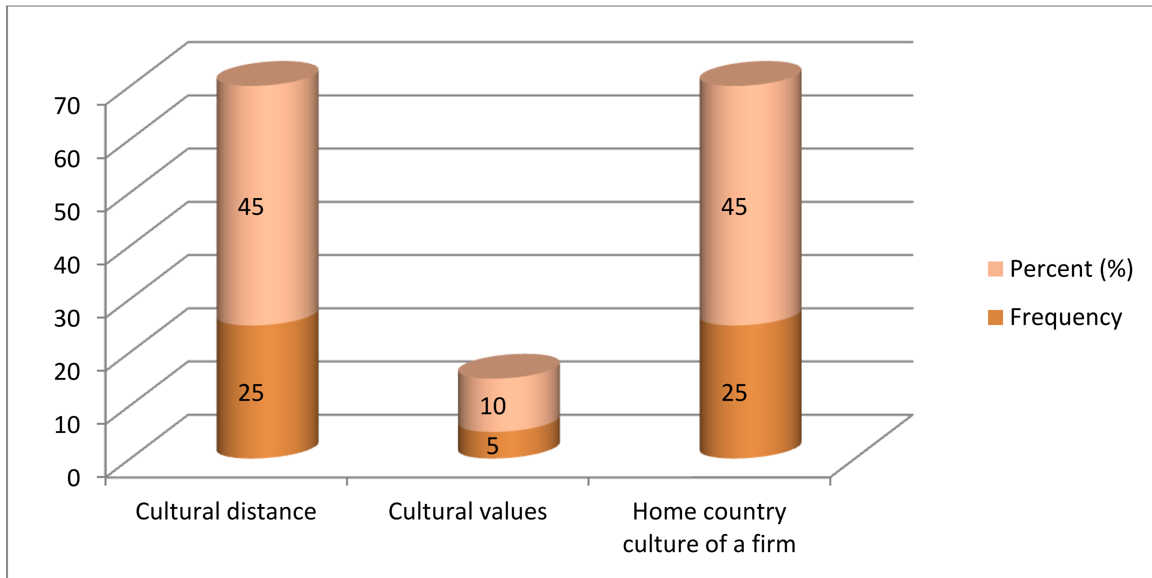
Figure 4: Cultural factors identified by managers, employees and customers



The findings indicate that, 25 (45%), 25 (45%) and 5 (10%) of respondents identified cultural distance, home country culture of a firm and cultural values respectively as cultural factors which affect the effectiveness of mode of entry choice. The findings presented above concur with the observation done by Kogut and Singh (1988). They asserted that cultural distance (differences between national cultures) and the home country culture of a firm (i.e. uncertainty avoidance) have frequently claimed to influence the entry mode selection.

CONCLUSION

From the study findings, it may concluded that the operational experiences by all South African companies interviewed in this research clearly indicate that the way one approaches and map out his or her mode of market entry is crucial for business success. Engaging local partners, building relationships with local people, recognizing and entering into partnership with a strong local partner and brand, building trust in the brand as there is always brand loyalty in these markets plus gathering local market knowledge are prerequisites for businesses to thrive in Tanzania. The lessons from TBL and Vodacom were that never go it alone, finds good partners, government even better, maintain good relationships and operate as a local company.

From the findings of the study, the biggest challenge has been an under-estimation of the local competition in terms of the quality of the local industries, particularly in retail and manufacturing sectors. Competition in the market has led in improvements in the quality of service and products and the availability of new products and services.

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Based on the findings of the study, it was found out that economic factors, political risks, legal factor, cultural factors and international experience are the factors that affect international market entry in the study area. It is concluded that, economic factors were at the high level, followed by political risks, legal factors, cultural factors and international experience.

RECOMMENDATIONS

Basing on the findings of the study, the following recommendations are pit forth in order to strengthen and build strong relationship between Tanzania and South African companies;

The Government should ensure political affairs are handled properly to attract more foreign companies to Tanzania.

South African companies should establish their presence in Tanzania by market seeking through a mix of different culture available in Tanzania.

The Government should control the issue of inflation in the economy to attract more investors to Tanzania.

The Government of Tanzania should address the issue of policy, legal and institutional environment.

The Government of Tanzania should address the issue of international market policy and investment policy

LIMITATION OF THE STUDY

This study focused only on five South African companies operating in Tanzania. Therefore the study did not cover the whole country, it focuses in Dar es Salaam only. Securing data from South Africa companies currently operating in Tanzania is a problem due to the confidential nature of individual company strategies. The interviewer was properly trained to ensure consistency in the formulation of questions during the interview process.

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