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Internationalization of Manufacturing Companies in Uganda

Case: Ronnie's Establishment

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Kansainvälistyminen on aina ollut tärkeää Ugandalaisille yrityksille, mutta käytännössä yritykset eivät ole onnistuneet siinä. Useimmat yritykset ovat yrittäneet kansainvälistyä mutta vai harva on onnistunut. Tämän tutkimuksen tavoitteena on tutkia mitkä tekijät vaikuttavat olennaisesti ugandalaisten teollisuusyritysten kansainvälistymiseen. Kiinnostuin aiheesta luettuani, että Afrikka on kaikista maanosista riippuvaisin muualla tuotetuista hyödykkeistä – eli niin myös Uganda.

Teoriaosuudessa käsitellään eri tutkijoiden kansainvälistymisteorioita pohjautuen eri julkaisuihin. Tutkimuksessa käytetään laadullista tutkimusmetodia ja kohdeyrityksessä suoritettiin puolistrukturoituja haastatteluja hyvin kansainvälistymisprossia tuntevien henkilöiden kanssa.

Tutkimuksessa tulee esiin useita kansainvälistymiseen vaikuttavia tekijöitä, joista erityisesti korostuvat: riittämätön rahoitus, epäluotettava markkinainformaatio koskien ulkomaisia yrityksiä, tietämättömyys kansavälisen kaupan toimitavoista sekä ja vienninedistämisohjelmista. Tutkimus osoitti myös, että yritysten tulee verkostoitua enemmän psykologisesti niille läheisten yritysten kanssa. Näin on mahdollista luoda vahva perusta jolta lähteä kansainvälistymään.

Avainsanat oppiminen, tehokkuus, opetusmenetelmät

ABSTRACT

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Internationalization has always been a great deal to manufacturing companies in Uganda but a failure in practice. Most companies have attempted to expand internationally but very few have survived. The objective of this study was to investigate what critical factors affect internationalization of manufacturing companies in Uganda. My inspiration to this study comes from the dubbed economic insight that was published by the Institute of Chartered Accountants in England and Wales and pointed out that 'Africa is the most commodity dependent continent in the world' giving me a view point for the same perspective in my own country.

The theoretical frame work of this thesis consists of theories of internationalization as well as other topics. The theories have been collected from different written sources including articles, Journals and books. The qualitative research method was employed to gain a deep understanding of the research problem and semi structured questions were used during interviews with respondents from the case company who were well vast with its international operations.

The outcomes of the study revealed different factors affecting internationalization of manufacturing industries but among them four stood out, inadequate access to finance, un reliable foreign market information, lack of international business skills and unawareness of export promotion programs. The results also showed that companies must engage more in networking starting from their low psychic distant partners to create a strong ground at home before engaging in international activities.

Keywords	Manufacturing, Internationalization, Uganda

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1 INTRODUCTION.

This thesis will cover Uganda’s manufacturing industry, the research will cover both medium and large manufacturing companies in Uganda. The thesis is divided into five chapters that is the introduction, theoretical frame work, research methodology, empirical study and conclusion. The first part will include the background of the study, research problem and objectives, limitations and the significance of the research topic.

1.1 Background of the study

Manufacturing as an activity can involve a large number of multiple companies acting together with each company under taking more activities. The term manufacturing comes from the word 'manufacture' which means something made from raw materials by hand or by machinery or an act or process of making something (Merriam Webster).

Manufacturing (both formal and informal) is one of the sub-sectors of Uganda’s industrial sector. Other subsectors include construction, mining and quarrying, electricity generation and water services. As much as the focus of this thesis will be on manufacturing, however, it is worth briefly highlighting the performance of other subsectors. Construction has been the most dominant sector in Uganda since the year 2000 contributing 16% to the GDP, then manufacturing averaging 8,6% of the country’s GDP, water supply with 2%, electricity with 1,5% and mining and quarrying at around 0,3%. (East Africa’s manufacturing sector 2014)

Despite its contribution to the national GDP, most manufacturing industries/ companies have ended up being home based thus relying mostly on the local market for their business survival in terms of sales and revenue. Also, it is noteworthy that most of these manufacturing companies are still stuck to the old style of producing for raw materials and thus limiting their chances of expanding to the foreign markets. It is this slow shift that still makes Uganda and Africa at large the most commodity dependant continent on earth (The Daily Monitor). This is a very wide topic and different researchers have approached it from different perspectives. The objective of this research is to find out which factors affect internationalisation of manufacturing industries in Uganda and come up with adaptable solutions that can help Uganda manufacturing industries to succeed in their internationalisation campaigns.

The Ugandan manufacturing sector is governed by an association called Uganda manufacturers association (UMA). This is a broad membership based organisation formed in 1988, representing both commercial and industrial sectors with over 700 members from small medium and large private commercial and public sectors in Uganda. Their main mission is to serve and protect the interests of industrialists in Uganda. This association does not only give guidelines of business operations but also provides different trainings to member and non-member companies depending on their motives. It is this support from different factions of the economy that have sped up the growth of the sector. Export statistics show that in 2015 Uganda exports from manufacturing were 24% of the entire export merchandise, nonetheless the export value contribution of manufacturing amounted to over 68% of the total export earnings (UMAmarch2017). It is all this that keeps my mind from not understanding why companies from Uganda fail in their quest to expand across borders and thus my interest and need for this research.

1.1.1 Importance of the research

The impressions of the manufacturing sector to the Uganda's economy over the past years cannot be left out. The manufacturing sector has played a vital role in numerous areas of the economy covering but not limited to the following;

- Infrastructure development
- Employment opportunities/ job creation

- Government revenue in form of tax
- Poverty reduction
- Skill development

1.1.2 Research problem

This simply refers to the main aim of the research. Basically, the research problem describes what we want to find out when the research process is over. The topic of this research is internationalisation of companies in Uganda, the main focal point will be on manufacturing companies and the research problem is “Factors affecting internationalisation of Uganda manufacturing industries”. This topic will tackle the key barriers of internationalisation in the Ugandan context. It will also cover different internationalisation approaches that can help Ugandan manufacturing companies succeed in foreign markets.

1.1.3 Research objective

Ugandan manufacturing sector remains one of the key contributors to the country's economy, its contribution towards job creation, infrastructure development, poverty eradication and revenue among other factors which, cannot be overlooked. The objective of this study is to explore factors affecting internationalisation of manufacturing industries in Uganda and also come up with adaptable factors that can help Uganda manufacturing firms succeed in their journey to expand abroad.

1.1.4 Research questions.

Prior to the research objective, the study will also look into the different questions that will help in gathering the necessary information to reach the anticipated results. These questions include the following:

What challenges do Uganda manufacturing companies face when they go abroad?

What is the key barrier (s) of internationalisation in Uganda's manufacturing sector today?

How can Uganda manufacturing firms overcome this internationalisation problem?

1.1.5 Research limitations

Despite all the material available about the study, the research had to be limited by the following;

- Unwillingness to disclose detailed information from key decision makers of the company.
- Limited representation of the country data since only one company was considered during data collection.
- Financing the project was a big hiccup.
- Timing, since the interviews were conducted over the phone.

1.1.6 Structure of the thesis

This paper is structured into five sections beginning with the introduction in chapter one. Also covered in this chapter is the background of the study, the importance of the research, the research problem statement, objectives of the research and the limitations. The next chapter provides the theoretical frame work of the research. It describes the definitions of internationalisation, internationalisation theories and the motives of internationalisation in Uganda. Chapter three tackles the research methodology used in the study, it also includes the various data sources and methods used in collecting the research data plus the validity and reliability of the research. In chapter four the empirical study is introduced with the analysis and presentation of data gathered from the survey respondents. Finally, in the last chapter discussions, findings and conclusion are presented, and suitable recommendations are discussed.

2 LITERATURE REVIEW

This section will review the extant literature and experimental knowledge on internationalisation known in international business. First it will discuss some of the definitions of the key concept internationalisation, then process theories that are the three models chosen to give an in-depth understanding of the process (the Uppsala model 1977, the Network model 1988 and the born global theory), finally, empirical evidence based on academic sources found is discussed together with motives of internationalisation in developing countries.

2.1 Definition of internationalization

Internationalisation is "to describe an outward movement of an individual's firm or a large grouping's international operations or activities" (Welch & Luostarinen, 1988, 36). Also, Johanson and Vahlne (1990, 11) defined internationalisation as a process in which a company or enterprise gradually increases its international involvement. To add on also, according to Hollensen (2007, p. 5), internationalisation can be referred to as doing business in several countries of the world but often limited to a certain region e.g. Africa or Europe. The reason for this is usually to expand sales to new and more profitable markets. This is verifiable in increasing number of cases because boundaries between domestic and international markets have been decreasing whereas international competition has increased. Besides a wide market base, a firm's international exposure may increase its innovativeness, profitability and advancement in the latest technology (Knight 2000, p. 12-13).

International growth orientation is a construct that distinguishes firms according to their motivation to seek growth in foreign markets, and thus for determining the factors behind the chosen growth strategies (Nummela, Bunmalainen, Saarenkto, 2005). A lot of literature has examined internationalisation as a process and most researchers have also focused on the content of internationalisation strategy (Solberg and Durniev, 2006). Approaches used in explaining internationalisation of firms are often classified broadly in three main categories. These include the process or stage models of internationalisation (Johanson and Wiedersheim, 1975), Uppsala model, Network theory and born global approach.

2.1.1 Theories for internationalization

Over the past decades several studies on internationalisation have produced different theories of the process of internationalisation from diverse perspectives (Amal et al 2010, 610). Internationalisation researches focus on the analysis of the process of internationalisation and most of the analysis consists of methods, motives and behaviour theories of the internationalisation process of a firm (Johansson & Vahlne, 1977; Knight & Cavusgil, 1996; Bell et al 2001). The baseline of this thesis is internationalisation theories which discuss the gradual procedures of internationalisation. Among the theories that I chose to utilise in this thesis are the Uppsala model of internationalisation (Johansson & Vahlne, 1977), the network model (Johanson & Mattsson 1988) and the born global theory.

2.1.2 The Uppsala internationalization model

This model of internationalisation process of the enterprise was first published in 1975 by Johanson and Wiedersheim and later by Johanson and Vahlne in 1977 (Anderson 1993, p. 210 Johanson & Vahlne 2009, p. 1411). In this section of the thesis I will discuss the Uppsala Model theory and its critical views about internationalisation.

The primary feature of the Uppsala internationalisation model could be described like this: “There is a loop process between the market and the enterprise where by market knowledge leads to commitment decisions in the firm thus ensuring marketing activities and in turn leading to increased knowledge, commitment and many more" (Durrieu & Soldberg 2006, p. 60). In other words, the learning process takes place primarily via experience in the market resulting in the company to becoming involved in international markets. According to (Coviello & Munro 1997, p. 61), the basis for internationalisation comes from managerial learning.

The Uppsala model portrays that a firm goes through four (4) steps of gradual engagement during the internationalisation process. In the early stages the firm has no regular export activities, on the next stage the firm is involved in direct exporting, in the third phase it establishes a sales agency and finally in the last phase it sets up a fully owned foreign subsidiary. Also, (Johanson and Wiedersheim 1975 cited in Anderson 1993, p. 210) that firms go through stages of the process called the establishment chain and the selection of the country depends on the so called 'psychic distance'. This means the psychologically perceived difference between local and foreign target countries that managers may have. These factors may include language, culture, political system, level of education, industrial development among others. An internationalising enterprise seeks to find a target country where the psychic distance is relatively low. Figure 1 below shows how a firm's degree of internationalisation progresses over time as it learns from each step as it closes its psychic distance towards new markets. (Christofor 2008, p. 58-61).

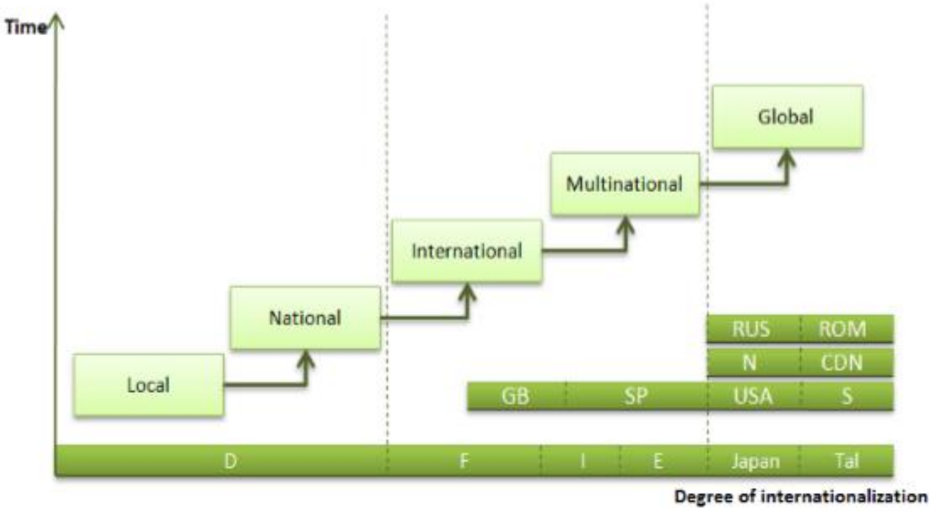

Figure 1. The psychic distance concept (Orig. Sources; Johanson & Weiresheim-paul 1975, Johanson & Vahlne 1977)

Based on the illustration in Figure 1, one can elaborate that internationalisation is a step by step process starting physically close and once knowledge is created with in a firm, internationalisation grows both scope and scale.

2.1.3 The key features of the Uppsala theory

Firstly, organisations attain their knowledge from the home market before moving to the distant markets. Firms also start their overseas operations from countries that are culturally, geographically and religiously close and they proceed slowly to distant countries with similar characteristics. Also, worth noticing is that firms launch their cross-border operations by making use of the traditional exports and slowly but surely upgrading to the use of more intensified and demanding operation modes like sales subsidiaries at the company and the target country level. Lastly, it is the objective of the firm to produce abroad in all markets.

However, despite these features, Uppsala model possesses two change mechanisms that make it dynamic. First, firms change by learning from their experience of their dairy activities in the foreign market, and secondly through commitment decisions made to strengthen their position in these markets. The longer a firm operates abroad the more the experience and the more the market knowledge and in turn this influences decision about the level of commitment and other activities. According to Johanson & Vahlne (2003, 2009, p. 89, p. 1412), lack of foreign market knowledge is the key barrier to internationalisation and, hence, firms must develop paramount knowledge that grows out of experience in their current operations as illustrated in Figure 2.

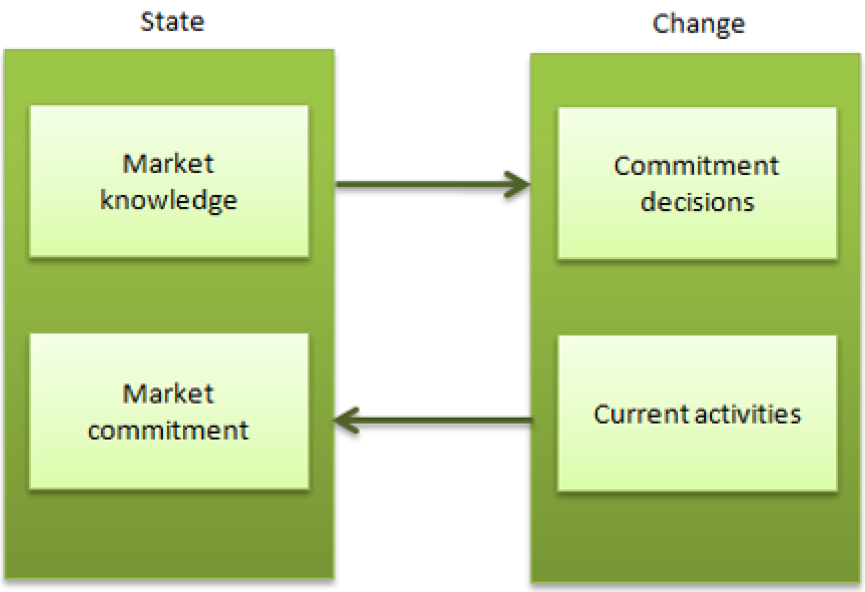

Figure 2. Basic mechanism of internationalisation: State and change aspect (Johanson& Vahlne 2009, p. 1412).

According to Figure 2, the market knowledge raises the level of commitment and this results into growth in international operations in the foreign market and as operations grow, the market commitment increases.

2.1.4 The network Model

This network model of internationalisation was introduced in the 1980s by Johanson and Mattson (Ojala 2009, p. 51). According to this model, a firm's international situation changes as a result of its position in the network of other firms and affiliated relationships. Johanson and Mattson (1988) accord that highly internationalised enterprises position themselves with in foreign network and hence enjoy direct relationships with foreign partners. Different scholars have come out to define networks; As per Johanson and Vahlne they defined business networks as "webs of connected relationships" meaning that the practice that exchange in one relationship is connected to exchange in another (2009, p, 1414). Similarly, Durrieu and Solderbrg (2006, p. 59) explained it as "interlinked relationships both at the individual and organisational level". These networks normally comprise of freelance agents or distributors and sales subsidiaries at later stages of exporter activity, and further down the chain local dealers doing business with final customer. A relative argument was also made by Ford (2002, p. 30) that the two most crucial examples of firm's networks are supplier networks and distribution networks. So basically, according to this model having a network orientation and consequently identifying the roles and the strength of the actors within it provides a firm with an understanding of possible limitations and opportunities for its operations (Axelsson and Johanson, 1992; Johanson and Vahlne, 1992).

The network model draws its emphasis on the network of the firm, which is a wider system than the firm itself for the solo relationship between two firms. Johanson and Mattson's model (1988) discusses that the focal firm is anchored first in its own business operation network but also the process of internationalisation covers all other pertinent network structures in foreign markets (Johanson & Vahlne 2009, p. 1415). The available local networks may also extend beyond country borders if the firm reaches to international markets. More so, in some instances the enterprise may use its domestic networks in order to create new networks in the foreign country. To note also Hollensen (2007, p. 71) pointed out that there are also direct or indirect connections existing between firms and country networks which can be utilised in internationalisation.

Furthermore, based on the network model by Johanson and Mattson (1988) networks are established and developed constantly in the internationalisation process of enterprises/firms. Initially, a firm can start new relationships in the international environments for instance by starting an international extension. Secondly, a firm can grow and increase its commitment for its international networks that it possesses already, for example via market penetration. Finally, a firm can increase the integration of its position to its international networks e.g. by international integration (Johanson & Mattson 1988, 294).

Johanson and Mattson (1988) used the network framework to describe different types of internationalisation. These explain how the level of internationalisation at both micro and macro levels can be conceptualised as four broad firm level international situations. These types include; the early starter, the lonely international, the late starter and the international among others as illustrated in Figure 3 below. Each of these cases has different aspect in extension, integration and penetration in a firm's internationalisation process. Also, the firms on each stage differ in the level of experimental knowledge (foreign institutional and foreign business understanding) (Axelsson & Johanson 1992, p. 218-219).

		Degree of Internationalization of the market	
		Low	*High*
Degree of internationalization of the firm	*Low*	The Early Starter	The Late Starter
	High	The Lonely International	The International among Others

Figure 3. Case of internationalisation of a firm (Johanson & Mattson 1988, Hollensen 2007, p. 73)

The **early starter** has a few un-important relations with companies abroad and thus the possibility that the firm does not have enough knowledge and has a slight possibility to get it from its networks and relationships. At this point, it is best to use agents in the quest for expansion abroad. The use of agents minimises the need for building knowledge in the foreign market as well as reducing the need for investment and risk (Johanson and Mattson 1988, p. 252-253). The main key points for the early starter to go abroad are; minimising the need of knowledge development, minimising the demand for adjustments and utilising the position in the existing market.

The **lonely international** is where a highly internationalised enterprise operates in a low degree market environment. This is the case when the firm has internationalised before its competitors and there by having well-structured networks and existing market position in the foreign market. The benefit of being the lonely international is opportunity to expand networks before its competitors and the advantage of being the first in the market. Additionally, the lonely international has the possibility to encourage other players to its network and thus strengthening its position in the network (Johanson & Mattson 1988, 297).

The **late starter** occurs when "the late internationalised firm can be 'pulled out' of the domestic market by its customers or complementary suppliers to the customers" (Hollensen 2007, p. 73). In other words, a late starter is a firm which already operates in an internationalised market environment. Most of its connections are firms that have already internationalised, however, it has a drawback in the foreign market because it doesn't have as much knowledge and experience as its competitors. Therefore, the need for coordination is higher and the firm should establish sales subsidiaries earlier than the case in early starter (Johanson and Mattson 1988, p. 256).

For the **international among Others**, both the firm and its environment are extremely internationalised, and any extra internationalisation means only marginal extension and penetration. The merits of being **International among others** are; it is having an opportunity further to other markets and being a strong base of knowledge in the net. In a nut shell, the international among others describes a well globally interdependent network where driving forces and obstacles are closely related to the interdependence among firms (Johanson and Mattson 1988, p. 256).

2.1.5 The key features of the Network model theory

The network model is based on theories of social exchange and focuses on firm behaviour in the context of inter-organisational and inter personal relationship. Also, the connection that keeps the relationships together between actors is based on economic, technical, legal and personal ties, and a firm does not act alone in relation to other actors in the market(s). Further still the long-term relationship between business partners and the background in which the firm operates have the illustrative significance in the internationalisation of the firm. Lastly, a presumption in this model is that a firm is reliant on other firms' resources surrounded by the same network for instance customer supplier relationships.

2.1.6 The Born Global approach

The **Born global approach** is another theoretical view point of internationalisation of companies (Knight & Cavusgil, 1996). A born global company is an international business from the beginning or near the starting of the company (Oviatt & McDougall 1994, 518). The born global theory of swift internationalisation has been tackled under different concepts under the term "Born Globals" (Knight & Cavugil, 1996; Moen & Servais, 2002), "International New Ventures" and "Global Start-ups" (McDougall, Shane & Oviatt, 1994). This approach has not been widely used in developing countries because of different economic and financial situations in these countries, however it is a growing trend in the western world. Different companies in developed countries have embraced this approach because they start their international activities from their birth and they enter different countries at once, they approach new markets for both export and sourcing. Various studies show that this phenomenon is attracting more and more companies from Australia, America, Asia and Europe, thus I find it relevant to use it to supplement my literature on early internationalisation of firms.

Companies approach foreign markets from kick off due to new external conditions (Chetty and Campbell-Hunt, 2004), such as improved technology regarding transportation, production and communication and due to entrepreneurs with more international and foreign market knowledge and experience (Madsen & Servais,1997). On the other hand, liberalisation of trade pushes various companies' clients to international market and causes more acute competition derived from imports in the company's home market, these interchanging environmental conditions are paving way for the born global companies to unfold (Oviatt & McDougall 1995, 2000).

The notion of "Born Global" companies was coined in a survey for the Australian manufacturing council by Mckinsey consultants (Rennie, 1993). The survey showed clearly the existence of two types of exporters.

The first type of exporters comprises of around 75% of firms called "domestic based firms" made of home market-based companies, well established in the home market, with adequate skills, a strong financial situation and a good product portfolio. The strategic move for firms inside this group was the foreign market approach but keeping "the primary focus of their competitive activity on home market". The average age of these companies at their first export was 27 years and their total exports accounted for 20% of their sales.

The second group is called Born Global firms, which started exporting on average of only two years after their introduction and attained 76% of their sales via exports. The Born Global firms are successfully competing with larger multinational companies and their subordinates entrenched in different geographical areas. The research reported that these types of companies are available in all industries and are open to competition from "international low-cost provider," however, with a unique product design, they edge the competition through quality and value created with new technology and being closed to customers by "mastering and fulfilling their needs better than anyone on the globe". The Born Global companies, which usually compete in top markets, are very flexible and faster, and succeed due to factors such as (Cavusgil1994):

- Skill to satisfy customised or special-order requests from new clients.
- Advanced technological processes and cost reduction to lower the minimum order quantity to suppliers, allowing also small firms to find a chance to outsource in foreign markets.
- Advanced communication technology that allows managers to work across borders thus creating flexibility, quicker response time and adaptability, all this making small business beautiful and gradual internationalisation less common.

Works by Knight and Cavugil (1996) examined Born Global companies and came to the conclusion that market forces demand alternative modes of internationalisation compared to the traditional view of internationalisation such as the Uppsala model of internationalisation (Johanson & Vahlne, 1977). The unique feature of a Born Global firm is that it goes international at an early stage and the management is aware of the global market possibilities. Often Born Global companies are young firms and may suffer from insufficient financial and human resources, and they may also suffer from lack of tangible resources like property, equipment etc (Cavusgil & Knight, 2009, 53). More so, investors might be unwilling to invest in the new firm and its global operations due to the increased liabilities of Born Global enterprises, therefore Born Global firms too might face obstacles in their new market entries, like gaining a global customer care base and building global networks in foreign markets (Knight & Cavusgil, 2009, 53).

According to Ovaiatt & McDougall (1994), Born Global companies have an edge over their competitors and can easily be successful when going abroad. This is because mostly Born Global companies use differentiation strategy when venturing into a foreign market, and this strategy provides them leverage to compete against their global rivals with a distinct product (Cavusgil & knight, 2009, 60). Illustrated in Figure 4 are different strategies and orientations of a born global company.

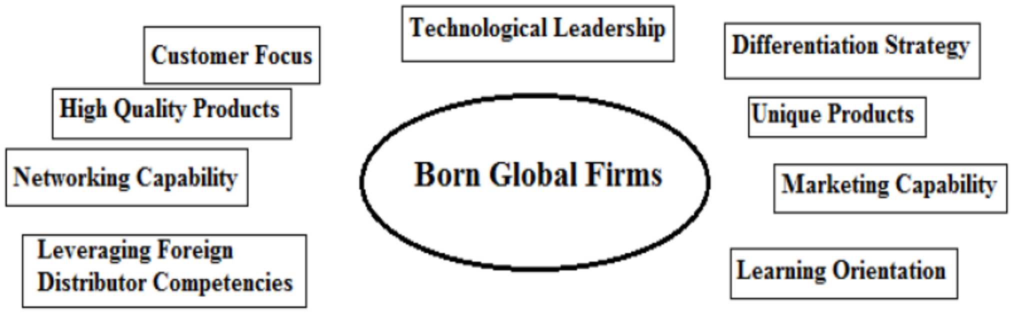

Figure 4. Orientation and Strategies of successful born Global firms (Cavusgil and Knight, 2009)

The strategies and orientations presented in Figure 4 above are all standards that need to be developed and upgraded in order to maintain a competitive edge. For example, customer focus is vital for a company when it is expanding abroad. It is worth noting that customers have different orientations and it is vital to be aware of differences in customer perspectives. More so, having a good network potential helps a company to gain a better network position in an international market. With a great network position an enterprise can access recourses and knowledge that compensates for the limited resources for the internationalising company (Knight & Cavusgil).

2.1.7 Comparison of Uppsala Model and Born global theory

After presenting these two theories of internationalisation in my literature, comes to the part where these two theories should be compared. Illustrated in Table 1 below is the summary of the similarities and differences of the two theories.

	Uppsala-Model	Born Global Theory
Firm characteristics	Old firms with mostly large size	Young firms with small size, a hybrid structure and limited tangible assets
Business strategy	Not referred in the model	Offer innovative products, with high quality and performance that are cost effective to niche markets
Approach to internationalisation	Reactive and opportunistic	Proactive and structured
Speed of internationalisation	Slow and incremental	Rapid internationalisation
Domestic market	Strong home base before internationalisation	Not important; small or non-existent
Psychic distance	Internationalise to close psychic distance countries	Psychic distance is not a constraint for internationalisation
Reason to internationalise	Need for a more solid market platform and domestic downturns	Grow and exploit global markets

		Opportunities to increase global market share and profits
Market advantage	Various years of operation	Strong knowledge base and technology competence
Vision of foreign market	Foreign market is seen as involving in risk and uncertainty. The company keeps risk taking at a low level	Foreign markets are seen as an opportunity
International knowledge and experience	Expertise in internationalisation can only be acquired with experience after company internationalisation and it involves many people	Entrepreneur is important in the internationalisation process, has international experience and knowledge of foreign markets
Market commitment decisions	Gradual acquisition, integration and use of knowledge, due to market uncertainty market commitments are made in small steps.	Entrepreneur has experimental knowledge about foreign markets, so commitments are done faster.

Role of networks	Used in early stages and gradually replaced with firm's own resources	Networks are crucial for the firm's expansion and different market exposure
Special cases	Non-existent	Born-again global firms

Table 1. Comparison of U-Model and Born Global theory. Compiled by the author.

To sum up, there are notable differences between the conventional and born global approaches of internationalisation. For instance, born global companies adopt a more proactive (intrigue to exploit activities to meet current market opportunities) and organised approach to internationalisation, whereas conventional companies tend to adopt to a more reactive (react to changing conditions and passive attitude towards current opportunities) and opportunistic approach (Bell, McNaughton and Young 2001, 1978). This indicates that to study the internationalisation process of a firm, researchers should take into consideration these differences and new theories or developments of old theories to put a company in its present context of analysis.

According to William (2008, p.101), "export initiation is a result of a planned systematic approach to international market rather than the mere fortuitous circumstances". Most exports of African firms are usually triggered by broadened aspirations and proactive opportunity search there by making internationalisation a strategic decision for most of them. Also, the nature of African home markets forces them vigorously to internationalise; some of the companies internationalise in order to escape the difficulty of the home market environment (Azam et al., 2001; Ibeh et al., 2012). Others internationalise due to the small size of the market and the need to diversify their products in order to acquire sufficient returns (Kuada, 2006; Tvedten et al., 2014). Furthermore, discussed briefly below will be some of the reasons why companies internationalise.

Motives of internationalisation of companies

Firms decide to go abroad and enter and foreign markets for different reasons and the variety of these objectives at the time of entry should produce different performance goals, strategies, and even different forms market participation. Although firms often follow a standard market entry and growing strategy, the most common one is often called "increasing commitment" method of market development, where market entry is done through an independent local partner. As business prospers and confidence grows, a change to a directly controlled subsidiary is often accepted. This approach normally results from the urge to grow business in the country as quickly as possible with the desire to minimise risk and the need to learn about the country in question and market from a low base knowledge. Discussed below are some of the reasons why firms opt to do business beyond their country boundaries.

Firstly, there is a hope for increase in sales. If a business is successful in the domestic market, expanding globally will possibly improve the overall revenue. Approximately 97% of the world’s population live outside Uganda, this suggests that customers are global and if the firm looks beyond the shores of its local market, it has some real upside potential.

Secondly, there is the economies of scale; exporting is a significant way of expanding business with the goods or products that are more adversely accepted around the world. In many manufacturing companies, internationalisation can boost companies to achieve greater scales of economy, most especially for firms which are from smaller domestic markets. Also, a company may like to exploit a unique advantage for example a brand, service model or a parented product and, thus, the urge to internationalise.

Furthermore, despite the fact that most internationalisation campaigns are due to financial reasons, some companies go abroad for education and it is urged that if a company is to achieve its full potential of learning from a developed market, it should possibly take part with its own subordinate. Indirect learning via a partner or a domestic distributor is evidently less effective and will add less to the company's ambition of becoming a global player. Apart from the discussed motives, other reasons why companies expand abroad include but are not limited to increasing innovation, exclusivity, competitive strike, government incentives and security among others.

3 RESEARCH METHODOLOGY

In this chapter the research methodology will be discussed. It will briefly discuss various research methods available and the particular one used in this project. This chapter also will explain the source of data, sample size and the reliability and validity of the research.

3.1 Definition of Research

According to Naresh M (2008), research is a systematic and objective recognition, collection, analysis and dissemination of information for improving decision making related to the identification and solution of problem and opportunities in marketing. Naresh's definition has two phrases thus interpreting how research is done and the reason why it is carried out.

The first phrase clears how to conduct research involves systematic planning, identifying the research problem with accuracy, utilising the right data sources for gathering data, accurate analysis of data plus interpretation and presentation of results or findings. Secondly the other part describes the purpose for conducting a research. A well designed and executed research should be able to help improve the chances of making a right decision and be relevant and it can only be relevant if it provides an insight on future studies.

Based on the business dictionary, research is a planned systemised process of investigation that is focused at improving the available knowledge and revealing new facts. Research falls under two types that is: - Basic research and Applied research. Basic research is purposely used for improving scientific knowledge whereas applied research utilises the basic research knowledge acquired for the development of new techniques to help solve problems (The Business Dictionary).

3.2 Method used

The utilised method of research for this study is qualitative. The qualitative research method can be referred to as a form of planned and organised way of inquiring into a subject matter (Shank 2002). Qualitative research has obtained a lot of momentum in these kinds of research because it has proven to be more effective especially for exploratory studies. This kind of research is also suitable in situations like this because it gives thorough comprehension into questions like "why, what and how" which most of time may not be fully answered when using quantitative method (Yin, 1989; 1994). More so, according to Chetty and Stangl (2010) this method is a practical way of getting sufficient knowledge and information on what takes place in a company's systems. Although not inclusive in many enterprises, qualitative method is often suitable in situations where there is call to offer thoughtful analysis of an important issue (Salmi, 2000).

3.3 Sample size

To get a deeper perspective of this research topic, a case company was used. Based on Borch and Arthur (1995) the case study method of research is mostly used in complex studies, especially where many sided circumstances are studied in their real-life conditions. This method looks more appropriate since it will assist the researcher to focus on the topic in question. The case company used in this research is Ronnie's Establishment, which exports and produces agricultural products in Uganda. Since case studies of this type are usually used so as to deliver a profound analysis of the subject under consideration (Salmi, 2001). The sample size of the research consists of two respondents, that is the founder who is also the Chief Executive Officer (CEO) and the marketing manager of the studied company. The reason for considering the two interviewees is to have a better scale of analysis and comparison to attain desired results.

3.4 Data gathering

Data collection methods consist of two main categories that are primary and secondary data. Primary data is the type of data that is collected by researchers themselves without any intermediary. It can also be referred to as first-hand data. On the other hand, secondary data refers to the information acquired and have already been used for another purpose besides the purpose in question. Examples of sources of such data include books, journals, annual reports, articles and electronic sources like the internet. The main positive matter about secondary data is that it is easier to obtain and less time consuming (Zikmund, 2000). In the process of research, both primary and secondary data are used. The secondary data is from the sources discussed above where as primary data is derived from a qualitative research approach employed.

Furthermore, interviews are conducted using semi structured questions with participants from the case study company. These interviewees are able to provide perceptions on how and why to questions asked by reflecting on them based on their understanding, expertise and experience. Semi structured interviews are the main data collection procedure and the interviews are carried out solely by the researcher. Also, it is worth noting that the interviews lasted for 50 minutes and the interview items used were designed to provide understanding into the variables of the model to be studied and are primarily adapted from the literature and modified to reflect the distinct context of the research.

3.5 Analysis of the data

Prior to presentation of the research findings in a more logical and comprehensive way, some of the important points and arguments that unfolded from the respondents during the interview are listed. They are then critically analysed and compared to some of the earlier studies and literature used in this thesis. However, it should be noted that the analysis of the interviews is done objectively based on how the information was stated by the respondents and is free from any form of subjectivity.

3.6 Validity and reliability

Reliability and validity are other important components that are usually considered in every empirical part of any research, this is normally because of the need to understand whether the information provided by the respondents could be counted on or not. To ensure reliability and validity, respondents from the top management were selected and these have been involved with the company since its establishment and have played an important role in its quest for internationalisation. Based on this, the information provided by them can be considered both reliable and valid, this is primarily because these respondents understand the inside and out operations of the company both locally and internationally.

4 EMPIRICAL FINDINGS

4.1 Case company in brief

Ronnie's Establishment is an export company and one of the leading producers and exporters of agricultural products in Uganda. The company was established in 2008 in Nakasero Kampala Uganda. Ronnie’s Establishment started as an agricultural outlet Company producing vegetables and fruits for the local market but due to the increasing demand in the region and the enthusiasm of the founders, the company started expanding its operations by venturing into the neighbouring markets of Kenya, Rwanda and Tanzania. The first steps were taken with in the neighbourhood, Ronnie's target markets were far outside the continent and within seven years the company had its first shipment to the Arab market. The main export destination of Ronnie's Establishment are Dubai, Netherlands, England, Norway and Malta. Some of the main products they export are Jumbo avocado, passion fruit, sweet potato, hot pepper and sugarcane among others.

4.2 The need for internationalization

Ronnie's Establishment started its operations purely as a local producer of agricultural products, hence the company is not a born global firm as it started exporting over seven years after its foundation. However, due to the increasing demand for its products mostly from the neighbouring countries, it started to export products to the East African Triangle that is Kenya, Rwanda and Tanzania and later to the outside world. The need for export was necessitated by mainly consumers in the region, who had lived in Uganda and therefore wanted the products after returning to their countries. After identifying the need, the company decided to export to the three main East African countries because of their close proximity to Uganda. Also, worth noting is that all these countries had one common business language, English, and the presence of a regional bloc, EAC (East African Community), which facilitated the free movement of goods and services among the member states. This ambition of the firm to export to the neighbourhood correlates with the earlier research discoveries like Johanson and Vahlne, (2009) that pointed out that companies begin their activities in the home markets without any form of international involvement but as time passes, they begin international operations mostly via distributors. Anderson (1993) also urges that firms go through stages of the process called establishment chain and the selection of the country depends on close psychic distance which ranges from the similarities of culture, language political system to business practices. This can also be traced from the Uppsala model, which is perceived to be most commonly used in Scandinavian firms as well as applicable to other countries, Uganda inclusive.

4.3 Products and Distribution

The studied company specialises in agricultural products, that is fruits and vegetables and their main products are Jumbo avocado, sugarcane, passion fruits, hot peppers, beans and grains among others. These are mainly grown and harvested from their farms across the country. The company currently has eleven (11) distribution outlets in four regions and they include: three (3) in the Eastern region, four (4) in central and five (5) in south western Uganda. Despite the fact that these centres are on a low count country wide, they are strategically distributed to serve all corners domestically, the company has established a strong home presence and this can be referenced to the early theory of Johanson and Vahlne (2009) that for an SME to internationalise, they have to first build a strong home market base.

4.4 Ronnie's Establishment Foreign Market

Ronnie's Establishment Company currently exports mostly to East Africa, Dubai and the United Kingdom through distributors, although they are exploring other countries in the region and the world as earlier mentioned, these three destinations remain an exception prior to the high demand of Ronnie's produce. It is estimated that over 100,000 tons of produce are exported to these regions annually. Kenya, the largest economy in East Africa, Dubai, one the fastest growing cities in the world and the United Kingdom standing as one of the strongest economies on the globe. All these regions have got a relatively higher percentage of an English-speaking population and a lot of Ugandans have settled in these countries, which supports a strong background of similarities in business practices and provide a market edge for the products. At the moment the case company cooperates with its distributors in these areas to synchronise its business dealings and, thus, bringing in the relevance of the network approach to internationalisation as a vital link to the case study.

4.5 Country information

Located in East Africa, and a land locked country, Uganda is increasingly becoming an investment destination of the East African region. Due to its political stability, infrastructure and strategic location among the regional feeder markets, Uganda is one of the fastest growing economies in East Africa with a market economy. Uganda has a total of population of 44,270,563 people with an income category of lower middle income and it is ranked as one of the easiest countries to do business in Africa with a stable political environment (Doing business in Uganda 2014). The GDP of the country stood at estimated 5,5% in 2017, 4,9 in 2016 and 4,8 in 2015. The inflation rate of the country stood at estimated 5,1% in 2017 (min. of finance highlight 2017). In a move to improve the growth of industry in the country, the Ugandan government implemented policies and support groups like Uganda Manufacturers Association (UMA) and Uganda Export Promotions Board (UEPB) to assist the manufacturing sector in their operations.

5 FINDINGS, DISCUSSIONS AND CONCLUSION

5.1 Findings and Discussions

This section of the paper will discuss and analyse the findings that were revealed during the interview sessions. Each research question will be analysed separately for clarity, however, it should be noted that the discussion and analysis are based on individual and corporate point of view. More so, it must also be noted that this thesis findings and discussions may not be generalised to all manufacturing firms in Uganda but rather specifically apply to the case company in the matter.

Q1. What challenges do Uganda manufacturing companies face when they go abroad?

The research findings disclosed that most exporting manufacturing companies in Uganda are hit by the price fluctuation phenomena. According to Mr. Sekabira (CEO) Ronnie's Establishment, this is one of the most common challenges that scares away companies from engaging in international business, especially those exporting agricultural products. Given the fact that their investment capital is low, investors tend to engage in this business through timing and season, for example a given price of the product may be agreed on for example three months prior to shipment and then the season kicks in, which means that other suppliers from other countries also start to export the same product leading to flooding of the market which again leads to drop in prices, leading in drop in the profit margin expected bearing in mind that the expenses remain constant.

Secondly, most manufacturing companies are reluctant to exporting due to high costs incurred in transporting the products. Most of the goods exported from Uganda are transported by air, and Uganda does not have its own airline that can ship from Entebbe to any destination. This makes the shipping cost too high compared to their counterparts in the region like Kenya and Tanzania that own airlines and can ship at relatively cheaper prices thus Ugandan firms end up getting very low returns, which in the end discourages them from international trade.

Most manufacturing companies especially those in agricultural production, are strained with the quality certificates demanded by foreign markets. In most countries, especially in Europe and the Middle East a company needs to be certified by their own authorities to be able to supply, but obtaining the certificate is another constraint because a lot of details are needed from a company, out growers, packaging, storage etc of which not so many farmers have such detailed information and that poses another big challenge.

Besides the above, Ugandan manufacturing firms are challenged with the problems of dishonesty on the side of the importers. This happens mostly when its agreed to ship the products and get paid after the consignment is received. After receiving the goods then complaints arise, claiming poor quality and being unable to sell the goods all in the name of not wanting to pay for them. This pay after delivery system of dishonesty has drained most exporting companies and, hence, is discouraging them from exporting.

Also discussed were the unstable Forex rates, limited budgets and un-predictable seasons or bad seasons. These are not common challenges but when they strike they cause a lot of harm, for example bad seasons lead to poor yields and the poor yields create shortages in supply, which in the end distorts the business relationship and importers resort to switching suppliers and sometimes ending the business relationship for good.

Q2. What is the key barrier(s) of internationalisation in Uganda's manufacturing sector today?

Inadequate international business skills, Based on the research findings, an internationalising company should be well vast with all the relevant market information of the country it is expanding to from the business culture, language and the code of conduct. According to Coviello & Munro (1997, p. 61), the basis for internationalisation comes from managerial learning. All these can be well set up by employing in various connections from the local subsidiary to the international partner that you are willing to do business with. As pointed out by Johanson and Mattson (1988) a focal firm is anchored first in its own business operation network, but also process of internationalisation covers other pertinent networks in foreign markets. With limited / inadequate business management skills Ugandan companies have failed to connect their dots both locally and internationally leading to a slow rise of internationalisation in the sector

Most international trading activities need an initial investment of time and resources and all these come at high cost. Despite the funding from the government organisations like Uganda Investment Authority (UIA) encouraging people to engage in international business, there is still imbalanced access to finances. According to the CEO at Ronnie's Establishment, this is so because there is still a deep vice of favouritism in these authorities where the funding is normally given to family members and friends instead of more qualified parties. Also, some people are unaware about the availability of this support, and high illiteracy rate in the older generation who is considered to be well off but cannot even apply to the authorities to receive aid, is a huge barrier to the sector. To add on also loan accessibility is complicated, this is so because money lenders, banks and other financial institutions require high stakes of security to give out loans, for example land and property among others, and in instances where loans have been granted, a lot of people have lost their properties because the nature of business they invest in (foreign trade) does not reap quick returns.

The findings also show that there is limited foreign market information available to the companies that are interested in extending their operations abroad. Due to bureaucracy of the management system in Uganda even the access to the basic information is a problem because one has to go through a lot of unnecessary procedures to get the right information, which most of the companies are not willing and patient to do. A few companies resort to online searches where some are scammed and that is why there a few that have managed to do business abroad. These findings can be related to the Uppsala theory where Johnson and Vahlne (2003, 2009 p.89, p1412) said that lack of foreign market knowledge is the key barrier to internationalisation and firms must develop enough knowledge that grows out of experience in their current operations.

The findings also indicate that there is a high degree of public unawareness on the availability of the of the export promotion services from the Uganda Export Promotions Board (UEPB). This board is a public Trade Support Institution (TSI) and its fundamental role is to facilitate and coordinate the development and promotion of Ugandan exports and their core functions include:

- Providing trade and market information
- Promoting and coordinating the development of exports
- Providing trade promotional services
- Providing customised advisory services
- Formulating and recommending to government export plans, policies and strategies.

However, despite the presence of these services in the Ministry of Trade and Industry, there is little to no information known about them, which is a big hinderance to the growth of the sector.

Apart from the above barriers, manufacturing companies also encounter the problems of unfamiliar foreign business practices, limited information to locate and analyse the markets, developing new products for foreign markets, unfamiliar exporting procedures/paperwork among others. However, much as these additional barriers are seen as essentially perceptual or psychological, their overall incidences tend to reduce as companies develop more experimental knowledge in foreign markets. This is relevant with the ascendant theories that explain internationalisation behaviour, particularly the stage of development models (Johanson and Vahlne, 1977). Also, the basis of knowledge is also emphasised by research evidence on the born global firms and accelerated internationalising companies, most of which tend to count on critical knowledge assets (Haris and Li, 2005).

Q4. How can Ugandan manufacturing firms overcome this internationalisation problems?

Manufacturing firms should take the initiative to create as many networks as possible, both locally and internationally in their early stages of growth. As referred to in the theory a close psychic distance will be great to start with and they increase it gradually to the next level.

The government should invest more in the farmers that engage in export activities by for example providing some soft investment loans, creating positive awareness of the benefits that come with investing in international business, promoting modern ways of agriculture like irrigation especially during the dry season so that farms should be productive the whole year round.

The responsible agencies should simplify the certification processes of the interested companies. Also, reducing on the annual charges of membership of Uganda Export Promotion Board (UEPB), inspection charges from the ministry of agriculture can be a huge relief and a positive sign of encouragement to interested parties.

Partnerships with other well-established companies in Europe and other parts of the world would increase the exposure of these firms as well as expanding their market base and, thus, easing their internationalisation process and access to new markets. Having partners will also mean that the company can be able to process or ship goods in larger quantities since there is a place where the goods can be stored safely rather than making multiple shipments, which is rather costly.

5.2 Main findings

The main findings of the study indicate that inadequate access to finance is one of the key blockers to internationalisation in the sector. This is due to the dominant 'who knows who' policy that is implanted in the government systems that offer all the relevant support. In other words, support is easily accessible to relatives, friends and families.

Most business are owned by old aged group that gained their wealth from inheritance and have limited international business skills. These are still stuck in their old ways of management and business development and, thus, creating no shift in the growth of the sector.

Due to hierarchy system of management in government institutions, there is less market information accessible from them. This is so because one has to go through a lot of procedures of which some traders are not patient and willing to wait. Some firms reach an extent of giving bribes, hence, leaving the less privileged companies out of the game.

Another key discovery is that there is unawareness of export promotion programs to the public. These are government programs meant to support individuals and companies engaging in cross border trade but due to poor publicity of these programmes from the Ministry of Trade and Industry, there is very limited information known about them. This has slowed down the whole campaign of internationalisation in the sector.

From the theoretical perspective, it can be said that impulsive networking is necessary in the manufacturing sector both locally and internationally. In doing this the sector should take a gradual procedure considering a low psychic distance and having a concrete ground in the closest markets before expanding globally. Also, worth noting is that there are a few so called ‘brief case companies’ that claim to be born global companies. However most of these are owned by people from the diaspora but based on my personal analysis they are still too far to qualify as born global firms. So, the concept of born global theory in this research is primarily used for comparison reasons between the “new school and old school” ways of internationalisation and between developed and developing countries.

It can then be concluded that manufacturing companies in Uganda can succeed more by using a step by step approach. Considering the state of the economy where companies have low investment capital it is necessary to take the traditional approaches (Uppsala & network) into plan, however as the investment capital grows, it will always be of great advantage to jump (born global).

5.3 Suggested areas for further research

As suggestions, further research can be done in the following areas:

(i) To find out how to increase internationalisation levels of the manufacturing sector in Uganda.

(ii) To investigate what suitable processes (mode of entry) should the Ugandan manufacturing sector use to succeed in foreign markets.

(iii) In further research, one should consider a bigger sample size that is more than just one company so that it could represent the whole sector and consider using both qualitative and quantitative methods of data collection for more in-depth results.

5.4 Recommendations

Based on the findings in this research, it is recommended that:

(i) The government should create awareness of the availability of trade support services in the Ministry of Trade and Industry. This can be done through educational seminars in different parts of the country and by educating the masses about the benefits that come with involving in international trade.

(ii) The government should avail and allow easy access to the internet to ease access to important trading information both locally and internationally.

(iii) There should be creation of a more balanced economy where everybody is served equally irrespective of tribe and royalism.

(iv) The research has shown that one of the key factors affecting the manufacturing sector is poor access to finance, therefore I think it is necessary for the government to ease accessibility to financial support especially to those companies that are involved in foreign trade.

(v) Based on the findings, recommendation can be made that manufacturing companies need to establish more networks in foreign markets beginning with those with low psychic distance, for example, the neighbouring countries.

6 CONCLUSION

In a nutshell, despite their performance locally, manufacturing companies still face a lot of struggles in their quest to expand internationally. The main objective of this thesis was to find out what factors affect the internationalisation of manufacturing companies in Uganda. Besides the main objective there were other guiding questions which helped to reach the final conclusion. These questions were: What challenges do Uganda manufacturing firms face when they go abroad. - What is the key barrier (s) of internationalisation in Uganda? -How can Uganda manufacturing firms overcome this internationalisation problem? These questions and a qualitative research method highly facilitated the main research objective.

The findings unveiled a lot of factors that affect internationalisation of manufacturing companies in Uganda, but among them there were four main factors that were overly emphasised, and they include: poor access to finance, inadequate international business skills, imperfect foreign market information and unawareness of the existing export promotion programs. Although these findings may not be a representative of the whole manufacturing sector in Uganda, they can provide some basic idea and footings for further research.

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APPENDICES

APPENDIX 1

Interview Guide.

Below are the questions used during the interview?

Introduction – position held – duration of work.

1. What challenges do Uganda manufacturing companies face when they go abroad/internationalise?
2. What do you think is the key barrier of internationalisation in Uganda's manufacturing sector today and why?
3. How can Uganda manufacturing firms overcome this internationalisation nightmare?

APPENDIX 2

Interview details

As noted earlier, the sample size of this study comprised of two respondents who are both involved in the management and operations of the company. Their selection was based on convenient sampling. Below are their details at the time of interview.

Respondent 1

Name: Sekabira Ronald

Position: CEO & coordinator international operation

Email: sales.ronnie@outlook.com

Interview method: Telephone interview

Duration 40 – 50 minutes

Date: 28th November 2017

Time: 15:30hrs

Respondent 2

Name: Mugenyi Ambrose

Position: Marketing manager

Email: amugenyi@gmail.com

Interview method: Telephone interview

Duration: 35 - 45 minutes

Date: 18th December 2017

Time: 15:00hrs