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**STRATEGIC APPROACH OF FINNISH COMPANIES ENTERING THE
CAMEROONIAN MARKET:
FACTORS AFFECTING THE SELECTION OF ENTRY MODE.**

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LISTS OF ABBREVIATIONS

BBC	British Broadcasting Corporation
CEMAC	Economic and Monetary Community of Central Africa
CIA	Central Intelligence Agency
FCFA	French Franc of African Currency
GDP	Gross Domestic Product
IPP	Independent Power Producer
KPDC	Kribi Power Development Company
LTE	Long Term Evolution
MNCs	Multinational Companies
MTN	Mobile Telephone Net work
MWP	Manara Wärtsilä Power Ltd
OS	Operating System
R&D	Research and Development
SSA	Sub-Saharan Africa
WTO	World Trade Organisation

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ABSTRACT :

There are many challenges for successful entry of Western companies into Cameroon. On the other hand, Cameroon is endowed with natural resources, has a developing economy and companies that are interested in investing in Cameroon should understand the factors that have an effect on the entry mode choice. Therefore the main objective of this thesis was to support Finnish companies to enter the Cameroonian market successfully. An integrated survey of literature in combination with empirical research was employed. The thesis further identifies the major factors that have an effect on the decision of Finnish companies to enter Cameroon. The strategies of two Finnish companies that have entered the Cameroonian market successfully were analysed and it was found that:

- Both companies based their market entry strategy into Cameroon on their strengths
- They employed wholly owned subsidiary as a mode of entry in to the Cameroonian market.

Furthermore, the factors that have an impact on the selection of an entry mode were classified into two categories. That is internal and external factors. The internal factors are those factors that come from inside the company and the firm has considerable control over the factor while the external factor are those factors that come from the companies' environment and the company has no influence on the factors but could monitor it.

Key words: Strategic Management, Market Entry Strategy, Mode of entry, Cameroon Institutional Environment.

1. INTRODUCTION AND BACKGROUND

1.1. Introduction

Globalization has been embraced by most countries, though there are lots of criticisms especially in the African context, its benefits cannot be over estimated. According to research by the World Trade Organization (WTO), globalization started in the post World War II period, strongly boosted by new information and communication technologies together with transport technologies and was marked by a period of prolonged trade and economic growth (WTO, 2008). The last three decades has experienced an increase in the scope and scale of globalisation (British Broadcasting Corporation (BBC) 2009). According to Shaker and Galal (1994:84), many companies are in the verge of internationalising their operations in order to expand and access new markets. Dahringer & Muhlbacher (1991) also found out that, one of the main reasons why multinational companies (MNCs) expand their operations on the international market is either to gain more profit or because the local market is very saturated.

1.2. Entering the Cameroonian market as a difficult task

There are many challenges for successful entry of Western companies into Cameroon. On the other hand, Cameroon is endowed with natural resources, has a developing economy and cannot be exempted from the changes brought by globalisation as the period of isolationism has past (Triegaardt, 2008:480). The attractiveness of the Cameroonian economy has attracted western companies especially Finnish companies to do business in Cameroon but there are challenges for successful entry into this market.

Furthermore, with the liberalisation of the economy of Cameroon, it is not very difficult for international companies to operate as it was decades ago. The entry of MNCs into Cameroon has been beneficial both to the foreign companies and the domestic market as a whole. These foreign investors are gateway to modern technologies and have increase the use of electricity even to the rural poor which have improved the standard of living. As mentioned above, the entry of international investors into the Cameroonian market is beneficial to both the foreign company and the domestic market but it is not so easy to enter the market as it seems. The main reason is due to the non homogenous nature of the market and there is great difference

regarding the economy, political and legal system, regulatory policy of the government and culture.

Nevertheless, Cameroon has a great diversity in almost all aspects of life. The gap amid the poor and the rich, the urban and the rural, the educated and the uneducated is very wide. Cameroon has a population of about 20 million and about 40% of the population live below the poverty line. There is a thin stratum of the rich with a sizable educated middle class. With the above ramification, the Cameroonian market is attractive for foreign companies. Within the past two decades, few foreign companies have managed to enter successfully into the Cameroonian market; some are in the verge of doing so while others failed to function immediately after they entered the market. (CIA fact book 2012.)

Many companies failed to acknowledge the socio-cultural aspects of the country hoping that it could not influence business. Others try to enter with the help of a sophisticated technology and at the end still fail. More so, it is evident that every company trying to enter a new market has a problem that is foreseen but the overall success will depend on the manner in which the company is able to manoeuvre the benefits and the opportunities seen in such markets. Additionally, many foreign companies have attempted to enter the Cameroonian market but have not succeeded mainly due to the high initial cost of investment, low return on investment or the burden of high license fee.

The above mentioned factors clearly indicate that, entering the Cameroonian market is not an easy task. This further implies that a well formulated strategy must be put in place in order for foreign companies to successfully enter the Cameroonian market.

1.3. Why trade and invest in Cameroon

The Cameroon economy has undergone structural transformation since 1990. However, the country has put in place macroeconomic policies in order to open the domestic market to foreign investors and to further promote competitiveness. Cameroon is a diversified country with rich potentials, very stable and with a moderately developed civil society. The Cameroonian market can be viewed as Eldorado for investors. Mboa (2011) described three facets that characterize the attractiveness of the Cameroonian market for foreign investors which include; geostrategic, governance, human and natural resources.

1.3.1. Geostrategic

Cameroon is situated in the Gulf of Guinea and is located at a strategic point which makes it the major port of entry and exit of the sub-region. More so, Cameroon is the only country that share common border with the five countries that form the CEMAC (Economic and Monetary Community of Central Africa) zone. In addition to the CEMAC countries, Cameroon has about 1700km of shared border with Nigeria. The above results couple with its economic performance (50% of CEMAC GDP) makes it the sub-region's leader and has a potential market of more than 200 million inhabitants including Nigeria.

1.3.2. Governance

Cameroon has strong and credible institutions, political stability and guarantor of social peace, which is in contrast with the troubles and conflicts that have plagued Africa. This has definitely not been so easy to manage.

1.3.3. Natural and human resources

Cameroon is endowed with natural resources with a very high and varied potential for mining. Many experts has echoed that, Cameroon is a true geological mine. Recently, the Cameroonian mining area is in a state of turmoil. It has one of the biggest deposits of nickel, bauxite, cobalt, iron and manganese. Within two years, the Cameroon government has granted more than 100 licenses which were mainly for exploitation. The government has further adopted an attractive and competitive Mining Code in 2001 which has reduced the barriers that could impede foreign investors from exploring the sector.

On the one hand, Cameroon has a population of about 20 million inhabitants of which more than 65% are less than 25 years old. It also has an educated and laborious youth which is tantamount to the availability of skilled work force.

1.4. Research objective

Therefore, based on points raised in the introductory note, this thesis research seeks to support the successful entrance of Finnish companies to the Cameroonian market. In this respect, the specific objectives of this study are;

1. To describe and analyse the various market entry strategies.
2. To understand the present situation of the Cameroonian market.

3. To investigate the factors affecting the selection of entry modes of Finnish companies into the Cameroonian market.
4. To provide recommendations to Finnish companies entering the Cameroonian market.

1.5. Research questions

1. What is the market entry strategies used to access foreign market?
2. What is the present situation of the Cameroonian market in terms of political, economic, social, cultural, technological environmental and legal?
3. What are the factors affecting the selection of entry modes of Finnish companies into the Cameroonian market?
4. What lessons can be learnt from the experiences of the Finnish companies trying to enter the Cameroonian market?

1.6. Research Demarcation

Leedy (1997:59) claimed that, research demarcation aims to make the topic of the research manageable from the researcher's point of view. With this understanding, it however does not mean that research on same topics is not required in other areas. On the other hand, as necessary some topics will be explored in detail as the research develops.

1.6.1. Geographic Demarcation

The research study was limited to Cameroon. Therefore other countries are excluded from the research. The samples were chosen from well-known companies that have entered the Cameroonian market.

1.7. Conclusions

The purpose of this chapter has been to give some background on the Cameroon market and some of the problems that the market is facing. With regards to this, some reasons that may motivate investors from trading in Cameroon have been highlighted and include; geostrategic, governance and human and natural resources. The chapter proceeds by putting forward the objective of the research and the question set for the research. However, in order to limit the research into a manageable size, the researcher demarcates the study geographically to include only Cameroon.

2. THEORETICAL FRAMEWORK AND INSIGHT

2.1. Introduction

This chapter focuses mainly on strategic management, market entry strategy in general and institutional environment of Cameroon from a theoretical point of view. The chapter aims to achieve the following objectives;

- i. To have a general understanding of strategic management and strategies but with an emphasis on market entry strategy
- ii. To outline the criteria and processes for good market entry strategy and
- iii. To identify the factors that have an impact on market entry strategy

For the purpose of clarity, the discourse in this chapter is further divided into 9 sections and further subsections as would be seen below.

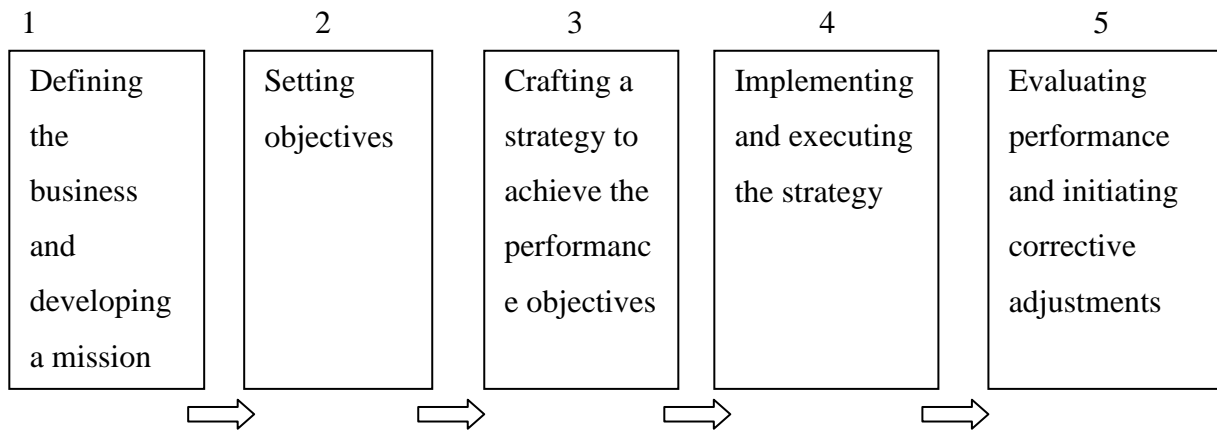
Strategic management has a plethora of literature. However, this chapter will capture specifically the views of Hills & Jones, Miller & Dess, Grünig & Kühn and Kiruba as will be seen in section 2.2 and 2.3. Section 2.2 is focuses on the purpose of Strategic management. Sub-section 2.2.1 on the main tasks of Strategic management which include strategic control, strategic planning and strategic implementation. Sub-section 2.2.2 discusses the main aim strategic management which is meant to guarantee the success of the company in the long term. This sub-section also focuses on describing how a company can accomplish its long term goal by maintaining and creating success potentials. Section 2.3 is based on strategies and strategic planning. Sub-section 2.3.1 highlights the two different forms of strategies which in this case are intended and realised strategy. The next sub section 2.3.2 explains the two types of intended strategies which are business and corporate strategy. The corporate approach of the firm focuses its activities towards attractive market while the business strategy of a firm identifies the offers and the resources needed for each business so as to attain the target market position put forward in the corporate strategy. The last sub- section 2.3.3 explains the process of strategic planning. Section 2.4 states the definition of market entry strategy; Sub- section 2.4.1 outlines the motivation for international expansion while section 2.5 highlights Strategic choices as a framework for market entry strategy. Section 2.6 further explains the various market entry modes; Section 2.7 analysis the Cameroon institutional environment, Section 2.8 provides a summary of the chapter.

2.2. Purpose of Strategic management

According to Grünig & Kühn (2002:1), strategic management is one aspect of management and is concerned with the long term goal of the organisation which is different from the day to day running of the organisation. They further define strategy as “the decision concerning the long term goal of the organisation”. Furthermore Hunger & Wheelen (2008:8) claim that strategic management is a tool that management use to determine the long term performance of the organisation. It consists of strategy formulation, scanning the environment, control and evaluation. Strategic management therefore highlights the strengths and weaknesses of the organisation and also evaluates the organisation’s external environment in terms of threats and opportunities. With this understanding, an objective is what the organisation is trying to achieve and a strategy is how the organisation is going to achieve the objective. One of the most significant areas of decision making is to establish the strategy of an organisation. In order to better comprehend the purpose of strategic management, section 2.2.1 further outlines the various tasks of strategic management while section 2.2.2 focuses on the core function of strategic management.

2.2.1. Strategic management Tasks

Grünig & Kühn (2002:2) classify the tasks of strategic management in to five categories as shown in figure 1 below. Kiruba (2006) further broadly classifies the tasks of strategic management into three categories namely; strategic planning, strategic implementation and strategic control. Therefore, it is important to note that, Grünig & Kühn’s classification take into account the specific tasks of strategic management while Kiruba’s classification gives a general view of strategic management tasks.



Adapted from (Grünig & Kühn 2000:60).

Figure 1. Five tasks of Strategic Management.

Developing a vision and a mission

The strategic questions any top management in an organisation ask are; “what business are we doing? How will it be in future”? The above questions then enable the manager to further consider what the organisation business is about and to develop a clearer mission statement as to where the organisation needs to be going in the next five to ten years. Grünig & Kühn (2002:3), define the mission of the organisation as “management vision of what the organisation seeks to do and to become”. On the other hand, the mission statement of an organisation establishes the future course of the organisation and outlines who the organization is, what it does and where the organization is leading to. Furthermore management’s vision of what the organization seeks to do and to become is commonly termed the organization's “mission.” The above ramification sets out a particular business position of the organisation.

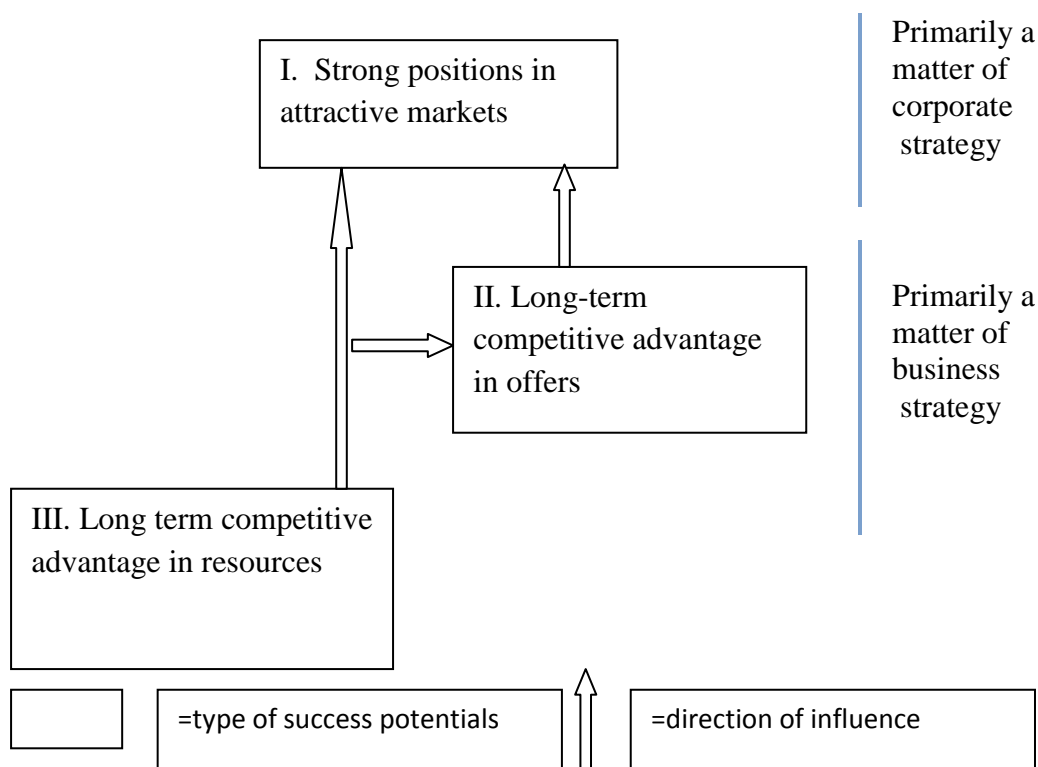
Setting objectives

The primary motive of setting objectives is to translate the mission statement in to a more specific performance target. Objective setting is of great importance because it serves as a benchmark for monitoring the organisation’s progress and performance. The main challenge of trying to reduce the gap between desired performance and actual performance may push the organisation to be more innovative thereby exhibiting more urgency in improving not only its business position but also its financial position as well. In order to prevent complacency, it is important to set challenging but achievable objectives. The objective that is set must also have a time horizon both short term and long term. The short term objective

is very important because it outline the immediate areas of improvements and the outcomes that the management desires. (Grünig & Kühn 2002)

2.2.2. Main purpose of strategic management

As stated in section 2.2 above, the primary purpose of strategic management is to ensure the long term success of the organisation. In this respect, the company's long-term success lies in achieving both its objectives and overriding goals. Gälweiler (1987:26) claims that, a company can achieve its long-term goals and objectives by the construction and maintenance of its success potentials. To this effect, three categories of success potential of a company are outline in figure 2 and are further discussed below



Adapted from Grünig & Kühn (2002: 10).

Figure 2. Types of success potential of a company.

- i) Strong position in attractive market: Strong position here implies the significant market share in the market niches while market attractiveness is mainly based on intensity of competition in the market niches, size and growth rate.

- ii) Long-standing competitive advantages in market niches. This comprises effective and aggressive advertisement, product quality, long-term price advantage and good customer service.
- iii) Long-term competitive advantage in resources. This consists of both hard and soft factors. Hard factors include financial resources, technology, information systems and human resources while soft factors include brand image, ability to change, networking capabilities, innovation capabilities and company culture.

Grünig & Kühn (2002:243) further note that, “success potential network is an option for competitive advantage at the level of the different elements of the offer and also of the different elements of the resources”. They further illustrate that, a success potential must;

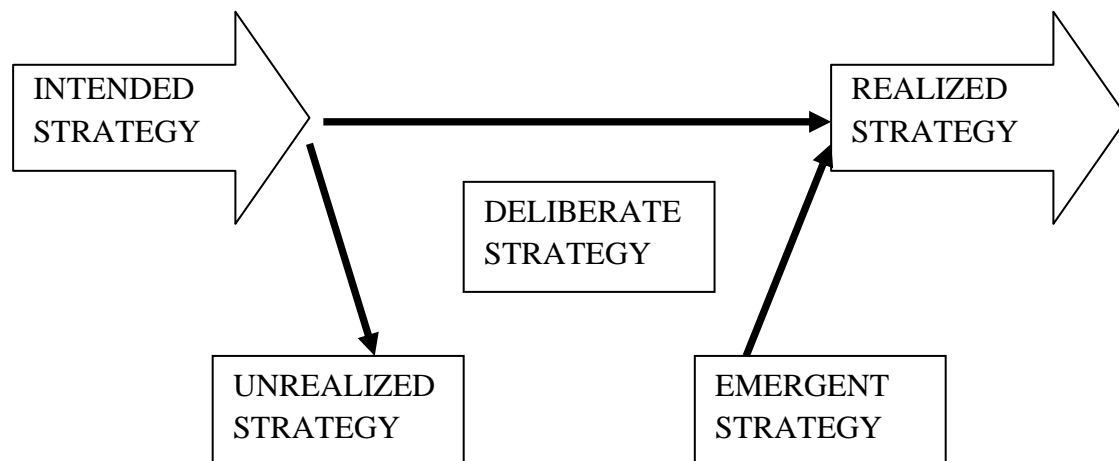
- Be focused in order to achieve the market position as highlighted in the corporate strategy,
- Be inline with the investment budget as also stated in the corporate strategy
- Employ the business strategy in the respective segments of the industry and
- Benefit from synergy effect.

2.3. Strategies and strategic planning

Wright & Taylor (1992:3) define strategy as “top management’s plans to attain outcomes that are consistent with the organisation’s missions and goals”. On the other hand, according to which the source is listed in the list of references at the end of the thesis, “strategic planning is a management tool for organising the present on the basis of the projections of the desired future”. From the above definition, a strategic plan serves as a road map to guide the organisation from its present state to where it would like to be in five or ten years. More so, organisations develop plans for their future as well as they also evolve patterns out of their past. To this effect, the former is referred to as intended strategy while the latter is called realised strategy.

2.3.1. Intended and realised strategy

According to Mintzberg & Walters (1985:258–259) there are basically two forms of strategy. These are; intended and realised strategy. Intended strategies define here as an intended course of action that is believed to be the most appropriate for achieving the organisation's goal. In practice, it is not always possible to realise the intended strategy as desired. Furthermore, realised strategy may deviate considerable from intended strategy. In some situations there are no specific intended strategies; therefore the realised strategy might be the outcome from individual decisions. This is also termed emergent strategy. Figure 3 below highlights the different forms of strategies.



Adapted from Mintzberg & Walters (1985:258).

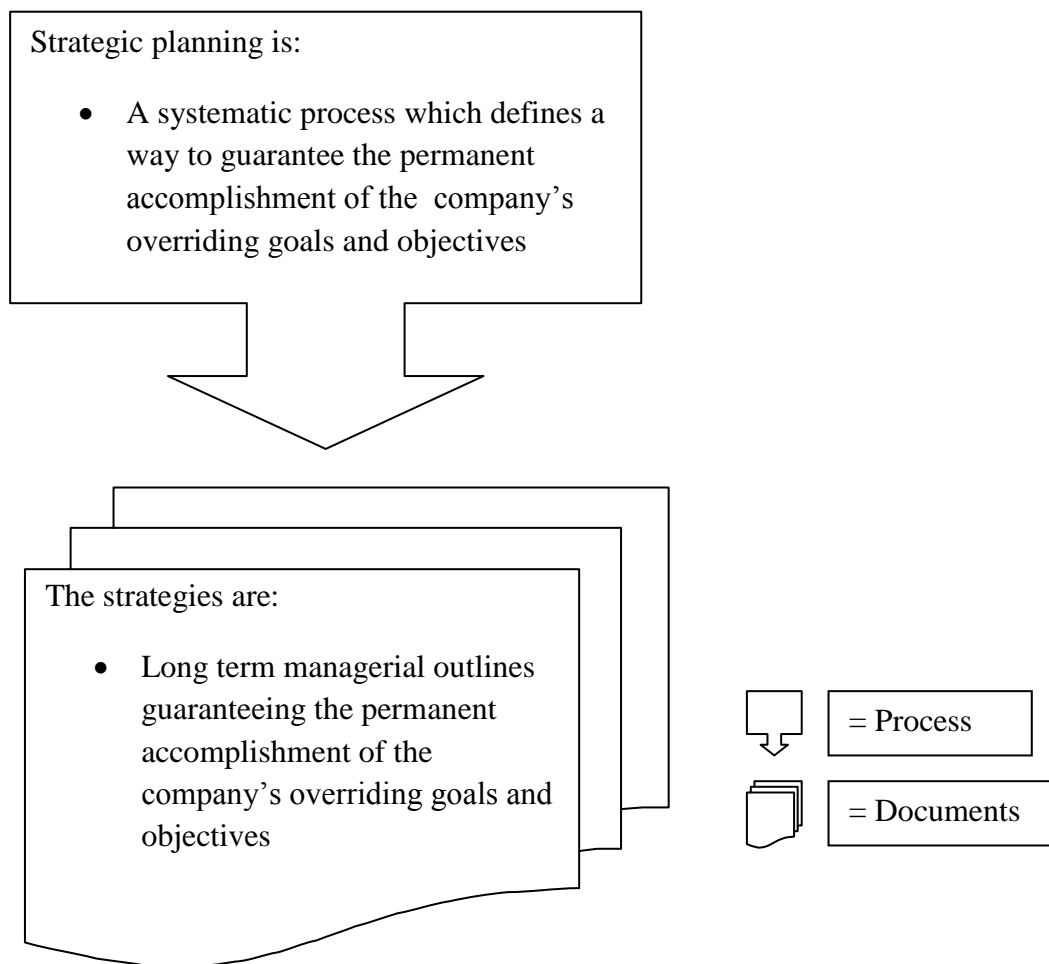
Figure 3. Intended and Realised strategy.

2.3.2. Corporate and business strategy

There are basically two levels of strategies; corporate strategy and business strategy. Corporate strategy is concerned principally with the decision about the scope of the company's activities. That is, it mainly directs the company activities towards attractive market where it can maintain competitive position. Corporate strategy normally applies to the whole organisation. On the other hand, business strategy outlines the way a firm competes in the industry. In other words, it specifies the resources that are needed for the business so that it can achieve the target set in the corporate strategy. (Andrews 1997.)

2.3.3. Strategic Planning Process

As discussed earlier in section 2.3 above, strategic planning is the process by which strategies are produced with the goal of ensuring the long term accomplishment of the company's goals. Therefore, strategic planning process lays emphasis either on some parts of the company or the entire company. Grünig & Kühn (2002:8), Hill & Jones (1998:4), note that, in strategic planning process, responsibilities and competencies are centred at the level of top management. Hence they further put forward the difference between strategic planning and strategies as shown in figure 4 below.

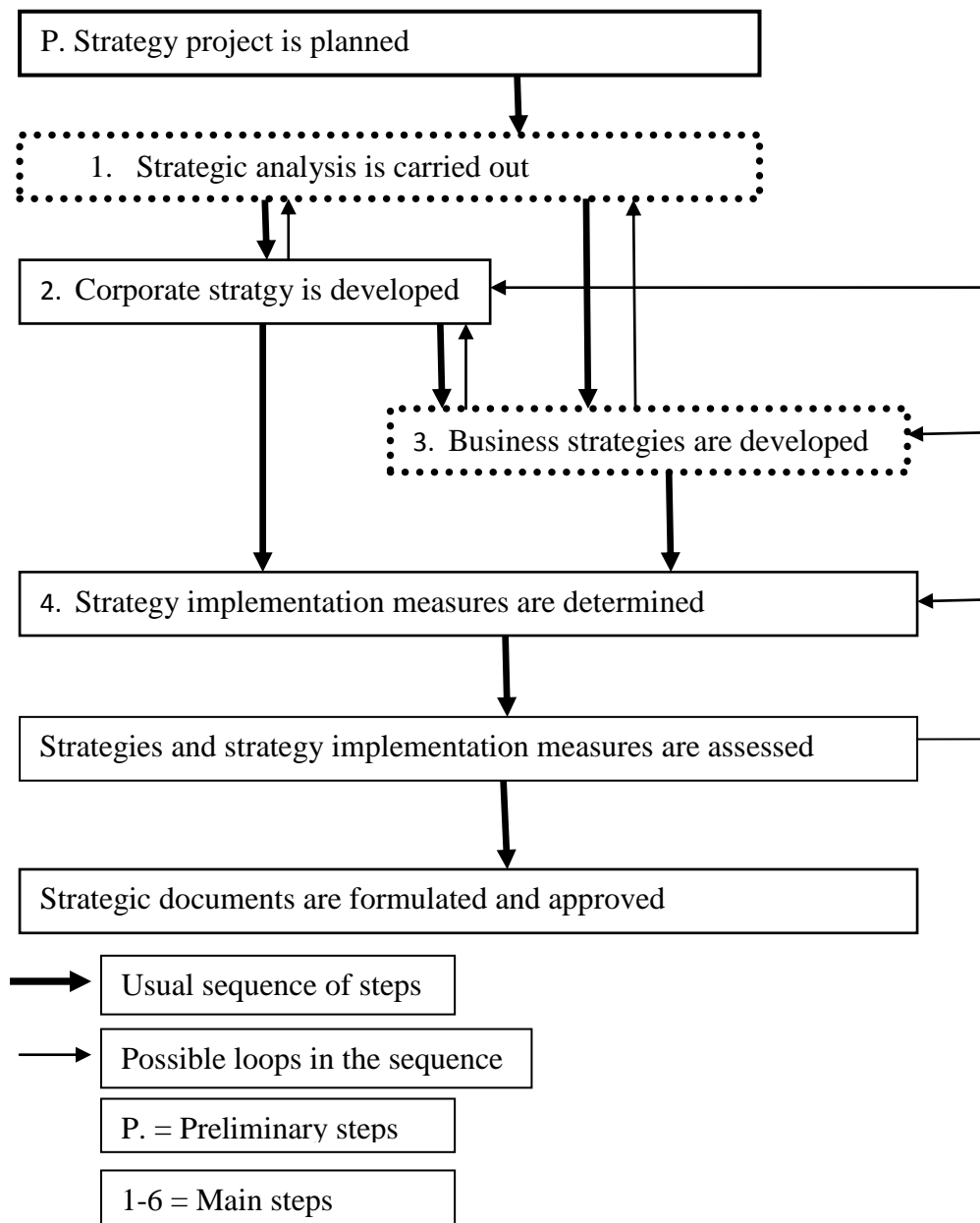


Adapted from Grünig and Kühn (2002:9).

Figure 4. Strategic planning and strategies.

As shown in the figure above, strategic planning process commences with the planning of a project. This entails the determination of the objectives and general conditions that are both

favourable and unfavourable to the project, project scope, budgeting and the project cost to name a few. It also involves making a strategic decision whether to hire an external consultant or not. This is preceded by strategic analysis which entails analysing both the current situation and future development of the entire environment, the company and the industry, as well as the identification of opportunities and threat. The above analysis provides a leeway to the development of both corporate and business strategy. At this level, strategy implementation measures are also determined which is then followed by a concrete assessment of those measures so as to conform the effectiveness of the strategies. The final stage is the formulation and approval of strategic documents. Figure 5 below presents a summary of strategic planning process in general. However, it is important to note that, strategic planning process differ for different types of company. The plan below is suited for a company with plain strategic structure. However, there is need for adaptation for a company with a complex strategic structure such as a company operating internationally with a single industrial market and even diversified company operating internationally.



Adapted from Grünig & Kühn (2002:42).

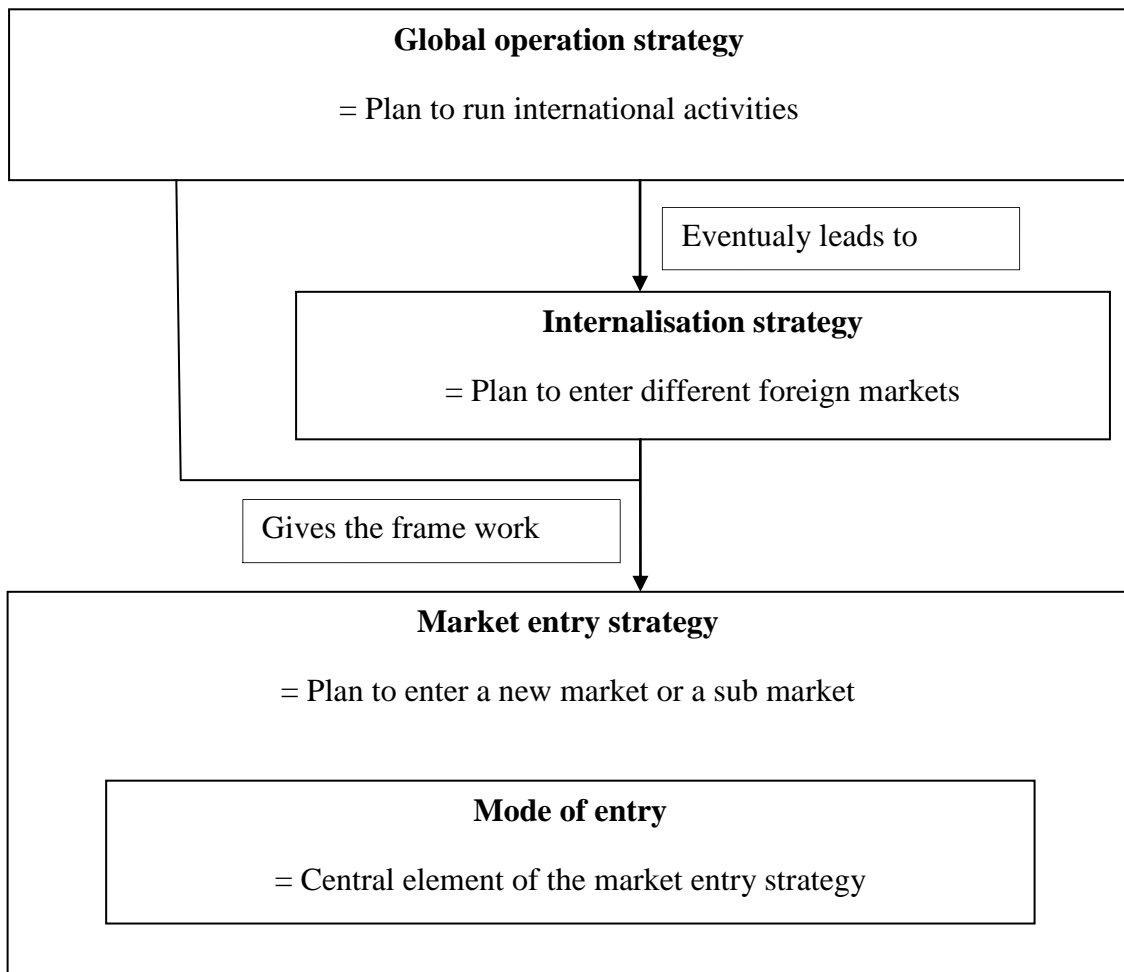
Figure 5. Strategic planning process.

Harris & Ogbonna (2006:100–101) claim that, many aspects of the scholarly investigation of strategic planning process within organisations form the basis of conceptual division and academic debate are available. On the other hand, theorists seem to be in compliance that, the development of a consistent and implementable plan is of greater benefit to the firm and involve a process even though founded on an often misunderstood dynamic process of strategising that is not necessarily rational (Aram & Cowen 1990:64). Taylor & Wright

(2003) further argue that, researchers from a wide range of perspectives are in compliance that planning would only yield a greater return if the planning process was implemented successfully. On this note, the market entry strategy is further looked at.

2.4. Market entry strategy

According to Littler & Wilson (1995:50), market entry strategy “is a plan that a company device in order to access new markets”. A company operating internationally utilize a specific strategy that is implicit or explicit in running its affairs. This can also be termed global operation strategy wherein, global operation strategy provides a framework for market entry strategy while, market entry strategy further provides the overall plan to access new markets and takes into consideration all the components that must be put in place in order to meet the objectives. For example, the market entry strategy may include issues like entering into a joint venture with a local partner, choosing a region of operation, buying market knowledge to name a few. (Lévesque & Shepherd 2004:31.) Companies utilize different modes of entry into foreign markets which are explained in the subsequent section. A company that enters more than one market employs what is known as internationalisation strategy. The internationalisation strategy further specifies the target market and the precedence in entering that market. This can also be base on geographic demarcation for entering the foreign market. The above ramification is summarized in figure 6 below.



Adapted from Kiruba (2006:35)

Figure 6. Relation between global operation strategy, Internationalisation strategy, Market entry strategy and Mode of entry.

2.4.1. Motivation for international expansion

Yaprak & Karademir (2011:438) claim that, global expansion allows companies to boost their profitability which might not be possible if they continue to operate within the caprices of the domestic market. Companies operating internationally can benefit from the following:

- ❖ Gain location advantages by spreading different value creating activities to those areas where they can achieve greater efficiency;
- ❖ Earn much higher return from their unique competencies
- ❖ Can descent much faster from the experience curve than their competitors which would allow them to offer more competitive products to their consumers.

Unique Competencies

As stated by Patanakul and Milosevic (2008:119), "Unique competencies are the unique strengths that let a company to achieve higher quality, innovation and efficiency or customer responsiveness". Those strengths are typified by offering a product that other companies are not able to copy or imitate. Furthermore, unique competencies are very important for a company's competitive advantage. Moreover, unique competencies also enable a company to reduce its cost and help to differentiate its market offerings. In this respect, companies possessing valuable and distinctive competencies can realise a greater returns by applying the competencies together with the product they produce to the foreign market where there is lack of similar competencies and product by indigenous competitor.

Location Advantages

As Siripaisalpipat and Hoshino (2000:35) illustrate, companies can gain location advantages by performing a value creation activity in the most advantageous location for that activity in any part of the world (trade barriers permitting and transportation cost). In line with this view, Pehrsson (2008:134) also notes that, positioning a value creating activity in a favourable location for that activity can provide the company with one of two effects;

- a) Reduce the cost of value creation, thereby helping the company to acquire a lower cost position or
- b) Allow the company to differentiate its market offerings and charge a premium price.

Hsieh, Lee, & Ho (2012:433) argue that a company can gain location advantage by dispersing its value creation activities to those location where its can perform well which will give it a higher competitive advantage over companies that concentrate all its activities on a single location. They further state that, the company would be able to differentiate its market offerings and further lowers its cost structure as compared to its single-location opponent. The above ramification has the basic assumption that by spreading its manufacturing and design activities, a company will be able to gain a competitive advantage in the global market.

Experience Curve

The experience curve is based on the premise that, cost reduction correlates with the level of experience. In other words, the experience curve refers to the decrease in the cost of

production over the life cycle of the product. More so, in theory, the experience curve is used frequently to measure the declining production cost as against cumulative production. Economies of scale and learning effects are the back bone of the experience curve and companies can lower their production cost by moving down the experience curve. A company will have a competitive advantage over its competitors by moving faster down the experience curve. Generally the sources of experience-based cost economies are mainly located at the plant level. Moreover, spreading the fixed cost of constructing a productive capacity on a larger output decreases the production cost of a product. Therefore, descending down the experience curve quickly helps the company to increase the accumulated volume produced by the plant. Finally, the global markets are much larger as compared to domestic markets and companies operating on the global market from a single location are able to build up more volume faster than firms that focus on serving only the domestic market or serving several markets from multiple production locations. (Bake, Faaij & Walter 2009:647.)

Compulsions for Cost Reduction and Responsiveness

As argued by Tsai, Huang, Ma (2009:617), companies that operate on the global market mainly face two types of competitive pressures;

- i) Pressure to be locally responsive and
- ii) Pressure for cost reduction

Multinational companies must design its activities so as to cope with pressure for cost reduction. This is typified with companies producing commodity type products like sugar, steel, chemicals, petroleum to name a few, where price is the main weapon for competition. Moreover, pressure for cost reduction is also very severe amongst companies in which their competitors are located in a low-cost location. Trade liberalisation has also augment the cost pressure due to greater international competition. However, in order to counter pressure for cost reduction, companies need to reduce their unit cost to minimum. Companies can achieve this goal by locating their value creation activities anywhere in the world at the most favourable location and offer a standardize product in order to quickly ride down the experience curve

In contrast, Hartmann, Trautmann & Jahns (2008:32) further argue that, in order to be locally responsive and at the same time responding to pressure globally, firms need to

differentiate their market offering and marketing strategy from one country to another in order to cater to the government policies, consumers taste, preferences and business practices. This is however, due to the fact that differentiation across borders may include considerable duplication and lack of product standardization and could raise costs. Therefore, coping with this conflicting pressure is a serious challenge for firms because being locally responsive would likely raise costs.

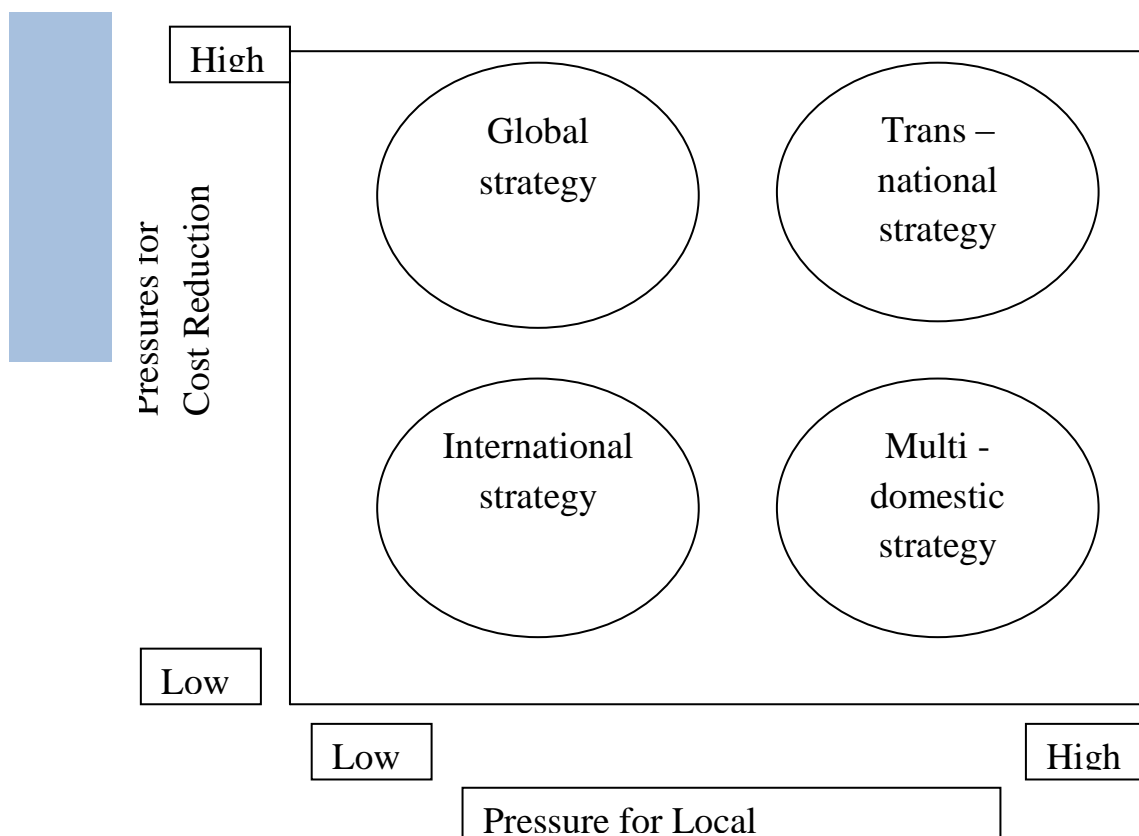
Responsiveness to Local Needs

Luo (2001:452) found out that, pressure for local responsiveness surfaces due to differences in consumers' tastes and preferences, differences in distribution channels, differences in infrastructure and more importantly demands from the host government. According to Luo, the consumers' tastes and preferences differ considerably between countries as a result of cultural or historic reasons. Therefore the marketing messages as well as the products have to be customised in order to meet the tastes and preferences of the local consumers. The above ramification means that production and marketing decision has to be entrusted to the local subsidiaries. Furthermore, pressure for local responsiveness may also come up as a result of traditional practices among countries or differences in infrastructure thereby creating a need for customised products and could further requires delegating the manufacturing functions as well as production functions to local subsidiaries as stated in section 2.4.1 above.

These views are further supported by Lampel (2001) who expatiates that, differences in distribution channels among countries could necessitate the adoption of different strategies. This would also require the delegation of marketing functions to local subsidiaries. Differences in distribution channels among countries may require adopting different strategies. This may necessitate the delegation of marketing functions to national subsidiaries. Finally, economic and political demands imposed by host governments may call for the need for local responsiveness. In general, economic nationalism, protectionism and local content rules may dictate that all international businesses should manufacture locally. Furthermore pressure for local responsiveness may impede a firm from enjoying full benefits from the location advantage and experience curve effects. Additionally, pressure for local responsiveness may entail that it is practically impossible to transfer the skills and products associated with the firm's distinctive competencies from one nation to another.

The relationship between pressures for local responsiveness and pressures for cost reduction generate four strategies as shown on figure 7 below. The Y-axis represents pressures for cost reduction and X-axis represents pressures for local responsiveness.

As shown on this figure, international strategy is relevant in a market where pressures for cost reduction and pressures for local responsiveness are low. On the other hand multi-domestic strategy is applicable in markets where pressure for cost reduction is low while pressure for local responsiveness is high. More so, global strategy is relevant in markets where pressure for local responsiveness is low whereas pressure for cost reduction is high. Finally, transnational strategy is applicable in markets where both pressure for local responsiveness and pressure for cost reduction are both high. Therefore a firm pursuing a transnational strategy could achieve both low cost and advantages of product differentiation at the same time.



Adapted from Hill and Jones (1998:254).

Figure 7. Pressures for cost reduction against pressure for local responsiveness on strategic choices.

2.5. Strategic choices as a framework for market entry strategy

Any company that has decided to operate on the international market must also devise a means to manage its operations internationally. The strategy that companies pursue to operate on the international market is called global operation strategy. There are basically four types of global operation strategy that companies can utilize when operating on the international market. These include; global strategy, International, transnational and multi-domestic strategy. (Hill and Jones, 1998:253) The above four stated strategies have their advantages and disadvantages and are discussed in detail below.

2.5.1. Global Strategy

According to Rialp-Criado, Galván-Sánchez & Suárez-Ortega (2010:109), firms that pursue a global strategy lay emphasis on increasing profitability thereby reaping the benefits of location advantage and cost reductions that come from the experience curve effects. As a result, they are following a low cost strategy. The activities pursued by global firms such as R&D, production and marketing are focused in a few favourable locations.

Moreover, global firms are not liable to customise their marketing strategy and product offering to local conditions. This is due to the fact that, customisation increases costs and it also involves the duplication of functions and shorter production runs. However, global firms desire to market a standardised product globally in order to enjoy maximum benefits from scale economies that follow the experience curve. This strategy is relevant in situations where the pressure for cost reduction is strong and demand for local responsiveness is at the minimum. Examples of companies that follow a global strategy are Nokia, Intel, Texas Instrument and Motorola. (Hill and Jones 1998:255)

2.5.2. International Strategy

Douglas and Craig (1995:326) claim that, firms that pursue an international strategy create value by transmitting valuable products and skills to the foreign markets where competitors in that market lack those products and skills. Most international companies like Wärtsilä, ABB, Gamble, IBM, Merck and Procter have created value by transmitting differentiated products that have been developed from the home market to overseas market. As a result, their product development functions are centralized in their home country. On the other

hand, they also establish marketing and manufacturing functions in each key country where they do business. Even though they may embark on some local customisation of their marketing strategy and products offering to a limited extent. Eventually, most international firms retain very tight control over product and marketing strategy at the head quarters. (Hagen, Zucchella, Cerchiello, & Giovanni 2012.)

In this light, an international strategy is relevant if the firm has valuable competencies that are unique and local competitors in that foreign market lacks those competencies. More so, if the company further faces relatively low pressure for cost reduction and local responsiveness. With this effect, an international strategy could be very profitable. More importantly, when pressure for local responsiveness are high, firms following this strategy may not benefit as oppose to firms that lay a greater emphasis on customising market strategy and product offering to local conditions. Moreover, due to the duplication of manufacturing facilities, firms that follow an international strategy are liable to incur high operating cost. Finally this strategy is not suitable for firms for which pressures for cost reduction are high. (Hill and Jones 1998:253) Furthermore, because of the duplication of manufacturing facilities, companies that pursue an international strategy tend to incur high operating costs. Therefore, this strategy is often unsuitable for industries in which cost pressures are high. In conclusion, firms pursuing international strategy centralise research and development and marketing functions at the home country while other value creation functions are decentralised to national units (Grøgaard 2012:398).

2.5.3. Transnational Strategy

According to Festing Eidems, Royer (2007), a transnational company is a company whose operation is not limited to any region or country. Firms belonging to this category pursue a product differentiation and low cost strategy at the same time. Fundamentally, transnational firms maintain a high level of local responsiveness while operating at a global level. A transnational strategy is essential when a firm faces high pressure for local responsiveness and high pressure for cost reduction. Firms pursuing this strategy principally strive to achieve differentiation advantages and low cost concurrently. This strategy looks very attractive but it is practically difficult to pursue. This is because pressure for cost reduction and local responsiveness place an inconsistent demand on the company. Furthermore, local responsiveness increases costs which further complicate cost reduction strategy. More so, transnational strategy actually offers greater advantages but applying it raises complicated

organisational issues. Examples of firms pursuing this strategy are Unilever and Caterpillar. (Hill and Jones 1998:257.)

2.5.4. Multi-domestic Strategy

As noted by Thomson and Strickland (1999:192), firms pursuing a multi-domestic strategy orient themselves in achieving maximum local responsiveness. Examples of firms following this strategy are Microsoft, Nestle and Matsushita. Unlike firms pursuing an international strategy, they apt to transfer products and skills developed at home country to the foreign markets. However, in contrast to international companies, multi-domestic firms extensively customise both their marketing strategy and product offering to different national environments. In line with this approach, they also focus on establishing a complete set of activities including R&D, production and marketing in each key market where they do business. Therefore, they do not benefit from experience curve effects as well as location advantage and consequently, they usually have a high cost structure. (Caron, Young & Miller 1999)

A multi-domestic strategy is relevant when there is low pressure for cost reduction and high pressure for local responsiveness. The high cost structure couple with the duplication of production facilities make this strategy practically impossible for firms where the cost pressure is severe. One important limitation of this strategy is that many multi-domestic firms have developed decentralised grouping whereby each subsidiary at the national level functions largely in an autonomous manner. As a result, they eventually start to lose their ability to transfer the products and skills obtained from distinctive competencies to their national subsidiaries around the globe. (Cui & Jiang 2009)

Table 1 below presents a summary of the advantages and disadvantages of the four basic strategic choices.

Table 1. Advantages and disadvantages of the four basic strategic choices.

Strategy	Description	Advantages	Disadvantages
Multi-domestic	<ul style="list-style-type: none"> • Establishes semiautonomous units in each country • Customizes products to local market 	<ul style="list-style-type: none"> • Ability to customize product offerings and marketing in accordance with local needs • Presence of local responsiveness 	<ul style="list-style-type: none"> • Inability to realize location economies • Failure to exploit experience-curve effects • Failure to transfer distinctive competences to foreign markets
International	<ul style="list-style-type: none"> • R&D and marketing centralized at home • Other functions decentralized to national units 	<ul style="list-style-type: none"> • Transfer of distinctive competencies to foreign markets 	<ul style="list-style-type: none"> • Lack of local responsiveness in key functions • Inability to realize location economies • Failure to exploit experience-curve effects
Global	<ul style="list-style-type: none"> • Value creation functions centralized at optimal global 	<ul style="list-style-type: none"> • Ability to exploit experience-curve effects • Ability to exploit 	<ul style="list-style-type: none"> • Lack of local responsiveness

	location	location economies	
Trans-national	<ul style="list-style-type: none"> • Some functions centralized at optimal global locations • Others functions are decentralized 	<ul style="list-style-type: none"> • Ability to exploit experience-curve effects • Ability to exploit location economies • Ability to customize products offerings and marketing in accordance with local needs • Reaping benefits of global learning 	<ul style="list-style-type: none"> • Difficulties in implementation because of complexities and size of organizational problems

Adapted from Hill and Jones (1998:421).

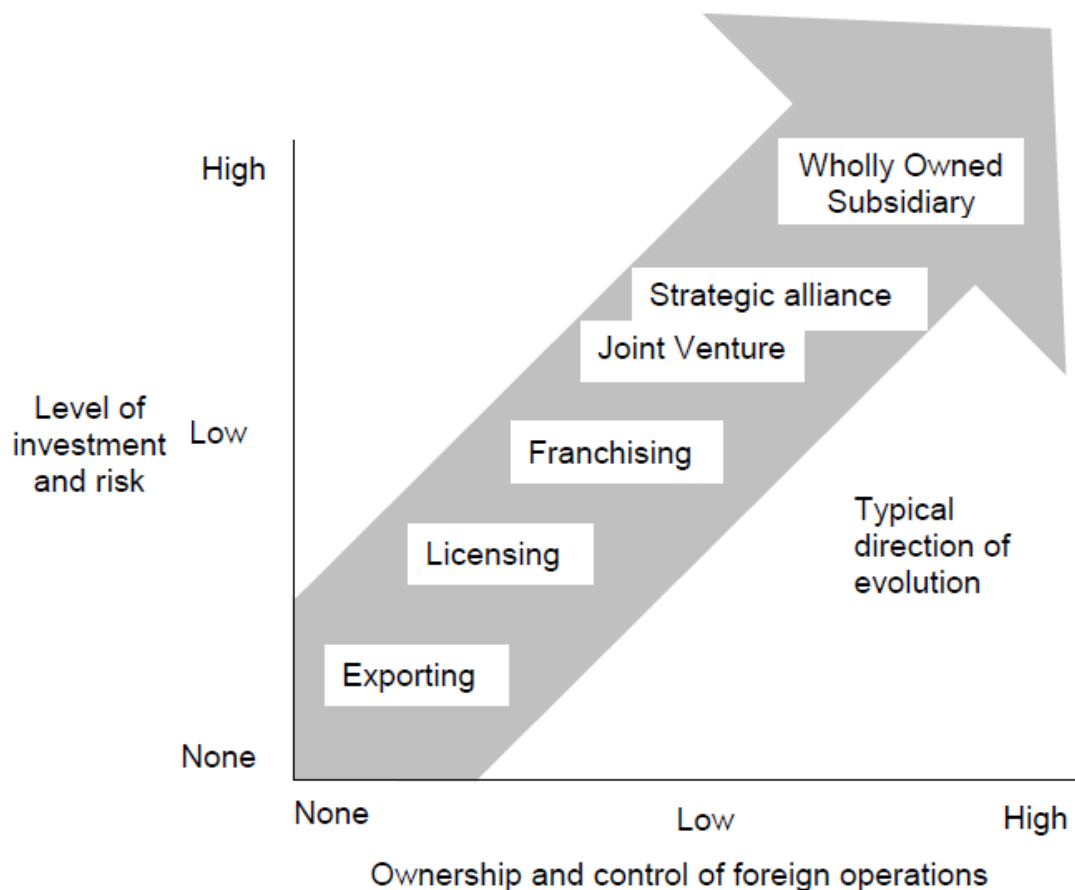
2.6. Mode of entry into the international market

When firms are in the verge to expand their operations into new geographic locations, there are several choices to make as concern the mode of entry. As postulated by Dahringer & Muhlbacher (1991:310), every market under consideration could need a different market entry strategy and each strategy might involve a mixture of risks and return. In the same vein, Jeannet & Hennessey (2001: 354) and Bradley (2002: 245) also note that, market entry mode can be classified into three categories namely;

- ❖ Export entry modes
 - Direct export and
 - Indirect export
- ❖ Contractual entry modes
 - Licensing and
 - Franchising
 - Technical agreement
 - Service and management

- Turnkey contract
- Co-production agreement and contract manufacture
- ❖ Investment entry modes
 - Joint venture
 - Foreign direct investment
 - Acquisition

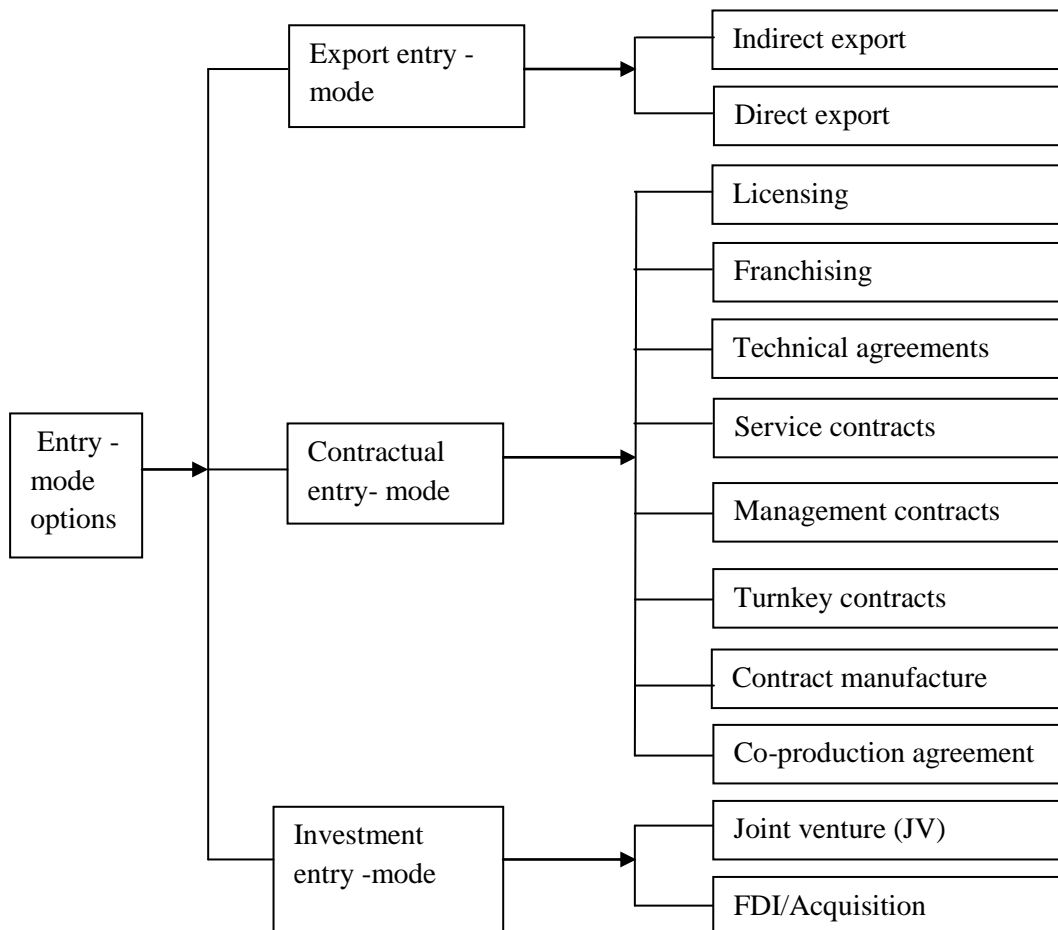
The above mentioned three categories of entry mode are presented in figure 9 below. Each entry mode has its own characteristic, advantages and disadvantages as will be shown in the subsequent section. Figure 8 further outlines the mode of entry and the level of investment and risk



Adapted from Miller (1998:286).

Figure 8. Entry mode into the international Market and risk Involved.

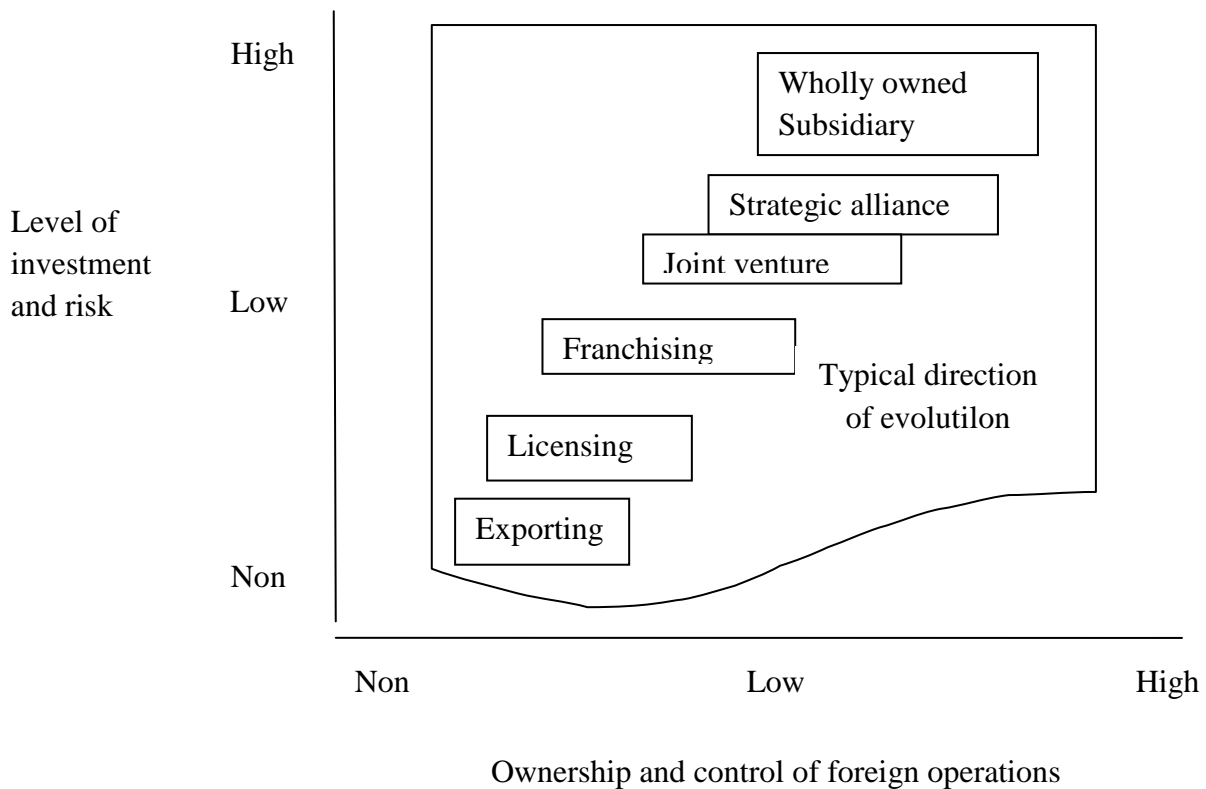
From the figure above, it can be seen that the level of risk increases as the company moves from exporting to wholly owned subsidiary and the level of control. Therefore the level of control and risk has a positive relation.



Adapted from Bradley (2002: 245).

Figure 9. Categories of entry-modes.

The main decision of the mode of entry depends on the company in question. In each mode of entry, there involve different types of risk and the level of control. Figure 10 below illustrates the different modes of entry into the international market and the level of risks involve. Practically a company may starts with the low-control/ low risk option, then proceeds to higher level of control and risk as it increases its experience and confidence in the market.



Adapted from Miller (1998:286)

Figure 10. Entry mode into the international Market and risk Involved.

2.6.1. Exporting

According to Bennett & Blythe (2003:9), “exporting is the sale of an item on the international market but produced and processed in a supplying company’s home country”. In other words it is the transfer of good and services across national boundaries. Keegan (1995:351) further notes that, exporting is a well established and most traditional form of operating on the international arena. In this same line, Cateora & Graham (2004:323) also state that, exporting contributes to more than 10 per cent of global economic activities. This is further supported by Cullen & Parboteeah, (2008: 270) who pointed out that, exporting is one of the easiest way to sell product and services on the international market due to the fact that little effort is needed in filling and treating overseas orders. The above ramification shows that exporting is the most common entry mode that firms would like to harness. Furthermore most firms commence their expansion into the international market by exporting and then moves to other modes of entry. Exporting has many advantages. Firstly, a firm entering the international market can still retain production equipments at home while transporting the goods or

services abroad. With this result, the company can avoid setting up production facilities in the host country. Secondly, the firm would benefit from scale economies and from its sales volume globally. Therefore exporting allows the firm to benefit from location economies, experience curve and cost economies. Lastly, exporting involves very little presence abroad. Examples of firms that have used this mode of entry are Nokia, the global television giant, Sony; the video cassette recorder giant Matsushita and several Japanese firms in the United States auto market. (Hill & Jones 1998:260.)

However, exporting also has several disadvantages.

- Firstly, if the cost of establishing a production facility is lower in the host country, it is obvious that export would not be profitable.
- Secondly, if the cost of transportation of the product from the home country to the host country is very high, then exporting would be uneconomical. On the other hand, this problem can be solved by producing bulk products on regional basis.
- Thirdly, the government of the host country can make this mode of entry very frustrating by imposing high tariffs and regulatory authorities of the host country can also impose tough regulations making this mode of entry quite risky.
- Fourthly the local agent in which the exporting firm delegates marketing activities may not perform in the best interest of the company.
- Lastly, problems associated with exchange rate and cultural differences may be very difficult to tackle at a distance. (Miller 1998:286)

Moreover, exporting can be either direct or indirect as stated above. Figure 11 below gives an illustration.

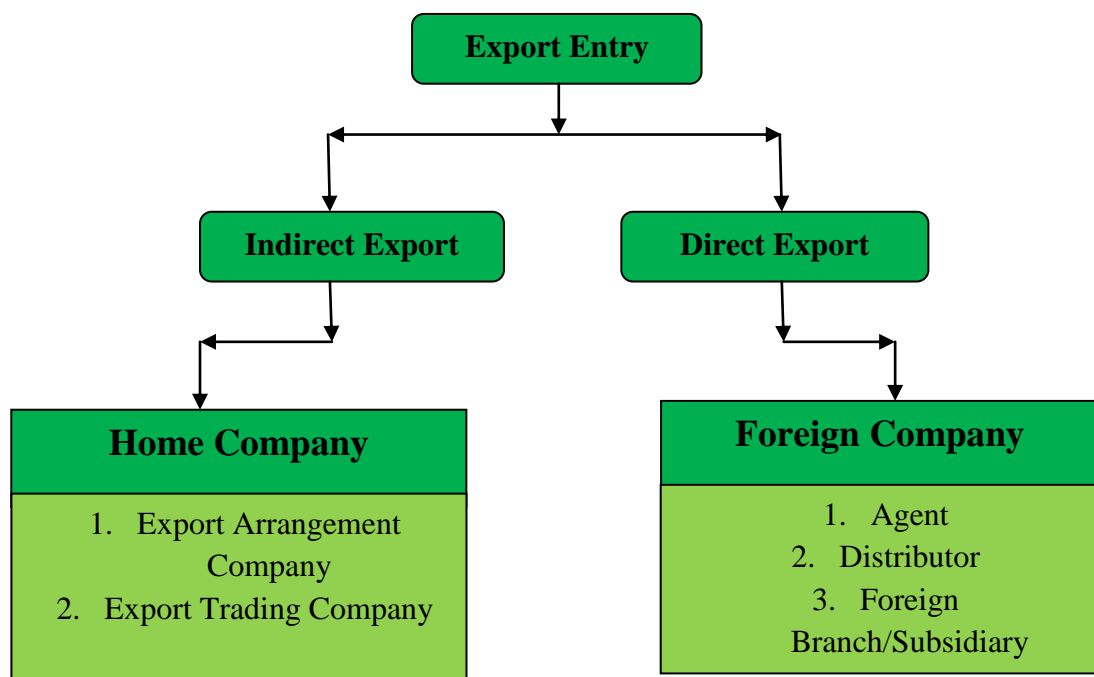
Direct exporting

Kotabe & Helsen (2004: 273) state that, direct exporting is an entry mode into the international arena where the manufacturer develop its own exporting department and market its products directly to the customer or through a middleman in the foreign market. Therefore, direct exporting is an aggressive mode of entry because the exporter assumes the roles of the intermediaries (Cullen & Parboteeah, 2008: 271). In this entry mode, the exporter makes direct contract with firms in the foreign market and most often make use of foreign retailers, foreign distributors or sales representatives in the foreign market. However, Gillespie, Jeannet, & Hennessey (2007: 269) further argue that, direct exporting needs more time,

financial resources and expertise management in the foreign market though it has the advantage that a greater degree of control of its distribution channel is gained. Also, Jeannet and Hennessey (2001: 357) found out that, direct exporting is successful if the relationship between the exporting company and the local representative or importer is viable. Successful relationship saves the exporter a considerable investment costs.

Indirect Exporting

According to Terpstra and Sarathy (2000: 378), indirect exporting is an entry mode where the producer markets its products on the international arena through an intermediary in the producer home country. According to Cullen and Parboteeah (2008: 270), smaller companies mostly use indirect exporting. This is because of lack of experience on the international arena couple with limited resources.



Adapted from Ertman, Henningsson and Ruden (2006)

Figure 11. Illustrating indirect exporting and direct exporting.

Indirect export versus direct exporting

Table 2 below presents an assessment of direct and indirect exporting and also their advantages and disadvantages are highlighted.

Table 2. Comparison of indirect exporting and direct exporting.

Indirect Exporting	Direct Exporting
Low set-up costs	High set-up cost
Exporters tend not to gain good knowledge of export markets	Leads to better knowledge of export markets and international expertise owing to direct contact
Credit risk lies mostly with the intermediaries	Credit risks are higher, especially in the early years
Because it is not in the interest of the intermediaries that are doing the exporting, customer loyalty rarely develops	Customer loyalty can be developed for the exporter's brands more easily

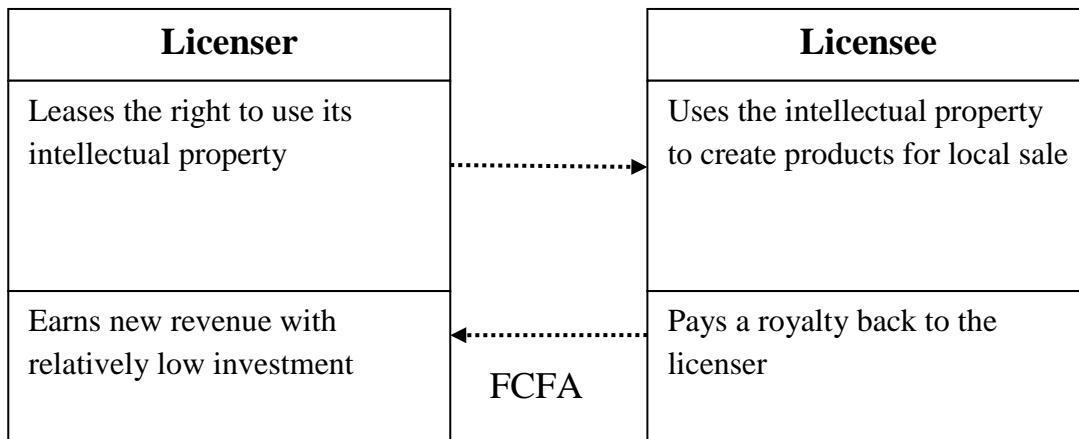
Source: Adapted from Ingvarsson, Johansson and Spak, (2007: 15)

2.6.2. Contractual entry-modes

According to Root (1987:7), contractual entry modes entails non-equity relations between firms in the target and home market, and produce the transfer of skills and technology from home to foreign market.

Licensing

Mottner and Johnson (2000:171) define Licensing as an arrangement whereby the international firm or licensor gives the right to the national firm or licensee to use the following: product or process know how, computer programmes, trade mark rights, patent rights as well as information needed to market the product. Figure 12 illustrates the licensing process. The diagram further depicts an international firm known as the licensor permitting the national firm known as the licensee to use intellectual property while agreeing to market the products or services in the stated territory, produce products covered by the rights and paying compensation to the licensor as royalty in Cameroon Fcfa (Cullen & Parboteeah, 2008:272)



Adapted from Griffin and Pustay (2005: 355).

Figure 12. The licensing process.

According to Ghauri and Cateora (2006: 279) conclusions, licensing has many forms:

- ❖ Licensing can be arranged for the distribution of imported products or the utilization of trade names and
- ❖ Licensing could be autonomous or controlled and could also permits growth without substantial human or financial commitment if the licensee has the required capacity

This type of entry mode to the international arena has several advantages;

Firstly Hough, Neuland & Bothma (2003:322) argue that, the licensor does not bear risk of entering the international market and cost of development. Therefore it is an ultimate option for firms that lack funds for overseas establishment, cost of R&D, tariff and transport and cost associated with the launch of a new product.

- Secondly Burgess & Bothma, (2007: 319) note that, licensing may access market that might be difficult due to import quotas set by the host government, high custom duties and other government restrictions.
- Thirdly licensing is an ultimate choice of entry where the overseas market is far away and logistical cost of shipping the finished product is too high. This is very evident with bulky products with low value (Chee and Harris, 1998: 309).

On the other hand, licensing has several disadvantages.

- Firstly it fails to provide the company tight control over marketing and manufacturing in the foreign country. This makes it practically difficult to derive benefits from location economies and experience curve cost economies.

- Secondly, the licensor may not be able to coordinate global strategy in order to be competitive.
- Thirdly, there is a great risk connected with licensing technological knowhow to the host company. This is because technological knowhow may form a competitive advantage to the licensee after the licensing term terminates. For instance RCA licensed its coloured television technology to many Japanese firms. Afterwards, the Japanese firms incorporated RCA technology and entered the U.S. market aggressively seizing a bigger share of the market than the RCA brand. However, the risk can be reduced using a cross licensing agreement. As illustrated by Doole, Lowe & Philips, (1994: 267), a cross licensing agreement is a type of licensing in which a firm licenses part of its valuable intangible assets to a foreign firm. In this case, the firm receives in addition to royalty payment, licenses from the foreign firm of some of its own technological knowhow. For example, Amgen a U.S. based firm producing drugs licensed one of its key drugs called Nuprogene to be marketed in the Japanese market to Kirin. Kirin pays royalty to Amgen and in addition, had to license to Amgen to sell some of its product in the U.S. market.
- Lastly, the licensee is a potential competitor when the licensing agreement is terminated. Hill & Jones(1998:261)

Franchising

According to Johnson & Beaton (1998:107);, Hill & Jones (1998:263), “franchising is an agreement in which the franchiser sells the rights to use its brand name to the franchisee in exchange for a lump-sum payment and a share of the franchisee’s profit”. This type of market entry mode is utilized mostly by service and marketing firms while franchising is utilized by manufacturing firms. Example of firms that are using franchising as their principal mode of accessing the international market are ISS OY, Hilton hotels, McDonalds and Kentucky Fried chickens.

Moreover, franchising has some advantages which are similar to licensing.

- Firstly, the risk is connected with expansion into the international market and the development cost is not necessarily borne by the franchiser. Therefore it is an important

mode of entry for firms with limited human and financial resources and who also have the intention of accessing the international market. (Cateora 1993:331.)

- Secondly, the franchiser will gain from partaking in the management of the franchisee.
- Lastly, there is some degree of control by the franchiser over the franchisee.

However, franchising has some disadvantages. One of the strategic and most significant disadvantages of franchising is the problem associated with the control of quality. The core of franchising revolves around the fact that a firm's brand name expresses its quality. For instance, a traveller booking into Hilton international hotel in Finland would normally expect the same quality of services that is food or room as he would have receive in Hilton in New York Hill & Jones (1998:262). This is due to the fact that brand name expresses quality. Secondly, franchising could slow down the capability of the firm to attain global strategic coordination.

2.6.3. Investment entry-modes

Root (1987:7) states that, investment entry mode entails the possession by an international company of production or manufacturing plants in a target country. In regards to ownership, investment entry mode may be termed wholly owned subsidiary or strategic alliance (joint venture)

Strategic alliance or Joint venture

In this section, strategic alliance and joint venture are discussed together. This is because Joint venture is a stronger form of strategic alliance. Dool et al., (1994:278) define strategic alliance as “an agreement between two companies in order to combine their value chain activities for the purpose of competitive advantage”. Doole et al., (1994:276) and Terpstra & Sarathy (1997:541) further reiterate that, strategic alliances usually involve a competitor. However, the purposes of strategic alliances are R&D exchanges, marketing relationships, manufacturer supplier relationships, distribution relationships, cross licensing and technological swaps. Conversely, Doole et al., (1994:276.) argue that, joint venture is a course of action between a national firm and an international firm whereby the international firm has sufficient equity stake to have an influence in the management. Still, this influence could not entirely dominate the venture. The share capital of the international firm could

range from 10% to 90% but usually it is between the ranges of 25% to 75%. On the other hand, Terpstra & Sarathy (1997:538) also argue that, typical form of joint venture is 50/50 whereby each party owns 50% ownership stake. For instance Fuji and Xerox went into joint venture to manufacture photocopiers. On the one hand, some joint venture has equity split in the form of 51/49 allowing the firm with more share to have a stronger control. The main aim of joint venture is for both firms to profit from complementary competitive advantage. Therefore the main difference between joint venture and strategic alliance is that the latter is a contractual agreement. For instance two firms could decide to cooperate on R&D or to share technology without the formation of a separate legal unit as the case of Joint venture.

As noted by Terpstra & Sarathy (1997:538), Joint venture and strategic alliance has many advantages;

- Firstly, they produce more return from equity contribution than the other modes of entry.
- Secondly, both Joint venture and strategic alliance facilitate more control over operations, production and marketing.
- Thirdly, the political and economic risk is at the minimal due to the fact that local partner is involved.
- Fourthly, it can be termed the best mode of entry when ownership from foreign company is not permitted and could be the quickest mode of entry.

However, there are some disadvantages of strategic alliance and joint venture. These are stated as follows;

- First, the risk of losing control over technology to the local venture partner is high.
- Second, tension and disagreement can arise over strategies due to differences in objectives of the participating firms.
- Thirdly, the burden sharing could result in an inequality.
- Fourthly, a lot of commitment as regard financial and management resources could be involve than anticipated and
- Lastly, benefit from experience curve is not always possible. (Terpstra & Sarathy 1997:539)

Wholly owned subsidiary

According to Hill & Jones (1998:264), a wholly owned subsidiary is an entry strategy in which the parent firm owned 100% of the subsidiary's stock. This could be set up either by establishing a completely new body or either by acquisition.

Wholly owned subsidiaries has some advantages and are stated below: firstly, a firm whose technological competence is the basis of its competitive advantage does not have to be afraid of loss of control over it. Secondly, it facilitates the firm to profit from strategic coordination globally. Thirdly, benefit is derived from both experience curve effects and location economies

However, some disadvantages of wholly owned subsidiaries are pointed out below: firstly, they can be termed one of the most expensive modes of entry into the international market. This is as a result of the fact that, it involves huge management resources and capital investment. Secondly, it involves operating a company in another country without local knowledge of the market and finally, this mode of entry is very risky as compared to the other modes of entry. (Doole et al., 1994:271)

2.6.4. Summary of mode of entry

Table 3 illustrates a summary of the description and the most important advantages and disadvantages of the different entry modes into the international arena.

Table 3. Description, advantages and disadvantages of the different entry modes.

Mode	Description	Advantages	Disadvantages
Exporting	Transfer of goods or services across national boundaries	<ul style="list-style-type: none"> - Ability to realize location and experience-curve economies - Avoid the cost of establishing 	<ul style="list-style-type: none"> - High transport cost - Unpredictability of trade barriers - Problems with local marketing agencies

		<p>manufacturing operations in the host country</p> <ul style="list-style-type: none"> - Low risk 	
Licensing	<p>Foreign licensee buys the right to produce a company's product in the licensee's country for a negotiated fee</p>	<ul style="list-style-type: none"> - Low cost of development of foreign market and risk - Quick growth possible 	<ul style="list-style-type: none"> -Difficult to realize location and experience-curve economies and to engage in global strategic coordination -Difficult to have control over technology
Franchising	<p>Selling to franchisee limited right to use its brand name and business model in return for a lump sum payment and a share of the franchisee's profit often in the service and trade sectors</p>	<ul style="list-style-type: none"> - Low cost of development of foreign market and risk - Quick growth possible 	<ul style="list-style-type: none"> - Difficult to engage in global strategic coordination - Difficult to control quality`
Strategic alliance/Join Venture	<p>Sharing of ownership stake and operating control by both parent companies</p>	<ul style="list-style-type: none"> -Access to local partner's knowledge -Shared development cost and risk -Easier political acceptability - Facilitate the transfer of complementary skills 	<ul style="list-style-type: none"> - Difficult to engage in global strategic coordination to realize location and experience-curve economies - Risk of given away technological know-how and market access to alliance partner for a small return.

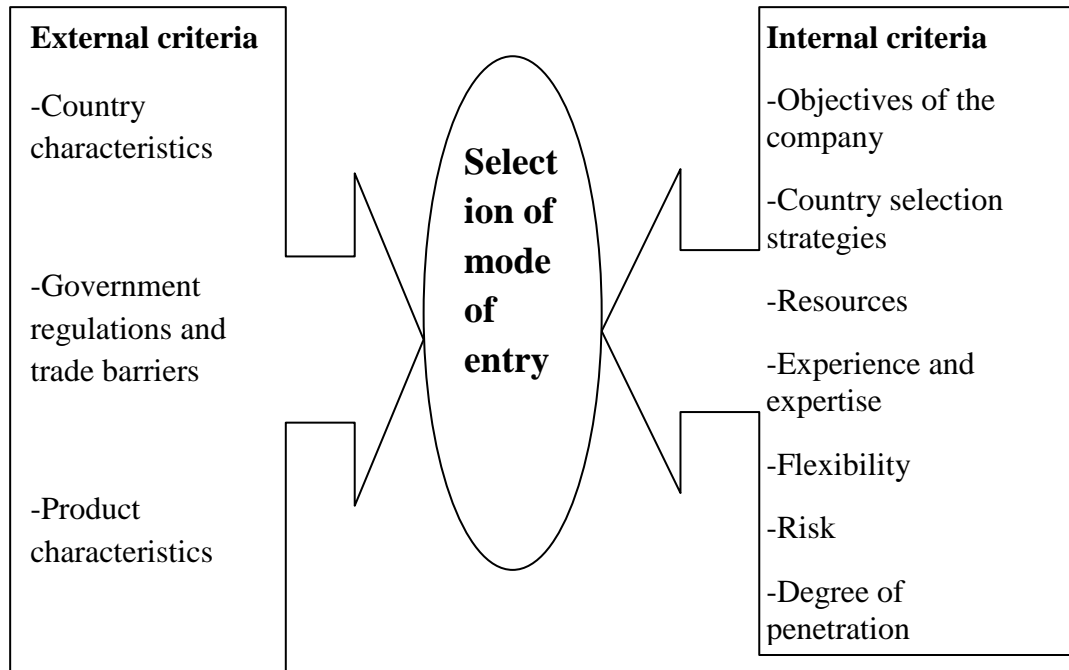
Wholly owned subsidiary	Parent company owns 100 percent of the subsidiary's stock	-Protection of technology -Ability to engage in global strategic coordination and to realize location and experience-curve economies	-High costs and risks -Divergent corporate culture and priorities
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Adapted from Hill & Jones (1998:267).

Section 2.5 presents a global operation strategy as a framework for market entry strategy and the earlier part of section 2.6 presents the various modes of entry to the international market. The proceeding section further discusses factors affecting the selection of mode of entry.

2.6.5. Factors affecting the selection of mode of entry

The mode of entry into the global market has no simple criteria and the decision to select a mode of entry is very complex. Studies conducted by Cullen & Parboteeah (2008:282); Terpstra & Sarathy (2000: 375); Kotabe & Helsen (2004:268); Cateora & Graham (2007: 319); Chee & Harris (1998: 279) and Mellahi, Frynas & Finlay (2005: 34)), have outlined the most important factor guiding the selection of an entry mode as presented in the figure 13 below.



Adapted from Terpstra & Sarathy, (2000: 375).

Figure 13. External and Internal Criteria guiding the selection of mode of entry.

Phatak, Bhagat & Kashlak (2005:220) further note that, some of the above mentioned factors in figure 13 are internal to the company while others are external. It is based on this justification that, selecting a mode of entry into the global market depends on the internal and external factors of the company. These internal and external factors are further discussed in detail in the proceeding sections.

Internal factors

Such researchers as Bennett (1995:60); Douglas & Craig (1995:152); Terpstra & Sarathy (1997:547) reveal that, the internal factors are those factors that originate from inside the firm and from the entry mode itself as shown below:

- ❖ Firm's Objective
- ❖ Resources commitment
- ❖ Experience and expertise
- ❖ Degree of penetration
- ❖ Risk
- ❖ Country selection strategy

- ❖ Flexibility
- ❖ Local control

Firm's objective

According to Kotabe and Helsen (2004:270), the objective of the firm has huge influence on the entry mode into the international market. Furthermore, firms with restricted objectives to entering the international market would prefer exporting or licensing as little financial and human resources are needed. However, Chee and Harris (1998: 279) argue that, proactive firms who see the international market as a basis of growth and profitability would utilise strategic alliance, joint venture or set up a wholly-owned subsidiary.

Resources commitment

As illustrated by Phatak (1997: 269), resource commitment means the amount of the company's resources that is invested to international operations including physical assets, foreign marketing cost, capital and staff training. Furthermore, Johanson & Vahne (1977: 23-32) note that, a firm's resource commitment usually increases when the firm has more information and experience about the foreign markets. Therefore, the probability of the firm to commit more resources as business progresses is high (Driscoll, 1995: 15-34). Based on the above findings, it will be good for a firm who has limited financial and human resources to pursue exporting and licensing mode of entry but it is also worthy to note that, modes that require limited management resource commitment and financial resources may not promote fast growth in the foreign market and this may result in substantial loss of opportunities.

However, modes of entry such as strategic alliance require substantial management and financial resources. But, it is a reasonable way of spreading risk.

Experience and expertise

Terpstra & Sarathy (2000: 375) suggest that, the more companies' gain international experience, the more it is involved in international operation. Moreover, the expertise a firm obtain from foreign operation assists the firm to recognise the effectiveness of a particular mode of entry. Although there is no specific way to tackle a particular situation, usually insight from past experience could be put in place to make wise decisions. For example, the consequences of an entry mode in a particular foreign market can be used as a lesson learnt from another market in order to keep away from similar mistakes and reap the profits.

Degree of penetration

According to Terpstra & Sarathy (1997:547), the degree of penetration refers to the level to which the firm desire to be involved in a market which could either be in a short or long term and to the degree to which it wants local responsiveness. This further has an influence on the distribution channel the company adapts to. Strong penetration usually entails a permanent presence inside the foreign market. In this situation, setting up a wholly-owned subsidiary will be an ultimate choice with strategic alliance and joint venture following suit.

Risk

The ability of a company to withstand risk has a great influence on the choice of mode of entry. Figure 8 above highlights the level of investment and the associated risk involved with each mode of entry. It can be concluded from the figure that the risk increases in the following order: exporting, licensing, franchising, joint venture and strategic alliance and wholly owned subsidiaries. Furthermore the risk also depends on the degree of which the firm is willing to let-go its core competency, competitive advantages and know-how. Based on these findings, Williamson (1985) further states that, risk could be minimised through continuous improvement of technology in services and product that could lead to long term competitive advantage and through complete contingency contracts.

Country selection strategy

Firms can pursue country selection strategy based on either sequence or speed. Therefore, if the country selection strategy of the firm is based on sequence, then the firm would employ the mode of entry with low resource commitment such as exporting and could gradually move to licensing, followed by strategic alliances and finally setting up a wholly owned subsidiary. However, if the country selection strategy of the firm is based on speed, it might want to enter the country aggressively in order to take advantage of the opportunities in the emerging market. In this case, the firm will employ franchising and licensing and also acquire existing companies.

Flexibility

According to Porter (1976), flexibility measures the degree at which a firm can change entry modes with minimal cost in the rapidly changing environment. Furthermore, Klein

(1989:252-260) proposed that, firms should have minimal centralised organisational and less formalised structures in order to quickly adapt to the changing environment. When the mode of entry is flexible, it is easier for companies to exit from a risky market or further penetrate a market as condition changes. High flexibility is of great advantage due to the fact that it can increase the contractor's ability to mitigate risk and therefore reduce losses. Moreover, flexibility is a very important concern that can be used to optimise the selection since it varies across different entry modes.

However, licensing and some contractual arrangements may limit the firm's ability to change strategy or adapt. Similarly, considerable investments in warehousing, production are very less flexible and difficult to change in the short run. Finally wholly owned production or distribution facilities in a foreign market could be very costly.

Level control

According to Anderson and Gatignon (1986:12) "control refers to the extent to which a firm governs the production process, co-ordinates activities, logistics and marketing". Driscoll (1995:15) further points out that, control is the main function for a company to maximise its efficiency economically and return on investment in the foreign markets. Control has an important role in the ability of the company to meet its goals and objectives.

Mode of entry into foreign market with minimal resource commitment such as licensing and exporting involves very little or no control over the development and functioning in the foreign market or the way the services and products are marketed on the foreign market. The product or services may be overpriced or underpriced which might result in loss of potential profit or sales. Strategic alliance may also limit the level of management control on operation in the international market and could be a source of conflict where the objectives and goals of the partners differ. Wholly owned subsidiaries give the most control but require very heavy resource commitment.

External factors

As opposed to internal factors which come from inside the firm and with a degree of control, the external factors are those factors that come from the environment in which the firm

operate. The firm has no control over the factors but could monitor it. Phatak et al, (2005: 220) innumerate these factors which include; economic, environment, political environment, technological environment and socio-cultural environment. He further notes that, these factors could provide opportunities as well as threads to the company. Phatak et al, (2005: 220) argue that, these factors have been identified as contingency variables that have a great impact on foreign market entry mode choice and therefore management should be very attentive when dealing with these factors.

The economic environment

With regards to the external factors, the economic environment has a great influence on the company's choice of entry mode. McDaniel, Lamb & Hair (2008: 87) argue that, an increase in economic growth would result to an increase in the purchasing power of the customers. These findings could motivate the firm to open new plant and expand production. However, during economic recession, the purchasing power of customers decrease and as a result, the firm will cut production and may use export entry mode in order to reduce risk. Mellahi et al (2005: 44) pointed out that, firms must pay special attention to some economic factors such as currency exchange, cost of capital and cost of production.

i) Currency exchange rates

According to Chee & Harris (1998), the exchange rate is a strategic factor that more attention needs to be put on and is determined by factors that are beyond the control of the firm. It has a great impact on the profit and cost of the business. Therefore companies need to select the correct entry mode in order to deal with exchange rate differences and fluctuations between different countries at different times. For instance, if the value of the Fcfa goes up relative to other currencies, Cameroon goods become very expensive and difficult to export. Furthermore, for firms outside Cameroon, it will be easier to export goods to Cameroon at a cheaper price. With this ramification, it would better for firms to pursue export entry mode to enter the Cameroonian market. Mellahi et al, (2005: 45) pointed out that, in order for international firms to spot threads and opportunities, they have to monitor the exchange rate. At times, it is possible to shift away production from a county where exchange rates generate a high product cost to a country where exchange rate produce a lower product cost (Dewenter, 1995: 1189). In conclusion therefore, firms prefer to produce goods and services

in low production cost country and export to countries with high cost of production. This further explains the reason why Nokia is closing its production in Salo Finland and to reopen in China

ii) Cost of capital

According to Blythe (2003: 23), interest rate is the capital cost that has a great influence on entry mode choice. As interest rate goes up, the cost of capital follow thus which would reduce the cost of import and increase the cost of export. A reduction in interest rate will result in export more competitively priced while import would become very expensive. Grosse and Trevion (1996: 139) argue that, a firm from a country with a low lending rate has an advantage in raising capital as compared to firm from a country with high lending rate. This is because it is profitable to export from a low capital cost country to a high capital cost country. After considering the above mentioned economic factors, firms also have to consider other economic factors like rates of unemployment and disposable income.

iii) Cost of production

One of the most important goals of market entry mode choice is to offer competitive price. Mellahi et al (2005: 44) argue that, globalisation has reduced barriers to trade and transport costs are significantly low for many products. Therefore, labour cost is becoming a strategic factor. Many European and American call-centres are stationed in India due to the cheaper cost of labour. Also another strategic factor for production cost is labour productivity. Managers have to make important decisions by weighing up the advantages of having cheap labour as against labour productivity when deciding on an entry mode choice.

The political environment

The government has a great influence on the activities of firms in the wider business environment. The political system of a country also shapes the economic and legal system. (Williamson et al, 2004: 85). In order to access a foreign market, permission is always required from the host government. Chee & Harris (1998: 166) note that, the government can have very different views on the way business activities should be conducted within its borders. This may include financial regulations, environmental regulations, unfair trade

practices and employment laws (Mellahi et al, 2005: 42). Furthermore, international political environment also has an effect on entry mode decision of firms. According to Burgess & Bothma (2007: 221), the international political environment is also concerned with the activities and policies of other countries, nongovernmental organisations, regional organisation and international activist groups.

Mellahi (2003: 541) further points out that, the political environment could benefit a particular firm and could help the firm in achieving its corporate goal under certain conditions. Before an international firm chooses an entry mode, it must have a thorough understanding of the political environment. Some important factors of the political environment which are strategic to the firm choice of entry mode are listed below.

i. Government stability

The selection of an entry mode also depends on the government stability in the host country. In a country where the government and its policies are always changing, it would be better for foreign firms to use low risk entry mode such as exporting or licensing in order to enter this country. This is because an unstable government exposes the assets of the company to high risk. For instance Cameroon has stable political system and could encourage entry mode like wholly owned subsidiaries.

ii. Taxation policy

The taxation policy of a host country is an important factor on entry mode choice. For instance, if the government lowers capital gain tax (CGT), the investment in manufacturing facilities will be encouraged (Kotabe & Helsen 2004:143). Mellahi et al, (2005: 37) suggest that the government can regulate its market by changing the level of import duties. Taxation provides subsidies to certain firms or set up regulations requiring international firms to change their mode of operation. Foreign firms may prefer to use entry mode such as investing and manufacturing in a country with lower taxes due to the fact that they can impose a high transfer price for services and goods sold from those countries. This could go a long way to maximise profits in low tax economies (Chee & Harris 1998: 496).

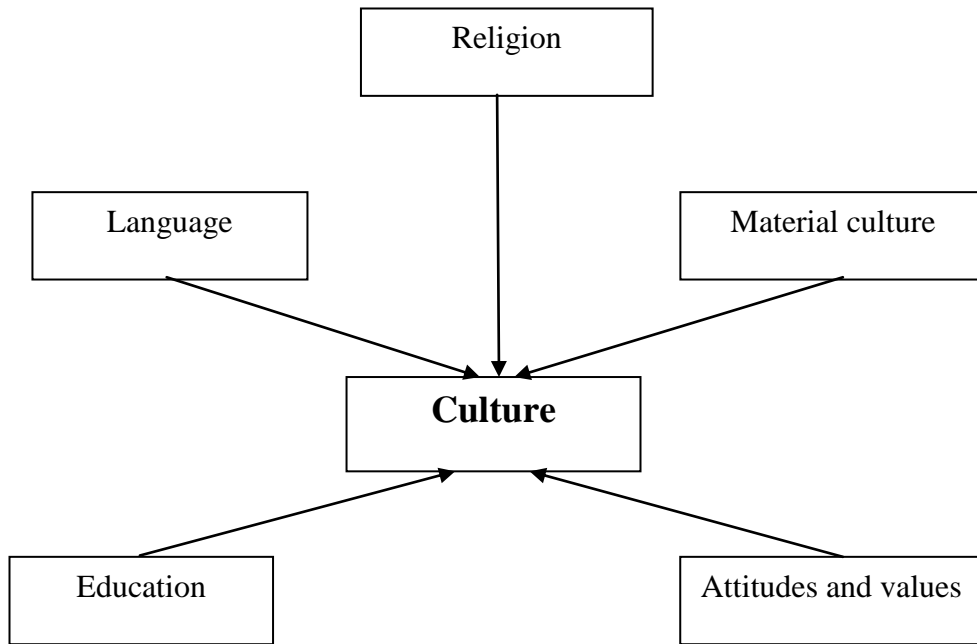
iii. Foreign trade regulations

According to Davidson & Mcfetridge (1985:5-21), foreign direct investment policies have fewer investment restrictions and as such are important considerations for international investors to deliberate on before making a choice on whether to use a more strategic entry mode such as foreign direct investment or not when considering investing in developing countries. This is because; each country has its own rules which will guide the firm in determining the mode of entry. However, in such situations, FDI may be the only alternative for a firm to access the foreign market. Bradley, (2002:309) states that, most Japanese Car companies have build subsidiaries in US and European market in order to evade import quota restriction imposed in these markets. The host government may also offer assistance or incentive to international firms. For instance the Cameroon government offers non-financial development as well as financial assistance to international companies that locate in the rural area of the country especially firms in the agricultural sector. (Burgess and Bothma, 2007: 41)

The socio-cultural environment

One of the most important factors affecting the entry mode choice is the socio-cultural environment of the firm. Blythe (2003: 36), argues that, before a firm makes a decision to enter a foreign market, it should not assume that the socio-cultural factors in its home country is same as those in the host country even though the languages might be same. For instance there exist great cultural differences between the American and the Canadians. The most difficult external factor on entry mode selection is perhaps socio-cultural factor.

Moreover, demography as an aspect of socio-cultural environment may include areas such as occupation and income, age structure of the population, birth rate, marital status, death rate and family size Blythe (2003: 37). The above mentioned demographic factors can have a great effect on entry mode choice such as growth and market size. Kotabe & Helsen (2004: 144) claim that, a huge market potential or large market will motivate the firm to use a market entry mode such as wholly owned subsidiaries or joint venture. Kotabe & Helsen (2004: 96) further highlight the key dimension of culture shown in figure 14 below.



Adapted from Ghauri and Cateora, (2006: 83).

Figure 14. Key dimensions of culture

As shown in figure 14 above, these elements are closely related to culture and have an impact on culture at a given time. The elements are further described below.

I. Material culture

According to Kotabe & Helsen (2004: 97), material culture denotes the technologies that are employed in producing, distributing and consuming of services and goods in a particular society. For instance, in a country with a high technology level like Finland, the general population has a high level of technical knowhow which gives the working class a modest mechanical skill (Ghauri & Cateora 2006: 83). This can serve as an advantage in choosing local manufacture.

II. Education

Terpstra & Sarathy (2000: 100) state that “education is the process of transmitting skills, attitude and ideas as well as training in a specific discipline”. The above definition implies that “primitive” people have been educated in a broader sense. For instance Bushmen has

education as regards to the culture in the environment in which they live. A foreign investor will have interest in the general educational level of the host country since the level of education reflects the capability of human resource and availability of skill resources. (Hough & Neuland, 2007:89) In this respect, the above mentioned factors have an influence on the entry mode choice of an international investor. For instance, an export entry mode would be preferable in a country with low level of education. This is because the necessary skills would not be available if a wholly owned subsidiary is established and it would be too expensive to higher skills from abroad (Ghauri & Cateora, 2006: 83).

III. Language

According to Chee & Harris (1998: 100), Language is one of the most important elements of culture. This is because; it reflects the nature of a region and further distinguishes one culture from another. It is a strategic tool in which societal members used to communicate with one another. Language can have a serious impact on the firm entry mode choice. For instance, if a foreign investor wants to enter a market, the country which speaks the same language as the investor, has a degree of advantage over countries where the languages differ. Language is very important for basic communication and could extend beyond the mechanic of context interpretation (Czinkota, Ronkainen & Moffett 2002: 36).

IV. Religion

Religion is a very sensitive aspect of culture. Hough & Neuland (2007: 81) echo that, religion is an activity, a shared belief, and institution that is based on faith in supernatural forces. Worldwide, religion has a great influence on international marketing through values, beliefs, life style, ethical issues and attitudes. Religion can affect entry mode choice of a firm and can also influence the size of the market for some products. For example, it is very difficult to sell pork in an Islamic state because Moslems seldom eats pork due to their religion.

V. Attitudes and values

Culture also reflects the values and attitudes of the societal members. According to Roger, Paul and James (2001), values are the accepted standard and principles of the members of the

society while attitudes include the action, thought and feelings that result from those values. The more rooted attitudes and values are in central beliefs, the more careful the marketing manager of the international firm has to move (Czinkota & Ronkainen 2004: 68). Values and attitudes can easily have an influence on entry mode choice. For example some societies regard the purchase of foreign product as unpatriotic. For this situation, the entry mode choice should be joint venture in order to capture the market. On the other hand, some societies worship foreign product and consider home made product to be of low quality. In this situation, export entry mode should be employed

The technological environment

Bothma & Gouws (2000:32) state that, technology is the method of converting input and output in order to accomplish specific tasks. It does not limit itself to the knowledge but also the skills and means employed in order to accomplish a specific task (Hough & Neuland, 2007: 109). The technological environment in a country has a great impact on potential foreign investors. A country that has heavily invested in infrastructure such as road networks, electricity, telecommunication, water systems would attract more investors as compared to country lacking the above mentioned infrastructures. A more attractive mode of entry such as direct investment would be attractive to foreign firms to invest in country where the infrastructure is modern (Root & Ahmed, 1978: 81-93). This is due to the fact that, modern infrastructure would facilitate the process of production and distribution. Blythe, (2003: 35) argue that, the technological environment has an effect on the competitive environment especially when a foreign investor is entering a high technology country. In this case, it is better to use export entry mode to test the product first in order to keep the risk at the minimum. Most developing countries like China, India, and South Africa demand technological transfer in order to acquire new technology from the foreign firm. (Hough & Neuland, 2007: 111). With this ramification, joint venture is the only option for companies to gain entry into these countries.

According to Griffin & Pustay (2005: 70), intellectual property protection is an important aspect of technological environment for instance if the intellectual property of the host country is weak, then the foreign investor will be cautious of employing joint venture as an entry mode in order to protect it intellectual property.

2.6.6. Process of entering the foreign market

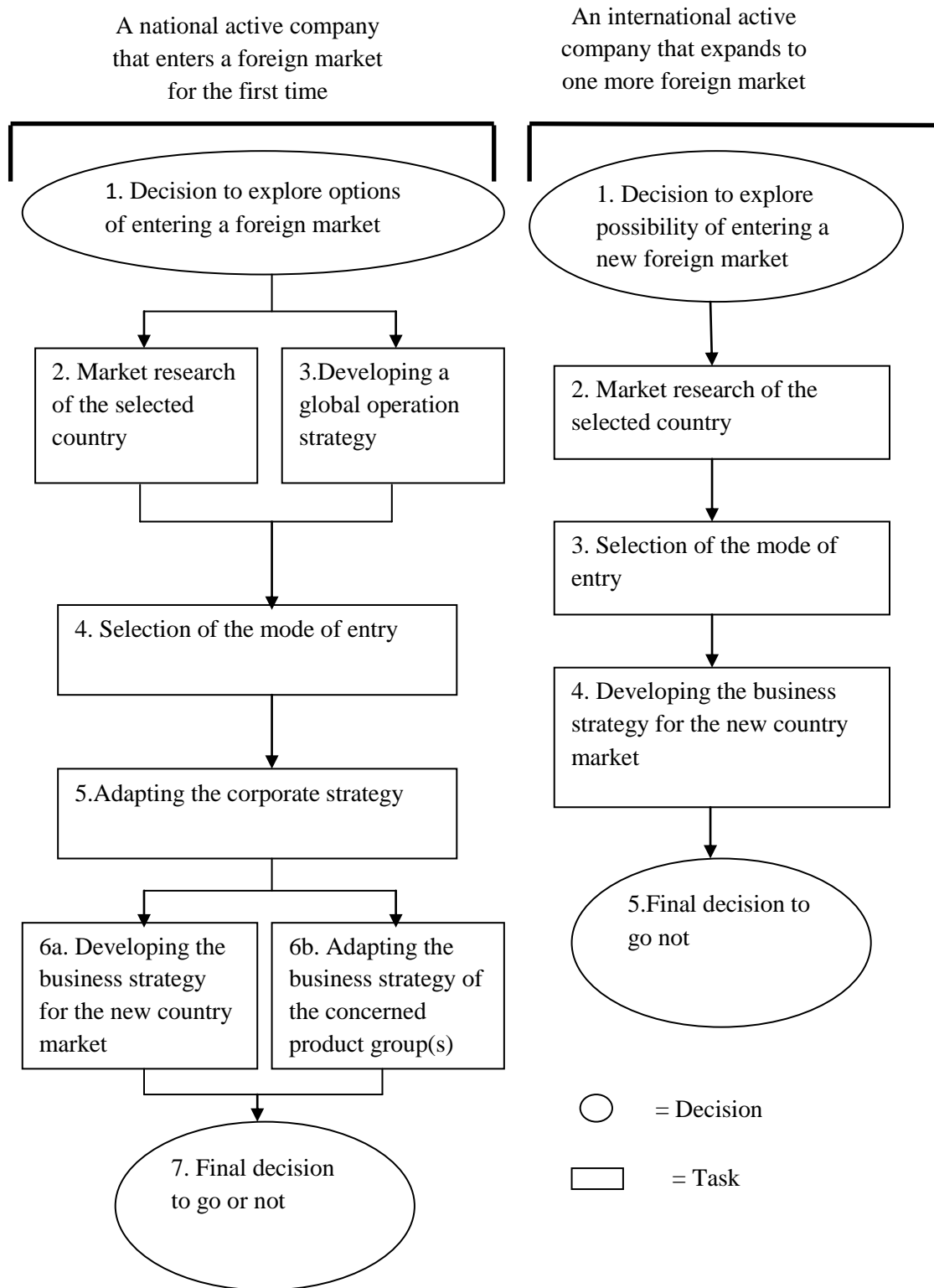
Figure 15 outlines the process of market entry for an internationally active firm that increase its operations further to another country and that of a national active firm that gain access to the foreign market for the first time.

Grünig & Kühn (2002:61) claim that, the process of market entry entails a sequence of steps commencing right from when the firm wants to access the foreign market to the time it has set up its operation in the new market. As regards the case of a national firm that wants to enter the international market for the first time, it has to follow the following steps in order to guarantee its successful entry.

- Step 1: the first step is the decision to investigate the opportunity of entering a foreign market.
- Step 2: the next step is to conduct a thorough research concerning the country and its market and then develop a global strategy.

Researching the market is very important because it provides strategic information concerning the new market. The information that is important to get from the new market are demography, political and legal set up, economy, geography, technology, level of education, infrastructure network, society and culture, government rules, basic resources, regulation and trade barriers in the industry that the firm is interested in, production, purchasing power of customers, consumer behaviour, customer buying behaviour, availability of substitute, sales and usage indicator, competition in the market, availability of substitute products, distributor, potential partners, agents to name a few. The above factors depend on the nature of the company and its products and some factors may not be important for some company. For instance, factors such as demography and geography may not be of importance to some companies when deciding to enter a new market but may be a determining factor for other firms to be successful in the foreign market.

- Step 3: As the company is in the verge of entering the international market for the first time, its global operation strategy has to be developed. The company may implicitly or explicitly choose among the four global operation strategy discussed in section 2.5 above. This would depend on the pressure for cost reduction and pressure for local responsive and also on the amount of coordination and bureaucratic cost involved.



Adapted from Grünig & Kühn (2002:61)

Figure 15. Process of market entry for a national and international active firm.

- Step 4: the fourth step is to choose the most suitable mode of entry. The various modes of entry into the international market have been discussed in section 2.6.1 of this chapter and these include; wholly owned subsidiary, joint venture, or strategic alliance, franchising licensing and exporting. Each of the modes of entry has its own disadvantages as well as advantages which are also discussed in section 2.5. Furthermore, the level of ownership and control of foreign operations and the level of investment and risk vary from one mode to another. As mentioned in section 2.6.1, basically, a company starts from low control and low risk option and moves to higher risk and control as it gets more experience and gain confidence in the new foreign market.
- Step 5: the fifth step is the adaptation of the corporate strategy in the mist of any new progress in terms of target position or new investment or strategic business that results from the new operation abroad. On the other hand, a firm may not necessarily adapt its corporate strategy again if the newly developed target market or strategic business or investment opportunity has risen from the new foreign operation and has already been incorporated in the corporate strategy.
- Step 6: the sixth step is the development of the business strategy for the new market or the adaptation of the business strategy of the specific product group that the firm is about to offer in the foreign market.
- Step 7: the final step in the process of market entry is to decide whether to go or not to go to the foreign market.

A firm may decide not to enter a foreign market if the feasibility of its strategy is not guaranteed or if it has foresee some hurdles in its operation in the foreign market due to changes in the economy, regulatory authority, government or industrial performance of the new market or if the firm do not have sufficient personnel or financial resources.

The second case is a scenario where the firm is already internationally active but still wants to expand its operation to one more country. In this situation, the process is much shorter and the decisions are much easier though not simpler to a larger extend. In this case, the first step is similar to the former case which has more to do with the decision of the firm to explore the possibility of functioning in a new foreign market. The next step is to thoroughly conduct a market research of the selected country. The third step is to select an appropriate entry mode. The fourth step is the development of business strategy for the new market and the final step is the decision of the firm to enter or not to enter the new foreign market.

2.6.7. Decisive factors for a good market entry strategy

In summary, Kiruba (2006) claims that a market entry strategy of a firm can be set to be good if it is:

- Based on the firm's strength,
- Avoids direct competition,
- Selects a good segment in the industry.
- Pursue a clear generic strategy and
- Selects a structure and control system that permits its global operation strategy to function efficiently.

2.7. Cameroon institutional environment

The above sections concentrate mostly on strategies and market entry modes. This section will focus on the Cameroon institutional environment. Cameroon is located in west central Africa. It is bordered by Chad to the Northeast; Nigeria to the west; the Central African Republic to the east; Gabon, the Equatorial Guinea and the Republic of the Congo to the South. It has a population of about 20 million, a total surface area of 475,422 million square kilometres. The majority of Cameroonians are between the ages of 0 and 25 years old which means that Cameroon has a young population with a huge potential market for foreign investors. The currency is CFA franc and the capital is Yaoundé. The two official languages are French and English although about 200 other local languages are being spoken without any writing system. Furthermore, the Land and people are so diverse that every body can have interest in the country (Wikipedia 2007). The figure below shows the map of Cameroon, its boarder countries and major cities.

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Adapted from Wikipedia (2007).

Figure 16. The map of Cameroon

2.7.1. Business Environment

Cameroon has a two tiered business environment: one is developing and the other has only basic infrastructure. There is division of labour between the informal and formal sectors and an uneven distribution of income and wealth which are aspects that characterise most developing countries. However, the primary sector based on agriculture and mining is fast developing. In order to attract foreign direct investment, the Cameroon government started to loosen exchange controls, reduce tariffs and increase export subsidies and cut secondary tax on corporate dividends. (Parrot, Sotamenou, & Dia 2009.)

Economy

Cameroon is endowed with natural resources like agriculture, forestry, mining, and oil and gas which constitute the backbone of the economy. It is the economic and commercial leader in the sub region although regional trade with some countries around the region remains under realised especially with Nigeria. The economy is highly dependent on commodity export and world price fluctuations strongly have an impact on its growth. The economic development is strongly hampered with mismanagement, a challenging business environment and pervasive corruption. The World Bank annual Doing Business ranked Cameroon as one of the lowest economies and similar surveys ranked it among the most corrupted counties in the world. Furthermore, over the last 3 years, average GDP growth was just between 2% and 3% which is approximately on par with population growth. More so, this is not enough to significantly reduce poverty which is very high. Even with high GDP per capita than other developing counties like Ghana and Senegal, it still lacks behind these countries when considering important socio-economic indicators like education, employment and health care. However, the government is determined to foster economic growth and job creation and there is a strong interest in the mining sector and infrastructural development. (Parrot et al. 2009.)

People and Culture

Cameroon is made up of different ethnic groups. The Cameroon Highlanders made up 31%, North western Bantu 8%, Eastern Nigritic 7%, Equatorial Bantu 19%, Kirdi 11% Fulani 10%, other African 13% and Non- African less than 1%. More than 20% of the population are Muslim and 40% Christian while the rest pursue indigenous belief. The ethnic groups in Cameroon have contributed immensely to the culture and society of Cameroon. Part of the population is concentrated on the Northwest and Southwest region around Bamenda and Buea and English is the main language of Communication while the rest of the 8 regions used French as the main language. Even though Yaoundé is the Capital City, the largest city and economic capital is Douala which hosts the country's main seaport. (Media Kit 2012.)

Furthermore, the Cameroon culture is a combination of customs and traditions of the people. The different side of the culture can be observed from the language, art, religion, literature and music of the country. The clothing and food of Cameroonians, literature and art, including the masks, artefact, statuses and the most popular Cameroon music, Makossa forms the basic part of the Cameroon culture.

Education

Cameroon has a very popular educational system in Africa. The Western and the Eastern part of the country have different learning systems. The Eastern part pursues the French educational system while the western part follows the British model. However, the two educational systems merge in 1976 to make up a strong and vibrant learning system. The educational system in Cameroon is divided into four main categories; tertiary, higher secondary and primary education. (Media Kit 2012)

Religion

As pointed out in the above sub section, Cameroon religion consists of Christianity, Islam and several indigenous religions. The Cameroon constitution guarantees freedom of religion. The Fulani tribe occupies the Northern part of the country and the people of this community are mainly Muslims. The Western region is inhabited by the Bamum people and they also practice Islam. Christianity dominates in other parts of the country as the French speaking community who occupy the Southern and the Western part of the county are mostly Catholic while the English speaking community of the Western region are mainly Protestants. (Encyclopedia of Nations 2012.)

Political System

The structure of the Cameroon government follows the French Model, which is a republic multiparty presidential regime. With this model, the distribution of power lays the president who acts as the head of state with the prime minister acting as the head of government and the cabinet ministers. With regards to this political system, the Republic of Cameroon is divided into ten regions. The administrative headquarter of each region is govern by a Governor who coordinates the officers of each Division. (123 Independenceday.com. ND)

Foreign Relations

Cameroon has a non contentious approach to foreign relation that put it evenly in the middle of developing states and other African country on major issue. It is in favour of the principal of non-interference in all the affairs of third countries and has supported increased assistance to the less developed states. Cameroon has a voting record on the United Nation which

expresses commitment causes that include environmental protection, international peace keeping and the economic development of the Third World countries.

Cameroon has a good relation with Finland, United States and other developed countries. It has close ties with France where it has many economic, military and cultural agreements. Cameroon is also very much on good term with China who has of recent engage in health and infrastructural projects and has recently provided military assistance to Cameroon. Furthermore, Cameroon also has a good relation with its African neighbours and has successfully settle disputes peacefully concerning its international border with Nigeria. It is a member of the CEMAC and has backed the United Nation peacekeeping mission in Haiti and other African countries like Sudan, Central African Republic. (U.S. Department of State 2012.)

Legal environment

Investment policy is always the key determining factor for any economy to grow or decline. Cameroon has been suffering from economic crises for almost half a decade (since 1990). As such, it has been very urgent and important for it to take new steps forward. However, it did by introducing the new code n° 90/071 in rectification of the ordinance n° 90/007 of 08/11/1990 on the Cameroon investment Code. (Encyclopedia of Nations 2009.)

a) The Revised Investment Code

- ❖ The revised investment code of 1990 was put forward in order to encourage productive investment in Cameroon. The Investment Code provides favourable conditions for investors in the form of guarantees and incentives. This code calls for all corporate bodies and persons regardless of nationality to undertake economic activity in Cameroon. The charter was further operationalised as follows;
- ❖ Foreign nationals enjoy same protection of the law as those granted to Cameroon corporate bodies or natural persons.
- ❖ Foreign national or corporate body have the right of property ownership, administrative authorisation and concession.
- ❖ In case of expropriation after evaluation by a third party, Foreign nationals have the right for compensation

- ❖ Foreign nationals have the right and freedom to reside in, enter and travel around the national territory. This includes corporate bodies that are duly established in Cameroon, their foreign partners, foreign staff with approved contract of employment as well as their legitimate family members.
- ❖ In compliance with the social insurance and labour legislation in force, foreign nationals have the right to fire and hire labour.
- ❖ Most importantly, foreign investors that are resident in Cameroon are guaranteed to freely transfer their proceeds and in case they cease to operate, the remainder of liquidation. Furthermore, they can freely transfer funds from services performed particularly in the form of sundry remuneration and royalties. (Encyclopedia of Nations 2009.)

Telecommunications

Cameroon is a leader in information technology in the sub-region and has removed several restrictions on foreign trade in services and is in the verge of privatising its telecommunication industry. The Cameroon Telecommunication Regulatory Board is responsible for issuing licenses to new companies to operate and also regulates the sector. The two main mobile telephone operators in Cameroon are the MTN, a South African company and Orange, a French company. The state owned operator, CAMTEL has also launched a mobile service. (International Telecommunication Union 2001)

Local infrastructure

Cameroon has a partially developed infrastructure as compared to the rest of the sub-region though however, inadequate investments have caused resources to depreciate and the economic development in some parts of the country have been impeded due to lack of adequate infrastructure. As noted by the International Telecommunication Union (2001), a host country with developed infrastructure will attract investors to use the most active mode of entry such as direct investment.

Unemployment

Daniel, Southall and Lutchman (2005: 488) argue that, unemployment has significant social and economic costs for household and individual as well as the society as a whole. The Cameroonian labour market is characterise by low levels of job creation and high levels of unemployment

2.8. Conclusion

The literature review demonstrates that a huge amount of literature exist on strategies and strategic management. Nevertheless, as highlighted in the beginning, this thesis takes principally into account the views of Miller and Dess, Grünig, Hill and Jones to describe briefly the procedure, tasks and purpose of strategic management. The chapter focuses on market entry strategy, factors that have impact on market entry and institutional environment in Cameroon.

This chapter has contributed to achieve the objective of this thesis by providing a dependable vocabulary of terms associated with strategic management. This provides a leeway for analysing the results from interview in chapter 4. Furthermore, the chapter outlines the various market entry strategies used by companies, the factors that affect successful entry and finally, the chapter provides an evaluation of the Cameroon institutional environment which gives a substantial basis for supporting foreign firms to enter the Cameroonian market.

3. METHODOLOGY AND DATA COLLECTION

3.1. Introduction

The previous chapter has been on an elaborate discussion of strategic management, market entry strategies, and factors affecting the selection of mode of entry and Cameroon institutional environment. This chapter will therefore provide the procedure used to conduct the entire research.

3.2. The Research process

The research consists of five phases. To begin with,

Phase 1 consisted of a survey of existing literature with emphasis on

- a. strategy in general
- b. Market entry strategy
- c. Cameroon institutional environment

The above ramification provided a qualitative view and a wider understanding of the topics involved.

Phase 2 consisted of talks and interviews with different individuals from;

- a. Cameroon Investment Corporation in order to have information concerning the foreign investment situation in Cameroon,
- b. Government officials in order to have information on policies related to foreign investment,
- c. Finnish companies that have accessed the Cameroonian market in order to analyse the strategies they used to enter Cameroon. This was done through thorough analysis of information from their web pages and annual report.

Phase 3 was to select 2 companies that have entered the Cameroonian market successfully and study the strategy they employed to enter this market. Furthermore, officials from intermediaries in Finland supporting Finnish companies to enter African market were also interviewed like the Finland-Ghana Chamber of commerce, ACME Consultancy OY and Eximin OY in order to have information on strategies that are favourable to use when

entering the African market in general and Cameroonian market specifically and also factors that affect the decision of Finnish companies in selecting an entry mode to Cameroon.

Phase 4 consisted of a critical analysis of the strategies of the two companies to find out if they succeeded or failed to enter the Cameroonian market. This analysis further identifies factors affecting successful entry. This ramification would provide a basis for setting recommendations for successful market entry into Cameroon.

Phase 5 consists of a complete documentation of the thesis

3.3. Tools used in the Research

This section focuses on the tools used in the research such as survey of literature, internet survey of company documents, interview, and case study. This research used a combination of scientific approaches at different phases of the research in order to accomplish the various tasks stated above. This combination of different scientific approaches in completing a particular task was to obtain sufficient information so as to achieve the specific objectives of the research.

3.3.1. Survey of literature

According to Hutton, (1990), a review of existing literature is very important to have a qualitative view and to augment the level of knowledge and understanding of the research subject. In line with this view, the survey of literature in this research provides a good knowledge and understanding of strategy as a whole and detail knowledge of market entry strategies which were used in phase 1 of the study. More so, the literature review outlined the factors that have an impact on market entry strategies and the Cameroon institutional environment and also provided a basis for critical analysis in phase 4 of the thesis in order to analyse strategies that the companies pursue so as to identify the factors that affect successful entry into the Cameroonian market.

3.3.2. Survey of internet

Exploring the internet as a research tool provides the researcher with many advantages such as low cost of administering data, easy access to worldwide samples and user friendly to both

the respondents and the researcher. Moreover, using e-mail as a tool for interview avoids the spatial constraints between the respondents and the interviewer.

According to Boshier (1990: 49), e-mail offers a context for non-coercive and non-hierarchical dialogue. E-mail also goes a long way to remove the traditional bias that plague interviewing techniques. Nevertheless, the potential for a synchronised communication that e-mail gives is a very important feature when using it as a tool in conducting research (Thach 1995). In this thesis, internet survey offers sufficient information for phase 1, 2 and 3 of this research.

3.3.3. Survey of company's documents

The survey of company's documents is very important because it gives a lot of detail information concerning the company's performance, market share, strategies, turnover, policies, services and products of the company. The review of the company's documents give primary data which are very accurate and reliable. Nevertheless, the documents play an important role in collecting data for the case studies. In this thesis, the survey of company's documents is used in phase 2 and 3 of the study.

3.3.4. Interview

According to Yin (1994:84), interview is a very important source of information in research. In this research, both semi structured interview and structured interview were administered through telephone and face to face contact with the experts. The interviewees were mainly CEO, managing director and top management staff because they are responsible for setting strategies of a company or participate in the process of strategy setting and would therefore have more information about strategies which this research seeks to investigate. Furthermore, this semi-structured interview allows the researcher to compare the responses put forward by different respondents and also allows the respondents to express their views freely and elaborate as compared to structured interviews where the respondents are guided on how to answer the questions. (Silverman 1993).

The interview also gives information concerning the current situation in the Cameroonian market and forms the basis for the case study. Interviews were used in phase 2 and 3 and

were further used in phase 4 indirectly to critically analyse the factors affecting decisions of Finnish companies in selecting an entry mode into the Cameroonian market.

3.3.5. Case study

Stake (1995) argues that, case study is one of the most frequently used and best known approaches in qualitative research. He further adds that, it is very responsive to research questions of how and why, and provides the academic world with a flexible framework for examining holistic phenomenon in its original state. In line with this view, Yin (1994) further illustrates that; a case study can be defined as a practical investigation into an existing event that occurs in real life. This research used real life cases of 2 companies that have entered the Cameroonian market and information from 3 intermediaries companies that support Finnish companies to enter the African market. Information about the companies was obtained from web pages, the company's documents, and interviews.

3.4. Conclusions

The main aim of this chapter has been to build up an empirical design so as to address the problem of the research. The researcher started by describing the research process and tools used in the research which includes survey of literature, survey of internet, survey of company documents, interview and case study. The above tools provided sufficient information in answering the research questions. The results of the empirical study will be presented in the subsequent chapter.

4. RESULTS AND DISCUSSIONS

4.1. Introduction

The previous chapter has provided the procedure used to conduct this research. Emphasis was laid on the research process and tools used to conduct the research. This chapter therefore, further presents the case companies that have entered the Cameroonian market. These case companies are global companies and have headquarter in Finland. As would be seen in the subsequent sections, the case companies used similar strategies to enter the Cameroonian market. Moreover, this chapter would therefore present the results with an attempt to analyse the findings. This chapter also focuses on answering research question 1 which states that “What is the market entry strategies used to access foreign market”? And research question 3 which states that “What are the factors affecting the selection of an entry mode of Finnish companies into the Cameroonian market”? The interview questions will provide answers to these questions. Information from the case companies, discussions with Finpro, Eximin OY Acme Consultancy OY and Finland-Ghana Chamber of Commerce allowed the researcher to triangulate with literature in chapter two so as to provide sufficient information on factors that affect selection of entry mode of Finnish companies into the Cameroonian market.

However, this chapter aims to achieve the following objectives:

- To identify the market entry strategies used by the case companies to penetrate the Cameroonian market
- To evaluate the market entry strategies in light with the reviews of literature in chapter two
- To identify the internal and external factors that affect the selection of entry mode of the case companies into the Cameroonian market.

For the purpose of clarity, this chapter is further divided into 4 sections and many subsection.

Section 4.2 describes and assesses the case companies and the sub section further provide information about the company, the strength and weaknesses, the market entry strategy, analysis of the market entry strategy in light with literature and conclusion.

4.2. Description and assessment of the cases

This section describes and assesses the cases of two Finnish companies that have penetrated the Cameroonian market. The companies are Wärtsilä and Nokia. Both companies are present in more than 70 countries in the world and are classified as large companies. In this regard, Nokia present in Cameroon is in the form of Nokia Siemens network.

4.2.1 Case 1: Wärtsilä

This company was founded in 1834 and is singled out as a global leader in the entire lifecycle for power solutions for the energy and marine markets. With regards to attention paid on the overall efficiency and technological improvement, Wärtsilä maximizes the economic and environmental performance of the power plants and vessels of its customers. Wärtsilä's net sales stood at EUR 4.2 billion with roughly 18,000 employees in 2011 and the company is operating in almost 170 locations in 70 countries around the world. NASDAQ and OMX Helsinki, also have Wärtsilä on their list. (Wärtsilä Corporation 2011:9.) Furthermore Wärtsilä's businesses constitute three pillars that are power plants, ship power and services.

Power Plants

Wärtsilä constitute the principal supplier of modern, highly efficient, environmentally advanced, and dynamic power plants that permit the utmost integration of alternating renewable power generation. Multi-fuel solutions for power generation markets are provided by Wärtsilä, subsequently from base load generation to peaking and load, as well as an energetic system complementing and ultra-fast grid reserve for present and potential capacity markets. More so, flexible capacity for customers in both urban areas and the most demanding remote environments are provided by Wärtsilä fast track deliveries of absolute power plants alongside long term operations and maintenance agreement. (Wärtsilä Corporation 2011:9.)

Ship Power

Wärtsilä provides solutions that are environmentally sustainable, efficient, flexible, and economically sound for the marine industry in order to enhance and reinforce the business of its customers. These solutions are focused on the customers' needs and include systems,

products, and services. Also, as a technology leader in this domain, couple with the experience, know-how and devotion of its personnel, Wärtsilä is able to tailor and optimized solutions for the profit of its clients around the world. (Wärtsilä Corporation 2011:10)

Services

Wärtsilä optimizes efficiency and performance to support its customers through out the lifecycle of their installation. To this effect, Wärtsilä offers the most comprehensive portfolio of services and the widest service network in the industry, for both the marine and energy markets. It also has as commitment to provide high quality, expert support, and the availability of services to its customers not withstanding where they are – and in the most environmentally friendly approach that is likely. (Wärtsilä annual report 2011:10.)

Market entry strategy

Power plant and marine solution being the principal business of Wärtsilä, it has also been its strategy to expand to different countries around the world in order to increase its profitability and be the market leader. It stated its operation in Cameroon in 2006 setting up a work shop in the economic capital of Cameroon.

Cameroon depends on hydro power for its electricity generation which in dry season, the capacity is reduced to half because river are drying up. With this ramification, there is the need for alternative generation and Cameroon is a lucrative country to do business especially when it comes to energy. The energy policy of Cameroon is very favourable for foreign companies. Wärtsilä took this opportunity and enter the market aggressively. Furthermore, Wärtsilä's biggest power plant in Africa is found in Cameroon summing up to 450 megawatts of installed capacity. (Wärtsilä Corporation 2010)

Wärtsilä employ different strategies to penetrate different markets so as the modes of entry for instance Wärtsilä and Emerson Process Management announced the expansion of their global offshore alliance in June 2008. Moreover, in September same year, Wärtsilä and Metso signed a contract to form a joint venture combining Metso's Heat & Power business and Wärtsilä's Biopower business. The new joint venture is now one of Europe's leading providers of medium- and small-scale power and heating plants, focusing on renewable fuel solutions. In the same light, Wärtsilä and the Manara Consortium formed a joint venture Manara Wärtsilä Power Ltd (MWP), which aims to become the leading developer of decentralized Independent Power Producer (IPP) projects in Islamic countries. It has looked

for further growth organically, through acquisitions and via partnerships. Table 4 below shows Wärtsilä's industrial operations, its product and mode of entry into the international market. (Wärtsilä Corporation 2010.)

Table 4. Wärtsilä's industrial operations.

Wärtsilä Industrial Operations

	Own	Joint ventures	Licensed	Partners
Medium-speed	x	x		
Low-speed		x	x	
Propulsion	x	x		
Automation	x			
Ecotech	x			x
R&D	x			x

Wärtsilä Corporation (2011:59)

Market entry to Cameroon

Wärtsilä began its market entry to Cameroon in late 2006 by conducting a thorough market research. It already had workshops in many African markets therefore had had years of experience on the African market. Cameroon was just one more market to penetrate. As pointed out above, the energy market of Cameroon was open to foreign investors and the only player in the market was AES Sonel who could not satisfy the demands of the market. Wärtsilä took this opportunity after a thorough market research to establish a subsidiary in Douala, Cameroon.

In order to analyze the process of market entry adopted by Wärtsilä, Grunig and Kuhn model of market entry presented in sub section 2.6.6 would be used to appreciate Wärtsilä's success in Cameroon. As pointed out above, the liberalization of the Cameroon market opens all its market to foreign investors and the Cameroon government geared its energy policy to favour foreign firms. The only major player in the energy market was AES Sonel which is a utility and a subsidiary of AES Corporation from the United States. It could not satisfy the demands

of the market and 90% of electricity generation comes from hydro power. With the above ramification, there was the need to diversify electricity generation. Wärtsilä took this opportunity after a thorough market research and establish its subsidiary in the economic capital of Cameroon, Douala. Wärtsilä's main customer in its early days in Cameroon were AES Sonel and Kribi Power Development Company (KPDC) where it provided backup power especially during the dry season since AES Sonel's capacity is reduced to half. Furthermore, due to the high demand for electricity in the rural areas of Cameroon, Wärtsilä tailored its strategy to satisfying the needs of the rural population through the above mentioned customers. For instance The Limbe Power Station generates approximately 80 MW of power to cover the projected shortfall in electricity in the South Western Region of Cameroon. The power generation plant operates between intermediate load and baseload during the dry season (November to March). During the wet season, the plant is expected to be primarily on standby mode, but is likely to operate at certain periods.

Analysis of Strengths and Weaknesses of Wärtsilä

Table 5. Strengths and weaknesses of Wärtsilä.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Technological leadership • Integrated product and service offering • Strong financial position • Close and long-standing customer relationships, • Cost efficiency and high quality • Good collaboration with customers and other stakeholder groups • Good marketing skills • Human resource competence with large work force • Brand image • Experience from other African countries 	<ul style="list-style-type: none"> • Lack of any prior business experience in Cameroon • Lack managerial competency to deal with the market situation in Cameroon

Table 5 above analysis the strengths and weaknesses of Wärtsilä, with an emphasis on the background of the company and also assesses whether the company was in the position to enter the Cameroonian market. From the analysis of strengths and weaknesses of Wärtsilä, it can be concluded that it was in the position to enter the Cameroonian market with its range of competencies such as human resources, years of experience on the African market which is a foundation for a new market entry, strong financial position and its technology. More so, the mode of entry it employed to enter the Cameroon market that is wholly owned subsidiary and further partner with other operators like AES Sonel and Kribi Power Development Company (KPDC) was realistic due to it financial position and similar mode in other African countries.

Analysis of market entry strategy

Table 6. Analysis of market entry strategy of Wärtsilä.

Questions	Answers
Was the objective of Wärtsilä to enter the Cameroon market realistic or unrealistic?	Wärtsilä saw that the Cameroon energy market is lagging behind with old and dilapidated infrastructure. Also it has a favourable energy policy and incentives from the government. On the other hand, Wärtsilä's corporate strategy incorporates expansion into emerging markets. It already had operations in many African countries like Senegal, Egypt and others. Furthermore, it had sufficient resources to expand into another market. Therefore the objective of Wärtsilä to enter Cameroon was realistic.
Was the process of market entry strategy pursued by Wärtsilä to enter Cameroon market as stipulated in chapter 2?	Wärtsilä first made the decision to enter Cameroon which was followed by a thorough market research and finally setting up a subsidiary in Douala Cameroon. It adapted its business strategies in accordance with the demands of the market and the region in question. With the above ramification, it can be concluded that the process of market entry pursued by Wärtsilä was similar to that stipulated in chapter 2. The process followed was that of a company that has already access many markets and wants to expand to another market.
Did Wärtsilä's market entry strategy respect the five criteria of a good market entry pointed out in chapter 2? That is (a) base on company's strengths, (b) choose a good market	From the analysis in table 5, it can be declared that Wärtsilä strengths favoured the market entry decision. The decision to invest in the energy sector of Cameroon was an appropriate choice for Wärtsilä due to the favourable government policy and incentives for foreign firms. Furthermore, it avoids direct competition by providing a different product to the market and also partner with local

segment, (c) avoids direct competition, (d) follow a clear generic strategy and (e) choose a structure and control system that allows it to operate efficiently.	operators. Therefore it pursued a clear generic strategy of product differentiation to meet the need of its customers. Setting up its own subsidiary, Wärtsilä chose a structure and control system in such a way that the operation was managed in Finland and the workforce were both foreign and local giving it a hybrid of a strong workforce. Therefore the market entry strategy followed by Wärtsilä respected the 5 criteria of a good market entry stipulated in chapter 2
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From the analysis in table 6, it can be concluded that the market entry strategy pursued by Wärtsilä was good since it was an appropriate strategy right from the market research to the process and the choice of the mode of entry.

4.2.2. Case 2: Nokia

Nokia Corporation is a Finnish global communication company with headquarter in Espoo, Finland. It is the world's largest manufacturer of mobile telephones. Since 2000, it has contributed to approximately 30% of Finland's GDP. However, the success of Nokia emerged from a humble beginning. Its existence could be traced to 1865 when it was launched by Frederick Idestam who built a pulp mill. It was located originally in Tampere but was later moved to the town of Nokia owing to the presence of river Nokianvirta. The company's name (Nokia) was derived from the river which was used mainly for the generation of hydropower. (Nokia 2012)

However, Nokia of today began operation in 1967 with the acquisition of the Finnish Cable Works, a telephone and a telegraph company. Lots of products were then manufactured ranging from footwear, bicycles, television, car tires and communication cables to name a few. The decision to start operation in the mobile communication was adopted in the early 60s where military and marketable mobile radio communications were produced.

Presently, Nokia's operation has been divided into three primary lines of business; Devices, Services and Software. Nokia has approximately 129, 355 employees in 2010 and is operating in 120 countries with sales in more than 150 countries. In 2007, Nokia's global annual revenue stood at 51.1 billion Euros and its operating profit was 8 billion Euros. The company is listed in the Helsinki, Frankfurt and New York stock exchanges. (Nokia 2010)

In this thesis, the author has choosing Nokia as a case company because, it is Finnish company and is deep rooted in Sub-Saharan Africa (SSA). Nokia's devices are available almost in all of the different countries on the African continent and the company sees Africa as an extremely important growth market. At the moment, the company has regional head offices in Lagos, Nairobi, Yaoundé and Johannesburg mainly in the form of Nokia Siemens network. In addition, Nokia Siemens network has several other offices in different SSA countries.

Nokia strategy

Nowadays, consumers demand more for their money in terms of technology and advancement in a growing market. As such, a company in the mobile business like Nokia is mostly on the alert to have strategic goals and decisions to meet the demands of it consumers and the ones to come. Recently, Nokia has been losing a significant share of its market and leaders have no choice than to re-strategize. In this respect, it strategy for 2011 is listed below and consists of three pillars:

- Microsoft Windows OS;
- The Next billion (Local Empowerment);
- Future disruptions.

Microsoft Windows Operating System

Microsoft's Windows Operating System is employed by Nokia as its main Smartphone operating system. This is justified on grounds that the Smartphone battle is now a war of ecosystems rather than just devices. An ecosystem is made up of devices, services, third-party providers, a strong application market and delighted customers. Nokia figured out that

partnering with some big giants like Microsoft, and its other partners will form a solid ecosystem to bring innovation and choices into the market. Nokia intension is however, to bring the third force to the existing ecosystems like the Apple and Google (Andriod). MeeGo which is another platform owned by Nokia is forecasted to become a platform for future disruption of the market through innovative and different devices while the previous platform used “Symbian” will continue to be supported and developed as the full product portfolio takes shape.

Technological advancement is rising in a much faster pace and in order to meet up with this pace it is advisable to bond with a viable ecosystem in order to be on top. To this effect, Nokia is partnering with a giant Microsoft which would give Nokia a great advantage to compete with the existing emerging giants’ like Apple and Google and its Management is very much devoted to see that this strategy materializes. For instance, this could be seen from the drastic changes that Nokia has effected until now following the announcement of the strategy which has affected the current work force. The intension of this reorganization was to meet the current strategy.

However, in my point of view, the re-organization will not be effective because full adaptation to the new functions takes about two years and by that time changes must have occurred in the market which will require new strategy. Nevertheless, Nokia has been swift enough to introduce the Nokia window phone to the market in less than a year of announcement of the changes for instance the Nokia Microsoft window phone called Nokia Lumia. This is a strong indication that management is devoted to meeting the current strategy in a way. Moreover, Nokia is also downsizing the workforce in order to meet the current strategy.

The Next Billion

This strategy is concerned with increasing commitment to projects in emerging markets like Africa by providing the next billion consumers with access to internet. This strategy is also compounded by reinforcing local empowerment through cooperation with local operators and developers in emerging markets. To this effect, developer hubs are now being created in some countries in Africa and Asia and there is a vision to increase these hubs with time. From the above ramification, it is very clear that Nokia sees great potential in emerging markets.

Future Disruption

Future disruption as a strategy for Nokia is investing more into new technology that would be more cost effective, desirable and environmentally friendly for consumers. This new technology is intended to disrupt the present technology. So much investment has been pushed in to this area and there is attitudinal change in management as they are committed in taking bold actions and initiatives which in the past has been absent. To this effect, Nokia uses accountability and transparency is the tool as it moves forward.

Furthermore, the vision of Nokia is all about connecting people in a cost effective manner. Nokia is going to be one of the strongest ecosystems with it collaboration with Microsoft. Also, with the emergence of Nokia disruptive technology, it will be possible for Nokia to pull back significantly its lost market shares as there is a high demand for technology coupled with high demand for quality services. Nokia is committed in developing and delivering better solutions and mobile services to the market.

Nokia growth strategy

Nokia make use of different strategies as well as the mode of entry into different markets. For instance, Nokia has been into joint venture with companies like Microsoft and Siemens in order to gain significant market share. Also Nokia has entered into numerous software-licensing agreements with competitors like the Canadian maker of the BlackBerry devices and Palm to establish its software architecture as the platform of choice for wireless communication tools. Moreover, history has it that, Nokia growth strategy has been innovation and diversification which has made it successfully emerge as the world's largest manufacturer of mobile devices and one of the world's leading brands in the mobile industry.

Nokia market entry strategy

Nokia utilizes different strategies in different markets so as the mode of entry as stated in the previous section. It uses principally the export entry mode to dispose its products in Africa. Through cleverly planned and finely executed acquisition strategies, Nokia has been able to built strong global competitive strategies. For instance, Nokia announced the acquisition of Intellisync Corporation, a leader in platform-independent wireless messaging and mobile software in November 2005. This acquisition has enabled Nokia to deliver the industry's

most complete offering for the development, deployment and management of mobility in the enterprise. The transaction has also reinforced Nokia's ability to respond to customer needs in the fast growing market. This mode of entry was however chosen by Nokia because it provides a rapid means to get access to the local market. Acquisitions are also a viable option to obtain well-established brand names, instant access to distribution outlets, or technology for relative latecomers in an industry. More so, as highlighted in the previous section, Nokia also employs joint venture like the case with Microsoft and Siemens.

Furthermore, Nokia Siemens network has gained foot hold in Africa especially Cameroon where it is the leading player in network systems, business solutions and services, and has a local presence throughout this huge market of widely differing geographies and communications maturity. It is also a leader in Mobile Broadband with a high number of Long Term Evolution (LTE) references in the continent and many ongoing trials, the fastest growing Global Services player in the region and holding a leading position in the deployment of Renewable Energy and Green Solutions. Its main customers are Bharti, Etisalat, Mobile Telephone Net work (MTN), Orascom, Qtel and Vodacom to name a few.

Nokia began its market entry process in the Cameroonian market by carrying out a thorough market research. It had complete business case analysis done with the help of various well-known consultancies. The analysis was to understand what the market is all about, what are the regulations in it, what could be the possible market entry, what should be the financial investment and what should be the milestones for development in future. This analysis enabled Nokia to understand that, the possible ways to enter the market were probably setting up its own subsidiary or entering into a joint venture with operators in the market. It finally decided to set up its operation in the capital city of Cameroon Yaoundé while partnering with other operators like Orange.

Table 7. Analysis of Strength and Weakness of Nokia.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Brand awareness • Technology leader in manufactruing mobiles • Market leader • Presence in more than 120 countries • Large Distribution Channel • Largest Cellular company • User frindly design • High range of products • has the capability to innovate • Many years of experience in the African market • Human resource and financial competency • Sound research and development competency • State-of-the-art technology • Long history and good records in telecom industry 	<ul style="list-style-type: none"> • No good software • Poor after-sale service • Increasing dissatisfaction levels with its Smartphone • Poor innovation (variety of new product but not to satisfy the expectation of people) • Marketshare declines • High price • Slow in innovation • Inability to keep up with competition • Swollen by its early success • Panicking to take risk and innovate • Bureaucratic corporate culture • bureaucratic management and over confidence style • victim of its own success

From the analysis of strengths and weaknesses of Nokia, it can be seen that it had financial, technical and human resource competencies to step into the Cameroonian market but does not have the practical knowledge of operating in such a diversified cultural environment while facing tough competition with other operators.

Analysis of market entry strategy

Table 8. Analysis of market entry strategy of Nokia

Questions	Answers
Did the objective of Nokia to enter the Cameroon market realistic or unrealistic?	Nokia was already operating on the international arena and saw investment opportunities in Cameroon. From the analysis of strengths and weaknesses of Nokia in table 7, it can be seen that it had the human resource and financial competency with a sound research and development competency. On the other hand, it had many short falls like Panicking to take risk and innovate and has a bureaucratic corporate culture. From this ramification, it can therefore be concluded that its objective to enter the Cameroonian market was partially realistic. Though it saw that this investment would increase the company's regional market share in Africa
Was the process of market entry strategy pursued by Nokia to enter Cameroon market as stipulated in chapter 2?	Nokia made the decision to enter Cameroon which was followed by a thorough market research and set up a subsidiary in Yaoundé Cameroon. It adapted its business strategies in accordance with the demands of the market and the region in question. Therefore it can be concluded that the process of market entry pursued by Nokia was similar to that stipulated in chapter 2. Hence, the process of market entry followed by Nokia was similar to a firm that is internationally dynamic and expands to one or more market as given in the literature.
Did Nokia's market entry strategy respect the five criteria of a good market entry pointed out in chapter 2? That is (a) base on company's strengths, (b)	The market entry strategy of Nokia was based on its strengths, and the investment segment chosen was the best in the industry at that time. More so, Nokia wide market coverage allowed it to avoid direct competition. It followed a clear generic strategy of differentiation from the

choose a good market segment, (c) avoids direct competition, (d) follow a clear generic strategy and (e) choose a structure and control system that allows it to operate efficiently.	commencement of its operation in Cameroon. Therefore the market entry strategy followed by Nokia respected the 5 criteria of a good market entry stipulated in chapter 2.
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From the above analysis, it can be concluded that the market entry strategy followed by Nokia was steady though partially effective from the time it entered the Cameroonian market. The above analysis points that the market entry strategy followed by Nokia was a good strategy

4.3. Comparative analyses of the two cases

This section compares the two cases as discussed in the previous section. The comparative analysis is a cross case analysis and relies strongly on argumentative interpretations

Table 9. Comparative analysis of the two cases.

Comparative criteria	Wärtsilä	Nokia
Strengths	Is a market leader in Finland	Was a global market leader
	Is recognized as the best brand in the ship and power industry	Is recognised as the best brand in the telecom industry
	Had financial, technological, and human resources competencies	Had financial, technological, and human resources competencies
	Had competencies in international dealings and strategy due to its larger exposure and experience from its international operations	Had more competencies in international dealings and strategy due to its larger exposure and experience from its worldwide operations
Weaknesses	Lack of any prior business experience in Cameroon	Limited business experience in Cameroon. Earlier presence was exporting its products

	Lack managerial competency to deal with the market situation in Cameroon	Poor managerial competency to manage operations in Africa especially Cameroon
	Poor responsiveness to local needs. Concentrates resources only to the major cities in Cameroon that is Douala	Minimal responsiveness to local needs. Concentrates resources only to the major cities in Cameroon that is Yaoundé
Market entry strategy	The objective to enter the Cameroonian market was realistic based on the growing need for alternative power generation especially in the dry season. The strategy used to enter the market was also realistic. Its strategy focused on introducing products that meet the needs and demands of the Cameroonian energy market.	The objective to enter the Cameroonian market was partially realistic and the strategy used to enter the market was realistic though it was one of its strategies to access African market to realise its global operation strategy. Its strategy focused on introducing products that meet the needs and demands of the Cameroonian market.
	The process of the market entry strategy that it pursued was in accordance with that proposed in the literature in chapter 2 that is process of market entry was that of an internationally active company that expands to one or more market.	The process of the market entry strategy that it pursued was in accordance with that proposed in the literature in chapter 2 that is process of market entry was that of an internationally active company that expands to one or more market.
	It respected the five criteria of a good market entry pointed out in chapter 2? That is (a) base on company's strengths, (b) choose a good market segment, (c) avoids direct competition, (d) follow a clear generic strategy and (e) choose a structure and control system that allows it to operate efficiently.	It also respected the five criteria of a good market entry. Therefore it can be concluded that the 5 criteria for a good market entry as identified in chapter 2 influences the success of a company in the Cameroonian market. Hence, a good market entry strategy should carefully choose to fulfill the 5 criteria in order to be successful.

4.4. Factors affecting the selection of entry mode of the case companies into the Cameroonian market

This section will give insight into the influence of those factors on their entry-mode decision. Those factors are divided into internal and external in this section. As mentioned above, the two case companies are Wärtsilä and Nokia. The discourse in this section is based exclusively on the views of top management in the case companies.

4.4.1. Results from internal factors

As discussed in section 2.6.5 internal factors are those which come from inside the company and its entry-mode. The questionnaires in annexure 2 addressed those factors and are listed below.

- Firm's Objective
- Resources commitment
- Experience and expertise
- Degree of penetration
- Risk
- Country selection strategy
- Flexibility

Firm's Objective

As highlighted in chapter 2, the firm's objective has a great influence on the entry mode of companies into the international arena. Interview confirms this assertion. Both companies have set up a subsidiary in Cameroon which further confirms Chee & Harris (1998: 279) postulation that, proactive firms who see the international market as a basis of growth and profitability would utilise strategic alliance, joint venture or set up a wholly-owned subsidiary. With the above ramification, it can be concluded that the objective of the case companies affected its decision to set up a subsidiary in Cameroon.

Resources commitment

According to interview, resource commitment refers to the amount of resources that the company is willing to invest in international operations including physical assets, foreign marketing cost, capital and staff training. Results from interview also shows that more resources would be committed if the potential market has high growth potential. Moreover, interviewee from Nokia highlighted that setting up a subsidiary in a particular country does not imply that more resources are committed. In some markets, joint venture required more resources. Therefore resource commitment is proportional to the benefits that is envisage in a particular market.

Experience and expertise

The more companies' gain international experience, the more it is involved in international operation. Analysis from both companies shows that they have decades of experience on the international market. Therefore, the expertise a firm obtains from foreign operation assists the firm to recognise the effectiveness of a particular mode of entry. Although there is no specific way to tackle a particular situation, usually insight from past experience could be put in place to make strategic decisions. For example, the consequences of an entry mode in a particular foreign market can be used as a lesson learnt from another market in order to stay away from similar mistakes and reap the profits. This ramification can be likened to Wärtsilä's experience in the Nigerian market where it went into a joint venture with a local operator to construct a power plant. The deal was a deadlock and almost ended up in a law court. Therefore it can be concluded that the lesson learnt from the Nigerian market was used to keep away from similar mistakes in the Cameroon market. That is why Wärtsilä decided to set up its own subsidiary in Cameroon.

Degree of penetration

As pointed out in chapter 2, the degree of penetration is the level to which the firm desire to be involved in a market which could either be in a short or long term and to the degree to which it wants local responsiveness. This further has an influence on the distribution channel the company adapts to. Strong penetration usually entails a permanent presence inside the foreign market. In this situation, setting up a wholly-owned subsidiary will be an ultimate choice with strategic alliance and joint venture following suit. Therefore it can be concluded

that both companies have strong degree of penetration in the Cameroonian market. This is due to the fact that both companies have set their subsidiary in Cameroon.

Risk

The ability of a company to withstand risk has a great influence on the choice of mode of entry. The level of risk increases in the following order: exporting, licensing, franchising, joint venture and strategic alliance and wholly owned subsidiaries. Furthermore the risk also depends on the degree to which the firm is willing to let-go off its core competency, competitive advantages and know-how. Based on these findings, Williamson (1985) further states that, risk could be minimised through continuous improvement of technology in services and product that could lead to long term competitive advantage and through complete contingency contracts. Both companies highlighted political risk as the major concern which will be elaborated in the external factors in section 4.5.2 below.

Country selection strategy

Sequence and speed are the bases in which a firm decides a country selection strategy. For instance, if a country selection strategy of the firm is based on sequence, then the firm would employ the mode of entry with low resource commitment such as exporting and could gradually move to licensing, followed by strategic alliances and finally setting up a wholly owned subsidiary. On the other hand, if a country selection strategy of the firm is based on speed, it might want to enter the country aggressively in order to take advantage of the opportunities in the emerging market. In this case, the firm will employ franchising and licensing and also acquire existing companies. Therefore, it can be concluded that the country selection strategy of Nokia was based on sequence since it started exporting its products before finally setting up its subsidiary in Cameroon while that of Wärtsilä was based on speed as it went straight to set up a subsidiary.

Flexibility

As mentioned in sub section 2.6.5, flexibility measures the degree at which a firm can change entry modes with minimal cost in a rapidly changing environment. Also, it is important that firms have minimal centralised organisational and less formalised structures in order to quickly adapt to the changing environment. Furthermore, if the mode of entry is flexible, it is

easier for companies to exit from a risky market or further penetrate a market as condition changes. Moreover, flexibility is a very important concern that can be use to optimise the selection since it varies across different entry modes. Therefore, licensing and some contractual arrangement may limit the firm’s ability to change strategy or adapt. Similarly, considerable investments in warehousing, production are very less flexible and difficult to change in the short run. Finally wholly owned production or distribution facility in a foreign market could be very costly. It can be declared that Nokia started with exporting which is a flexible entry mode since it requires minimal resource commitment. On the other hand, Wärtsilä utilise a less flexible entry mode such as setting up its own subsidiary.

4.4.2. External factors

As opposed to internal factors which comes from inside the company and with a degree of control, the external factors are those factors that come from the environment in which the firm operate. The firm has no control over the factors but could monitor it. Phatak et al, (2005:220) innumerate these factors to include; political, economic socio-cultural and technological factors. The results from the above factors are presented below.

Political factors

Table 10. Political factors

Political factors	Irrelevant	Not important	Neutral	Important	Very important
Government stability in Cameroon					Wärtsilä Nokia
Import restriction in Cameroon				Nokia	Wärtsilä
Taxation policy in Cameroon				Wärtsilä Nokia	

Foreign investment regulation in Cameroon					Wärtsilä Nokia
Government Labour restrictions in Cameroon		Nokia	Wärtsilä		
Tariffs in Cameroon			Nokia	Wärtsilä	
Political relation between Cameroon and Finland			Wärtsilä	Nokia	

The results from the analysis of case company's documents, annual reports, websites and interview question which states; "how important are the political factors on the firm's selection of an entry mode", are presented in table 10 above. An analysis of table 10 provided the following information:

- The results from government stability in Cameroon showed that it is a very important factor for both companies when deciding on the mode of entry.
- As concerns import restriction, Nokia claimed that it is an important factor when deciding on the mode of entry while Wärtsilä claimed that it is a very important factor.
- Government Labour restrictions in Cameroon is not important according to Nokia while neutral according to Wärtsilä
- The results from tariffs in Cameroon showed it is an important factor for Wärtsilä and has no effect for Nokia when deciding on the mode of entry
- The results from the political relationship between Cameroon and Finland showed that it is an important factor for Nokia when deciding on the mode of entry and has no effect for Wärtsilä

Economic factors

Table 11. Economic factors

Economic factors	Irrelevant	Not important	Neutral	Important	Very important
Inflation rates in Cameroon				Wärtsilä Nokia	
Interest rates in Cameroon			Nokia		Wärtsilä
Exchange rates in Cameroon				Wärtsilä Nokia	
Unemployment rate in Cameroon				Wärtsilä Nokia	
Labour cost in Cameroon				Wärtsilä	Nokia
High crime wave in Cameroon			Nokia	Wärtsilä	
Economic co-operation between Cameroon and Finland			Nokia	Wärtsilä	
GDP growth rate in Cameroon				Nokia	Wärtsilä
Size of the economy of Cameroon				Wärtsilä	Nokia

The results from the analysis of case company's documents, annual reports, websites and interview question which states; "how important are the economic factors on the firm's selection of an entry mode", are presented in table 11 above. An analysis of table 11 provided the following information:

- Both Wärtsilä and Nokia claimed that inflation rate in Cameroon is an important factor in their decision in selecting an entry mode.
- As concerns interest rate, Nokia claimed that it does not have an effect on its decision on selecting an entry mode while Wärtsilä claimed that it is a very important factor when deciding on an entry mode.
- Both Wärtsilä and Nokia claimed that exchange rate in Cameroon is an important factor in their decision in selecting an entry mode.
- Both Wärtsilä and Nokia claimed also that, unemployment rate in Cameroon is an important factor in their decision in selecting an entry mode
- As concerns labour cost in Cameroon, Nokia claimed that it is a very important factor on its while Wärtsilä claimed that it is an important factor when deciding on an entry mode
- Nokia claimed that high crime wave in Cameroon has no effect on its decision on selecting an entry mode while Wärtsilä claimed that it is an important factor when deciding on an entry mode.
- Nokia claimed that economic co-operation between Cameroon and Finland has no effect on its decision on selecting an entry mode while Wärtsilä claimed that it is an important factor when deciding on an entry mode
- As concerns GDP growth rate, Wärtsilä claimed that it is a very important factor on its while Nokia claimed that it is an important factor when deciding on an entry mode
- Finally, as concern the size of the economy, Nokia claimed that it is a very important factor on its while Wärtsilä claimed that it is an important factor when deciding on an entry mode.

Socio-cultural factors

Table 12. Results from Socio-cultural factors

Socio-cultural factors	Irrelevant	Not important	Neutral	Important	Very important
Population of Cameroon				Wärtsilä	Nokia
Life style in Cameroon				Wärtsilä	Nokia
Attitude and values in Cameroon			Wärtsilä	Nokia	
Religion in Cameroon		Nokia	Wärtsilä		
Official languages in Cameroon				Wärtsilä	Nokia
Trade union Cameroon			Nokia	Wärtsilä	
Education in Cameroon				Wärtsilä Nokia	

The results from the analysis of case company's documents, annual reports, websites and interview question which states; "how important are the socio-cultural factors on the firm's selection of an entry mode", are presented in table 12 above. An analysis of the table 12 provided the following information:

- The results from population of Cameroon showed that it is an important factor for Wärtsilä when deciding on the mode of entry while it is a very important factor for Nokia when deciding on the selection of an entry mode.

- As concerns life style in Cameroon, Nokia claimed that it is a very important factor when deciding on the mode of entry while Wärtsilä claimed that it is an important factor.
- The results from attitude and values in Cameroon showed that, it is an important factor for Nokia and has no effect for Wärtsilä when deciding on the mode of entry
- The results from religion in Cameroon showed that it is not an important factor for Nokia when deciding on the mode of entry and has no effect for Wärtsilä when deciding on the selection of an entry mode
- As concerns official languages in Cameroon, Nokia claimed that it is a very important factor when deciding on the mode of entry while Wärtsilä claimed that it is an important factor
- The results from trade union in Cameroon showed it is an important factor for Wärtsilä when deciding on the mode of entry while it has no effect for Nokia when deciding on the selection of an entry mode.
- The results from education in Cameroon showed it is an important factor for both companies when deciding on the mode of entry.

Technological factors

Table 13. Results from Technological factors.

Technological factors	Irrelevant	Not important	Neutral	Important	Very important
Communication infrastructure in Cameroon				Wärtsilä	Nokia
Transport network in Cameroon				Nokia	Wärtsilä
Labour skill in Cameroon				Nokia Wärtsilä	

Government spending on research in Cameroon			Nokia	Wärtsilä	
Intellectual property protection in Cameroon				Wärtsilä	Nokia
Speed of technology transfer in Cameroon				Wärtsilä	Nokia

The results from the analysis of case company's documents, annual reports, websites and interview question which states; "how important are the technological factors on the firm's selection of an entry mode", The answers are presented in table 13 above. An analysis of the table 13 provided the following information:

- The results from Communication infrastructure in Cameroon showed it is an important factor for Wärtsilä when deciding on the mode of entry while it is a very important factor for Nokia when deciding on the selection of an entry mode.
- As concerns Transport network in Cameroon, Nokia claimed that it is an important factor when deciding on the mode of entry while Wärtsilä claimed that it is a very important factor.
- The results from skilled Labour in Cameroon showed that it is an important factor for both Nokia and Wärtsilä when deciding on the mode of entry.
- The results from Government spending on research in Cameroon showed that it is not an important factor for Wärtsilä when deciding on the mode of entry and has no effect for Nokia when deciding on the selection of an entry mode.
- As concerns Intellectual property protection in Cameroon, Nokia claimed that it is a very important factor when deciding on the mode of entry while Wärtsilä claimed that it is an important factor
- As concerns speed of technology transfer in Cameroon, Nokia claimed that it is a very important factor when deciding on the mode of entry while Wärtsilä claimed that it is an important factor

4.5. Conclusion

The purpose of this chapter was to

- To identify the market entry strategies used by the case companies to penetrate the Cameroonian market
- To evaluate the market entry strategies in light with the reviews of literature in chapter two
- To identify the internal and external factors that affect the selection of entry mode of the case companies into the Cameroonian market.

With the above objective and from the analysis of the results, research question 1 and 3 has been answered. Based on the literature review, empirical study and the research finding, the conclusions and recommendations would be presented in chapter five with the aim to advice Finnish companies that are interested in accessing the Cameroonian market.

5. CONCLUSIONS AND RECOMMENDATIONS

The main objective of this thesis was to support Finnish companies to enter the Cameroonian market successfully. The thesis further seeks to identify the major factors that have an effect on the decision of Finnish companies to enter Cameroon. Therefore, this chapter presents conclusions concerning market entry strategy, conclusions concerning the Cameroonian market and conclusion concerning factors that have an impact on the decision of Finnish firms entering the Cameroonian market and finally recommendations of the research which are based on the finding from the proceeding chapters. The two case companies that were chosen for this research were Wärtsilä and Nokia.

5.1. Conclusion concerning market entry strategy

- Both companies based their market entry strategy into Cameroon on their strengths
- Both companies employed wholly owned subsidiary as a mode of entry in to the Cameroonian market. Therefore, they can be said to be at the top of the investment and risk ladder as shown in figure 2.8
- Both companies fulfil the 5 criteria of a good market entry strategy as pointed out in section 2.6.7. The 5 criteria are:
 - a. Based on the firm's strength,
 - b. Avoids direct competition,
 - c. Selects a good segment in the industry.
 - d. Pursue a clear generic strategy and
 - e. Selects a structure and control system that permits its global operation strategy to function efficiently.
- Both companies pursue the process of market entry strategy as pointed out in subsection 2.6.6 and follow the path of an international active company that expands to one more foreign market.
- Both companies carried out a thorough market research before entering the Cameroon market.

5.2. Conclusions concerning the Cameroonian market

- The Cameroonian market is relatively an easy market to access at the managerial level due to the fact that French and English are the official languages with culture resembling that of French and English. The transport infrastructure and communication facilities are available posing an advantage to companies entering the market. There is availability of skilled labour, competent and professional work force at a price comparatively lower than that of the developed countries. However, corruption is one of the major factors the plague the Cameroon market.
- In order to operate effectively in the Cameroon market it is good to partner with local operators so as to benefit from its contacts which could help to reduce the bureaucratic bottle neck that makes things proceeds much slowly.

5.3. Conclusion concerning factors that have an impact on selection of an entry mode

According to literature review, there are five modes of entry into to the international market. These modes of entry are exporting, licensing, franchising strategic alliance or joint venture and wholly owned subsidiary. Findings from the research showed that the two case companies employed wholly owned subsidiary to access the Cameroonian market. Furthermore, the factors that have an impact on the selection of an entry mode where classified into two categories. That is internal and external factors. The internal factors are those factors that come from inside the company and the firm has considerable control over the factor while the external factor are those factors that come from the companies environment and the company has no influence on the factors but could monitor it.

The internal factors identified in the research were:

- Firm's Objective
- Resources commitment
- Experience and expertise
- Degree of penetration
- Risk
- Country selection strategy

- Flexibility

On the other hand, the external factors were:

- Economic,
- Political
- Technological
- Socio-cultural

The above factors had sub factors which was used as the interview question provided in annex 2

5.4. Recommendations

This section of the thesis provides recommendations for Finnish companies that would be entering the Cameroonian market in future. The recommendations are innumerate below:

- In order for a Finnish company to enter the Cameroonian market successfully, it has to have competencies in terms finance, technology and language proficiency.
- The market entry strategy for Finnish companies has to respect the five criteria listed below:
 - a. based on company's strengths,
 - b. choose good industry segment,
 - c. avoid direct competition,
 - d. follow clear generic strategy,
 - e. choose a structure and control system that allows its global operation strategy to operate efficiently.
- The best mode of entering the Cameroonian market is either to set up a joint venture or strategic alliance especially for smaller firms with limited resources. The second best mode is setting up a wholly owned subsidiary. This mode is very favourable for large companies with financial capabilities. Exporting is the least preferable mode to employ when entering the Cameroonian market because of disadvantages in cost economies and only small companies with limited resources could employ this mode

Furthermore, joint venture is very good for any company to start with be it large or small, but could be changed at a letter stage. This is because it would help the

company to benefit from market knowhow and the local partner's brand image. Partnering with local partner will help to tackle bureaucratic bottle necks that are prevalent in the country and also gain access to the local partner's contacts and references. Moreover, partnering with local operator means local and at the same time global which will give more product acceptance by the customer.

- Since the Cameroonian market is very dynamic, Finnish companies have to base their entry on fact gathered from a thorough market research carried out with the help of a specialised consultancies. The market research have to involve important aspects of market entry such as investment policies, potential target customers, trade barriers, potential venture partner, potential of the country in the company's line of business and attractiveness of the region of operation.
- The Cameroonian market is very suited for operators with long term investment prospects with lots of perseverance and patience. It is not for companies with short term investment prospects
- Due to the wide gap between the rich and poor, urban and rural and educated and uneducated, the company should coin its offer so as to suit the purchasing pattern of each segment.
- Finally, Finnish companies that would like to enter the Cameroonian market are recommended to utilize the process of market entry strategy shown in figure 2.15 depending on the category in which it falls under that is if it is a nationally active company that access the international market for the first time or an internationally active firm that expands its operation into one more market.

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