



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

**It's time for Africa**

**Opportunities and Challenges for Social Entrepreneurs in  
Sub-Saharan Africa**

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## Abstract

Identifying and choosing the right opportunity are one of the most important ability of a successful company. An opportunity could be identified in different ways and influenced by several factors. Since the creation of a successful business often relies on a successful opportunity development process, there is a need for a deeper understanding on how the opportunity identification will affect the continued operations of a company. Since many Western markets are being saturated emerging markets provide many potential business opportunities. In addition, social entrepreneurship, a combination of economic and social value creation is gaining importance. The African continent is characterised by several social issues, which has the potential of becoming opportunities for social entrepreneurs. The purpose of the thesis is to fill a research gap concerning how the opportunity identification will affect the continued operations of a company and particularly the challenges encountered. To address the research gaps, the authors formed the research question: *How does the opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market?* A multiple case study was conducted of six social entrepreneurs in four different Sub-Saharan markets. This has resulted in two major findings. The first finding indicates that differences in how an opportunity is identified do not directly affect the challenges encountered by social entrepreneurs establishing in Sub-Saharan Africa. However, the second finding indicates that the use of a network in the opportunity development could mitigate some of the challenges encountered by the companies.

**Key words:** Social entrepreneurship, Opportunity identification, Knowledge, Sub-Saharan Africa, Challenges

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## **List of abbreviations**

**BRIC:** Brazil, Russia, India and China

**CEO:** Chief Executive Officer

**CFO:** Chief Financial Officer

**ECS:** Emerging Cooking Solutions

**EDFI:** European Development Finance Institutions

**EEP:** Energy and Environment Partnership Trust Fund

**FSC:** Forest Stewardship Council

**GDP:** Gross domestic product

**HR:** Human Resources

**MNE:** Multinational Enterprise

**SIDA:** Swedish International Development Cooperation Agency

**SME:** Small and Medium-sized Enterprise

# 1. Introduction

*This chapter gives an introduction to the background of the topic, followed by a problem discussion that outlines the research gaps. The purpose and research question of the report are then presented and the chapter is finalized by presenting the delimitations and structure of the report.*

## 1.1 Background

In the global economy of today, small and medium sized enterprises (SMEs<sup>1</sup>) play an increasingly important role in economic development and job creation. With increasing competition from both foreign and local firms many SMEs are looking for opportunities in foreign markets in order to sustain business growth (Zamberi Ahmad, 2014). The identification and selection of the right opportunities are an important factor for companies and especially for SMEs and entrepreneurs (Ardichvili, Cardoza & Ray, 2003). Business opportunities are identified to create and deliver value for stakeholders and are a result of a careful investigation of market needs (Ardichvili, Cardoza & Ray, 2003).

While many Western markets are being saturated, emerging markets are seen as attractive and growing markets with many potential business opportunities (Zamberi Ahmad, 2014). The African continent is one of the emerging markets that have received an increasing interest in recent years (Ferrucci, Gigliotti & Runfola, 2017). The African continent is described as an interesting emerging market, with many countries registering a gross domestic product (GDP) growth rate that is higher than the global average (Andreasson, 2011; Ferrucci, Gigliotti & Runfola, 2017). Areas such as infrastructure development, trade mobilization of government revenue and social services have all been much improved since the beginning of the new millennium due to the rapid growth of many of the African countries (Ferrucci, Gigliotti & Runfola, 2017). During the years between 2001 and 2008, the African continent was the fastest growing region in the world economy. The growth performance was remarkably widespread among many of the African countries (UNCTAD, 2012). By 2050, Africa's popu-

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<sup>1</sup> Definition SME: Staff headcount: < 250, Turnover ≤ € 50 m or Balance sheet total ≤ € 43 m

lation are expected to double and six of the world's ten fastest growing economies are located in Sub-Saharan Africa (STING, 2016).

Many of the large companies from Sweden, such as Atlas Copco, Ericsson and ABB have identified opportunities and established in Africa. Due to the high growth rate in Sub-Saharan Africa, Swedish SMEs have also started to identify opportunities on the continent (Dalqvist, 2015). Countries such as Nigeria, Zambia and Tanzania are popular destinations for investments among Swedish SMEs due to its high potential in various markets (ibid). The Swedish export credit agency supported 17 Swedish companies to export to Africa in 2002. 10 years later the number had more than doubled (ibid). In particular, it is the SMEs that express their interests towards Africa and an explanation for this could be the growing market and the potential business opportunities (ibid). However, these markets also come with great challenges due to the contrast with more mature markets (Zamberi Ahmad, 2014).

Companies face numerous economic and social challenges in the global economy of today (Matten & Moon, 2008; Van Liedekerke & Dubbink, 2008; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). With a reduced social welfare spending in many countries, creating a gap between the needs and the services provided, social entrepreneurs are increasingly important in filling unmet social needs (Yitshaki & Kropp, 2016). As a result, social entrepreneurship, a combination of economic and social value creation is gaining importance in the world economy (Luke & Chu, 2013; Mair & Martí, 2006). Social entrepreneurs often identify a potential business opportunity in connection to the salvation of a problem. The identification of an opportunity for a social entrepreneur involves a process of the company trying to find a solution to a social need, which is often part of the bigger picture and connected to a sprawled social mission (Shane, Locke & Collins 2003). Instead of closing the gap of need and demand with pure business thinking, the opportunity identified by the company benefits the social community (ibid). In the world of social entrepreneurship, the progress of the initial idea is already taking place in the opportunity recognition stage. This is in contrast to a commercial entrepreneur where the development of the idea comes after the opportunity is identified (ibid). This is particularly evident when the social entrepreneur possesses tacit knowledge in connection to certain social needs (Yitshaki & Kropp, 2016).

## 1.2 Problem discussion

Identifying and choosing the right opportunity for a new business are one of the most important abilities of a successful company or entrepreneur. Hence, explaining how an opportunity is discovered and developed is of importance (Venkataraman, 1997). The opportunity development process includes several steps and the process is likely to be cyclical, leading to additional opportunity identifications or adjustments to the initial business idea (Ardichvili, Cardoza & Ray, 2003). Ardichvili, Cardoza and Ray (2003) highlight several factors that affect the entrepreneur's ability to identify opportunities. Several models of opportunity identification have been developed, although most models lack a comprehensive understanding of the complete process (ibid). Hills, Lumpkin and Singh (1997) are e.g. discussing the opportunity identification process from a social network context. Additionally, Shane (1999) discusses opportunity identification from a prior knowledge and experience perspective. Consequently, there is still no comprehensive theory regarding the opportunity identification and its development (Ardichvili, Cardoza & Ray, 2003). There are several different ways to identify an opportunity. An opportunity could e.g. be identified by an invitation from a network or through an own identification without an established network. An opportunity could also be identified through being present in a particular market with an already established network (ibid). Since the creation of a successful business often relies on a successful opportunity development process, there is a need for a deeper understanding on how the opportunity identification will affect the continued operations of a company (ibid).

Opportunity identification in the social entrepreneurial context has been described as the ability of the entrepreneur to create a solution to a social issue. Previous research has identified that opportunity recognition among social entrepreneurs is based on their personal background (Corner & Ho, 2010; Dorado, 2006; Mair & Noboa, 2006) and could e.g. be a result of a personal issue such as an illness (London, 2010). Corner and Ho (2010) found that opportunity identification in social ventures often involves a moment of inspiration, which evolves over time and the opportunity as such develops. Davidsson (2005) pointed out three evident fields in the entrepreneur research, which can be applied in the area of social entrepreneurship, the creation of an opportunity, how some people discover and develop opportunities and the exploitation of opportunities through different modes of actions. Motivation plays an important role in translating entrepreneurial aims into act. Carsrud and Brännbäck (2011) also points out these characteristics to be important for an entrepreneur in the identifi-

cation and exploitation of opportunities. Gaining more knowledge concerning social enterprises and its features as well as motivations, may add to the development of the field (Yitshaki & Kropp, 2016).

Combined with the increasing international activities among social entrepreneurs, more research is needed in order to understand how entrepreneurs identify and create opportunities connected to particular global social issues and how they created their venture around such international opportunities (Zahra, Rawhouser, Bhawe, Neubaum & Hayton, 2008). The increasing number of studies made in the research field of sustainable entrepreneurship concerning environmental and social issues proves its popularity (Choongo, Van Burg, Paas & Masurel, 2016). Although, the majority of the studies in this specific field have turned out to be made in a Western context, not as much is known in terms of social entrepreneurship and the opportunity identification in a developing country setting (ibid). The research conducted in Africa is particularly low (ibid). Research in the field of emerging markets has mainly focused on the BRIC (Brazil, Russia, India and China) countries and less notice has been given to African countries despite the fact that the African continent is perceived as the next upcoming market (Riviera-Santos, Holt, Littlewood & Kolk, 2015). Since the features of a developing country differs from a developed country and has unique social, political and economic characteristics, it appears less apparent to apply the already established theories and empirical results retrieved from the context of a developed country to fit the developing countries (Choongo, Van Burg, Paas & Masurel, 2016).

The African continent, and especially Sub-Saharan Africa, is characterised by several social issues, which has the potential of becoming business opportunities for social entrepreneurs (Riviera-Santos et al., 2015). Despite the increased interest in social entrepreneurship as well as the potential business opportunities in the African market, the literature with a focus on issues related to social entrepreneurship, such as corporate responsibility and sustainable development, has mainly focused on single African countries (ibid). Few studies have been conducted with a focus on more than one African country (ibid). Additionally, when entering a Sub-Saharan African market, several challenges may be encountered (ibid). Especially evident are issues related to corruption and weak institutions as well as low purchasing power and cultural differences (Barkema, Bell & Pennings, 1996; Riviera-Santos et al., 2015). Such challenges can have an impact on the operations of a social entrepreneur and thus need to be prepared for (Mohammed, 2018). Hynes (2009) have examined challenges encountered by

social entrepreneurs in achieving firm growth. However, limited research has been found in relation to the opportunity development process and its potential effects on the challenges a social entrepreneur will encounter.

The research gap identified from the literature above mainly concerns the opportunity identification process and the lack of research regarding the opportunity identification process and the potential effects of that process on the continued operations of a company. Limited research is found on how the opportunity identification and development are affecting the challenges that occurs when establishing on a new market. In addition, social enterprises and their opportunity identification process have also been given less attention, especially in a Sub-Saharan African context. This is despite the fact that the continent faces several social issues that has the potential to turn into business opportunities for social entrepreneurs. However, these markets also come with many challenges, which could have an effect on the operations of a company.

### 1.3 Purpose & research question

The purpose of this study is to contribute to the existing literature on how the opportunity identification will affect the continued operations of company and more specifically, the challenges a company will encounter in connection to a market establishment. Additionally, the purpose is to contribute to existing literature of opportunity identification in social enterprises in the Sub-Saharan African context. In order to fulfil the purpose of this study, the following research question has been developed to direct this study down the relevant track:

*How does the opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market?*

### 1.4 Delimitations

In relation to the chosen approach for this research, some limitations are present. These limitations could have effect on the reliability and validity of the findings in this paper. In this section delimitations applied in this study will be described further.

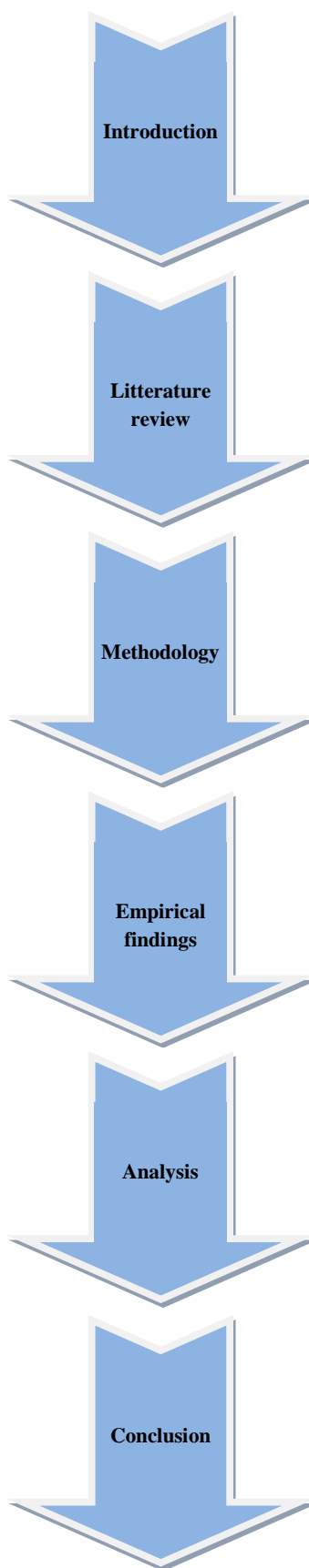
In preparation for this study, a decision was made to limit the research to only concern SMEs and more specifically social entrepreneurs. Due to the decision of deliberately turning down

Multinational Enterprises (MNE) as an option for this study could mean that the applicability of the findings in this study to be of narrowed interest for firms not being of a similar size and segment as the companies in the cases. Second, the companies had to be Swedish or at least the entrepreneur had to have a connection to Sweden. Another limitation, which has formed the research connected to this study, is the location of the case companies to be in countries in Sub-Saharan Africa. Excluding countries from the Northern parts of the continent can possibly mean that the authors miss out on valuable information coming from companies fitting the other criteria.

In this multiple-case study, six firms were chosen, representing four countries in Sub-Saharan Africa. The study will include companies with establishment in the Ivory Coast, in Mozambique, South Africa and Zambia. The authors are aware of that the research conducted is constrained to be applied to a different context or setting and could therefore not be assumed to be generalised. Additionally, Mozambique is e.g. the only country in where more than one case company are located, meaning that the authors have been able to collect more data from that particular country. The authors limited the thesis to four countries and six firms due to the time in which the study had to be conducted. It also had to do with the total amount of social entrepreneurs with a Swedish connection present in the Sub-Saharan African markets. It was also necessary that the companies could be found online as well as being available for an interview.

The aim of the study is to bring complementing research in which will contribute to fill the gap in International Business research and to encourage further research to be conducted in this field. The findings are also meant to operate as a guide for social entrepreneurs who has identified a business opportunity in the area of Sub-Saharan Africa through one of the three manners discussed in this thesis.





## 1.5 Research outline

The thesis begins with an introduction of the study and covers six chapters in total. The following chapter includes a literature review which presents the opportunity development process for traditional entrepreneurs as well as for social entrepreneurs. In addition, the chapter provides an overview of social entrepreneurship as well as challenges connected to a market establishment. The outlined theories represent the conceptual framework, the base for this thesis to stand on. This section explains previous research relevant for this thesis such as social entrepreneurship and more extensive research connected to the opportunity development process. The framework was later revised due to the findings obtained from the multiple case study. In the third chapter the methodology is presented. This chapter explains how the study was conducted in order to accomplish the aim of this research. Information in regard to how the data was collected and which analytical method was utilized can be found in this section. The empirical findings are presented in section four. The empirical data are organized in three different sections depending on how respective firm identified the opportunity and established in the market. First: establishment through invitation, second: establishment through opportunity recognition and third: establishment through local presence by the entrepreneur. These three sections have in turn three subsections each. Opportunity identification, Opportunity development and Challenges connected to the establishment. This structure of the empirical data was chosen and presented in this manner in order to be able to be as legible and available as possible to the reader. Further, in chapter five the theories are compared to the empirical findings on which an analysis is built on. The findings are discussed and construed. In the sixth and last section, the thesis is summarized and a conclusion containing the highlights of the major findings is included and the research question: *“How does opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market?”* is answered. As a final compliment, this thesis managerial contribution to the research is presented as well as suggestions for further studies.

## **2. Literature review**

*The following chapter will discuss the theoretical contributions in two various research fields. The chapter starts by presenting the field of opportunity development process both from a traditional entrepreneurship perspective as well as from a social entrepreneurship perspective. The chapter then continues with an overview of barriers and challenges connected to a market establishment. A conceptual framework is then developed and presented at the end of this chapter.*

### **2.1 Opportunity development process**

The opportunity development process involves the identification, evaluation and exploitation of an opportunity (Choongo et al., 2016). Opportunity identification is an important aspect in entrepreneurship literature, both for social and traditional entrepreneurship (Mair & Martì, 2006; Corner & Ho, 2010). Described as “*a favourable set of circumstances for doing something such as establishing a new venture*” (Corner & Ho, 2010 p.636), opportunity identification in entrepreneurship was brought forward by Drucker (1993). In more recent literature, opportunity identification is still viewed as an important factor when looking at entrepreneurship (Shane & Venkataraman, 2000; Singh, 2001). Entrepreneurship is in turn described as “*the process by which opportunities to create future goods and services are discovered, evaluated, and exploited*” (Shane & Venkataraman, 2000 p. 218). The entrepreneur uses a unique set of scarce resources and skills in order to pursue an opportunity to seek future returns (Yitshaki & Kropp, 2006). Opportunities start out as simple concepts that are elaborated as the entrepreneur develops them (Ardichvili, Cardoza & Ray, 2003).

#### **2.1.1 Opportunity identification**

The identification of a business opportunity and the selection of the right opportunity are considered as one of the most important abilities of a successful entrepreneur. Ardichvili, Cardozob and Ray (2003) argue that opportunities are made, not found, however, some elements of an opportunity may be recognised or identified by an entrepreneur or a company. Ardichvili, Cardoza and Ray (2003) highlight the fact that successful opportunity identification could lead to a successful business. An opportunity can be described as the potential to meet a market need or interest by a creative combination of resources in order to deliver a higher value (ibid). However, limited research explains the effect the opportunity identification will have on the continued operations of a company (ibid). Prior knowledge among en-

trepreneurs, e.g. gained from work experience, education and experiential learning, can lead to the identification of particular opportunities. Furthermore, the ability to create or identify an opportunity may be enhanced by previous knowledge of entrepreneurial experience. Entrepreneurs with previous business ownership can identify a larger number of opportunities compared to more novice entrepreneurs (Choongo et al., 2016). The previous knowledge that the individual possess is the unique information that will decide the capacity of the entrepreneur in terms of being able to recognize certain opportunities (Shane & Venkataraman, 2000; Venkataraman, 1997). Opportunity identification can also be connected to the use of networks (Hills, Lumpkin & Singh, 1997). The help from an established network may increase the ability to identify opportunities. The entrepreneur could also have a local presence and local network that could contribute to the identification of an opportunity. However, an opportunity may also be identified without the use of a network. Other factors such as previous knowledge or experience may instead affect the ability to identify an opportunity (Ardichvili, Cardozob & Ray, 2003).

Three dimensions of prior knowledge are significant to the process of opportunity identification according to Shane (2003). The first dimension concerns markets; prior knowledge allows the individual to understand the conditions of demand, which in turn will facilitate the opportunity discovery. The second dimension is connected to prior knowledge in regards to serving markets. Prior knowledge of how to serve markets will help the individual to spot opportunities since they have an understanding of how the market works and operates. The marketing or production profits from launching a new product or service can be easier to determine when having this knowledge (Johnson, 1986). The third dimension highlights previous knowledge connected to customer needs or issues, which will stimulate opportunity identification and could generate a new service or product in order to please customer's unfulfilled demands and needs (Von Hippel, 1988; Tang, Kacmar & Busenitz, 2010).

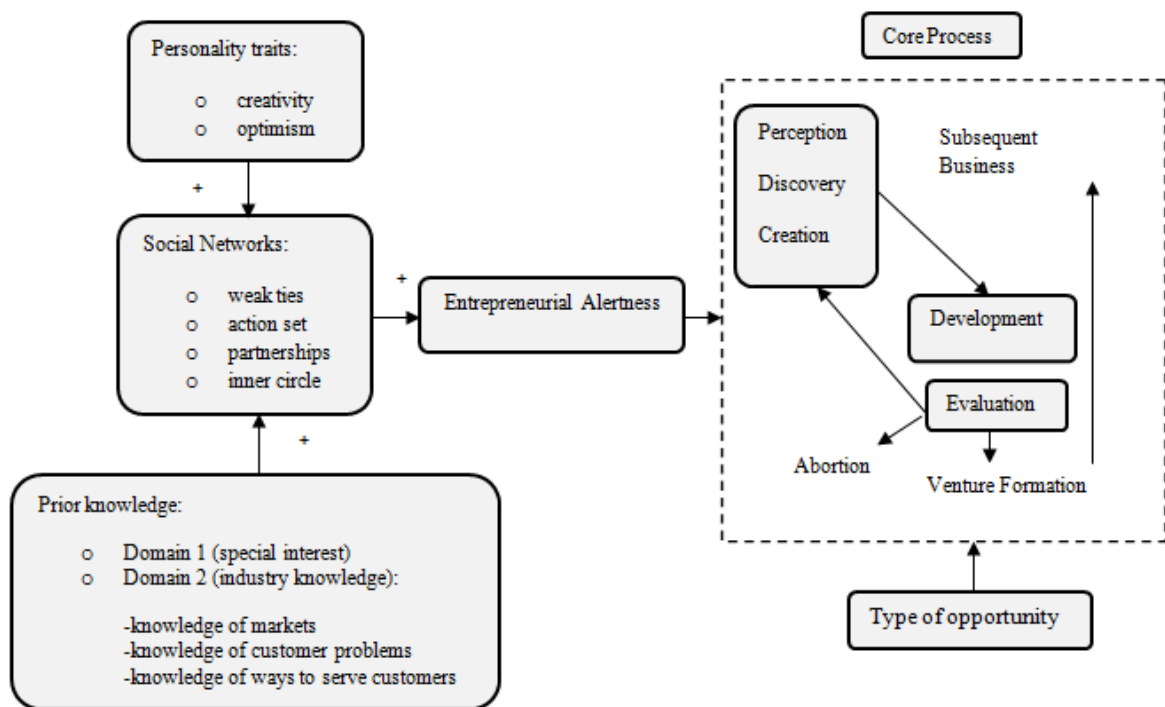
### **2.1.2. Opportunity development**

The development of an opportunity involves the creative work of the entrepreneur. The development of a successful business is reliant on a successful opportunity development process (Ardichvili, Cardozob & Ray 2003). The opportunity development process involves the recognition of an opportunity, the evaluation of the opportunity and the development itself (Ardichvili, Cardozob & Ray 2003; Choongo et al., 2016). The process per se is cyclical and iterative where the entrepreneur often makes several evaluations at different stages of the

opportunity development. This cycle can also lead to additional opportunity recognitions as well as adjustments to the initial opportunity or vision (Ardichvili, Cardozob & Ray, 2003). McMullen and Shepherd (2006) have identified two stages of opportunity evaluation. As an entrepreneur considers and evaluate an opportunity new information is registered and the entrepreneur utilizes the judgement that consists of two stages; attention and third-person opportunity and evaluation and first-person opportunity. Third-person opportunity concerns a person under the impression that a possible opportunity arises for someone else. Such opportunities are not obvious or appealing to everyone, only to the person having the correct qualities. A first-person opportunity occur when the entrepreneur realises, through an evaluation process, that he or she could make good use of the opportunity that has arisen. It does not automatically mean that the entrepreneur is under the impression that one holds the correct combination of knowledge and motivation in order for the person to develop it. When the entrepreneur has a positive view of the opportunity, the entrepreneur will probably calculate the eagerness to undertake the uncertainties connected to the opportunity as well as come to a decision to proceed with the opportunity or not (ibid). Additional information will assist the individual to conduct a more precise assessment in deciding the potential of a new business idea. By the entrepreneur making judgement, he or she will be able to discover opportunities (Kirzner, 1997; Yu, 2001) and to have a larger spectre of possibilities to choose from and thereby detect business opportunities (Tang, Kacmar & Busenitz, 2010).

The process from opportunity recognition to a business formation is influenced by many factors and includes entrepreneurial alertness, information asymmetry and prior knowledge, social networks, personal traits, which includes optimism, self-efficacy and creativity as well as the type of opportunity itself (Ardichvili, Cardozob & Ray, 2003). Figure 1, presented below, illustrates the opportunity development process. The process starts with the entrepreneur having a high level of entrepreneurial alertness. Van de Ven (1986) argued that an entrepreneur with previous knowledge would benefit from the knowledge and increase its alertness in discovering business opportunities. Alert entrepreneurs have a bigger chance in finding something original and enhance innovation. The entrepreneurial alertness is in turn dependent on several underlying factors that are affecting the level of alertness. These factors include personality traits such as creativity and optimism, relevant prior knowledge and experience as well as social networks. Prior knowledge is divided into two domains: special interest and industry knowledge (Ardichvili, Cardozob & Ray, 2003). Choongo et al. (2016) refers to prior knowledge as the knowledge about a particular matter that helps identify a particular op-

portunity. Social network ties include various levels of networks such as weak ties, action set, partnerships, and inner circle. These three dimensions determine the level of entrepreneurial alertness. The type of opportunity in question also affects the opportunity development process. The processes can differ depending on whether it regards individuals, entrepreneurial teams, institutions or corporate ventures going through the process. Ardichvili, Cardozob and Ray (2003) are hypothesizing that there is interaction between social networks and entrepreneurial alertness. It has been argued that the more connected a person or entrepreneur is, the higher is the entrepreneur's alertness to potentially identify successful opportunities (Hills, Lumpkin & Singh, 1997). When there is a strong interest in a specific area of personal interest (Domain 1), the higher the alertness of the entrepreneur. In addition, converging Domain 1 and 2 increases alertness. The continuous interaction between the knowledge base of the entrepreneur and the opportunity development process thus results in an iterative learning process and leads to increased alertness to new opportunities (Ardichvili, Cardozob & Ray, 2003).



**Figure 1: The opportunity development process.** Compiled by the authors. Inspired by Ardichvili, Cardoza and Ray (2003 p. 118).

## 2.2 Social Enterprises

Social entrepreneurship emerged through the combination of different research fields, such as traditional entrepreneurship literature and non-profit management. It is a growing but novel field of study (Mair, Robinson & Hockerts, 2006; Roper & Cheeny, 2005). However, the field as such is not completely new, entrepreneurial activities aimed at social and economic wealth creation have existed for several years, although recently gained an increased interest among scholars (Mair & Noboa, 2006; Robinson, 2006). Robinson (2006) defines social entrepreneurship as a:

*Process that includes: the identification of a specific social problem and a specific social solution (or set of solutions) to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented non-profit entity that pursues the double (or triple) bottom line.* (Robinson, 2006 p. 95)

A similar definition is provided by Zahra et al. (2008, p.118) who describe this phenomenon as activities and processes to “*discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner*”. Social enterprises may differ in structure but often operates within complex environments and are therefore required to adopt an open approach to those environments. The environment affects the social needs and thus the opportunities that emerge in which the entrepreneurs will go after. The environment also decides, with influences of significant differences in between various countries, what kind of legal recognition and types of social enterprises that are to be established (Defourny & Nyssens, 2008; Kerlin, 2006; Peattie & Morley, 2008).

A social enterprise is also characterised by the desire to establish long-term relationships, especially with their clients and other stakeholders in the nearby environment. Although social enterprises are adopting a social approach, they still differ from other social economy organisations in their enterprise orientation. Hence, a social enterprise will not rely on charitable donations but uses trading activities to achieve their goals (Shaw & Carter, 2007).

### 2.2.1 Opportunity identification in Social Enterprises

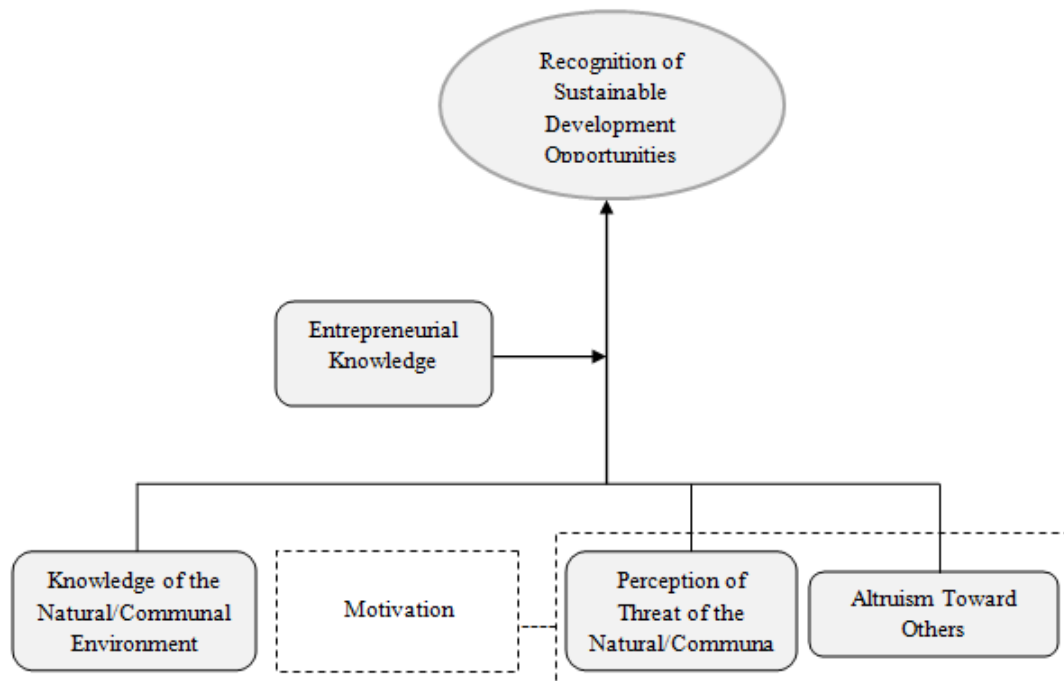
Opportunity recognition in the domain of social enterprises has recently started to be explored. Although some overlaps are present, the literature considers social entrepreneurship opportunities as different from their traditional counterparts (Dorado, 2006; Mair, 2006; Corner & Ho, 2010). Many factors can influence opportunities for social entrepreneurs. The recognition of an opportunity for a social entrepreneur can e.g. be affected by the social mission or by social and institutional entry barriers in a particular market. In addition, the background and previous knowledge and experience of the social entrepreneur may shape the opportunities recognised (Corner & Ho, 2010; Choongo et al., 2016). Other important factors influencing opportunity identification are alertness, creativity, learning and networks (Choongo et al., 2016).

Social entrepreneurs often identify opportunities based on the information they possess (Choongo et al., 2016). Patzelt and Shepherd (2011) argue that entrepreneurial opportunities arise from changes in the business environment, such as changes in supply or demand. Social entrepreneurship opportunities are likely to be unique, focus on social issues and involve attempts to create social value (Corner & Ho, 2010). An opportunity could be created or realized by a social entrepreneur when registering a company in order to “*make profits, create wealth, or balance social and economic imperatives*” (Zahra et al. 2008 p.118).

The surrounding environment and its characteristics is also said to impact the social enterprise in both the possible emergence of such company but can also affect many of the characteristics of a social enterprise. The importance of understanding the characteristics of the environment of the social enterprise is highlighted by Riviera-Santos et al. (2015). The environment is the foundation for the creation of a social need and therefore also the social opportunities. The determination of legal requirements and different forms of social enterprises is also connected to the environment, hence the importance of this area. Great variations of the surrounding environment are, in turn, found across different countries (Riviera-Santos et al., 2015).

Figure 2 below, shows the opportunity recognition process for a sustainable opportunity. Although this model is developed for sustainable entrepreneurs, the many similarities with social entrepreneurs made it applicable to this area as well. According to this model, when the

knowledge of ecological and social environments increases, the entrepreneur is more likely to identify sustainable opportunities (Patzelt & Shepherd, 2011). Additionally, if the social or natural environment is perceived as being threatened and the entrepreneur are more altruistic towards others, they are more likely to identify opportunities (Patzelt & Shepherd, 2011; Choongo et al., 2016).



**Figure 2: Recognition of sustainable development opportunities.** Compiled by authors. Inspired by Patzelt and Shepherd (2011 p.634).

### 2.2.2 Opportunity development in social enterprises

The first step in the opportunity development process is the identification of an entrepreneurial opportunity, followed by the determination that the opportunity is the one to pursue (Patzelt & Shepherd, 2011). Since entrepreneurship emerged from the economics discipline, the rational or economic approach is evident in entrepreneurship research. The rational approach indicates that the entrepreneur follow a normative decision-making process once an opportunity has been discovered. Normative choices involve collection of information, evaluation, and then choosing the optimal alternative for personal wealth creation. Applying the normative approach to social issues begins with the entrepreneur addressing a social issue with the start of a social enterprise, and thereafter gathering resources necessary to achieve the desired outcome. An alternative approach to the normative model is effectuation, where entrepreneur-



ship is considered as a series of decisions made without a clear structure. In this case, the use of normative techniques is impossible. Instead, the entrepreneur begins with a set of means that can be used to engage in a promising idea. Means, in this case, refers to the skills of the entrepreneur, their resources and their network (Corner & Ho, 2010). This can be related to the description of social entrepreneurship opportunities made by Dees (2007), proposing that such opportunities are a result of an active learning process. Using the effectuating model, entrepreneurs are described as creators of their environment rather than reactors to certain events. Effectuating social entrepreneurs are thus creating a solution to a social issue based on their resources at hand instead of addressing an issue by predicting a solution and then gather resources to address the issue (Corner & Ho, 2010).

### **2.2.3 Opportunity development process in emerging markets**

Sustainable and social entrepreneurship are of great importance, especially for developing countries (Patzelt & Shepherd, 2011). Such entrepreneurial actions are argued to help preserve ecosystems, prevent climate change, reduce deforestation, and improve agricultural methods and freshwater supply as well as help maintain biodiversity (ibid). Emerging economies are sometimes treated as a uniform block, thus not taking their unique setting into consideration. As such economies may share some similarities, they also have distinct characteristics, dependent on the country's history, size as well as the economic development paths (Bruton, Ahlstrom & Obloj, 2008). Sharma, Luke, Chardinali and Ogasavara (2018 p.210) define an emerging market as: "*low-income, rapid-growth countries using economic liberalization as their primary engine of growth*". Hence, not all developing countries can be categorized as emerging markets. It is restricted to those developing countries which are in the process of an economic reform, constructed to reduce the poverty and to amend the living standard of the population. The economy in question also has to have registered a positive economic growth over a steady period of time to be able to be classified as an emerging market (Cavusgil, Ghauri, & Agarwal, 2002).

During the last 30 years, the emerging markets in Africa have come to be increasingly important to the international business activities (Cavusgil, Ghauri, & Agarwal, 2002; Jansson & Sandberg, 2008). Social enterprises in Africa may not only differ from the view of such companies compared to what is described in the literature but can also vary significantly across African countries and contexts (Riviera-Santos et al., 2015). Countries in Sub-Saharan Africa is often characterised by several issues and the institutional environment is frequently identi-

fied by colonial influences and strong ethnic groups. The environment is therefore likely to create opportunities for social enterprises. Such opportunities can lead to for-profit commercial business models exploiting niche market but also ventures driven by a social aim responding to needs connected to poverty, lack of institutional functions, scarce environmental resources or marginalised communities (Riviera-Santos et al., 2015). Johansson & Sandberg (2008) state that strong social connections are much valued, as well as important when a company enter a country with a weak institutional development. This research is also supported by Kiss & Danis (2008), stating that powerful social ties are of high value when entering an emerging market. According to Hallén and Johanson (2004) relationships in emerging markets seem to go from fragmented to integrated relations. By establishing networks through contacts in the foreign market, the entry process can take place.

### 2.3 Challenges connected to establishment in emerging markets

The increasing importance of globalisation and firms accessing the global market have led to access to new markets and cheap labour. However, foreign market entry is not without costs or barriers. Firms face different challenges when establishing in a foreign market such as differences in lifestyles, consumer preferences and purchasing power (Barkema, Bell & Pennings, 1996). Obstacles encountered by companies when entering emerging markets could also include corruption, vague regulations and lack of information. Characteristics, knowledge and resources of the firm affect the ability to tackle such challenges (Ruzzier, Hisrich & Antoncic, 2006). Sherman (2007) highlights the need for a local liaison in each foreign market in order to assist the company in understanding differences in e.g. culture and legislation. Below, several challenges connected to an establishment in a foreign market are presented.

#### 2.3.1 Cultural challenges

When entering a foreign market it is often necessary to adjust to a foreign national culture (Barkema, Bell & Pennings, 1996). The liability of foreignness is discussed by Johansson and Vahlne (1977) and refers to the psychic distance where different factors such as legislation, language barriers and cultural values can create challenges for a firm to establish in a foreign market. The language barrier is also mentioned by Sherman (2007) as a challenge faced by companies when entering a foreign market. Standards for humour, jargon or subtle gestures may differ from the domestic country and may need to be taken into consideration (ibid).

Sousa and Bradley (2005) argue that cultural distance is a separate concept and explains how cultural values are different in different countries. This can be a great challenge for a foreign venture. Cultural norms such as attitudes, beliefs and behaviour and informal institutions are examples of cultural entry barriers that can create difficulties for an establishment on a foreign market (Robinson, 2006). Ghemawat (2001) discusses the culture as creating distance between two countries. Cultural attributes, such as social norms are often deeply rooted as unspoken rules guiding individuals in choices and interaction.

### **2.3.2 Networks and knowledge**

One major obstacle that can arise when entering a foreign market is the liability of outsidership or the lack of access to relevant networks. The firm is, in this case, considered as an outsider and without a relevant network, becoming an insider and getting access to knowledge and resources will be complicated (Johansson & Vahlne, 2009). In addition, lack of sufficient knowledge about foreign markets is perceived to be one of the greatest barriers in the internationalisation process. Factors that affect the amount of knowledge the decision maker holds in relation to an internationalisation process is persuaded by the level of education, the capability to speak the language, former experience of markets overseas and depending if they were born abroad or not. Decision makers active in the SME and its global operations, which has already internationalised, have access to this new knowledge. In order to adapt to the new emerging market and its culture and context, the internationalising company need to engage in a learning process in order to adjust to the new context and to be able to conduct profitable business (Jansson & Sandberg, 2008). Accordingly, it is the learning and the knowledge that possess a central role in the international expansion of the company in question (Chetty & Campbell-Hunt, 2003).

### **2.3.3 Institutional challenges**

Entering an emerging market bring challenges different from those in mature economies with relatively stable and efficient markets (Bruton, Filatotchev, Si & Wright, 2013). A prominent characteristic of an emerging economy is the unstable and underdeveloped institutions. Several institutional challenges have been identified for entrepreneurs in emerging market contexts. The lack of a credible legal framework and stable political structures are two pronounced challenges. In addition, informal institutional constraints are present, such as deeply embedded networks, which make it difficult for a foreign company to engage in commercial activity (Tracey & Phillips, 2011). Some emerging economies can lack both institutional de-

velopment as well as factor market development (Bruton et al., 2013). The poorly developed institutions in emerging markets are also mentioned by Wan and Hoskisson (2003) as a challenge. Government corruption has come to be a disturbing problem for many international companies. The issue is prominent in developing countries and in emerging markets (Uhlenbruck, Rodriquez, Doh & Eden 2006). Countries in Sub-Saharan Africa is frequently characterised by high levels of poverty, government failures such as corruption, market failures as well as informal economies, affecting the easiness of doing business (Riviera-Santos et al., 2015). When entering a foreign market, the legal barriers may also be evident. The company must investigate differences in tax laws, customs law, import restrictions as well as liability laws in order to adapt to the local market (Sherman, 2007).

The nexus of the environmental context and the behaviour of the entrepreneur do not guarantee an outcome that will favour the society of the emerging market (Bruton et al., 2013). Consequences of corruption and weak legal institutions could result in pushing out the rewarding and profitable firms that, in turn, will impede the economic development (ibid). According to Tracey and Phillips (2011) high levels of corruption are often present in emerging markets and can thus become a major barrier.

#### **2.3.4. Infrastructure**

The lack of physical infrastructure is, according to Cavusgil, Ghauri and Agarwal (2002), a major challenge for an entrepreneur operating in an emerging market. Physical infrastructure refers to e.g. roads, telecommunication and power. Poor infrastructure in emerging markets is also discussed by Bruton et al. (2013) as a prominent challenge. Riviera-Santos et al. (2015) highlight the frequent lack of a functioning infrastructure in Sub-Saharan Africa as affecting the easiness of doing business in these markets.

#### **2.3.5 Access to financing, resources and skilled labour**

The challenge of raising financial resources to a social enterprise is highlighted by Swanson and Zhang (2012). Since social entrepreneurs often prioritise the social outcome, seeking funding from the traditional capital markets can be challenging due to the fact that potential funders might prefer to invest in organisations with a focus on creating value for investors. Seeking funding from the emerging social capital markets or from government funding agencies is an alternative to the traditional capital market but such investments often require evidence or a valuation of the generated social outcome of the social enterprise (Swanson &

Zhang, 2012). The access to finance and investments is also discussed by Hynes (2009) as a challenge for a social entrepreneur. In developing countries, the capital and financial markets tend to be underdeveloped (Khanna, Palepu & Sinha, 2005). Countries classified as an emerging market usually lack trustworthy intermediaries such as credit-rating agencies, investment analytics and venture capital firms. Due to the instable financial markets in countries that are currently under development, foreign companies cannot expect to raise debt or equity capital locally as they might be able to in their home markets (ibid). Another issue in connection to financing is that businesses cannot get an understanding of the creditworthiness of other firms active on the market. It is also troublesome for foreign companies to collect repayment from customers when it comes to an extended credit (ibid).

In emerging markets, it is challenging to certify the quality of skilled labour (Khanna & Palepu, 2006) and access to skilled labour may vary greatly among different countries (Sherman, 2007). Despite the usually large populations of emerging markets, many international companies find it troublesome to recruit managers and other skilled labour (Khanna & Palepu, 2006). Consequently, recruiting agencies and search companies are rather few in developing countries (ibid). Since the institutional structure is weak and usually lack expert intermediaries, an extensive regulatory system and contract-enforcing mechanisms, organisations in developing countries therefore struggle to access capital (ibid).

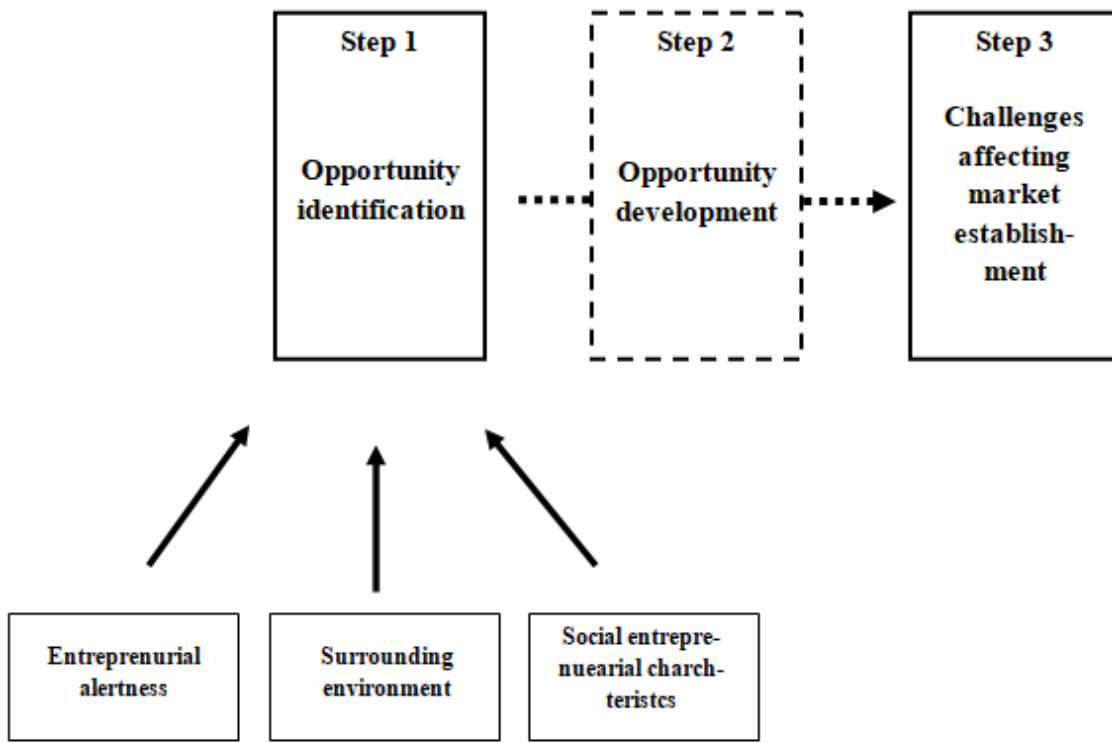
It can be troublesome to procure resources in an emerging market and difficult to bundle these in order to create a capability and later a competitive advantage that will contribute to the success of the company which naturally makes it a central issue for an entrepreneur (Bruton et al., 2013). The scarce resources and the financial constraints thus lead to differences in how firms in emerging markets are gathering resources and the need for obtaining the right resources and utilising them in the right way is of importance (ibid).

## 2.4 Conceptual Framework

In order to investigate how the identification of an opportunity will affect the challenges connected to the establishment of a social entrepreneur in a Sub-Saharan African market, the conceptual framework will be based on important aspects from the literature review. The opportunity development process from traditional entrepreneurship will be integrated with the social entrepreneurship literature in the same area and together with challenges connected to market establishment create a conceptual framework. The most important aspects of the two fields, opportunity identification and development and challenges connected to market establishment are integrated and presented in Figure 3 below.

The basis for the conceptual framework is derived from the opportunity development process identified by Ardichvili, Cardoza and Ray (2003). This process involves the identification of an opportunity, the evaluation of that opportunity and exploitation of the opportunity. The identification of an opportunity is affected by the entrepreneurial alertness, which in turn are affected by the prior knowledge, social networks and personality traits of the entrepreneur. The authors have chosen to combine this model with the identification of a sustainable or social opportunity based on the model developed by Patzelt and Shepherd (2011). This model adds important aspects for a social entrepreneur in the opportunity development process. The additional dimension added to the process is the perception of an environmental or social threat, knowledge about the natural or social environment, altruism towards others as well as entrepreneurial knowledge. These aspects are compound under the section called “Social entrepreneurial characteristics” in Figure 3 below. Since the characteristics of the surrounding environment are likely to create opportunities for social entrepreneurs (Riviera-Santos et al., 2015) and are highlighted in several studies (Defourny & Nyssens, 2008; Kerlin, 2006; Peattie & Morley, 2008), this dimension is also added to the model under the opportunity identification step.

Furthermore, the authors have chosen to integrate challenges connected to a market establishment to the opportunity development process model in order to see if the type of opportunity identification can affect the challenges encountered in a market establishment. Challenges are integrated into the model at the end. Adding challenges connected to market establishment to the conceptual framework will thus create an additional dimension to the model.



**Figure 3: Conceptual framework.** Compiled by authors. Inspired by the “development process” by Ardichvili, Cardoza and Ray (2003) and the “Recognition of sustainable development opportunities” by Patzelt and Shepherd (2011).

### **3. Methodology**

*This chapter will describe the methodological approach chosen to conduct the research. Thus, this section will present a thorough description of how the thesis was conducted, the reasons for the chosen research approach and its design as well as how the data was sampled and processed. Thereafter, a discussion concerning the quality of the study is presented.*

#### **3.1 Research approach**

The aim of the thesis is to fill the research gap of how opportunity identification affects the continued process of a company and especially the challenges of an establishment of a social enterprise in Sub-Saharan Africa. Due to the authors wish to fill the research gaps connected to the research question, “*How does the opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market?*” a case study design was chosen. Since research in this area is scarce, a case study design would be the most suitable research approach. Therefore, the authors conducted a qualitative study, which is recommended by Bryman and Bell (2011), since this type of research design gives the authors the chance to examine and understand how the social world are perceived by the participants. According to Bryman and Bell (2011), case study research is not only detained to a single case study. A multiple case study was chosen in order to give the authors a comprehensive understanding of the area of research. Six companies in four different African countries (the Ivory Coast, Mozambique, South Africa, and Zambia) were chosen. A multiple case study gives the authors the chance to reflect on the findings as well as to compare what is unique or common across the company cases. Further, since the study concentrates on a phenomenon in a real-life context, a multiple case study is recommended by Yin (2014). The focus has been on the distinctive contexts connected to each company case. The authors have primarily conducted interviews with a specific group of individuals such as the Chief Executive Officer (CEO) and the founder of the companies. The reason for this was due to the small size of the companies as well as the formulation of the research question.

##### **3.1.1 Abductive approach**

This study is based on the idea to investigate how an opportunity is identified among social entrepreneurs and to understand what kind of challenges that could arise by an establishment in a Sub-Saharan African market. In order to specify the research question, recent literature concerning social entrepreneurship and opportunity development processes as well as the role



of SMEs in emerging markets was reviewed. From the literature review the research question emerged. The study is mainly based on two well-recognised fields of international scholars, the opportunity development process and social entrepreneurship. In addition, challenges connected to a market establishment were included in the literature. These theories were then incorporated into the conceptual framework. The process of developing the theory was ongoing and was not gathered at a single stage. As more interview sessions were conducted, the theory had to be elaborated. The abductive method, where the researcher moves between theory and empirical data collection, was used as the methodology approach in this study. The abductive approach is a combination of induction and deduction and is a popular choice when conducting a qualitative study for research in business (Bryman & Bell, 2011).

### 3.2 Research unit and design

This section will portray how the data collection process was conducted and analysed in order to answer the research question. In order to conduct research in the chosen field four criteria's, described below, were constructed in connection to the process of finding the most suitable case-companies.

First, the companies had to have a connection to Sweden and be classified as a SME in order for any company to be intended for. This was because a lot of previous research had been focusing on the MNE segment. The aim of the authors were to contribute with new research to the existing literature, the choice therefore fell on the SME segment. In addition, the increased activity from Swedish companies to Sub-Saharan Africa created an interest amongst the authors for such companies. Sub-Saharan Africa is home to six of the ten fastest growing economies and the African population is expected to double by 2050, thus creating an interesting market (STING, 2016). It is especially the SMEs that are expressing their interest towards the continent (Dalqvist, 2015). The authors targeted companies with a connection to Sweden, with the anticipation to increase the accessibility of case companies. The countries in Sub-Saharan Africa were chosen due to the limited amount of previous research in regards to this context. The existing literature has mainly focused on the emerging markets in Asia, such as China or India. Further, the case-companies had to be a social entrepreneur or at least have a sustainable or social purpose. This was due to the lack of literature regarding social entrepreneurship in the Sub-Saharan African context, even though the continent faces several

social issues with the potential of turning into business opportunities. Adding these criteria contributed to an additional dimension and delimitation of the study.

### **3.2.1 Data Collection and Sampling**

The empirical data gathered were based on various sources. Sources of two kinds have been used in particular, primary and secondary data; these will be further described in section 3.2.2 and 3.2.3. In order to ensure the quality of the thesis, triangulation was used to certify the reality of the social phenomena in this thesis. A wider picture of the social phenomena can be withdrawn through triangulation and assist in lessening bias in data sources (Merriam, 2009).

The data collection for this study was made through purposive sampling which further led the researchers on to convenience sampling. Due to how the research question was asked, the authors had the urge to find companies who established through invitation, opportunity recognition and through being locally present. The authors purposely scouted companies having this background, which made the sampling purposive, described by Merriam (2009).

After having found a selection of companies fitting the purposive sampling mentioned above, sampling through convenience was later conducted. As mentioned by Merriam (1998), this technique is based on availability of respondents, time, money and location. The companies that were found through the purposeful sampling through the search engine Google, was approached. The authors sampled data from companies available for an interview during a specific time period. Companies that could not adjust to this time period had to be excluded from the study. A clear disadvantage in conducting this kind of sampling is that the sampling could be biased. The authors could not estimate beforehand if the case companies were relevant to the research problem through convenience sampling. Thus, the risk of gathering data of doubtful quality is evident.

To make sure that the study was going to be as rich in information as possible, an initial contact was made with a couple of companies. Some companies later referred us to other valuable contacts that they thought would be beneficial for the study, a data collection technique called theoretical sampling (Bryman & Bell, 2011). As mentioned by Bryman and Bell (2011), theoretical sampling allows the authors to get in contact with certain respondents in order to gather information leading to a clearer picture of the subject.

### 3.2.2 Primary data

The primary data for this study was collected through semi-structured interviews, mostly conducted with the CEO or founder of the companies involved in this study. Since they were considered to have the most detailed information and knowledge gained from own experiences from establishing a company in a new market. These respondents were chosen in order to ensure the collection of the empirical data to be as relevant as possible. In addition, the authors wanted to establish a comprehensive picture of how the companies identified their business opportunities as well as the challenges connected to their market establishment. Information concerning the respondents from each company will be presented in Table 1 further down.

To give further strength to the empirical findings collected from the case companies, the authors also conducted interviews with institutions such as a Business Coach involved in a project called Go Africa, representatives from Business Sweden, the Swedish Embassy and Swedfund International AB. These interviews were conducted in order to increase the understanding of the context described by the case companies. The authors also wanted to add an extra dimension to the understanding of the collected data in order to be well-informed and to be able to conduct a proper analysis. An introduction to these institutions will follow in Table 2 that provides an overview of the interview sessions conducted with the participating institutions and organisations for this study.

The authors conducted fifteen interviews for the purpose of the study. Seven of them were conducted face to face. The geographical distance together with time and the financial aspect reduced the number of this kind of interviews. Performing interviews face to face were preferred in order to eliminate misunderstandings and to get the full picture, including all kinds of non-verbal reactions such as body language and gesticulations. Interviews held over the phone or via internet were, to some extent, affected by technical difficulties and poor internet connection. A positive aspect of conducting interviews over the phone is that sensitive questions are more likely to be answered than during a face to face interview (Bryman & Bell, 2011). Interview sessions varied from 30 minutes up to 120 minutes. The interviews were conducted during the time period from the 14th of March to the 11th of April. They were mostly held in a calm setting, with minimal interruptions for the interview sessions. However, two interview sessions were held in a noisy milieu, due to the adjustment that had to be made

to fit the respondents' time schedule. These settings could have contributed to the retrieved data being of less favourable quality. The interview guides are provided in the Appendix.

### **3.2.3 Overview of institutions and organisations**

#### ***Go Africa and Karin Ruiz***

The Go Africa project was arranged by the business incubator STING in collaboration with Inclusive Business Sweden, Swecare, SP and Swedish Information and Communication Technology with funding from Tillväxtverket (STING, 2016). It was an initiative which was supposed to encourage Swedish SMEs active in any sector, to conduct business in markets in the Sub-Saharan Africa region. Karin Ruiz is one of the coaches in the business program; she has over 20 years of experience in international business development and sales and marketing management. She has also been active in multinational corporations as well as start up companies and government agencies. For over five years, Karin had the role as CEO for the company Peepoople which has given her relevant knowledge and experience social entrepreneurship and emerging markets (STING, 2018).

#### ***Business Sweden***

Business Sweden is a merger of Invest Sweden and the Swedish Trade Council that on the first of January 2013 became Business Sweden. The organization contributes with networks and contacts on over 50 markets all over the world and is owned by the Swedish government and the industry. The aim of Business Sweden is to represent Sweden abroad and to help companies from Sweden to gain access to new markets as well as to establish and expand their business in new markets. Strategic advice and operational support is offered in order to help revenues grow. The local presence of Business Sweden in all of these markets will provide a shorter time to market for the Swedish companies, the risks would not be as high as otherwise and the possibility to find new revenue streams becomes much easier (Business Sweden, 2018a). Business Sweden has offices in Nairobi, Kenya, Johannesburg, South Africa and Casablanca, Morocco and Gaborone, Botswana for companies looking to invest in this area of Africa (Business Sweden, 2018b).

#### ***Swedish Embassy***

The Swedish embassy has an office in the capital of Zambia, Lusaka. The embassy has a mission to strengthen the relations in between the countries but also between the governments, organisations and companies. Questions concerning trade are an important part of the embas-

sies work; they cooperate with Business Sweden in order to foster and encourage trade and investments in between Sweden and Zambia (Sweden Abroad, 2018).

### ***Swedfund International AB***

Swedfund International AB are part of the European Development Finance Institutions (EDFI) and offers risk capital and support for business establishment in growth markets in Africa, Asia, Latin America and Eastern Europe. Their mission is to reduce poverty and to create jobs in poor developing countries. The company makes sustainable investments, both financially, socially and environmentally in order to help to establish a better way of life for people less fortunate. The interviewed representative from Swedfund International AB is Staffan Ahl. He is the Director of Swedpartnership, a financing program which offers support to small and medium sized Swedish companies in order to enable collaboration with companies in e.g. Sub-Sahara Africa. Swedfund International AB has a regional office in Stockholm, Sweden and in Nairobi, Kenya. Three people work in Nairobi and 35 people in Stockholm (Swedfund, 2018).

Company:	Name:	Role:	Date:	Interview method:	Duration:	Location of the interview:	Location of the respondent:
Bluewater AB	Anders Jacobsson	CEO	2018-04-09	Face-to-face	34 minutes	Gothenburg, Sweden	
Emerging Cooking Solutions AB	Mattias Ohlson	CEO and Founder 1	2018-03-20	Face-to-face	73 minutes	Lusaka, Zambia	
Emerging Cooking Solutions AB	Marion Petersen	Founder 2	2018-03-20	Face-to-face	73 minutes	Lusaka, Zambia	
Emerging Cooking Solutions AB	Per Ljöfberg	Founder 3	2018-03-29	Over the telephone	30 minutes	-	Lund, Sweden
Emerging Cooking Solutions AB	David	Head of Finance	2018-03-20	Face-to-face	27 minutes	Lusaka, Zambia	
Focus Business Center	Leif Litsgaard	Manager	2018-03-04	Skype	37 minutes	-	Maputo, Mozambique
LevasFlor AB	Nils Von Sydow	CEO	2018-03-26	Skype	18 minutes	-	Beira, Mozambique
LevasFlor AB	Åsa Tham	Former CEO	2018-03-28	GoTo Meeting	56 minutes	-	Mocuba, Mozambique
Redflash Mobile AB	Hans Becker	CEO and founder	2018-04-04	Face-to-face	53 minutes	Stockholm, Sweden	
Verde Azul AB	Monika Grönwall Branks	Founder and Senior Partner	2018-04-11	Skype	55 minutes	-	Maputo, Mozambique

**Table 1: Interview sessions, companies.** Compiled by authors.

Institution/Organisation:	Name:	Role:	Date:	Interview method:	Duration:	Location:	Location of the respondent:
Business Sweden, Kenya	Anna-Paula Jonsson	Project Manager	2018-04-06	Skype	42 minutes	-	Nairobi, Kenya
Business Sweden, South Africa	Staffan Arbring	Trade Commissioner	2018-03-14	Skype	28 minutes	-	Johannesburg, South Africa
Go Africa	Karin Ruiz	Business Coach	2018-04-10	Over the telephone	37 minutes	-	Stockholm, Sweden
Swedish Embassy, Zambia	Annika Åberg	Second Secretary	2018-03-21	Face-to-face	62 minutes	Lusaka, Zambia	
Swedfund International AB	Staffan Ahl	Director of Swedpartnership	2018-04-04	Face-to-face	80 minutes	Stockholm, Sweden	

**Table 2: Interview sessions, institutions and organisations.** Compiled by authors.

### 3.2.4 Secondary data

Other than primary data, secondary data was collected throughout the research process. The secondary data consists of information retrieved from the companies and organisations web pages, as well as internal material such as presentations and reports. Scientific articles were collected from databases provided by the university's library. In order to ensure the overall quality of a thesis when conducting multiple case studies, it is recommended to use various sources (Collis & Hussey, 2014). The secondary sources are supported by the primary data. The multiple sources used ensure the quality of the questions asked by the authors during the interviews.

To be able to interpret and to fully understand the contexts that the multiple cases operates in, the secondary data collection was of great assistance in making sure that the authors asked the right questions in regards to the actual context the companies operated in. This benefited to the quality of the data collected and later on, contributed to making the analysis richer.

### **3.2.5 Interview Process**

In order to provide a deeper understanding, the authors conducted semi-structured interviews. According to Collis and Hussey (2014) this is appropriate when carrying out a multiple case study research. Semi-structured interviews opens up the availability for how the respondent can and will reply. At the same time, the interviewer can pick up on topics that may not be prepared previously in the interview guide. Conducting this type of interviews assures that the interview guide remains relevant. Although, at the same time, invites the interviewer to ask previously undefined questions of interest as the interview session moves forward. A chance to ask questions in response to what is seen as significant replies can be picked up and further elaborated with this interview technique (Bryman & Bell, 2011). In depth interviews are recommended by Ghauri (2004) in order to comprehend the behaviour of entrepreneurs active in a, for them, different culture. The respondents are given a chance to share their personal views concerning various kinds of questions. Semi-structured interviews fits well with the abductive method chosen by the authors since a constant going back and forth in between the literature review and the empirical findings during the undergoing process of constructing and revising the conceptual framework. Although, semi-structured interviews are recommended to fit the research method of this study, it has some negative aspects. The answers of the respondents can be biased if the questions are asked in a confusing manner. The interviews may cause reflexivity meaning that the respondent answers the questions as he or she believes the interviewer would like them to (Yin, 2014). Thus, to avoid any problems of this type, the questions were constructed to be as open as possible.

The interview guide was constructed before the actual interviews were held and were built upon the literature review. Over time, as the interviews were conducted, some questions were modified, taken away or added to fit the relevance of contributing to answering the research question of the thesis. The authors made an active choice in choosing not to share the questions with the respondents beforehand; the purpose for this was to alleviate the respondents for preparing (biased) answers and to muster them to enter the interview session with an open mind. However, some respondents demanded to have the questions before the scheduled session, a demand which was accommodated.

All the collected empirical data was been transcribed after each interview and together with the theoretical framework, a proper base were made in order for the authors to write the following analysis. As recommended by Bryman and Bell (2011), the authors recorded all the

interviews, in order to make sure that no information gathered during the interview sessions was lost. An agreement to record the interview was made between the interviewers and the respondents before the interview started. The recordings enabled the authors to listen to them various times, which helped ensure the quality of the analysis. Any possible accusations regarding that the analysis might have been manipulated by the author's biases or values could also be contradicted since the data is available for other researchers to examine. Hence, the analysis can be evaluated and the objectiveness of it, validated. Although most interviews were held in English, some interviews were conducted in Swedish in accordance with the respondents' wishes. In these cases the recordings of the interview was in great help when translating the answers from Swedish to English. Offering the respondents to conduct the interview in Swedish had to do with wanting the respondents to feel comfortable during the interview. Thus, being able to express their selves as they prefer were seen as an advantage in the context of the thesis. The authors are aware of the potential loss of the correct meaning of what was said by the respondent in terms of the translation of specific academic terms.

### 3.3 Analytical Process

The authors started at a theoretical level and had the intention to build the empirical findings upon the theoretical framework. The authors collected all of the relevant data before starting to analyse the empirical findings. To understand the collected data, the empirical findings were assessed through the already established theoretical framework. The authors were eager to clarify the collected data with the respondents, when needed, in order to reduce all possible misinterpretations. This is recommended by Bryman and Bell, (2011) in order to verify the collected data. The empirical data were not categorized except from being divided into their own topics (e.g. opportunity identification and challenges) in order for the authors to investigate a certain trend or theme. At this point, the authors confronted the researched theoretical framework compounded with the empirical findings. Henceforth, as the confrontation went along, the authors realized that the theoretical framework had to be revised. It came to the authors' attention that the theoretical framework did not quite match the collected data. This resulted in various parts being no longer relevant for the thesis anymore as well as some parts had to be added. This was done until the theoretical framework complemented the empirical findings in a more suitable manner and the conceptual theoretical framework was developed. The analysis of the data covers the process of going through all of the collected findings,



making interpretations and withdrawing the relevant bits. Later on, the theoretical framework in combination with the empirical data were revised and reinforced.

### 3.4 Qualitative assessment

Validity and reliability are significant criteria's for measuring the quality of a quantitative study. Lately, according to Bryman and Bell (2011), there have been discussions regarding these criteria and the importance of them to be applied in a qualitative study. Other measurements such as trustworthiness and authenticity has been suggested by Guba (1985) and Guba and Lincoln (1994) as relevant quality verification for a qualitative study. Trustworthiness relates to conducting research in an ethical manner, from the very first step in the process to the last. Consequently, this study has been written based on authentic knowledge coming from reliable and peer reviewed sources. The authors of this study have been keen on aiming to follow the scholars of the methodology sphere according to good practise. To further enhance the *credibility* of this study, respondent validation was used. As a compliment to the triangulation of the primary and the secondary data, with the purpose to ensure the concert described in section 3.2, respondent validation was made to ascertain that the findings and perspectives of the empirical data was in line with the views of the respondents and the information provided by them (Bryman & Bell, 2011). Thus, to guarantee the credibility and to consolidate the truthfulness of the study, all the respondents have been sent the transcriptions made from their interview session for them to review. They have had the chance to correct misunderstandings or interpretation mistakes made by the authors, which e.g. could appear from the translation from Swedish to English. Some findings were not consolidated in what the respondents actually meant, although these mistakes were corrected. It therefore strengthens the trustworthiness of the study, in line with what is stated by Bryman and Bell (2011).

In an attempt to increase the level of *transferability*, the authors aimed to apply thick description (Geertz 1973). The authors had the ambition to describe the context and culture in where the research were being conducted as comprehensive as possible in order make it possible for others to compare findings with the results from this study. To further increase the trustworthiness, the authors welcomed and encouraged the respondents to answer the questions from their own perspective and experiences. Several cases have been used to further increase the transferability but also to find typicality. The aim was to get an understanding of the contexts and to develop a red thread. The empirical findings have been complimented with significant

theory in an effort to strengthen the transferability in order to help the reader make their own judgements on the thesis transferability.

Transferability relates to if a study may be generalised or not. This study cannot be generalised against the African context, not even to the specific countries the case companies are operating in. This study does not contain enough cases; many more should have been studied in order for the authors to be able to claim the study to be generalizable. The actual companies interviewed were all social entrepreneurs but in different stages of their development and market establishment. It might have been the case that the challenges in connection to the establishment experienced by a company that started their operations in 2004 were different from the challenges experienced by a company that established in 2012.

In order to create authenticity and to increase the fairness of the study, which is suggested as compliment to the trustworthiness criteria by Guba and Lincoln (1994), various interview guides were made to fit the different contexts of the parties. To make the research represent the world viewed from respective respondents eyes, different questions were prepared in order to reduce potential bias and for the authors to keep the objectivity when conducting all the interviews. This process leads to a better reliability (Guba & Lincoln, 1994; Bryman & Bell, 2011). In terms of *confirmability*, which is connected to objectivity, a shortcoming which should be mentioned is that it is almost impossible, according to Bryman and Bell (2011), to be 100 % objective. The authors have been aware of this and have deliberately focused on not involving personal values as such. The authors have acted in good faith and not been using *“theoretical inclinations manifestly to sway the conduct of the research and findings deriving from it”* (Bryman & Bell, 2011 p.398).

*Dependability* corresponds with reliability meaning if the study can be replicated and similar findings would be found in the future (Bryman & Bell, 2011). All material from the collection of data, such as recordings, transcripts, interview guides and field notes have been saved and accessible at any time for observation. This is in line with the thoughts of Guba and Lincoln (1994) to strengthen the dependability. Although, since the study are conducted in a social setting at a single point in time, the observations made are not static, the observed context will always change. Due to this fact, it is problematic to ensure the dependability to 100 % but for the specific case companies the authors would like to argue that the dependability, thus the reliability, is high due to the careful handling and well managed data collection.

Consequently, the authors can claim the results to be consistent with the collected data in accordance with what is highlighted by Merriam (1998) as important.

## 4. Empirical findings

*In this chapter, the empirical findings are presented. The empirical findings are separated in three different stages of establishment witnessed by the author: Establishment through invitation, establishment through opportunity recognition and establishment through local presence by the entrepreneur. These three sections have additionally been divided into four subsections where findings from companies are presented. 1. Overview of company, 2. Opportunity identification, 3. Opportunity development and 4. Challenges connected to the establishment.*

### 4.1 Establishment through invitation

Companies presented in this section established their operations in the African market by receiving an invitation from a potential shareholder, partner, contact or institution. Emerging Cooking Solutions AB and RedFlash Mobile AB will be represented in this category.

#### 4.1.1 Overview of company- Emerging Cooking Solutions AB

Based in Zambia (Emerging Cooking Solutions Zambia Ltd) and Sweden (Emerging Cooking Solutions AB), henceforth ECS, has come up with an environmental substitute to using charcoal as cooking fuel. They produce pellets out of biomass as well as cooking stoves and solar lighting to the rural parts of Zambia. The mission of the company is to turn the trend in using charcoal for cooking, which is not only harmful to the human being, but also the environment. The aim of ECS is to put an end to deforestation in Africa and to reduce the unfortunate consequences as air pollution, coming with the usage of charcoal, both in Zambia and later the rest of the world (Emerging Cooking Solutions, 2018). The company has clients in the private sector as well as the public; their customers are both domestic households as well as institutions (LinkedIn, 2018c).

#### 4.1.2 Opportunity identification - ECS

Founder 1 and 3 of ECS started their business with the discovery of a perspective; they were both interested in cradle to cradle design and circular economy. Both founders believed in the importance of a green way of thinking both for human beings and for the planet. The Western way of living, through a linear economy, were described by the two founders as an abusive relationship to the planet. Their perspective was to start interacting with the planet in a manner that benefits not only the population but also the environment. Founder 1 and 3 had a spe-

cial interest in the shift from linear economy to circular economy, they realised that the expressions of the former had a very short sighted use of resources and that the use of forest in Africa was one of the worst cases they had come across. The process of producing charcoal was not only wasteful but also expensive and unhealthy for the users. As a coincidence, Founder 1 and 3 met people that suggested a solution to this problem. Instead of using charcoal, the problem could be fixed by the use of pelletizing biomass waste and using it to gasify stoves. Even though the solution seemed to be there no one seemed to be doing it. Founder 1 and 3 decided to give it a chance. First they tried the technology, to see if it was possible for them and it turned out to function well. They started to investigate the size of the charcoal market and gradually developed their business perspective. ECS first looked into the Bangladesh market, but there was not an obvious abundance of biomass waste there. Zambia came into the picture when they received an invitation by The Swedish International Development Cooperation Agency (SIDA) through the Swedish Embassy in Lusaka in November 2010 to give a presentation at an event there. They met Zambians that mentioned the mountains of saw dust in the Copperbelt region in Northern Zambia. The sawdust was not taken care of and Founder 3 explained that *“it was just lying there, washing away, while people were cutting down the forest right next to it”*. They felt that this was a good place to start, because they realised that the resources existed as well as the issue. Additionally, the market for charcoal was big. The choice of market was thus based on an invitation that led to connections and people who believed in their product and who could point Founder 1 and 3 towards a good starting point. Founder 2 mentioned that the location was chosen relatively randomly.

#### **4.1.3 Opportunity development - ECS**

Neither one of the founders of ECS had any previous knowledge of the market. They learnt as they went along. ECS started as a company in 2012, the pellets factory took four months to set up and the company started selling their products by the end of 2012. Emerging Cooking Solutions AB owns 99 % of the Zambian company Emerging Cooking Solutions Zambia Ltd. Hence, the entry mode was through a subsidiary although the operation as such goes through an agent. According to the Director of Swedpartnership at Swedfund International AB, the most common entry mode into Sub-Saharan countries is via a subsidiary. *“It is important to be in control of the operations and to understand the organisation you are building”*. This fact is also supported by the Project Manager of Business Sweden Nairobi, who confirmed the significance in finding a local partner the company can trust. Business Sweden Nairobi strongly advised against on going into these markets on your own. *“It is a different culture,*

*business is done on different conditions, do not make the mistake on thinking that you understand the customers or the partners, make sure that you have a local partner that bridge that knowledge gap for you”.*

It was not until a year later, in 2014, when ECS started to focus on sales in a more serious manner as operations started to move forward. It was also in connection to the very first sales that the company had to revise the business model. ECS had tried to sell the stoves at a very low margin to make them affordable, thinking that everyone would buy pellets; they had an estimation of selling two bags every month. This assumption turned out to be unrealistic since they did not have the distribution. Due to the problem with distribution, they revised the business model and increased the prices of the stoves in order to get better margins. The representative from Swedfund International AB mentioned: *“The markets in Sub-Saharan Africa are complicated; the companies have to be prepared to twist and turn their business model to make sure it will fit the environment there present in”.* All three founders of ECS mentioned that it takes time to be fully operational and for ECS it took four years.

The Chief Financial Officer (CFO) of ECS mentioned that the company has two different product lines provided for the market; there is the solar lighting and the cooking stoves. The company started selling cooking stoves but elaborated their offering as they got to know the market better. The solar lighting includes solar products and a home lighting system. The CFO explained the problem concerning electricity in Zambia. *“This is especially present in the rural areas where you would find that the majority of the families do not have electricity, which is where the solar lightning systems come in”.* ECS sells the solar lightning systems and/or the cooking stove to the customer and install it in their homes.

When building the company in Zambia, ECS had much help from the Swedish Embassy. Founder 2 expressed his disappointment in other networks. In his opinion the expectations from these networks are way too high and a gap in reality. The footwork needs to be done by every company in order to succeed according to Founder 2. Director of Swedpartnership at Swedfund International AB mentioned that the entrepreneurs needs to understand the value chain in a more detailed manner in the emerging market, they need to have enough knowledge of their customer behaviour, purchasing power, competitors and the needs and demand from potential customers. To gather own experiences is the number one priority according to Swedfund International AB. *“It is always the case although it is even more im-*

*portant in Africa*”. Accomplishing this takes time. Except for the more formal networks such as the Swedish Embassy and Business Sweden, ECS got involved in informal networks and contacts they met by a coincidence or got in touch with via recommendations and word by mouth.

#### **4.1.4 Challenges connected to the establishment - ECS**

When establishing the company in Zambia one of the first challenges ECS came across was to understand how the administration works and to learn how to conduct business in general. Founder 1 highlighted that the business opportunities in this part of the world is definitely real although due to cultural differences and other institutional differences, the company has to adapt to the local environment and culture to succeed. The Director of Swedpartnership at Swedfund International AB has the same experience from the companies they have been collaborating with. He further explained that the companies are aware of the importance of understanding the business climate in the country they are operating in. This includes the ambitions, interests and intentions of a potential partner. The Director of Swedpartnership further stressed the importance of understanding the market conditions over all, including the suppliers of the company and the clients. He also explained that the only way to gather these inputs and knowledge in order to run a successful company in the long run is to be present locally and to learn from experiences. ECS also mentioned the low purchasing power to be a challenge in Zambia. This is also mentioned by the Business Coach of the incubator STING who highlighted the importance to adjust to the market: *“You need to adjust your offering and your solution to fit the local market and secure a good product market fit”*. Founder 3 of ECS mentioned how the company has approached the low purchasing power by taking the role as a bank to their customers. They have to come up with different payment schemes and alternatives payments like pay as you go or solutions connected to credit.

Founder 2 of ECS mentioned the purchasing power as a challenge they constantly battle and will for the future as well. ECS is working on alternative payment systems and currencies to increase the purchasing power of their customers. Both ECS and the customers would benefit from it, as Founder 2 explained: *“[...] it is like an ongoing process of making people a bit better off. As that happens, they can afford more and we can sell more [...] that is how we see business as a way of pushing development”*. Another challenge that ECS has come across is getting paid. According to Founder 2 they sell a high end product which people cannot afford as a cash pay product. In Zambia, people often do not have savings and access to credit or

loans is limited. Founder 2 mentioned the importance of being creative and finding new ways of ensuring payments. One thing ECS have experimented with is to sell through groups, e.g. women's groups or farming cooperative. The social context automatically puts pressure on the person or people that does not pay. *"It works remarkably well"* according to Founder 2. Another reinforced payment method introduced by the company was the pay as you go method. If the customers do not pay, the system shuts down. *"It has totally changed our business, I am so amazed on how well it works with mobile money"* Founder 2 said. The mobile money has solved another challenge that the company had before when cash was the most used payment method. With mobile money, it is easier to track payment and connect them to the right customer. On a good day, the company can have 150 to 200 transactions and matching payments turned out to be a challenge. Before the mobile money became common, the company also had issues with agents stealing money. This is not possible in the same way due to the direct matching system. An additional solution of the challenge in getting paid was deriving payments through payroll deduction. ECS would contact the companies in where some of their customers had an employment and asked them to deduct the cost for ECS products every month from their salary. Except for the solutions mentioned above in how to get paid, the founders are trying to come up with new solutions that will work in order for the company to be more profitable. Founder 1 and 3, they talk about the importance of putting themselves in the shoes of their customers, a farmer in example. *"The importance in working hard to adapt the payment methods to customers is a challenge but not impossible"*, according to Founder 3. ECS has been experimenting with swapping economy and alternative currencies such as milk and pidge and peas. At the moment they are trying to develop partnerships to test their ideas.

*The whole idea is; how can we make them [the customers] wealthier, relatively speaking, so they can afford our products. The market is unlimited, there are no competitors but getting paid is a big thing and there are so many other barriers, so there is a different logic. (Founder 1, ECS)*

Founder 1 mentioned that ECS has tried over 10 different models and finally landed in that the social group pressure and pay as you go method suited the company best. Founder 1 mentioned that the payment culture is very poor due to the lack of income and also due to the behaviour aid money has created. People expect to receive things without having to pay for it. Founder 1 explained his view on the aid money that has been sent to Zambia.



*“You give things to people and then you leave and you do not expect, there is a poor expectation of repayment or a poor expectation of even things coming back”.*

Another major challenge connected to the establishment and the daily operations is the logistics. The production often gets compromised by frequent power cuts which destroy the machinery which in turn break down. Finding spare parts and clean materials is also mentioned to be a problem. Transport is problematic and expensive according to all founders; they all said that it is very hard to move fast. Zambia is a huge country; one of the challenges which ECS has directly come across is the poor road network as well as the badly managed roads. As Founder 1 said: *“The only place where there is electricity is where there is roads so we are trying to sell to people who have no electricity so we have to leave the main roads. We are on dirt roads and in an incredibly muddy environment”.*

Founder 3 also highlighted the aspect of time to be very different from what they are used to, a major cultural difference. When ECS has been trying to book a meeting with someone, the person in mind tend to be busy that whole day if one appointment is already scheduled for that date. The notion of time is different. *“The rhythm is different from what we are used to”.* The Director of Swedpartnership at Swedfund International AB confirmed what the companies have mentioned in regards to the time aspect. Among other things a Swedish company has to have the patience in order to manage the sometimes slow administrative processes within public institutions. It is especially evident when having to involve the institutions or in regards to questions in logistics as for example the customs unit.

ECS has also had problem in connection to meetings with representatives from the government. Founder 3 said: *“If you have an appointment it does not mean that they will be there. You have to call the day before and then you have to call the morning of the meeting [...]”.* The relationship to time and to what is important has shown to be a cultural difference according to Founder 3. In connection to the time aspect, it is very hard to move fast due to the bureaucratic authorities. The amount of time it could take for a company to get their documents through the administration is another problem that has appeared. Corruption and bribes is not unusual, which is against ECS policies. Founder 1 said: *“[...] our paper will take four - five times longer in time”.* The problem with corruption is pointed out by The Project Manager at Business Sweden Nairobi as well. *“Corruption could be a problem for some and that is related to speed, very often things are slow”.*

Founder 3 of ECS also mentioned the difficulty in recruiting staff and creating discipline in the company as a challenge. Some employee has stolen money, cash per se but they also had a sales manager who deliberately kept them confused of the stock keeping so that the founders would not be able to say how much the sales manager was actually stealing and selling on the side. In terms of theft, Founder 1 of ECS mentioned the stealing as a cultural issue and explained that it is not seen as a bad thing. *"Stealing is not the problem, getting caught it is the problem"*. Furthermore, the company has had issues with employees taking advantage of the company in different ways. Founder 1 mentioned: *"It is not the money; it is everything afterwards, taking it to the police, to court. It is tremendous, the first three years, it was a very big thing for us, actually creating discipline in the company and finding the right people"*. Founder 1 also mentioned the cultural clashes in the everyday business environment and that there are different views in work ethic. The Second Secretary at the Swedish Embassy in Zambia also highlighted the challenge in finding skilled employees with a relevant education in Zambia. She mentioned the challenge in finding the right people as well as the lack of work ethic.

In connection to the problem with the level of work ethic of many of the company's employees, Founder 2 talked about the Human Resources (HR) rules they had to implement trying to get the local people to understand what it means to be employed. Founder 2 further elaborated that there is a long process in trying to implement a business culture and that it takes time. ECS has been using recruitment bureaus to find eligible staff. Founder 3 mentioned that they have not been very lucky in recruiting and that theft among employees has not been unusual. In terms of recruiting, ECS has instead been using contacts or recommendations when recruiting. This was also mentioned by Founder 2.

Founder 2 of ECS further mentioned that they started to focus more on the character of their employees rather than on diplomas. *"Many of the diplomas turned out to be false [...]"*. Another challenge connected to staff is the lack of knowledge, education and management skills. Zambia does not have the entrepreneurial culture like in Kenya or other East African countries. Founder 1 added to the discussion that ECS has imported management from Kenya, Ghana and Nigeria although also mentioned that the company has some managers from Zambia.

Founder 3 pointed out the cost of capital and the poverty of their customers to be the main problem. *“The main challenge is that we need to act as a bank for our customers and in order to do that we need a lot of money and money is very expensive here”*. Concerning the difficulties regarding financing, Founder 1 uttered: *“We have believed in this from the beginning, but it is sometimes hard to convince others”*. Founder 2 agreed with Founder 1 and 3 in terms of finance as a huge barrier. The fact that ECS was pioneers; they had no one else to look at or to discuss problems with, a major challenge according to Founder 1 and 2. The founders have gotten help from family and friends but also a couple of angel investors from Sweden. The problem connected to funds and financing cannot be solved from bank loans in Zambia. According to Founder 1, it is very hard to get financing. To get a bank loan in Zambia, the banks demand land as a security and the interest rates are as much as 30 to 40 %. The access to Swedish funding has been essential for ECS and SIDA has contributed, primarily with financing through grants. Energy and Environment Partnership Trust Fund (EEP) turned out to be of a lot of help financially, through grants. Founder 1 also mentioned Danir AB to be an important investor and owner in the company. Lately the company has been working with another Swedish financing institute called Trine in terms of loans.

#### **4.1.5 Overview of company- RedFlash Mobile AB**

RedFlash has a mission to digitize the informal sector in Africa by introducing new technologies and to create a substantial impact by making cities more transparent, data driven and financially sustainable. RedFlash Mobile AB, henceforth mentioned as RedFlash, is a registered Swedish company but is nevertheless active on the African continent with local subsidiaries and has offices in Senegal and the Ivory Coast. They started in Dakar, Senegal and are now expanding quickly. RedFlash is a fintech-company and their aim is to be a part of the second tech-wave that is currently on a strong move in Africa. With services offering cloud based solutions, mobile apps and hardware including guidance, the company’s mission is to *“do good, prosper and share”* (RedFlash, 2018a). RedFlash has the intention of being an ambassador for change; their goal is to drastically improve life in cities located on emerging markets such as Africa, with the concept *“Smarter City”* (RedFlash, 2018b).

#### **4.1.6 Opportunity identification - RedFlash**

RedFlash identified their business opportunity by chance; the founder got invited to join an exciting project in the Ivory Coast through a contact. His contact and the company running the project at the moment of the invitation did not have the urge to continue with it and thus

RedFlash was founded. The project concerned an investigation regarding mobile payment solutions for parking in the Ivory Coast. The founder explained that there is a strong wave of urbanisation in many African countries and many that people leads to many cars. The founder of RedFlash explained the situation to be chaotic. The project ended one and a half year in due to problems with high costs. RedFlash was later contacted by the major of a municipality in Abidjan, the capital city of the Ivory Coast, which had another idea and wanted RedFlash help in organising the informal sector and to find a solution to collect fees and taxes. The founder mentioned that is was the same logic as in the former parking project, with some minor differences. Hence, this is what RedFlash are doing today, the company helps migrating the informal sector to the formal through digitized information and payments. The sector is huge, approximately half the gross domestic product (GDP) in many countries, a major economy that does not contribute to any development in the society. Many countries in Western Africa have a problem with the informal sector and most of them do not have the tools to solve the problem. RedFlash provides a platform in meeting the problem in a proper manner.

#### **4.1.7 Opportunity development - RedFlash**

The founder of RedFlash also mentioned the importance of networks and contacts although he did not feel he had gotten any help from either Business Sweden or the Swedish Embassy since they are not present in the market. In terms of the Swedish Embassy, there is only a consulate in Dakar and in Abidjan. The Second Secretary at the Swedish Embassy in Zambia agrees on the fact that the presence of an embassy in developing countries as the ones located in Africa would be of great help when needed. Both representatives from Business Sweden stressed the importance of networks and contacts when entering every market but especially when going into an African market. *“Here you need to have the right entry points to get things, to understand how you actually do business in these countries and how you get decisions taken [...]. Networks are very important”*. The work done by RedFlash is disconnected from any Swedish organisation. The founder mentioned that they have been trying to scan the market in hope to find other players, without any luck. Not many companies are doing it but the ones that actually are taking advantage of the opportunities that Africa offers stands without much support. *“it is a shame that Sweden has not understood or had had the urge to take part of the opportunities here”*. RedFlash utilize contacts they meet locally and get in contact with via recommendation or coincidence. The company also try to involve young professionals that have been growing up in Sweden but have parents from this part of the world. Many of them have the urge to go back to Africa and conduct business. The founder of RedFlash

explained that he appreciate these contacts since they have *“one foot in each culture”*, they have the Western mindset but are still able to do business and adapt to the local business culture. The founder said: *“With only Westerners involved, we would not have made it”*.

RedFlash was one of the companies involved with the project “Go Africa” held by the business incubator STING. RedFlash mentioned the value of getting to exchange experiences with other companies that are doing the same journey in a similar context. To discuss challenges and to get a network and make valuable contacts has been great according to the founder. The Country Manager of Business Sweden South Africa agreed: *“Networks is key, sometimes it is not what you know, and it is who you know”*.

Today, RedFlash has a small team located in Stockholm and an office in Dakar, Senegal. The founder of the company are located in Stockholm, Sweden and are running the company mainly via Skype, telephone calls and WhatsApp when he is not visiting the operations on spot. The company has subsidiaries in the Ivory Coast, Senegal and is in the process of opening up subsidiaries in Cameroon, Gabon and Togo. The company has a partner in Zambia which in turn covers Malawi, Mozambique, Namibia, Botswana, Tanzania and Rwanda. The partner provides RedFlash’s services in their name. That RedFlash started their journey in the Ivory Coast was a coincidence. We got a hint of the opportunity with the former project we were involved with and then one thing led to the next according to the founder. *“It was not an obvious choice, the country’s official language is French, which is a reason for many to avoid this part of the world, because of the language, and for us it was pure fortuity to start our operations here”*. He also explained that the possibilities if you succeed are huge. The potential is enormous in the segment that RedFlash are in, payment solutions and financial services. The founder highlighted that the market potential in this part of the world is much bigger than in Sweden for example. Similar segments in Sweden can be crowded and the market is smaller, with a population of only 9 million people. The founder mentioned: *“The market potential is huge as well as the need, the gaps are enormous and competition low”*. According to the founder, RedFlash does not have any competitors yet which gives the company free access to the market and a better chance to utilize the business opportunity without any disruptions from competitors.

The fact that Senegal and the Ivory Coast offer tax reliefs for companies making certain types of investments for five up to eight years makes the process of establishment a bit easier fi-

nancially in the beginning. Ultimately, it is the governments who are the customers, the founder explained. In order to utilize the opportunity and to kick off the business and development RedFlash follows the strategy of getting in contact with the government and the important people with power to take decision as early as possible.

In order to handle all the business on spot in Abidjan, in the Ivory Coast, the company decided to create a subsidiary in the country to make things easier to handle as more and more contracts were signed with customers. This is the strategy for RedFlash, in order to remain in full control, subsidiaries will be established as they go along with their expansion and employees will be recruited into them. Entering a foreign market through a subsidiary is recommended both by the representatives from Business Sweden but also Swedfund International AB. Another advantage from operating through subsidiaries are the common synergies that the separate entities will benefit from, the brand will be protected as well as the intellectual property rights. The founder also mentioned the possibility in being able to utilize the same contacts through all subsidiaries that they have with the bank and mobile operators. The founder also highlighted the opportunity as well as the benefits in using the same contracts all over the organisation in a standardized manner. When it comes to the time of registering the company in Senegal and the Ivory Coast and to be up and running with the operation, the process was quick, only about a week according to the founder. The registration was not compromised by any legal requirements or any foreign ownership restrictions he said.

#### **4.1.8 Challenges connected to the establishment - RedFlash**

In terms of bribery, the founder of RedFlash said that they have not had too much problem with it yet, some problems have come up but not any major. RedFlash has a policy against bribery and are very clear with how they feel about it and that they do not want to contribute to corruption. The founder also mentioned that he believes it is especially important that RedFlash as foreigners and guests in the African countries behave according to what they believe is right. The founder argued that it is important to protect the Swedish reputation as business representatives including the Swedish values and not to misbehave when conducting business abroad.

RedFlash has had similar experiences with the governments as ECS as highlighted above; they have experienced it to be quite filled with hassle and energy demanding. The founder mentioned that they have always felt welcome but when it comes to conducting actual busi-

ness it is of great importance that you know the business culture. *“We always bring local people with us for the meetings”*. Since the official language is French, their English is not always perfect. Cameroon is the only country in which English is part of the official language next to French, everywhere else; business is done in French the founder explained. RedFlash also expressed the challenge in having an enormous patience and the strength for not getting frustrated when it comes to the time dimension. The founder explained many situations in where booked meetings suddenly got cancelled with short notice and how people tend to be late. He expressed the cultural difference to be palpable.

RedFlash has been recruiting via its own internal network and has not had the same recruiting issues as ECS has experienced. The people in the network are individuals that have been involved from the beginning when the company was created. *“There are some African contacts we have that live in Western Europe, which all know each other, they make recommendations and connect potential employees with us locally. it is been working very good so far”* according to the founder of RedFlash.

RedFlash have also experienced it very hard to get their finances in place. As the founder mentioned: *“it is very hard to convince institutions or business angels to invest in such countries we are interested in. it is a different language, the markets are far away, it is countries of high risk. “They are simply not interested, often they lack any kind of competence connected to markets like ours, and how they work”*. The founder expressed that it is been hard to find the right kind of investors to finance their idea in order for the company to develop as planned. Almi has given the company a loan but they have not been interested in investing in the company. Thanks to RedFlash innovative solutions, some funding has been given to the company from Vinova, which is the department for innovations, part of the Swedish government. It is mainly the lack of knowledge and experience that is the problem when trying to attract investors to finance companies like RedFlash. What RedFlash have been trying to get involved with is the Bill and Melinda Gates Foundation. The founder of RedFlash explained how the foundation invests a lot in financial inclusion and services for the poor. He also mentioned that they have been involved with a couple of African funds, investment companies that has contacted the company and showed their interest. These investment companies are from South Africa, Nigeria and Mauritius. The Project Manager from Business Sweden Nairobi confirms that financing is an issue experienced by many companies entering markets in Sub-Saharan Africa. She explained the difficulties in getting funding because investors might

not understand the markets or the business climate. She further elaborated that the investors always want to judge the risk and if they have trouble in understanding the market conditions, they cannot judge the risk and will back down.

RedFlash has also experienced challenges in getting paid. The founder explained that the payments can take much longer time than stated on the invoice. *“It can take in between six to seven months before receiving payments”*. Hence, it is important to have financial strength to cover unsettled payments. The founder mentioned that it is very hard to tackle this challenge; the power is not in the hands of the company. There is no institution similar to the Swedish Enforcement Authority; if the payment is absent there is not much the company can do.

The founder also mentioned another cultural aspect that has come to be a problem; people never tend to say no. This leads to a lot of double checking and verifying e.g. arranged meetings or right capacity for the mission. *“They are afraid of losing their face if they say no, it is a cultural thing”*. Communication is an additional problem, it is hard for RedFlash both language wise but also culturally. Misunderstandings are part of the everyday life according to the founder.

The founder of RedFlash did not have any previous experience of doing business in Africa. He has been involved with other internationalisation journeys of other companies previously but never to the African continent has he mentioned. This time, he explained, it is been very different, especially cultural wise. The only way forward has been through trial and error. The founder withholds the importance of involving the right people in the company. *“You need someone to guide you, otherwise it becomes messy”*. The founder have to trust the people involved in the project and believe they have the relevant experience and knowledge in order to get the work done. it is together with these employees that RedFlash develop the strategy of the company.

Another challenge connected to the establishment for RedFlash has been to get everything in place in the market, to become a well-known brand and to gain a position. To get all the agreements in place and to get the customers to understand the company was not easy. In order to solve the problem, RedFlash had the urge to kick start their pilot projects as soon as possible to win ground in the market to show what RedFlash can do for them locally. *“It is been hard to start from scratch, you need to establish yourself and then you can start to get*



*something back but it takes time*". The founder further elaborated on the goals and plans to establish RedFlash in 40 countries in three to four years. There are many challenges connected to the fast expansion; one of them is to establish a well-functioning organisation. The founder explained that it is the organisation itself that will help build the company. *"The problem is not getting customers to buy our services"*. The challenge instead lies in building an organisation which RedFlash can implement in an effective manner across the continent, according to the founder.

*it is the overall picture, how we enter a new market in the most effective manner, how we build up and develop the company locally, it is also a matter in how we recruit, how we work with the development of the employees we already have [...]. Aspects like these are very important as well as a challenge for the future.*

(Founder of RedFlash)

The founder of RedFlash has experience from this kind of expansion strategy from previous projects earlier in his career. He has the knowledge in how to conduct the expansion but explained the challenge of implementing it in the African context. The difference is huge from doing the same in the US e.g. the founder himself has been focusing a lot on the challenge in producing standard templates and material for presentations. The company has the strategy of implementing a standard package which they will use every time when establishing in a new country, although the founder also explained that the agreements cannot be the same in each country, some local adjustments need to be done. The same challenge appeared when it comes to contracts for the employees. Another important aspect in connection to the future expansion is, as mentioned above, the recruitment process. RedFlash has agents working in the field conducting the daily work. The founder explained that the company needs to find the right people to conduct these tasks; they need to be educated and trained. It is also of utmost importance that the agents understand what kind of company RedFlash is and are aware of the vision. In turn, the agents have superior team leaders which also need to be trained. The strategy is to build mini hierarchies. Further, another challenge is to create synergies and to put together a team which will be able to support the company in the start-up phase. The goal is to have self-propelled entities with local staff running it independently with minor support from the international team. The founder further elaborated that the international team will instead work as a support and guidance function. This is also the team which will conduct the follow up work in order to not make the same mistakes in the next country. Alt-

though, each entity needs to be able to run itself with a local management, it is not possible to operate all the subsidiaries from Sweden, the organisation's needs to be autonomous. The founder expressed the importance of maintaining and developing a sustainable structure of the expansion as the overall major problem.

## 4.2 Establishment through opportunity recognition

Companies presented in this section have established a company in the African market through an opportunity window they recognised on their own. The companies represented in this section are Bluewater AB and LevasFlor AB.

### 4.2.1 Overview of company - Bluewater AB

Bluewater AB, henceforth mentioned as Bluewater, was founded in 2013 and has since then had a vision to distribute clean water that is healthy and safe to consume for people all over the world. Their vision is, through their water purifiers, to deliver water that the consumers can trust to drink as it is but also be able to use it for cooking. Founded by Bengt Rittri, a prominent environmental entrepreneur in Sweden, the company has the strong belief that clean water is a human right; everyone should have access to non-contaminated water. The company's wish is to develop the number one water purifier in the world. Bluewater meet their customers both in their home environment as well as at work through their supply of water purifiers. This is a fact mostly in environments and in locations all over the world where clean water is not a given right (Bluewater AB, 2018).

### 4.2.2 Opportunity identification - Bluewater

The CEO of Bluewater described the company as addressing a global issue with a global presence since water, and the use of water is a global challenge. The company had made a previous internationalisation journey by establishing in both USA and China as well as in Hong Kong. When choosing a new market, the CEO described the process as starting with an overview of leading indicators in order to choose which market the company would enter next. The two most important indicators for the company are the general awareness of water and the lack of water as well as the general awareness of the issue with plastic and its effect on the environment. The CEO mentioned that the general awareness differ from country to country, as does the potential water issue, hence the need for local adaptation in order to address the issue in mind.

Bluewater where at the time of the opportunity identification involved as a sponsor of the Volvo Ocean Race. When the race was to enter South Africa and Cape Town, the city faced a major problem with drought and lack of access to water. The city of Cape Town could thus not provide the event with access to the municipal water system. Since Volvo Ocean Race had no solution to this problem a partner of Bluewater asked the company if they could do something to solve the issue with water access. The drought together with the involvement with Volvo Ocean Race made Bluewater aware of the local issue and the CEO described this as an opportunity for the company and they thus agreed to help provide the event with water by setting up four water stations. A few weeks before the event were to take place the CEO visited the location of the event in South Africa to make sure that everything came into place and also started looking for potential business partners in the region. The CEO described this process as searching the internet and finding two entrepreneurs that they could work with and build trust. The choice of South Africa was, according to the CEO, based on the recognition of an opportunity and that this opportunity was a good fit, both operationally as well as concerning the business aspect. The fact that the company also found a business partner they could trust affected the choice of market. According to Business Sweden Johannesburg, establishment through a partnership is the most common entry mode in South Africa.

#### **4.2.3 Opportunity development - Bluewater**

When Bluewater entered South Africa and Cape Town it was, as mentioned above, based on seizing an opportunity together with finding a reliable local partner. The company entered the market by a direct investment in the South African based company I-Drop Water as well as establishing their own company, Bluewater South Africa. I-Drop Water is driven by two entrepreneurs and active on a similar market as Bluewater. The importance of the partnership is highlighted by the CEO of Bluewater:

*What we did, the key to our success, or the success in our establishment in South Africa, was because we made an investment in a South African based company with South Africans with local presence, that speak the local language and have knowledge about the local culture. (CEO of Bluewater)*

The CEO also emphasized the importance of being present in the market as an important prerequisite for success: *“Since every African market is different, the local presence and*

*knowledge of each market is critical. Swedish people tend to look at Africa as one country while in fact Africa is a large number of countries with large differences*". By having the founders of I-Drop Water present in the market and merging the two businesses, making the founders of I-Drop Water responsible for the operations of Bluewater South Africa, Bluewater used the local knowledge of I-Drop Water to enter the market. Local presence is also something highlighted by Business Sweden Johannesburg who discussed the fact that business in this area is done face to face and not through emails or phone calls. In addition, the timing of the entry was of importance. Bluewater entered South Africa and Cape Town during a time of extreme drought and lack of access to water. Bluewater thus came in and solved a problem, with a technology that was not in the market in South Africa and displayed their product at a busy place in Cape Town. The CEO explained that they entered the market with a big bang and invested a lot in being seen then they had a pull. The successful entry into the market and the fact that Bluewater could contribute to a solutions to the water issue led to access to the local government as well as other important contacts, according to the CEO.

#### **4.2.4 Challenges connected to the establishment - Bluewater**

The extremely bureaucratic environment in South Africa is one of the challenges connected to the market establishment of Bluewater. The CEO mentioned that the registration of the company itself was fairly easy and compared it to Mauritius, which he described as a much more difficult market in terms of setting up a business. Another challenge mentioned by the CEO was the difficulty in getting money into South Africa, with the requirement of approval from several authorities and banks. In addition, the climate was described as difficult to navigate in due to the many people searching for success. Thus finding the right people to work with was challenging since it was difficult to navigate between serious business people and entrepreneurs and people just looking for success. Since Bluewater found two local entrepreneurs they could trust, a lot of this navigation could be avoided. This also made the recruitment of people easier since they had local people in place in Cape Town. The importance of a local network was also highlighted by Go Africa as well as Business Sweden. Even though they had local people with local knowledge and network, the CEO still describe the recruitment process as challenging. The CEO often recruit people in connection with a local visit and tries to find people with relevant experience and interest for the water issue. Today Bluewater has a team of 12 people in South Africa.

The CEO mentioned the lower purchasing power as a potential challenge: *“If you are entering the African market you should be aware of the lower purchasing power”*. However, the CEO also mentioned that the purchasing power is different across segments. Bluewater are targeting customer segments like events and governments where the low purchasing power is not as pronounced. However, some of the products of Bluewater, made for end consumers, are not sold on the African market. The CEO also mentioned that finding alternative payment solutions is another way of tackle the issue with purchasing power. Since their partner, i-Drop Water is targeting the bottom of the pyramid they are a good complement to the segments targeting by Bluewater. The lower purchasing power is also mentioned by Go Africa as being part of the market and something that companies have to adapt to.

The CEO mentioned that it is an extremely difficult business climate to navigate in and it is difficult to know how to enter and operate in the right way. That is also the reason for the opportunistic viewpoint taken by the company. The challenges are finding the right opportunities, with the right local people and try to build long-term relationships. Bluewater has tried to find the right local people in every African market they want to enter. The CEO mentioned that they found a group of people in Botswana by using their existing network. This group of people has received a grant from the government in Botswana in order to start a business within the water industry. Bluewater sees the grant as a qualification that these people are serious with their business plans. In Tanzania, also a market Bluewater is looking at, they have found a young entrepreneur that has received a lot of good international publicity and recognition. By using the two entrepreneurs that they are working with in South Africa and their existing network as well as their ability to assess people, not only in South Africa but also in other African countries as well as their knowledge of doing business in Africa, Bluewater has been able to expand in a fast pace. Since they had no previous knowledge of the market the partnership has made a huge difference, not only do they sell their products but are also involved in the development of Bluewater in the African market. If they had not found them, they had been forced to scale much slower.

#### **4.2.5 Overview of respondent - LevasFlor AB**

Located in Beira, a central province of Sofala in Mozambique, the forestry company, LevasFlor AB, henceforth mentioned as LevasFlor, is operating since they were founded in 2004. The company holds full control over the supply chain, from the harvest process to the shipment of the final product, which are either done straight to their customers located around

Mozambique or sent to the company's international customers via LevasFlor's export terminal in Beira.

LevasFlor has 46 000 hectares of forest concessions and employs over 150 employees in its organization. They are the only Mozambican natural timber company that holds a Forest Stewardship Council (FSC) certificate, the company is also seriously committed to conducting their business in a sustainable manner. LevasFlor improves the social development in areas such as employment and education. They also support communities in the districts of Cheringoma and Muanza in their initiatives in building schools and clinics (LinkedIn, 2018a).

#### **4.2.6 Opportunity identification - LevasFLor**

LevasFlor was the result of long-term collaboration between the diocese of Västerås and the diocese of Lebombo in Mozambique. The previous CEO of LevasFlor described Mozambique as having had a troublesome past with civil war and conflicts. When the war ended, the diocese of Västerås suggested helping the Lebombo diocese since they were poor, lacked resources and were highly dependent on resources from abroad. This was also the case for the entire country. At the time, the Mozambican state gave out disposal rights for land to people who were interested. This was one step in opening the country to private investors in order to kick-start the economy. Providing certain people with a concession was also a way to improve production, create job opportunities and thus get more taxable income. The diocese of Västerås saw the disposal rights as an opportunity to give the Lebombo diocese access to a forest resource like the one the diocese of Västerås had. The previous CEO mentioned that having such a resource is a good way to enhance financial security. The diocese of Västerås saw this as a good way to give aid to the country and the Lebombo diocese. Instead of sending financial aid on a yearly basis this was seen as a way to help the Lebombo diocese get access to an asset that could give long-term returns. The previous CEO had previous experience and interest from forest, forestry and deforestation locally and globally by e.g. being a member of the board of FSC. Due to the knowledge, interest and previous experience from forestry, the previous CEO was asked to set up a forestry business in Mozambique on behalf of the diocese of Västerås and Lebombo.

#### **4.2.7 Opportunity development – LevasFlor**

LevasFlor established in Mozambique in 2004 after seizing an opportunity to receive a concession in order to contribute to help both the Lebombo diocese and the country. According to the current CEO of LevasFlor the company was supposed to be a profit based company in

order for the profits to stay in Mozambique and help with local development and local churches. The previous CEO went to Mozambique prior to the establishment in order to conduct research. Since the previous CEO had a well-established network through the FSC, she could connect with people interested in both Mozambique and forestry. Together they visited the governments of Mozambique and examined the possibility for the diocese of Lebombo to obtain a concession for a part of a forest. This was received well among the governments and the previous CEO got help from people that knew about Mozambique since her knowledge about the country was limited. According to Business Sweden Johannesburg you need to spend time in the market you want to access and the more you know, the better you can navigate, the easier it is to find the right partners and also the good opportunities.

Once the concession was approved, LevasFlor was established. First of all, a board, consisting of two bishops and other employees from both the Lebombo and Västerås diocese, was created. The previous CEO was named director and was made responsible for the establishment of the company. Together with the network from Sweden and Mozambique, the previous CEO reached out to the department of agriculture and applied for the concession for the land. The Mozambican counterparts and the previous CEO did a thorough investigation of the land, looked at maps and did field trips and all necessary investigations that are done before the acquisition of a resource. The establishment of LevasFlor was described by the previous CEO as uncomplicated: *“We never had to fight for the government to give us the land; it was actually done fairly quickly”*. Her previous experience from forestry could have contributed to the quick process according to the previous CEO. In addition, the competition for the land was low and the company also chose a land with a less exclusive forestry. The African mahogany or other exclusive woods which are rare were excluded in favour of a less exclusive material, Masasa, that was tested and proved to be a good fit for making flooring. This gave the company a favourable profile and a niche in the market.

#### **4.2.8 Challenges connected to the establishment - LevasFlor**

According to the first CEO at LevasFlor there were more challenges than they initially thought when starting LevasFlor. Even though salaries were low, the production capacity was poor which affected the profitability of the company. It also got more expensive to extract the products than they initially thought and in addition the transportation and exportation of the products was challenging due to inadequate infrastructure and the bureaucratic environment.

The CEO of LevasFlor brings up corruption as a huge challenge when doing business in Mozambique. In addition, the government has imposed trade barriers, increasing export taxes and increasing bureaucracy, making it more complicated to export and do business. However, the main challenge highlighted by the CEO concerned employees and the skill level in the country:

*I think maybe the biggest one [challenge] which I do not think we were prepared for when this started at all is basically the skill level of the people. How hard it is to get people trained properly and to value work, coming to work and not stopping as soon as you turn your back, it takes a long, long time and a lot of experience to handle this kind of situations. (CEO of LevasFlor)*

Most people that the company employs do not know how to read and write. Additionally, the deficient work ethic, people do not know what it means to have a job and productivity of labour are low. This is also something discussed by Business Sweden Nairobi, who argued that the quality of labour varies between countries in Africa. LevasFlor hires local people for the low-skilled labour since these people are directly affected by the operations of the company. These people have normally been doing subsidized farming or illegal hunting in the forest. When LevasFlor comes in and occupy the forest and post rules prohibiting the local people to cut down the forest, the company has to provide alternatives for these people. When asking about more skilled labour, the CEO mentioned that this is very hard to find since Mozambique has a very low amount of skilled labour and many uneducated people. This was also mentioned by the previous CEO, who highlighted the difficulty to recruit managers since the location of the company was remote. The fact that there was a lot of restrictions in the beginning of the establishment and that those processes took time was something that the previous CEO also mentioned as a challenge.

The use of networks is said to be extremely important when entering Mozambique. Knowing the right people and getting help in starting up the business as well as choosing the right machines and getting the right consultancy is of importance for the company according to the CEO. The previous CEO, which was the driving force behind the establishment, mentioned that without their network and the diocese of Lebombo they would never been able to establish LevasFlor. What is also important is to have a domestic network, to have the right people in the board of the company, preferably local, influential Mozambicans, the CEO said. Since



corruption can be a big challenge, having these kinds of contacts will unlock doors that can stand in the way for corruption reasons.

According to the previous CEO, Mozambique is an amazing country considering the sheer size and good climatic condition but the transportation and the infrastructure is a major challenge. During wet season, roads cannot even be used every day. The CEO also mentioned the infrastructure as affecting the operations.

*We have the saw mill and the production facility about 50 km from Beira city, 140 of this km is on a dirt road, which is being trafficked by heavy trucks all the time. [...] The road has not had a lot of maintenance so it gets destroyed once a year and then it is pretty much impossible to transport our products. It gets very expensive and a lot of things get delayed due to that. (CEO of LevasFlor)*

In addition, domestic transport going down from Maputo to Beira is also challenging because the main road is inadequate and the traffic police are very corrupt. The logistics in the port is another challenge, and is described by the CEO as extremely corrupt and slow.

### 4.3 Establishment through local presence by the entrepreneur

In this last section, the entrepreneur was already residing in the country, either for private reasons or professional reasons, and saw a potential business opportunity in that particular market and thereby established a business in that region. Verde Azul AB and Focus Business Center are presented in this section.

#### **4.3.1 Overview of company- Verde Azul AB**

Verde Azul AB, henceforth mentioned as Verde Azul, has a subsidiary in Mozambique and was founded in 1999. Verde Azul is a management consultancy firm that specializes in solving current and future challenges of social and environmental character. Their focus is sustainable improvement and inclusive green growth in Mozambique. Since the establishment, Verde Azul specialises in four different areas: Sustainable land tenure, land access and land use management, community participation, environmental and social research and management project management and business development (LinkedIn, 2018b). Over the years, the Verde Azul team of 70 have been accumulating valuable knowledge concerning the social and environmental problems that exists in the Southern parts of Africa and in Mozambique

(LinkedIn, 2018b). Verde Azul strives to deal with and develop projects that add to financial returns in a sustainable way. Social well-being, the people and the ecosystems is of high importance for Verde Azul and it is also in those focus areas their key knowledge is. A part of their strategy is to target cases in this type of area and to potentially invest in the business solution (Verde Azul, 2018).

#### **4.3.2 Opportunity identification – Verde Azul**

One of the seven founders of Verde Azul has been present in Mozambique since 1990. At the time, she was working for the United Nations (UN) and was only supposed to stay for a year. 28 years later, she is still residing in the country with a minor gap of a couple of years when she was working in Zimbabwe for International Labour Organization (ILO). Back in Mozambique the founder of Verde Azul started working as a consultant, mainly for the Swedish Embassy due to a misunderstanding between herself, SIDA and the UN which was her current employer. Through her work as a consultant she met with other like-minded in which she, in 1999, ended up creating Verde Azul with. As she described it herself: *“It was a series of happenings where one thing led to the next. It was never that I thought Oh, let’s go to Mozambique and start a company [...]”*.

Verde Azul has always had an environmental and social focus, although the directions of the company have changed over time. When the company started they were working with bigger household and social impact surveys and environmental plans. Those were the biggest areas but over time they have changed. Partly since the owner structure were changed. Verde Azul had seven shareholders in the beginning, at the moment they are two. The company has thereafter been focusing more on sustainable use of land, meaning actually governing and working for the health of the entire biotic community said the founder. The company have developed three activity areas, the biggest one is mapping, thereafter comes land tenure and land rights.

#### **4.3.3 Opportunity development – Verde Azul**

The founder of Verde Azul together with the other shareholders is also involved with other projects other than the company’s main occupation such as eco-tourism, agriculture and in forestry as an investor through Verde Azul. Even though these other commitments take up a lot of their time and money, she mentioned that it also makes Verde Azul different to many other consulting firms. She also mentioned that the experience Verde Azul has from these

complex societies has given the company an understanding of the social needs. It comes from working with the local communities over time and has come to evolve into a competitive advantage. The representative from Swedfund International AB agreed with the founder of Verde Azul. A red thread for the small and medium sized companies that have succeeded in the markets where Swedfund, as an organisation are active in, does not mainly concern the product or the technique the company has as their business idea, it all comes down to if the entrepreneur can adapt to the country and their culture, if they want to learn about the environment they are in and to respect the people as well as take part of their experiences and to learn from them. It is only the entrepreneurs with this mind-set that will succeed in the long run according to the founder. The founder of Verde Azul has the goal to utilize the opportunity she stumbled over in 1999 to bring real results and overcome issues in the context they are working in rather than writing reports. The founder explained that the most important purpose of the company is to protect the ecosystems and the nature as well as to improve the social well-being.

#### **4.3.4 Challenges connected to the establishment – Verde Azul**

One of the main challenges Verde Azul has come across is the corruption. Since the company has zero of tolerance towards corruption and bribery most things takes time. There are often inspections, random people from the government coming to be paid off. Corruption is a big issue according to the founder. Unfortunately, Verde Azul has also been affected by corruption indirect. The founder explained the problem the company has been having with another company from China. The Chinese company has walked into the land leased by Verde Azul and started digging for semi-precious stones and rubies. Verde Azul has had trouble in getting the Chinese company to leave the premises; the founder of Verde Azul suspected that the Chinese company bribes the government. *“For the first time I am going to taking this case to court, it has been taking so much time and energy from Verde Azul that could have been put to better use”*. In connection to the legal process the company will go through, another challenge appeared. *“You will never get the information of what is expected of you, what kind of documents you need to provide or how you should go about”*. The founder mentioned countless meetings with important people in where she time and again had to come back with other documents. She said that it could take years before you finally have been told what is expected of you and until you manage to provide the correct documents. *“No one will tell you what the rule is, because it differs from province to province”*.

An additional challenge the founder of Verde Azul mentioned is the trade barriers in general. She further explained that the law and regulations is quite ambiguous and the people that are implementing the laws have different opinions on how it should be implemented in practise. Education is lacking and the founder has come across incompetence in the area of the operations of the company. This has resulted in the authorities doing what they think is best, meaning that laws will differ from province to province, making it very hard to operate. The difficulty of being given the correct information from the government is seen as a serious trade barrier for any operator according to the founder of Verde Azul.

The business climate in Mozambique is very difficult according to the founder of Verde Azul. She mentioned that the local currency is fluctuating a lot and the interest rate in the country is sky high. *“At the moment it is 29 % for a loan”*. The founder mentioned that it is impossible for an agricultural project to pay back as much as 30 %, unless you have money from outside or does not have the need for a loan. *“It is simply hampering business”*. The low purchasing power is also considered to be a challenge. She mentioned the problem concerning the cash economy to be very small making it difficult to establish a company. This is especially true if the company are only to focus on the local market. The founder believed that it is important to have access to the international market as well.

Starting a business in Mozambique is easier said than done according to the founder. The bureaucracy is extensive, requires a lot of paperwork and several inspections. She explained that it could take up to several years to get the right license and that information is scarce in such processes. *“You hear that it should only take a couple of days, that is not the reality I am afraid”*. The founder explained that it could go a lot faster if you bribe, although that is not something Verde Azul is interested in. *“It will have to take the time it takes”*. She also mentioned that it is more time consuming than you could ever imagine. What the founder also mentioned as a challenge, connected to the lack of information and bureaucracy, is that it is very hard to project what the costs will be for an investment. If a company has been operating under “false assumptions” new decisions has to be made and more time passes by. *“Most of the time the costs are triple from what you had estimated from the beginning”*. The Country Manager of Business Sweden South Africa highlighted specifically that no company can enter the market and then just assume that you are going to have a quick win, it takes time to build a business in this area.

The founder further explained the challenge in connection to the structure of the government. The traditional authorities are still running the rural parts of Mozambique, it is a completely parallel structure and as many countries in Africa, they have transitioned from a socialist economy to an open market capitalist economy the founder explained. The legislation that has been adjusted and the way things operate easily favours the establishment of an elite, and that elite usually consist of people that do what they like, within the law or not according to the founder. The founder also said that this contributes to further corruption and some foreign investors are using this as a strategy. They make sure to partner with the right government officials and create a separate line of communication. *“It is a big problem for the country and it is causing ripples in the local society because the elite are becoming very powerful and rich”*. The poverty and the gap between rich and poor is growing, as it does in other parts of the world, but according to the founder of Verde Azul it is even more evident in Mozambique. The gap itself could in the end lead to instability and antagonism, resulting in a doubtful climate to do business in, a problem for any company in many aspects. At the moment, there are not enough foreign investors interested in Mozambique according to the founder.

The founder also mentioned the importance of not only focusing on international investors coming in but also concentrate on making sure that the international investors bring the Mozambican entrepreneurs along. Africa is the continent that still has much land available and the potential to grow she said. The founder of Verde Azul further elaborated the importance of doing it right, the country need responsible investors and a dialog to succeed.

#### **4.3.5 Overview of company - Focus Business Center**

Focus Business Center is an organisation active in many countries in Africa such as Rwanda, Burundi, Mozambique and South Africa. Their business idea is to teach entrepreneurship and to educate their customers in how to do business and to nurture their own finances. Some of their clients already have their own company but would like to gather further knowledge in how they can boost business; others get inspired to start their own businesses.

Focus Business Center also facilitates incubators and offers business networks for the customers that have completed their training and education. The organisation’s aim is to boost the investments in Africa and doing so by educating people in entrepreneurship as well as creating conditions and opportunities for businesses to grow (Focus on Africa, 2018a).

Focus on Africa is a Swedish organisation, independent from the autonomous subsidiary registered in Mozambique, Focus Business Center LTA. The coming section will mostly not consider the operations of Focus on Africa, but on Focus Business Center, the entity in Mozambique. Focus on Africa has its base in Sweden but started in Mozambique (Focus on Africa, 2018b).

#### **4.3.6 Opportunity identification – Focus Business Center**

The manager from Focus Business Center had previous knowledge of the Mozambican market as well as other African markets such as Swaziland and Burundi. The previous knowledge came from working in the area. By visiting and living in the country, the manager had good knowledge about the market as well as an established network. In addition the manager described that one reason for going to Mozambique was knowledge about the development in the country as well as speaking Portuguese. The manager previously worked for a Norwegian organisation in Mozambique and when the contract ended he was asked by local people to work with entrepreneurial training in the country. The Swedish organisation Focus on Africa started in 2012 along with the Mozambican company Focus Business Center in order to seize the opportunity and the local demand. The Swedish organisation started in order to be able to handle agreements and similar tasks but both the Swedish organisation and the Mozambican company is two separate units.

#### **4.3.7 Opportunity development – Focus Business Center**

According to the Manager of Focus Business Center, it is well known that Mozambique is the richest country in Africa in regards to natural resources and opportunities for farming but with the poorest people. It is these resources that attract investment to the country but there are also a lot of challenges such as corruption and a difficult business climate. When entering Mozambique there was already a Swedish organisation established but when revenues started coming from the country, there had to be a registered company in the country in order to be able continue with their operations. As described in the previous section, the company worked with entrepreneurial education and doing consultancy in this area as well as selling mentorship trainings. Before the company in Mozambique was established, they had to rely on local partnerships but when revenues started coming in, the manager described it as difficult to maintain the relationship. It had to be better organised and a registration was necessary e.g. in order to pay taxes. The process of setting up the business only took one or two weeks and the manager mentioned that the first two years were tax-free but symbolic amounts had

to be paid. In addition, the tax system was, according to the manager, comprehensible and similar to the Swedish system which made the process easier. There is no domestic shareholder and no such requirement exists, however, when employing staff there needs to be at least 90 % domestic employees.

The manager of Focus Business Center highlighted the importance of network and contacts: *“Without contacts and a network we would probably not have been able to start up anywhere actually”*. The company have been in contact with institutions such as Business Sweden and Swedfund, but highlighted the local networks as more of importance. The wife of the manager was raised in Africa as her father worked as a missionary. Thus, she has a strong network among missionaries and churches. The company has used these networks when they e.g. have to visit a ministry: *“[...] we have an incredible advantage in having these honest networks and contact networks to work with”*.

#### **4.3.8 Challenges connected to the establishment – Focus Business Center**

When Focus Business Center established in Mozambique, the manager mentioned that they came across some administrative challenges. Things like getting access to a bank account were difficult in the beginning. The manager mentioned that they have not had access to their bank account for almost a year but that was recently solved. The banking system is not fully reliable, and is described by the manager as a weakness in Mozambique. Some Mozambicans have experienced that their money have disappeared from the bank which creates legitimacy issues. Some cultural clashes were mentioned, however often in connection with corruption. Honest Mozambicans have the same problem with corruption as does Focus Business Center. In addition to the corruption, the economy in Mozambique can also be seen as a challenge. The government have taken a huge loan on 2.1 million dollars, which have affected the economy negatively. The language can also be seen as a challenge according to the manager.

In general Mozambique is an open country, transferring money within the country, which can be troublesome in other nearby countries, is relatively simple in Mozambique. However, transferring domestic currency outside of Mozambique can still be challenging and difficult due to many controls. The manager also mentioned that since they are working with educating entrepreneurs they would overcome some challenges connected to corruption. Since the company are educating entrepreneurs and learning them their way of working it creates an honest way of working which in turn is good for Focus Business Center.

#### 4.4 Summary of main empirical findings

To highlight the most important empirical findings in this chapter, this section will provide a summary of the opportunity identification, the opportunity development process and the challenges the companies encountered when establishing their operations in Sub-Saharan Africa. The main findings under each section of the empirical chapter are presented in Table 3 below. As illustrated in Table 3, the companies are divided into three different kinds of establishments. The first represent the two companies that established their operations by receiving an invitation. The second represents establishment through opportunity identification on their own, while the third, consists of the companies that established their operations due to local presence of the entrepreneur. The empirical results indicate that the companies in this study all used formal and informal networks as well as contacts to a varying extent. The companies also stressed the importance of such networks. In general, the companies had low or little previous knowledge of the market. The findings also indicate that the companies have encountered similar challenges when establishing their operations in the different Sub-Saharan African markets, although the effect of those differed. Furthermore, all companies deal with different commitments and challenges due to their diverse agendas and goals, which is summarized in the table below.



	<b>Opportunity identification</b>	<b>Opportunity development</b>	<b>Challenges</b>	
<b>ECS</b>	<ul style="list-style-type: none"> <li>-Special interest in circular economy</li> <li>-Founders aware of deforestation in Africa</li> <li>-Opportunity identification through the Swedish Embassy in Lusaka</li> <li>-Establishment through subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>-No previous market knowledge</li> <li>-Revision of business model</li> <li>-Use of formal and informal networks</li> </ul>	<ul style="list-style-type: none"> <li>-Business climate adaptation</li> <li>-Low purchasing power</li> <li>-Different payment culture</li> <li>-Infrastructure</li> <li>-Corruption</li> <li>-Recruitment &amp; work ethic</li> <li>-Financing</li> </ul>	<b>Establishment through invitation</b>
<b>RedFlash</b>	<ul style="list-style-type: none"> <li>-Opportunity identification through an invitation from a municipality in the Ivory Coast</li> <li>-Establishment through subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>-Use of informal and local networks and the project Go Africa</li> <li>-Use of young professionals with an understanding of Western and African markets.</li> </ul>	<ul style="list-style-type: none"> <li>-Local language</li> <li>-Business climate adaptation</li> <li>-Financing</li> <li>-Different payment culture</li> <li>-Building an autonomous organisation in a standardized manner</li> <li>-Recruiting skilled labour</li> </ul>	
<b>Bluewater</b>	<ul style="list-style-type: none"> <li>- Opportunity identification through an participation in an event in South Africa</li> <li>-Environmental conditions</li> </ul>	<ul style="list-style-type: none"> <li>-Country visits</li> <li>-Establishment through direct investment, subsidiary and partnership</li> <li>-Local presence and market knowledge through partnership</li> <li>-Timing of entry</li> <li>-Brand awareness creation</li> </ul>	<ul style="list-style-type: none"> <li>-Bureaucratic business environment</li> <li>-Challenges in transferring money into South Africa</li> <li>-Finding reliable partners</li> <li>-Purchasing power</li> </ul>	<b>Establishment through opportunity recognition</b>
<b>LevasFlor</b>	<ul style="list-style-type: none"> <li>-Long term relationship between two dioceses with belief in altruism</li> <li>-Concession rights</li> <li>-Previous knowledge and experience of forestry and deforestation</li> </ul>	<ul style="list-style-type: none"> <li>-Venture formation</li> <li>-Country visits</li> <li>-Use of formal and informal networks</li> </ul>	<ul style="list-style-type: none"> <li>-Corruption</li> <li>-Lack of skilled staff &amp; deficient work ethic</li> <li>-Infrastructure &amp; transportation</li> </ul>	
<b>Verde Azul</b>	<ul style="list-style-type: none"> <li>-Special interest in sustainability, multi-cultural work and environment ethics</li> <li>-Opportunity identification through meetings with like-minded</li> <li>-Unforeseen events led to the next</li> </ul>	<ul style="list-style-type: none"> <li>-Previous market knowledge</li> <li>-Multifaceted company = competitive edge</li> </ul>	<ul style="list-style-type: none"> <li>-Corruption</li> <li>-Laws and regulation</li> <li>-Weak institutions</li> <li>-Mozambican economy</li> </ul>	<b>Establishment through local presence by the entrepreneur</b>
<b>Focus Business Center</b>	<ul style="list-style-type: none"> <li>-Previous knowledge of the culture, way of life and the language</li> <li>-Local demand</li> </ul>	<ul style="list-style-type: none"> <li>-Venture formation</li> <li>-Use of formal networks but mainly informal</li> </ul>	<ul style="list-style-type: none"> <li>-Administrative challenges</li> <li>-Mozambican economy</li> <li>-Corruption</li> <li>-Transfer money out of the country</li> </ul>	

**Table 3: Summary of empirical findings.** Compiled by authors.

## 5. Analysis

*This chapter aims to discuss and analyse the research question of the study: ‘How does the opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market’. The conceptual framework will work as a basis for the analysis, where the different steps of the framework will be used to analyse the empirical findings summarised in Table 3. The chapter will end with a summary of the findings and a revised conceptual framework.*

### 5.1 Establishment through invitation

In this section, the companies ECS and RedFlash, that identified an opportunity by receiving an invitation, are analysed. The findings from the empirical section is used as a basis for the analysis and compared to the literature review and the conceptual framework.

#### 5.1.1 Opportunity identification - ECS

The background, previous knowledge and experience of the social entrepreneur are factors said to shape the opportunity identification ability (Corner & Ho, 2010; Choongo et al., 2016). The background to the opportunity identification of ECS could thus be argued to be reliant on the founders’ special interest in circular economy. Their perspective affected the start of their business as well as the identification of the opportunity in Zambia as well as the invitation itself. The founders’ wish to create an organisation that would interact with the planet could be connected to the view of Zahra et al. (2018) implying that an opportunity could be identified in order to balance social and economic imperatives. As argued by Patzelt and Shepherd (2010) it is in countries such as Zambia that sustainable and social entrepreneurship are the most important in order to address social issues. Patzelt and Shepherd (2010) further argue that such entrepreneurial actions can e.g. help to preserve ecosystems, prevent climate change and to reduce deforestation. This finding thus indicates that the opportunity identification was affected by the surrounding environment, as is also seen in Figure 3. Consequently, the opportunity identification of ECS was not only reliant on the fact that they were invited to Zambia and the environment in the country but the founders also had a special interest that affected the opportunity identification.

### **5.1.2 Opportunity development - ECS**

Neither of the founders of ECS had any previous knowledge of the Zambian market. In connection to their first sales the company had to revise the business model. ECS had tried to sell the stoves at a very low margin to make them affordable and estimated to sell two bags of pellets a month. It turned out to be unrealistic. Due to the problem with distribution, they revised the business model and increased the prices of the stoves in order to get better margins. As Kirzner (1997) and Yu (2001) suggests: valuable information such as prior knowledge will assist the individual to conduct a more precise assessment in deciding the potential of a new business idea. It could thus be argued that the lack of knowledge about the market could have affected the continued development of the opportunity. As described by Ardichvili, Cardozob and Ray (2003), the opportunity development process involves creative work of the entrepreneur. ECS started their opportunity development with a simple concept, which was then elaborated by the founders. The company started by selling cooking stoves but elaborated their product proposition as they gained more knowledge about the market and started to provide solar lighting systems. This indicates that the opportunity development was a cyclical and iterative process where several evaluations were made, at different stages of the opportunity development. Such cycle can lead to additional opportunity recognitions as well as adjustments to the initial opportunity or vision (Ardichvili, Cardoza & Ray, 2003).

### **5.1.3 Challenges connected to the establishment – ECS**

When ECS established in Zambia one of the first challenges they encountered was trying to understand how the administration worked and trying to learn how to conduct business in the country. In addition they had to develop an understanding of the Zambian culture. The founders highlighted one cultural difference, the difference in perception of time. Sousa and Bradley (2005) argue that cultural values are different among countries. ECS also mentioned the low purchasing power to be a major challenge in Zambia. Barkema, Bell and Pennings (1996) state that firms face different challenges when establishing in a foreign market such as e.g. differences in purchasing power. Additionally, the challenge of raising financial resources to a social enterprise is highlighted by both Swanson and Zhang (2012) and Hynes (2009). All three founders of ECS mentioned that one of their biggest challenges has been to finance their operations. Seeking funding from the emerging social capital markets or from government funding agencies has been an alternative to the traditional capital market (Swanson & Zhang, 2012). The access to alternative Swedish funding has thus been essential for ECS. Due to the instable financial markets in emerging markets, foreign companies cannot expect

to raise capital locally as they might be able to in their home markets (Khanna, Palepu & Sinha, 2005).

Another major challenge connected to the establishment of ECS and their daily operations was the logistics. Transport was considered problematic and expensive according to all founders. Bruton et al. (2013) and Riviera-Santos et al. (2015), argue that transportation is a prominent challenge in an emerging market. Insufficient infrastructure will have a great impact on the operations of a company such as ECS. Since the company are targeting customers in remote areas, where infrastructure is even worse, this challenge is especially prominent for ECS. The founders of ECS also mentioned the bureaucratic authorities as a challenge. Emerging economies can lack institutional development as well as a functioning infrastructure and factor market development (Bruton et al., 2013; Riviera-Santos et al., 2015). Another challenge encountered by ECS was bribery and corruption. Tracey and Phillips (2011) explained high levels of corruption as a major challenge in many emerging markets. Riviera-Santos et al., (2015) further elaborated on various challenges existing in Sub-Saharan Africa such as high levels of poverty and corruption to be a major barrier for the ease of doing business. The high level of corruption had implications for the operations of ECS, hampering daily operations. Founder 1 also mentioned different views in work ethic and difficulties in finding skilled labour in Zambia. Skilled labour is often difficult to find in many markets in Sub-Saharan Africa (Sherman, 2007).

#### **5.1.4 Opportunity identification – RedFlash**

The previous entrepreneurial knowledge of the founder of RedFlash could be said to have increased the entrepreneurial alertness, which in turn increases the ability to identify additional opportunities. The founder of RedFlash also saw great potential in the specific markets. When the entrepreneur look at an opportunity positively, as mentioned the individual will calculate his or her eagerness to undertake the uncertainties connected to the opportunity as well as come to a decision in if she or he will make use it or not (McMullen & Shepherd, 2006). It could thus be argued that the founder saw great potential in the opportunity and made use of it. The founder highlighted that the market potential in Sub-Saharan Africa is much bigger than in Sweden. *“The market potential is huge as well as the need, the gaps are enormous and competition low”*. The empirical findings show that the founder of the company possesses many of the personal traits such as creativity, optimism, relevant prior

knowledge and experience affecting the opportunity identification process (Ardichvili, Cardozob & Ray, 2003).

### **5.1.5 Opportunity development – RedFlash**

The founder of RedFlash had previous entrepreneurial experience in starting and running organisations. Among the many projects the founder had been involved in, the first time he took on a project in Africa was when establishing RedFlash in the Ivory Coast. The previous opportunity in Senegal, identified by an invitation, led to the identification of this new opportunity in the Ivory Coast. It is argued by Van de Ven (1986) that an entrepreneur with previous knowledge would benefit from that knowledge and increase its alertness in discovering new business opportunities. Choongo et al. (2016) also support this argument by implying that the creation of an opportunity may be enhanced by previous knowledge and entrepreneurial experience. Thus, the ability of the founder to identify an opportunity was enhanced by the previous experiences. In addition, entrepreneurs with previous business ownership can identify a larger number of opportunities compared to more novice entrepreneurs (Choongo et al., 2016). The founder of RedFlash did not have any previous experience of doing business in Africa. However, since he had been involved in other internationalisation journeys it could be argued that the entrepreneurial alertness was enhanced. This is also mentioned by Shane and Venkataraman (2000) and Venkataraman, (1997), arguing that the previous knowledge an individual possess is the unique information that will decide the capacity of the entrepreneur in terms of being able to recognize certain opportunities. It could therefore be argued that the first opportunity identification of RedFlash was highly influenced by the invitation but that it also led to the identification of another opportunity. The opportunity identification was also influenced by previous experience and entrepreneurial knowledge.

### **5.1.6 Challenges connected to the establishment – RedFlash**

RedFlash experienced government contacts as complicated and time consuming. Wan and Hoskisson (2003) support this finding by implying that government contacts are more time consuming in emerging markets. The liability of foreignness is a challenge discussed by Johansson and Vahlne (1977) and refers to the psychic distance where different factors such as language barriers and cultural values can create challenges for a firm to establish in a foreign market. This challenge has been evident for RedFlash; communication has been a problem both in terms of language and culture. Sherman (2007) is also discussing the language barrier as a challenge when entering a foreign market. The founder of RedFlash also mentioned other

cultural aspects, such as misunderstandings as affecting operations of RedFlash. It e.g. lead to double-checking and verifying arranged meetings. Cultural norms such as attitudes, beliefs and behaviours are examples of cultural entry barriers that can create difficulties for an establishment on a foreign market (Robinson, 2006).

Sousa and Bradley (2005) pointed out the challenge that the differences in cultural values could bring. This could be connected to the challenge of poor payment culture, encountered by RedFlash. Robinson (2006) confirms the fact that the separate cultural norms (attitude and behaviour) could be a barrier for a foreign market entry. The access to financing in the market their active on has been an additional challenge for RedFlash, which could be confirmed by Khanna, Palepu & Sinha (2005). According to the discussion by Hynes (2009) and Swanson and Zhang (2012), access to finance and investments for social entrepreneurs is poor. The language is different, the market is physically far away and of high risk, thus making it difficult to convince institutions or business angels to invest in the company. The Project Manager from Business Sweden Nairobi confirms that financing is a challenge encountered many companies entering markets in Sub-Saharan Africa.

The internationalising company need to engage in a learning process in order to conduct profitable business (Jansson & Sandberg, 2008). Accordingly, it is the learning and the knowledge that possess a central role in the international expansion of the company (Chetty & Campbell-Hunt, 2003). The founder of RedFlash stated that the only way forward was through trial and error. The founder highlighted the importance of involving the right people in the company, who knows the market. The company has been in contact with Young Professionals living in Europe with a connection to the African continent. They have a Western mind-set but also the knowledge of the market RedFlash operates in. This implies that the use of networks has been important in managing the challenges encountered. RedFlash internal network has e.g. been used in order to recruit staff, thus indicating that the challenge of finding skilled labour have been handle by using such networks.

## 5.2 Establishment through opportunity recognition

This section will analyse the empirical findings from Bluewater and LevasFlor, the two companies that identified a business opportunity on their own.

### 5.2.1 Opportunity identification – Bluewater

Opportunity identification in social and traditional entrepreneurship is described as “*a favourable set of circumstances for doing something such as establishing a new venture*” (Corner & Ho, 2010 p.636). Bluewater identified their business opportunity because the company was involved as a sponsor of the Volvo Ocean Race. The circumstances at the time, with a widespread drought and lack of access to water in South Africa, can be interpreted as a favourable set of circumstances for Bluewater, thus enhancing the possibility of identifying an opportunity. In addition, entrepreneurs often identify opportunities based on the information they possess (Choongo et al., 2016). Patzelt and Shepherd (2010) argue that entrepreneurial opportunities arise from changes in the business environment, such as changes in supply or demand. In the case of Bluewater, the lack of water supply by the municipality in combination with the obvious demand for water created a business opportunity identified by Bluewater. According to Riviera-Santos et al. (2015) the environment in a developing country is likely to create opportunities for social entrepreneurs. The empirical findings of Bluewater thus imply that the environment in South Africa affected their opportunity identification, following the conceptual framework in Figure 3. The earlier internationalisation paths by Bluewater implied that they had previous knowledge and experience of establishing in new markets. The ability to identify an opportunity is considered by both Corner and Ho (2010) and Choongo et al. (2016) to be affected by relevant previous knowledge. In addition, previous knowledge from entering markets could be connected to the second dimension in the opportunity identification by Shane (2003), where previous knowledge of how to serve markets can increase the ability to spot an opportunity.

### 5.2.2 Opportunity development – Bluewater

Bluewater entered the South African market by using a partnership with a local company. The importance of the partnership was highlighted by the CEO as the key to their successful establishment in the market. Kiss and Danis (2008) argues that powerful social ties are highly valued when entering an emerging market, which thus support the empirical finding above. According to Hills, Lumpkin and Singh (1997), a strong network may affect the entrepreneur’s alertness to successful opportunities. In addition, the local presence was also stressed

by both the CEO of Bluewater and Business Sweden Johannesburg as an important prerequisite for a successful establishment. As described by Bruton, Ahlstrom and Obloj (2008), emerging economies will have unique settings that have to be taken into consideration by the entrepreneur. Thus the need to be present in the market when establishing is of importance in order to succeed. Furthermore, the CEO of Bluewater argued that the African continent is treated as a uniform block, not taking unique settings into consideration. This is also in connection to the discussion by Bruton, Ahlstrom and Obloj (2008) and Riviera-Santos et al. (2015) regarding the significant variations of markets in emerging markets and African countries specifically. The opportunity development of Bluewater was also reliant on the timing of entry into South Africa. Once they had entered the market, they invested in being seen. By contributing to a solution to an environmental issue they were provided with access to more formal networks, such as the local government and other important contacts. Their opportunity development process implies that they were creating a solution to an issue based on their resources at hand. Additionally, Ardichvili, Cardozob and Ray (2003) argue that a successful opportunity development is in turn affecting the development of a successful business.

### **5.2.3 Challenges connected to the establishment – Bluewater**

The bureaucratic environment in South Africa was one of the challenges connected to the market establishment of Bluewater. The CEO mentioned the registration process as easy although getting money into the country was difficult. As described in the literature by Bruton et al. (2013), emerging markets poses different challenges than those encountered when entering a more mature market. According to Bruton et al. (2013) and Khanna, Palepu & Sinha (2005), an emerging market often has barriers connected to access to resources and an underdevelopment of many markets. Although Bluewater did not mention the access to financing as a challenge, the difficulty in getting their financing into the country can however be connected to the discussion by Swanson and Zhang (2012) and Hynes (2009) concerning the lack of access to resources and financing.

Additionally, the CEO of Bluewater mentioned the business climate as difficult to navigate in. Finding reliable local partners with serious request was a challenge highlighted by the CEO. This implies that Bluewater may have experienced the liability of outsidership, discussed by Johansson and Vahlne (2009). However, by finding two local entrepreneurs the liability of outsidership was mitigated and by using their knowledge and resources Bluewater could instead become an insider and hence get access to local knowledge and resources. The



challenge of finding the right opportunities with the right local people can also be interpreted as a liability of outsidership. This challenge was also mitigated by the partnership with I-Drop water. Despite their partnership, recruitment still remained a challenge for Bluewater. This is in line with the discussion about the difficulty in finding skilled staff mentioned by Sherman (2007) and Khanna, Palepu & Sinha (2005). Since Bluewater are targeting different market segments than many other of the companies in this study, the lower purchasing power, although mentioned by the CEO as a challenge when entering South Africa, was not as pronounced for Bluewater. The Business Coach of Go Africa also mentioned the lower purchasing power as something companies need to adapt to when entering the African market. In the literature Barkema, Bell and Pennings (1996) supports the empirical finding of the lower purchasing power in countries such as South Africa.

#### **5.2.4 Opportunity identification – LevasFlor**

The empirical findings of LevasFlor indicated that the prior experience and interest of the former CEO could have contributed to the identification of the opportunity. In addition, the diocese of Västerås, had a long term relationship with the diocese in Mozambique implying that they would have some knowledge about the market. As mentioned above, previous knowledge about a market may enhance the ability to identify an opportunity (Corner & Ho, 2010; Choongo et al., 2016). Furthermore, the former CEO also highlighted the social mission. The diocese of Västerås identified the opportunity as a way of giving aid to the diocese in Mozambique and hence also the country itself. The model developed by Patzelt and Shepherd (2010), where the opportunity identification is partly affected by altruism supports the finding above. The model in the conceptual framework also takes altruism into consideration. Additionally, research had shown that the social mission of a social entrepreneur might affect the opportunity identification process (Corner and Ho, 2010).

#### **5.2.5 Opportunity development – LevasFlor**

LevasFlor was not entering from another country but instead the company was established directly in Mozambique. According to Riviera-Santos et al. (2015) the Sub-Saharan African environment is likely to create opportunities for social enterprises. These opportunities are then developed into e.g. for-profit based business models exploiting niche markets. In the case of LevasFlor, they had a clear social mission, but made the choice to establish a for-profit based company. LevasFlor found a niche market in using a different wood for making flooring. The social mission was not only giving aid to the Lebombo diocese but also to have

an impact on the deforestation in Mozambique. Thus the social mission was twofold. The previous knowledge of the forestry market from the former CEO and the long-term relationship between the two dioceses affected the opportunity development process also affected the establishment. Having a strong social network will have positive effects on the establishment in an emerging market (Kiss & Danis, 2008). Prior to the establishment of LevasFlor, the former CEO visited the country to conduct research about the market as well as trying to establish a suitable network. Business Sweden Johannesburg highlighted the importance of spending time in the local market in order to improve the ability to navigate the market as well as finding reliable partners. This is also described in the literature as having positive effects on an establishment in a new market (Kirzner, 1997; Yu, 2001). Furthermore, the opportunity development of LevasFlor could be connected to the normative approach of social entrepreneurs. Normative choices such as collection of information are affecting the choice of market (Corner and Ho, 2010).

### **5.2.6 Challenges connected to the establishment – LevasFlor**

According to the CEO of LevasFlor they encountered more challenges than they initially thought when starting their company in Mozambique. Even though salaries were low, the production capacity was poor which affected the profitability of the company. The lack of sufficient knowledge about a foreign market is, according to Jansson and Sandberg (2008), one of the greatest barriers to an establishment abroad. It also got more expensive to extract the products than LevasFlor initially thought. In addition, the transportation and exportation of the products was challenging due to inadequate infrastructure and a bureaucratic environment. Both the former CEO and the current CEO mentioned infrastructure and transportation as challenging and affecting operations of LevasFlor negatively. Cavusgil, Ghauri and Agarwal (2002) as well as Bruton et al. (2013) and Riviera-Santos et al. (2015) discuss infrastructure as a major challenge for an entrepreneur in an emerging market. In addition to the lack of a functioning infrastructure in Mozambique, transportation was also affected by corruption. Corruption was visible both from the traffic police as well as in the port of Mozambique. This can be related to the discussion by Tracey and Phillips (2011), who argue that high levels of corruption is a prominent challenge in emerging markets and can thus become a major challenge for companies. This is especially evident in Sub-Saharan African markets (Riviera-Santos, 2015). The established domestic network in Mozambique was, according to the CEO, a major contributor to the mitigation of the corruption challenge. Both the current and former CEO argued that the use of networks was extremely important when entering the

country. Sherman (2007) discusses the need for a local liaison in the foreign market in order to understand the local context. However, networks may work as a substitute, enhancing the understanding of the local context.

A prominent characteristic of an emerging economy is the unstable and underdeveloped institutions (Tracey & Phillips, 2011). Bruton et al. (2013) and Wan and Hoskisson (2003) also highlight the challenge with underdeveloped institutions. LevasFlor experienced the port of Mozambique as both inefficient and corrupt, implying that such institution may be underdeveloped or unstable. Although corruption and weak institutions were prominent challenges for LevasFlor, their main challenge, according to the former CEO was recruitment and the skill level in Mozambique. Analphabetic was mentioned as widespread and the lack of work ethic pronounced. This is also discussed by Business Sweden Nairobi, who argued that the quality of labour varies between countries in Africa. The CEO mentioned that it is very difficult to find skilled labour sine Mozambique has many uneducated people. Sherman (2007) and Khanna, Palepu & Sinha (2005) argues that access to skilled labour can vary greatly among emerging economies.

### 5.3 Establishment through local presence by the entrepreneur

The third section will analyse the companies that identified an opportunity by the entrepreneur having a local presence in the market. Verde Azul and Focus Business Center represents this group.

#### 5.3.1 Opportunity identification – Verde Azul

The founder of Verde Azul had previous knowledge of the Mozambican market as well as the Zimbabwean market through work experience. Choongo et al. (2016) explains that the prior knowledge among entrepreneurs and their previously gained work experience, education and experiential learning, can lead to the identification of particular opportunities. By residing and working in the in the country for several years, the founder had accumulated valuable knowledge about the market as well as established a network. As mentioned by Corner and Ho, (2010) and Choongo et al., (2016), such previous knowledge and experience may shape the opportunities recognised. This finding indicates that the opportunity identification was affected by the previous knowledge and experience of the founder. Through the founder's work as a consultant she met with other like-minded in which she, in 1999, ended up creating Verde Azul with. Johnson (1986) states that prior knowledge allows an individual to under-

stand the conditions of demand, which in turn will facilitate the discovery of an opportunity. The founder identified and developed three activity areas (mapping, land tenure and land rights) to protect surroundings in the country. As both Patzelt and Shepherd (2010) and Choongo et al. (2016) highlights, the entrepreneur are more likely to identify opportunities if the social or natural environment is perceived as being threatened and the entrepreneur are more altruistic towards others. The opportunity identification was thus reliant on the local presence of the entrepreneur but also affected by the previous experience and knowledge of the founder of Verde Azul as well as the surrounding environment.

### **5.3.2 Opportunity development – Verde Azul**

Corner & Ho (2010) explain that the entrepreneur begin the opportunity development with a set of means that can be used to engage in a promising idea. Means, in this case, refers to the skills of the entrepreneur, their resources and their network. Seven shareholders founded Verde Azul. Today, they are all involved with other projects other than the company's main occupation such as eco-tourism and agriculture, but also in forestry as investors through Verde Azul. This corresponds with what Defourny and Nyssens (2008), Kerlin (2006) and Peattie and Morley (2008) mentions; the environment affects the social needs and thus the opportunities that emerge in which the entrepreneurs will go after. This can also be related to the description of social entrepreneurship opportunities made by Dees (2007), suggesting that such opportunities are a result of an active learning process. Verde Azul has always had an environmental and social focus, although the directions of the company have changed over time. This is in line with what is mentioned by Johnson (1986); prior knowledge of how to serve markets will help the individual to spot opportunities since they have an understanding of how the market works and operates. The founder of Verde Azul had the goal of utilising the opportunity identified in 1999 to bring real results and overcome issues in the context they are working in. The most important purpose of the company had been to protect the ecosystems and the nature as well as to improve the social well being in the areas where they operate. Thus, the combination of profitability and social or environmental objectives are of importance for the social enterprise in line with Shaw and Carter (2007).

### **5.3.3 Challenges connected to the establishment – Verde Azul**

Obstacles encountered by companies when entering emerging markets could be corruption, vague regulations and lack of information (Ruzzier, Hisrich & Antoncic, 2006; Riviera-Santos, 2015). One of the main challenges mentioned by Verde Azul was corruption. The

founder also explained the challenge with the existence of different implementations of law and regulations. Tracey and Phillips (2011) and Sherman (2007) both mention the lack of a credible legal framework as a specific challenge for an emerging market. The difficulty in being given the correct information from the government was seen as a serious trade barrier according to the founder. In accordance with what is mentioned by Bruton et al. (2013), the founder further explained the challenge in connection to the structure of the government. The traditional authorities are still running the rural parts of Mozambique. During the Mozambique's transition from a socialist economy to an open market capitalist economy, the legislation has been adjusted. This however, favours the establishment of elite, contributing to further corruption. The poverty and the gap between rich and poor are growing which in the end could lead to instability and antagonism, a problem for a company in many aspects. Poorly developed institutions are affecting many emerging economies (Bruton et al., 2013). The founder of Verde Azul also mentioned the importance of not only focusing on international investors coming in but also to concentrate on making sure that the international investors bring the Mozambican entrepreneurs along. The founder of Verde Azul further mentioned that the country needs more responsible investors.

#### **5.3.4 Opportunity identification – Focus Business Center**

The manager from Focus Business Center had previous knowledge of the Mozambican market as well as other African markets such as Swaziland and Burundi from previous working experience. Choongo et al. (2016) explains that prior knowledge among entrepreneurs and their previously gained work experience, education and experiential learning may enhance the ability to identify an opportunity. The manager of Focus Business Center was asked by local people to work with entrepreneurial training in the country. There was thus a local demand for the services. In order to seize the opportunity and the local demand, Focus Business Center was created. This also corresponds with the view by Ardichvili, Cardoza and Ray (2003), where an opportunity can be seen as the potential to meet a market need by combining resources in order to create value. The prior work experience and knowledge of the founder can therefore be argued to, in addition to the local presence of the entrepreneur, also influence the opportunity identification of Focus Business Center.

### **5.3.5 Opportunity development – Focus Business Center**

The manager of Focus Business Center highlighted the importance of networks and contacts in the continuing opportunity development process. Both formal and informal networks were used, but local networks were most important in this process. The opportunity development of social entrepreneurs is said to be reliant on, among other things, the resources and networks of the entrepreneur (Corner & Ho, 2010). The importance of local networks for Focus Business Centre implies that the networks also were important for the continuing process of the opportunity development. In the case of Focus Business Center, there was a Swedish organisation (Focus on Africa) established but once operations got started there was a need for a registered company in Mozambique. The opportunity development can thus be viewed as a first-person opportunity where the entrepreneur realises, through an evaluation process that good use could be made out of the opportunity (McMullen & Shepherd, 2006). Ardichvili, Cardozo and Ray (2003) discuss the opportunity development process and argue that the process from opportunity identification to the formation of a business is influenced by several factors. Focus Business Center can be said to have used both social networks and prior knowledge in their opportunity development. Prior knowledge is highlighted by Choongo et al. (2016) to be important for the opportunity development process.

### **5.3.6 Challenges connected to the establishment – Focus Business Center**

When establishing Focus Business Center in Mozambique, the manager encountered several challenges. One prominent challenge was the issue with the banking system, the company was unable to access their bank account for almost a year and legitimacy issues in the sector were pronounced. In addition, transferring currency was difficult. This lies in line with the discussion by Wan and Hoskisson (2003), Khanna & Palepu (2006) and Bruton et al. (2013), implying that emerging economies often face challenges connected to weak or underdeveloped institutions. In addition Focus Business Center has also been affected by the negative economic development in Mozambique. The manager mentioned some cultural differences, often in connection with corruption, as in turn, is mentioned as a challenge by Tracey and Phillips (2011) and Riviera-Santos (2015). Cultural differences are in turn prominent when entering a foreign market (e.g. Ghemawat 2001; Robinson, 2006). However, since Focus Business Center is educating entrepreneurs, it provides the company with positive long-term effects regarding corruption and networking. The entrepreneurs they educate will be taught ethical considerations and can in turn educate other entrepreneurs. Since Focus Business Center can collaborate with the educated entrepreneurs they can, hopefully, both affect the cor-

ruption level in the country as well as creating a solid domestic network. Thus, overcoming the liability of outsidership (Johansson & Vahlne, 2009).

#### 5.4 Summary

As witnessed in this study, the companies identified an opportunity in different ways, through an invitation, on their own or through local presence of the entrepreneur. However, findings also indicate that the opportunity identification among the companies, despite being divided into these different groups, also shared many similarities in terms of additional factors affecting the opportunity identification. The similarities were found in the influence of previous knowledge and experience, the surrounding environment and the positive impact of social networks. This is consistent with the model in the conceptual framework.

In the second stage of the opportunity development process, the companies entered their respective markets in different ways. Companies that identified their opportunity through an invitation both entered with a subsidiary. Bluewater (establishment through opportunity recognition) entered the market by the establishment of a subsidiary as well as a direct investment in a local company, while LevasFlor established directly in Mozambique. Focus Business Center and Verde Azul, which identified their opportunities through local presence by the entrepreneur, also established directly in Mozambique. Findings from the analysis indicate that the use of networks throughout the opportunity development process (step 2 in the conceptual framework) was an important aspect for all companies, despite the differences in establishment. The second stage in the conceptual framework, the opportunity development, will therefore be revised and include networks as an important parameter for the further opportunity development process, see Figure 4 below. However, as the findings in the analysis imply, the importance of access to networks also tend to affect how the companies take on the challenges they encounter.

The main finding of the analysis is that although the companies identified their opportunities in different ways, i.e. through invitation, own opportunity identification or by the local presence of the entrepreneur, they still encountered similar challenges. This thus indicates that the opportunity identification does not have a direct effect on the challenges a social entrepreneur will encounter when establishing in a Sub-Saharan African market. However, what could be derived from the analysis is that the opportunity identification, or rather the opportunity de-

velopment could affect the ability to handle the challenges that a company will encounter. This could indicate that the argument by Ardichvili, Cardoza and Ray (2003) suggesting that successful opportunity identification could affect the outcome of the venture formation and thus the continued operations of the company, corresponds with the finding in this study. However, in the case of this study it is rather the opportunity development that will affect the success of the establishment.

As indicated in the literature review, the opportunity identification could be connected to the use of networks (Ardichvili, Cardoza and Ray, 2003). However, the use of networks in the first step (opportunity identification) did not seem to affect the challenges that the companies encountered since it was visible that they encountered similar challenges. Instead, it was in the second step (opportunity development) where the use of networks seemed to affect how the companies could *handle* certain challenges. Challenges that could be mitigated by the use of networks were corruption, recruitment and in the case of Bluewater also the liability of outsidership. Other challenges such as the lack of a functioning infrastructure, the legal system and the lower purchasing power, are instead connected to the specific market characteristics and will not be mitigated by the use of networks. Such challenges will thus be encountered regardless of the opportunity development process of the companies.

The companies that identified their opportunity by an invitation (ECS and RedFlash) did not seem to benefit from the potential advantage a network could be argued to offer. The networks that the companies were invited from contributed to the opportunity identification but did not seem to contribute further in the opportunity development process. ECS and RedFlash both encountered challenges such as corruption, low skilled labour, cultural differences and financing when entering their respective markets. However, the use of other networks in the continued operations of both RedFlash and ECS seemed to affect their ability to mitigate some challenges connected to corruption and recruitment. RedFlash use of young professionals with a background both from the Western and African culture helped them to overcome some of the cultural challenges that the company encountered in its daily operations. ECS have, during the development process of the opportunity identification, found informal networks where they could discuss their challenges and experiences with other foreign companies. These informal networks could be expected to help with how ECS has chosen to handle their challenges.



Bluewater and LevasFlor identified their opportunities on their own. Although a network was not directly involved in the opportunity identification, the networks of both Bluewater and LevasFlor seemed to have benefited the continued operations of the companies. Bluewater highlighted their partnership as being crucial for their successful market establishment. The network could also be argued to have mitigated many of the challenges that Bluewater have encountered such as liability of outsidership and certain cultural differences, giving them access to local knowledge. Even though the opportunity identification of LevasFlor was not identified with the help of a network, the benefits from their network in the continued operations was evident. LevasFlor alleviated many of the cultural challenges in connection to the opportunity identification and the further development process. The company also gained valuable knowledge through the network, which was used to handle some of their challenges.

Companies that identified their opportunity through the local presence of the entrepreneur (Verde Azul and Focus Business Center) had been able to build or to be part of an informal network before the opportunity identification took place. The findings derived from this study indicate that the entrepreneur of Verde Azul did not benefit from their network in terms of mitigating the challenges encountered in connection to the opportunity identification nor the rest of the opportunity development process. Verde Azul mentioned the skill level in the country as a major challenge both for the company but also for Mozambique as a country. Thus, such a challenge will not be mitigated by the use of networks. However, Focus Business Center had a well-established network, which the company could benefit from throughout the whole opportunity identification process as well as in the further operations during the opportunity development process. The network was specifically of good use when deciding to expand their operations into other Sub-Saharan African markets.

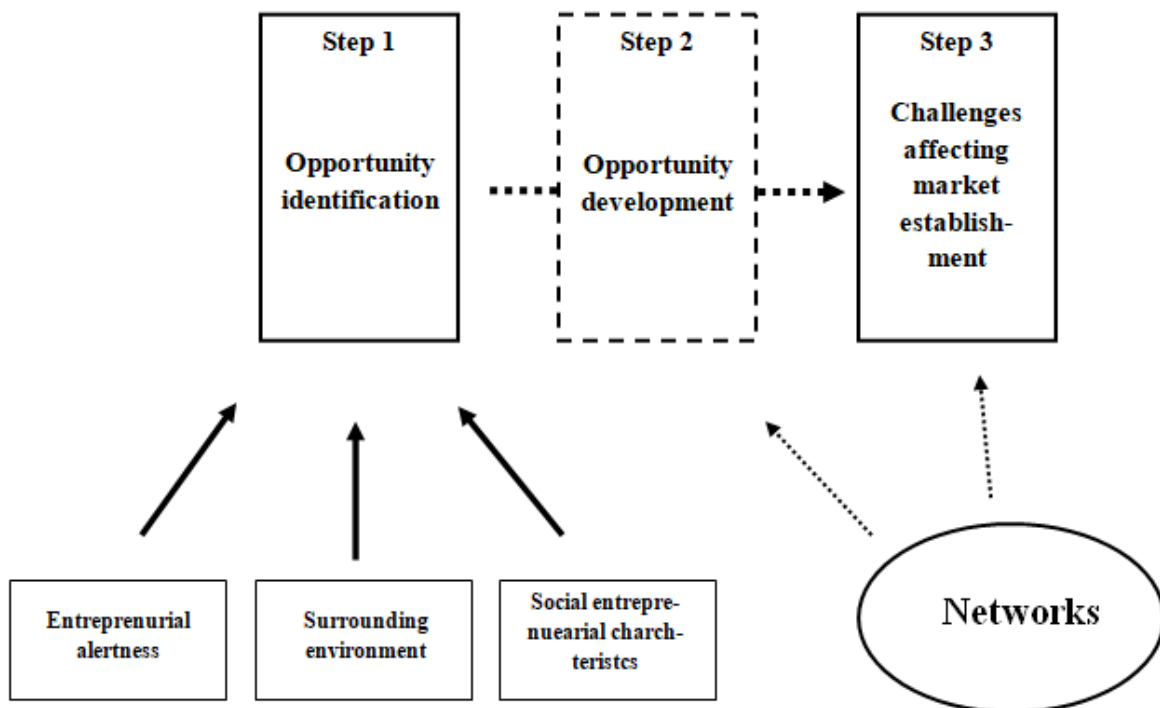
Findings also imply that, since the founder of RedFlash had gained prior knowledge due to former internationalisation journeys he could benefit from those experiences and former knowledge when establishing a company in the markets of Sub-Saharan Africa. This was also the case of Bluewater. However, the conditions for the founders of ECS as well as for the former CEO of LevasFlor were different. ECS, nor LevasFlor, had any previous experience in internationalisation. The findings from the analysis thus imply that the former knowledge possessed by the founder of RedFlash and the CEO of Bluewater made it easier to manage the challenges encountered. However, it is of great significance to mention that RedFlash, Bluewater, ECS and LevasFlor are active in four different countries. It might be the case that

the challenges appearing in Zambia could differ from the barriers encountered in the Ivory Coast, South Africa and Mozambique. The prior work experience of the social entrepreneur can thus be viewed as an important factor enabling the opportunity development process. Such knowledge can be argued to provide the entrepreneur with a mindset prepared to encounter several challenges.

The companies that identified their opportunities through the local presence by the entrepreneur could be assumed to possess valuable knowledge and a rich understanding of the local cultural norms such as behaviours, attitudes and beliefs due to their local presence. This could be assumed to be an advantage in handling possible challenges in connection to establishing a business in this environment. However, findings from the analysis show that previous knowledge did not seem to give them any major benefits in terms the amount of challenges these social entrepreneurs encountered. The social entrepreneurs who established through local presence of the entrepreneur did not experience fewer challenges compared to the other companies in this study. However, the authors would like to raise awareness to the fact that these two entrepreneurs was both active in Mozambique, making it difficult to compare the finding to other countries.

## 5.5 Revised conceptual framework

In relation to the summary of the analysis mentioned above, the conceptual framework has been revised. The findings from the analysis indicates that the use of networks have been an important factor for the opportunity development process as a whole but also for the purpose of mitigating certain challenges encountered by the companies. However, the overall findings in this study indicate that most of the companies benefited from the use of networks in step two of the opportunity development process. The use of networks will therefore be added to the second stage in the conceptual framework.



**Figure 4: Revised conceptual framework.** Compiled by authors.

## 6. Conclusion and Outlook

*This chapter will present the final results of this study derived from the discussion in the previous chapter. The chapter will provide an answer to the research question: “How does the opportunity identification affect the challenges of an establishment for a social enterprise in a Sub-Saharan African market?” In addition, theoretical and managerial contributions will be discussed and the chapter will end with suggestions for future research.*

### 6.1 Findings and theoretical contributions

The purpose of study has been to investigate how the opportunity identification affects the continued operations of a company and more specifically the challenges a social entrepreneur will encounter when establishing in a Sub-Saharan African market. A multiple-case study design has been applied in this thesis and includes companies active in the Ivory Coast, Mozambique, South Africa and Zambia. The findings of this study indicate that the opportunity identification process, i.e. how the opportunity was identified, will not affect the challenges a social entrepreneur will encounter when entering a Sub-Saharan African market. No major differences concerning the encountered challenges were prominent in the study when comparing the three different opportunity identification processes. Hence, the opportunity identification does not have a direct effect on the challenges a social entrepreneur will encounter when establishing in a Sub-Saharan African market. However, what could be seen is rather that the opportunity development, step 2 in the conceptual framework, could affect the ability to handle the challenges that a social entrepreneur will encounter in the markets of Sub-Saharan Africa.

This study indicates that most of the companies with access to a local network during the opportunity development process could mitigate the effect of the challenges encountered and that the help from the network, in some cases, were crucial to the further opportunity development process. However, what also could be seen in this study is that the companies that identified their opportunity through invitation and hence, was from the very beginning part of a network, did not benefit from it enough in order to mitigate challenges encountered during the opportunity development process. Another finding considered one of the companies that identified the opportunity by being locally present in the market. The entrepreneur could be assumed to possess knowledge about the market and to have access to a network at the time for the opportunity identification. Even though this was the case for the two companies rele-

vant to this kind of establishment, one of them did not benefit from it. In this specific case, the prior knowledge was of great help in mitigating challenges. For most companies in this study, the local network could provide the companies with knowledge about the market, local contacts as well as knowledge about the business climate and culture.

This study contributes to the lack of research in the field of opportunity identification and the opportunity development process in the context of social enterprises in Sub-Saharan Africa. In terms of the research gap discovered by the authors this study adds to the belief that regardless of how the opportunity were identified, companies are encountering similar challenges. The conceptual framework compiled by the authors contributes to the importance of networks and how they are used differently among companies in terms of how challenges are met and how to overcome them. An addition to the limited research in this topic has been made through combining already existing research on opportunity identification in traditional entrepreneurs with research on social entrepreneurship. The conceptual framework compiled by the authors can be used as a tool in order to further elaborate on the opportunity development process of social entrepreneurs.

## 6.2 Managerial implications

As mentioned in the previous section, the opportunity development process may not affect the challenges encountered by a social entrepreneur in Sub-Saharan Africa. However the use of a reliable network or partner might contribute to a mitigation of the challenges encountered. Subsequently, managers of a social enterprise should aim for an involvement in a local network when entering a Sub-Saharan African market. The importance of prior research by the social entrepreneur should be emphasized in order to increase the chances of a successful entry into a Sub-Saharan African market. Moreover, the difficulty in finding the most suitable network or partner could be apparent. In order to overcome this obstacle in depth research needs to be conducted by the social entrepreneur.

## 6.3 Future outlook

The limitations of this study, mentioned in chapter 1.4 also provide the study with potential recommendations for future research. As mentioned in chapter 1.4 there is a need for further research including more companies as well as in more countries. There is a need for more in-depth studies to research certain contexts such as different industries or specific countries in

Sub-Saharan Africa in order to be able generalise the findings. Additionally, it would be interesting to further investigate if the access to networks in connection to an opportunity development process and establishment in a Sub-Saharan African country could affect the challenges encountered by a foreign company. An additional finding of this study indicated that companies that were targeting institutions and bigger businesses or events could mitigate the challenge of the lower purchasing power, evident in many of the Sub-Saharan African markets. Although this finding is evident, further research is needed in order to verify this finding. What can be further investigated in future studies concern the research of MNEs as well traditional entrepreneurs. It would be of great interest to see if the opportunity development process will affect the challenges MNEs will encounter when establishing in a Sub-Saharan African market. The conceptual framework compiled by the authors should be further investigated and tested on various social entrepreneurs in Sub-Saharan Africa, more data needs to be collected in order for this conceptual framework to be validated. The authors further suggest research to be done in terms to what extent the prior knowledge and experience could affect how the social entrepreneur manages the challenges encountered when establishing in a Sub-Saharan African market. Further studies could also be conducted to study and evaluate the differences in other emerging markets.

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# Appendix 1

## Interview guide for the companies

1. Tell us about the company/your background.
2. What is your role in the organisation?
3. When did the company start its operation?
4. Why did you choose to enter this specific market?
  - What attracts foreign investment to this region?
  - Why do Swedish companies choose to establish in XX? Is there any incentives or obvious reasons?
5. Did you have any previous knowledge about the market?
  - If yes, from where? Please elaborate.
  - If no, would previous knowledge have helped you in the internationalisation process?

### *Internationalisation process*

6. How did you choose to enter the market? What entry mode?
7. Why did you choose this specific entry mode?
8. How long was the internationalisation process? From start to operations?
  - How long, in general, does it take to start up a business in XX? What legal requirements etc is there? Any foreign ownership restrictions?
9. What difficulties or barriers did you come across when entering this market?
  - What challenges does your company encounter now?
10. Lessons learned?
11. Can you please tell us more about the company's vision and future plans?
12. What opportunities do you see in this market?
  - Are there any plans for expansion?

### *Networks*

13. How important is the use of networks when establishing in this market? What kind of networks are the most important ones?

### *Social entrepreneurship*

14. How important is the social purpose of the company?

15. How is your business idea in connection to the social purpose received by the market? The government? Is green business for example prioritized and encouraged in XX?

16. Is there anything that you would like to add? Would you like to mention something we haven't brought up?



## **Appendix 2**

### **Interview guide - Business Sweden/Go Africa**

1. Please explain the work done by Business Sweden in X/STING and your role in the organisation?
2. What factors attract foreign investments from Sweden to this region?
3. Are there any major differences between countries in this region in terms of investment opportunities for Swedish SMEs/Social entrepreneurs?
4. What challenges do Swedish SMEs/Social entrepreneurs encounter when internationalising to this region? Are there any major differences between countries?
5. Do these challenges differ from challenges faced by MNEs when internationalising to this region?
6. How can companies and especially SMEs overcome these challenges?

#### ***Internationalisation process***

7. What is the entry mode most used by SMEs when entering this region?
8. How important is the owner engagement/entrepreneur's role when a SME internationalise into this region?
9. How long, in general, is the internationalisation process for entering the Southern African/Eastern African market for a Swedish SME? Any major differences between countries?
10. What factors affect the speed of the internationalisation process for a SME? E.g. the use of networks, previous knowledge about the market?
11. We are interviewing a number of Swedish SMEs that has performed a quite rapid internationalisation to this region. Have you noticed any differences in how fast companies can enter the market? If yes, what do you think is the reason for this?

#### ***Investments and sustainability***

12. What challenges connected to sustainability do Swedish SMEs encounter when entering this region? Differences between the countries?

13. We have witnessed a number of small entrepreneurial companies with sustainability focus that have entered several African markets; do you see any current trend like this?
14. How important is foreign investments for the region in terms of job creation, economic development etc?
15. How do you look at future opportunities for investments for SMEs/Social Entrepreneurs in this region?
16. Is there anything that you would like to add? Would you like to mention something we have not brought up?

## Appendix 3

### Interview guide – The Swedish Embassy

1. Please explain the work done by the Swedish embassy in Lusaka and your role in the organisation?
2. What is the purpose/mandate of the Swedish embassy in Lusaka?
3. What factors attract foreign investments from Sweden to this region?
4. How many Swedish companies have established here in Zambia? How many SMEs vs. MNEs?
5. Are there any major differences between the countries in this region in terms of investment opportunities for Swedish SMEs/Social entrepreneurs?
6. What challenges do Swedish SMEs/Social entrepreneurs encounter when internationalising to this region? Any differences between countries? (Culture, administrative, economic, social and environmental).
7. Do these challenges differ from challenges faced by MNEs when internationalising to this region?
8. How can companies and especially SMEs overcome these challenges?

### *Internationalisation process*

9. What is the entry mode most used by SMEs when entering this region?
10. How important is the owner engagement/entrepreneur's role when a SME internationalise into this region?
11. How long, in general, is the internationalisation process for entering the Southern African market for a Swedish SME? Any major differences between nearby countries?
12. What factors affect the speed of the internationalisation process for a SME? E.g. the use of networks, previous knowledge about the market?
13. We are interviewing a number of Swedish SMEs that has performed a quite rapid internationalisation to this region. Have you noticed any differences in how fast companies can enter the market? If yes, what do you think is the reason for this?

### *Investments and sustainability*

14. What challenges connected to sustainability do Swedish SMEs encounter when entering this region? Are there any differences between the countries?
15. We have witnessed a number of small entrepreneurial companies with sustainability focus that have entered several African markets; do you see any current trend like this?
16. How important is foreign investments for the region in terms of job creation and economic development etc?
17. How do you look at future opportunities for investments for SMEs/Social Entrepreneurs in this region?
18. Why do Swedish companies choose Zambia? Is there any incentives or obvious reasons that attract them?
19. What factors attract foreign investment from Sweden to Zambia?
20. Is there anything that you would like to add? Would you like to mention something we have not brought up?

## **Appendix 4**

### **Interview guide - Swedfund**

1. Please explain the work done by Swedfund International AB and your role in the organisation?
2. What factors do you think attract foreign investments from Sweden to emerging markets such as the African markets?
3. What challenges do Swedish SMEs/Social Entrepreneurs encounter when internationalising to African markets?
4. How can companies and especially SMEs/Social Entrepreneurs overcome these challenges?
5. How can Swedfund International AB help Swedish companies that already have an establishment abroad?
6. To what extent is Swedfund International AB involved in the internationalisation of Swedish companies abroad?
7. What are the criteria's that needs to be met to receive support from Swedfund International AB?

### ***Internationalisation process***

8. What is the entry mode most used by SMEs when entering the Sub-Saharan African markets?
9. How important is the owner engagement/entrepreneur's role when a SME internationalise into Sub-Saharan Africa?
10. We are interviewing a number of Swedish SMEs/Social entrepreneurs that has performed a quite rapid internationalisation to this region. Have you noticed any differences in how fast companies can enter the market? If yes, what do you think is the reason for this?

### ***Investments and sustainability***

11. What challenges connected to sustainability do Swedish SMEs encounter when entering the Sub-Saharan Africa?

12. We have witnessed a number of small entrepreneurial companies (social entrepreneurs) with sustainability focus that have entered several African markets; do you see any current trend like this?
13. How important is foreign investments (especially from social entrepreneurs) for the region in terms of job creation, economic- and social development?
14. How can Swedish social entrepreneurs contribute to the sustainable development in the region?
15. How do you look at future opportunities for investments for SMEs/SEs in this region?
16. Is there anything that you would like to add? Would you like to mention something we have not brought up?