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# Assessing cultural factors influencing choice of business entry mode in a developing country: Case Biolan Group and Global Dry Toilet Association of Finland in Zambia

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Assessing cultural factors influencing choice of business  
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Global Dry Toilet Association of Finland in Zambia

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Liiketalouden koulutusohjelma  
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**Arviointi kulttuuristen tekijöiden vaikutuksista liiketoiminnan aloittamisstrategian valintaan kehitysmaassa: Tapaustutkimus Biolan Group ja Käymäläseura Huussi ry Sambiassa**

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Opinnäytetyön tavoitteena oli kerätä informaatiota ja analysoida Sambialaista yrityskulttuuria, jotka vaikuttavat yritystoiminnan aloittamiseen Sambiassa. Päämääränä oli myös löytää paras kestävä yritystoiminnan mukainen metodi, jota Biolan Oy voisi käyttää laajentuessaan kehitysmaihin, tässä tapauksessa Sambiaan. Opinnäytetyö tehtiin Huussi ry:lle, joka tekee Biolanin kanssa yhteistyötä.

Tutkimuksessa käytettiin kvalitatiivisia tutkimusmenetelmiä. Aineistoa kerättiin teemahaastattelulla sekä kirjallisuudesta. Myös median- ja yleisen keskustelun seuraamisella oli iso osa tiedon keruussa. Haastatteluun valittiin kolme henkilöä, joilla on ollut pitkän ajan kokemus Sambialaisesta työkuulttuurista.

Tärkeimmät asiat, jotka nousivat usein esille haastatteluissa ja muodostivat yhtenevän linjan, olivat kulttuurin kollektiivisuus, suuri valtaetäisyys ja korkea kontekstisuus. Maan taloudellinen tilanne ja sen vaikutus kulttuuriin ja toiminta ympäristöön nousi esille useaan otteeseen haastatteluissa. Sambia on yksi maailman köyhimmistä maista ja sen infrastruktuuri on kehittymätöntä. Tämä tuntuu määrittelevän monia toimintatapoja maan yrityskulttuurissa. Korruptio oli myös yksi asia, joka vaikuttaa Sambialaiseen yhteiskuntaan ja vaikuttaa yritystoimintaan.

Suosittelun strateginen toimintatapa on kombinaatio kahdesta metodista: Yhteisyritys, joint venture ja Bottom of the Pyramid metodi. Lisätutkimusta suositellaan tehtävän yhteistyön laajuuden mahdollisuuksista. Kahden hyvin erilaisen organisaation liiketoiminnallisen yhteistyön onnistumiseksi, suositellaan lisätutkimusta organisaatioiden toimintatavoista.

Asiasanat: bottom of the pyramid metodi, joint venture, kulttuuri, kehitysmaa, korruptio, yrityskulttuuri

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The purpose of the thesis was to find out and analyse the key factors in Zambian culture and business culture that influence choice of business entry method for dry toilet market in Zambia. The other aim was to find the most suitable entry mode for a developing country, in this case Zambia. The thesis is a case study and it was commissioned by The Global Dry Toilet Association of Finland who is seeking business possibilities with Biolan Group in the region.

The research method applied was qualitative. The theoretical part is based on literature on internationalisation and sustainable business methods. Background research on Zambian national culture was accomplished with in-depth theme interviews of three professionals who have long term experience of the country. Following the topic in the media also constituted a big part of gathering information on Zambian culture and sustainable business methods.

The key factors in Zambian culture, which surfaced from the interviews, were collectivism, high power distance, high context and the economical position of the country. The economical position and the current economical and the private sector reforms affect the change in the culture holistically. Zambia is one of the world's least developed countries, which is one of the major elements that characterise Zambian business culture and the operational environment. Corruption is still prevalent at the point of public service delivery and the infrastructure is undeveloped.

The recommended entry method for Biolan Group and Global Dry Toilet Association of Finland would be a combination of two methods: Joint Venture and Bottom of the Pyramid method. Further research into the possibilities of co-operations is recommended. Also further investigation regarding corporate culture; the merging of the two entities, whose objectives and operational methods are very different, is suggested.

Key words: culture, business culture, bottom of the pyramid method, business culture, corruption, development country, entry mode, joint venture

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## 1 Introduction

### 1.1 Background

The Global Dry Toilet Association of Finland (GDTF), Käymäläseura Huussi ry, a Finnish non-governmental organisation and a Finnish environmental goods producer Biolan Group have been working together in projects promoting dry toilets as one of the answers for ecologically sustainable development, clean water and sanitation. According the World Health Organisation (WHO), more than one billion people lack the source of safe drinking water. 2, 6 billion people, of the world's population, lives without any kind of sanitation system (Huuhtanen & Laukkanen, 2006). Due to lack of sanitation, clean drinking water and lack of hygiene two million people die of diarrheal diseases annually. By improving water supply, sanitation and hygiene, 4% of the global disease burden could be prevented (WHO 2010).

GDTF has been active since 2002 and has development projects all over the world. They have been active in Zambia since 2006. The new project for GDTF and Biolan is to find out business possibilities of ecological sanitation in developing countries. Sari Huuhtanen, the coordinator for the Zambia projects at GDTF lectured in Laurea University of Applied Sciences in 2010 and has done her Master's thesis on the subject. Initially I contacted GDTF for a project work in early 2010 and did a competitor analysis of dry toilet suppliers in Southern of Africa. From there arose the idea of continuing with the project and doing my own final thesis on the subject.

The thesis concentrates on assessing cultural factors in perspective of market entry in a developing country, Zambia. Culture is one of the key issues a corporation needs to consider when entering international markets. When penetrating markets in an undeveloped economy, there is a great need for profound consideration of sustainability and the national culture holistically, because of the weakness of the social structure in these countries.

The Conversation about business in developing countries has had new fertile points of view in this century. Minna Halme and Peter Dobers argue in their article Corporate Social Responsibility and Developing Countries (2009) that there is an urgent need for a shared effort by the private- and public sectors as well as the non- governmental organisations to develop structures that will decrease injustice, poverty and environmental misuse. When business in developing countries (or developed countries) aims to operate sustainably, the importance of understanding national culture is highlighted.

There has been a lot of discussion also on the subject of traditional development aid failing the third world. Dambisa Moyo, an international economist who originates from Zambia,

criticises the traditional development aid. She argues that the development aid should be stopped and development countries need the opportunity to be taken into the global markets. She continues that the way forward is in the free markets. Because the structure of population in southern of Africa consists of more than 60% of people under the age of 24, what development countries need is job creation (CNN news 2009).

When markets are opened to private capital at the base of the economical pyramid, there is a danger of exploitation. Continuous collaboration of governments, NGO's, and the private sector is the key answer to the problems, some expert's belief. The ministry of foreign affairs of Finland believes that by developing the private sector and the operational environment, sustainable economical growth is enhanced leading to poverty reduction (Ministry of Foreign affairs of Finland 2010).

The basic requirements for economical development are functioning and effective infrastructure, which includes also waste management (Nyrölä 2000). Providing and managing of basic infrastructure is usually the society's responsibility. However the development countries lack the resources to fulfill the required level of infrastructure to enable economical growth. Jukka Nyrölä continues that solving these problems requires creation of functional local investment markets. Free markets and privatising the public institutions are part of the structural change that a lot of the development countries are going through. These changes will enable the use of private capital, Nyrölä believes (Nyrölä 2000). The Global Dry Toilet Association of Finland supports a local waste management company Necos in Zambia. Like many specialists in the field today, GDTF believes that the best way to develop sanitation in development countries is through creating business in the sector. Business attracts new investors to the sector, which at present is severely under budgeted. About the business possibilities of dry toilets in Zambia, Sari Huuhtanen writes in her dissertation: "Businesses can be created either locally, globally or in combination of this. " (Sari Huuhtanen 2009, 1)

The Finnish government supports development projects of small and medium sized companies in Zambia (Ministry of foreign affairs of Finland 2009). At present, trade between Finland and Zambia is scarce. Consultation on cooperation between Finland and Zambia took place in Lusaka in May 2010. In the consultation were present the under-secretary of state for development policy, Ms. Ritva Koukku-Ronde and the head of Zambian delegation, the Minister of Finance, Situmbeko Musokotwane and the Minister of Commerce, Trade, and Industry Felix Mutati. An agreement was signed for Finland's support to the Second Phase of the Private Sector Development Reform Programme. This is in line with the Minister for Foreign Trade and Development Paavo Väyrynen visiting Zambia last year and the Zambia's Minister of Environment, Natural Resources and Tourism, Cathrine Namugala visiting Finland in May 2010.



Finland is committed to support Zambia's private sector development for total of 8 million Euros over 2010-2014 (Ministry of foreign affairs of Finland 2010).

The subject: Assessing cultural factors influencing choice of business entry mode in a developing country was chosen because co-operation between an NGO and a private company doing business in a developing country itself is interesting. Development aid is going through structural changes. Sustainable and ethical business is one way of contributing to the commonwealth. A project or a study subject, which would be useful in a real-life encounter, was wanted for the thesis. Ethical- and sustainable business has been the key issue in the writer's studies and all the information gained has been reflected through this theme. The project with GDTF offers the possibility to combine the knowledge gained from business studies with personal interests in nature conservation, previous studies and development work into a practical outcome.

## 1.2 The research problem

1. Finding out and analysing the factors in Zambia's business culture that Biolan Group and the Global Dry Toilet Association of Finland (GDTF) need to consider when choosing the entry mode and strategy in entering Zambia's dry toilet and sanitation markets.
2. Finding the most suitable entry mode for a developing economy, in this case Zambia

## 1.3 The research method

The research is a case study and uses qualitative methods. A case study is typical to qualitative research and it has been defined in many different ways (Metsämuuronen 2006). The definition that qualifies to the thesis is that the research is tied to the context and is aimed at providing a diverse understanding of a situation/group of people, using multiple methods to gather information. The research is descriptive and it does not aim for a generalised outcome. The qualitative research method is chosen, because the knowledge of culture is gained by observing, from interviews, media and literature. The meaning of the research is not to compare or to confirm a previous theory as quantitative research does but it aims at gaining an intensive understanding of the specific topic (Hirsjärvi, Remes, Sajavaara 2001).

The information will be gathered from various literary sources and media as well as from interviews. The objective of the interviews is to gain deeper insight to the Zambian culture and practices in the operational field by gathering first hand information. The interviewees are professional and academic people who have worked and lived in Zambia.

The information on the culture is viewed in light of the theories on internationalisation and of sustainable economic growth in order to gain an understanding of the operational environment in Zambia and the most suitable entry mode for a dry toilet business there.

#### 1.4 Structure of the study

The first chapter: Introduction is written in order to familiarise the reader with the subject and give a brief introduction to the general debate about the importance of sustainable business and development aid. The chapter gives an overview of the study containing the background of the study, the research problem, -methods and the structure of the study.

The second chapter identifies the case company Global Dry Toilet Association of Finland. The chapter begins with the history of the association and their vision. The chapter continues with the main operations and concentrates on the Zambia projects giving a short introduction on the GDTFs work and accomplishments in Zambia. Finally, the chapter tells about the cooperation between The Global Dry Toilet Association and Biolan Group.

The third chapter gives a short introduction on the typical entry modes and strategies that are traditionally used in international business.

The fourth part of the paper discusses the role of culture in choosing the right entry mode. Zambian culture and business culture are looked into and discussed in context to the theoretical assumptions on culture collision. The chapter aims at piecing together the national culture, which would reflect in business operations in Zambia. The interviews are used as a source of information of the national culture and reflected to the theories Hall and Hofstede on culture collision.

In the fifth chapter: Business entry methods in developing economies, begins with a discussion of the role of Corporate Social Responsibility in relation to the laws and incentives that affect the investment culture in Zambia. The theory behind the Bottom of the Pyramid is introduced shortly.

The sixth part is a country profile of Zambia. The current economical position and economical history as well future hopes are discussed in relation to the development of the current investment field and business culture in Zambia.

The seventh chapter brings together the cultural factors affecting entry to the Zambian market. A strategy that would be eligible for the Biolan Group and the Global Dry Toilet Association of Finland is proposed and reasoned.

The final eight part of the study is the summary. At the end is the list of references used in the study.

## 2 The Global Dry Toilet Association of Finland case company

### 2.1 History

The Global Dry Toilet Association of Finland started from Kangasala, the Western of Finland from the personal interests of Raini Kiukas. At the time Kiukas worked as a secretary of nature conservation in the community. Kiukas noticed the people's interest in dry toilets, but found no unbiased or neutral knowledge on the subject. As a civil activist, Kiukas gathered together people who were interested in the subject and from there; they decided to establish an association.

The Global Dry Toilet Association of Finland was founded in Tampere in 2002. GDTF is a politically independent association that operates globally and is actively implementing different sanitary projects. GDTF has some 300 members and 20 organisational members (GDTF 2010).

The vision of the association is to make dry toilets an essential part of sustainable development in order to give future generations the possibility to enjoy clean waters and a healthy environment. The aim of GDTF is to promote the use of dry toilets by informing, doing research and development work on dry toilets. They publish their own research and promote the dry toilet culture. GDTF organizes exhibitions and other functions. They also act as lobbyist for dry toilet users (GDTF 2010).

The board of the GDTF started its work without appropriate premises as people worked from their home computers. A significant event in the development and operations in the association's history was that they were selected to promote the work of NGOs in the third world water forum in Kioto Japan in 2003 (GDTF 2003). At the water forum in Kioto the emphasis was still on water functioning toilets. GDTF decided to hold an international conference solely on dry toilets. In August 2003 the conference: Dry Toilet 2003 was held in Tampere. The conference was first of its kind and attracted people from 30 different countries. The conference is now held regularly.

GDTF launched the term DT-technology, which is an abbreviation from the words dry toilet technology (GDTF 2002). Dry toilets are one part of the DT-technology which emphasizes the appropriate handling of human waste so that it ends up back in the nutrient cycle duly and hygienically. Clean waters and water conservation are also an essential part of DT-technology (GDTF 2010).

The association is a member of a few other associations and does close co-work with them: Tampereen ekokumppanit klub, Kehitysyhteistön palvelukeskus (KEPA) and international associations: The World Toilet Organisation WTO, The World Toilet Association (WTA) and Sustainable Sanitation Alliance (SuSaNa).

## 2.2 Operations

The focus of the operations is in projects implemented with external money. GDTF has been profitable since 2006. Money is raised through different fundraising campaigns, giving lectures and from the annual Dry Toilet Conference. The projects in developing countries get funding from the Ministry of Foreign Affairs of Finland (Huuhtanen 2010). GDTF is one of the national environmental associations whose funding has been noticed in the Finnish government's budget (GDTF 2008). The Ministry of Foreign Affairs of Finland funds the project with 8,5%. The Ministry of the Environment funds the association with 3000 Euros per month (Huuhtanen 2010).

GDTF started their development country co-operations in 2005 with kuivakäymälöitä ja kehitysyhteistyötä -project (KUIKE). The product of this project was a sanitation guide (GDTF 2005). The organisation has several ongoing projects in 2010. They have two projects in Karelia: The promotion of dry toilet use in Karelian region and Development of sanitation in Karelian villages and three ongoing projects in southern of Africa. One of these projects is in Swaziland and two in Zambia. Zambia is one of the main fields of GDTF's operations and the association has been active in the country since 2006 when the Ministry of foreign affairs of Finland funded their first project in Kaloko. Kaloko has an average of 10 000 people of whom 60% are without sufficient latrines (Huuhtanen 2010). The dry sanitation improvement programme for Zambia (Zasp-programme) has been successful and has been granted further funding until 2011. With the help of the project, several new toilets have been built near schools and clinics (Huuhtanen 2010). The main goals of the project are to improve sanitation in the area, to improve hygiene awareness and the right use of human waste as fertiliser.

GDTF's third project in a developing country started in 2008 in Lusaka, the capital of Zambia. The project is concentrating on the situation in Madimba which is one of the unofficial suburbs in Lusaka. Madimba is very densely inhabited and a lot of the citizens keep small gardens for food production and livelihood (GDTF 2010). The area suffers from floods which with the nonexistent sewage network causes pathogens to spread in the area. Pathogens are germs that cause disease (Merriam Webster 2010). The goal of the project is sanitary education, giving information about human waste as a fertiliser, building more toilets and wells. They are also investigating possibilities to build cheaper toilets for household use (GDTF 2010). The aim is to reduce the cost of a dry toilet to 100 Euros from the current cost of 500 -

1000 Euros. The Global Dry Toilet Association of Finland works in co-operation with different organisations locally to tackle these tasks. For example they are building dry toilets with the Zambian Network for Environmental Concerns and Solutions, NECOS and the Lusaka City Council (Heiskanen 2010).

### 2.3 Staff

GDTF has 3 people on pay roll. Two of them are working with the development projects and the third person works as a secretary. The organisation does not have permanent staff but the people work as project workers and trainees. Volunteers are essential for the association. Also the board does voluntary work in order to keep the cash flow and operations in balance (GDTF 2010).

### 2.4 Co-operation with Biolan Group

GDTF and Biolan Group have been partners from the start of the association. Biolan has not been involved with the African projects before but they have supported the project Development of sanitation in Karelian villages in 2008-2010. Biolan has also contributed to the national projects. From the co-operation with Biolan, GDTF hopes for funding for some sample dry toilets in Zambia (Huuhtanen 2010). The co-operation is hoped to have even further opportunities. This study is based on the assumption that there is a real opportunity for Biolan Group to access the Zambian markets.

Biolan Group is a Finnish family company founded in 1974. Company develops, manufactures and markets growing media, fertilizers, soil improvement materials and products for composting. The Company is also involved in the development of products and techniques designed to promote the processing and utilisation of household waste and other types of waste, and the enhancement and protection of the environment. (Biolan, 2010)

Biolan Group and GDTF believe, like many specialists in the field today, that the best way to develop sanitation in development countries is through creating business in the sector. Business attracts new investors to the sector, which is under budgeted. "Businesses can be created either locally, globally or in combination of this. "(Sari Huuhtanen 2009, 1)

## 3 Traditional entry modes, theoretical aspects

In this chapter the most typical internationalisation strategies and entry modes are introduced in order to understand their special features and the operations they involve. Internationalisation and globalisation are terms used widely today in business and they have differ-

ent definitions depending on the views. The traditional Nordic definition for internationalisation of a company highlights a gradually increasing involvement in international operations and the expansion of foreign markets and clientele. It is used to describe the operational environment of a company. Usually internationalisation starts from neighbouring countries that are geographically and culturally close to the mother company. Finnish companies usually start their path of internationalisation from Sweden, Estonia or Russia (Ahokangas & Pihkala 2002). Globalisation applies to business that expands rapidly. Ahokangas and Pihkala separate the two terms global company and multinational/transnational company. The term, global company applies to both small and medium sized companies as well as to bigger, multinational companies. Multinational companies are companies that have production units in several different countries and large compound of its revenue is comprised abroad. Small and medium sized firms can be global with a strategy that has been formed to succeed globally, in different continents. There are also companies that are born global. These companies have a strategic global focus from the start of operations (Ahokangas & Pihkala 2002, 15-17).

An entry mode is a method of operations that a company chooses to use when entering foreign market. They are divided into three main types of operations: Export and import, contractual agreements and local presence. The benefits and problems of each entry mode are discussed in short in the following sub chapters.

### 3.1 Export and import

Export and import are the strategies that require the least involvement from the company. Ahokangas & Pihkala (2002) separate import activities as inward driven internationalisation. To count as international activity, purchases must be direct. The company chooses the mode depending on the degree of knowledge and experience or the basic need of the company. In import and export, intermediaries are often used to facilitate the operations. The services of intermediaries, although expensive are practical because they know the foreign market's conditions, have existing contacts and a reputation as well as sales staff. Intermediaries are usually export management companies and trading companies who deal with logistics and financing (Czinkota, Ronkainen, Moffet 2003, 282-284).

#### 3.1.1 Indirect involvement

With indirect involvement the company does not deal with the foreign customer or supplier directly but through a domestic intermediary. Indirect involvement might occur even without active acknowledgment of the operation and is dealt with domestic currency. This mode does not require extensive knowledge or experience in international business. The activities have little risks and do not require a lot of additional expenses. The mode is an easy way of starting international activities, especially for mass production companies or for goods of low de-

gree productions such as cellulose. The problem in indirect export is receiving information. The information obtained, comes through intermediaries and is often received too late or not at all. It is always filtered by the intermediaries and might be distorted (Ahokangas & Pihkala 2002, 31). Due to this development of primary production and processes is difficult.

### 3.1.2 Direct export

Direct export requires competences in international business and Ahokangas and Pihkala (2002) refer to the mode as the first genuine export operation. The company needs to develop a relationship with foreign customers and companies participating directly in the markets. This requires language skills, knowledge of export routines and company's internal processes. In direct export the company uses intermediaries in the target country and might have to get involved in currency trading. Compared to indirect export, the benefits in direct export are a shorter supply chain which makes also the information chain shorter and might be a relevant price cutter. A foreign intermediary probably has better knowledge on the markets the end customer as well as sustainable connections than a domestic intermediary. The company will have a better opportunity to adapt to the changes in the foreign market and develop its processes and products. When participating in direct export the company has opportunities to learn about their competitive advantages in the foreign markets. Having first hand information makes it easier to adapt and expand. The obstacles faced, relate to the previous. Finding the right suppliers and customers can be costly in capital as well as in time.

When in contact with a foreign actor, cultural differences and language barrier may become a problem resulting in thin contracts operating under the foreign government's laws. Because laws differ from country to country, it might be very difficult to negotiate a contract which is understood the same way by both entities in the possible litigation situations. Therefore it is advised to use legal assistance with all the complex contracts (Ahokangas & Pihkala 2002).

### 3.1.3 Own Export

Own exporting is the third option for exporting. In this option the activities are not operated through intermediaries but the company delivers the products directly to the end customer. In all of the cases the result is that the goods travel from one country to another (Ahokangas & Pihkala 2002; Czinkota & al. 2003). The costs in own exporting are usually higher than in indirect or direct exporting but it has benefits that the company might find worthwhile. The benefits include the unfiltered information directly from the customer and having control over the export operations. Own export also allows the company to develop a long term relationship with the customer that enables effective marketing and sales operations. Own export

works best in situation when there are relatively few potential customers and the product is relatively expensive and/or the customer needs tailored products for its own purposes. Usually the sales volume needs to be high for the operations to be profitable. The need for working capital in a company doing its own exporting is high because of the logistical operations. Also creating and managing the marketing organisations as well as training and recruiting staff are costly in time and capital (Ahokangas & Pihkala 2002).

The internet has opened new ways of marketing and finding the right customer without actually having had to find physical retail space in the foreign country and thus saving capital and time (Czinkota & al. 2003). The internet also enables direct contact with the customer without intermediaries further enabling lower prices and quicker delivery times.

### 3.2 Contractual Agreements

If companies share similar strategies, they can join forces with contractual agreements. Contractual agreements can be made for joint R&D, joint marketing or - production. They may also include licensing and cross-marketing or complementary marketing activities such as piggybacking. With these alliances companies are able to achieve objectives they would not reach by themselves. The investments in research and development are often so excessive that a corporation could not cover the costs on its own. Alliances are also concocted in order to block and to co-operate competitors and to get coverage in the market.

#### 3.2.1 Contract manufacturing

Contract manufacturing or outsourcing is also a form of contractual agreement. A corporation separates its operations in different locations. Physical production is often moved to a country where the production costs are lower enabling the company to concentrate on research and development and marketing especially if the latter are the key competencies of the company. The benefits are gaining access to global market places and the reduction of operating costs. Contract manufacturing has been criticized for exploiting cheap labour countries by putting pressure on them to keep the costs down. Outsourcing is often criticized also in the home front for creating unemployment by downsizing and closing factories.

The defenders claim that these operational activities do not have long lasting effects in the home country. They also claim that with the manufacturing agreements they are giving the companies, especially in the developing countries, a change to gain in experience in the field, product design and manufacturing technology thus enabling them to access the global markets.



### 3.2.2 Management contract

Management contract is often a solution in situations where the government regulates ownership. Certain countries require majority or the whole ownership of companies. In management contract the company sells the expertise in management and the running of manufacturing still holding on to the distribution and controlling the distribution channels.

Turnkey operation is a specialized form of management contract. In this form a company sells a package to another entity providing organisational skills that might not be available locally. The outcome is that the locals take over the operations after a given period. When the project is running the operations will be owned and run by the client company. Assuming that the client company grows into the knowhow and responsibility quite quickly, the risk of international venture for the company supplying the service is lowered. The company still maintains significant amount of control with the training programme and is able to commercialize its service knowledge. In service based economies turnkey operations are an advantage in situations where the staff would have to be laid off due to fluctuations in business volume and outsourcing (Czinkota & al. 2003, 292-295).

NGOs use a model in a lot of the projects operated in developing countries that resembles turnkey operations. Sustaining the operations and handing the project over to the locals is the goal. Of course this requires that the expertise given to the local operators is sufficient and organised accordingly.

### 3.2.3 Licensing

Licensing agreement permits a company to use another firm's intangible assets: Patents, copyrights trademarks, technical- or business know how or technology. The licensee, who receives the intellectual property, pays royalties to the owner, licensor. Licensing requires no capital investment or direct involvement with foreign customers. Buying already developed and tested concept, saves from the risk of research and development failure: Time and capital spent in the projects. Therefore it is a relatively easy and an appealing way of starting international operations. For the licensor the agreement returns money spent on R&D, as it gets the profits until the end of the license contract period. As the licensee is a local company, licensing provides an opportunity to strengthen relationships with local operators and government. It provides a way of testing the foreign markets without major investments or involvement from the management. It may also help to avoid regulations that the local government might have set for equity ventures (Czinkota & al. 2003).

The initiative for a licensing contract can be made from the licensor or the licensee. The license can be exclusive or non exclusive. Exclusive licenses are usually geographically limited. There is also Immaterial Product Right which is one kind of license that can be purchased even directly from the Internet. An example is a programming company Intel who sells the right to use solutions (Ahokangas & Pihkala 2002, 38).

Licensing is not without risks. The licensor might develop into a competitor in the markets for which the agreement was initially made, but also in a larger market area and third countries. Licensing has also faced criticism from some governments and global companies claiming that licensing provides a way for the corporations from industrial world to profit from older technology (Czinkota & al. 2003, 289).

#### 3.2.4 Franchising

Franchising operations are similar to licensing. Franchising agreement gives a company, franchisee the right to use a business model of the parent company, the franchisor. The agreement usually entitles the franchisee to use elements or a combination of the elements of the business model: The name, franchisor's products and marketing techniques, production or the general business approach. Franchising firms are standardized but adapt to local conditions. For example fast food companies can offer products varying to the local taste and use local ingredients. The benefit of a franchising agreement to the franchisee is the opportunity to use a proven concept reducing the risk of failure. There are also national influences, because the majority of the benefits stay within the recipient country. For the parent company franchising offers market potential beyond possibly saturated domestic markets without internal organic growth and at the same time maximising the autonomy and profit orientation of the units. These features are also appealing for the entrepreneur who purchases the franchise. In the best situation the entrepreneur is able to enter the markets relatively rapidly and have a sustainable business. The franchisor gives the franchisee relevant training for the business operations and economical support. Giving the support is in the best interest of the franchisor who wants to create a strong organisation. The percentage of failure is usually low because of these features (Ahokangas & Pihkala 2002, Czinkota & al. 2003). The franchisee that might not have expertise in the field or imperfect ability to understand legal and economical criteria is usually disadvantaged in the bargain if the information given about the organisation from the franchisor is distorted. The franchise agreement contains the rights and responsibilities of each party as well as agreement of payments: the start up fee, royalties and marketing costs. With the start up fee the knowledge, knowhow and physical framework of the business operations are transferred to the franchisee. The royalty is usually a certain percentage of the revenue.

### 3.3 Local presence

Local presence requires the highest level of commitment of the company. There are different kinds of modes the company can choose from depending on its competences, wishes and ability to control the ventures abroad.

#### 3.3.1 Informal co-operation

Informal co-operation might be called the first base of interfirm co-operation. The alliance is based on mutual trust and friendship. It is often necessary for moderate sized companies in larger markets. The deals might include personnel exchange or exchange of information on products and processes (Czinkota & al. 2003, 292).

#### 3.3.2 Equity participation

Foreign direct investment (FDI) is a term often used for subsidiary operations. The objective of acquiring minority ownerships in companies that are strategically important is to ensure that the processes can progress without risks. With equity participation companies seek to gain first access to new innovations or market entry and support in global operations (Czinkota & al. 2003, 295). The size of the investment can vary and is usually in relation to the control gained. Subsidiaries are usually acquired if a company wishes to make long term decisions about increasing its markets share in the region. In some countries a subsidiary is the only possible way to enter the markets because of the national regulations (Ahokangas & Pihkala 2002). A subsidiary is its own legal entity but operates under the parent company's control, if the parent company possesses half of the shares and /or votes. The subsidiary operates under the laws of the target country. This might make a substantial difference in the taxation, contracts or human resource management. Because the principles of taxation vary from country to country, they affect the way the company needs to co-ordinate its internal purchases which in turn has an effect in which country the profit will be made.

The company form is one example of the contractual differences. If the parent company has control over the subsidiary it also has to bare the responsibilities of the subsidiaries doings and not doings. The operational form also affects the parent company's responsibilities (Ahokangas & Pihkala 2002, 43-47).

There are three different ways to start a subsidiary. The first is a Greenfield Investment which means that the parent company establishes a new company in a foreign country. A company can also make an acquisition of already existing company. Compared to Greenfield

investments that might be slow in returning the investment, by acquisition the markets can be reached fairly quickly because the subsidiary already has a market share and channels for logistics and an operational infrastructure. The contractual part might be complex in acquisitions. Also reconciling two different organisation cultures on top of the national cultures might take a lot of work.

When a subsidiary is founded from the outset, the operations can be formed according to the familiar operational concept. Greenfield investments are often allowed reliefs and benefits from the local government or trade barriers like tariffs can be avoided (Ahokangas & Pihkala 2002, 43-47).

### 3.3.3 Joint ventures

Joint venture is the third way of direct investment. It is a type of interfirm co-operation where two or more companies who share a common objective, join in an enterprise by either founding a new company or by acquisition. All the participants join with equity and assets as well as share the risks. Czinkota & al. divide the reasons for starting a joint venture in 3 groups: 1. Government suasion or legislation; 2. One partners needs for other partners' attributes or assets; 3. one partners needs for other partners' skills. Merging of assets and sharing investments is particularly efficient for the venture when each participant can bring in and concentrate on specialised areas (Czinkota & al. 2003, 297).

The main reasons for joint ventures are government-related issues, especially in the less developed countries. Having a local joint owner makes relationships with the government and other organisations easier. Certifications and licences may be more easily obtained with local participant. The venture might be eligible for governmental funding or getting tax incentives. More over the benefit obtained is the insight to the local market conditions and operational culture. Joint venture is considered long term and one reason to participate in a joint venture is minimising the risks of a direct investment (Czinkota & al. 2003, 296).

### 3.3.4 Full ownership

In full ownership the company has 100 percent ownership of the company and its operations. Nowadays this is quite rare. According to Czinkota & al. (2003, 299) full ownership by global corporations is increasingly hostile in the international environment. Governments restrict the operations of multinational companies with legislation. Taking the alternative by using one or combining some of the other entry modes results in reduction of control in the company but is often more profitable.

### 3.4 Summary on entry modes

The figure 3.1 below, displays the relation of the different entry modes to input, controllability, risks and commitment. In direct export all the operational dimensions are measured low. Direct investments are high risk and require maximum input and commitment, but the controllability of operations is also high.

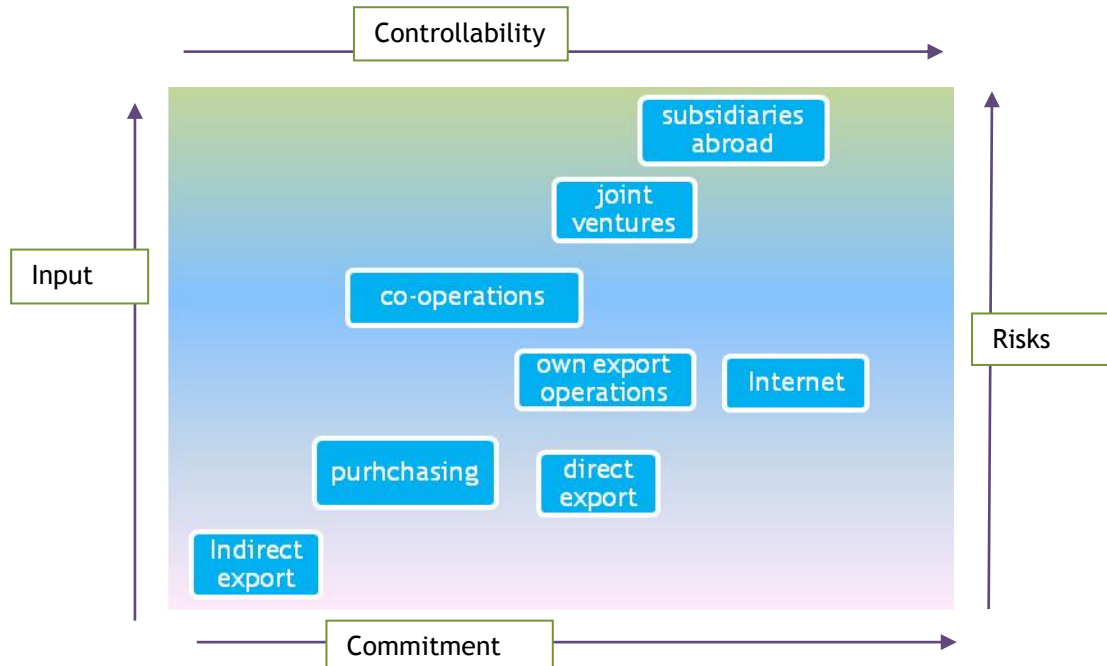


Figure 1: Relation of different entry methods to input, controllability, risks and commitment

In practise, the operations are rarely separated but are intertwined and they can be examined from different angles: From managerial view point or from the strategic angle. In the first one the know-how required from the company is under examination. In the latter the level of commitment and the risks and controllability of the operations are being assessed. When choosing entry mode, management assesses the level of commitment and the company's capabilities in the international market. The choice is also influenced by the degree of investment and what kind of investment is appropriate considering the risks. If direct investment is not wanted, a company may make an immaterial investment offering expertise in the field as in contractual agreements.

With all the above things taken into consideration, the national culture of the target country is a major factor in choosing an entry mode. Traditionally literature on internationalisation looks at culture principally in context to how governmental actions restrict the operations of

corporations with legislation or demanding partial or even full ownership (Czinkota & al. 2003; Ahokangas & Pihkala 2002). The role of culture and the different aspects of it will be discussed in the following chapters.

Below is a table presenting the benefits and problems of four common entry modes.

|                 | EXPORT & IMPORT   | LICENCING  | JOINT VENTURE   | SUBSIDIARY   |
|-----------------|---|--|---|--|
| <b>BENEFITS</b> | <ul style="list-style-type: none"> <li>• Minimum risk and investment</li> <li>• little experience or knowledge is needed</li> <li>• Fast entry</li> <li>• No new facilities are needed</li> </ul>   | <ul style="list-style-type: none"> <li>• Minimum risk and investment</li> <li>• Fast entry</li> <li>• circumvention of trade barriers easy</li> <li>• opportunity to strengthen relationships with local operators and government</li> <li>• High ROI</li> <li>• Requires no capital investment or direct involvement</li> </ul> | <ul style="list-style-type: none"> <li>• Overcoming cultural distance</li> <li>• Considered local</li> <li>• Sharing costs and risks</li> <li>• Enables complementing assets of all parties</li> <li>• Firsthand knowledge gained of markets</li> </ul> | <ul style="list-style-type: none"> <li>• Knowledge of local market good</li> <li>• No knowledge spill over</li> <li>• Considered local</li> <li>• Good incentives from local government</li> </ul> |
| <b>PROBLEMS</b> | <ul style="list-style-type: none"> <li>• Information flow restricted</li> <li>• Can be expensive, with transportation and trade barriers and tariff costs</li> <li>• company does not get close to the customer; remains an outsider</li> </ul> | <ul style="list-style-type: none"> <li>• Licensee might end up becoming a competitor</li> <li>• Knowledge spill over</li> <li>• Licensee has little control</li> </ul>   | <ul style="list-style-type: none"> <li>• High risk</li> <li>• Management difficulties</li> <li>• Difficult to finish, if must</li> </ul>  | <ul style="list-style-type: none"> <li>• Very high risk</li> <li>• Requires most commitment and resources</li> <li>• Local management may be a problem</li> </ul>                                  |

Table 1: Benefits and problems of four common entry modes

#### 4 Business entry in developing economies

In the fourth chapter the role of Corporate Social Responsibility in market penetration (CSR) and sustainable business methods are discussed. The chapter begins with trade contracts that

affect trade between Finland and Zambia and the incentives given by the Zambian government to investors. It then goes on to introducing the bottom of pyramid (BOP) method. The BOP method is reflected to the Zambian culture and current economic situation in relation to the business possibility for Biolan Group and the Global Dry Toilet Association of Finland in Zambia.

When business ventures are planned to be carried out in a development country or an emerging economy, Corporate Social Responsibility is one very important issue to be considered. Today the importance of it in the success of business ventures in developing countries is widely discussed and national culture: Legislation, history, religion and values create the environment of the operations. The national legislative laws and the unions' influence in the target country are often undeveloped.

#### 4.1 Power distribution

Multinational corporations have economic and political influence in the environment they operate in. According to Nahi (2010) 50 least developed countries (LDC) in the world have smaller GDP than the turnover in 100 biggest multinational companies. As an example, Zambia which is included in the United Nations list of least developed countries can be compared to Wal-Mart Stores which is the world largest grocery and retail corporation. The GDP of Zambia was 20, 03 billion U.S dollars and the current account balance was 99 million U.S Dollars in 2010 while Wall-Mart made 408 billion U.S Dollars in revenue (United Nations 2010, CIA 2010, Wikinvest 2011).

The power distributed by the MNCs can be overwhelming to the least developed countries when bargaining about trade contracts. Often in development countries the markets are oligopolistic. Oligopoly is "a market in which control over the supply of a commodity is in the hands of a small number of producers and each one can influence prices and affect competitors." (Webster's online dictionary 2011) The oligopolistic situation only strengthens the power distribution of MNCs when a small country is trying to enter markets that are dominated by few enormous multinational corporations. The situation enables the MNCs to manipulate price structures and profits. By collaborating with other firms to determine areas of control, they can disable smaller indigenous companies to enter the competition by withholding skilled labour and new technology. This might even stifle the development of human capital in the host country contradictory to the traditional view of foreign investment raising innovation and human capital. Through marketing and product differentiation the MNCs are able to manipulate the consumer tastes (Todaro & Smith 2009).

Although MNCs do bring tax revenue to the country in form of corporate taxes, the host government's incentives for export corporations too often result to a very limited profit. According to Esa Salminen, who is the subeditor of web news for Service Centre for Development Cooperation, KEPA and was interviewed for the thesis, in addition to the income tax collected from works, from the copper industry only about 1 to 2 % of the profits stay in Zambia because of low tariffs and incentives (Salminen 2010, 01:14:13). The repatriation of profit and interest, royalties, overseas management fees might deteriorate the local subsidiaries accounts. The export incentives the government offers to encourage foreign direct investment reduces the capital left in the host country when the MNC import intermediate goods from home, or other countries instead of finding local companies who could supply them (Todaro & Smith 2009).

According to KEPA the illegal capital flight of MNCs is the main reason for tax revenue losses in development countries. Tax avoidances also lead to hampering of local business condition and transparency is reduced (KEPA 2009). The problem is determinant because the sums the MNCs deprive development countries are massively bigger than the sums lost in public sectors in development countries. The Sub-Saharan Africa, Zambia included, has lost averagely 340 billion Euros between 1970 and 2004. Globally the regions slice of the illegal money flow is only 3 %, but the region constitutes the least developed part of the world. In comparison the foreign debt of the region in 2004 was 183 billion Euros and development aid from the industrialized countries to the developing countries was 80 billion Euros. These numbers show the distortion of ethics in international business. By distorting competition, tax avoidance has rapidly become the most harmful impediment of growth of the private sector which is critical in economical development. The problem cannot be solved without international legislation. The small undeveloped countries are not able to fight the MNCs whose turnovers are massive compared to their GDPs.



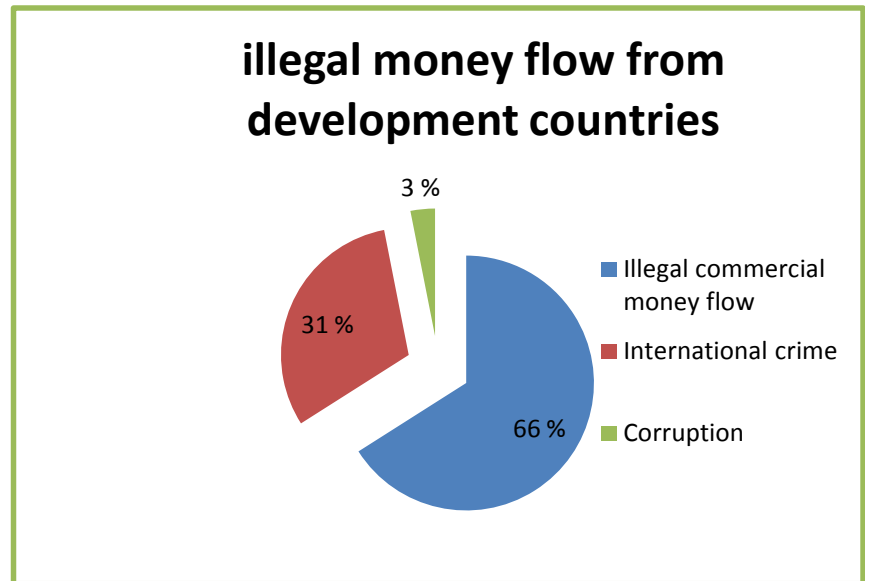


Figure 2 displays the percentage of how the illegal money flow is divided in development countries.

Consumers and shareholders have become more aware of the global operations of companies and the management of multinational and global corporations has to respond to the growing atmosphere of commonwealth mind set. Collaboration between NGO's and private companies, very similar to the case of Global Dry Toilet Association of Finland and the Biolan Group, is being encouraged by governments to create sustainable competitiveness. For example Britain has a minister of Corporate Social Responsibility and CSR reporting is compulsory for the listed companies in the country. Other examples come from, Sweden where a CSR-department in the Foreign office has been set up and the Netherlands which has 26 employees in MVO Nederland (Corporate Social Responsibility Netherlands) and a 3.3 billion euro budget (Nahi 2010). Also Prahalad (2006) promotes co-operation between the NGOs and the corporate world.

#### 4.2 Trade contracts

The co-operation between Zambia and the European Union are based on the Cotonou-agreement, which is made between Africa, the Caribbean and Pacific countries. The objective of the agreement is enhancing of integration and economical development to reduce poverty according to the methods good governance of sustainable development. The co-operation is funded by the European Development Fund (EDF).

Zambia has not signed the Economic Partnership Agreement (EPA), but it is working as a negotiator for the Eastern and Southern Africa EPA group (ESA). There has been a lot of conversa-

tion of the possible effects of the EPA agreement in Zambia. Against are the NGO's and the free trade advocates. The NGOs appeal to the negative impacts that can already be seen in other development countries. The good points of EPA agreement would be that it would open the Zambian market potential and it would be easier for Zambia to integrate in to the global economy. The free market economy however reduces tax income to the country. Zambia already has an entry to the EU markets within the Everything But Arms program (EBA) which includes the least developed countries of the world (Ministry of Foreign Affairs of Finland 2010).

#### 4.3 Laws directly affecting Imports and Exports in Zambia

Tariffs are the major policy measures that affect imports and exports. No import restrictions exist except on some items that have impact on health and public security. According to the United Nations, the tariff structure in Zambia is relatively simple consisting of four bands of 0%, 5%, 15% and 25%. Tariffs are ad valorem (UN 2006), which means according to value of the imported goods Compared to the most Sub-Saharan countries the tariffs are quite low (Investopedia 2010).

Zambia has no restrictions on exports based on quantities. Although during draught periods, measures have been taken to control the export of maize and logs. According to the UN the imports scheme is bias to anti-exporting and incentive programmes to suppress the anti-export bias have been introduced and developed. These include manufacturing under bond, export processing schemes under the export processing zones and the duty drawback system. The private sector has strongly criticised the operations.

#### 4.4 Manufacturing bond, Export processing zones in Zambia and Duty drawback system

Manufacturing bond is an incentive that allows manufactures to import raw materials, machinery, equipment and even plants tax free for the purpose of manufacturing exported goods (East African community customs union 2010). The duty drawback system manufactures get back the duty paid on imported inputs, when the goods are exported (Times of Zambia). The Export processing zone is newer scheme that was initiated in Zambia in 2005. The export processing zones are designated areas of type of free trade zones in which companies get incentives for commercial export. The companies in the zone are exempt from paying holding tax, corporate tax and tax on dividends and interest and royalties as well as capital gains tax. They might also be entitled to duty drawback and exempt from paying excise duty or import value added tax. The investors are also entitled to a refund on goods or services that are bought from customs territory (Times of Zambia 2005).

There has also been criticism about the Export incentive schemes. The manufacturing bond and the duty draw back did not work as the Zambian government would have hoped for and when the export processing zones were introduced, people were sceptical of whether the scheme would prove to be a failure. The problem with initiating the incentive schemes has been the impotence of the implementing agencies. There have been problems with processing the applications on time as well as corruption (Times of Zambia 2005). There were also concerns about the labour law applications that have been oppressive in other countries (The Norwegian council for Africa 2005).

#### 4.5 The Bottom of the Pyramid in short

The Bottom of the Pyramid theory is based on the economic pyramid. The Economic pyramid displays "the distribution of wealth and the capacity to generate wealth in the world..." (Prahalad 2006, 4) The pyramid's structure displays Purchasing power parity in U.S dollars and population in millions. The wealthy population is at the top of the pyramid. They have plenty of opportunities to generate income and further increase their wealth. At the Bottom of the Pyramid are the poor, who live on less than 2 U.S dollars a day.

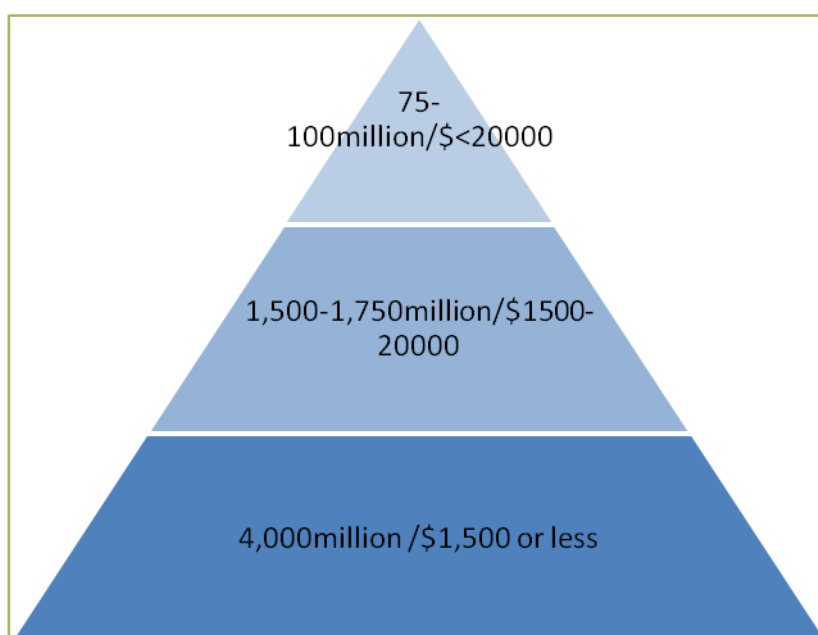


Figure 3: The economic pyramid displaying the distribution of purchasing power parity in U.S \$ and population in millions. Adapted from Prahalad and Stuart 2002

According to Prahalad more than four billion people live at the Bottom of the Pyramid and there is great purchasing power there to be released. Prahalad underlines that the way most

international corporations think of the less developed world needs to be revised. Bottom of the Pyramid is not about CSR. There is profit to be made in helping the undeveloped economies (Prahalad 2006). The Bottom of the Pyramid is perhaps more of a mindset than a theory. Success requires new way of thinking, expanding and accommodating the business to suit the needs of the people in the less developed or emerging economies. The business culture and the environment corporations operate in, is so different to the ones in more developed economies that traditional entry modes may be useless.

Ted London (2004) writes in his article, Reinventing strategies for emerging markets: beyond the transnational model, that success in emerging economies requires thinking outside the western style patterns of economic development. In his Article, the Base-of-the-Pyramid perspective: A new approach to poverty alleviation, London emphasizes the hypothesis of mutual value creation (London 2008). The hypothesis proposes that “The greater the value created for those living at the BoP, the greater the value created for the venture.” (London 2008, 1) The conclusion is that business strategies and entry models must revise.

There is no one set way how to enter the new areas. Prahalad and London stress the co operation between the private sector and NGOs and the ability to modify ideas and methods. The multinational corporations can benefit from engaging with NGOs and local- and community based organisations to co-create new business, products and services. The NGOs on the other hand will benefit from learning how to use the leverage of MNC know how and their systems to scale projects and innovations widely.

There are examples from all areas of business where innovative business has been set up to create profit and value for the company and the consumers at the Bottom of the Pyramid. Private Banks have started to give out loans with affordable interests to the people in developing economies to encourage small and medium business opportunities. Without these banks, people would not be able to take a risk and vice versa, banks have not been eager to take the risk. In Zambia the interest rates are very high and private persons are rarely able to take out a loan. However, many are unregistered entrepreneurs selling over left farming products or other goods from stall or at the markets. The business is rarely very profitable but rather provides a living from hand to mouth (Peltonen 2010).

Lauri Peltonen, the executive director for Taksvärkki, one of the interviewees for the study, told an example of business project that was originally established in co-operation with Finnish Association of People with Physical Disabilities. The project started in 1992 with collection of mobility aids that were shipped to Zambia. The project was commercial from the very beginning and is still ongoing. The mobility aid tools such as wheel chairs and prostheses were repaired to suit the local environment: To be able move in on unpaved roads and be easily repaired. At the same time, jobs were created, knowledge and know how grew as well as the independency of the physically disabled (Peltonen 2010, 1:17:54, Finnish Association of People with Physical Disabilities 2010).

#### 4.5.1 Twelve principles of the BOP philosophy in context to the case study

Prahalad has listed “twelve principles of innovations for BOP markets” (Prahalad 2006, 25) These 12 principles are the base of the BOP philosophy. All the elements listed cannot be applied in all corporations but the management has to prioritise and develop the elements that suite their operations in penetrating the BOP markets.

1. Price performance
2. Innovation: Hybrids
3. Scale of operations
4. Sustainable development: Eco friendliness
5. Identifying functionality: Is the BOP different from the developed markets
6. Process Innovation
7. Deskilling of work
8. Education of customers
9. Designing for hostile infrastructure
10. Interfaces
11. distribution: Accessing the customer
12. BOP markets essentially allow us to challenge the conventional wisdom in delivery of products and services.

The underlined principles are concisely looked into in consideration to Biolans opportunities to enter Zambian markets in collaboration with the Global Dry Toilet Association of Finland. The first principle, price performance is an issue that must be addressed. It is not about just lowering the prices but about changing the price performance. At present, dry toilets are far too expensive for the private customer in Zambia. The price is around 500-1000 Euros. To be affordable, the price should be cut down to 100 Euros (Huuhtanen 2010). If the price can be lowered to the level, where more people can afford the product, the sales will be increased (Prahalad 2006, 28-30). The phenomenon is easily proven but requires altering many processes. Considering Biolan and the GDTF in context to the 12 principles, these would include in addition to the first principle, scale of operations, sustainability, process innovation, efficient distribution channels, and education of customers.

Lowering the price of a dry toilet with 80 %, the markets would have to be large enough to rectify the risks. The population in Zambia is over 13 million but is it large enough? Even with the price of 100 Euros per unit, not all Zambians will afford a dry toilet of their own. In order to make the business profitable Biolan and GDTF will have to think of the market area more extensively considering the whole of Eastern and Southern Africa. The price performance is also about quality of the product. To make the product suitable for the environment the ready built huts which are so common in Finland, would not be practical or even usable. If the toilets were constructed of local materials and with local know how the price of 100 Euros per unit would be possible (Heiskanen 2010). Process innovation, principle 6 is essential when products and services are made affordable for the people in less developed economies. It could also be developed into a possibility to export to the neighbouring countries. Of course the limitations of the undeveloped infrastructure would have to be taken into consideration.

Prahalad's principle number four: Sustainable development is an asset to Biolan and GDTF. The principle idea in Biolan's business operations is eco-friendliness. Prahalad raises the issue of resource usage. The solutions that are applied to the developing countries must be sustainable and ecological. One of the most prevailing environmental problems is the lack and the poor quality of water. One of the questions that Prahalad sees as a major opportunity for fortunes at the BOP is how to flush toilets with less water or how to save water in agriculture by using "innovative cultivation methods?" (Prahalad 2006, 33) GDTF and Huuhtanen think that the answer is dry toilets. The systems are ready; the technology is nature's own which Biolan has productised. However, product development is needed to modulate the toilets to suit the Zambian environment and the Zambians.

The use of dry toilets influences the people in more than one way. It provides the possibility of proper sanitation, which is the means of fighting disease. In addition dry toilets require no water but produce fertilisers for the gardens. It also enables business opportunities in selling the fertilisers thus empowering people. Especially men have experienced that the fertilisers improve their status in the community, by giving them a possibility to generate additional income (Heiskanen 2010). If Biolan Group would set up a base in Zambia or somewhere in the Sub-Saharan region the value of the business would be multiplied with job creation, tax income to the community/ government as well as the above mentioned issues. The location of the business affects also the distribution and accessibility which is the principle 11. Zambia is a land locked country, so shipping costs would be high. Setting up a factory at the rural areas would create jobs where they are needed as well as bringing the product close to the customer. The undeveloped infrastructure in the rural areas remains a problem.

The Education of customers (principle 8), is what GDTF has been doing for several years in Zambia. The usage of human faeces as fertiliser is hard to prove to be safe and profitable in

some parts of Africa. GDTF's hard work was rewarded in 2010 however, when Lusaka's City Council recognised dry toilets to be an effective concept in the fight against cholera (Heiskanen 2010).

The Bottom of the Pyramid philosophy does not offer a straight forward method of doing business in a particular way, instead it is meant to encourage innovative thinking and it stresses co-operation with parties that traditionally have not fitted together. The bases is doing business and making profit for poverty alleviation. Prahalad stresses that if profit and value is distributed correctly, it will not decrease but it can be multiplied (Prahalad 2006).

## 5 The Research method

The interest towards the research subject grew from my interests of doing research on sustainable business methods. Participating in development studies module strengthened this interest. Sari Huuhtanen from the Global Dry Toilet Association of Finland held a lecture of NGO work processes and introduced their own work. I did a competitor analysis of South African dry toilet markets as a course assignment for GDTF. This was in relation to a larger research project that GDTF is doing in finding ways to enter the dry toilet markets in sub Saharan markets. Sari Huuhtanen has written her Master's thesis relating to the subject and my bachelor's thesis is a small component in the larger scale research project. The subject is very interesting and it will be useful for GDTF and Biolan group. It will probably and hopefully lead to further research. The aim is to verify the theories of Hall and Hofstede with the experience and firsthand knowledge the interviewees have gained when working and living in Zambia.

The thesis is a case study and uses qualitative methods. A theme interview was chosen to gather information on Zambian culture. A theme interview is not as structuralised as formal interview where a form is used and the interviewees answer the same questions in the same order. In a theme interview a theme is decided and the interviewer uses a loose structure to guide the interviewee. This allows a more in depth discussion and some topics can be discussed more thoroughly than others with different people (Hirsjärvi & al. 1997, 197-200).

I chose the method in order to gain a wide perspective of information on Zambian culture. Using a theme interview this is possible. I made a list of the themes I wanted to discuss with the interviewees. The themes were the same for all the interviewees and they were sent to the interviewees beforehand. They had time to explore the topic and the guideline questions, so that remembering anecdotes and opinions on the issues concerned would be easier in the actual interview and the conversation would be flowing. The interviews were held in Finnish and they were recorded. The interviews are attached to the thesis in CD format. Recording is

used, so that I was able to concentrate in the discussions rather than writing down the answers. A lot of anecdotes were used by the interviewees and discussion could return to some topic abruptly because of the nature of theme interview. Recording the interviews was the best way to save the information accurately and precisely.

## 5.1 The interviews

The information on Zambian culture is gathered from three in - depth interviews of Finnish NGO employees, who have lived and worked in Zambia: Sari Huuhtanen, is the project manager for Zambia in Global Dry Toilet Association of Finland. She has been working in several projects in Zambia since 2006. She was interviewed in three different occasions for information on GDTF. The two phone interviews were held on the 21<sup>st</sup> of May in 2010 and on the 27<sup>th</sup> of August in 2010. The main interview was held on the 29<sup>th</sup> of October 2010 in Tampere in the GDTF's office.

Lauri Peltonen was interviewed in Helsinki in a cafe on 28<sup>th</sup> of October 2010. Peltonen is the executive director of Taksvärkki ry, and he has lived in Zambia in the 1990's when he was working for the Service Centre for Development Cooperation, KEPA.

Esa Salminen is the Sub Editor of Web News in KEPA and a writer of *Köyhyiden ammattilainen* and *Leposija Kilimakitossa*. He has worked in Zambia in the beginning of 2000. His interview was held in the KEPA's head office in Helsinki on November the 3<sup>rd</sup> 2010. The interviewees were chosen, because all of them have long term experience of either living or working or of living and working in Zambia with Zambians. The interviewees work for Finnish companies so they have knowledge of both cultures and are able to make comparisons.

The conversations and answers of the interviewees are subjective. Different topics were discussed in length with the interviewees, but consistency was looked after in the contents. Similar experiences and points of view that could be weaved in to a guideline and of which, an overview of the culture and the operational field could be constructed. The interviews were held in Finnish.

## 5.2 The themes

The themes discussed in the interviews were as follows:

- The general atmosphere
  - local small business and entrepreneurship
  - international business
- Co-operation between the local business and NGOs
- The attitude towards international corporations



- The political stability
- Practical concerns or difficulties encountered by companies and other actors (both foreign and local) in Zambia
- Polychronic and monochronic time concept
- The Zambian workplace and the relationship between management and the employees
  - Individualism / collectivism
  - Power distance
  - uncertainty avoidance
  - Femininity / masculinity
    - Values and attitudes
- Religiousness in Zambia
- Taboos

Table 2: Monochronic and polychronic cultures by Hall (1990) on page 34, was also presented to the interviewees to make the topic of polychronic and monochronic time concept easier to understand and to make the comparing of the two generalisations easier.

### 5.3 Analysing the data from the interviews

The interviews were held as individual in depth interviews. My aim was to find out the experiences the interviewees have of business culture and working culture and the current business environment in Zambia.

The interviews have been broken down and frequently occurring topics were noted. Also the benefit of the interviewees' point of views on different levels of organisations was noted. The conclusions of the Zambian culture are summarised from the interviews.

The method used in this thesis is inductive, which is common for case studies; it ends up from private findings to more general meanings (Hirsjärvi & al. 1997, 248) in this case, identifying the key factors of Zambian culture that affect the choice of a business entry method, from the experiences of three individuals who have long term experience of the culture. As a common practice for case study, the information gathered from the interviews is discussed intertwined and in comparison with the theory of Hall and Hofstede in the chapter 6. In this chapter the findings from the interviews are stated but the thread of analysis is intertwined with the theory and literal sources in chapter 6 and the conclusions are presented in chapter 8: Conclusions and strategy.

### 5.4 The findings

The findings from the interviews were interesting. The economical position of a development country seems to affect enormously people's behavioural patterns and their attitudes. This

creates some contradictions to the generalisations of cultural dimensions, especially in reference to Hofstede's dimensions. The culture is changing through modernisation and liberalization.

Zambian culture fits the generalisation of a polychronic African culture. Punctuality is not as highly valued as it is in Finland. Meetings are arranged loosely, rather for the day than for a specific hour. People are relationship orientated rather than task orientated. This is reflected in utter politeness of Zambians and in business- and working environment. Nepotism is common. With nepotisms is meant favouring of relatives or friends. The rhythm of life is slower in Zambia than it is in Finland.

Applying the dimensions of Hofstede, Zambian Culture is traditionally considered more feminine than masculine. In practice there is an overlapping with masculine culture. The prevailing corruption can be seen as a more masculine trait than a feminine trait. Also the taxation is low. High taxation is associated with feminine cultures, but it is impossible to collect sufficient amount of income tax to support the public sector due to the economical state of the country; 50% of the people are unemployed and collecting tax is difficult because of high numbers of unregistered workforce.

Zambian culture is high on the scale of power distance and uncertainty avoidance. The culture is very hierarchical. In corporate environment, Instructions are given by the manager and tasks are very precise. People are not eager to take responsibility and they do not want to step on anyone's toes. The worst thing to do is to raise ones voice or to give bad feedback publicly. It is not considered respectable behavior. Loosing face is the worst thing that could happen to a person.

The traditional culture in Zambia is collective and especially family orientated. This affects business culture in way people are willing to make decisions that affect themselves. Well to do people are expected to take care of the family, which is often very extensive. People are also afraid of the jealousy of others and believe that bad things are afflicted upon them by the community because of this. Zambian culture is changing towards individualism though and many people have left their families and villages in hope of a better future.

## 6 Cultural influence in the choice of business entry mode in a developing country

This chapter looks into the importance of national culture in choosing the right entry mode. In the Merriam Webster's online dictionary and thesaurus, culture has multiple definitions. With national culture is meant the behavioural patterns a person learns to follow as the acceptable way of acting in certain situations in one's community. Culture is learned. Although,

it is a shared behavioural programme, each individual experiences culture on a personal level (Hall 1990).

Culture exists in different layers or levels and people's mental programming is constructed of these layers: The national level is associated with the nation as a whole. There is also the regional level which is associated with ethnic, religious or linguistic differences that occur within a nation. The gender level is associated with gender differences and the generation level with differences between different peer groups. The social class level is associated with educational and occupational differences and opportunities. The corporate level exists within an organisation and applies to people who are employed. This study concentrates on analysis of the national level of Zambian culture in context to business culture.

This chapter will guide the reader into two major theories of cultural differences and business cultures relatively, by Hall and Hofstede. Hofstede's theories are introduced as Mitchell has familiarised them in his book: *Short course in international business culture* (2000). The theories are discussed in context with Zambian culture and its current and past economical situation. The information on the topics was gathered from the interviews.

## 6.1 When cultures collide

Many studies have been written on the importance of understanding culture and cultural differences in international business. There are numerous examples of business projects and investments gone wrong because of cultural misunderstandings. One example is Euro Disney which is a good example of an amiable and well organised corporation, making devastating mistakes by ignoring the national culture of a target country.

When Euro Disney was opened in 1992 many things had already gone wrong. The different negotiating habits insulted the French before constructions were started. The Americans used lawyers for negotiations when in France using lawyers is the last result in feuds. When the theme park opened the hotel restaurants were jammed at breakfast time when the 2,500 guests queued for tables in rooms seating 400 people. Americans had thought that the Europeans do not sit down for breakfast and the restaurants had been built too small. Selling alcohol on the theme park's grounds was forbidden, as it is in U.S.A. Later this was over ruled. There were several issues that the creators of the Euro Disney had over looked in designing the park in human resource management, land contracts and the mentality of Europeans and the French particularly. By modifying the strategy and operations Euro Disney is now making profit after the first couple of years of failure (Mitchell 2000, 2-4).

In the 1970's Hall developed the concepts of a polychronic and monochronic societies as well as high context and low context cultures (Straker 2010). The concept of time and space and territoriality are manifestations of Hall's founding theories, which are familiarized in the following subchapters.

Hofstede's framework according to Mitchell (2000) is then reflected. Geert Hofstede has created a framework of four major issues that define national culture. Each of the topics, that he calls dimension, explains how people interact in a business situation and how they process information in the defined culture. These four dimensions are individualism versus collectivism, Power distance, uncertainty avoidance and masculinity versus femininity. The frame closely reflects the key concepts of Hall, who is considered to be the founding father of intercultural communication as an academic study.

The concepts are highly generalized and dividing lines between cultures within continents and within countries are obliterated. Consequently, Finland is considered part of Scandinavian- or Nordic cultures and Zambia part of African- or sub Saharan cultures.

A lot of the literature found on the subject concentrates in communicational differences and etiquette in practical business situations. In this paper the concentration is not specifically on communication as such, but more on the attitudes and the development of business environment and business culture in Zambia. The theoretical background of Hall and Hofstede is highly stereotyped; it provides a guide to understanding national culture traits, people's behavioural patterns and certain types of situations but should be reflected with care.

## 6.2 Monochronic and polychronic cultures

Hall (1990, 15) has drawn up a list of opposites on behavioural generalisations of monochronic and polychronic people. The list cannot be applied equally to all cultures or individuals but it helps in seeing the pattern of the two time-systems Hall has created and, on which the analysis of Zambian culture in this paper is partly based on.

Peltonen (2010) describes Zambians as polychronic. An often used example is punctuality. In the polychronic culture, time commitments are considered an objective to be achieved if possible. In the monochronic cultures time commitments are taken seriously. Peltonen thinks that there are two sides to the punctuality of Zambians. Zambians are very polite and conversations and meetings are not hurried. It is considered very rude to ignore formalities in everyday encounters with people. To abruptly finish a conversation is worse than being late from another meeting. The other side of the coin, that Peltonen reminds of, is that distances in

Zambia are vast and the infrastructure undeveloped. It has been, and largely still is, nearly impossible to make exact itineraries because of this. Meetings are arranged loosely for the day, not for a specific hour because of reasons that are forced by the environment they live in.

| Monochronic people   | Polychronic people  |
|--|---|
| Do one thing at the time   | Do many things at once  |
| Concentrate on the job   | Are highly distractible and subject to interruptions                    |
| Take time commitments seriously  | Consider time commitments an objective to be achieved if possible       |
| Are low context and need background information                                      | Are high context and already have information                           |
| Are committed to the job   | Are committed to people and human relationships                         |
| Adhere religiously to plans  | Change plans often and easily   |
| Are concerned about not disturbing others; Follow rules of privacy and consideration | Are more concerned with those who are closely related than with privacy |
| Show great respect for private property; seldom borrow or lend                       | Borrow and lend things often and easily                                 |
| Emphasise promptness   | Base promptness on the relationship                                     |
| Are accustomed to short term relationships   | Have strong tendency to build life-time relationships                   |

Table 2: Monochronic and polychronic cultures by Hall (1990)

### 6.3 Context

“Context is the information that surrounds an event; it is inextricably bound up with the meaning of that event” (Hall 1990, 6). Depending on the culture, context and an event appear in different proportions. Hall’s theory places cultures on a scale from high context to low context cultures. In High context culture like Japanese, Arabs and Mediterranean- everyday communication does not require a lot of in-depth background information because the

information is already in the person. This is due to vast networks between family, friends and work acquaintances that the people from these cultures live in.

The low context culture is the opposite. The low context cultures like the Americans, Germans and northern Europeans tend to compartmentalize their lives in work life, personal relationships, and family relations thus making it impossible to communicate in any of the areas without detailed back ground information. In short, the term high versus low context could be explained with how much information needs to be told in an event. Of course the level of context has also individual differences but since everyone is influenced by context, it is useful to know whether a particular country is high up or low on this scale (Hall 1990).

High context cultures like the Asian, African and Southern European cultures are associated with Polychronic cultures. In polychronic/high context culture time is not perceived dominant and compartmentalised as in monochronic cultures. This means that many things occur simultaneously and the flow of people, information and correspondence is free. Polychronic cultures emphasise involvement with people unlike the monochronic cultures that are related to low context cultures (Hall 1990).

According to all of the interviewees, the Zambians are high context. To be able to operate in Zambia one has to be known, or at least one has to know the right people. When setting foot to Zambia, it is advised to already have a connection in the country and the area. Networks need to be in good shape and the product must be known before trust is won over. According to Huuhtanen, It is impossible to go to Zambia as a new comer from abroad and expect that things will start to happen if one is not already known. Actual presence is just as important. Long distance delegations are very difficult and slow (Huuhtanen 2010, 35:09).

The information flow in Zambia is free in principle, but the hierarchical structure in organizations, breaks the pattern. The hierarchical structure is perhaps partly inherited from Britons, but is also part of the Zambian tribal tradition, where the village chief holds the power. Salminen (2010) also thinks that the hierarchy is more visible in the professional relationships between Zambians and Europeans. Because of the colonial past and the present situation as well, Europeans are often put on a pedestal, and therefore it is more difficult to be accepted or to get inside the community (Salminen 2010, 01:30).

#### 6.4 Time and space

Time and space are elements that are also regarded highly important in creating a corporate and national character. It is about rhythm, and tempo but also orientation to past and present. Tempo and rhythm are different in cultures and countries. To understand this, one has to familiarize with the time system of the particular country. The ability to move and communicate in synchrony with the people from a different culture is vital for collaboration in any business activity from sales and purchases to human resource management or administration (Hall 1990).

Time frame of past and future orientated societies reflects the mind set of continuity. Some cultures such as the U.S.A are living very much in the present and are orientated in short term future. The reflection to business venture is evident in how the venture is planned. A company from a future orientated society like Japan plans its ventures as in a continuum of time, willing to build and move on slowly, accept short term losses if, in the long run, the gains are seen worthwhile (Mitchell 2000). The view is more sustainable than of a company having its horizon in the present and plans its operations for the next business.

Salminen has theorised that the Zambian time concept is consecutive, if time is thought as linear or cyclic. The order, in which things happen, is important. As an example Salminen told a usual anecdote about punctuality: If a Finn and a Zambian have agreed to meet at ten am, the Finn, will look at the time and be at the agreed place at ten am, but the Zambian will think, that when the meeting takes place, it must be ten am (Salminen 2010, 01:24:19). The consecutive rhythm can also be seen in organisations and reporting practices. Salminen had found it difficult in a few occasions to get reports from projects in time. In Finland the system expects one to write a report at certain time intervals. If the project is still going on and money allocated to the project is still partly unused, it will be reported. The Zambian NGOs have seen this illogical and would have preferred reporting of the project, when it is finished.

As mentioned in the previous sub chapter about context, the tempo in Zambia is much defined by the fact that the country is a developing country and matters are dealt with when it is possible. Because of low teledensity, people are not able to rapid dealings with matters, like in many industrialised countries (AfDB; OECD 2010). Because of the high unemployment rate of 50% (CIA 2010) a lot of people do small scale farming and are self employed, selling agricultural products or other self made, easily accessible goods at markets. People hold several jobs and nearly everyone has small business dealings here and there for additional income (Peltonen 2010, Salminen 2010). The activities are usually not planned for long term. There are co-operatives that operate successfully but many attempts have dried up because inefficiency, insufficient knowledge of business practices and, in the agricultural sector, unreliable crops.

The work of NGOs is planned for sustainable development. Many small businesses have been set up with the help of NGOs, and some of them have succeeded and thrived. Many efforts however have dried up when the external funding has finished. People are not used to saving or planning far ahead. Many of the NGO's seemingly profitable business projects have fallen apart, because there has been no savings in case of a setback (Huuhtanen 2010, Peltonen 2010, Salminen 2010).

The reasons for the failures cannot be simply evaluated according to the cultural generalisations. There are no indications that one kind of cultural trade would result in non profitable business. Reasons and implications of good business practice however, can be found in culture and history. For example the history and development of social structure certainly affect the way organisations operate in a society. The legislation and accepted practises are affected by the history of nation and the learned behavioural patterns. The reasons for failing the attempts of sustainable and future orientated projects might have more to do, with insufficient knowledge than the actual mindset.

C.K Prahalad argues that the "for and against" views of for example globalisation should be abandoned. Paternalism towards the less developed countries should be avoided and the people should instead be activated, informed and involved in consuming and creating business practices that are suitable for them. In Prahalad's view the opposite sides of non-profitable NGO's and business should merge and together create new ways for the developing countries, or the countries at the Bottom of the Pyramid (Prahalad 2006). According to Salminen, many organisations operating in development countries and in Zambia as well would benefit from learning basic management and administrative skills (Salminen 2010, 11:27).

Zambia is full of failed attempts and quick solutions but it is hard to say whether the culture and the business culture itself reflect the high or low mindset of continuity. Zambia has been independent only for 46 years, of which nearly 30 years it was under a one ruler. As a colony of the British, the situation again was very different.

The ancestor cult can be seen as a form of continuity in Zambian culture. Elders are highly respected and village chiefs still have the ruling power on many decisions today, for example land owning. Roughly half of the land is under the control of village chiefs (Helsingin Sanomat 2010). Even though Zambia has ratified many agreements promoting the rights of women, gender roles are much defined, and women experience that involvement in business and politics is very difficult for women (Geloo 2010). It is also common that even if women participate in business or politics, at home the gender roles are strict and traditional practices are obeyed (Salminen 2010, Peltonen 2010).



#### 6.4.1 Territoriality and flow of information

Territoriality is an innate characteristic that derives from the evolution of humans and is vital for survival. Culture is a strong factor defining human sense of territory. Personal territories seem to be larger in low context countries, like for example Finland where people get anxious if someone comes too close in a crowded bus and invades a person's safety bubble. In the low context countries a person's own work space is very important and usually the management in a company is placed at the top of the building for privacy.

In high context cultures people are not as sensitive about physical or auditory interruptions. The management is often situated in the middle floor in the company building allowing information to flow freely, everyone being aware of all aspects of the business. The people in low context cultures lack well developed information networks. The flow of information is often blocked because of compartmentalization and control. The information from the management is shared only with a selected few (Hall 1990). "The rate of information flow is measured by how long it takes a message intended to produce an action to travel from one part of an organisation to another and for that message to release the desired response" (Hall 1990, 22).

Because of the way an organisation is shaped on interpersonal relationships in high context cultures, the emphasis is not on transmitted-but stored, already existing information, the information channels do not get overloaded because detailed briefing on every transaction is not necessary. The necessity for an individual in high context culture is to stay in contact in order to exist. This is often a shock for persons from low context organisations that are more than often also associated with monochronic time, where people concentrate on one thing at the time and are used to guarding information (Hall 1990).

Management often sits among the other employees in a Zambian office. According to Salmi-nen, people seem to be well informed, but everything is very bureaucratic. The bureaucracy however is mainly connected to collectivism and power distance, which are cultural dimensions created by Hofstede. Hofstede's dimensions are introduced in the following sub chapters as Mitchell (2000) has introduced them.

#### 6.5 Masculinity versus femininity

The dimension offers a way to profiling society's values and attitudes (Mitchell 2000). It leans on the pattern in which feminine traits are in most cultures viewed more soft and relationship driven than masculine traits. A culture is rarely purely one or the other in the spectrum of masculinity versus femininity. Governments are good indicators of where on the scale a so-

ciety lies. The more feminine the society, the more concerned it is about the comprehensive welfare system and hence the more taxes the government sets. In a more masculine society, individuals are respected for personal success and materialistic acquisition of wealth. Business and work is more voracious and aggressive and everyone is considered to be a master of his own fate. An association can be made between relationship driven and feminine cultures and task driven and masculine cultures. Hall (1990) associates task driven cultures with low-context societies and relationship driven cultures with high context societies.

The Zambian society is considered a feminine society, where people look after each other. The years of President Kaunda, the first president of the independent Zambia, is an era of so called African socialism and of building a welfare nation.

The individual taxation in Zambia is progressive and as of 2002 corporate tax was 35 % (Encyclopaedia of nations 2011). The problems with collecting tax are the vast amount of unregistered business and of people as well as corruption, which pervasiveness is the most potent enemy of development in Zambia. Corruption is systematic, although in 2001 a new legislation was introduced to rid this ancestral vice.

Although the traditional view of Zambian culture is feminine, the practices seem more masculine. Because of the efforts to internationalise the economy, corporations get very good tax incentives. The actual amount of money collected from taxes does not level with the needs of the public sector, which remains undeveloped. Corporate taxation and the incentives are discussed later in chapter 7.

## 6.6 Individualism versus collectivism

Individualism versus collectivism is Hofstede's first dimension in his frame of cultural differences (Mitchell 2000). The dimension determines whether in the culture a person defines him or herself as an individual unit or as a member of a group or an organisation. In a collective society a group's interest is considered greater than the interest and personal success of an individual.

Loyalty and money relation to status illustrate the opposite ways of cognitive and behavioural patterns in collective and individualistic societies. This becomes apparent in decision making in a business environment. In collective societies the employees rarely question the management's decisions, valuing the group's decision; thinking that if everyone else is going, it is best to go with the flow. Where as in an individualistic society the employee wants to know how the decisions affect him or her on a personal level. This makes implementing new ideas slower in an individualistic culture. Decision making in an individualistic society is quicker

than in a collective community, where loyalty between the management and employees is strong and consensus is always sought after (Mitchell 2000).

In Zambia the culture is changing with modernisation, urbanisation and liberalisation of the country. The traditional culture is collective and especially family orientated. Many Zambians, who are considered as being middle class, regularly send home food and money. Often it is expected from the person, who might be the only one in the family with a job. Because of the pressure to financially support the large, often extended family, many have disassociated themselves from their families in order to make a life for themselves. The pressure of the tradition also seems to hold people back from education and other opportunities. People might be afraid of the community's jealousy or hatred afflicted to the person, who wants to separate oneself from the village (Huuhtanen 2010, 51:39; Salminen 2010, 28:23).

### 6.7 Power distance

Power distance describes how a person observes power and how they feel about their role in decision making within a society. Low power distance cultures encourage a person to take initiative and be attentive. In Business environment it can be seen in employees accepting and seeking responsibility, questioning management and wanting a role in decision making. High power distance cultures are the opposite. Employees expect the management to give them tasks and guidelines to work with. Also status, hierarchy and formality in business transactions are more important in high power distance cultures than in low power distance cultures (Mitchell 2000). Power distance seems to go hand in hand with individualistic and collective cultures.

Employees in a Zambian work place are not eager to take responsibility because no-one wants to step on anyone's toes. The permission to decisions is always sought from the management (Huuhtanen 2010, Salminen 2010). There is a link between these two dimensions by Hall and Hofstede: Territoriality / flow of information and Individualism versus collectivism. In an individualistic culture, such as Finland, the relationship between employee and management is not so formal or hierarchical. Employees are usually independent and the trait is also encouraged by management. Because of the non hierarchical relationship, employees can question the management's decisions and think of how the decisions made, affect them personally. However, the management is often not present at the work place and gets information from the employees slowly. The same applies the other way around as well. Information is often shared only once a week at a half hour staff meeting (Hall 1990, Mitchell 2000). In Zambia, specific chores are appointed to the employees, the boss is always present checking up on things, advising and reminding. Another peer employee is not considered to be in a position to

ask for a favour or advice. Everything has to go through the manager and tasks are given directly from above (Salminen 2010, 31:30).

In the interview, Salminen told, that he sometimes felt distrusts from his co-workers. Because of his background from a low power distance culture, he often chatted freely with his (Finnish) boss and befriended with him also outside of office. According to him, the sort of behaviour is not common in Zambian high power distance culture.

Peltonen who has worked in Zambia at the management level, felt that Zambians are very participatory and are not afraid to express themselves. Although, if someone at work would come up with a good idea, it would always be first introduced and accepted by the management, before trial. This refers to bureaucracy and to high power distance culture where management is expected to take responsibility of initiation and where formality in business practises is high. Peltonen was also encouraged to show off his managerial position by, for example, having a bigger car, which he must not drive himself (Peltonen 2010).

#### 6.8 Uncertainty avoidance

Uncertainty avoidance is a measure that indicates society's tolerance towards uncertainty and ambiguity (Mitchell 2000). The scale of uncertainty avoidance is from high to low and it indicates how the society assesses risks and develops procedures and rules in case of an emergency or a break down. It also describes the society's ability to adapt to chance. A community high on uncertainty avoidance is rigidly structured and is slower to adapt to changing environment or situations. Cultures that measure low on uncertainty avoidance are less structured. In business and in workplaces it is demonstrated with a free-flowing managing style; fewer rules and more job mobility (Mitchell 2000).

Uncertainty avoidance is found to be a major concern in foreign investment decisions. Kogut and Singh (1988) also note that the ability of the firm to manage its local operations of the subsidiary is an important factor. "The perceived ability to manage may be influenced by two considerations: Absolute cultural attitude towards uncertainty avoidance and relative cultural distance between the country of the investing firm and country of entry." (Kogut, Singh 1988, 11)

As mentioned in the earlier sub chapters, the Zambian organisational structure is very rigid and hierarchical. Losing one's face is taken very seriously and things must be done orderly (Peltonen 2010; Huuhtanen 2010). Politeness is high on importance and raising one's voice is a very bad mistake in any situation. Keeping calm and friendly is much appreciated (Salminen 2010). In contradiction and controversially to the theory, the everyday life of Zambians seems

to be very low in uncertainty avoidance. Plans are not made for the long run. A lot of the NGOs or organizations do not have back up plans. Changing of the situation is more common than stability and people are used to the unstableness of life.

According to Salminen, Zambians often tend to think that things will arrange themselves. Often in difficult situations trust in god is the most powerful. It is often a positive way of thinking but also hinders functioning and development. According to Huuhtanen Zambians can be very careful getting into new things. The social structure is not strong enough for people to be able to take big risks. Also Salminen mentioned that the middle class in Zambia is very flexible and that Zambians themselves do not use the term. One is poor, rich or not poor anymore but not yet rich. The carefulness of even defining one's own socio-economical status relates strongly to the fact that the structure of the society is not strong enough to work as a safety net. One can go from fortune to poverty in a blink of an eye (Salminen 2010; Huuhtanen 2010).

In Table 3 generalisations of African and Nordic cultures differences in Zambian and Finnish cultures according to Hofstede's dimensions are displayed. The table is modified from a table by Adekola, Abel & Bruno (2007, 187).

| Dimension:                 | Zambia   | Finland                   |
|----------------------------|--|---------------------------|
| Individualism/collectivism | Collectivism, but changing toward individualism                        | Medium/high individualism |
| Power/distance             | High   | Low                       |
| Uncertainty avoidance      | High   | Low/medium                |
| Masculinity/femininity     | Traditionally feminine, but many practices could be seen as masculine. | Feminine                  |

Table 3: Differences between Zambian and Finnish cultural dimensions

## 6.9 Language, religion and conflicting attitudes

Mitchell (2000) argues that language, religion and conflicting attitudes are the three most important cultural components that relate to business transactions.

Religion influences the whole society's philosophy and the perspective on things and the ways how people think. A known, however very generalizing example of mixing low or/and high context cultures with religious moral concept, is flirting in a workplace. In the U.S.A the company carries its Corporate Social Responsibility by forbidding relationships with colleagues, thus avoiding unfair treatment and preference giving. In Italy flirting is considered almost a human right; no-one really pays attention to it. In the other extreme, a company in a Muslim country (although associated with high context cultures like Italy) protects the employee's moral by separating men and women to their own compartments, so that they don't have to meet each other and be tempted.

Zambians are religious. Majority, 50-75 % of population are Christians. Hindus and Muslims consist of 24-49% and 1% is estimated to be believers of indigenous religions (CIA 2010). In reality most of the people still practise the old ways or are very superstitious. Also the well educated are superstitious to the extent that it might prevent a person from accepting a job in an international or company. This is explained by fear of others in a community casting a spell on you out of jealousy (Huuhtanen 2010; Peltonen2010; Salminen 2010). An interesting point in the religiousness of Zambians is that the different denominations and religions do not rule out the other ones. The interviewees thought that the nearly exceptionally strong belief might be explained with alleviation of the hardness of everyday life and having faith and positive spirits about the future (Peltonen, Salminen 2010).

Even though the CIA estimates only 1 % of people practicing indigenous faith, According to the interviewees, most of the people still believe in indigenous practices and explain it with "I have seen so much odd things happen, I cannot, not believe" (Huuhtanen 2010). Because of the indigenous beliefs, human faeces generate fear in many Zambians and are a taboo. This has been a challenge to the NGOs promoting dry toilets in many African countries. Human excrement is often used in indigenous practises for inflicting a desired out come to a person. The outcome may be good or bad. For this reason any excrement is still to some extent taboo. Another reason for the fear of human waste is the spreading of disease due lack of proper sanitation. Global Dry Toilet Association of Finland has had very positive results from educating people of the correct use of dry toilets and the usage of the compost in gardens.

Concerning international business ventures, religious practises mostly affect the attitudes of people and the practical things that need to be taken into account. As mentioned earlier, belief that people are able to hurt you with magic, can actually affect the willingness of people to take a leading role in a community or have courage to take on new opportunities (Huuhtanen, 51:39).

In his interview, Salminen gave a couple of examples of situations where old practises or religion influence working habits. For example in case of funerals of close relatives, the Minimum Wages and Conditions of Employment Act grant an employee 7 days of paid leave (3C-Development Management & Entrepreneurship Experts 2009). Another rather curious custom, Salminen mentioned, was that every month women are allowed one paid day off without prior notification. The day off is commonly called mother's day but includes all women. Salminen thought that, the mother's day might also have its roots in the fear of human excrement (Salminen 2010, 58:10). The religion and taboos do not affect the business culture so much as people's everyday life. The religion and the taboos should be considered in the promotion (Salminen 2010, 55:45).

Mitchell (2000) suggests that the most important aspects in cultures' conflicting attitudes are individualism versus collectivism. One could also phrase it: Are the cultures task driven or relationship driven. These four values are strongly related to High context and low context as well as polychronic and monochronic cultures. Polychronic cultures are usually very relationship orientated and committed to people; collective, whereas monochronic and low context cultures are task driven and place time commitments over relationships (See table 4.1).

Other key components, that provide insight into a culture and are regarded beneficial to the realization of international business ventures, can be learned by observing the manners and customs, arts, education system and other institutions as well as social organisations and last but not least, humour (Mitchell 2000).

## 7 Zambia country profile

This chapter looks into the development of Zambian economy. In the interviews the issue of Zambia being a development country continuously arose as a defining factor of the business culture. The noteworthy issue was that the current economical and public sector reforms affect the business culture and change is holistic. In 20 years time Zambia has turned from a one ruler socialist country into a free economy. The change still continues and affects also the national culture; people's attitudes and behaviour, which is reflected especially to the dimensions: individualism/collectivism and masculinity/femininity.

This chapter is included in the thesis to enlighten some of the issues behind the Zambian current investment environment. When analysing cultural factors that affect international business ventures and investments, the economical state and economical history of the country have important roles in understanding and analysing the culture and business culture. Understanding these factors becomes increasingly important when a corporation is considering a

venture to a country that is in totally different economical state than the mother country of the business.

Having learned about current situation as well as the history of a country like Zambia, it is easier to understand the operational patterns, organisational structure and behaviour of management and employees/people. If a corporation wishes to improve operations of acquisition or create coalition with a local entity, it is important to understand the roots of the current operational field. The reforms that are currently implemented in Zambia diversify the culture and the operational field in which GDTF and Bioloan Group are setting foot in.

### 7.1 Zambia in figures

The republic of Zambia was declared independent in 1964. The region, known before as the Territory of Northern Rhodesia, had been under the British reign since 1923 and before that the British South Africa Company administered the region.

Zambia is a land locked country surrounded by Angola, Democratic Republic of the Congo, Mozambique, and Zimbabwe. The population of Zambia is 13,460,305. The age structure is very different to the western countries, Finland included. Only 2, 3% of the population is over 65 years of age. 45.1% of the population is children and 52.6% are aged 15-64, so the working population comprises the largest section of the population. The unemployment rate in Zambia is 50 %. The small number of elderly people in Zambia is explained with the low life expectancy of only 39 years (CIA.2010; Avert.2010).

As in many developing countries, one the problems in finding international investment in Zambia are finding educated management. School life expectancy in Zambia is 8 years for men and 7 years for women. However 80, 6 % of the population can read and write English (CIA 2011). The problem in the rural areas is getting competitive teachers. Many teachers have only had a twelve year education themselves, so the level of education remains low (Huuhtanen 2010).

The interest in new technology is high and many development countries, Zambia included have implemented projects to use mobile phones to create wealth. Mobile phones and the internet improve the quality of life and are considered as capital. Many phone boots have been set up with one phone, which the owner lends to villagers in exchange to money or other commodity (Salminen 2010). The development in this sector remains slow in the rural areas however.” Only 28 % of the rural areas have access to mobile phone services.” (AfDB, OECD 2010, 223) In 2007 Teledensity per 100 inhabitants is at 0, 77 % for fixed- line subscribers and 0, 14 % for internet users. Zambia is one of the most sparsely populated countries in the



world and that makes installation of infrastructure very expensive (AfDB, OECD 2010). The undeveloped infrastructure affects the choice of entry mode because it challenges the information flow from the mother country to the target country. It also affects logistics and manufacturing.

## 7.2 Key indicators of Zambian economy

Zambia is one of the least developed countries in the world despite of the natural resources of copper, other metals, coal and emeralds (CIA, 2010). The distribution of labour force and percentages that comprise the Gross Domestic Product are contradictory. The largest sector is services with 46.6% of the GDP, but it only employs 9 % of the population. Industry comprises 33, 7% employing 6% of the labour force. Agriculture comprises only 19, 7% of the GDP, but according to estimates of 85 % of the population gets their income from agriculture (CIA 2011). This is explained by the large part of population who make their living by growing vegetables for their own use; living off the land. These numbers are not shown in GDP or other statistics.

The Zambian economy has been dependent on the fluctuation of copper prices throughout its history. In the late 1960's Zambia was among the well to do countries in Africa as one of the world's largest copper miners after the United States and the Soviet Union (BBC, 2010). In the 1970's the price of copper falling, combined with the oil crisis, had devastating consequences on the country's economy. Zambia was in a similar situation again in the 1990's. The copper price falling drastically left the economy in a terrible state. The mining corporations that were now privatized could not afford to pay their taxes or debts to the government or other service providers like the railway and electricity providers. As the mining industry was the main source of income to them, they also fell behind in paying their tax and debts (Helsingin Sanomat 1994). These debts were the main contributor to the combination of affairs that quickly plunged the economy into the debt cycle from which the country is still in process of getting out. The BBC country profile of Zambia implies that the industry would be picking up once more as the electronics manufacturers are propelling the demand, leading to increase in investments (BBC 2010). It is hoped that with international investments the investment environment would become more solid and less risky. Economic- diversification programme is in implementation currently in Zambia. With the programme the government aims to reduce the country's economic dependence on the mining industry.

The GDP Purchasing power parity in Zambia in 2010 was 20, 03 billion U.S dollars compared to Finland's 185.4 billion U.S dollars. "GDP at Purchasing power parity exchange rate is the sum value of all goods and services produced in the country valued at prices prevailing in the

United States.” (CIA 2010) Most economists prefer this measure when looking at per-capita welfare or when living conditions or use of resources across countries is being compared.

The Gross Domestic Product (real growth rate) of Zambia was estimated at 5, 7 % in 2008. In 2009 the estimate was 6, 3 % and in 2010 it had risen to 7%. The real growth rate expresses the percentage of Gross Domestic Product growth on an annual basis adjusted for inflation. In table 4 below is shown the key economical figures of Zambia

|                                   |            |
|-----------------------------------|------------|
| GDP per capita                    | 1.500 \$   |
| Foreign Direct Investment         | 334 mil \$ |
| Exports                           | 4.8Bn \$   |
| Imports                           | 4.7Bn\$    |
| GDP Real growth rate              | 7 %        |
| GDP Purchasing power parity       | 20.03Bn \$ |
| Industrial production growth rate | 12.10 %    |

Table 4: Key figures of Zambian economy (Economic Watch 2010; and CIA 2010; UNCTAD 2006)

The amount of foreign investment in Zambia has grown quite steadily in this century and the Industrial production growth rate in line with it. (Economic Watch 2011). The Industrial production growth rate describes the annual percentage increase in industrial production. It includes manufacturing, mining, and construction. In Finland the rate was estimated at 6%. The chart below shows the development in industrial production growth rate in Finland and in Zambia between 2000 and 2009.

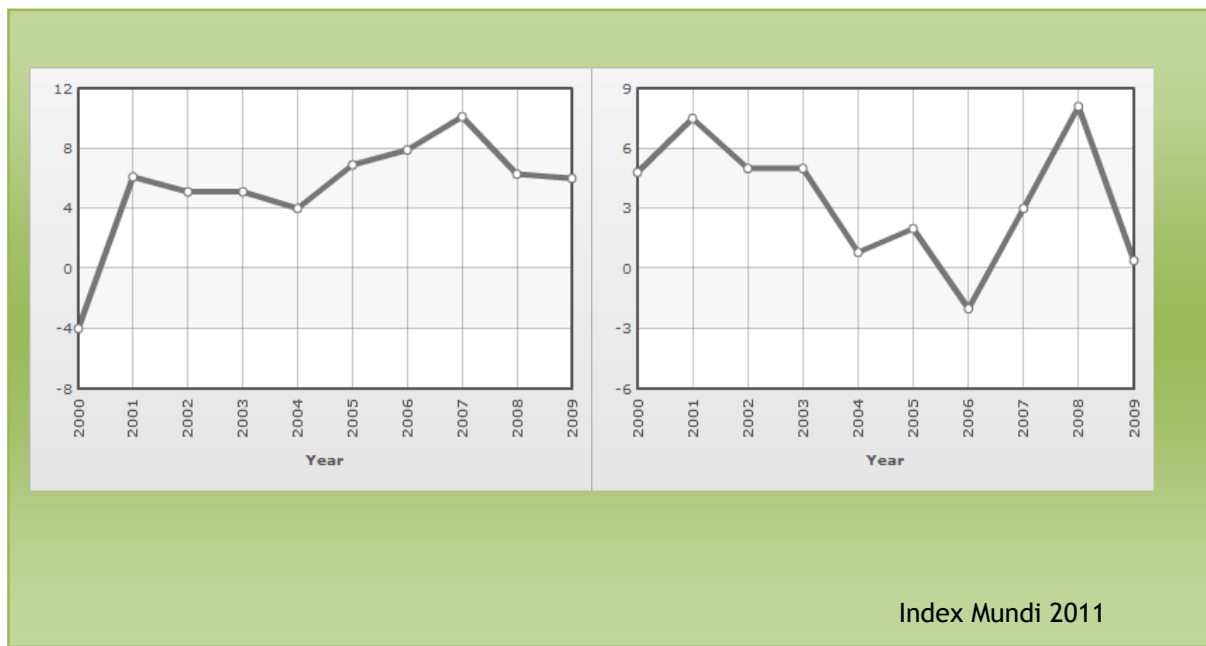


Table 5: The Industrial Production Growth Rate in Zambia (left) and in Finland (right) 2000-2011

The Zambian chart line is relatively steady when compared to the Finnish line next to it. In 2000 there has been a sprint in the growth from -4 % to 6.1 % in 2001. Since then the growth has been quite even. In 2007 there has been a little drop at the start of the global economical crisis. Finland followed with a steeper downhill a year later. The comparison between Zambia and Finland is made in order to show the quick development in this sector in Zambia. The development in this sector has already created jobs and improved infrastructure making international investment more desirable. The chart also reflects the shift of industrialized world from north to south due to globalisation.

### 7.2.1 Corruption

Corruption in Zambia is prevalent at the point of service delivery. Enforcing the anti corruption act has not been successful and corruption is also a serious problem at the higher level of governance (development management & entrepreneur experts 2009). Much of the corruption is associated with the former president Chiluba, who was jailed in 2007 for involvement in corruption and abuse of office (African Press International 2007).

Definition of corruption is as follows in the Anti Corruption Act of the Laws in Zambia:

- Abuse of public office for private gain
- A giving of a bribe in return for a favour
- Being in possession of a property or resources beyond one's present or past emoluments

- Soliciting, accepting obtaining, giving, promising, and offering of gratification by way of a bribe or other personal temptation (development management & entrepreneur experts 2009,25)

The fight against corruption has not been successful regardless of change in leadership. However, the strong political will is an advantage in fighting corruption. Anti-corruption institutions have been established, legislation has been revised and discussion about corruption is free on all levels of civil society, including the media, NGO's and the cabinet. Although the President and the cabinet have changed, the same ruling party is still in power. That could be easily seen as one of the defects in fighting corruption. The weakness of local government structures and incompetence of public administration also causes problems. These problems can be seen as a reason to the pervasive poverty in the country (Rakner, Fjeldstad, Svensson & Amundsen 2002).

Corruption is something a corporation investing in Zambia will face on all the levels of operations. Peltonen and Salminen (2010) believe that by being open about operations and practices, an international corporation is able to fight corruption in Zambia. Often the line between corruption and politeness can be confusing and denying of gifts must be done carefully. Matters are prolonged if no gift is offered to an officer or administrative, but Salminen believes that politeness and perseverance will get results (Peltonen 2010; Salminen).

### 7.3 Debt

Zambia is in a debt cycle like many development countries are. The wealth gained is used to pay the interests of loans taken from monetary institutions over 30 years ago (Peltonen 2010; BBC 2010). Although Zambia has had debt reliefs in this century, 86% of the population lives under the World Bank Poverty line of 1 U.S dollar a day (CIA, 2010). The tribulations of Zambia are also caused by the colonial legacy, bad governing and disease.

Aids is also said to have a major effect on economic productivity in Zambia. Unlike in many other countries AIDS and HIV in Zambia is not primarily the plague of only the underprivileged. Well educated and wealthier people are also exposed to the virus. All sectors of the economy and the public sector have been weakened (Avert 2010). More than one million of the population lives with AIDS leaving them unable to work. It is estimated that 50% of the population is unemployed (Salminen2010; Peltonen, 2010; BBC, 2010; CIA 2010).

### 7.4 The Chinese in Zambia: Deadly culture collision

United States and the United Kingdom have traditionally been the biggest investors in Africa. But the amount of Chinese investments has increased tenfold in ten years (Helsingin Sanomat 2010, b5). The Chinese have invested mainly in the natural resources and many copper mines are under Chinese ownership. Generally the Africans have positively welcomed the Chinese investors, because the business affairs do not depend on the state of democracy or human rights in the country. The business dealings with the Chinese are also free from the historical baggage of colonialism and aid giving. The Chinese have added more than 1 billion U.S Dollars to Zambia's 13 billion GDP (Financial Times 2011).

The Chinese presence in Zambia has raised many questions of Corporate Social Responsibility, sustainable business methods and the differences in business culture. The Chinese investment has brought profit to the country but a lot of the public is growing hostile towards the Asians because of cultural differences. This should be studied critically. A lesson from the mistakes that the Chinese have made can be learned in regards to the working habits and laws in Zambia. According to the Financial Times, the Chinese businessmen have found the cultural differences problematic. There are communication problems between the Zambians and the Chinese workers and management who do not necessarily understand English. The Zambians "...work according to a plan..." (The Guardian Weekly 2010) and have been reluctant to work on weekends, while the Chinese are said to work until the work is finished and rest afterwards. To the Chinese this has sounded unbelievable, but the Zambians rather enjoy their lives and spend time with their family and friends. There has also been ignorance on labour and health and safety laws at the Chinese owned corporations. The problems in copper mines especially have been in the media (The Guardian Weekly 2010; Financial Times 2011). In October 2010 there was a shooting incident at one of the Chinese owned mines. Two Chinese managers shot towards the miners who were on strike, accusing the owners of ignoring labour laws. 13 workers were injured at the incident and the managers were charged with attempted murder (The Financial Times 2011).

In spite of the public discontent, the government of Zambia is hoping that Zambia's economy would benefit from the investments in the same way that China did a few decades ago. The debate has been loud and the government has defended its view with the fact there has been very little other interested investors (Financial Times 2011).

## 7.5 Summarising the economical state

It is clear that state of the economy is very fragile although major changes have been made and a lot of effort is being put to the economic and public-sector reform. The economic growth remains extremely limited because of undeveloped infrastructure, energy bottle-

necks, and the limitations of the public sector. Most of the infrastructure is still owned by the state.

The internal problems in the country are caused by poor administration. The organisational structure is an inheritance from the colonial era and is vastly undeveloped. Corruption still thrives regardless of governments attempts of eradication. Disease and hunger cycles are common problems of a development country (Peltonen 2010). However according to the Financial times (2011) the risk of doing business in Sub-Saharan countries, Zambia among others has fallen.

Like many development countries, Zambia has started the economic reform in the 1990's and is encouraging private investments in all of its productive sectors including mining, manufacturing, agriculture, energy and tourism. The most of the foreign investments are made to the mining sector for obvious reasons; the price of copper is relatively high, so the profits are the highest in that sector as well. However, developing the agriculture the manufacturing and the tourism sectors for job creation and hunger prevention is essential. Infrastructure and energy are also pivotal part of the reform.

In the lines of the reform, Zambia has established export processing zones and zoning applications are encouraged. Investment opportunities exist in industry; Production of consumer goods, services and collieries and, also in interest to this study, in fertilizers and chemicals manufacturing (Netherland Embassy 2011). There might be an opportunity for the Biolan Group in the organic fertilizers manufacturing, combined with manufacturing and promoting of dry toilets. There are also opportunities in the agro-industry: Horticulture- and floriculture, cotton-ginning, tobacco-processing and crop production for the processing industries. Co-operations and small investments in these fields could give impetus for the Biolan Group to grow into a major dry toilet- and fertilizers manufactures in Zambia.

From the experience of the Chinese investors in Zambia, many an important thing can be learned in good as well as in what should be avoided.

## 8 Conclusions and Strategy

The conclusions on the Zambian culture are summarised from the interviews. The interviews provided important insight into the national culture and the business culture in Zambia. When gathering information on the Zambian culture using the generalisations of Hall and Hofstede as a guideline, the key issues that arose from the interviews, in context to the theories, were polychronic culture traits and high context in relation to it, collectivism of the culture, and high power distance. Also an important defining factor was the economical situation; the undeveloped economy and liberalisation of the economy.

## 8.1 Data analysis

The culture and the business environment in Zambia are changing. The change started rapidly in beginning of the 1990's when the first democratically elected president Chiluba liberalised the markets and the economical and the public sector reforms were introduced and further encouraged with the debt relief given to the least developed countries in 2005. However the country is still one of the worlds least developed countries and the business culture is strongly moulded by the factors characteristic to a developing economy. The national trades of Zambian culture are also affected by the latter but it would be presumptuous to just see the culture and the people as creation of the situation. The culture is a combination of the traditional tribal cultures and colonisation with a hint of modern urbanisation increasingly visible in the biggest cities.

### 8.1.1 Contradictions

The contradictions between the traditional Zambian culture and its historical and current economical situation were highlighted in nearly all the topics. From the interviews I gathered, that the economical position of a development country affects enormously people's behavioural patterns and their attitudes. This creates contradictions to the generalisations of cultural dimensions.

For example in context to the Hofstede's dimension Masculinity versus femininity, Zambian culture is traditionally considered to be more feminine than masculine. The people expect rules and protection from the society. This is traditionally been the case in Zambia, but the current reforms in the private and public sectors have changed the practice. High taxation is associated with feminine cultures, but the population being so poor, it is impossible to collect sufficient amount of income tax to support the public sector. The government is giving international investors massive incentives in form of tax exemptions.

The ideology might be feminine, but the position the developing countries have in global market, forces them to make exceptions in corporate taxation, which is contradictory to the Hofstede's dimension: masculinity versus femininity. The incentives how ever do provide easily profitable opportunity for foreign direct investment to the international investors. The idea behind the incentives is to attract investors to the country in a hope that it would provide a strong ground for long-term industrialism (KEPA 2009). There is debate how sustainable the method is however. According to KEPA, there is no proof of the incentives bringing the long term capital into the countries (KEPA 2009, 28).

High corruption in the country is also contradictory to the femininity of the culture. Also nepotism is very common according to Salminen (2010, 34:52). With nepotisms is meant favouring of relatives or friends. If generalised this kind of practice could be associated with masculine cultures rather than feminine ones.

### 8.1.2 Traits that suit the generalisations

The interviewees agree with Hall on the Zambian (African) culture being polychronic. Punctuality is not as highly valued as it is in Finland. Meetings are arranged loosely. People are relationship orientated rather than task orientated. However Punctuality in Zambia is also highly connected to infrastructure; the distances are large and the roads and transportation is undeveloped. The rhythm of life in Zambia is much defined by the undeveloped infrastructure and matters are dealt with when it is possible. The low teledensity also affects the fact that matters are dealt with in person.

In relation to the dimensions of Hofstede, Zambian culture measures high on the scale of power distance and uncertainty avoidance. The business and corporate culture is very hierarchical. Tasks are given in precision. People do not want to take responsibility but also they do not want to step on anyone's toes. Loosing face or doing a mistake is nearly the worst thing that could happen to a person. The Finns might find this a little difficult, because in a Finnish low power distance culture employees are encouraged to make their own decision. The hierarchy affects the smoothness of operations between co-workers and makes execution of operations slow because it creates additional loops between contacts.

The traditional culture is collective and especially family orientated. The effect on business culture is that the pressure afflicted to a well to do person might hold them back from education and other opportunities. In the traditional collective culture, the person who is well off has a responsibility towards his family, which can be extensive. Zambian culture is changing though and values and attitudes are bending towards individualism.

## 8.2 Strategy

The strategy I am presenting as the best entry method is a conclusion that takes into account the information concluded from the interviews, combined with the theory of traditional and sustainable entry methods.

When choosing the best way for Biolan Group to enter Zambian market, some concerns should be taken into account. The first thing is not so much of a cultural issue, but a geographical fact. Zambia is a land locked country, which makes import operations more expensive. Zam-



bia is sparsely populated, distances are great, and the undeveloped infrastructure complicates logistics and communications.

There seems to be a lot of risks in a business venture in Zambia but there are also great opportunities. Corruption is still so commonplace, that it is certainly one of the things that a corporation will have to confront and deal with. Corruption is so intertwined with the everyday life in Zambia that some customs, for example giving policemen cigarettes or beer at the province borders for a smooth passing through, is considered to be good manners and politeness rather than corruption. The best way to fight corruption is openness and systematic transparency of operations.

One of the biggest problems local Zambian businesses have is the lack of educated management. An international corporation could however turn this to an advantage. A plus from the investor's point of view is also that in 30 years time one billion Africans are working age and more than half of them live in cities. Zambia is no exception to this rule. At present average of 45% of the population is children and 53 % are now working aged. Most of the Zambians have basic education and if the investors have recourses or a partner with required resources, they can train very skilled and specialised employees and management. The motive to work for everyone everywhere in the world is to make a living. In industrialised or developed countries, people can afford to choose a job that suits their preferences and life even if the pay would be a little less. The choice is not as available to most of Zambians. Most people hold several jobs in order to make a living and salaries are often very low. However, according to the interviewees and articles, Zambians are reactive towards oppression and bad working conditions. The Minimum Wage and Conditions of Employment act is relatively well formed and the unions are free and active (Salminen 2010, 01:14). Offering a decent salary, training and good working conditions would be respected. Training employees develops knowledge and skills and motivates employees.

In a high context culture networking and a good reputation is vital. According to Huuhtanen (2010), Zambians can be careful in taking risks and a corporation and the product must be known before trade can commence. As GDTF have done a lot of work in the Copper Belt and in Lusaka, partnership with Biolan Group and GDTF would be very useful to Biolan. It might be worth considering a contributory dry toilet in Lusaka in order to make the product known. Biolan would benefit from the knowledge GDTF has of Zambia: The common practices and the existing, well taken care of, network.

Collectivism and high power distance of Zambian organisational structure is apparent in the rigid and hierarchical management. Fluent management will require presence. The insufficient infrastructure: The lack of communications systems might complicate management from

abroad. The high power distance in the culture affect the hierarchical structure of organisations and requires a strong management.

All the cultural aspects would speak for local presence in Zambia. Using the method of Bottom of the Pyramid and of joint venture would be the most purposeful for the venture. For Biolan group on its own, the venture would be over tiring. As GDTF and Biolan are already doing joint project work in Finland and in Karelia, they are familiar with each other. As mentioned earlier, GDTF has built good ground to work on, which is one of the hardest parts of the venture in Zambia; Biolan Group could access the markets through these connections. Biolan would benefit also from the knowledge that GDTF has gained from the culture and the operational field. The two entities might have a chance of finding a third partner locally. This would further enhance the possibility of research and development of dry toilets. Biolan Group already has a strong tradition of developing and producing environmentally friendly fertilisers for international markets. Co-operation with local business might also enable further research in fertilisers suitable for Sub Saharan conditions and present and opportunity to extend the product range.

GDTF is actively co-operating with local organisations and have actually helped a local waste management and sanitation organisation Necos with income generating. With the help of GDTF, Necos has been able to buy machinery for brick production. The profits are used for the operations. Huuhtanen thinks that there could be a possibility for GDTF to participate in income generating activities as well. The laws that are applied to NGOs in Finland forbid local income generating activities in projects funded by the Ministry of Foreign Affairs of Finland, but outside these projects, a possibility of business operations would be a good idea. The business would create commitment to the operations; it would decrease the dependency on aid, create jobs, income and stability (Huuhtanen 2010, 38:12). Biolan Group would bring in the basis of an international organisation structure, business knowledge and management as well as capital to give leverage to the venture. With Biolan the scale of operations can be extended to include a wider geographical area as well as to a wider range of products.

A new phenomenon amongst the international investors is acquiring field in Africa. This issue is raised for attention, because it might present new opportunities for the Biolan Group and GDTF in Zambia if thought in relation to the BOP philosophy. Over a half of the world's unused farming land is on the African continent. In Zambia 14 % of the land that is eligible for farming is cultivated (Helsingin Sanomat 2010). Only a small part of the land is cultivated but it does not mean that it is not used. The land might be used for farming, picking up firewood, mushrooms and herbs and fruits (Helsingin Sanomat 2010). A sustainable way would be to join

with the local land owners to create business and profit. It would be interesting to investigate the possibility further including traditions in land use and ownership.

## 9 Summary

In this thesis the key factors of Zambian culture were assessed in order to find a suitable entry method for Biolan Group and the Global Dry Toilet Association of Finland in dry toilet markets in a development country, Zambia. The current economical position of Zambia is also assessed, because the undeveloped economy affects the people, business culture and the operational environment on the whole. The conclusion is that the most suitable entry method in the current situation is a combination method of joint venture and Bottom of the Pyramid method. The study can be used as a part of larger scale research on business possibilities in the field, which is conducted by GDTF and Biolan Group.

The study participates in the ongoing discussion about the identified role of the private sector in poverty reduction. Relating to that, the issues of sustainable business methods and Corporate Social Responsibility are also touched. With globalisation the Polar of industrialised world and new market growth has shifted. Corporations are faced with demand for more sustainable business methods. The need to revise strategies may rise from external factors, stakeholders: consciousness of customers or internal factors: A wish for good corporate manners and the will to carry responsibility. Whatever the reasons are, there is room for development in the field.

Like GDTF, many Nongovernmental organisations are involved in small business, which are often called additional income generating activities. However, the literature in the field is still limited and traditional thinking that NGOs and private sector cannot be mixed. In some cases the attitude is nearly scornful toward each other. Because of shortage of holistic literature the interviews were the major source of information. References for the study are pieced together also from articles, news clips, books and lessons. The gathering of information took much longer than expected. The literature on internationalisation and the literature on sustainable business methods seem to be two different disciplines at the present. The interviews proved to be very informative: Diverse yet coherent. Native Zambians would have been a good addition to the source, but the amount of information gained from the three interviews alone, was extensive and satisfactory.

If Biolan Group and the Global Dry Toilet Association of Finland join their assets in business venture in Zambia, assessment of their individual- and combined resources available is needed. Further research is also recommended on how the merging of these different kinds of

organisational structures and organisation cultures is accomplished. Also finding a suitable local partner will require further investigation.

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