LAPPEENRANTA UNIVERSITY OF TECHNOLOGY
LUT School of Business
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Mulenga Albertina Raivio

CHALLENGES AND OPPORTUNITIES FACED BY FINNISH ICT COMPANY ENTERING AFRICAN MARKETS THROUGH PARTNERSHIP

1 st Supervisor: Professor Sami Saarenketo, LUT
2 nd Supervisor: Associate Professor Hanna Salojärvi, LUT

ABSTARCT

Author: Mulenga Albertina Raivio

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The purpose of this thesis is based on the need of finding out the challenges in developing and maintaining strategic partnerships that Finish ICT company face when operating in African markets. In the light of globalization, international partnerships appear to offer an opportunity to capitalize on the particularities of localized skills, knowledge and capabilities within the international environment. Ultimately, the study hopes to find out what resources the business needs to have in possession when aiming to form long-term strategic relationships.

The qualitative research approach used in this study is suitable as the purpose of this study is describing the international partnership challenges that foreign firms face when operating in African markets. This study was conducted by doing semi-structured interviews, and by doing a document analysis of both secondary data.

The results of this study revealed that as difficult as forming and maintaining partnerships can be, the advantages of overcoming the challenges are profound. The most crucial activity is to have managers with international experience as it has effect on the success of the partnership. It was identified that many problems were related cultural differences, psychic distance, communication and trust. An analysis of the Zambian business environment also indicates that the environment is challenging for foreign firms. The familiarity with the Zambian business culture and environment among other issues is vital to achieve the company long-term goals. Building partnerships has emerged as a key factor in ICT firm's internationalization in recent years.

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I dedicate thesis to my beloved mothers Sylvia Adjadjihoue and Martha Kabango who have been my true motivators throughout my educational journey. They are a true definition of hard working women and forever will be my inspiration towards working hard to get what I want in life.

The past 4 years at Lappeenranta University of Technology have been some of the most amazing time in my life. The time spent here has helped me open my mind and think outside the box. In these years, I have grown as a person academically and professionally. I met wonderful people from different backgrounds and established friendships that are truly worthwhile. Writing this thesis has been a very educating and challenging process. Therefore realizing that am now at the end of this gives me a great feeling of accomplishment and cannot wait to start a new chapter in life.

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Mulenga Raivio
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1 INTRODUCTION

International markets are now attractive growth targets for many firms that previously had not considered overseas opportunities as domestic markets continue to mature. More companies, small, medium-sized and multinationals that constitute significant employment and profit generating organizations are embarking into, or at least considering international markets as future prospects (Kotler & Keller, 2006).

However, even if multinationals with their considerable global experience and advantage are knowledgeable at many of the requirements for entering overseas markets, entry into new and complex environments is often perceived as risky if not discouraging (Kauser, 2007; Etemad, 2004). Faced with different political and legal climates, environmental differences, disparate social and cultural norms, many levels of technological acceptance and product standards, international markets can represent confusing, and also intimidating business environments for the uninitiated (Karnue, Kristensen and Houman, 1999).

In such environments, many companies find themselves in need of guidance (Street and Cameron, 2007). Due to these and other reasons, models and methods that offer companies the means by which seemingly incomprehensible international markets can be approached and analyzed have long been valued (Ohmae, 1989). One well-known strategy for expanding overseas requires for firms, to seek foreign market success by developing mutually beneficial relationships or partnerships with non-domestic counterparts, who are indigenous to the markets of promise (Baradacco 1991; Ali 1991; Barrett 1992). The guidance of knowledge transfer from both partners of an alliance is fundamental to any global spanning strategic alliance (Hall and Andriani, 2003).

Company X, an established Finnish ICT company looking for new international markets has made an attempt by entering an emerging African market, Zambia. It has done this by carefully limiting its exposure by appointing an independent local distributor to help jump-start its internationalization process into that market. At

first, pilot projects are being done and sales are slowly taking off, hopefully revenues grow pleasingly over time, and the entry is praised as a smart move in the long run.

Just like many other companies when going international, Company X started from scratch in sales and distribution when they entered new markets in the EU. Like many other international markets, the Zambian market is nationally regulated and dominated by networks of local intermediaries. Therefore there is a need for foreign companies to partner with local distributors to benefit from their unique expertise and knowledge of their own markets. Company X operating internationally knows that on their own, they cannot master local business practices, meet regulatory requirements, hire and manage local personnel, or gain introductions to potential customers that easily. At the same time, Company X wants to minimize risk by hiring local distributors and investing very little in the undertaking. Thus, Company X gives up control of strategic marketing decisions to the local partners, much more control than they would give up in Finnish markets.

The factors mentioned above has pushed Company X into developing ways on making the partnership they have with Company Z work. Company X operates in the ICT business whilst Company Z operates in the distribution business. Management from the two organizations is eager to make this work for profitable benefits for both organizations. Despite the long and successful history of Company X in the EU markets, the whole scale of Company X business is not that well-known outside Europe and increasing positive recognition in emerging economies like African countries would likely generate positive outcomes for the company.

Project management team from Company X has already identified some challenges and barriers of being in partnerships with an organization that has a far fetched culture form its own and are now hoping strengthen their partnership relationship with their Zambian counterparts because Company X sees the African market as a high growth potential for the company. The company is hoping to implemented actions to strengthen their relationship and tries to understand how

to be successful when dealing with African markets. More specifically, Company X has yet to deepen the knowledge on African markets, as this is their first time operating in this environment.

It is important to study partner management, especially in the ICT industry where knowledge and know-how play a major role. Due to the poor track record in international partnering, the international aspect of partnerships and partner management is of importance for this research.

The purpose of this first chapter is to describe the overall objectives and aim of this research and the means of achieving these. A preliminary literature review is later included to introduce the key issues concerning international partner management.

1.1 Background Of The Study

The ICT industry is arguably one the most lucrative industries in the world (Anselmo and Ledgard 2003, Aramand 2008, and Harris et al. 2007) yet it is also a very risky industry, maybe because these type of companies are usually less aware of their clients ‘ever changing needs as software clients tend to expect more from IT companies than from traditional companies (Antony and Fergusson 2004). Additionally, the whole industry is in constant change as new technologies keep coming up all the time (Cusumano 2007) and this also affects the customer needs that also change constantly that eventually make it even harder to predict the customers' actions. This makes managing in ICT industry a very challenging task.

During recent years, various forms of international partnerships have become more popular and the importance of networking has increased Goerzen 2005; Ireland et al., 2002; Spekman et al., 1998). ICT industry in particular has shown strong increase in the number of partnerships created (Taylor 2005, Rothaermel and Deeds 2006). There are many reasons for the growing popularity, some of them being global competition, shorter product life cycles, developing technology and the tremendous focus on core competencies

(MacAvoy 1997). The popularity of international partnerships has also grown in recent years (Cavusgil 1998), maybe even more than the overall popularity of networking.

However, many international partnerships lack concrete and systematic management (Cavusgil 1998), which is often the reason for their failures. It is known that, most partnerships fail in the long-term (Dyer et al. 2001), emphasizing the importance of good management. The objectives are good, but finding the correct balance among them at any specific given time is hard. In the beginning of market entry, partnerships with local distributors make very good sense as distributors know the identifiable characteristics of their markets, and most customers opt to do business with known local partners. As time passes on and changes during later phases of market entry begin to occur, such as a possible switch to directly controlled distribution, challenges begin to evolve (Dyer et al. 2001).

This study tries to focus only on the target markets aspect on the context-related issues. The aim of the research is to find out how the partnering and partner management change during the internationalization process of the companies, in other words when a company enters into a foreign Africa market. This study will also pay some attention on internationalization process.

1.2 Problem Statement And Research Questions

The research problem came up in cooperation with the case company when the writer was doing internship at the company. The research problem was identified from the challenges that many Western companies globally during operating in the developing and emerging markets. The job of the Company is to make e-government applications meant to provide automation and streamlining of government business processes so that efficiency and accountability are achieved, thus reducing common transaction costs in Zambia. The project manager at Company X confirmed the problem during one meeting held in

Helsinki (December 2015) about how the initiated pilot projects were facing some challenges due to some issues that were not really clear to him.

Due to this project being very important to him personally and to the company, he came up with an idea on how to tackle this problem by studying more about international partnerships in relation to African markets. The company saw some growth potential for its ICT business in Africa and decided to try out doing business there through a strategic alliance in the hope of; international growth, market seeking, acquiring means of distribution, developing technologies needed for that market, achieving competitive advantage, risk reduction and diversification, cost sharing, pooling of resources and obtaining economies of scale.

This research's aim is to understand the phenomenon of international partnering and partnership management during the internationalization process of a company that just started operating in Africa. The motives as to why companies go international, the barriers they face in international markets and the best strategies to use to succeed in these types of market will be discussed to. Internationalization theories are also considered to as to get an understanding to the process involved when entering foreign markets. The company wishes to gain more knowledge and tools to use on how to succeed in international partnerships.

This thesis will finally try to find solutions that can help Company X management handle the risks and barriers that arise in international partnerships and ultimately decide weather it is worth remaining operating in the African market and staying in the partnership in the long run.

Therefore the main research question is:
"How should the Finnish ICT Company manage its international partnerships in African markets?

Three sub questions are formed to support the main question to provide additional in-depth understanding of the topic

1. What are the strategic motives to engage in a strategic partnership when going international?
2. What are the barriers and challenges faced when operating in international markets through partnerships?
3. How can the partnerships help facilitate growth in the international market: management importance?

1.3 Literature Review

Generally, international partner management and partnerships have been in the interest of academics for over several decades now. There have been many researches written over the years from different perspectives. For this study, the main research has concentrated around the general concepts of strategic partnerships and partner management. Authors like Goerzen (2005), Harvey and Ireland et al. (2002), Rothaermel and Deeds (2006) and Taylor (2005) have for years studied partnerships and their management. From the mentiones, Goerzen (2005) has been more focused on the benefits of partnering whereas others have studied the changes in partnering and partner management. Out of the authors maybe Ireland et al. (2002) have had the widest interest in partnering. Their researches have studied the overall purposes of partnering and the basics of partner management.

Ireland et al. (2002) have had a more international concern, whilst Spekman et al., (1998) have studied the cyclical nature of partnerships. The majority of research studies conducted, out of this group, however have been from the managerial perspective. Rothaermel and Deeds (2006), and Taylor (2005) have all studied how the theoretical concepts of partner management are transferred into the real world, what partner management comprises of in practice. Their studies are very useful for partner managers.

The other biggest group of studies is centered around the network approach on partner management. Even though this approach is partly dominated by Ritter

(1999), there are other researches also. Ritter (1999) and his later studies (Ritter and Gemünden 2003; Ritter and Gemünden 2004; Ritter et al., 2004) concentrated on the network competence that companies have to develop, other researchers have opted for a more practical approach. Duyesters et al., (1999) for example discussed the complexity of network and they list tools how managers might better keep track and manage their partnerships in a network. Freytag and Ritter (2005) have also some practical suggestions on how to better survive in the network.

Closely related to the network approach are the two studies conducted by Håkansson and Ford (2002); Ring and Van de Ven (1994). Ring (1994) studied how relationships change over time and how that affects the management in companies while Håkansson and Ford (2002) researched how changes in the network affect the relationships and therefore partner management. In addition, Håkansson and Ford (2002) study also studied the aspects of network on the partner management.

Other studies have also researched the importance of partnership managers in the management process. MacAvoy (1997) outlined some criteria on what it actually means to be a good partner manager and also emphasize the importance of having a partner management function. There is no specification as to whether it should be a sole manager or a team of managers, but he describes what it means to manage partnerships, listing the key responsibilities of partner managers. A number of studies have been conducted on partnering and partnership management in international context. For example, Butler (2008) describes the effects of culture in the management process in international context. Kelly et al., (2002) agree with the cultural aspect and continue to outline other relevant issues in international partnering even though their results can also be interpreted in national context as well. Cavusgil (1998) set out to create a framework for international partner management. His findings can also easily be adapted in partner management generally, because the findings are not that different when compared to the studies listed above. It can therefore be argued that international partner management follows the same basic rules as the ‘traditional’ partner management with some little exception and additions.

From the above studies examined, it was noticed that only few examined the partnerships and partner management in the ICT software industry. Ang (2007) studied the effects of culture and industry on partner management with various results. Kulmala and Uusi-Rauva (2005) briefly describe the partnerships in the software industry but do not go so much in detail. It can therefore be said that partner management in the ICT software industry has not been very well researched (Taylor 2005) and especially in the African industry context. In addition to the studies described above, various authors (Glaser 2005; Walter et al. 2008; Standifer and Bluedorn 2006 Zahra 2005 Delerue 2005; Wu and Cavusgil 2006) have briefly examined partnering or partnership management in their studies. Their contribution to the overall knowledge is not major, but still worth the mentioning.

1.4 Theoretical Framework

The motivation of this thesis started from the challenges that exist in international partnership management in regard to the effectiveness of international collaboration and the ability to create value for the addressed challenges. Although many studies have been done in the past years with the goal of improving management practices or finding better management tools in this field, international collaboration effectiveness still remains a challenging issue (Pfarrer, 2012). Concerning the management challenges involved in increasing the performance of international collaboration, a need was found to address the study from the perspective of international strategic management. Due to this reason, strategic management was picked as one of the theoretical foundations of this study. Regarding the second challenge involved in international collaborations (discovering mechanisms for value creation for stakeholders), the probe of value creation-related theories was seen as a suitable theoretical foundation for this thesis. The study involves international collaboration and value creation, therefore, value network analysis that probes how value is created in collaborative networks has been considered as the approach that best suits these situations. This was the logic in choosing the theoretical foundations of this study.

Presented below is the conceptual framework of this study. The literature discussing international partnerships and opportunities for firms spans fields of study and involves a variety of approaches. The methodology used in this research includes integrating the various approaches and findings into a comprehensive framework to aid understanding. Therefore, a thorough literature survey was conducted that gathered the findings of several authors. Each finding was evaluated in relation to others to support a conceptual framework.

Furthermore, these concepts were examined in context of the case company, Company X. Hence, how to succeed with international strategic alliances was studied with the objective of finding tools and ideas to be used to target the previously mentioned segment.

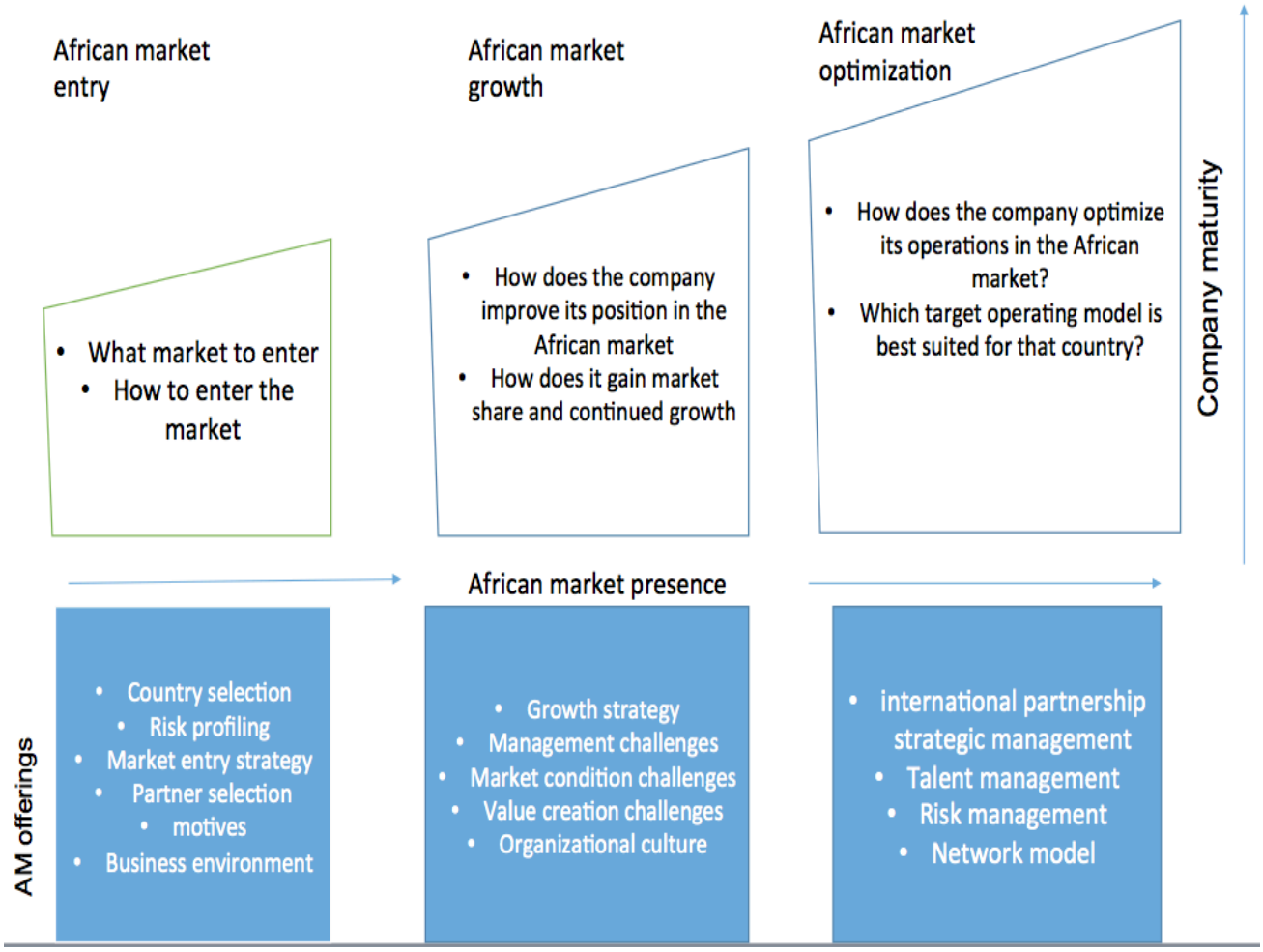

Figure 1. Theoretical Framework

1.5 Concept Definitions

Partnership

Partnerships are collaborative relationships between various parties, both public and non-public, in which all participants agree to support a common cause or to achieve a common purpose, and to potentially share risks, responsibilities, resources and benefits (Investopedia).

Strategic partnerships

A strategic partnership is a relationship between two commercial enterprises, usually formalized by one or more business contracts. It is sometimes refered to as a strategic alliance. Companies help each other work together to make it easier for each to of tem to achieve their goals. (Cambridge Dictionary)

Strategic partnership is an agreement between companies' to do business together in ways beyond normal company-to-company dealings by fall short of a merger or full partnership (Googins & Rochlin, 2000).

These alliances vary from handshake agreements to formal agreements with lengthy contracts in which both counterparts may also exchange equity or contribute capital to form a joint venture. These are also partnerships of business units or 2 corporations that work together to achieve strategically significant objectives that are mutually beneficial. They have an enormous potential when implemented correctly and can drastically improve the company´s competitiveness and operations (Googins & Rochlin, 2000).

Partnership Relationship Management

This concept is about manging relationships. It is about understanding the needs of one´s business partners and satisfying those needs to the best of one's ability while building trust between the two parties

Strategic management

The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, including utilizations of resources, to enhance the performance of firms in their extended environments" (Investopedia)

Cultural/Psychic Distance

The concept of culture is difficult to define. The perhaps best-known definition is Hofstede's (1980), which is therefore also applied here: "Culture is the collective programming of the mind which distinguishes the members of one human group from another. In this sense, culture includes systems of values, and values are among the building blocks of culture".

Albaum, Strandskov & Duerr, (2002) define psychic distance is an uncertainty about foreign markets and a perceived difficulty of obtaining information about these markets.

Cultural distance, is defined as differences between the culture of one's own country and the culture of a target country (for example; an export destination country) (Albaum, Strandskov & Duerr, 2002)

International Partner management

Doing business in international environment is more complex than when doing in national environment because of cultural and regulatory differences as well as resource heterogeneity (Teng and Das, 2008). The low degree of resource similarity increases the risks involved in international operations due to the lack of compatibility and the differences in regulations may cause challenges to international partner management as well (Teng and Das 2008; Butler 2008). However, the main element causing complexity in international environment is the cultural differences between companies and individuals (Kelly et al., 2002). Butler (2008), writes that culture influences the way people communicate, how they interact with others and what is viewed important, whilst Zahra (2005) argues that is too easy to understand the importance of culture on the above. Often time's nationality and culture are linked, which could lead to disastrous results. Although every nation has their national culture, subcultures may exist within a nation and they may vary greatly (Usunier 2000). This is common in most African nations. Therefore, in such nations, managers need to pay attention not only to the national culture, but also the sub-cultures within. This led to Cavusgil (1998) write about the

importance of cross-culture empathy. It is very important to understand where partner companies are coming from since problems related to the differences in corporate and national cultures of the companies usually lead to failure (Kelly et al. 2002). It is almost as equally important understand that own corporate culture is open enough for others to understand how things are done (Ritter and Gemünden, 2003). Learning about new cultures and their way of operations is time consuming and a lot of hard work (Zahra 2005; Ireland et al., 2002), therefore making the management of partnerships with companies from different backgrounds a difficult task (Duyesters et al., 1999). Due to the added difficulty and need for special attention, transnational partnerships tend to be more formal than partnerships within one country (Teng and Das 2008).

Therefore, cultural differences contribute to the increase the organizational costs (Kelly et al. 2002), which is normally the opposite to the objectives of partnering. This makes international partner management very crucial. Ireland et al., (2002) raised trust as one of the key elements in the success of international partnerships, mainly because it is harder to achieve than in national partnerships. The two most crucial issues concerning international partnerships and international partner management are: Cross-cultural empathy which requires understanding and respecting where other companies from different culture are coming from (Zahra, 2005) and trust: trusting your partner from different culture is very difficult, but extremely important (Ireland et al. 2002).

1.6 Delimitations

This study focuses on Finnish ICT Company and its market entry mode choice (partnership with a local distributor) when entering an African market. International strategic alliances and how to successfully manage them are discussed to get good understanding of what the phenomenon entails.

The study also investigates the subject matter of internationalization but does not go deep into all the aspects related to internationalization. The study does not include the technical proficiency of the IT products and services or the wide range

of how the developments of these products are done. The study mainly concentrates on the partnership management strategies, risks and barriers and the motives behind the company's aim to internationalise into and African market. E-governance is discussed mainly to give an overview of what it entails but the study does not go deeper into e-governance as a phenomenon.

1.7 Outline of the thesis

This thesis is structures as follows: Chapter one of this thesis contains the introduction to the research problem and the research questions that are drawn forth according to the literature review and theoretical framework. Chapter two presents an overview of the literature and theories in the field of research problem and research area focusing on international market entry strategy. Chapter three: presents the literature on psychic distance and cultural dimensions. Chapter four: presents the Methodology. The applied research strategy and methods are presented in this chapter. Chapter five: Empirical data: in this chapter 2 companies are selected as case studies and the empirical results from them are presented in this chapter. Chapter six is the brief understanding of e-Governance in its importance. Chapter Seven is the empirical part. In this chapter, compared with theories, empirical data is analyzed. The Conclusion and further Suggestions will be presented based on the prior analysis.

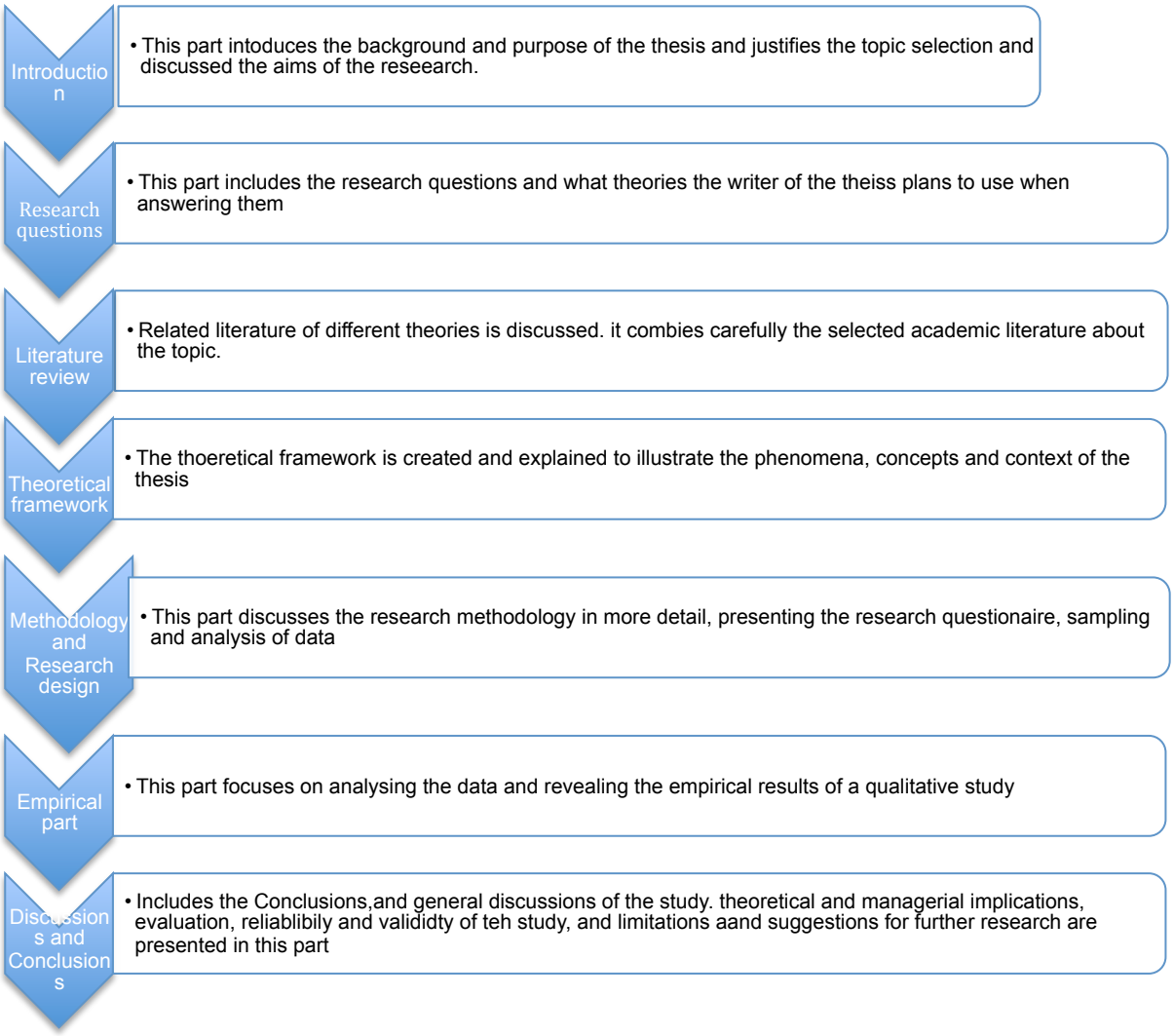

Figure 2. Outline of the study

2 INTERNATIONAL MARKET ENTRY STRATEGY

When deciding markets to enter first, Kotler &Keller (2012), write that when planning to go international, the company much decide how many countries to enter first and how fast to expand. The regular entry strategies are the "**waterfal**l" approach; which involved gradually entering countries in sequence and the "**Sprinkler**" approach, which involves entering countries simultaneously. Increasingly, companies, especially technology intensive companies are born global and market to the entire world from the outset. The waterfall approach allows companies to carefully plan expansion and is less likely to strain financial and human resources. On the other hand, the sprinkler approach is better to use when the first-mover advantage is crucial and a high degree of competitive intensity prevails. The main risk of this approach is the substantial resources needed and the difficulty of planning entry strategies for many diverse markets. Companies must chose countries to consider entering based on the product and on the geography, political climate, income and population (Kotler & Keller 2012, 620).

As an ICT company planning to enter developing markets, it is important to note that one of the sharpest distinction in global marketing is between developed and developing/emerging markets. Not all the developing markets have much economic and marketing significance. The unmet needs of the developing world represent large market potential for various products and services. Many market leaders are currently relying on the developing markets to fuel growth (Kotler &Keller 2012).

They further state that to successfully enter the developing markets, it required a special set of skills and plans. Some companies pioneered ways to serve the developing markets consumers by capitalizing on the potential of developing markets and by changing their conventional marketing practices. It's essential for marketers to know that selling in developing areas cannot be' business as usual'. These areas are bound with economic and cultural differences, with marketing

infrastructure that may barely exist, and local competition maybe surprisingly stiff (Kotler &Keller 2012).

Competition is growing in developing markets. China, India are some examples of economies that have emerged from developing markets to become strong multinational selling in many countries including African countries. Some companies are now using the lessons gleaned from marketing in developing markets to better compete in their developed market. Product innovation has become a two-way street between developed and developing markets. The challenge now remains as how the companies can keep up with the creativity on how marketing can satisfy the dreams of most of the world´s population for a better standard of living (Kotler & Keller 2012).

2.1 Motives for Internationalization

Much of the early literature on internationalization was inspired by general marketing theories. As year's moved on, internationalization dealt with the choice between exporting and Foreign Direct Investment (FDI). During the past 2 decades, much focus has been on internationalization in networks by which the company has different relationships with other actors in the environment and not only with customers (Hollensen 2011; 72)

Increased globalization the past decade has decreased barriers to investment and trade. This process is continuing and companies must realize that internationalization is not an option, but a necessity to remaining competitive. Rapid globalization has occurred as a result of several reasons such as rapid technological changes in communications and transport, foreign investment and financial markets, an increasing trend towards deregulation of foreign exchange and the creation of greater incentives and opportunities for companies. Information technology has decreased barriers previously faced by foreign suppliers, and has helped changed customer behavior and preferences. **(**Mohanty and Nandi, 2010).

Models of gradual internationalization processes were proposed by Johanson and Vahlne (1977,1990), Luostarinen (1979), Johanson and Wiederheim-Paul (1975),

and further developed by Hedlund (1994) and Vermaeulen and Barkema (2002) among others. Their research emphasizes the importance of experimental knowledge and suggests an expansion pattern where the firm is gradually moving along the governance or organizational dimension as well as the location dimension. Particularly, firms first move towards higher commitment operation modes and secondly towards more distant countries in cultural or psychic distance terms (Welch et al., 2007. p 34). In the initial phases of internationalization, not many firms are prepared and willing to commit resources to foreign operations. When the firm lacks appropriate knowledge and experience, decision makers will inevitably have a strong sense of risk and uncertainty, which likely will constrain the range sense of operation modes that are considered. Conversely, the higher the depth of knowledge and experience in foreign markets, the more confident a firm tends to be about making commitments and about its judgment of the degree of exposure to risk (Welch et al., 2007).

According to Johanson and Vahlne (1977), there is interplay between accumulation of knowledge on one hand, and firms' actions on the other. Commitment decisions are based on the knowledge that the firm already has, knowledge is critical in order to identify and assess the problems and opportunities that ultimately drive the decisions that are made.

On the other hand, Johanson and Wiedersheim-Paul (1975) examination of the internationalization moves of four major Swedish firms since their foundation provided evidence that suggested a distinctive pattern of internationalization. They first reported that there was mostly a high correlation between the sequence of initial entry into the market and the psychic distance to the home country (Sweden) and that market. They also found that psychic distance was somewhat of less important for establishment of manufacturing subsidiaries most likely because such establishments often come rather late in firms' internationalization after they had already operated abroad for a while of time. Their finding also pointed out that psychic distance was a strong factor than market size in explaining the firms' choice of location. The speed of internationalization increased over time. Since their study in 1975, there has been a considerable number of empirical studies that have been done provided additional support for the notion of

internationalization as a gradual learning process. For example, Katsikeas (1996) provided a good overview that showed that many firms follow distinct stages of development in their internationalization. Firms tend to enter countries successively according to how similar or conversely, how psychic or culturally distant they are to their own home countries in terms of their choice of location. Firms tend to increase their commitment step by step when it comes to foreign operations mode.

Empirical support theory for internationalization is far from conclusive despite the intuitive and commonsensical appeal of basic ideas in the process perspective on firms´ internationalization. Some empirical tests have not uniformly supported the gradual move into culturally more distant countries (Benito and Gripsrud 1992, Mitra and Golder, 2002). This can be explained that some firms internationalize in order to lower their production cost, obtain agglomeration benefits, to get closer to the suppliers, and such locations might be in distant countries.

The economic motivation behind an internationalization decision may therefore sometimes overrule concerns about the lack of knowledge given locations. Various studies have shown that companies may jump stages in the establishment chain for several reasons such as competitive motives (Peterson and Pedersen, 1997) entrepreneurial action (Andersson, 2000) and avoidance of costs involved in switching between modes of operation (Beito, Pedersen & Pertesen, 2005)

In reviewing the literature pertaining motives for internationalization, several classifications have been identified in prior studies. To categorize various motives of internationalization, Crick and Chaudry (1997) used the terms ‘internal change agents’ and ‘external agents’. Internal agents include differential firm advantages; accumulated unsold inventory, available production capacity; and economies resulting from additional orders. The external change agents include: the effect of government stimulation; the consequences of economic integration; unsolicited or fortuitous orders; the influence from chambers commerce, banks, industrial associations and other companies; and the economic climate and trading conditions in international and domestic markets.

Kastikeas and Piercy (1993) on the other hand categorized internationalization motives into several broad areas: company specific factors, company characteristics, decision maker characteristics, environmental factors and ongoing export motives.

Hollensen (2004) states that the primary reason for going international for most companies is to make money. However, in most business operations, a factor alone seldom accounts for any given action. Often times, a mixture of factors result in organizations taking steps into a given direction. Going international presents the firm with new environments, new ways of doing business, and a multitude of new problem that can consist of strategic considerations, such as service delivery and compliance with government regulations. Usually management will consider international activities only when excited to do so. A number of motivations can push and pull individuals and companies along the international path. An overview of the leading motivations that have been found to make companies go international is provided in the figure below:

Table 1. Source: Adapted from Hollensen (2004, p31)

Major motivations to Firms	
Proactive motivations	**Reactive Motivations**
Profit and growth goals	Competitive pressures
Managerial urge	Overproduction/excess capacity
Technological advantage/ unique product	Stagnant or declining domestic sales
Foreign market opportunities/ market information	Unsolicited foreign orders
Tax benefit	Saturated domestic markets
Economies of scale	Proximity to psychological distance/ international customers

Proactive motivations represent stimuli for company-initiated strategic change whilst Reactive motivations describe stimuli that result in a company's response and adaptation to changes imposed by the outside environment. Therefore, companies with proactive motivations go international because they want to and those with reactive motivations go international because they have to (Hollensen, 2004).

2.2 Foreign entry modes and ICT industry

Foreign market entry modes used by the ICT industry have commonly been addressed by different academics; Kuivalainen, 2005; McNaughton, 2001; Blomstermo and Sharma 2006; Brouthers et al.,1996; Ojala and Tyrväinen, 2007; Moen et al., 2004; Coviello and Munro, 1997). Brouthers et al. (1996), they present the study on Dunning's eclectic theory application in defining the

impact of ownership and locational advantages on the choice of entry modes in the computer software industry. The researchers concluded that companies perceiving a high level of ownership advantage may prefer integrated entry modes, and companies perceiving a low level of the ownership advantage might prefer independent modes (Brouthers et al., 1996).

Therefore, companies that perceive high level of locational advantage such as similar culture and market infrastructure and also high market demand may prefer integrated entry modes and companies having the lowest perception of local advantage such as high difference in culture and market infrastructure as well as unattractive market may prefer independent modes of foreign entry (Brouthers et al., 1996). There is however some contradicting results that's been reported by (Blomstermo and Sharma, 2005).

The researchers found supports for one of their hypothesis; "The greater the cultural distance between the investing company and the country of entry, the more likely service firms will choose a high control entry mode over a low control entry mode" (Blomstermo and Sharma, 2005, 217). According to the researchers, high control entry modes enable companies to learn about culture as well as other institutional factor in the target markets. One of the main research questions in Ojala and Tyrväinen's (2007) study concentrates on the connection between the product strategy of a software firm and its foreign market entry mode. In their work, Ojala and Tyrväinen (2007) studied software firms are defined into three groups:

1) Tailor-made software solutions companies,
2) Enterprise solutions companies, and
3) Mass market software companies.

The offers for the first group include a core product that is customized in accordance to the requirements of each customer. The second group focuses on delivering enterprise solutions such as enterprise and communications security software and enterprise level network protection and business continuity

assurance software. The products of the companies in the second group are mainly productized meaning that they demand only small localization and customization practices for each market, if at all needed. In the third group companies deliver mass-market products, such as highly productized software that requires no modifications to customers. The related findings are presented in the table below:

Table 2. The software company groups and their foreign market entry modes. Adapted from Ojala and Tyrväinen (2007)

Group	**Foreign market entry**
Tailor-made software solutions companies	Representatives
Enterprise solutions companies	Sales subsidiaries
Mass market software companies	Cooperative entry modes

Table (2): illustrates, tailor-made software solution companies would use independent representatives on a foreign markets. Two reasons were reported for that. Firstly, their 28 complex products require strict specification of the product with customers. Secondly, by using a representative, these “niche” customers can be served without investing in a subsidiary (Ojala and Tyrväinen, 2007).

These representatives can therefore be thought of as strategic partners of a foreign company in the local market. The group of enterprise solution companies may in turn prefer sales subsidiaries. The companies in this group may customize or localize their products according to the customer needs. Instead, the subsidiary may be responsible for enabling after-sales support and marketing by local personnel. Finally, the last group is about cooperative entry modes i.e., joint venture, to be most suitable due to the high level of localization requirement for the software in that market (Ojala and Tyrväinen, 2007)

The network approach has been also suggested for software companies to identify markets to penetrate and entry modes to use for that (Moen et al., 2004; Coviello and Munro, 1997). By using their network relations, software companies can first make product development agreements with companies operating in foreign markets. After the network has been established, they can then gradually switch to higher control modes by following the same evolution process.

Many internal and external factors influence the decision-making when a company is entering foreign markets. Figure () below shows the connections between the two factors and the role they have in influencing market entry decisions

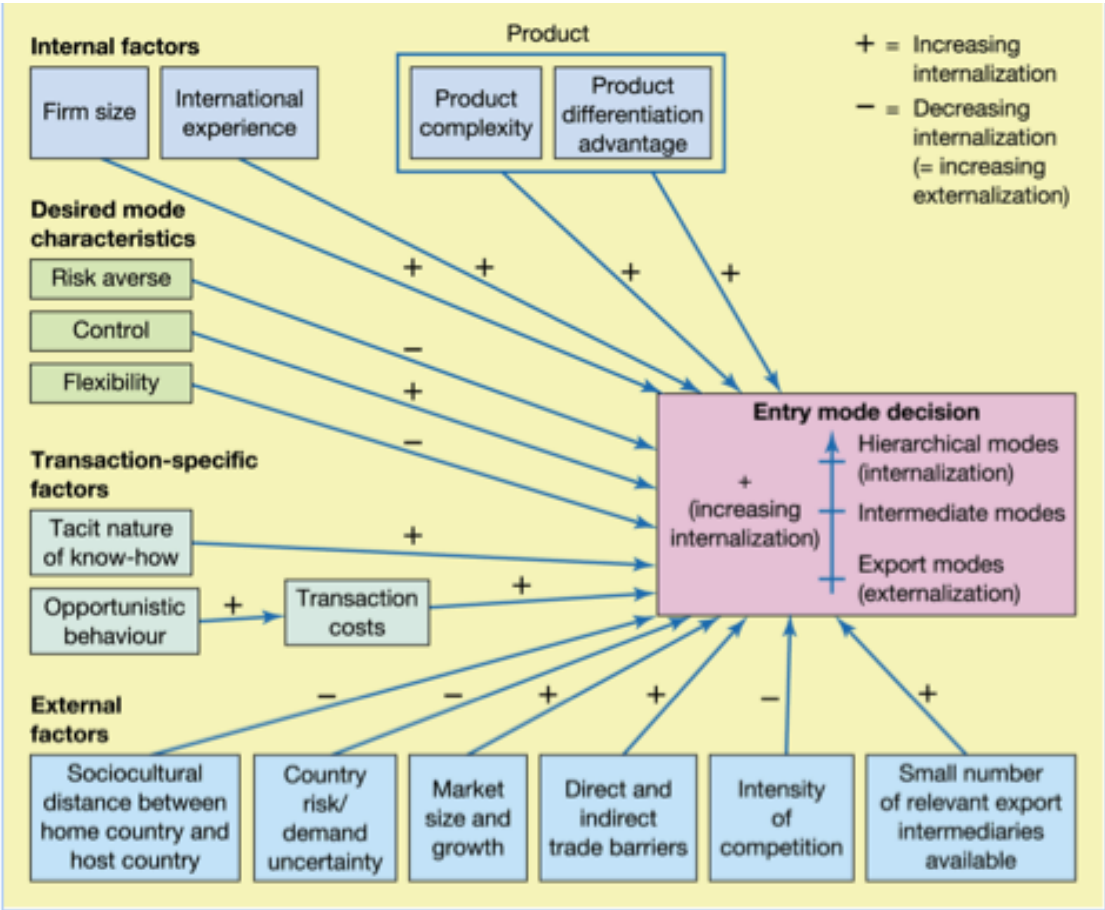

Figure 3. Factors Affecting International Entry Mode Decision. Adapted From Hollenssen (2011).

2.3 Network Model

The general assumption in the network approach is that the international firm cannot be analyzed as an isolated actor but has to be viewed in relation to other actors in the international environment.

A different way to analyze an organizations internationalization using a process approach is to use the networks, because this approach gives an appropriate framework for understanding organizations as embedded actors in business networks (Johanson and Mattsson, 1993; Ruzzier, 2006). This approach starts with the same assumption as the resource-based view, being that resources are heterogeneous. It adds that the exchange within a network allows an organization to gain important knowledge about its relationships partners; including their resources, strategies, capabilities and other essential relationships (Johanson and Vahlne, 1977).

Johansen and Vahlne (2009) consider that an organization success requires being active and established in one or more networks. When a company is active in those networks, it is considered an “insider”. By being referred to as an insider helps the organization to learn and develop the trust and commitment that are needed as foundations to successful business development. An organization not operating in a relevant network is considered an “outsider”. When entering a new and foreign market as an outsider, the organization basically face a challenging process of becoming an insider, mostly because of the company is foreign. The success of a company is largely dependent on the ability to enhance the capabilities of the company or those connected to it. Developing and maintaining a network to the company are important for success in an international environment. Developing strong inter-firm cooperation strengthens the competitiveness of smaller firms. Clusters, representing small firms in close network cooperation and localized in a region, are example of the benefits of a good network and represent “the new competition” New communication technology vastly simplifies networking and cooperation (Best, 1990). If the relationships among firms are seen as a network, it can be argued that firms internationalize because other firms in their (inter) national network are so doing (Ruzzier, 2006). This means that network relationships have a significant impact on which foreign market to choose, as well

on the mode of entering a given market in the context of an ongoing network process (Johanson and Vahlne, 1977). Johanson and Vahlne (2009) see business networks as a market structure in which the internationalizing firm is embedded and is present in the structure of the corresponding business network of the foreign market. The network theory tries to explain how network resources at all levels, individual, company or group of companies, affect the internationalization process.

The Knowledge embedded in long-term relationships is basically concentrated in one person in the company, who will have a significant impact on internationalization through close social relationships with different individuals. Social relationships as such are vey important for companies and their business. (Davidsson and Honig, 2003). These social networks are sub-networks within the business network, effecting and being affected by the gained resources and the chosen operational mode. Networks can be divided into either open or closed networks. Open network serves the function of transforming the information through the network. A closed network on the other hand is focused on social exchange, trust and shared norms (Ruzzier, 2006).

The concept “recognition of opportunities” has been added to the business network internationalization process model “knowledge” concept. Opportunities are considered to be the most important element of the body of knowledge that drives the process by Johanson and Vahlne (2009). Capabilities, strategies, needs and business networks are also listed as critical components of knowledge.

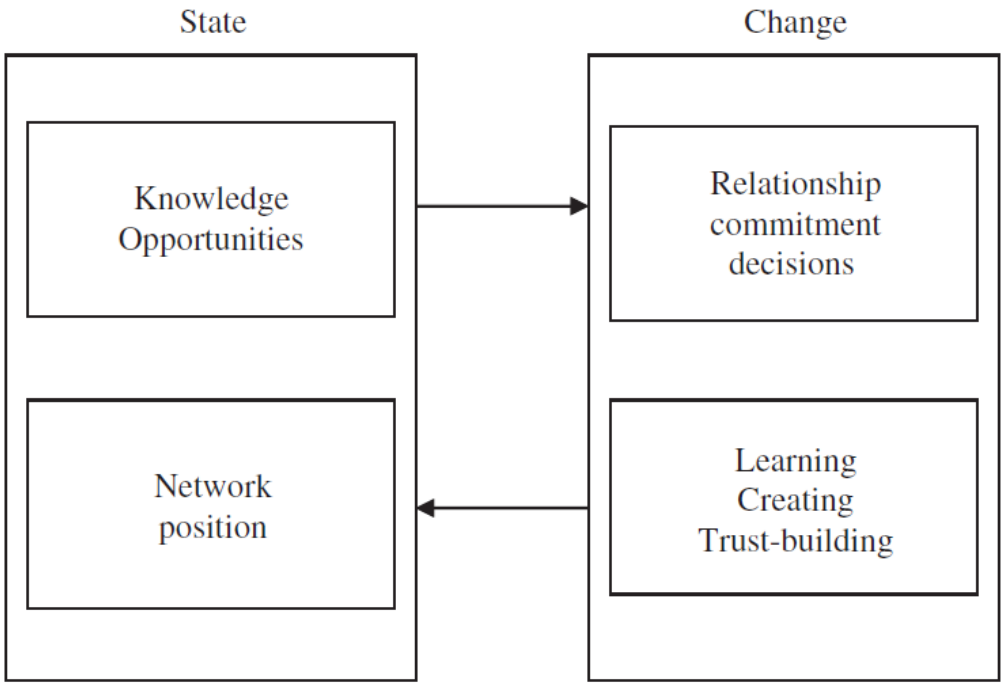

Figure 4. The business network internationalization process model (Johanson and Vahlne, 2009)

2.4 Resource-based view

The resource-based view of the company is one of the most used and cited works in the strategic management field (Kraaijenbrink et al., 2010). It aims to explain how a company's internal resources can lead to value creation through getting a sustainable competitive advantage over its competitors. The differences in company´s profits are based on the heterogeneity of resources, capabilities and management's ability to use them efficiently (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Nelson and Winter, 1982; Teece et al., 1997). Resources and capabilities are possessed in individuals, who are the stakeholders of the firm, who can create and generate value (Garcia-Castro and Aguilera, 2014) when they are lead by rational and competent managers (Leiblein, 2003).

The development of the resource-based theory was started by Wernerfelt's 1984 article that was published in the Strategic Management Journal that same year. Over the years, other contributions to the development of the theory have been

made made by many academics: Rumelt (1984), Amit and Schoemaker (1993), Dierickx and Cool (1989), Castanias and Helfat, (1991), Amit and Schoemaker (1993), Conner (1991), Peteraf (1993), Conner and Prahalad, (1996), Teece et al., (1997), Helfat and Lieberman (2002) and Kogut and Zander (1992).

The resource-based view was the starting point and basis of differnent sub-branches and developments in the field of study, including the knowledge-based view (Grant, 1996; Spender, 1996) and the dynamic capabilities view (Teece et al., 1997; Eisenhardt and Martin, 2000; Kogut and Zander, Winter, 2003). Even though the resource-based view is considered to be a theory of the company, there have been numerous critiques that argue that the theory does not explain the boundary of the company (Barney, 2005; Barney & Clark, 2007; Kraaijenbrink et al., 2010). The resource-based view mainly focuses on strategic collaboration with other firms. An individual organization in a dynamic and complex environment is not able to acquire all of the knowledge needed to develop advanced products and services alone. Inter-organizational collaboration has usually been proven to be a cost-efficient solution when the goal is to find innovative solutions and to improve its performance in terms of organizing production and delively (Grant, 1996; Grant and Baden-Fuller, 2004). Companies need to reach outside their boundaries to search for suitable partners in order to access and acquire the complementary and supplementary resources and capabilities needed for their performance development in other markets (Gulati et al., 2000; Grant and Baden-Fuller, 2004).

Additionally, the resource-based view explains that management capabilities have a vital role in the process of value creation. Even when other resources and capabilities are accessed and gained during the process of collaboration, the putting together of resources and capabilities has a major impact (Dyer and Singh, 1998;). The ways in which acquired resources and capabilities are integrated and combined with the company's own resources directs the performance and the amount of value created (Knudsen, 2007). Because the knowledge resources and capabilities are possessed in stakeholders of the firm (Garcia-Castro and Aguilera, 2014), the manager's capability to put up an efficient way of all their resources

affects the process of value creation (Leiblein, 2003; Bromiley & Papenhausen, 2003).

2.5 Partnerships as an entry mode

Business partnerships can get companies on their way to reaching their long-term objectives. Business partnerships connect companies with existing companies that have the tools and audience to help them grow. These organizations have spent years building their brand and reputation, therefore aligning with them in a smart way will enable a company to tap into that reputation and give them the tools needed to thrive in a new market.

It is important to know the type of connections that make sense for the company's business growth before entering any partnership deals. There are two areas that a company with other organizations can align itself to reach new customers and fuel their success: (Kotler & Keller, 2006)

1. Distribution: companies must chose businesses that already have and established audience and large list size because by aligning with a distributor, they can promote the business for you. Distributors work is to get the products into as many hands as possible. They do the heavy lifting for a company to increase sales. It's a win-win situation when the distributor is eager to sell the product to there already in-tune audience, whilst the company brings in more sales, customers, and profits from their hard work. Its vital for the company to look into a niche to find the major influencers then partner with them to distribute the products or service to their already existing large audience (Kotler & Keller, 2006)

2. Promotion: Promotions are an essential part of selling any product. Partner with other businesses who can help promote what the company sell and get a wide network. Promotional partners are different from distributors as these are the people who send potential customers to the company website, webinar, or newsletter list to sign up and eventually buy or use the

product/service. Having promotional partners will help companies cast a wider net (Kotler & Keller, 2006).

When working with partners for business growth, companies must start off on the right foot by asking questions such as; is the partnership really helpful for its long-term goals? Will it work for the company? It is important to understand the advantages to working with the other company and how they will help you grow. Goals must be clarified to make it less difficult for the partner to help. This because before any partner can help a company grows, the other part has to know what kind of growth the company wants to see (Kotler & Keller, 2006).

2.6 Partnership management

It is known that the importance of partnerships has grown alongside their popularity over the years (Goerzen 2005). Håkansson and Ford (2002) and Kelly et al., (2002) argue that the reason for partnering is mainly because no company can survive in the complicated business environment alone, partnering is the best option. Despite this, companies must not however engage in partnerships just for the sake of it without real value from it. Partnerships create value only when they work more efficiently than if the work or resource is found within the company or gained from the markets (Ireland et al., 2002).

Partnerships can take many forms. They can either be vertical or horizontal (Peng 2006). The benefits naturally vary between these two types of partnerships. Companies should consider another aspect that is that partnerships can be a short-term or a long- term strategy (Spekman et al. 1998). Whether the partnership is short or long-term, it usually contains two or more companies who collaborate to work together continuously in order to pursue shared goals (Butler 2008; Taylor 2005). These companies not only share the benefits of the relationship but they also share the control (Taylor 2005), thus the partnership is actually demonstrated in the daily actions and routines within the companies. Often times, the objectives are opportunities that would in other cases be out of their reach. These

opportunities can include reaching new markets or gaining new technology for example (Teng and Das 2008; Goerzen 2005).

Partnerships are often a combination of business and personal relations as demonstrated by MacAvoy (1997). Very often the personal aspect might be left into less concern. Ireland et al. (2002), stated that in addition to these two contexts, partnerships can also be divided by three factors, which are strategic, relational and operational context but Håkansson and Ford (2002) argue that the networks are formed out of economic, technical and social dimensions, whereas Ritter, Wilkinson and Johnston (2004) define them, as being formed out of other customers, competitors. Partnerships are very uncertain and complex (Goerzen 2005; Rothaermel et al., 2006) and to add to this complexity, partnerships seldom exist in isolation. Having just partnerships is not enough, but selecting the correct partners from the network of companies surrounding your company (Håkansson and Ford 2002). It is most certain that improper partner selection will eventually lead to failure (Kelly et al. 2002).

Partnerships are often used to gain access to additional resources, not in possession within the company (Ireland et al. 2002) Smaller firms usually benefit more from this additional resource aspect than the larger ones (Wu and Cavusgil 2006), as they have very limited resources and capabilities of their own. Engaging in partnerships thus facilitates or might even be the only necessity for growth (Kulmala and Uusi-Rauva 2005), because the company may not have enough resources to grow on their own. As described above, the recent focus on core competencies is relevant in this sense. Duysters et al. 1999, write that companies, especially in the ICT industry, are choosing one of the two roles: integrator or specialist. The core competence of the company can either be a special technology; skill and/or resource or it can be their ability to integrate the competencies of other companies. Ritter and Gemünden (2004) in fact argue that the ability to build and operate in functional networks of companies can be the main competence of a company. In addition, the world trend nowadays for many companies has been to change from products to offering solutions. Any company engaging in partnerships and focus on their core competence will inevitably

increase their competitive position (Goerzen 2005), which will eventually increase their competitive advantage (Ireland et al. 2002).

Peng 2006, Taylor 2005 write that addition to enhancing the positive aspects, partnerships can be used to minimize the negative aspects too. Many companies participate in various partnerships in order to reduce the risks. Partnerships can in fact be used as a systematic way to cope with uncertainty (Spekman et al., 1998). This can be achieved in several ways. Firstly, companies engaging in partnership be it local or international gain information and knowledge better than companies working alone which enables them to work more efficiently (Kulmala and Uusi-Rauva 2005). Secondly partnering allows the company to reduce the organizational costs (Goerzen 2005) that eventually will increase the overall profitability of the company (Kulmala and Uusi-Rauva 2005).

However, it should be noted that even though the company benefits might be greater in the long-term, the short-term effects might be not be so positive in some of the work units related with the partnerships. The company should have a plan on how to compensate these work units in order to keep the partnership attractive for the parties involved (Goerzen 2005). Most partnerships are very complex and require a lot of attention from the management. Most companies choose to avoid the difficult relations and keep the partnership simple and without any kind of formal agreements (Goerzen 2005). Partnership engagement can just be an attitude or habit and not a carefully thought strategy. Complex relations require more attention and are more restricting Håkansson and Ford (2002). It is a very difficult task to determine which of these two types of partnerships is better suited in the current situation. Additionally, if and when the company chooses to engage the more complex partnering style, what does that really mean actaully? Although the partner management as a concept has been in the interest of the academia for some decades now, it still remains a very vague concept (Walter et al., 2008). It is therefore important to define what is the purpose and tools of partner management.

Goerzen (2005) nevertheless argue that partnerships can increase the competitive advantage of a company. Being able to manage them effectively will increase the advantage even more (Duyesters et al. 1999; Rothaermel and Deeds 2006; Ritter et al. 2004). Ritter and Gemünden (2004) further argue that companies should attempt to develop their ability to operate through partnerships and in networks. The trend over recent years that has been to engage more and more in partnerships have also been affecting the way companies view their environment. Ireland et al., 2002) argue that companies nowadays are changing their decision making processes to be more about integration and having a well-functioning value chain, instead of entirely gaining new customers and serving them appropriately.

Rothaermel and Deeds 2006; Standifer and Bluedorn (2006) write that partner management is not an easy task and yet it is very crucial to do it efficiently. It is important that all relationships are always be managed (Ritter et al. 2004). Partnerships are very risky mainly because the initial costs are high (Goerzen 2005) and the different kinds of partnerships require various level of attention and knowledge (Rothaermel and Deeds 2006). Aditionally, the track record for partnerships is not that good (Taylor 2005), beacause many or even most partnerships fail in the long run (Ireland et al. 2002).

This applies to the case with international partnerships as well (Cavusgil 1998.). International partnerships include companies from at least two different nationalities (Butler 2008) and their popularity has increased over the years (Cavusgil 1998) maybe even more than the overall popularity of local partnerships. Lassere (2007) further states that creating an effective partner network not only facilitates, but also is an important antecedent for a global presence. Unfortunately many international partnerships lack systematic management (Cavusgil 1998), which is often the reason for their failure. A study on Finnish ICT software companies was in 2008 on partner management (Ruokonen et al., 2008). The study was one of the first of its kind and the focus of this study was on the management of partnerships. Ruokonen et al. (2008) describe the partnering process in the ICT software industry, starting from how to find new partners and

ending with how to manage their partnerships. The writers provide company leaders with a very effective list of tools on how to maintain the profitable partners, measure the effectiveness of their partners, and how to end unprofitable relationships. However, Ruokonen et al. (2008) write that although the findings are applicable in the industry, partnering is always context related. The context-related issues that may have an effect on the partnering principles could contain some of these; main motivation for partnering, size, resources and capabilities, competition, type of product and target markets. Their study remained at a general level and did not take the context into consideration.

Practical advice for organizations is needed on whether or not to form strategic partnerships as opportunities arise. Evidence from some researchers and practitioners suggests the following dominating principles of good practice when considering partnership development, as well as specific issues needed to consider when evaluating the structure of a partnership. Organizations may have questions extending from, “who should be involved in this partnership?” to “how will each member operates?” (Wood et al., 2009)

Some popular themes among these critical success factors include: balancing the requirements and flexibility within the structure and operation of the partnership, developing a firm foundation for the membership, rationale, and activities of the partnership while also allowing sufficient flexibility for these components to develop and evolve in response to external and internal demands. It is important for firms to understand that partnerships go through a life cycle of development, from initial set-up stages through full-scale implementation to maturity. It is worth noting that these principles can be applied across various levels and functions of partnership arrangements (Wood et al., 2009)

However, those organizations seeking to set up a partnership or existing partnerships, should apply all of these principles because they set the standards for partnership development. Following the standards will insure that partnerships are working effectively and will successfully enable them to achieve their overall long-term goals. The primary step in evaluating a potential partnership is to

recognize and agree upon the need. An often used approach in making this decision requires that the organization: identify any principal barriers to the partnership, identify the factors associated with successful partnership development, identify principal desired partnership achievements, acknowledge and recognize the depth of dependency upon individuals to achieve goals and focus on partnership added value by asking yourself “How can we achieve more or better results through collaboration?” (Kauser, 2007).

It is important to determine the need for a partnership. Once determined that the need exists, the company will want to consider the following fundamental principles and standards for partnership development which are emphasizing clarity on leadership, meaning that the leader of the development of the partnership needs to be recognized and empowered by their own organization and trusted by the partners. Secondly, provide clarity in understanding that the culture, values, framework and the approach of partner organizations will in many cases need to be the subject of precise discussions. Partners need to clarify about and understand their roles and responsibilities, defining who does what regarding delivery of activities of the partnership. Thirdly, emphasize on the recognition and allow the differences in culture/practice that exist among partners. Organizations should not adopt an approach that suppresses different cultures and practices, as it will lead to conflicts. Recognizing and accepting that others have a diversity of skills and innovative abilities is important (Kauser, 2007).

3 Psychic Distance

This is the perceived degree of difference between two different markets, in terms of differences in language, culture and political system, which disturbs the flow between the firm and the market. It refers to the macro cultural level of a country and is defined as the degree to which (factual) cultural values in one country are different from those in another country i.e. distance between countries. (Hollensen 2011, 73). Psychic distance cannot be measured with factual indicators, like publicly available statistics on level of education, language, religion and other things. It is important for managers to know the distinction of the two concepts.

Psychic distance when assessed at an individual level allows managers to take appropriate steps to reduce the manager's psychic distance towards foreign markets. (Sousa and Bradley 2006)

The concept of psychic distance has also been expanded by Evans & Mavondo (2002). They write that the degree of psychic distance is determined by external environmental factors alone, but rather by the perceptions of individuals of the cultural and business differences. They further describe psychic distance more detailed, as a perception of cultural and business differences that stems from legal, political and economic environment as well as the firm's business practices and the industry structure. They point out that the firm's home country, international experience, business strategy, size, ownership and structure of decision making all affect the perceptions of the psychic distance. In addition the writers emphasize on the importance of the firm's management's perception and understanding of the foreign market and the firm's abilities when it comes to determining appropriate entry and operating strategies in foreign markets. They draw the conclusion that psychic distance is not only determined by external environmental factors, but rather by the individuals' perception and understanding of both cultural and business differences, Thus, according to them, psychic distance is defined as a perceived degree of similarity or difference between home and foreign market regarding the cultural and business differences. (Evans & Mavondo (2002).

A multi-dimensional scale when assessing psychic distance, consisting of country characteristics' and people characteristics' distance between the home and foreign country has been proposed by Sousa and Lages (2011). In their study, they define psychic distance as the distance between the home and foreign market reflecting on the differences between the above two mentioned dimensions. To sum up the above-presented definitions, the most used aspects of psychic distance among different authors are cultural and business differences. More and more focus point when discussing psychic distance concept has become based on the individuals' perceptions of psychic distance (Ojala & Tyrväinen, 2009).

3.1 Challenges and barriers of managing partnerships related to psychic distance

There are different approaches in the internationalization literature and studies regarding factors and measurement of psychic distance. The topic of the psychic distance factors extends from macro-level indicators to individuals' perceptions. Johanson and Vahlne (1977) have a rather macro-level influenced approach on psychic distance. They mention differences in language, business practices, culture, education and industrial development as the factors affecting psychic distance and thus lack of knowledge in their model of basic mechanisms of internationalization. On the other hand, Ojala and Tyrväinen (2009) presented the opposite approach as their case studies of Finnish software SMEs operating in the Japanese market brought out the importance of the perception of the management regarding psychic distance. Their study results show that psychic distance is influenced by individual level factors consisting of education, international experience and age. This finding is also presented in Dow and Karunaratna's study (2006). In addition to these factors it was revealed that language proficiency, international experience of the target country as well as the management's motivation and interest toward the target country had a big impact on the perception of psychic distance (Ojala & Tyrväinen, 2009).

Dow and Karunaratna (2006) developed a psychic distance stimuli concept to help resolve the problem whether psychic distance should be measured by individual's perceptions or by focusing more on macro-level variables. They state that it is not sufficient to measure psychic distance based just on macro-level factors. Instead psychic distance should be determined by the impact of macro-level factors and the perceptions of management on managerial decisions. They point out various important advantages of the individual's perception approach on conceptualizing psychic distance. For example, many of the manager's decisions that are associated with psychic distance such as export decisions are often based on perception. Additionally, Cultural differences might increase psychic distance between countries as well as strongly influence customer behavior and preferences. They further write that manager's perception of psychic distance is

formed within the context of macro-level indicators and the manager's perceptions, which have a great influence on the company's international marketing. In order to conceptualize and measure psychic distance and its impact on managerial decisions, they divided psychic distance in the different macro-level indicators, which include culture, language, religion, education and political systems and included perceived psychic distance as a related but distinct construct in the concept. The manager's perception of psychic distance is a characteristic of psychic distance stimuli indicators, but the perception is also moderated by the manager's sensitivity to the stimuli indicators. The sensitivity to the stimuli is based for example on the manager's previous international experience, age and education level and in turn the manager's perception influences the international marketing choices (Dow & Karunaratna, 2006).

3.2 Psychic distance in relation to organizational Performance

According to Johanson and Vahlne (1977), a lack of foreign markets and operations knowledge is a major barrier to the development of international operations. This argument makes it possible to draw the conclusion that the knowledge lacking also affects organizational performance in international markets. They believe that the lack of knowledge resulting from the psychic distance factors, which are; differences in culture, language, education, business practices and industrial development impede the decisions made regarding international operations. The main characteristics of international operations are comprised of the psychic distance factors.

When trying to operate psychically distant markets, the psychic distance can actually have a positive impact on organizational performance because the perception of cultural and business differences regarding psychically distant markets is likely to result the firm to feel a high level of uncertainty. In order to decrease the uncertainty and minimize the risks resulting from it, firms are more inclined to invest more time and money on research and planning of the market entry strategy. This stimulates improved decision making and in due course better firm performance. This applies especially when a firm has originally entered

psychically close markets and faced problems that were not initially expected (Evans and Mavondo, 2002). Research has proven that psychic distance explains fundamentally the level of a firm's financial performance and strategic effectiveness in psychically distant markets but not in close ones. The perceptions of cultural and business differences coming from legal, political and economic environment as well as the firm's business practices and the industry structure lead to uncertainty in foreign markets. The uncertainty a firm faces increases its level of planning and investment in research of the foreign market in order to gain more knowledge of the market and reduce the risk and uncertainty. The knowledge gained can be used to determine suitable strategies to improve the profitability prospects of expanding to the foreign market (Evans and Mavondo ,2002).

Evans and Mavondo (2002) further point out, that differences between countries are most likely a result of individuals' perceptions of the foreign country's values and attitudes, which is an important part of the psychic distance frame. Based on the importance of cultural distance to psychic distance construct, they suggest that cultural distance also on its own has a positive effect on organizational performance. A perception of great cultural distance results in more extensive market research, which provides the company more comprehensive knowledge of the foreign market and enables the company to enhance its performance through more informed decisions (Evans & Mavondo, 2002).

International marketing strategy standardization and adaption are greatly influenced and determined by psychic distance between the home and foreign market. An important factor in the degree of standardization and adaption is the management's perception of the foreign market's psychic distance. Findings state the great effect of psychic distance concept to a company's decisions of their international marketing strategy. The management determines the right international marketing strategy and it is essential that the management make correct assessments of the differences between the home and foreign market. The management therefore should base their decision making regarding internationalization strategy by analysis and assessment of the similarities and

differences of the foreign market compared to the home market (Sousa & Bradley, 2005).

Dow and Karunaratna (2006), write that cultural distance is a substantial factor in psychic distance though they feel it's been somewhat overemphasized in psychic distance literature. They believe culture influences people's behavior, communication as well as how information is perceived. Large cultural differences may likely have a large influence on managerial decisions regarding international business through real and perceived transaction costs. Language, religion and educational level all affect communication between people from different cultures in regard to the manner and interpretation of received information. Whilst, language differences increase transaction risks and cost, education level differences may also result in management's increased risk and uncertainty of understanding and communicating with the foreign market. The level of industrial development and political systems also highly affect the business communication and interaction resulting in increased costs and uncertainty for managers to reflect.

Fenwick et al., (2003) stresses the significance of cultural differences effect on a firms' international performance in their findings. They state that values of a culture guide, among other things, firm's managerial and organizational practices. The more important and significant the value is to the culture, the stronger its impact on the practices is, therefore likely resulting in greater differences between markets. The core values of a culture can be considered to form the management practices of a firm. Their study states that positioning and hierarchy of significant and less important values determine perceived cultural differences. It has been noticed that differences in management style and business practices appear even between relatively close markets when it comes to psychic distance. The differences in management styles and business practices result in cross-cultural conflicts. The conflicts between psychically close markets challenge the strategy of firms starting their internationalization in psychically close markets and using them as learning process Fenwick et al., (2003).

3.3 Cultural dimensions

International managers may have neither the time nor the resources to obtain a comprehensive knowledge of a specific culture; familiarity with the most persuasive culture differentiators can provide useful guidance for business strategy development. One of the most used approaches to identify these pervasive fundamental differences of cultures internationally is provided by Hofstede (1983) where he tried to find an explanation for the fact that some concepts of motivation did not work in the same way in all countries. According to Hofstede (1983), the way people in different nations perceive and interpret their world varies along four dimensions: power distance, uncertainty avoidance, individualism and masculinity (Hofstede, 1983). These four cultural dimension model has been a cornerstone for cross-cultural research since its initial publication and has become one of the most cited authors in social science. The four-dimensional model provides an often-used method for researching cultural differences. Culture is a complex phenomenon and cannot be treated as a single package. It needs to be unpacked into different and independent dimensions. These dimensions are used to describe national cultures and basic problems all countries deal with regarding the topic (Hofstede, 1983).

3.4 Power Distance

Hofstede, (1983) states that power distance deals with the inequality of individuals in organizations. This dimension deals with the fact that all individuals in societies are not equal and it expresses the attitude of the culture towards these inequalities amongst us. Therefore, power distance is defined as "*the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally"***.** Power distance measures the degree of acceptance and expectations of the unequal distribution of power between members within the organizations (Hofstede, Minkov & Hofstede, 2010).

Countries and organizations that have high power distance culture are very centralized and the individuals in those situations accept centralized power. This means that leaders/management are the ones possessing the power to control the employees/subordinates and the ones making decisions. The management is also expected to take responsibility for things that might go wrong. Employees in organizations with high power distance are dependent on the managements' decisions and to follow a strong and clear structure. The individuals usually accept the inequalities that exist between them and relationship between employees and management is impersonal and strict. In addition the employees in the organization avoid expressing their doubts and disagreements with management in fear of losing jobs (Minkov & Hofstede, 2010).

As opposed to high power distance, organizations and countries with low power distance have a decentralized structure. A flat hierarchy and an equal treatment are dominant in most institutions. Employees and managers are both involved in the decision-making process. Individuals in organizations with small power distance experience no status differences and do not accept nor tolerate centralized power. Low power distance means that the employees and the management are working closely together and are interdependent with each other. There is trust that employees are responsible for their own actions within the organization. Even though there might be possible differences in level of education, people within the organization are considered to be equal (Minkov & Hofstede, 2010).

3.4.1 Uncertainty avoidance

Uncertainty avoidance measures tolerance for uncertainty and ambiguity. It explains how strongly individuals feel threatened by unknown and uncertain situations and the need for rules and structure. The level of uncertainty avoidance describes how individuals feel and behave in unstructured, uncertain situations and how comfortable they are with uncertainty. Cultures with high uncertainty avoidance individuals prefer structure and try to avoid uncertain and unknown situations. Rules, structure and deadlines are used to decrease the amount of

anxiety and stress. These cultures have an aversion to change and differences and low tolerance for uncertainty. Individuals worry about the future, avoid risk-taking and have difficulties presenting and implementing new ideas and concepts. Countries with long history and homogenous population are commonly related with high uncertainty avoidance.

Individuals in cultures with low uncertainty avoidance are tolerant of uncertain situation and do not need clear structures. In the cultures with low uncertainty avoidance, people are willing to take more risks, accept and accept changes and are not worried about the future. There is encouragement to be innovative and come up with new ideas. Countries with shorter history and heterogeneous population are commonly linked with low uncertainty avoidance (Minkov & Hofstede, 2010).

3.4.2 Individualism

Individualism denotes the degree to which people in a country learn to act as individuals rather than as members of the group. In individualistic societies, people are more self-centered and feel little need for dependence on others. They seek fulfillment in their own goals over the groups. In collectivist societies, members tent to have a group mentality. They are interdependent on each other and seek mutual accommodation to maintain group harmony. Collectivistic managers are highly loyal to their organizations and subscribe to joint decision-making. The Western countries such as Canada, Italy, USA show similar high ratings of individualism whilst countries like Venezuela, Columbia, Japan and Brazil exhibit very low ranking (Hollensen 2011, 246).

Minkov & Hofstede (2010) write that individualism describes the relationship between an individual and a group as well as individuals within a group. It measures the degree of interdependence a group maintains among its members. In individualistic cultures, ties and relations between individuals within an organization are weak and employees is focus more on looking after themselves than others. Transparency and clarifying the point are preferred in conversations, making communication more effective. In this culture, people determine success

by reaching a position with more responsibility or a higher ranking in organization hierarchy. There is no chance of reaching one's goals on other employee's expense. Individuals' main goal to build relationships is to move forward in career and gain more competitive advantage (Minkov & Hofstede, 2010).

3.4.3 Masculinity

Masculinity versus femininity describes how cultures are different based on whether the male or female values are dominant in the culture (Minkov & Hofstede, 2010). Masculinity also deals with motivation behind people's actions and behavior; whether individuals prefer to do what they like "feminine" or strive to be the best "masculine" (Hofstede, 1980).
Countries with masculine societies are driven by competition, control, power and success (Hofstede, 1983). Competitiveness and assertiveness are highly valued and individuals have a stronger need for achievement and accomplishments. In masculine cultures men and women have different, particular roles. Men tend to be the dominating ones and women tender and modest. Men are expected to be the decision makers and providers in these societies, thus tend to be more ambitious, work-oriented and striving for success. Women are supposed to the caregivers, taking care of the family, children and quality of life at home. Wealth, status and achievements are highly valued in masculine cultures (Minkov & Hofstede, 2010).

In contrast to male dominated cultures, feminine cultures are driven by softer values. They are distinguished by interpersonal relationships and overlapping social roles for men and women. In this culture, men and women are considered to be equal with the same expectations and are expected to be caring and modest. Forming lasting relationships, helping each other out and sympathy are highly appreciated in these societies. People seek security in work and work to live, therefore having more flexible working hours and longer vacations. Family and friendship relationships are considered to be very important and good quality of life is a sign of success (Minkov & Hofstede, 2010).

4 METHODOLOGY AND RESEARCH DESIGN

To describe the methodology used in the thesis, a research design framework suggested by Saunders et al. (2009) is applied. Figure () shows the research design choices that the author has done to confront the research problems.
It is important to have a well thought out research design. The research question basically has an influence on the choice of research design and strategy. The research design will serve as a plan of how to proceed to answer the research question. The choice of research design depends on the purpose of the research and there are three different types of designs; exploratory, descriptive and explanatory research designs that are available for use (Saunders *et al.,* 2009).

The research strategy for this thesis is case study, which is a strategy for research that concerns empirical investigation of a certain contemporary phenomenon within its real life context and utilizes multiple sources of evidence (Robson 2002). Given the importance of context in case studies, the boundaries of the phenomenon under study and the context within which it is being studied are not necessarily that clear (Yin 2009.)

An exploratory study is used when the purpose of the research is to look for new insights and to understand the nature of a problem. Exploratory study is flexible and usually changes direction as new data comes up (Saunders *et al.,* 2009).

Another research design is the descriptive study. This study as explained by Saunders *et al.,* (2009), is the object of descriptive research is to portray an accurate profile of persons, events or situations. The last research design is the explanatory study, which is used when the aim is to study a situation or a problem in order to explain the relationships between variables (Saunders *et al.,* 2009).
The purpose this is to explore what motivates an ICT company to enter and emerging African market. The aim is to get a deeper understanding of the problem. Therefore, employing the exploratory research design.

According to Saunders *et al.,* (2009), it is also important to have a clear research strategy. The choice of strategy depends obviously on the research question and objectives, but also on the existing knowledge and the amount of time available for the study.

There are seven strategies that can be used; experiment, survey, case study, action research, grounded theory, ethnography, and archival research. This thesis will use a case study strategy (Saunders et al., 2009),
The research is carried out within a real life context and the aim is to increase the understanding of the context by constructing interviews in the involved cases. Even though Ethnography strategy also deals with the social world just like the case study strategy; it will not be used in this study because includes investigations over a long period of time, making it not relevant to this research as the investigations are made on a shorter period of time.

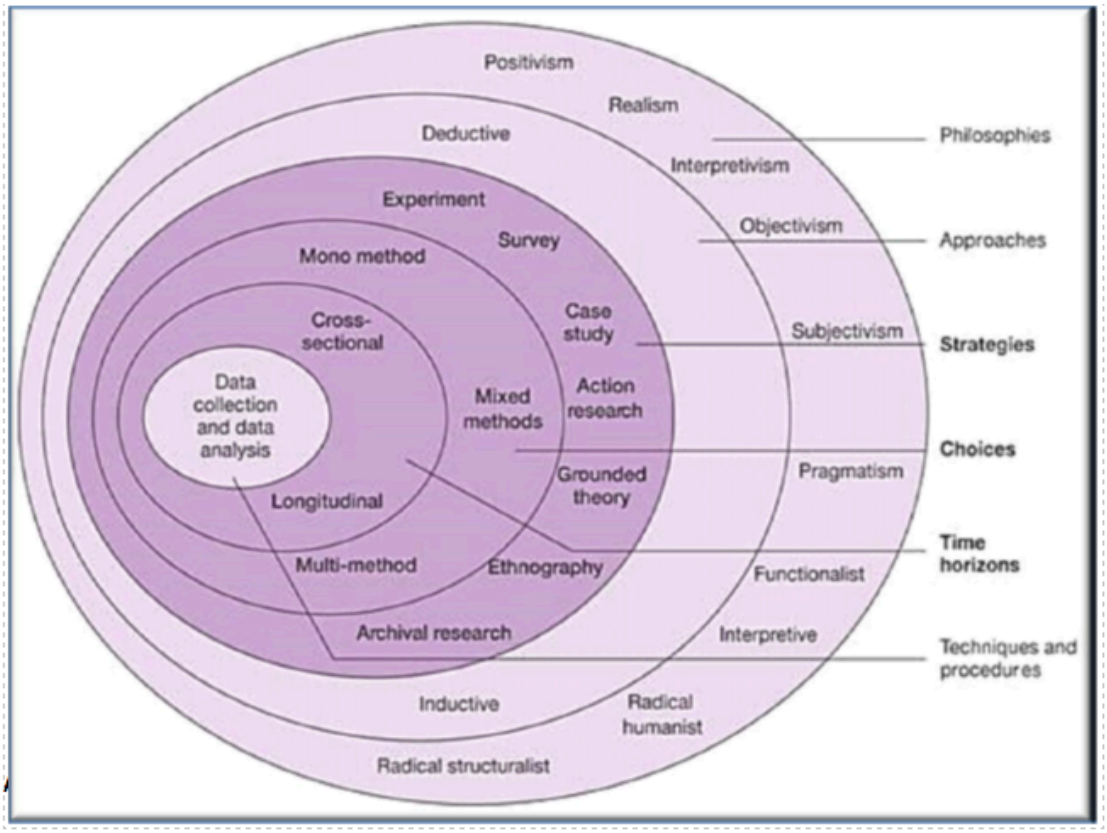

Figure 5. Adapted from Saunders (2009, 31)

4.1 Time Horizon

When planning a research project, two types of time horizons to can be used depending on the author's choice. They are namely cross-sectional studies and longitudinal studies. The first horizon is commonly referred to as a "snapshot" because the research studies focus on studying the phenomenon at a specific point of time. This method is often used for research projects that have a time limit.

The longitudinal time horizon on the other hand, also commonly known as the "diary" perspective tries to study the phenomenon and its development over a longer period. A common question in longitudinal studies is "Has there been any change over a period of time? The time horizon applied in this thesis will be the longitudinal study as the internationalization process of a process of a company is usually long, and the author wants to find out the factors which initiated the process and the challenges while the process was on going (Saunders, 2009).

4.2 Techniques and Procedures

The last layer in the research design framework is the techniques and procedures, which outline what is actually done to collect and analyze the data for the thesis. This final chapter will discuss the choices that were used in the data sampling, data collection and data analysis.

4.3 Sampling

The aim of all theoretical sampling is to select cases, which are likely to extend or replicate the emerging theory. Sampling means that data is collected from a smaller group rather than from a large population. Researchers must select the sample due to time and budget limitations that make it difficult to collect data from

a total population. This way, it makes the data collection process more controllable as less people are included.

Therefore, in case studies, the sample should not just be random, but rather chosen specifically to support the creation of the theory. The cases should either be selected in the sense that they predict similar results, or that they produce contrasting results, but for anticipatable results (Yin 2009). Frequently, cases from the extreme ends are the best in providing information for theory generation in case studies (Eisenhardt 1989).

The sample for the data collection analysis in this study consists of Finnish ICT Company that recently started operations in a developing country market in Africa, but already has cross-border business experiences with Estonia by offering to implement e-government services. According to Saunders (2009), there are different sampling techniques that can be divided into two groups: probability and non-probability sampling. By using probability sampling, any case can be added in the sample and are chosen statistically, whilst with non-probability samples, it is not possible to generalize on statistical grounds. The techniques to select non-probability samples are lay on the subjective judgment. Another difference between the two is the sample size in that non-probability sampling has no rules concerning sample size, unlike probability sampling (Saunders, 2009).

4.4 Data Collection

Data for case studies can be collected from various viable places because the methods used are often very flexible and opportunistic. The research topic will basically determine what type of data is appropriate for the study. Case studies combine different data collection methods including questionnaires, interviews, archives and observations, where the data can take either quantitative or qualitative form. What is of main importance in the theory creation based on case studies is the triangulation of the collected data. This means that the collected and analyzed data from one source is compared to another to verify or

deny the finding (Eisenhardt 1989). There are mainly two sources of data; secondary and primary data. Secondary data (desk research) can be defines as information that has already been collected for other purposes and in therefore readily available. The main disadvantage is that the data are usually more general and coarse-grained in nature; the advantages are that it costs less and the amount of time associated with its collection (Hollensen, 2011).

Saunders (2009) distinguish three types of secondary data often used in research; documentary, survey, and multiple sources. It is very usual that researchers collect data from several of sources. Examples of data collection sources are: organization websites, books, journals, newspapers, diaries, and magazines, administrative and public records. Multiple sources are mainly collected through government publications, industry statistics and reports (Saunders, 2009). Primary data is when you collect new data through observations or interviews. It is defined as information that is collected first hand, generated by original research tailor-made to answer specific research questions. The main advantage of primary data is that the information is specific (fine-grained), relevant an up to date. It is however costly and time consuming to carry out this type of research (Hollensen 2011).

To answer the research question, primary data were collected through interviews, which were audio-recorded, with employees from both the Finnish ICT Company and African company. The aim of this research is to explore what motivation behind wanting to enter the African market; thus, new data was collected for this purpose. Documentary secondary data such as articles and research papers will also be useful sources. Inspiration has been gained from previous research concerning internationalization. The course, “internationalization of the firm” has served as a valuable guideline for this this and has helped the author to collect data for this study.

4.5 Interviews

Conversations are is important if there is a want to gain profound knowledge of a specific field. Through conversations, the opportunity to get to know the respondents and their point of view is made easier. They help the researcher have the ability to be part of the data collection process and have control over the responses in order to collect needed information for their study. Interviews are the most common used data collection strategy in social science and management research studies (Harris, 2008). This type of data collection technique is suitable if you already have clear research interests and questions you want to answer. Interviews have the advantage in that unclear questions can be rephrased and explained to the respondent. This type of follow-up is called probing (Keats, 2000).

The different interview formats will be discussed below along with the choice of interview for this study.

- The structured interview also called the quantitative research interview is based on standardized questions where the interviewer reads out the exact question to the respondent and then writes down or records the answer (Saunders, 2009).
- The semi-structured interview form is where the researcher has a list of questions to be covered. With this form, the researcher also has the opportunity to ask additional questions during the interview (Saunders, 2009).
- Finally, the unstructured interview is which has the similarity to a conversation and there are no predetermined questions. However, the researcher still has to have a clear idea of what he wants to explore. This form enables the interviewee to speak freely and it is also the respondent who will lead the interview (Saunders, 2009).

For the purpose of this thesis, the interview format used by the author the semi-structured interview. Predetermined questions were formulated to ask respondents and had clear ideas of what kind answers to collect for the study. The aim is to get

the interviewees to explain their answers in more detail. The questions are asked in similar order to all interviewees, and the interview was also open to additional questions depending on the responses. The research included four semi-structured interviews that were conducted via Skype, email and face-to-face

Through the semi-structured interviews, the author covered all research topics regarding the study and was conducted with the persons assigned to work on the e-government implementation project both in Finland and Zambia. The interviews were conducted either in English, Finnish and Bemba, and were located in the office premises of the companies. The data was recorded by an ipad recorder and transcribed to written format for further analysis.

The secondary data gathering regarding the internationalization processed was conducted after agreeing on the primary interviews, and before the actual interview dates. The secondary data mainly consists of materials the case companies in Finland and Zambia have produced (company intranet, web sites, brochures, seminars and newspaper articles written about the companies involved.

5 CASE COMPANIES

This chapter summarises the two companies involved in the partnership. The first case company is Finnish and the second case company is Zambian. Both companies operate on business-to-business and business-to-consumer markets. Each of the cases are described in the following chapters.

5.1 Company X

Company X is a telecommunications, ICT and online service company serving 2.3 million consumers, corporate and public administration organization customers. Company X is engaged in telecommunications activities, providing data communications services in Finland and in selected international market areas.
It is listed on Nasdaq Helsinki Large Cap with over 200,000 shareholders. The company is the market leader both in mobile and fixed network services in Finland. Co-operation with Vodafone and Telenor enables international use of services.

The company´s strategy statement: "*We are innovating digital services to consumers and corporate customers in own telecom footprint area and internationally with network ownership independent services with world class intimacy and operational excellence.*"

Its strategy execution focuses on building value on data, accelerating new digital services and improving performance with customer intimacy and operational excellence

Company X is looking at various aspects that can bring about an impact on development and implementation of e-Governance applications at the Zambia postal services using the appropriate application of ICT to accelerate progress. ICTs on their own are not a remedy for economic problems but once properly harnessed and used they can easily enhance developmental efforts and transparency.

The effect of ICTs on the Zambian economy is not just impressive but also the way they are changing the everyday lives of Zambians that is really transformational. ICTs now offer many opportunities to advance human development like providing basic access to education, health information, making cash payments, stimulating citizen involvement in the democratic process and government matters. Appliances like phones, computers and websites (internet) may be powerful tools, but it is the individuals, communities and companies that are driving change towards the adoption of technology. Internet and mobile phones are helping to release the dynamism of most African societies. State-owned monopoly telephone companies that were for many years a problem and a barrier to African ingenuity because of waiting lists, high prices and unreliable services are now a thriving local ICT sector is part of the solution. In many of Zambia's big cities, smartphones are now easily obtained for less than US$100. They have the equivalent computer power and usages of a PC or laptop that would have normally cost over US$1,000 a decade ago. With cheap data packages and free Wi-Fi coming up, smartphones can now be used to start a business, or to find a job. Despite the above-mentioned optimism caused by Africa's ICT revolution, there is still no one-size-fits-all model, and services that prove success in one country may fail in another. ICT strategies must be developed locally, building upon consultative stakeholder processes and adapted to local circumstances in every country.

Zambia, like many other African nations is still at the beginning of its growth curve and currently most ICT applications have been pilot programs. Now is the time for strict evaluation, replication and scaling up of best practice and see if the market in worth staying in the long term. Governments have a very important part to play in ICT, in creating an enabling environment and in acting as a role model and lead client in adopting new innovations and technologies in every country.

5.2 Company Z

Company Z, a postal services & logistics corporation is a state owned enterprise whose services include: financial, mail and post services. It also has subsidiaries in microfinance, post bus, travel & tours and freight and forwarding. It is listed on Lusaka Stock Exchange (LUSE). Its mission it to provide high quality services and

their motto is “Serving Everyone Everywhere”. The corporation is widespread with offices found in all the districts of Zambia making it the best option for a distribution partner.

The goal of both Company X and Company Z of creating the partnership is to increase business opportunities. Having a partner is not as passionate about growing the business and succeeding, as the other partner may be a recipe for failure. Both of the companies being studied are hoping to an effective partnership due to the money and time they have both invested in this project implementation. Both the companies have long-term vision for the partnership and hope to see it grow and add value to the parties involved.

5.2.1 Challenges in the Zambian ICT Industry

The biggest challenge faced by ICT service providers in Zambia is the high cost of broadband, mainly due to limited access available through satellite communications, which is the only means of accessing broadband in the nation. Since most service providers do not own their own infrastructure, the delivery of broadband by providers to other sites is through terrestrial systems owned by party partners. This causes increase in costs, which are in turn passed onto the end clients (World Bank report, 2012).

Third parties own the fibre networks that are been built in Zambia, and the service providers have to buy costly space on the cables. The cables are currently owned by CEC on the Copperbelt province of Zambia. The main telecommunications company (ZAMTEL) and the main energy company (ZESCO) have plans to install nationwide fiber networks in the near future at a very high cost, which will end up in them on-selling at the same high costs in order to recover their investments. Access to the alternative cable will still require delivery via neighboring countries, which will still increase the landed cost of the capacity and lead to increased costs for the clients that will need to buy bandwidth from ZAMTEL (Munsaka, 2009).

The Zambian market is largely limited to the rail passageway and major road

networks, with few or no major markets outside these passageways. Most business clients are based in the capital Lusaka and the Copperbelt, as are most of the industries, with some clients in towns such as Livingstone (the tourist capital) in the Southern Province (the mining towns) (Munsaka, 2009).

The regulatory authority has been a major stumbling block, particularly the issue of technology neutrality. The long drag times before certain technologies are allowed have resulted in a stalemate situation for most ICT companies to operate. To offer it one has to have a Public Switch Telecommunication Network (PSTN) license that costs a lot and most small companies cannot afford. It should be noted that most communication equipment that comes into the country has VOIP capabilities (ZDA report, 2014).

Zambia, like many other developing countries in sub-Saharan Africa is facing various challenges in the deployment and delivery of communications infrastructure. The country has high technology acquisition and deployment costs especially in the development of the national telecommunications backbone infrastructure, there is limited coverage and poor quality of existing telecommunications and Internet infrastructure within country; there is high cost and limited access to ICT infrastructure run by individuals and businesses; there is lack of special incentives for private sector participation in the development, management and operation of ICT and related infrastructure projects; there is monopolies in wholesale and retail markets of the telecommunication services sub-sector including infrastructure (Munsaka, 2009).

Human capital challenges are important to consider when operating in an international environment. Zambia has acknowledged the need for development of human resource capacity to aid the development of an information society. The government has recognized that Zambia’s ability to seize the opportunities of the emerging information society will mainly depend on the country's ability to mobilize and develop its human resources. A number of educational institutions, both private and public have opened up that provide ICT training programs offering diploma and degree courses specialized in computer science, telecommunications/electronics engineering, media training/information sciences,

Vocational ICT programs and skills development (Mulozi, 2008).

According to an ICT industry skills survey taken in Zambia in 2010, there were three hundred people with graduate qualifications in ICTs in 2009. This proves the lack of adequate formal ICT training facilities at tertiary education level in the country as a whole with a population of 14.4 million inhabitants. The government's overall policy goal in this respect, the is to ensure that the country attains sufficient human resource capacity in critical and relevant ICT skills needed for developing and driving Zambia's information and knowledge-based society and economy. Government has committed itself to facilitating the creation of centers for training and education of information technologies and computer sciences. It is also working on facilitating the implementation of a comprehensive human resource development program that target critical skill areas across key sectors of the economy in order to accelerate the development of Zambia's information society and economy. To achieve these, the national ICT Policy has identified different objectives and strategies to achieve the above: (Mulozi, 2008).

The objectives include the increase of institutional capacity in terms of infrastructure and human resource in public and private learning institutions that offer ICT courses. They also plan increasing annual enrolment numbers and output of students in key professional skills areas such as telecommunications, electronics engineering, computer science, media and information sciences. They also plan to address the human resource requirements in key sectors of the economy by targeting important managerial, technical and operator skills (Mulozi, 2008).

The strategies the ICT policy wants to implement include: developing and implementing short, medium and long-term ICT human resource development plans, create favorable business conditions for public and private sector organizations to invest in ICT skills development in the nation, increase general public ICT awareness and literacy, especially among the youths and women to allow gender equality, provide adequate access to education and training resources for the physically challenged and vulnerable groups, promote and facilitate the integration of ICTs in the teaching and learning process at basic

school, high school and tertiary levels and finally allocate a particular percentage of the national budget to integration of ICTs (Mulozi, 2008).

Even though the above-mentioned objectives and strategies are commendable, the challenge will be in the government leadership commitment and provision of required resources to ensure successful implementation of the stated goals and objectives.

The telecommunications sector in Zambia has experienced significant changes since the mid-1990s. Access to information and the capacity to communicate have significantly increased with the advent of the Internet, digital satellite and mobile networks over the past two decades. High prices and low penetration levels characterize the Zambian mobile sector, this is a feature that is usually identified with highly concentrated but underdeveloped markets. The Internet sub-sector is the most competitive in the telecommunications services industry in Zambia. Growth of the Internet sub-sector has however been hampered by the high cost of bandwidth, and in turn retail uptake has been negatively impacted due to the resultant high price of the retail services (Mulozi, 2008).

5.2.2 Investor challenges in Zambia

Foreign investment in Zambia is key to economic growth and job creation among Zambian firms, but significant constraints remain before that potential can be fulfilled. One of the key reasons that Zambia has been a focus region for investors is its current and potential economic growth. To capitalise on the diverse opportunities in Zambia markets, it is necessary to explore the challenges that exist from business perspective and people. Outlined below are some of the main challenges affecting foreign investors operating in the Zambia markets.

Communication

Just as the organizational structure of a partnership is the glue that holds it together, communication is the grease that allows it to operate smoothly. However,

communication is a complex process; and can either go wrong on all sides, with both the sender and the recipient of messages making mistakes therefore resulting in miscommunication.

It is vital to get the communication right from the very start of every partnership since it plays both an internal and external role. Regarding the former, it is important to the functioning of a partnership to make sure that there are clear information flows among partners, between the partnership managers and the their own staff, and among partners themselves. This helps the partners to understand how their alliance really functions, the difficulties under which it operates, and the respective roles of the partners, organizations and people involved. It might be helpful to for mangers to establish terms of reference for all operational structures inside the partnership. To make a partnership inclusive it is vital that all voices within it are heard. This requires and guarantees a balance of influence; mutual respect amongst the parties involved and care in the company. Having good communication facilitates meetings, decisions and interactions amongst the partners. It must not be forgotten that the partners have to play a two-way communication role, which act as the link points between the companies they represent and the partnership itself.

The external function of communication is to make sure that the work of the partnership is visible, so as to allow to organize support and funding. Firstly, a communications strategy has to be developed which must be linked to the partnership's overall strategic plan and regular action plans stemming from that strategy formulated. Secondly, sufficient resources both employee time and financial resources needs to be dedicated to communications. Appointing a communications person can facilitate this and help those outside the partnership know where to turn for information is beneficial. Good contacts with local media are important, so that they can be approached fast and effectively when needed in cases of advertising or CSR purposes.

To guarantee that the partnership is visible and recognized within its assigned area of activity, there must be ongoing, two-way communication with local

communities and target groups. A permanent outreach approach can be a key component of a communications strategy. The partnership's successes must be presented regularly to policy makers, who might be involved in mainstreaming opportunities or policy development, and to funding bodies like the communications ministry. There need to explain clearly what the partnership is all about and how it works, because it can sometimes be difficult for those not involved to understand.

The partnerships own communication can be complemented by the communication of others, for example, the partnership's beneficiaries acting in advocacy roles. Additionally, forums for regular exchange of learning and good practice with other partnerships could be established, on either a national regional, or international basis.

Thoughts about Communication Techniques

As partnerships are often set up to find a better way to connect various policy areas and companies working in those areas, the networking between these companies and with their stakeholders is probably their most important task. The informal ways of networking should be balanced by structured forms of communication (i.e., websites, newsletters) because this is often useful in interaction with policy makers, opinion leaders, the general public and with other outside companies with which the partnership interacts in the course of its operations. It is important not to overlook the importance of creating a stable information flow.

Publicity materials are needed in various formats, both web- and paper-based, to explain partnership concept and its work. While the web allows a partnership to reach countless number of people at comparatively low cost, the use of paper based products should still be used for public relations. The best alternative is to combine methods, such as to have regular electronic newsletters and electronic as well as printed versions of annual reports and main results. Regular publication of

reports on the work of the partnership and its successes (including evaluation reports) is important both for the partnership's visibility and for demonstrating the evidence basis for any recommendations the partnership. Seminars and conferences involving other practitioners and policy makers can be an effective means of spreading information about the partnership's work and successes and can also serve as tools for networking and opening debate about the direction of current and future activities

Political risk

The risk of political instability in Zambia is very low. Zambia has over the years enjoyed political independence since 1964 from the British Government and has had no major civil strife as compared to some other neighboring countries in the region. Multi-party democratic elections have often been held every 5 years and power is handed over to the next interim government in a peaceful and democratic manner. The last national election was held in August 2016 in accordance with the new Constitution, which fixes the date of the election day. There is distinguishable separation of powers between the judiciary, legislature and the executive in the country. There are 158 members of parliament from which the president nominates 8 and the remaining 150 are democratically elected by their respective constituencies.

The 2015 Mo Ibrahim Index of African Governance ranked Zambia on number 12 out of 54 African countries. The Democracy Index in 2014 produced by the Economist Intelligence Unit ranked Zambia 97/167 countries in the world.
Some infrequent political unrest occurs often before and after presidential elections but not to the extent of major business disruption. Most companies find it important to establish a relationship with a local business lawyer who can advise on local political sensitivities (OECD report, 2014).

Economic Risk

Zambia has experienced impressive economic growth rates over the last decade. This growth has been mostly because of high copper prices, which still remains the mainstay of the economy. Recently, the growth has slowed in line with a decline in copper prices globally. The growth forecast for 2016 was 3.7%, slightly higher from 3.6% that was recorded for the year 2015 but still missing the IMF prediction of 5.5%. The World Bank classifies Zambia as a lower middle-income country. The GNI per capita stands at $1,660 (2015). In 2015, inflation rose by double digits to 21.9% for the first time in a decade. Zambia is currently ranked 97/198 on the World Bank Ease of Doing Business index (ZDA, 2016).

Since 1991, Zambia has been undertaking major economic reforms that have encouraged increased investment and trade. As of today, Zambia has an open and liberal economy with no price or foreign exchange controls. The heavy dependence on copper has made Zambia vulnerable to high drops in copper prices. Foreign Direct Investment to Zambia has been increasing lately. In 2015, around $3.3 billion worth of investment pledges were recorded by the foreign ministry from foreign investors. The major sectors attracting this increase were manufacturing, real estate, agriculture, tourism, ICT and construction. The policy agenda by the current government will remain focused towards increasing energy supply, boosting mining revenue, supporting local enterprises, boosting ICT, tackling unemployment and raising domestic purchasing power (ZDA, 2016).

Power shortages throughout the country have become intense because of El Nino induced low rainfall, as Zambia relies heavily on hydropower for most of its needs. The Government is therefore prioritizing investment in energy to enable reduce the electricity deficit (ZDA, 2016).

Businesses operating in Zambia may have difficulties getting as many work permits as they would like for expatriate staff from outside Zambia. Skilled Zambian professional staff are on high demand, but also inadequate. The World Economic Forum Global Competitiveness Index (2015) ranks Zambia 96 out of 140 economies and 7th in Sub Saharan Africa. The index cites challenging factors facing business in Zambia as access to finance, corruption, tax rates and

inefficient government bureaucracy, and inadequate supply of infrastructure. There are extensive and complex regulations on environmental, labor and tax matters for which there are often high penalties for even minor infringements (OECD report, 2014).

Bribery and corruption

Bribery of any form is illegal in Zambia. It is an offence for Zambian nationals or someone who is ordinarily resident in Zambia, a body incorporated in the Zambian or Finnish partnership, to offer a bribe anywhere in the world.
In addition, any company carrying on a business in the Zambia could be liable for the conduct of any person who is neither a Zambian national nor resident in Zambia nor a body incorporated nor formed in Zambia. It does not matter whether the acts or omissions that form a part of the offence take place in Zambia or elsewhere. The Transparency International Corruption Perception Index (2015) for sub Saharan Africa ranked Zambia 15 out of 47 economies and 85 out of 175 in the world. The Zambian government, through the Anti-corruption commission actively supports the fight against corruption in nay business trading's (OECD report, 2014)

Intellectual Property

IP rights are territorial, meaning, they only give protection in the countries where they are granted or registered. A Finnish ICT company trading internationally has registered their IP rights in Zambia. There are numerous legal provisions pertaining to the administration and enforcement of copyright and intellectual property rights when operating in Zambia. Any form of piracy, IPR infringement and counterfeiting are illegal in Zambia, cutting across all forms of products and services. Despite having the law enforced, Zambia's counterfeit problem is worsened by the lack of enough enforcement of trademark laws, weak punishment measures and the high cost of products and services. The institutions that are currently responsible for enforcing the Trademark Act is in the country are;

Zambian Bureau of Standards, Zambia Revenue Authority, Zambian Police service and Zambia National Drug Authority.

The Intellectual property laws in Zambia cover areas such as domain names, traditional knowledge, transfer of technology, patents/copyrights and other things. Zambia is also party to different international intellectual property agreements (OECD report, 2014).

6 RESULTS AND ANALYSIS

The following chapter will present the empirical results of the research. The data of the interviews will be discussed with certain point-of-views in order to address topics partnership management. All the interviewee's identities are kept anonymous for confidentiality reasons. It is noteworthy to know that all the interviewees provided their own personal opinions and insights and thus these views may not be based in true facts. Interviews were conducted through face-to-face, phone and email because of the geographical challenges as some of the interviewees were located in in the Zambia. Since some of the interviews were held face to face with the interviewer there was an increased feeling of being able to tell honest opinions from the people interviewed. All the interviews were recorded and therefore all the interviewees were told about the private nature on the interviews. No anonymity will be harmed. Interviewees were also encouraged to answer honestly especially the Zambian counterparts and they were re-assured that anything that they tell will not be traceable and linked to any of their identity and will not effect their employment terms at the company in any way.

Question 1: What are the strategic motives to engage in a strategic alliance when going international?

Internal motives of the company's strategic alliance are closely related to resource based view theory previously discussed. Companies have different resources and capabilities and due to this resource asymmetry they need to have access to resources they are dependent on but are in possession of the other company. By putting together their asymmetric resources, the partnering companies allow creation of rents. The higher the resource asymmetric among companies in a specific industry, the greater the possibility to form alliances creating rents. Entering strategic alliances enables company's to extend resources even when internal acquisitions or developments are beyond their capabilities. These alliances can also help enhance resource use efficiency (Oliver 1990).

Stewart and McAuley (1999) explain that the factors that influence firms to go international are first separated into internal and eternal, which are then divided into proactive and reactive factors. The proactive factors outline that the firms' choice to internationalize is influenced by its interest in exploiting the unique ideas and competences or the possibilities of the foreign market. They analyze internal and external factors like profit and growth goals, economies of scale, tax benefits and foreign markets. Reactive factors depict that the firm act passively and respond to internal or external pressure. These motives also analyze internal and external factors such as competitive pressure, saturated markets and proximity to international customers/psychic distance.

The previous literature in this study suggests that the formation phase plays a major role for strategic alliances´ success, but does not rather guarantee the success of the alliance (Wang 2007). The interview findings agree with this. Careful planning before any business alliance establishment gives a strong foundation for the strategic alliance operations.

"*it is better to have a good company goals before deciding to establish the actual Partnership or not. The more homework you do about your potential market and selected partner; the more specific and clearer plan you can make." (Interviewee 1)*

"As a first-timer in the African market, lack of experience or knowledge about the Zambian market environment can be a challenge therefore calling for thorough market research, we therefore needed to find an international partner company that has a good position and international credibility" (interviewee 3)

There are various motives for Finnish and Zambian companies to establish a strategic alliance in Zambia. Based on the interview findings, the motives for Finnish ICT companies to establish a strategic alliance include; resources, experience or skills in the Zambian market. These motives are in accordance with the prior studies on proactive and reactive motives, which state that if a company

does not have existing knowledge or experience in foreign market, establishing a strategic partnership with a local distribution partner can be a good alternative.

"if at that moment the company does not have any operations in Africa and lacks resources or skills to enter African markets, one of the options can be some kind of strategic alliance arrangement to encourage economies of scale."(Interviewee 2)

It can be understood that good planning before embarking on entering a new international market and partnering with locals should be in place. Taking time on choosing the right partner is essential in due to the fact that most partnerships end up in failure as a result of different expectations from the counterparts involved.

Based on the results obtained from the interviews, the Zambian market is among the most promising economies in sub-Saharan Africa and witnessed by most of the Finnish counterparts working on the Zambian e-governance project. They agree that market brings many opportunities for foreign companies willing to invest in it. The vast market opportunities in Zambia are one of the main motives for Finnish ICT companies to enter into the market.

There is a need to investigate how international collaboration in markets like Africa can be enhanced. In one of the interviews, it was confirmed that international collaborations are generally poorly managed and partnerships must be formed to be able to create value for parties involved. On condition that in many cases, partnerships are formed based on pre-existing collaborative relationships, it is advisable to investigate what are the most important factors that must be addressed by the managerial team in these circumstances, taking into account that relationship risks influence the quality and the outcomes of collaboration (Chung et al., 2010), the influence of risk on the critical success factors for international collaboration fluency should also be investigated.

From the studies of various companies' that have experience in doing business in Africa, it was discovered that many western companies entered into African

markets because of the low costs of materials and labor. But nowadays, companies are surprised that Africa is no longer a very cheap labor continent as previously perceived. For example, highly skilled management labor in Zambia can cost quite a lot because of the shortage for it.

"*The labor costs in Zambia are not as low as they were initially perceived. Good professional labor costs quite a lot and if you want intelligent management labor, you have to be willing to spend more on it. This is a surprise for us. There is small pool of qualified young tech graduates and professionals hence limits the pool of talent to enable scale in existing companies, reduces likelihood of breakout tech entrepreneurial ventures" (interviewee 3)*

The technology capabilities of Zambian companies are increasingly developing over the years but not as fast as western companies would like. The interviewees pointed out that technology acquisition or exchange is still one of the major motives for Zambian company to establish a partnership with a Finnish company. Also, learning of new management or technology methods motivates company Z to establish a partnership with the Company X
Another strategic motives for Zambian company to establish an alliance with a foreign partner in Finland is for international expansion.

The alliance should be built around common and mutual goals. It is important for a company to define its own motives for a partnership, and to understand the other partner's motives. Having mutual goals between the strategic partners is one of the most important factors, when forming and managing an international partnership. The alliance should be treated as a true partnership, where decisions are made together with the partner (interviewee 3).

"Most relevant for the success of international partnership is that the relationship is established around common goals and around what each partner really understands." (*Interviewee 6)*

For International partnerships to work, they must not only be established around mutual or complementary goals, but also rather around a mutual win-win situations for each partner involved. The partners need to make an effort to understand the outcomes of the alliance from the perspective of each partner and work towards a beneficial relationship for both and not consider only individual benefits.

Despite the increasing popularity of international partnerships as a strategy for addressing large societal challenges, there has been evidence of their poor ability to create value with regard to the problems they address (Koschmann et al., 2012). The need for this research question started from the dilemma as to: how international partnerships can be managed more effectively and creating value for all their stakeholders. Analyzing how to get the full potential of collaboration and managing value creation are challenging issues for the management of international partnerships.

To be able to visualize and understand the process of value creation in international partnerships, it is proposed that the use of strategy tools for the management of international partnerships be considered. More especially, the study discussed the importance of value networks. These can be used to design and implement a method for value network mapping in international collaborations, enabling assessment of the current and the potential value network. The proposed the value network mapping method in this study enables managers to understand how to get the full potential out of collaboration. In order to increase the understanding of how to use the method in practice, the implementation of the method in practice must be done. This will allow the understanding of how new value can be created in international collaboration if the partnership is properly managed.

It is important that both companies identify and clarify their motives for establishing an alliance. They both need to allocate enough time to truly understand and go through each other's motives and goals prior to making any decisions about the establishment and future on the partnership. It could be costly to terminate the

partnership later if the stakeholders realize there are no mutual or complementary motives between the partners.

Table (3) is a summary based on the literature of international partnerships on the motives as to why form strategic alliances when entering a foreign market.

Table 3. Summary Of Company Motives

Company X	Company Z
• Market size and market opportunities • Lack of experience, knowledge and skills in the Zambian market • Not enough resource allocation to enter African market • The Zambian government incentives	• New market position in Zambia • Access to new technology and technology exchange • Access to managerial competencies • Access to intangible assets • Access to international markets • Transparency

As illustrated in table 4 the motives for Company X include seeking for new opportunities in Zambia's ICT market. If the company has lack of skills and resources to enter into the Zambian market, establishing a partnership with a Zambian company is a good alternative for them. For Company Z, the main motives is technology acquisition, but there are not so much opportunities for Company X as Zambian technological capabilities are developing fast. The Company Z seeks Company X partnership in order to develop a new market position in Africa and to expand their businesses internationally through the international networks of Company X. Building a partnership around mutual goals is important and it should also be one of the main factors in selecting an alliance partner in China.

Question 2: What are the barriers and challenges faced when operating in international markets through partnerships?

This chapter will present the challenges concerning managing international partnerships in Africa. One of the main challenges in forming a partnership in Zambia is the commitment and dedication required for it to work progressively and succeed. A partnership is like a marriage as one of the interviewees highlighted;

"*Partnerships do not only require commitment, but also tolerance and patience between the partners, just like in a marriage. Building communication and trust is the most important and yet also the most difficult aspect of a successful relationship. Only people can trust each other and not the companies"* (*interviewee 4)*

Every foreign market carries its own risks and challenges. With this question, the writer tries to answer the barriers and risks associated with doing business in foreign markets. Different concepts are used to help find the suitable answers to the problem at hand. Firstly, firms own limitations are analysed because lack of finances, knowledge, international experience, personnel, foreign connections, and distribution channels are some of the main reasons firms fail to succeed. Then, environmental challenges are also discussed because differences in culture, language, competition in foreign markets, differences in product usage & specifications and complexity of shipping services to overseas markets also contribute to the challenges encountered by foreign companies. Thereafter, economic situations are discussed to get more understanding of the issues such as exchange rate fluctuations, contract disputes, payment failures, corruption, delays and damage. Political factors will also be discussed because foreign government restrictions play a vital role in international markets (Kilpatrick et al., 2002)

"Our target from day one was to choose our partners based on the criteria that they understand the demands a western company like ours can have, not only from the business aspect but rather also from the regulatory aspect. This is due to the fact that our sector in Europe is highly regulated from authority view. There are still challenges in communication and more room for improvement also with the

long-term partners in order to get access to the right information needed. In addition, most of the African companies are not in the same phase as European countries from the regulatory aspect. We haven't really faced bureaucracy or corruption maybe because we haven't made physical market entry to Zambia making it hard to monitor what is really happening there" (interviewee 8)

Companies must remain equally aware of main barriers to a working relationship with a potential partner and know that as relationships evolve, they must work to resolve any barriers to establish successful relationships.

As noted earlier, this study is focusing more on partnerships as a mode of entry; therefore barriers to successful partnerships are also addressed such as communication, trust, culture, corruption, environmental issues and other things.
Companies mostly make mistakes to think that things automatically work in a similar way in foreign market like they do in their domestic markets. The partnership laws and regulations in Zambia have recently been loosened, but establishing one is not that simple either. The Zambian working culture and work ethics are very different when compared to Finland. Everything in Zambia is not always planned carefully and things can happen or change with a short notice. It is recommended to build relationships and networks, if the Finnish company allocates personnel in Zambia. Having presence in Zambia will enable quick responses to the changing business environment. A Finnish company working alone in Zambia may not realize how much faster or slower business is done in Zambia. The growth targets of the Zambian company may seem unattainable and challenging to achieve for ICT firms as they are expecting to implement many kiosks in a short time phase with limited time and resources. It is advisable for Company X project members to already change their mindset towards the Zambian market and its characteristics.

"The business environment in Africa is tough. There are countless challenges and problems. It takes several years to get it and for us it is going to take more, as it is the first time operating in Africa. We have been able to overcome some challenges with hard work and determination to succeed. Based on my experience Finnish

companies in our industry field do not really or are not able to invest in Africa because they expect to see results in a short period of time. African business culture has to be learnt by practice and being there and patience". (interviewee 6)

Understanding the demands of the Zambia business environment is beneficial in order to scale the business relatively. Without prior understanding of the business environment and the demands of it, the partnership can end up in failure for Company X. One interviewee pointed out that Western companies often follow their local market's business model, when entering into the foreign markets, which should never be the case. They should know that a business model that works in Finland might not necessarily work in Africa.

"Company X should adapt their existing business model to the Zambian market as the market in completely different from what they are used to" ICT industry in Africa is growing and Zambians own technological capabilities are slowly improving over the years. The industry is seen as a very competitive industry globally with so many competitors fighting for a market share. The African industry can be very challenging to access for Company X, because they have to compete with the fellow Western investors and emerging economies like china and Indian companies (interviewee 5).

Despite so many challenges related to doing business in Africa, the respondents of company X regarded the Zambian market a very interesting future market for their product and services. Size and growth of the market and also its potential was undoubtedly the most important reasons to continue doing business there. The competitive situation was also deemed favorable as the stakeholders saw that there was not remarkable competition yet for its product/service offerings on the market. Even though the Finnish company hopes to stay in the African market for long, at the moment they only have a short-term plan and waiting for the market to develop. Lack of applicable legislation and lack of infrastructure that supports the expansion of novel technology quickly in the market is one of the reasons for not having a long-term plan, including lack of basic infrastructure such as roads and railway is also an obstacle to success.

Question 3: How can partnerships help facilitate growth in the international market: management importance?

Strategic business partnerships when done correctly can have a huge and positive impact on your company's success by allowing it to increase value to the customers, increase market share, and increase wallet size. However, when done poorly, they can also destroy a business as a whole. Therefore businesses must follow some ways to help optimize their ability to establish successful and enduring strategic business partnerships (Kotler & Keller, 2006).

Business partnerships are incredibly effective ways to boost a business growth. They offer many advantages like improving efficiency, time saving, collaborating on new idea, increasing sales and gaining strength against competitors. Despite having many advantages, companies need to ensure that the partner for the right reasons. All roles and responsibilities should be clearly defined upfront and communication channels should be wide open to allow both partners to contribute as expected (Kotler & Keller, 2006)

Companies must decide on the type of business partner they want, i.e is it distribution or promotion partners? The company should also understand the advantages to working with the other company and how they will help each other grow. Clarifying the objectives with the partnership and making it as easy as possible for the business partners to reach those goals (Kotler & Keller, 2006).

Successful companies develop strategies for doing business in emerging markets that are different from those that they use at home and often novel ways to implementing them. They also customize their approaches to fit each country´s institutional context. Companies that take the trouble to understand the institutional differences between countries are the ones likely choose the best markets to enter, select best strategies, and make the most out of operating in emerging markets (Kotler & Keller, 2006).

It is not possible to be an expert in very culture or geography in which the company does business. What is rather possible is developing a global mindset by mastering cross-cultural core competence. Different authors define culture differently. For purpose of this study culture is understood as the collective experience as a society, and its impact on the reactions and decision-making relative to daily facts and circumstances in that particular society. Cultural dimensions have to be understood to better understand the dynamics of the relationships and how to work towards making the alliance succeed. Managers have to compare their personal cultural preferences to the country they are doing business with. Below is a chart on cultural preferences comparison between Finland and Zambia to enable both parties know the differences in the cultural dimensions:

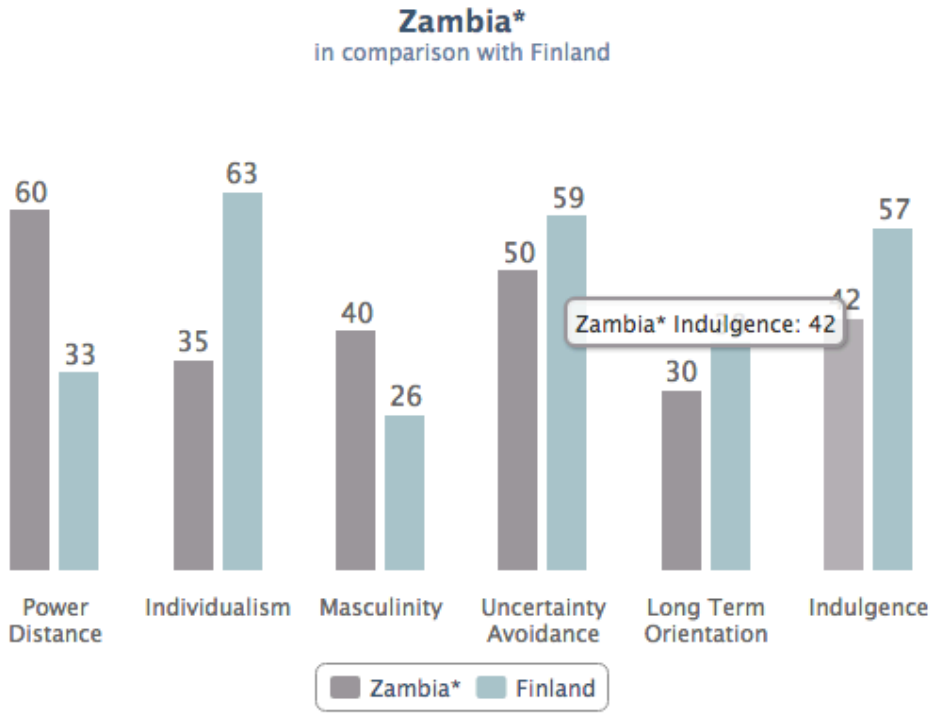

Figure 6: Cultural dimensions comparison between Zambia and Finland

Cross-cultural competence significant to projects manager's works and the viability of their company because culture is present in every business interaction and strategic decision. It is not possible to be an expert on all the world's cultures;

however, it is possible to incorporate a cross-cultural framework that improves cross-cultural understanding and interactions when managing an international partnership.

"Main problems relate to the cultural differences, which have to be learned, and getting to know the market takes time. We offer services, which may be more difficult than selling tangible products Zambians are used to. Competition amongst the not so many service companies is tough and local suppliers get access to help more easily whereas we offer help in Europe. Physical distance is a major challenge compared to neighboring countries we currently do business in. we have understood from the time we started doing business in Africa that it is important for Zambians to meet face to face. Creating 'Ubuntu' requires patience, persistence and lots of money trust, and time. Despite of the challenge in relation to the physical distance, we have been able to overcome these challenges by learning something new every time we are there. The more experience is gained, the easier it is to understand the Zambian procedures and thought patterns and ultimately interpret them by ourselves". (interviewee 7)

A business cannot simply depend on its current method of conducting business when it decides to take its operations at international level. Every country has a set of different factors, which can be new for an offshore firm such as; rules and regulation, taxation, different currency. The most important consideration in this regard is the difference in culture. To enable examine the enterprise-wide cross cultural challenges, managers from both the companies must understand;

Cultural themes

Every society has posses its own cultural themes. These have a strong impact on how that culture does business. African cultural themes are rooted in ancestral beliefs and Ubuntu values. These values are deeply engrained in the African psyche. The Ubuntu value of endurance and togetherness has a deep impact on the business process. The members of a Zambian negotiations team will seek prolonged negotiations to test their counterpart's endurance. It is typical in the

Zambian culture to initiate with an offer that is inconceivably low to allow extensive haggling, so as to demonstrate endurance and evaluate a partner's endurance. The Westerner, in this case a Finnish might misinterpret this as unreasonable and walk out of the negotiation meetings, instead of participating in the haggle the Zambian executive is anticipating as normal and expected. The total disconnect might causes a loss of business opportunity.

Communication

An understanding of the subtle challenges in the use of English language with both non-native speakers is important to achieving business objectives when operating across cultures. In Southern African cultures wish are similar to Asian culture, communication is very subtle and indirect at most times. Therefore the direct style of Finnish communication can easily create real offense, despite having the best of intentions. For example, the term "no," is rarely used in respect to more indirect methods of communicating and a Finn may hear the Zambian cue for the word "no" and phrases such as "maybe," "we shall see" and "we shall look into it," without ever realizing that these phrases are the Zambian equivalent of "no." Failure to understand these cues wastes a lot of time and money, and is the foundation of communication failure that can ruin the business objective. Failing to understand simple but subtle issues in communication causes both partners to lose face. Creating a loss of face for African counterparts is devastating to the business relationship and mostly unrecoverable leading once again to loss of what would have been a great business opportunity.

Group dynamics

This factor involves the understanding of how individuals from certain cultures interact in when working in groups. The understanding well of group dynamics in the target culture strongly impacts the negotiation and sales process. In individualistic cultures, such as the Finland, customers make most of their buying decisions individually, whereas in collectivistic cultures like Zambia, decisions are significantly influenced by the group; immediate and extended family, friends and

colleagues, and the community. Even though the decision-maker may appear to be at the negotiation table because that individual is the head of the company, the final decision shots may be called by individuals not present at the meeting. In a highly collectivist culture like Zambia, its important for Finnish counterparts to know that the marketing collateral and sales process needs to be targeted toward the group, and not toward the individual.

'Glocalization'

The term "glocalization" come from the idea that global branding, messaging, corporate values, and marketing all have to be localized. For example, if company's headquarters is in Europe, with satellite offices in Africa or Asia, the global brand, messaging, and literally all type of communication, be it internal or external, needs to be translated in a way that is culturally fluent and not merely linguistically fluent. The value proposition of any communication in the partnership management may be entirely valid, but if it is presented in a way that cannot be "heard," or rather violates cultural norms or expectations of both cultures, then the messaging, however critical it is will fall on deaf ears.

Time orientation

This concept of time orientation refers to the way in which a society values, executes and utilizes time. In European cultures, time is considered a commodity. If you're not early or on time, you're late and time is money. Time is divided into the sixty minutes of a standard clock. In the African part of the world, time happens "*when it's supposed to*," and is characterized as elastic and flexible. The most striking difference between Zambia and Finnish cultures in this regard is the long-term orientation of the Zambian culture. The culture has survived for thousands of years, through colonialism, fight for independence, drought, flood and famine. The longevity of the culture combined with Ubuntu philosophy yields a long-term orientation that materializes in the business world in different ways.

Every company has its distinct culture; managers should ideally have good understanding of organizational culture to develop meaningful strategies if partnership has to work.

Trust

The positive effects of trust in partnerships are emphasized by Weihe (2005), he states that trust lowers transaction costs, facilitates dispute resolutions, increases information sharing, reduces the amount of formal contracts and reduces harmful conflicts.

All the people interviewed from the case companies put trust as the one key element in the partnership success.

"Trust is important. The ability to trust and be honest with one another is critical if the partnership has to progress. Out partners should trust in our company and that out company has professionals who can actually deliver good work…. Trust is about getting to know each other. We are hoping for a long term partnership with frequent and good communication (interviewee 9)".

Strategic partnerships are about getting things done and not just about warm feelings to each other. It is however critical to be honest and able to trust in what partnership stands for. Consistency helps in creating trust in partnership.

In any alliance between two firms, trust is an important ingredient to the success of the business partnership. There is a high level of trust existing; each party is convinced that the other is committed to mutual success. The feeling is made stronger by the fact that their successes are usually interdependent. Both firms win when they create and sustain a climate for cooperation and trust (Buttler 1999).

By developing a positive trust attitude, it encourages the other counterpart to reciprocate the trust back. When bot businesses trust each other, the degree of complexity of their negotiations decreases. This enables them to discuss critical

matters for the mutual success rather than a host of little details. Negotiations consume less time and resources when trust is present. Open and transparent information sharing is more likely to occur in a climate of trust. With trust involved, sensitive and proprietary information is freely offered with minimal fear of abuse of sensitive technical information. In this case, shared technology can result in production and delivery process breakthrough that strengthen competitive advantages and customer satisfaction in the new markets.

7 DISCUSSION AND CONCLUSIONS

In conclusion, both companies must form a special unit with clearly defined roles (i.e., pull vs. push) that is responsible for empowering and supporting strategic partnerships. Forming such a unit will hold a portfolio of strategic partnerships or projects within the partnership to make coordination more efficient increase the scope of partnership and build up expertise for the parties involved. Using a portfolio approach to strategic partnership increases effectiveness as the broader the scope for the partnership, the more successful it will be. Such a coordination unit ensures exchanging knowledge, institutionalizing organizational memory, legitimizing competence, and also transferring best practices across its portfolio.

With the significant increase in strategic partnerships globally, companies should understand that success depends heavily on adopting a proper strategy, alignment (between the partners and within the company) and coherent integration into the organization's operations and processes. Nevertheless, it is important to focus on sharing commitment and competencies to create value for both companies. Open communication creates the foundation for successful strategic partnerships, ensures clarity of objectives, trust and strong relationships amongst the partners. On the operational level, the most significant group to involve, from both companies, is the middle management because their objectives are often conflicting.

It is important that companies create special mutually accepted metrics to measure the success of the alliance. It should also be known that when structuring the partnership, equity mainly serves as a substitute for trust. Strong trust stimulates partnerships to the level of personal relationships, reflecting solidarity and similar cultural values, whereas if the trust is weak, the partners tend to feel "it pays to cooperate".

Senior management commitment from both the companies involved must be there as it is the key factor in the alliances ultimate success. It is advisable to have a effective and strong management team as alliances, according to a (Mckinsey

study 2015), found that alliances failures are due to poor management. There should be frequent performance feedback in place in order for alliances to succeed. Performance must be continually assessed and evaluated against the short and long term objectives and goals for the alliance. Thorough planning. Commitment and agreement are vital to the success of any relationship to succeed. Both parties involved must mutually develop the overall strategy for the alliance to work. Participants of any alliance must clearly understand their roles. Questions concerning the role of each partner must be answered. There must be good communication. Just like any relationship, communication plays a major part for the alliance to be successful. Having no effective communications between partners will inevitable dissolve the alliance as a result of doubt and mistrust.

7.1 Managerial implications

For managers of international partnerships, this study represents a guide on how to manage the partnership in an African market, to be able to create value and to ensure the effectiveness of the partnership. The study stresses the significance of the strategic management of international collaborations and tries to introduce a new perspective for the management of international partnerships: applying the network approach and psychic distance. By using the network view in international partnerships, the managers are able to analyze and understand how new value can be created in partnerships and also understand the business culture in that segment.

Strategic alliances aid companies in accessing new markets, knowledge, capabilities, and other resources they might not possess. However, they can be very challenging to manage, mainly because two different or more parent companies own them. These companies may have competing goals, differences in their management styles, and in the cases of international businesses, additional challenges associated with different government policies and business practices.

Organizational cultural differences often pose another challenge for managing strategic alliances. For example, Pothukuchi et al. (2002), found that strategic alliances formed between Indian and foreign partners mostly affected by differences in organizational culture than by differences in the national culture. Fey and Beamish (2001) also found that strategic alliances with similar organizational cultures had a higher chance of success. While these variances would also affect a merger or acquisition, they would also likely affect an alliance more because the two parent companies retain their separate management. Hence, when selecting an international partner, management of each parent firm should observe the internal environment of the other company very closely to assess if it fits their own. If it is not closely matching, this should be addressed before attempting proceeding with further negotiations.

Managing international alliances may be made complicated by cultural differences that make communication, managing personnel and decision making more challenging (Child 1991). International partnership managers should learn how to conduct business in a foreign country to at least one of the partners, and know how to work with a local partner also (Barkema et.al.,1996). Studies on the impact of cultural differences on international partnerships performance has produced mixed results. For example, some researchers found that cultural differences could affect the long-term survival of alliances (Barkema et al., 1996), while (Park and Ungson 1997) found that some international alliances actually survived longer than domestic one. Cultural differences appear to have no impact on performance whatsoever in some other cases. Inconsistencies in the various results of cultural distance researches may indicate the need for a closer examination by mangers of how different cultural traits interact. Some research on cultural differences reviewed in this thesis is inspired by Hofstede studies (1980, 1991), which identified a number of traits that relate to individuals' work values, uncertainty avoidance, long-term orientation, and individualism.

Uncertainty avoidance mainly refers to an individual's comfort levels an ambiguous situation. It is understood that Individuals with a long-term orientation take insinuations for the future into consideration when acting in the present and

making decisions. Individualism on the other hand refers to the extent to which individuals preferably like do things alone and to have their achievements recognized and rewarded. When the alliance partners are based in countries with huge differences in uncertainty avoidance and long-term orientation, the chance that the alliance will survive becomes low. Differences in individualism have however been shown to improve alliance profitability and productivity.

Managers must to be aware of cultural differences when selecting an alliance partner and negotiating terms, and in ongoing management matters. It is good to know that a partner with a low tolerance for uncertainty will most likely want the other partner to show their commitment through actions such as increasing its equity stake and transferring new technology to the alliance. A large difference in long-term orientation can cause problem, since emphasis on short-term objectives by one partner may portray as a lack of long-term commitment. Here the force is similar to agreeing on goals in that each partner has to chose what is most important for it and whether they are willing to allow the other partner to achieve their own goals. In cases of conflicts, clearly defining management responsibilities and referring to a set of prior agreed-upon rules on conflict solving if conflict arises could improve the alliance stability and performance. Finally, issues related to cultural differences may be alleviated by training expatriate managers adequately before sending them on assignment to a foreign project

7.2 Limitations and Further research

Although the research for the thesis has been conducted following well-established guidelines for international strategic alliances and management research, it also comes with limitations. The most notable ones here are mentioned here so that they can work as guidelines in future studies focusing on issues similar. Often times, answering one question raises few new ones. This is one of the challenges of academic research and also one of its greatest factors. There are always new disciplines that can be studied and from which more can be

learned, which is also the case with international partnership strategy and African emerging markets.

The other limitation of the research was because of having a limited amount of time and a lack of resources. The budget and time were constrained therefore making the focus of the research was limited to only the 10 people mainly involved in the project. The research would have had more credibility if the resources allowed the researcher to conduct interviews to more people.

Since this thesis mainly focuses of the psychic distance and cultural issue dimensions, it hence is important to mention the obvious geographic aspect of this study. The thesis discusses African emerging markets, and aims to form a more holistic perspective on partnership strategy within them. However, the empirical evidence comes only from one African country, Zambia.

It would therefore be an exaggerated to say that the detailed findings of this study apply directly to all African emerging countries. Most African emerging markets share many similarities with the Zambian business environment and economic development. Countries however differ from one another in terms of culture, management, history, market environment and other factors. Thus, more research studies need to be continued on all African emerging markets. A good idea would be cross-country studies focusing on business partnership strategy and innovation. While acknowledging this limitation, it is believed that the particular focus of this thesis on Zambia brings much needed scale to R&D cooperation research that has to a large extent, in terms of emerging markets, focused on Asian, Russia and South American countries. By employing primary data, it has been possible to delve more deeply into Zambian firms ICT practices, and to create linkages to studies made in other countries' contexts.

Another major limitation was a lack of relevant, timely and detailed market information on Africa, especially Zambia which made due diligence and monitoring difficult. Companies that are planning to expand across Africa can only depend on publications that describe the overall environment, such as the World Bank's

Doing Business reports, Transparency International's Corruption Perceptions Index, the Ibrahim Index of African Governance and the World Economic Forum's Africa Competitiveness Report. To obtain more up-to-date and detailed market information required for due diligence on investment opportunities and potential partners in Zambia, companies however need to invest time in primary research and building local relationships in the market.

This thesis writing has been a very lengthy process; over which a several issues have arisen that was not originally on the initials research agenda. However, their relevance has become clear along the course of the research study. One of these aspects is leadership and management practices in international partnerships. Management, and mainly the lack of good management practices has been recognized as an issue in Zambian Companies for quite some time. Even with the rapid economic development of the country, its international integration, and improvements in its university and educational systems, they still lag far behind developed countries like Finland.
Further studies focusing on the interplay between international partnership strategy and company strategy would be most beneficial. The topic should further be approached from the perspectives of psychology and organizational theory.

Lastly, going back to the big picture, although scholars have acknowledged international strategic alliance strategy as a particular focus area, there is still more to be done in developing suitable measurements with which to study the relationship between inter-firm partnerships and strategy. For example, by definition, partnerships include at least two parties. When asked, both the two parties would state that they were in a co-operative relationship; even if each of their perspectives, approaches, and levels of participation would be totally different. Whereas one partner might find the relationship very beneficial, the other might consider it very insignificant. It would therefore be extremely advantageous and critically important for scholars to identify clearly which type of companies they are studying in order to understand the dynamics of the relationship and its effect on the focal company. Also, there are very few quantitative studies that simultaneously analyze both parties of a partnership.

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APPENDIX

Questionnaire

This research was carried out using open-ended interviews and the questions were mostly asked based on relevance since most of the company representatives represented in the case studies have been to both countries, Zambia and Finland.

Name of company:

Respondents' position in the company:

1. Tell me something about your professional background?

2. What are your thoughts on expanding your operations to an African market and what factors affected your decision to enter this market?

    - Is it to gain profit and growth
    - New possibilities in the market
    - Gain business experience
    - Maturity in the domestic market

3. How would you position your firm in terms of doing international business? How many countries have you expanded to and which mode of entry did you use?

4. To what extent has the company been faced with the following challenges in the market entry to Zambia;

    - Lack of knowledge
    - Lack of resources
    - Psychological distance to customers
    - Legislation difficulties
    - Differences in culture
    - Wide geographical area
    - Differences in quality standards

5. How much have the following factors affected the selection of the African market entry mode?

    - Strategic commitment to the market

- Profit expectations
- Risk
- Size of company
- Product/services
- Social factors
- Competition
- Trade barriers
- Amount of international experience
- Demand uncertainty
- Costs

6. What were the motives for establishing a partnership with the selected company in Zambia?

7. What's your regard on doing business through partnership in an emerging market like Zambia?

8. What would you say are the main differences between doing business in an emerging economy and a developed economy like Finland?

9. What are the main challenges you have faced in a partnership and how do you think they can be solved?

10. As of now, do you see a long-term future in the relation you have with the Zambian counterparts and vice versa?