Chapter 7
A Strategic Model for Entering African Markets

ABSTRACT

This chapter looks at managerial mind-set and cultural orientations as major dimensions to be considered in global business. Furthermore, the chapter elucidates sites and market entry evaluation criterion, including identification and discussion of foreign markets' entry modes and synergies created by various modes. It further analyzes the global and African markets' specific entry strategies to do business in Africa. It also examines appropriate timing in market entry including risks and challenges in entering foreign markets—particularly African markets—to do business.

1. INTRODUCTION

Firms often try to achieve their goals to increase their market share, revenues, profits, and cash flows by entering into foreign markets or by introducing new products in foreign markets where they are already present. Operating in foreign markets and sites, such as those of Africa, is different from operating in a particular company's domestic market. Foreign markets present special challenges and opportunities.

Despite the benefits of the proximities—geographic, economic, political, and administrative proximities—that might exist between domestic and foreign markets, there will always be differences in culture, legal systems, social and political norms, language and language accents, tastes, distribution channels complexities, and the general business atmosphere and even resources like labor's characteristics

DOI: 10.4018/978-1-4666-4570-7.ch007

and behavior (Wild et al., 2008). A company that tries to apply strategies, products, and services from their home markets to new markets without seriously considering adoption will most likely fail in those markets at some point in the future (Lymbersky, 2008).

Therefore, there will always be a need to thoroughly screen and evaluate potential foreign markets and sites, including those of Africa, before entry to ensure that the firm will be able to succeed by developing and achieving a sustainable competitive advantage in the new market. To enter a foreign market, the firm must evaluate the market potential, the costs of entry and operation, and the benefits as well as the associated risks. Scholars (Wild et al., 2008; Lymbersky, 2008) have developed a series of techniques and strategies for foreign markets and sites screening and evaluation before entry. But, before we discuss these techniques, it is important that we analyze the various company orientations influencing the choosing such strategies and factors that will influence the decision-making process in selecting, entering, and successfully operating in foreign markets.

2. BASIC COMPANY ORIENTATIONS IN CHOOSING AN ENTRY STRATEGY

The selection of possible markets to enter does not only depend on external factors. It also depends on the internal factors and the cultural orientation of the company itself. This orientation has significant influence on a company's international operations such as recruitment and deployment of employees and managers and strategy formulation and implementation. Scholars (Wild et al., 2008; Lymbersky, 2008) have suggested four types of management approaches and/or cultural orientations that can influence firms when entering foreign markets. They include the following major classifications:

2.1. Ethnocentric Orientation

The ethnocentricity orientation is found in old fashioned companies and leadership that are homeland bound. Other scholars (Nancy Alder and Allison Gunderson, 2007) describe and look at the phenomenon of ethnocentricity from a parochialism perspective. Parochialism, in this respect, means viewing the world solely through one's own eyes and perspective. A person with a parochial perspective neither recognizes other people's different ways of living and working nor appreciates that such differences can offer significant *business* opportunities or creates serious consequences.

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