What Characterises Danish Investments in Africa?

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Executive Summary

This thesis sets out to uncover and answer the research question:

*What characterises Danish investment in Africa?*

It does so through a tripod of an analytical framework, facts in form of background knowledge and case studies, and methodologies. These three legs all feed in to the analysis that summons it to answer the research question.

The **analytical framework** was coined setting out to identify motives for venturing to Africa, and completing Dunning’s OLI with theories from International Business and Emerging Market literatures. To complete the “O” the Uppsala scholar’s path dependency and the knowledge and the resource-based view from the International Business literature were utilised. To complete the “L”, Emerging Market literature was introduced taking an institutional perspective and finally, to complete the “I” Khanna and Palepu’s model was used to uncover how a company should enter a market.

After determining the framework for the analysis. Information relevant to the areas covered by the analytical framework was presented to form a **background** and a setting for the analysis. Here, the differences in the environment that meets the Danish companies was made evident from the indexes on pillars of competitiveness and corruption.

The last leg of the tripod that carries the analysis is the **methodology** and the cases. With a view to focus on mechanism and dynamics in answering the research question, the methodology is build on the philosophy of Pragmatism, is mainly inductive in its conclusions, and is using qualitative data from case studies collected through semi-structured interviews.

Resting on this tripod, the **Analysis** brings it all together with an answer to the research question:

Danish companies investing in Africa are characterised by an interest in strategic asset seeking. They are looking for markets and for natural resources, but not for human resources. Danish companies are trying to lose their liability of foreignness by recruiting agents and
building networks to tap into their knowledge and networks, and by learning how to navigate in the local setting. This is particularly prevalent when it comes to corruption, which is a no-go, and when dealing with institutional voids. Some Danish companies are responding to the poor infrastructure and unskilled labour by building and training their own. As differences across the continent are important, Danish companies adapt to each specific location.
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1 Introduction and delimitation

1.1 Motivation

More than one billion people live in Africa today, a number growing by 2.7% per annum. Of these are 47% living in poverty and a disturbing 415 million in extreme poverty (World Bank). Six women out of 1000 will die in labour and 112 children out of 1000 will die before their fifth birthday just to mention a couple of the devastating statistics. Add to that torments of civil unrests, corruption and malfunctioning public services, and it is not difficult to understand that Africa is not the first continent thought of when thinking prosperous businesses opportunities.

This thesis sets out to contribute to change the perception of the continent of Africa as a country of terrorism, famine and ebola. Though a small drop in the ocean, this thesis will by articulating possibilities help mainstream Africa as a potential for investment. Further, this thesis adds to the understanding of investing in African economies and to narrowing down which parameters determine success or failure.

The driver behind this, is a belief1 that Danish companies, in particular the SMEs can make a difference and contribute to developing Africa. And that these companies’ expertise and knowhow can secure a transfer of knowledge, technologies and managerial skills, create employment, promote democracy, human rights, environmental awareness etc. that ultimately will contribute to development and poverty reduction.

So, by shedding light on the possibilities Africa offers, this thesis sets out to contribute to mainstreaming Africa as a potential and interesting continent for investment; and to add to the knowledge about doing business in Africa. In particular, it is hoped that more businesses will see that not only can the challenges of doing business in Africa be overcome, but

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1 For now this can only be “believe” as there is only little and contradicting evidence as to the effects of FDI on development. See delimitation below for explanation.
overcoming the challenges can be the key to competitive advantages that over time secures a profitable business.

1.2 Research Question

With this motivation in mind, the research question sets out to identify what challenges Danish companies investing in African countries meet and how they respond to them. The focus is on understanding mechanisms and dynamics, and from this understanding identify the competitive advantages that can be created.

Therefore, the Research Question is

What characterises Danish investments in Africa?

The Research Question will be answered in the eclectic OLI framework using both International Business literature and Emerging Market literature to create an analytical framework. Cases and experts are then drawn into the analytical framework to draw conclusion on what characterises Danish investments in Africa. The results are discussed with a view to evaluate their generalizability.

Attention will be focused on motivation for entering African markets, the local challenges and how to overcome these challenges, in particular the challenge of liability of foreignness.

The analytical framework will be coined setting out to identify motives for venturing to Africa, and completing Dunning’s OLI framework with theories from International Business and Emerging Market literatures. To complete the “O” the Uppsala scholar’s path dependency and the knowledge and the resource-based view from the International Business literature will be employed. To complete the “L”, Emerging Market literature will be introduced taking an institutional perspective and finally, to complete the “I” Khanna and Palepu’s model will be used to uncover how a company should enter a market.

After determining the framework for the analysis, information relevant to the areas covered by the analytical framework will be presented in Chapter 3 to form a background and a setting for the analysis. Here the differences in the business environment that meets the Danish companies will be made evident from the indexes on competitiveness and corruption.
The last leg of the tripod that carries the analysis is the **methodology** and the cases. These are presented and discussed in Chapter 4. With a view to focus on mechanism and dynamics in answering the research question, the methodology is built on the philosophy of Pragmatism, is mainly inductive in its conclusions, and is using qualitative data from case studies collected through semi-structured interviews.

With impetus in the analytical framework, the analysis will subsequently dissect the cases using the methods described, producing a number of conclusions, which in the final chapter will be discussed and assessed, and then ultimately answer the Research Question.

With all this in place the thesis will become a piece in the puzzle picturing the many possibilities on the African continent.

Happy reading!

### 1.3 Delimitation

Before embarking on the process of answering the Research Question, it is worthwhile to make a few remarks about what this thesis is *not* about. The issues below are interesting and could on their own be the topic of a Master's Thesis or other research, but here they will not be treated and only be touched briefly upon.

#### 1.3.1 Does FDI create development?

Before diving into answering the Research Question and looking at the reasons for businesses to invest in Africa, it is worth the while to dwell a moment at why Africa should invite business to invest. This is not the topic of the thesis, but deserves nonetheless to be touched upon, albeit in a limited scope.

Scholars have since the rise of the International Business discipline debated this and reached different conclusions regarding FDI's influence on development; from Hymer's opposition to FDI based on the view that multinational companies will have a competitive advantage over local, and therefore, drive them off the market and hence be detrimental to local development (Rugman, 2008), to the neo-classical scholars that insist that FDI through spill-overs will transfer technology and knowledge, create employment and thus contribute to development (Ibid.). Evidence is however mounting that spill-overs are limited in some sectors, either
because the MNCs are “footloose” and have little incentive to invest in their employees, as is seen in the garment sector (Schmitz, H., 2006) or operate in enclave setting with many foreign workers, imported equipment and no or little linkages to the local markets, something that is seen in the extraction industries (Hansen, M.W., 2013).

However, it is possible to create development through FDI, what remains to be established is what are the preconditions. And though this is a very important and interesting question, it will not be part of the present study. In the following it will be assumed that the Danish companies are creating spill-overs and contributing to development.

1.3.2 Danish Business from Small Open Economy

Another interesting discussion is the PULL-PUSH debate: Here the interests are on market mechanisms behind internationalisation. It is said that Danish businesses are born internationals: Coming from a small open economy they are being PUSHed beyond domestic markets and are hence looking for (potentially) prosperous markets, like the African. At the same time the African markets have an interest in PULLing business to create jobs, access technology and knowledge, and create economic growth. Both these mechanisms are very interesting, but are not part of this thesis and will not be explored further.
2 Literature Review

2.1 Introduction

In this chapter International Business and Emerging Market literature is presented, and made relevant to the specific study of what characterises successful Danish investments in Africa by drawing out appropriate elements. This theoretical chapter will provide the framework in which the analysis of the cases will be examined.

The literature review will depart from the International Business Literature. The International Business Literature does, although grounded in the developed world, offer good explanations of mechanisms that are prevailing in emerging markets, too. However, due to the differences there are when doing business in a developed economy and in a developing economy, it is also necessary to look beyond International Business literature. (Wright et al, 2005)

Therefore, the attention will subsequently be on the Emerging Market Literature, as companies entering emerging markets are facing particular challenges specific to this type of market. Here, the areas where the International Business Literature does not give adequate theoretical clarifications will be addressed, and the emerging market literature will be used to shed some light on the mechanisms present here.

The structure of the chapter has two levels: The International Business Literature provides the frame for the analysis (the OLI-framework) and the elements for understanding the O-advantages, whereas the Emerging Market Literature provides an understanding of the L-advantages and the I-advantages.

Based on the line-up of the theories from these two intertwined fields, elements of relevance to the specific study of what characterises successful Danish investments in Africa are drawn out, resulting in a framework for analysis.
2.2 International Business Literature

Stephen Hymer, the father of International Business, introduced the concept of FDI as something more than a capital flow between countries. His thinking became one of the cornerstones in Dunning's work and the key inspiration to the ownership advantages, showing how International Business emerges from MNC activity that can take advantage of owning things abroad (Dunning and Rugman, 1985).

This section presents and discusses the motives behind internationalisation found in the international business literature. The section is separated into three strands, the first identifying why international business literature is relevant for all businesses today (Lasserre, P., 2003). The second looking at Dunning’s OLI and the transaction cost theory, which all depart from the classical assumption about perfect market information and rational decision making (Hennart, J-F., 1991; and Buckley and Casson, 2009). The third outlines strategic motives behind FDI taking path dependency into account and looking at the importance of knowledge and resources. (Johanson, J. and J.-E. Vahlne, 2009; Almeida, P. et al., 2002; and Forsgren, M. 2009).

In the end of this chapter, the OLI framework will provide the structure for the analytical framework to be used in the analysis in Chapter 5.

1.1.1 Globalisation

Globalisation has changed the challenges and opportunities for business, and International Business literature offers an explanation and furthers the understanding of the role of business in a globalised world. This is relevant to all companies because globalisation is happening and companies cannot choose to ignore it and remain exclusively local (Lasserre, P., 2003). This is because even if a company chooses not to have any foreign input to their production, or any export of their products, they will still face competition from abroad in their local market, both for the input to their production and for the sale of their products at the local market. (Ibid). Acknowledging this makes the study of international business relevant to all businesses.

Globalisation affects the business environment from several angles and as economic isolation becomes impossible and competition no longer is limited to the domestic rivals, companies
must adapt their strategies and adapt a global perspective (Ibid). Globalisation has been
driven by several factors:

At the **state level** borders have been opened and, trade and free movement of workers
agreements have been signed. Luo identifies four causes explaining the increased
competition: increased purchasing power of the middle classes; expansion of domestic and
foreign companies; increase in the openness of domestic markets; and deregulation of
national markets (Luo, 2007). Further, where early FDI in emerging markets earlier faced
only niche rivalry, it has today to tackle massive competition. As a consequence, successful
early MNCs now have a new status that Luo refers to as *strategic insider* (Ibid).

Another important change is the development and accessibility of new technologies that have
made communication and transportation considerably cheaper, and businesses have seen
competitive advantages beyond national borders and have exploited the possibilities outside
the safe domestic sphere (Lasserre, 2003).

Amongst academia there is not consensus as to the progress of globalisation: Some argue that
borders still exist: Ghemawat, in his “Redefining Global Strategy” insists that borders exist as
companies must adapt their strategy to each country (Ghemawat, 2005). At the other end of
the spectrum we find Thomas Friedman and his ‘The World is Flat’ from 2005 where he
claims that we all are on a level playing field and all companies have equal chances.

At the **company level**, if Friedman were right, then there would be no need for international
business literature, as it would be no different from doing business on the domestic market.
Though obstacles to international business are diminishing, there are still large differences
between doing business in Copenhagen and in Lagos or Nairobi. So even if borders (i.e.
obstacles) to international trade have become smaller over the past decades, they still exist
and in this light it must be concluded that the international business approach is still useful.

Companies are investing abroad for different reasons and through different means. To
understand the mechanisms behind the investing companies’ action, it is relevant to look at
how the different strands of the international business literature and the literature on
emerging markets explain these mechanisms.
2.2.1 OLI Framework

Dunning’s eclectic\(^1\) paradigm OLI is, as the name indicates, embracing a group of theories explaining why companies are engaging in FDI (Dunning, 1988). It is a further development of the internalisation theories based on classic economic thinking, which stipulates that if the costs of transaction on the market are higher than the cost of internalising, then the company should internalise. Dunning sets out a framework explaining the “who”, the “where”, and the “how” by looking at ownership specific advantages (O), location specific advantages (L) and internalisation specific advantages (I). However, these advantages are just a skeleton of “empty boxes” that need to be filled with relevant theories explicating the mechanisms. This will be done in this chapter.

The OLI framework has been criticised for various weaknesses and has been updated over time to contain developments in FDI and theories hereof. Rugman (1981) pointed out that the “O” and the “I” could not be clearly kept apart, which Dunning acknowledges in 1988 and in the same paper extends the framework from only covering production, to including all kinds of value adding activity (Dunning, 1988). Itaki (1991) later points out that O-advantages are I-advantages developed over time. As strategic alliances and joint ventures in the 1980’s grew in importance – together with the new concept “networking”, Dunning adds new O-advantages related to networking, and these advantages were applied to both the individual MNC and the network that the MNC belongs to. These updates to the original OLI framework means that new theories can be contained, but also that the framework becomes so general that it explains very little. However, the OLI framework’s purpose in this paper is to serve as a structure in which other theories can be organised. This paper will therefore not go into a discussion of whether O, L and I advantages are necessary or sufficient conditions for FDI.

Starting from the top and to create an overview, the O, L and I-advantages will be presented shortly here, before going into more details with each of the advantages in the following sections.

\(^1\) “Eclectic literally means ‘taken from various sources’ and a look at the FDI theories preceding OLI suffices to illustrate the eclectic nature of the framework. O advantages are borrowed from firm-related theories, L advantages from host-country related theories, and I advantages from theories on market imperfection.” (Pedersen, K., 2003)
The O-advantages

Ownership advantages imply that if owning a certain entity will give a competitive advantage, then it should be acquired. The ownership advantages could be trademarks, technologies, skills and return to scale. The ownership advantages can both be static advantages based on existing assets or dynamic advantages like the ability to develop or acquire new assets.

To make the OLI paradigm dynamic and include the strategic aspects, several theories have been developed to explain why firms engage in FDI. Below in section 2.2.3.1, the Uppsala scholars thinking, the resource and the knowledge-based view are presented as three key strands of explaining the dynamics of ownership advantages.

The L-advantages

The location specific advantages can be based on economic, political or competitive factors, but common for them are that presence in a market outside the domestic will give competitive advantage. The L advantage relates to strategies of the MNC and can for instance be access to raw material, low wages, specific competences, poor (enforcement of) environmental or labour protection laws, or it can be where FDI is aimed at accessing markets that otherwise would not be accessible, either due to the characteristic of the product (like dairy products with a short life span), or due to national regulations that prohibit import of certain products.

But not only production cost and market considerations are of importance as a range of economic, political and institutional issues play an important role. In his 2002 article on entry strategies, Meyer determines that the legal and institutional infrastructures (property rights, taxes, protection of intellectual property, currency risk, etc.) as well as industrial clusters, cultural barriers and risk of currency fluctuation, political instability or nationalisation of productions facilities, are central factors when companies are entering new markets (Meyer, K., 2002).

This institutional perspective offers ways of understanding the location advantages and will be treated in section 2.3.2.
The I-advantages

The internalisation advantages are linked to the advantages of owning a production rather than producing through licence or other forms of arm's length cooperation. The I-advantage is closely associated with the risk of facing irrational or opportunistic behaviour by the foreign counterpart, which again is linked to institutional voids. In particular, as we will see in later chapters, the latter point of institutional voids becomes important to the Danish companies investing in Africa.

Analysing the I-advantages will lead to knowledge about which mode of entry is best suited to overcome the barriers to entry related to the O and the L advantages. Based on the evaluation of the I-advantages, the MNC will choose the appropriate mode of entry from an array of possibilities ranging from fully owned subsidiary, over licencing and joint-ventures to simple import-export. This will be discussed in section 2.3.3.

The three OLI advantages are not clear-cut and interdependence between of the O, L and I are common. Further, the advantages can become sequential: For example after internalising a production, knowledge about the production methods becomes an ownership advantage.

2.2.1.1 Motives behind FDI

One cross cutting dimension to the OLI framework is how companies strategically act based on O in relation to L advantages: As well as the advantages listed above, Dunning identifies four motives behind FDI that are closely linked to the L: Market seeking, resource seeking, efficiency seeking and asset seeking/development (Meyer and Peng, 2011). In other words, it answers the question of why enter.

**Market seeking** motives can be both to protect existing markets and to enter new markets, or companies might be forced to follow their customers abroad to maintain an already existing contract. Physical presence on a market rather than simple export can also have a discouraging effect on potential competitors that want to occupy the market (Dunning, 1993).

**Resource seeking** motives are related to acquiring resources that are not available at home. This can be either natural resources or raw material or it can be accessing lower production costs by using cheap unskilled labour. The first is seen in the extraction industry, for instance, where cheap and easy access to raw material is vital to doing business, and where low cost
labour is key to staying competitive (Buur, L. et al., 2006). It can be argued that accessing low cost labour is efficiency seeking, but in the present paper it will be treated as resource seeking.

**Efficiency seeking** is when companies "take advantage of the economies of scale and scope and of differences in consumer tastes and supply capabilities" (Dunning, 1993, p.60). Efficiency seeking is important for small open economies like the Danish because the home market is relatively small and to offset production costs, and benefit from production of scale, going beyond domestic markets is vital for survival (Katzenstein, P.J. 1985). This can be seen as a PUSH factor where companies are forced to expand beyond national boarders.

The **asset-seeking motive** has a more strategic and knowledge seeking element: When asset-seeking companies are looking at the longer term and the largest geographical reach to optimise their global positioning for the future. It is often seen in connection with innovation and knowledge intensive technological industries like pharmaceuticals or electronics industries, but is widely applicable and for emerging markets, it is closely linked to the possible advantages of being a first mover (Nielsen, C., 2005).

These reflect various combinations of OLI and, where the first three motives traditionally have been most important, today asset development is becoming a central consideration when entering foreign markets (Hansen, M. W., 2009). However, as is the case of the advantages, the four motives are overlapping and can be sequential, and they might not be exhaustive (Ibid). Looking at the motives behind FDI is key to understanding Danish investments in Africa and the listed motives provide a useful structure for further analysis.

### 2.2.2 Filling the box: O-advantages

The OLI framework as presented above is flexible and helps obtaining a comprehensive and integrated understanding of FDI. However, it is just a framework, and therefore more detailed theories are needed to fill in the frame. In this section the three different theories that take a more dynamic and strategic approach to FDI will be presented to explain how ownership advantages are created. This section will look at the Uppsala scholars’ path dependency model, at the resource based view (RBV) and at the knowledge based view (KBV).
2.2.2.1 Uppsala scholars

The O-advantages are not static and their dynamics are to be seen as something that emerges over time. To illustrate this and the idea of path dependency, the Uppsala scholars Johanson and Valhne put forward the idea that international expansion takes place through markets close to home markets both in terms of geography and other characteristics like consumer preferences (Johanson, I. and Valhne J., 1977). Their theory and its further development by Kogut and Zander can be used to understand why entering a market without making money in the short term can be good business because companies can use learnings in one market to be successful in similar markets by using knowledge created by this experience (Kogut, B. and Zander, U., 2003).

The “Uppsala internationalisation process model” suggests that lack of knowledge about the foreign market is the main obstacle to international operations. It also claims that such knowledge must be acquired through active presence in the foreign market rather than by collecting and analysing data about it (Johanson, J. and Valhne, J.E., 2009). Johanson and Valhne illustrate this by defining a new term “liability of outsidership”, but the mechanisms in their updated approach are the same as in the original theory as they conclude “investments are made cautiously, sequentially and concurrently as the employees of the firm learn to operate in that market” (Forsgren, M., 2008, p 107). In the following, the term liability of foreignness will be used to keep within the predominant vocabulary, but will also reflect the outsidership, rather than the country origin of the MNC.

The Uppsala model clearly illustrates that internationalisation is a dynamic and gradual process where learning and non-rational behaviour have great influence. The model has its strength in the earlier phases of the FDI process and is limited by the fact that not all firms follow the same path. (Johanson, J. and Vahle, J.E., 2009)

2.2.2.2 Resource-Based View

The resource-based view (RBV) takes its point of departure in the company specific resources i.e. it relates to the intra-firm capacities in the FDI.

RBV can help analyse how different resource endowments lead to different strategies and results when looking at FDI and hence shed light on how O-advantages are created. RBV is
founded on Penrose’s description from 1959 of the company as a collection of resources and that a company’s performance is a result of its ability to utilise these resources. Barney identify a company’s resources as tangible and intangible assists within a company that is used to pursue the company’s strategies. He further states that resources must be “valuable, rare, in-imitable and exploited by the organization” - VRIO (Barney, 1991). As companies are different, resources are heterogeneous and this explains why there is more than one company.

Understanding successful Danish investments in Africa by applying RBV allows for the analysis below to zoom in on the characteristics of the Danish companies’ competitive advantages, but does not offer a dynamic tool for such an analysis. Adding the findings of Luo presented in 2.2.1 gives an understanding of: first movers into new market can gain a strategic advantage by having established themselves with customers and experience from local setting (Luo, 2007). First mover advantages will be further developed below as an I-advantage.

2.2.2.3 Knowledge-Based View

“As business globalizes, firm advantages arising from traditional sources such as the unique access to capital, labour or markets can be expected to decline. Correspondingly, a company’s ability to develop, access, integrate and deploy knowledge across a worldwide system is likely to grow ever more critical” (Grant, R. M, 2000, p. 126).

Entering the world of knowledge-based view, the idea is that a company is not seeking to merely reduce transaction cost; it is more broadly seeking to create value through efficiency and effectiveness.

The knowledge-based perspective looks at the nature and importance of knowledge and looks at knowledge underlying technology, production, marketing or other activities. Knowledge can take many forms and be tacit or explicit, formal or informal, and private or shared. Finally, knowledge can be created both inside and outside the organisation.

Knowledge is closely linked to the O-advantage in Dunning’s OLI framework. Because knowledge is difficult to trade, so companies therefore internalise it. This becomes even more important when dealing in foreign markets, as differences in home market and foreign
markets are greater, creating liability of foreignness, which can be overcome by knowledge (and other factors).

The knowledge and capabilities held by an organisation as part of the O-advantages, becomes particularly important if this knowledge is different than from other companies’ knowledge (Grant, 2000), as it creates a competitive advantage over others.

2.2.2.4 Concluding on O advantages

In the beginning of this chapter it was stated that companies no longer have a choice when it comes to entering the global markets and cross border activities because they are inevitably part of the global village. Therefore, every company is faced with a complex world with numerous uncertainties and should take an international approach to their strategic planning.

At the same time borders do still exist and successful companies must therefore take the characteristics of each market into account when elaborating strategies in order to become and remain successful.

Classical international business literature explains how a company should go by this task. Broadest of these is the eclectic OLI framework looking at the ownership advantages, location advantages and internalisation advantages.

Further, the motives behind a company’s engagement in international activities was looked at, identifying resource, market and efficiencies as the traditional motives, and it was argued that strategic asset seeking has become a central motive too. However, combinations of both advantages and motives are common, as they change over time.

The Uppsala scholars take the point of departure in a company’s learning and see the internationalisation process as one that starts off in near or similar markets. The company then gradually, as it learns, expands further and further away from its original market, as it learns.

The RBV and KBV are providing tools for analysing how a company's resources and particular knowledge (which is also a resource) can constitute a competitive advantage. Accumulation of knowledge from foreign markets can help a company develop further activities beyond the domestic market.
Although the international business literature is well developed, there remain areas that are not fully covered: the emerging markets and the characteristics of these. Therefore, the next section looks at the scenario that companies face when entering these markets, and how they should deal with the challenges specific to these markets.

While International Business literature was born to fill a gap in the understanding of multinationals’ activities i.e. foreign direct investment (FDI) in the wake of globalisation, Emerging Markets are challenging International Business scholars and give rise to Emerging Market literature. This literature will serve as the point of departure for completing the OLI-framework.

2.3 Emerging Market Literature

2.3.1 Introduction to Emerging Market Literature
Section 2 above introduces the traditional International Business literature with a view to understand the mechanisms behind a Danish company investing in Africa. The OLI paradigm was introduced and the dynamics of the O were explained using the Uppsala model as well as resource and knowledge-based views. However, traditional models are challenged by the emerging markets, like the African market, because these markets are different in several ways that will be discussed below. As a consequence, new concerns about the L-advantages must be taken into consideration and this also has implications for the I-advantages.

2.3.2 Filling the box: L-Advantages
In this section the L-advantages are addressed using the emerging market literature. In the next section the implications for the I-advantages will be analysed using an institutional approach.

First, it is relevant to define what is meant by “emerging markets”. Using the definition of emerging markets derived from “Winning in Emerging Markets: A Road Map for Strategy and Execution” by Tarun Khanna and Krishna Palepu, 2010. They narrow the definition down from the little helpful tautology that emerging markets are those that have not yet emerged, to those who are not yet industrialised, are based in low income countries and have a low degree of industrialisation, whilst they have experienced recent economic growth, liberalisation and
are open to foreign investments (Khanna and Palepu, 2010, p. 4). This is the case for all markets in Sub-Saharan Africa except South Africa (World Bank Stats).\(^2\)

Markets in less developed economies have earlier been relatively inaccessible either due to protectionist policies led by local governments, because of political instability and safety issues, or simply due to the fact that the economic development did not allow the population sufficient purchasing power for a market to be generated. (Arnold and Quelch 1998). Though this has recently been changing, it is still difficult to assess the potential of new markets due to lack of reliable data, so new approaches must be established using data such as economic growth and GDP /capita as indicators of market potential (Ibid.). Also, the focus, they argue, should not be solely on short-term gains, but rather on long-term opportunities that can form the basis for growth and future development (ibid.). Due to the limited purchasing power in the emerging economies, companies are today mainly focusing on customers with the highest purchasing power. However, consumers with lower incomes can also be profitable to target due to their very large number (Ibid.). Despite difficulties, emerging markets are interesting, partly because of their size and growth, as it will be shown in the background chapter, and, interestingly, also because of the possibilities these difficulties listed offer. How difficulties can become opportunities will be discovered in the analysis in Chapter 5.

Doing business in emerging markets is not only difficult because of the lack of information, it is also challenging because of the institutional setup: One of the main obstacles when entering emerging markets is the (lack of) institutional setup (Peng, 2002). How to deal with this institutional void in the mode of entry will be discussed below whereas its extent and implications are presented here.

In traditional International Business models little attention is paid to institutional voids, and these models are therefore challenged when applied in an emerging market setting. To better understand what makes FDI in emerging markets successful, it is useful to include institutional theories.

\(^2\) It is worth noting that certain emerging markets are in some areas becoming similar to developed markets – ex. IT and cellular phones. (Lasserre 2012)
North defines institutions as “the rules of the game in a society or more precisely, the humanly devised constraints that shape human action” (North, 1990, p 3). And elaborates “An institutional framework is the set of fundamental political, social and legal ground rules that established the basis for production, exchange and distribution” (North, 1990, p 6).

All companies are effected by the institutional framework that they are a part of and therefore it is essential to look at the institutional setting to understand successful investments (Peng 2002) because, as “Institutions help reduce uncertainty” (Peng, 2002, p252), the absence of well functioning institutions will increase uncertainty.

Formal institutions include laws and regulations, and when they are weak informal institutions like practices, norms and culture take their place (Peng, 2002). As these informal institutions require local knowledge to comply with, the liability of foreignness becomes important and the need to team up with local capacities and networks becomes ever more important (Ibid).

Institutions reduce transaction cost by reducing uncertainty and establishing stable structures that facilitate collaboration (Hoskinsson et al. 2000, p 253). Peng takes it a step further, arguing that institutions should be seen as independent variables in the creation of a company’s strategy (Peng 2002, p 253).

To overcome the challenges of institutional voids, companies must rely on the creation of relationships to simulate or replace formal institutions (Peng, 2002).

Further, to protect own patents, brands, contracts, etc. in a setting where legal institutions are weak, internalising production can protect the owners from opportunistic behaviour. (Hansen, M.W., 2009)

Also, as education levels in emerging market economies often lack high quality institutions, the labour market is seeing a shortage of highly skilled and well-educated employees. As a consequence, companies take it on them to educate their employees to fill the void (Meyer and Yen, T. T., 2004).

Hence, when looking at the emerging market literature, it is not the location advantages that take centre-stage, but rather the location DISadvantages. This carries on to the advantages
discussed below, where the focus is on overcoming these disadvantages. To make the OLI framework relevant the L in the analysis will focus on the L-disadvantages and the consequences hereof for the I. How the four disadvantages are selected is described in the methodology chapter.

2.3.3 Filling the box: I-Advantages

Meyer, Estrin, Bhaumik and Peng (2008) offer an institution-based view of strategy integrated with resource-based considerations. They state that alternative modes of entry (greenfield, acquisition, joint venture) allow firms to overcome different kinds of market inefficiencies related to institutional voids. In particular they stress that the weaker the formal institutions are, the more the MNC has to rely on local partners and that joint ventures therefore become more important in weaker institutional contexts. And further that the stronger the need to rely on local resources to enhance competitiveness, the less likely foreign entrants are to enter an emerging market by greenfield investment (Ibid.).

Looking at how the MNC acts faced with institutional voids Khanna and Palepu (2010) offer a framework of analysis and stresses the importance of these challenges as twofold: not only does the MNC have to deal with these challenges, but at the same time the MNC is competing against local firms with knowledge of how to navigate in this vacuum of institutions. In other words, the institutional voids are different and greater than on the home market and become an important contributor to the liability of foreignness of the MNC.

Khanna and Palepu identify four strategic choices that an MNC faces when responding to institutional voids in emerging markets. Firstly, should the MNC implement its home strategy in the foreign setting or should the strategy be adapted to local circumstances. Secondly, should the MNC compete in the new market alone, or should a local partner be found to facilitate navigation with the institutional voids. Thirdly, for very large MNCs it is possible to change the playing field in some cases. And finally, should the MNC enter, stay or eventually exit due to the institutional voids and seek alternative markets. Their model can be seen in Table 2.1 below.

Further, Khanna and Palepu underline that when performing this analysis it is of utmost importance to be very specific on unique composition of institutional voids in each location.
Table 2.1 Responding to institutional voids in emerging markets

<table>
<thead>
<tr>
<th>Strategic Choice</th>
<th>Options for multinationals from developed markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replicate or adapt?</td>
<td>Replicate or adapt business models, products, etc.</td>
</tr>
<tr>
<td>Compete alone or collaborate?</td>
<td>Compete alone or acquire capabilities?</td>
</tr>
<tr>
<td></td>
<td>JV with local partner</td>
</tr>
<tr>
<td>Accept or attempt to change market context?</td>
<td>Accept market context as given or change through own initiatives</td>
</tr>
<tr>
<td>Enter, wait or exit?</td>
<td>Enter/stay despite institutional voids or seek opportunities in alternative locations/markets</td>
</tr>
</tbody>
</table>

From Khanna and Palepu, 2010

Theories assume that all choices are possible and that all choices are rational. This is not the case as will be seen in the analysis: Opportunities to enter a market might occur by chance and entry mode might be a matter of choosing between few options. However, the theories presented still offer an approach to understanding the mechanisms in play, and can be useful in the evaluation phase of an investment.

2.3.4 Concluding remarks on Emerging Market Literature

In emerging markets foreign companies wishing to invest are met with new and different challenges than when investing in developed markets. These will be referred to in the analysis as L-disadvantages. The strategies put in place to respond to these disadvantages are discussed as I advantages. Together with the O advantages presented above, this completes Dunning’s OLI framework and allows for an analysis of all dimensions.
Chapter 2 Literature Review

The complete OLI-framework to be used for analysing Danish investments in Africa then ends up looking like this:

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Location</th>
<th>Internalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who?</td>
<td>Where?</td>
<td>How?</td>
</tr>
<tr>
<td>Why?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market seeking</td>
<td>Resource seeking</td>
<td>Efficiency seeking</td>
</tr>
<tr>
<td>Resource seeking</td>
<td></td>
<td>Strategic asset seeking</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does owning assets give a competitive advantage?</th>
<th>Are assets best exploited in a specific location?</th>
<th>Are assets best used internally?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Stay on domestic market</td>
<td>&quot;Produce&quot; in home c'try</td>
<td>Licence/contract/...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uppsala scholars</th>
<th>Institutional perspective</th>
<th>Khanna and Palepu</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBV</td>
<td>Arnold and Quelch</td>
<td></td>
</tr>
<tr>
<td>KBV</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.4 Proposed framework

With this overview of some of the central theories in the field of International Business and Emerging Markets, the theoretical framework will be presented below.

The analytical framework forms a point of departure for the analysis in Chapter 5. Here the cases are explained in the OLI framework by looking for evidence of the following:

Reasons for entry:

*Are companies investing to access markets (L), resources (L) or are the investments driven by a strategic purpose (O)?*
Further, as it is not the absence of advantages, but, as discussed above, rather the presence of disadvantages that discourages companies from investing in Africa. Therefore, the analysis draws attention to these and how they affect the mode of investment. The analysis consequently focuses on the following:

\[ O: \text{look for Uppsala, KBV or RBV – overcoming liability of foreignness.} \]

\[ L: \text{Look for location DIS-advantages: corruption, weak institutions, unskilled labour, and poor infrastructure.} \]

\[ I: \text{How are the companies dealing with these disadvantages in the entry mode. Do they} \]

- Replicate or adapt;
- Go alone or collaborate;
- Accept or change market;
- Enter, wait or exit?

Departing from the OLI framework ensures that the complexity and multidimensional characteristics of the investments are unveiled while allowing for more in-depth analysis with relevant theories.

### 2.5 Concluding the Literature Review Chapter

In this chapter International Business and Emerging Market literature relevant to explaining what characterises Danish investments in Africa was presented.

It is seen that companies move beyond domestic markets for a variety of advantages and combination of motives. This understanding is important for the analysis of Danish investments in Africa, as it will show a complex picture of many, often contradicting, interests. In fact most companies are driven towards internationalisation by several motives of both internal and external character. The chosen analytical framework allows for this complexity.

---

3 Advantages are described in the background chapter when looking at the potential markets and the abundant resources.
From the international business literature, Dunning’s OLI framework, which creates a useful framework and facilitates a broad understanding of the forces driving FDI, was presented and theories explaining how challenges specific to emerging markets, were introduced to describe institutional voids and the impact of these on the choice of mode of entry. Together these theoretical pillars are forming an analytical framework that is the bases for the analysis in chapter 5.

In the next chapter the background will be described using available statistics and relevant reports to give an understanding of the setting.
3 Background

3.1 Intro
Having in Chapter 2, in the literature review, set out the analytical framework to be used to guide the process of answering the research question, this chapter will elaborate on the background information and the facts to understand what characterises Danish investments in Africa.

This chapter will start out at the satellite perspective, looking at the African continent as whole and setting out to illustrating why it is relevant for businesses to look towards the great continent. Then focus is zooming in on four countries of interest describing them in regard to a number of areas that are considered relevant for doing business in Africa. Finally, before concluding the chapter, some of the central players when looking at Danish investments in Africa are presented.

3.2 Africa – the continent
Several academic papers make reference to the two front pages of the Economist with ten years between them (Tvedten, K. et al, 2014): from ‘The Hopeless Continent’ (May 13, 2000) to ‘Africa Rising’ (December 3, 2011).

Figure 3.1 Front pages of the Economist

(www.economist.com)
And with good reason. These front-pages illustrate the direction and speed of changes in Africa: In just over 10 years, this has all changed, and Africa is by many now considered an interesting area for investment (figure3.5).

According to the Economist’s Intelligence Unit (EIU), Africa has since the beginning of the millennium seen annual growth rates of 5-6% due to reforms, reduced political risks, debt write-offs as well as the important rise in commodity prices. Despite a setback due to the financial crisis in 2008, Africa’s economies are as is shown in figure 3.3 below, in many places growing at staggering paces exceeding those of other regions (EIU).

The continent of Africa is interesting for business for two reasons that can be linked to the motives behind FDI presented in the literature review. First of all, Africa is enormous: 30 million square km with an abundance of raw materials and fertile soil (natural resources), and more than one billion people in 2014 (human resources and markets). I.e. the African continent offers both markets and resources. Secondly, Africa is growing: populations are growing, GDP’s are growing and trade is growing. So even if the markets today might not carry a profit, being well positioned for the future makes Africa interesting already today as a strategic asset.

### 3.2.1 Size matters

Africa is gigantic! More than one billion people live in Africa, which is equivalent to one in seven of the World population, hereof approximately 170 million in the most populous country, Nigeria (www.worldpopulationstatistics.com). So even if the purchasing power of the average African is considerable smaller than that of a European, the markets should not be ignored simply because of their absolute size (EIU, 2012).

Geographically, Africa is vast covering more than 30 million square kilometres, or more than USA, China, India, Japan and Western Europe together as is illustrated in the figure below.
Natural Resource Endowment

“Africa’s natural resources have been the bedrock of the continent’s economy and continue to represent a significant development opportunity for her people. In 2012, natural resources accounted for 77% of total exports and 42% of government revenues” (www.afbd.org)

According to the OECD’s African Economic Outlook, Africa holds a quarter of the World’s agricultural land, but only has one tenth of World production of agricultural products.
Table 3.1 Africa’s share of oil, gas and agriculture

<table>
<thead>
<tr>
<th>Africa’s share of</th>
<th>Oil</th>
<th>Gas</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>global production (2010)</td>
<td>11</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>global reserves / agricultural land</td>
<td>8</td>
<td>7</td>
<td>24</td>
</tr>
</tbody>
</table>

Source www.africaneconomicoutlook.org

According to the Economist “The vast continent has 60% of the world’s uncultivated arable land, most of it unfarmed. The land already under cultivation, mostly by small farmers, could produce far more. Crop yields in Africa are between one-third and one-half of the global average. The quality of soil is often poor, because of overfarming, but that could be fixed by fertilisers. With the right know-how and inputs, Africa’s farmers could double productivity.” (http://www.economist.com/blogs/)

As well as agricultural land, African soil holds about 30% of the world known reserves of minerals, 10% of oil and 8% of gas resources. Further, it has the largest cobalt, diamonds, platinum, and uranium reserves in the world. (www.afdb.org)

3.2.2 Growth

Not only is Africa big, Africa is also growing.

Figure 3.3 Real GDP growth
The growth is happening for numerous and interlinked reasons that will not be discussed in detail here. The growth rates have been set in motion by many factors, most importantly reforms, reduced political risk, debt relief and the rise in commodity prices. (EIU, 2012)

Forecasts from the same source suggest that 28 of 51 African countries are expected to see growth rates of more than 5% per year the next five years. (figure 3.4)

Figure 3.4 Expected growth rates

The economies are growing and so are the populations. The average Sub-Saharan population, excluding South Africa, has grown 2.7% per annum over the last 5 years (2013 data) (World Bank), and in the details of the numbers it is found that the average urban population growth has been 4.1%, whereas the urban areas have only seen growth of 1.9%.

Both economic growth and population growth have a positive effect on demand. Further, economic growth and urbanisation both contribute towards the creation of new demands, and hence make the continent more interesting for investors looking for new markets for their product (EIU, 2012).
3.2.3 Ease of doing business

At the same time the conditions for doing business are improving. The change is clearly seen in the EY survey amongst investors where African markets as a whole have improved their relative attractiveness for FDI compared to other markets. (figure 3.5) (Attractiveness Survey, Africa 2014, Executing Growth)

However, it is not all a smooth ride downhill and a number of challenges are still relevant to consider when looking at African markets. As is seen from the World Bank Group’s Ease of Doing Business Index where African countries are crowding the lowest rankings: 23 of the lowest ranking 30 are from the African continent (www.doingbusiness.org). See table 3.2. So, though important improvements have been made, there is still a long way to go. Table 3.2 also illustrates that in Africa Danish businesses will meet challenges at a level that they do not meet on home markets.

The EIU identifies in its report Into Africa: Emerging opportunities for business, four specific challenges that are making investments in African countries difficult. These are: corruption, institutional voids, unskilled labour, and infrastructure. The four areas are not completing the picture, but are central challenges recognised also by EY Attractiveness Survey, and serve well as the point of departure for understanding the challenges, and will below be addressed for each of the four focus countries.

The difference between the impressive relative attractiveness from EY and the more depressing ease of doing business sums up to: it is difficult to do business in Africa, but the expected return on investment is high.
3.3 The Challenges and the Four Focus Countries

‘Africa is not a country’ states the EIU to illustrate the fact that across a continent with 56 different countries with each their own regulation and practices, where more than 2000 languages are spoken the diversity is immense (EIU, 2012). So, to understand investment in an African context it is first of all important to understand that Africa is diverse and differences between north and south; between rich and poor; and urban and rural are immense. Nicolai Hesdorf, Country Head and Managing Director at Accenture, says to Politiken “when you are talking (business) in Africa, you are not talking cities, not countries. In the biggest city in Nigeria, Lagos, lives 20 million people, and in most African countries you find fast growing megacities. So instead of, like you normally do, making strategies for a country, you have to make one for a city, well, even just part of a city” (www.politiken.dk).

Therefore the focus will in the following be on four African countries, namely Uganda, Tanzania, Nigeria and Ghana. The approach is thematic and each of the four selected challenges will below be examined with attention to the four countries.

Key indicators on the four countries can be seen in the table 3.3.

Table 3.3 Population and GDP, focus countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Population (millions)</th>
<th>Population growth</th>
<th>Surface</th>
<th>GDP (billion USD)</th>
<th>GDP per capita (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>25.6</td>
<td></td>
<td></td>
<td>44.2</td>
<td>1730</td>
</tr>
<tr>
<td>Nigeria</td>
<td>169.3</td>
<td></td>
<td></td>
<td>286.5</td>
<td>1692</td>
</tr>
<tr>
<td>Uganda</td>
<td>36.8</td>
<td></td>
<td></td>
<td>23.1</td>
<td>626</td>
</tr>
<tr>
<td>Tanzania</td>
<td>46.3</td>
<td></td>
<td></td>
<td>32.5</td>
<td>703</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.6</td>
<td></td>
<td></td>
<td>331.0</td>
<td>59190</td>
</tr>
</tbody>
</table>

(GCI)

Here it is clearly illustrated that the Danish economy is in a different league than the African economies examined, with a population of just 5.6 million, its total GDP is still larger than Nigeria with a population of nearly 170 million.

1 The motivation behind the selection of these four countries can be found in the methodology chapter.
3.3.1 Corruption

According to Transparency International “Corruption is the abuse of entrusted power for private gain. It hurts everyone who depends on the integrity of people in a position of authority” (www.transparency.org). Corruption is a problem because it impedes growth and development, and is also reducing investments because it causes markets to function sub-optimally. The cost of production is higher in areas with corruption and makes investments less profitable. Particular for the emerging markets is that corruption is a both democratic and social problem because it undermines the confidence in governmental institutions and because it oftentimes has the most important consequences for the poorest populations (Ibid).

Table 3.4 Corruption Rank

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>31/175</td>
</tr>
<tr>
<td>Ghana</td>
<td>61/175</td>
</tr>
<tr>
<td>Nigeria</td>
<td>136/175</td>
</tr>
<tr>
<td>Uganda</td>
<td>142/175</td>
</tr>
<tr>
<td>Tanzania</td>
<td>119/175</td>
</tr>
<tr>
<td>Denmark</td>
<td>1/175</td>
</tr>
</tbody>
</table>

According to the organisation Africa is the most corrupt continent in the world. But there is hope: It is possible to change and Botswana has over the past decade managed to climb to a position as 31 of 175, whereas the focus countries are still struggling to overcome this challenge.

Again it is seen that the Danish business environment is not (at all) accommodated to the use of corruption, and the Danish businesses must therefore acquire knowledge about how to navigate in such environment.

(www.transparency.org)

3.3.2 Weak institutions

Weak institutions poses a range of problem to companies investing in Africa. The Global Competitiveness Index has Institutions as its first pillar and states: “The quality of institutions has a strong bearing on competitiveness and growth. It influences investment decisions and the organization of production and plays a key role in the ways in which societies distribute the benefits and bear the costs of development strategies and policies. For example, owners of land, corporate shares, or intellectual property are unwilling to invest in the improvement and upkeep of their property if their rights as owners are not protected”. It is seen in table 3.5
that the four case countries are all bar Ghana placed in the lowest ranking end, and Nigeria on a 132th place has plenty of room for improvement.

Table 3.5 Public Institution Index

<table>
<thead>
<tr>
<th>Public institutions</th>
<th>Rank of 144</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>68</td>
<td>3.8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>132</td>
<td>2.8</td>
</tr>
<tr>
<td>Uganda</td>
<td>115</td>
<td>3.1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>92</td>
<td>3.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>21</td>
<td>5.6</td>
</tr>
</tbody>
</table>

(Source: GCI)

3.3.3 Unskilled labour

Though an EY Report on Africa in 2014 puts skilled workforce as one of the most important critical factors with 73% of the respondents putting it as a critical factor when deciding on whether to invest in Africa (EY Attractiveness Survey Africa 2014, Executing Growth), it has not been possible to find coherent statistics on the quality and prevalence of vocational training.

According to UNESCO Technical and Vocational Education and Training (TVET) is a challenge in all African countries and further that in most African countries the enrolment rate in formal TVET at secondary level is 5% or less and further that “Non-formal TVET is predominant and often highly fragmented. Learning opportunities at the workplace, non-formal learning, private provision, and initiatives under various non-education sector ministries all tend to operate in a non-coherent way”. And further, that “despite an increase in the number of African students in TVET, only a few governments in Africa are able to finance TVET at a level that can support quality training” (www.unesco.org).

3.3.4 Poor infrastructure

Without proper functioning infrastructure it is difficult to do business: Power cuts, spoiling of fruits and veg due to long transportation time, loss of harvest due to lack of irrigation, spread of deceases due to poor sanitation, loss of information due to poor communication facilities.
Therefore, poor infrastructure is a challenge to companies wanting to invest and do business in Africa.

The African Development Bank has in its ‘Infrastructure Africa’ initiative defined five key areas of infrastructure, namely power, transport, irrigation, water and sanitation, and information and communication technology.

The African Development Bank finds in a major study that infrastructure has contributed more than 50% of Africa’s recent growth and could contribute even more. Nonetheless, basic infrastructure in Africa still lags behind that of other developing regions. Further, the cost of infrastructure is twice as expensive in Africa as elsewhere and to raise the infrastructure standards to sufficient levels before 2020 would cost $93 billion a year, divided between investments and maintenance. Today Africa spends $45 billion or half the necessary amount. (http://www.infrastructureafrica.org)

According to World Economic Forum’s Global Competitiveness Index the four case countries are all having their lowest score in the pillar of competitiveness that relates to infrastructure. In table 3.6 below, the score and the rank is shown for the both infrastructure as a whole and for transportation, and electricity and communication respectively.

Table 3.6 Infrastructure Index

<table>
<thead>
<tr>
<th></th>
<th>Infrastructure – all Rank/score</th>
<th>Transport Rank/score</th>
<th>Electricity and communication Rank/score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>108/3.0</td>
<td>92/3.2</td>
<td>113/2.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>134/2.1</td>
<td>127/2.5</td>
<td>136/1.7</td>
</tr>
<tr>
<td>Uganda</td>
<td>129/2.3</td>
<td>124/2.6</td>
<td>128/2.0</td>
</tr>
<tr>
<td>Tanzania</td>
<td>130/2.3</td>
<td>123/2.6</td>
<td>131/1.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>21/5.6</td>
<td>25/4.9</td>
<td>8/6.3</td>
</tr>
</tbody>
</table>

(Source: GCI)

3.3.5 Competitiveness

The above factors, together with a number of other, feed into the Global Competitiveness Index. Here China, India and Vietnam are included to illustrate the competitiveness of some of the rival Asian economies that also are attempting to PULL investments. It is seen in table 3.7
that the focus countries are lacking behind selected Asian countries and that in particular infrastructure is challenging the African competitiveness.

Table 3.7 Competitiveness Index

<table>
<thead>
<tr>
<th>Competitiveness Rank/Score</th>
<th>Best Score (Rank)</th>
<th>Worst Score (Rank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana 111/3.7</td>
<td>Health&amp;Prim.Edu 4.5 (121)</td>
<td>Infrastructure 3.0 (108)</td>
</tr>
<tr>
<td>Nigeria 127/3.4</td>
<td>Market size 4.7 (33)</td>
<td>Infrastructure 2.1 (134)</td>
</tr>
<tr>
<td>Uganda 122/3.6</td>
<td>Labourm.efficiency 4.7 (27)</td>
<td>Infrastructure 2.3 (129)</td>
</tr>
<tr>
<td>Tanzania 121/3.6</td>
<td>Labourm.efficiency 4.4 (47)</td>
<td>Infrastructure 2.3 (130)</td>
</tr>
<tr>
<td>China 28/4.7</td>
<td>Market size 6.9 (2)</td>
<td>Techno.readyn 3.5 (83)</td>
</tr>
<tr>
<td>India 71/4.2</td>
<td>Market size 6.3 (3)</td>
<td>Techno.readyn 2.7 (121)</td>
</tr>
<tr>
<td>Vietnam 68/4.2</td>
<td>Health&amp;Prim.Edu 5.9 (61)</td>
<td>Techno.readyn 3.1 (99)</td>
</tr>
<tr>
<td>Denmark 13/5.3</td>
<td>Health&amp;Prim.Edu 6.4 (25)</td>
<td>Market size 5.2 (54)</td>
</tr>
</tbody>
</table>

(Source: GCI)

3.4 The central players

To understand the setting it is also important to know the key players and institutions in the field. In this section key players are being presented with their key attributes in regard to the current analysis.

The two case companies' role in the research will be discussed in the methodology chapter.

**EnergiMidt**, a Danish utility firm, acquired in 2009 50% of the Ugandan energy consultancy, Konserve Consult and has since been involved in the energy sector in Uganda. Konserve Consult offers technical advise and practical solutions in the energy sector with a focus on renewables and mini-grid solutions. The company is small with less than 15 employees, most with a technical background like engineering. The market is characterised by large public financed projects, often with foreign donor involvement. EnergiMidt had in its 2013 accounts set the value of its ownership of Konserve Consult to 0 DKK, but remains owner of 50%. EnergiMidt has received support from Danida and DI in the initial phase.
DESMI is developing and producing pumps for use in industry, marine, oil spills, defence and utility. As well as selling pumps services related to installation, oil spill recovery and after sales services are provided. The company had in 2013 a turnover of 800 million DKK and is present in Africa in Dar es Salaam, Tanzania and Accra, Ghana. The market DESMI is in is a niche market with a high degree of technical specialisation characterised by very large once off investments and a number of related add on services. DESMI has not received Danida support.

**The two experts**

**Tine Bork**, Head of projects International Department, at the Danish Federation of Small and Medium sized Enterprises is advising Danish SMEs on investments in Africa and has in-depth knowledge of the opportunities and the challenges they face.

**Nicolai Hesdorf**, Country Head and Managing Director at Accenture has advised many large Danish companies on investments in Africa and Asia and has on that basis a broad understanding of what challenges Danish companies face when venturing to Africa.

**Danida** is the Danish Development Agency. Danida is supporting Danish companies wanting to invest in developing countries because “It is a strategic priority in Danish development cooperation to work for a stronger private sector. For Danida, it is important that Danish businesses participate actively in this endeavour” (www.um.dk/danida).

Changing political agendas are affecting Danida’s business programmes and the Danida Business Partnership Programme that EnergiMidt benefitted from was suspended in November 2014. Today, six business programmes with various content and partners are in place and together with Danida’s Business Delegations, these are supporting companies to become involved in social and economic development. This thesis does not set out to evaluate the effect of Danida’s programmes, but recognises that support from Danida can help businesses invest.

### 3.5 Concluding

Africa is attracting business at an unprecedented pace and magnitude and the potentials are great due to Africa’s size and current growth rates. The growth rates have been set in motion by many factors, most importantly reforms, reduced political risk, debt relief and the rise in
commodity prices. But challenges are still out there: Corruption, weak institutions, unskilled labour and poor infrastructure are deterring business (and Africa) to benefit fully from the potential.

Four countries with each their challenges have been introduced with a view of providing the background knowledge needed for applying the analytical framework. To understand to which degree these focus countries differ from Denmark, the ranking and index for Denmark has also been inserted in the tables, revealing enormous differences for Danish companies to deal with when investing in Africa.

With the background described, the next chapter will look at the methodology i.e. the procedure for how data is collected and analysed.
4 METHODOLOGY

4.1 Introduction

“In theory,
there is no difference between theory and practice.
In practice there is”

(Unknown)

In this chapter methods to reduce this difference between theory and practice, will be discussed and a plan will be laid for how the research question will be answered, i.e. how will data be collected and analysed. Further, The strength and weaknesses of the methods chosen will be discussed.

However, before embarking on the technicalities of answering the research question, the research philosophy used will be reviewed, and the path from choice of research philosophy to the answering of the research question will be identified. This constitutes the research methodology.

The point of departure will be Saunders, Lewis and Thornhill’s onion-model from their textbook, Research Methods for Business Students (Figure 4.1). They illustrate the path to the actual data collection and data analysis as layers of an onion, where the outer layers have to be peeled away before the techniques and procedures are revealed. This, they refer to as the “research onion” (Saunders, Lewis and Thornhill, 2012). Using a textbook model like the onion-model to determine the research structure and methodology secures that all aspects are considered.

Examples of other approaches and methods are given based on the deliberation that has taken place. These examples are not an attempt to give the full picture of possible choices, and should only be seen as illustrations of the though process involved.
4.2 Philosophy

The first layer of the onion relates to the research philosophy, and seeks to answer the questions, what is knowledge? And, how do we access and develop new knowledge? Or, which ontology and epistemology constitutes the basis for the research? Ontology deals with the philosophical assumptions about the nature of reality and can be described as a continuum of positions from positivism, where there is only one truth, over internal realism where truth exists, but is incomprehensible or unintelligible, to relativism where there are many truths or nominalism where there is no truth (Yin, 2009). Epistemology is philosophy about the nature of knowledge, what it is and how it can be acquire (Easterby-Smith, et al., 2008).

Positioning is not just a question of how the researcher sees the world; it is also a question of what is being studied. Had this thesis been by a natural scientist examining bacteria growth in a sample, it would be sensible to depart from the ontology of realism (there is only one truth and it can be revealed). Being a business student, it makes sense to open up for the possibility of inaccessible or even multiple truths. In other words, the question asked is influencing how the researcher should position him or herself. This position is referred to as pragmatism (Saunders, M., Lewis, P. & Thornhill, A., 2003) and is the approach that will be taken in this
research paper. Below is explained how the choice of pragmatism affects how the research question is answered.

Marian-Webster’s encyclopaedia define pragmatism as ‘a reasonable and logical way of doing things or of thinking about problems that is based on dealing with specific situations instead of on ideas and theories’ (http://www.merriam-webster.com/dictionary/pragmatism).

The advantages of pragmatism is that it, by going straight for answering the research question, avoids very theoretical discussions, but remains practical and down to earth. On the downside, being so centred on answering questions, pragmatism has a tendency to reject findings that does not have an apparent use, and hence, pragmatism may overlook or ignore observations that do not contribute to the answer to the research question, even if these observations could play a role in understanding the bigger picture (Saunders, M., Lewis, P. & Thornhill, A., 2003). This is reflected in the way decisions are made throughout the process of writing: If it relates to answering the research question, then it is relevant. However, lines have to be drawn in the sand to make the process move forward, and here the question “is this bringing something new, or is it repeating what is already known”. In doing so, and in engaging in an iterative process between gathering theories and making observations, it is a wish that even though the focus is on answering the research question, attention has also been paid to observations off the main road. One important example of this was when the research question was changed and successful was dropped from “what characterises successful Danish investments?”. The reason for dropping “successful” was that it on one hand did not add anything to the analysis of interest, but on the other hand required a lot of attention to what is meant by successful. How is that measured? Is it profit? Or, what is really important in this context, is it when you have gained knowledge and network and have overcome the liability of foreignness? And who decides? This discussion is interesting but goes beyond the scope of this thesis.

Choosing pragmatism as the philosophical point of departure means that focus will be on the evidence found, rather than on discussing concepts such as truth or reality or as Tashakkori and Teddlie put it “study what interests you and is of value to you, study in the different ways in which you deem appropriate, and use the results in ways that can bring about positive consequences within your value system”. (Saunders, M., Lewis, P. & Thornhill, A., 2003, p 109).
4.3 Approaches

Having determined the philosophy to be used, the next layer in the research onion is choosing the appropriate approach (or approaches). That is, will the research be deductive or inductive, i.e. will it be testing a theory or will it be building a theory?

Deduction is a top-down approach where something specific is drawn from the general. This approach is typically used in the natural sciences where theories are used to formulate a hypothesis that can be tested. Based on the results of the hypothesis test some kind of generalisation can be drawn. Deduction is also used outside the natural sciences where a wealth of literature is available and can form a base for a hypothesis. (Easterby-Smith, et al., 2008)

Induction on the other hand is where a theory is being build. It goes from the specific to the general and is typically used in the social sciences where the researcher is not just concerned with causality, but also is trying to understand the ‘why’ and the ‘how’ based on the context. Induction does not use hypothesis testing, and is open to finding new explanations. Induction can be more complex than deduction and is therefore typically more time consuming, and there is always the risk that no pattern is found that can form the basis of a theory (Ibid.).

The research question, *what characterises Danish investments in Africa?*, could suggest that a conclusion would be reached generalising what these companies have in common based on hypothesis and testing of these. However, the goal of this thesis is to get a better understanding of the nature of these investments, and based on this understanding, draw some conclusions (theory) based on an understanding of the underlying mechanisms. The approach is therefore **induction**. This goes well in hand with the explorative character of the research and also supports the search for dynamics rather than hypothesis confirmation.

Further, the path chosen does not imply that there will not be elements of deduction where the findings are taken from the specific cases of Danish investments, to the general level. The relevance of this is discussed below when looking at surveys.
4.4 Methodological Choice

Under this headline a decision on whether the collected data should be quantitative or qualitative is made. The decision should reflect the character of the research question, the choices of philosophy and the research approach.

Where quantitative research is closely related to positivism, qualitative research is associated to interpretive philosophies like pragmatism (Saunders, M., Lewis, P. & Thornhill, A., 2012), which allows for the researcher to “make sense of the subjective and socially constructed meanings expressed about the phenomenon being studied” and “develop a richer theoretical perspective” by studying “participants’ meanings and the relationship between them, using a variety of data collection techniques and analytical procedures, to develop a conceptual framework” (Ibid. p. 163). From these considerations it is evident that that using qualitative research methods will bring the relations and dynamics, that are so central to answering the research question, to the forefront.

Consequently using qualitative data is appropriate for the present study.

4.5 Strategies

Having identified the philosophy to be pragmatism, the approach to be induction and the data to be qualitative, the attention is turned to the next layer in the onion: Picking the strategy to be used in the research. The research strategy is defining through which methods the data to be analysed is collected. The strategy is reflecting the considerations already made in the previous layers (Saunders et al, 2012). There are numerous strategies and hence it is not possible to evaluate them all, however, four of them will be assessed in respect to their usefulness in the current research.

In the natural sciences researchers can create an experiment based on which hypothesis can be tested. This is most often not possible, or at least difficult, too complex or too costly in business studies so researchers find other ways of collecting information. In this specific case it is evidently not possible to make investments and experiment with different strategies and draw conclusion on their consequences.

In the social sciences, the most positivist (there is one truth and it can be found and measured) researchers would collect data through surveys that can be used to test
hypothesis and translated into deductive results from where it is possible to generalise the results to say something about a whole population.

The positivist approach could, in this thesis, be by looking at a sample of Danish investments in Africa and then, based on existing theories, classify certain characteristics. Such a study would lead to a list of variables that could be said to have a positive and a negative effect on a given company’s investment in Africa. However, such a study would not be as informative about the reasons behind different actions or challenges, and would not cast light on new hitherto unidentified relations or mechanisms. Also, given the quality and quantity of accessible data on the issue, this might not be a viable way of progressing. This could be the path to choose in a future research.

Another strategy often applied in business studies is action research. Saunders et al (2012) defines action research as a “Research strategy concerned with the management of a change and involving close collaboration between practitioners and researchers. The results flowing from action research should also inform other contexts” (p 665). According to Denscombe (2010) action research sets out to solve a problem and produce guidelines for best practices (p. 6). This approach would have been useful if the purpose of the paper was to find responses and give recommendations to companies on how to overcome liability of foreignness.

These three examples illustrate the width in the possible approaches. They are included here to show that choosing a strategy greatly influence the direction and the outcome of the research.

The fourth strategy examined was case study. Using case studies as the research strategy allows investigation not only of 'hard facts', but also of the processes and thoughts behind these. The traditional view of the case study is that it is because no generalisations can be made, it is mostly useful in the earlier stages of research process where the hypothesis is being formulated.

However, case studies have been the centre of a debate where the traditional view of the limitations of case studies have been challenged by Bent Flyvbjerg (2006) who have been arguing for the value of case studies in several aspects of social sciences. He explains in his article “Five Misunderstandings About Case-Study Research”, why and how case studies provide crucial knowledge to social science research. With the point of departure in human
learning Flyvbjerg explains that all human knowledge is beginning with experience: Experience of cases. He continues to refute five limitations of case studies commonly prevailing and concludes that “One can often generalize on the basis of a single case, and the case study may be central to scientific development via generalization as supplement or alternative to other methods. But formal generalization is overvalued as a source of scientific development, whereas ‘the force of example’ is underestimated” and further that not only is “useful for both generating and testing of hypotheses but is not limited to these research activities alone”, and further that “The case study contains no greater bias towards verification of the researcher’s preconceived notions than other methods of inquiry”.¹

Therefore, using case studies to answer the research question will through the force of example give us a deeper understanding of what characterises Danish investments in Africa. And though the findings cannot strictly be generalised, they will still contribute to the knowledge pool.

4.6 Time horizons

The next layer in the onion regards the time horizon and the question of whether the research is looking at development over time. The research is cross-sectional and does not look at development over time. Even if the investments discussed are taking place at different times, this is not relevant and does not become part of the analysis. It is not the change over time that is of interest, but rather the underlying mechanisms in each of the investments.

Time comes into play, when looking at how investments today, can become assets for the company in the future. E.g. how a company builds knowledge of a market or how to overcome institutional voids. So though it is not time line analysis, time does play an important role in the analysis.

¹ A table with a summary of Flyvbjerg’s five misunderstandings, the argument and the conclusion can be found in Appendix E.
4.7 Technique and procedures

The cases and the experts have been chosen so their knowledge and background covers both small and large companies and investments, and both in-depth of single investments and broad knowledge from advising several companies on investing.

Finally, looking at the technique and the procedures to collect data from the cases. As the interest is in understanding the dynamics of the processes behind the investments, it is not sufficient to read the annual report or the information available online. Instead interviews will be performed. The background information from the annual reports and the Internet would though, form the basis of the background knowledge necessary to perform interviews and the analysis.

Given the nature of the information collected, it is more appropriate to perform personal interviews rather than questionnaires. There are two reasons for this: Firstly, the information is complex, and having to write it all down might deter some from contributing and the responses might be less detailed than in an interview. Secondly, the nature of the information can at times be delicate. This goes in the present case for information about corruption and how to deal with it, but also about the risk of seeming or being accused of racism or imperialism. Putting answers in writing can in these cases be difficult for the respondent, and the quality of the information collected can be impaired.

Deciding on the type of interview (structured, semi-structured, unstructured) emphasis was put on getting both the right kind of information, i.e. on the topics needed, but at the same time getting not just the hard facts, but also the softer facts relating to dynamics, perceptions and ideas. Semi-structured interviews do that: “Semi-structured interviews follow a form of interview schedule with suggested themes, but there is scope for the interviewees to develop their responses.” (Desai and Potter, 2006). Further, if new ideas appeared during the interview, it is in the semi-structured interview possible to pursue them – answering and counteracting the criticism of pragmatism above.

When doing research there is always a risk of bias. Here there are two relevant sources of bias (Saunders et al, 2012): the interviewee and the interviewer. Both kind of bias will negatively affect the reliability of the information collected. Saunders et al (2012) have a checklist to
overcome interviewer and interviewee bias (Saunders et al, 2012 p 383), which was used prior to each of the interviews.

To (semi-)structure the interviews an interview guide was prepared based on existing literature. It can be found in Appendix C. The interview guide serves as a point of departure and a checklist to ensure that all areas are covered. The interview guide is reflecting the analytical framework.

All interviews were, with the permission of the interviewee, recorded and afterwards transcribed. The transcripts can be found in Appendix A.

Following the transcription, the interviews were coded using NVivo and reports were drawn on each of the points to be discussed in the analysis. Using NVivo facilitates organising the vast and complex amount of information that an interview provides and has been an important tool in structuring the transcribed interviews for use in the analysis.

4.8 The interviewees and the cases

Before beginning the actual analysis, a view of how the interviewees and their companies will contribute to the analysis are presented. These were first introduced in the background chapter where facts about them were listed. Here the focus will be on what they represent and how they contribute to answering the question of what characterises Danish investments in Africa.

The representatives from the two companies with investments in Africa are interesting because they have in-depth understanding of their own cases and a solid insight into the countries they are doing business in.

The two expert advisors are contributing with a wider understanding of investments in Africa. They do not posses the same kind of first hand knowledge, as the company representative above. Instead they have the advantage of knowing different countries and being able to draw parallels between different markets.

Having both depth and breadth in the interviews lends strength to the analysis and the conclusions that are drawn here. The two experts have on one hand given input to the
generalizability whereas the three company representatives have given valuable input to understanding the details and the considerations that takes place on the ground.

Unfortunately, neither of the two companies are resource seeking in African markets. It is therefore important in the analysis to keep in mind that the findings could be different for a resource seeking company.

4.8.1 Case examples and Experts

**EnergiMidt:** Two representatives from EnergiMidt have been interviewed, namely Flemming Kristensen, Business Director at EnergiMidt, and Søren Jegindø previously COO for EnergiMidt in Kampala, Uganda. Today CEO at IBF another Danish-Ugandan partnership.

The two interviewees complement each other well, as the first has the larger perspective of the Danish company, and the latter has the in-depth and on-site knowledge of the Ugandan activities, completing the picture of the Danish investment in Africa. Again, hearing the same story told from two different perspectives offers the possibility of triangulation and solidifies the results.

**DESMI** is a large multinational company. The interview was made with Christian Ingvorsen, Business Development Manager at DESMI Pumping Technologies, who has been involved in DESMI’s activities in several African countries. The market DESMI is in a niche market with a high degree of technical specialisation characterised by very large once off investments and a number of related add on services.

**EXPERT ADVISORS**

Nicolai Hesdorf, Country Head and Managing Director at Accenture has advised many large Danish companies on investments in Africa and Asia and has on that basis a broad understanding of what challenges Danish companies face when venturing to Africa. As well as experience from and interest in the African continent Nicolai Hesdorf brings experience from strategic planning in large companies.

Tine Bork, Head of projects International Department, at the Danish Federation of Small and Medium sized Enterprises is advising Danish SMEs on investments in Africa and has in-depth knowledge of the opportunities and the challenges they face. Tine Bork has worked in and
with emerging markets for nearly 20 years and has extensive experience with the groundwork and the associated problems.

These five interviewees provide valuable insight to what characterises Danish investments in Africa. The different competences and backgrounds of the interviewees are shedding light on the issues discussed from different angles securing a triangulation of the information to be used in the analysis.

The interviews in their entire length can be found in appendix A, where quotes are highlighted for easy reference.

4.9 Additional comments

4.9.1 FDI vs. Trade

At the outset the research was looking solely at FDI and not trade. As the interviews took place it became evident that the two types of activities are faced with the same challenges in regard to the external environment, albeit at different degrees. It was therefore decided to include trade in the deliberations.

4.9.2 Selecting the four disadvantages

The four disadvantages were chosen based on the special report form the Economist Intelligence Unit (EIU, 2012). Here the four were regarded as the main challenges for investors. Based on the interviews the four chosen challenges appear to be in line with the perception of the experts.

A related note on delimitation: Political risk is often treated as a separate challenge; here it is considered to be part of institutional voids. This does not greatly affect the results, as the political risks and the institutional voids are often correlated.

It was not possible to find useful data on country level for unskilled labour. Instead numbers for the whole of Sub-Saharan Africa was used. It is evident that this limits the number of and strength of the conclusions that can be drawn, but does not mean that nothing can be said in regard to the issue.
4.9.3 Selecting the four countries

Three of the four case countries have been chosen because they are the countries where the two cases are active. Nigeria has further been chosen because of its size. The countries represent both West and East Africa, but are all Anglophone, so representation across different former colonial powers have not been secured. It is difficult to evaluate whether this has important consequences in regard to the generalizability of the results.

4.9.4 Use of indexes

The indexes used to describe a country’s level of corruption, competitiveness et al should be treated carefully as to not draw unsupported conclusion. It is important to keep in mind that the indexes are manmade based on an evaluation of relative importance of the elements creating the index. It is consequently not possible to compare across different indexes. However, the rankings are a useful tool in understanding trends and magnitudes.

Difference between EY’s attractiveness of doing business and the ease of doing business index: They are measuring two different things: EY is looking at potential earnings, whereas ease of doing business is looking at how easy it is. In other words: it is difficult to do business in Africa, but the return on investment expected by investors is high.

Finally, the corruption and the attractiveness indexes are based on perception and not on actual conditions. In most cases there will be no difference between the two measures, but it should be kept in mind that perception can be deceiving.

4.10 Conclusion

As indicated in the entry to this chapter, differences between theory and practice do occur. This has from time to time meant that new theories had to be included, creating an iterative process, where lessons learned were included in the following steps.

The thesis will be with the philosophy of Pragmatism, mainly inductive in its conclusions, using qualitative data from case studies collected through semi-structured interviews. The advantages and challenges of this approach are discussed above.

The path to deciding on method together with the chosen methods’ strength and weaknesses have been described above. In the next chapters these theories will be put into practice.
keeping the considerations made here in mind. In the conclusion in Chapter 6, the methods will be evaluated and linked to the findings in the analysis.

Though the findings cannot automatically be generalised to all Danish companies investing in Africa, the results of the analysis will contribute to the understanding of the challenges and opportunities of Danish companies venturing to Africa.

Writing a thesis about Danish investments in Africa connects with many fields, and some difficult choices had to be made to limit the scope. The most important criteria have been: does it directly relate to answering the research question?
5 Analysis

5.1 Introduction

In previous chapters the analytical framework, the methodology and the background have been presented. These all feed into the analysis in this chapter and draw a picture of what characterises Danish investments in Africa. The analytical framework introduced in the literature review in Chapter 2 will provide the structure, using the OLI-framework as the overarching eclectic theory. In that chapter, the cases presented as background in Chapter 3 will be analysed using the methods described in Chapter 4. Finally, Chapter 6 will conclude with a number of findings that give answers to the research question, what characterises Danish investments in Africa, and also bring recommendations and suggestions for further research.

5.2 Why? Motives for venturing to Africa

Companies have different motives for entering African markets as described by Dunning and explained in the literature review in Chapter 2. In this section, the “why?” of the framework will be examined by looking at four different motives for venturing to Africa. These motives are: market, resources, efficiency and strategic asset seeking. It is important to keep in mind that these motives can be overlapping or might even change over time as new opportunities present themselves, more information becomes available or new lessons are learned.

In the following, motives for entering new markets will be examined looking at market-, resource- and efficiency-seeking motives and a more strategic asset-seeking motive.

5.2.1 Market

Market-seeking motives are, as explained in Chapter 2, when companies go beyond domestic borders in search of new markets. We see that companies in search of new markets look at the current and expected future growth of African markets, and go there to reap the benefits of this development. This is the case for the two cases of this paper, DESMI and EnergiMidt. Details about the two companies and their activities in Africa can be found in Chapter 3.
According to Flemming Kristensen, EnergiMidt recognised that there was an unmet demand for electricity in Uganda, and after being endorsed by a former collaboration partner they entered the market in 2008 (appendix A, page xii). Søren Jegindø explains the motive: “It was profit, but it was also looking into new markets. It was not CSR” (Appendix A, p xvii).

Christian Ingvorsen from DESMI states that, also in their case, the reason for entry was to seek markets, but adds that the possibility of getting financial support from Danida played a central role in the timing and decision to go ahead (Appendix A, p x).

On a more general note, Tine Bork, representing the view of Danish SMEs, states that Danish SMEs are going to Africa “because there could be a market. If not today, then in the longer run” (Appendix A, p xx), but denies that Danida’s programmes are the main argument for going, as the bureaucracy is very heavy (Ibid.) Nicolai Hesdorf is more specific about the markets that companies are going for. He emphasises two volume-driven segments: The emerging less poor, and the bottom of the pyramid that are still very poor but nonetheless entering the economy as consumers. This last group is interesting, not because of their individual purchasing power, which is still of a size that allows them only to buy a single Maggi cube – and not a package, but because they are so large in numbers that the market is profitable. In addition, in the richer of the African countries like Nigeria, there is a growing middleclass with purchasing powers comparable to that of Europeans, though in terms of size, this population is still limited (Appendix A, p i).

So, in this dynamic context that African markets are, it is seen that Danish companies are venturing to Africa in search of markets. DESMI in the niche market for highly specialised pumps, mainly acquired by Government in both West and East Africa, and EnergiMidt in the fast growing market for solar panels and energy consultancy services in Uganda.

Both are partly driven by the current market, partly by expectations of future markets and the related first-mover advantages that will be discussed below as a strategic driver. Entering these new markets now is, for the two specific cases studied, partly driven by possibilities of Danida and other donors’ funding, even though accessing donor funds comes at a high cost in terms of administrative procedures. However, the purpose of this paper is not to evaluate the effect of Danida and other donor agencies on investments, but it is worth keeping in mind that entry might be fuelled or instigated at an earlier time by access to these funds.
5.2.2 Resources

Resource-seeking motives are related to acquiring resources that are not available at home. Resource-seeking can be both natural resources or it can be human resources. It is shaped by PULL factors, where foreign markets are attracting new businesses.

Neither of the two case companies, EnergiMidt and DESMI, has entered African markets for resources. According to Tine Bork, Danish Federation of Small and Medium sized Enterprises, Danish companies might go to Africa for the natural resources, but rarely for the human resources. Because “unlike Asia where a lot is carried by access to cheap labour. That is not the case in Africa. Africa is very little competitive” (Appendix A, p xx). The Global Competitiveness Index supports tine Bork’s view: Not less than 23 of the 30 lowest ranking countries are from Sub-Saharan Africa, whereas only two are from Asia. In total 144 countries are ranked (GCI). In table 3.7 in Chapter 3 the four focus countries ranking can be seen together with the ranking of Denmark.

However, from the background chapter it is seen that natural resources are central to the growth Africa has experienced over the last decades. In particular China has increased its demand for raw material, due to its own growth, and this has driven prices up and hence contributed to the growth of the African economies (EIU, 2012).

5.2.3 Efficiency-Seeking

Dunning defines efficiency as “advantage of the economies of scale and scope and of differences in consumer tastes and supply capabilities” (Dunning, 1993, p.60). I.e. it relates to how a company organises itself to be the most efficient across borders.

Efficiency-seeking is particularly important for small open economies like the Danish because the home market is relatively small and foreign competition is important, so to offset production costs, and benefit from production of scale, going beyond domestic markets is central to survival (Katzenstein, P.J. 1985). This is a PUSH factor where companies are forced to expand beyond national boarders because the home market simply is too small to sustain a competitive advantage faced with international competition.

None of the consulted experts have emphasised this driver as important to Danish companies doing business in Africa. This is most probably linked to the fact that the African markets are
still at an early stage of development and the Danish companies have not yet reached a level of involvement where economies of scale can be gained.

5.2.4 Asset-Seeking

The asset-seeking motive is more strategic and has a knowledge-seeking element: Here companies are looking at the longer term and the largest geographical reach to optimise their global positioning for the future. This is closely linked to first-mover advantages that will be elaborated below.

Both case companies are, at least in part, driven by asset-seeking motives. Christian Ingvorsen explains that “we had been doing business with Africa for a while, and we could see that Grundfos is strongly present,...” (Appendix A, p viii), so in order not to loose out to one of the main competitors and because they could put experiences gained in Africa into play, DESMI decided to enter the African market and opened up offices in Dar es Salaam, Tanzania.

Further, Christian Ingvorsen recognises that there is a need for long term presence because the Tanzanians all too often have experienced foreigners being there for short term gains, have left after a very short period, so now they want to make sure that the investors are committed before they themselves commit (Ibid.). So, even if DESMI is not a first-mover, they still recognise the need to strategically build trust with locals to be able to bring in business.

Looking at how doing business is perceived by some investors, Søren Jegindø identifies asset-seeking motives as important but as potentially conflictual in relation to a Ugandan partner because of conflicting interest regarding short-term and long-term objectives. “In general there are a lot of differences between the expectations of the involved partners. The Ugandan partner will often look at what is in it for me? What can I get on the short term?” And the Danish partner is looking at the longer-term involvement” (Appendix A p xvi). He continues: “For a Danish company, when you make an investment, what you are looking at is that you open up a new market and it might not be in the short run and you are fully aware that it is not in the short term that you will benefit from it” (Ibid.). Without entering into an assessment of the validity of these statements, it is relevant to note that this is how, at least some, potential investors see Africa, and that perception alone can negatively impact investments.
Nicolai Hestrup points out on a general note that what characterises successful investments is that “It is an important premis to start out with a longer perspective, and to approach the task with a strategic and financial business strategy” (Appendix A p ii). He uses the Chinese SOEs as examples of how long term asset-seeking can be extremely powerful: In Ghana Chinese companies hired Chinese labourers and built a road from the border between Ghana and Togo to the capital, Accra. As the Ghanaian government cannot pay for this with cash, they are compensating in equity and future natural resources, giving the Chinese investors great power over Ghanaian national assets. Another example from Tanzania, in a smaller scale, is the leasing of cheap Chinese motorcycles to Tanzanians who at the moment cannot afford to buy a motorcycle. But by establishing a leasing business, they create a dependency that can be capitalised in the longer run (Appendix A p v).

So, the five consulted experts agree that asset-seeking is relevant, and that looking at the longer term is essential when working in African markets, both to build trust and gain knowledge and to build a market position to be ready for future market demand. But they also agree that this long time horizon can collide with the African, or at least Ugandan, partners’ wish to go for the short-term gains.

Asset-seeking can even be lifted to a geo-political level as was the case with the Chinese example of investing in Ghanaian infrastructure in exchange for long term access to natural resources. This is, however interesting it might be, beyond the scope of this paper.

5.2.5 Concluding on the Motives

It is seen that market-seeking and strategic investment are important for the two cases that form the basis for this thesis. These two drivers, together with natural resources, are confirmed by the two experts to be important to Danish companies investing in Africa, whereas few are entering to access the human resources. Strategic investments are, not surprisingly, also important because African economies, as is shown in the background chapter, are expected to continue to grow in both population size and economically, and businesses therefore want to be well positioned to meet the expected future demand and benefit from the associated first-mover advantages. This issue of first-mover advantages will be discussed further under the I-advantages.
5.3 The “O”: Uppsala, KBV or RBV – overcoming liability of foreignness

Now turning to the OLI framework. The ownership-advantage treats the question “does ownership give the company a competitive advantage?”. These advantages will in the following be explained using the path-dependency theories of the Uppsala scholars, and by the knowledge and resource-based views. There are overlaps in the understanding gained from the examining the O-advantages and the I-advantages; here the approach will be that Uppsala and KBV/RBV explain the creation of O-advantages i.e. the path from “should not” to “should” invest.

5.3.1 Uppsala

Using the underpinning idea of the Uppsala scholars that market entry is done after gaining knowledge dynamically in steps, the act of expanding from home market to similar markets is here enlarged to include paths from little involvement incrementally towards closer ties. The Uppsala scholars’ thinking revolves around liability of foreignness, which is born out of the lack of reliable information. To overcome the liability of foreignness it is thought that the company must be present to obtain knowledge and experiences of its own.

This gradual approach is by Nicolai Hesdorf expressed as “start small - think big. Get started, get some experience before accelerating” (Appendix A, p iii) and he brings forward an example of a Danish company wanting to invest in Nigeria setting up a production plant sourcing from local suppliers. However, the current knowledge about the local situation is insufficient to make such a large investment. Therefore, a small sales office has been set up before, in a few years’ time, starting up large-scale production with input from local coffee producers and farmers. I.e. the small sales office is set up with the long-term objective of getting an insight into the market of the raw materials that are to be used in the production later. Further, the small sales office will allow for generation of network and credibility, both assets that can benefit the company in the longer run. So, though owning production facilities is not profitable today with the current liability of foreignness, it is expected to become so in the future where “foreignness” is reduced.
Another approach is to overcome liability of foreignness by learning about the location whilst acting on the market through agents. This approach is used by DESMI. Christian Ingvorsen explains how the use of agents is the first step towards closer ties. “And then you continue down that road: Connections, network. That is what it is about in Africa. To get in” (Appendix A, p viii), and continues "An external agent is the low cost easy way to get started, but once you reach a higher level, you want to go in yourself, because then there is no filter in regard to information” (Appendix A, p x).

An alternative way of overcoming the liability of foreignness and leapfrog incremental steps, is to make use of one of Danida’s business programmes. As described in the background chapter above, these programmes have changed over the years, but what they all have in common is that they are setting out to help Danish companies overcome liability of foreignness by sharing local knowledge and networks gained at the embassy or local chamber of commerce. Of the two cases examined, only EnergiMidt has benefitted from one of Danida’s programmes (Annex A, p xiv).

Textbox 1. NGOs and liability of foreignness

A curious example of an alternative way of overcoming liability of foreignness: Pro-bono overcoming liability of foreignness: Offering pro-bono advice for local NGOs in exchange for information about local markets. “Actually, some of our best sources of triangulation are some of the NGOs. In Accenture, we have a partnership where we let our consultants participate in projects around the world pro-bono, and now, we have really good relations with several NGOs around the world. Every once in a while, we make use of this and ask them “Ok, so try and tell us about consumer behaviour here. Let us know about what you see. Try to look at some of the assumptions we have drawn up on market development – What do you think? Because there are, typically, people working in these NGOs who have been down there for years and have integrated at a completely different level than we can normally do. So as an alternative data input it can make real good sense – even if NGOs often display reluctance in regard to the commercial aspect.”

(Nicolai Hesdorf, Appendix A, p iii)
DESMI were in the process of applying when the programme they were applying for was shut down (Annex A, p xi).

According to Tine Bork, going to Africa does not happen on its own: No SME wakes up one morning and decides to go to Africa (Appendix A, p xxvi). Here, Danida can be the trigger to make that happen. However, working with Danida is too often too burdensome for the SMEs as Danida requires an exceptional high degree of documentation and it becomes too much paperwork for small companies to deal with (Ibid).

These examples show that overcoming liability of foreignness is important, and that there are alternative paths to doing so. The knowledge-based view and the resource-based view lined out in the literature review will be used in the following to dig a level deeper into understanding what liability of foreignness (LoF) is and why it is so difficult to deal with.

5.3.2 Knowledge-Based View and Resource-Based View

In the above, LoF has been discussed without entering into details about of what it really is. In the following, LoF will be dissected using knowledge and resource-based views to understand how it practically occurs and its connection to a company's performance.

Taking the point of departure from Penrose’s (1959) explanation of performance as a function of companies’ ability to utilise resources, and coupling that with Barney’s tangible and intangible assets and the definition of assets, as VRIO1, it can be concluded that overcoming LoF is an intangible asset.

From the experts interviews it is found that LoF can be found at different levels:

Nicolai Hesdorf says, "What characterises those who do well, is that they find out for themselves what is going on. You can’t just go to Gallup and draw market research that will explain what is going on. Well, you can, but it is nonsense since it will typically cover only 5-10% of the real market. Therefore, traditional market research is not useful in Africa. You have to have people on the ground that help you with the triangulation to understand what is going on”.

This illustrates that insufficient access to knowledge about markets can be a LoF.

1 “Valuable, rare, in-imitable and exploited by the organization” (Barney 1991).
Søren Jegindø explains that in his current job as CEO of a large Danish investment, he is using a lawyer to help him find his way around the local bureaucracy (appendix A p xvi). It is simply too time consuming for him to deal with it, because he does not know how it functions. 

**insufficient knowledge of the unwritten rules can be a LoF.**

Christian Ingvorsen gives a different example “you have to be there for a while, because they (the African companies) have all too often experienced Mr. Smarty Pants from Copenhagen, that comes and expects to do business in three months. That doesn’t happen, and then he is gone again. They want to have a good sense of whether the investors are in it for real. Is it serious? Or are they gone again in six months?” (Appendix A, p viii). This shows that building up credibility over time is an important precondition to doing business and that **lack of credibility can be a LoF.**

Another example of LoF is related to networks, and what the later scholars of Uppsala refer to as liability of outsidership (Johanson, J. and J.E. Vahlne, 2009). Here Christian Ingvorsen explains “There are relatively few people in each country that are doing business in a larger scale. And these few people know each other really well.” And continues, “Sometimes it is just a question of getting inside that circle”. So, a **lack of network can be a LoF.**

These four examples of what constitutes LoF do not complete the picture but serve well to illustrate that owning knowledge of local markets and the unwritten rules of the game together with a good reputation and a solid network are assets that affect a company’s performance positively. How these assets are accessed will be discussed under the I-advantages below.

**5.3.3 Concluding on the “O”**

From the cases and the consulted experts, it is seen that ownership advantages are closely linked to overcoming liability of foreignness, which can be linked to acquiring intangible assets like knowledge, networks and credibility. It is also seen that companies are pursuing dynamic strategies to overcome liability of foreignness either by starting out small or by using agents or other arms-length involvement in the earlier stages.

O-advantages can become I-advantages over time (as explained in Chapter 2), which is here explained by KBV and in particular how being a first-mover can become a distinct competitive advantage. This will be discussed below when analysing I-advantages.
5.4 The “L”: Disadvantages in Emerging Markets

Turning towards the Location advantages, it is well documented in the background chapter that the African continent has an immense existing and future potential as markets, and that raw materials found in the ground are attractive and weighty reasons for companies to invest in the area. This is already happening and has been an important driver to the economic growth seen. Undoubtedly, this is of great importance to the African economies and populations but will not be the centre of the discussion of L-advantages. What will get the attention here are the location DISadvantages, or the challenges particular to the emerging markets of Africa. Under the L headline, the institutional perspective will be used to understand how corruption, institutional voids, unskilled labour and poor infrastructure affect companies investing in Africa and how the Danish companies deal with these challenges. The motivation for choosing these four is described in the methodology chapter.

5.4.1 Corruption

According to Transparency International Africa is the most corrupt continent in the world and the four focus countries are no exception, ranking 61 (Ghana), 119 (Tanzania), 136 (Nigeria) and 142 (Uganda) (www.transparency.org).

The interviewed experts share this experience. “Corruption is an enormous challenge in Africa” (Appendix A p xxi) states Tine Bork, and elaborates, “Corruption can be many things. It can be anything from bribing government officials to getting some special privileges, to being stopped on the road again and again because you have been “speeding”, or paying to get your goods through customs” (Ibid.). In Uganda, Søren Jegindø explains that “for public contracts it is probably about 99%. If you don’t give a commission then they don’t look at the contract. And for licence to operate it is the same. They might give it to you in the end, but then you have to be very persistent. If you want it within a reasonable time, because you need it to operate your business then clearly you will have to pay money to get it” (Appendix A, p xvii).

Flemming Kristensen is more specific “It IS a challenge for us. For some bids we were actually the best, but nonetheless have still not won the contract” (Appendix A, p xiv). However, he continues, “if there is something we don’t do, it is brown envelopes” (Ibid.). And the rest of the interviewed experts are in accordance with him, partly because it is illegal, partly because it is a costly path to choose: “When you have started, then others hear about it, …” (Appendix A p xxi), explains Tine Bork.
So, what do Danish companies do when the choice presented to them is between paying corruption or not getting the licence to operate, the contract, the goods through customs, or equivalent? According to Tine Bork, Danida offers the simple though little helpful advice “Don’t pay!”, so companies are left to fend for themselves (Appendix A p xxii). One company director found an effective way of going about it. He accepted to pay bribes every time he was asked. All he asked for in return was a receipt. He never paid anything (Appendix A p xxi). It is difficult to imagine this working out for everyone and in the long run, so companies are pursuing another strategy: the use of local partners. Søren Jegindø explains that in his current position: “We have a lawyer. I don’t know what the lawyer is paying. I can imagine where they can draw on a network and not pay. But my guess is that when they want something to be expedited then they are also paying” (appendix A p xvii). A similar situation is seen in Konserve Consult, as Flemming Kristensen from EnergiMidt explains “it was Abdalla’s task to clear the track and we keep an eye on him in regards to how he does it. But that is a reason for us to team up with a local business. Then we were not supposed to have that problem” (Appendix A p xiv).

The benefits to the Danish company of these local partners are seen as twofold: Firstly, it guides the Danish company regarding what is necessary i.e. overcoming the liability of foreignness associated with not knowing the local unwritten rules, and secondly, it puts distance between the Danish company and the dirty work of corruption. This last benefit is evidently moving on to shaky ground, as it contributes to keeping corruption alive instead of fighting it.

From the background chapter and from the interviews it is seen that corruption is huge obstacle, and the responses are neither easy nor straightforward. Companies venturing to Africa must therefore be very clear in their strategies on how they want to deal with this issue, in particular on whether they want to follow the “don’t ask, don’t tell” approach that seems so common.

5.4.2 Institutional void

In this section the deficient formal institutions will be discussed with a view to understanding how institutional voids is a challenge to Danish companies investing in Africa. Institutional voids cover a broad range of inefficiencies and lack of competences in the formal institutions that protect investors from everything from opportunistic behaviour to fraud in more
developed markets. From the background chapter it is seen that all countries but Ghana are ranked in the lowest half of the list. Institutional voids pose a challenge at two levels for the company: Firstly, the actual consequences of voids, e.g. long processing time for permits. Secondly, the inability to deal with the voids due to liability of foreignness, something that local competitors do not have.

Tine Bork brings forward two areas as particularly challenging for Danish companies investing in African markets: The first is in regard to property rights. “if they (the Danish companies) are going in to make a joint venture or buying land or buildings, then it can be really difficult to figure out who owns it. It can be really muddy!” (Appendix A p xxii).

The other challenging area is the juridical system. When Danish companies are making binding commitments and the agreements relating to it are broken, then “Will the court do anything about it? Can you expect a fair trial? Will it take 10 years?” (Ibid.). So the whole question of how to secure the investment is extremely challenging in particular in situations where the Danish investor has tied up important funds and therefore cannot easily pull out.

The Danish Federation of SMEs that Tine Bork is representing, consequently advises its members to seek local legal counselling from reputable lawyers and accountants, and to make use of the local Danish embassy, because the Federation is unable to help due to the large diversification in local African laws and practices (Appendix A p xxii).

A further example of institutional voids is ineffective official structures. This can be illustrated by an example from Uganda, where Flemming Kristensen explains how EnergiMidt through Konserve Consult had been trying to engage in cooperation with the national energy company but waited for several years to get a response. When the Ugandan Energy Authorities finally did put the project out for open bidding and Konserve Consult succeeded in being part of the group invited to bid, they were met with unrealistic prices, so involvement in the project was dropped. “It is not easy” (Appendix A p xv), concludes Flemming Kristensen.

In a setting dominated by institutional voids companies are faced with increased risk of losing their investments and must therefore develop strategies to deal with these voids. As institutional voids embrace a variety of challenges and each country and region has its own specific, there is no general response to these challenges.
5.4.3 Unskilled labour

The third location disadvantage that will be examined in this paper is unskilled labour.

Tine Bork considers this to be one of the main hurdles for Danish SMEs doing business in Africa. “Productivity is too low and the competences are not good enough” (Appendix A p xxiv). So even if there is a PUSH to go out and beyond the borders of Denmark, the African markets are not competitive and lose out to the PULL from Asian markets.

Tine Bork explains the reason for the competence gap: Those who have the means go to university, those who cannot afford this remain unschooled. There are only very few vocational training facilities, and those that do exist are often not very good due to old equipment, few resources and lacking connection with the business community, so they know very little about what is needed. (Appendix A p xxv). Instead, the young are paying to become apprentices with an experienced craftsman, but this does not secure qualification as the experienced craftsmen are often uneducated and often just use the apprentices as cheap labour without securing a proper training. (Ibid.)

A further aspect of the unskilled labour problem brought forward from Uganda is the lack of dedication to the company. This will be discussed in more detail below when looking at whether to compete alone or acquire capabilities. Søren Jegindø describes the lack of dedication to the company by looking at the institutional setting “There are not social benefits, so what happens if I lose my job. So you always keep something on the side and all opportunities open” (Appendix xviii). And he concludes, “Ugandans are not lazy. It is more that they are running their own thing on the side” (Appendix A p xix).

So, unskilled labour can be divided into two segments: On the one hand, a lack of skills, which is brought forward by Stine Bork representing the interests of Danish SMEs and supported by data from GCI. On the other hand, a lack of commitment from employees as brought forward by Søren Jegindø. Here, little supporting literature was found, and this issue could be a topic for future research.

5.4.4 Poor infrastructure

Finally, turning towards the poor infrastructure that characterises many African economies, it is seen in the background chapter that the four focus countries all score the lowest on this
pillar of competitiveness (www.gci.org). This has implications for the Danish investments in different ways.

On a general note, Tine Bork explains that the infrastructure needed depends on the sector. But a crosscutting problem for all sectors is the electricity production. There are frequent power-cuts and, as a consequence, everything stops. This affects everyone – national and international businesses and is a major challenge (Appendix A p xxiv).

Further, the IT and communication systems are also challenged. Often the IT systems are interrupted, either because of power cuts or because hardware is out of date or ill maintained. Very few areas have high-speed Internet installed, which means that communication is difficult, negatively effecting the communication and cooperation with partners (Ibid.).

Moreover, roads and other means of transportation are less developed than in Europe, and this causes loss of time when transporting goods and, as a consequence, financial losses. In particular the food industry is hard hit as food wastes quickly – especially under the African sun. One pragmatic approach to solving the problems of insufficient roads is seen with the school example of West African Fish in Ghana where the company has built roads and installed an electricity grid because the Ghanaian government did not deliver in spite of what they had promised (Ibid.). The possibility of changing the setting will be discussed below under l.

A pragmatic approach to reducing the problems of infrastructure is to locate in or near bigger cities where the infrastructure is the best (Ibid.).

Background data presented in Chapter 3 together with the examples given by Tine Bork supports the view that poor infrastructure is a challenge to Danish companies investing in Africa and indicates that taking this challenge into account when preparing a strategy for investment is important. The solution can be found in one of two directions: Either accept it and adjust your strategy to the circumstances, or change the setting and to make your own. The latter option is costly and therefore requires a long-term commitment.

5.4.5 Concluding on the “L”

From the above analysis of the four location disadvantages it is clearly seen that operating on the African continent presents a number of important challenges that must be addressed in a
company’s strategy. It must be stressed that each location presents its own challenges and the responses to these challenges should consequently be adapted to each specific location.

Finding ways to deal with these challenges can then become a competitive advantage, as other companies might not hold the same capabilities. I.e. location-disadvantages can become an O-advantage if the company is using the right strategy. How that can be done, will be examined next.

5.5 The “I”: Dealing disadvantages in the entry mode

In this final of the three parts that constitute the OLI framework, the Internalisation advantages put forward by the interviewed experts will be analysed. Here the focus is on how a company should enter new African markets given the challenges of the L and the advantages of the O. Khanna and Palepu's model presented in the literature review in Chapter 2 will constitute the platform for the analysis of the I-advantages. They present a model where a company, in order to formulate an entry strategy, must respond to four questions, namely, should it replicate or adapt its business model? Should it compete alone or collaborate with local companies? Should it accept the current market context or should it attempt to change it? And finally, should the company enter now, wait or even exit?

5.5.1 Replicate or adapt?

An example was given earlier, of how maggi-cubes are sold individually instead of in packages of ten or more, as we know from our own kitchens. This is one example of ways companies adapt their strategies by adapting their products to local preferences or purchasing power.

This is the case for all companies entering new markets. They must firstly decide either to replicate their home strategy or to adapt business models to the new environment. On this issue the experts agree: Søren Jegindø says, “It is not easy. If you are a businessman back in DK and you have made some money and you think you can take your business to Uganda and do the same thing. But it is a different business environment here.” A view that is shared with Nicolai Hesdorf who expands to include the inter-African differences stating that "It starts out with an understanding that there is a world of difference between north and south, between east and west” (Appendix A p ii) lending support to Khanna and Palepu who, as described in the literature review Chapter 2, underline the importance of being very specific on unique
composition of institutional voids in each location. Nicolai Hesdorf’s example above of the maggi-cube sold by the unit and not in packages illustrates well that adaptation of a product can have an important impact on its success (Appendix A p i).

So adapting business models and product to local circumstances is viewed as essential because the differences are so immense that just replicating home strategies would, in most cases, not be successful. Also, it is worth noting that simply making ONE strategy for the whole African market would be a mistake as inter-African differences are significant.

5.5.2 Compete alone or acquire capabilities?
A company entering African markets has further to decide whether to compete alone or obtain local capacities through a joint venture or acquisition. Two opposite directed forces are at play here. On the one hand, acquiring local capabilities will give the business access to knowledge about local markets and networks, as discussed above, in order to overcome liability of foreignness. On the other hand, close involvement with a local partner presents a challenge due to the asymmetry in involvement: Typically, the Danish company is bringing in the finances and so therefore running the financial risk (Appendix A p xxiii). “The Danish Company is the one with the hand on the stove” (Ibid.). Whereas the local partner is faced with a different scenario as Søren Jegindø explains “If you have a job, then you also have something on the side and you try to earn a little extra on that”. (Appendix A p xvii) And further, “If you have a sales director that is trying to sell something else. Or even get commission from somebody else” (Appendix A p xvi) then a partnership with a local Ugandan partner can turn out to be a poor investment for the Danish company.

Flemming Kristensen is concrete on the challenge EnergiMidt faces in Uganda: “Goods that are sent down are being sold without any money coming in” (Appendix A p xiii) and “Well, it is family they hire, and it...Really, there are problems all the time” (Ibid.). And continues “We could have controlled it more if we had bought or set up our own business down there and then hired in people to work with someone like Søren and then just bought the services from Konserve Consult” (Ibid.). Based on this he concludes: “Had we used a different model, then we would have had a really good business” (Ibid.). At the time the decision was made to get involved with Konserve Consult the idea was that their part ownership would give the necessary commitment and on EnergiMidt’s side it was a wish to go in full-hearted, so that both partners would benefit. EnergiMidt was willing to share its specific technical knowledge
with their local partner in exchange for knowledge about the local conditions (Ibid.). However “in the bright light of hindsight, that was not the model we would have chosen” (Ibid.).

Sometimes external factors are deciding over the matter: This is the case for Danish companies taking part in one of Danida’s partnership programmes. Here, the project must be carried out with a local partner.

Tine Bork explains, “If it is a collaboration with Danida, then it will always be a partnership. The model (of partnership) will depend on the sector. In the initial phase there will be some distance between the parties – it could well be trading. Joint ventures would not be the initial approach. There are too many risks involved in joint ventures” (Appendix 2 p xx). She continues and puts a question mark on whether investment is necessary, or whether trade will give just as good a result without the risks that are associated with setting up joint ventures or acquiring local businesses.

Accordingly, if the form of partnership is not already given by involvement of a donor, deciding on whether to compete alone or acquire local capabilities is a balancing of two challenges: On one hand the liability of foreignness in regard to the local settings, and on the other hand the risk of opportunistic behaviour by the local partner.

5.5.3 Accept or change market

Except for extremely large companies, changing the game of the market is not normally an option. One notable and interesting player that does set out to change the market is China, through its state-owned enterprises (SOE). Here long-term access to natural resources is a national interest and becomes a geopolitical issue. Though this is an interesting issue with important implications, it goes beyond the scope of this paper to elaborate further on this.

For Danish companies investing in Africa there is one area where market entrants can and sometimes do change the setting: The poor infrastructure discussed as one of the four locational disadvantages, can be handled this way. In the example brought by Tine Bork, we learned about West African Fish and how they have built the infrastructure necessary for them to operate in Ghana. These are large-scale investments and they only become interesting if the investor has a lasting interest in the country. Curiously, companies acting in this way, can often, together with the benefit of the infrastructure, harvest goodwill in its home country for philanthropy.
It is thus seen that companies take on the role of the state in response to poor infrastructure and provides or upgrades it.

5.5.4 Enter/wait/Exit as response to challenges

The last dimension examined here relates to the timing. Given the challenges and opportunities a company face, should it enter, wait or exit the market? Above it was seen that companies are driven by both the existing markets and resources, and by the prospects of future markets and resources.

Early entry gives certain specific advantages referred to as first-mover advantages (Luo, 2007). This could for example be getting the best location, establishing a brand or, as Christian Ingvorsen points out, getting the best relation to a good agent (Appendix A p vii). Inversely, there are advantages to waiting. Christian Ingvorsen explains the situation of DESMI: "We are not first-movers. We wait and see which way the winds blow, and then we try and see if we can do it just as well. Preferably better than our competitors. But then we have to accept that the agents are representing our competitors too" (Appendix A p viii). Weighing off the pros and cons, DESMI finds that being a follower rather than a first-mover is the best strategy for them: Here they can learn from the industry leader and enter when markets have matured.

A pragmatic argument for moving early is to gain experience in order to be ready for the competition at a later stage. Flemming Kristensen says "We would not have done it this way, and put so much effort into controlling the finances, if we had known back then what we know today" (Appendix A p xiii). Having made mistakes and learned from them makes EnergiMidt better equipped to deal with business in Uganda today. A related argument is that the institutional voids resulting in a long processing time to gain the right to operate, means that companies should get an early start to be able to compete with local businesses already possessing this right.

Having already entered and found that things do not go as planned, the venturing company must decide whether to stay or to exit the market. EnergiMidt considered pulling out when profits kept failing, but decided on staying for strategic purposes of learning and the possibility of future profit of the current investment. Flemming Kristensen says, “It had to be tried out. Is it the right time? Is it too soon? And since we have not pulled out we are still
hoping” (Appendix A p xv). “But we are not too optimistic as things are looking now, I don’t know if we will stay” and “we are not throwing a lot of money down there. That’s for sure” (Appendix A p xiv). This example shows clearly the dynamic nature of decision-making. At the outset, EnergiMidt were looking for profit on the shorter run, but have later had to adjust this to be looking at gaining knowledge in the short term which can then be turned into profit in the longer run. It is also in tune with the Uppsala scholar’s thinking that accumulation of knowledge is an investment for the future, i.e. O-advantages is something that is builds over time.

The final example is from the textile industry. Here it was found that the current status did not carry a profit and expectations of this being possible in the future and the related first or early mover advantages were not important enough to offset the failing current profit.

To make a decision on whether to enter a market or not, the Danish textile industry has made small-scale co-operations in Kenya. Based on their findings here they have decided not to enter, at least not at present.

The Danish textile industry which is mainly sourcing its sewing services from Asia today, has tried sending small orders to Kenya to evaluate its competitiveness. The purpose of looking at African markets is partly driven by shorter transport distance to European markets, partly by the problematic stigma attached to buying clothes from Asian sweatshops in the wake of the disaster at Rana Plaza. A fact finding mission found that Kenya was not interesting today as productivity was too low due to both relatively high wages and low output, and at the same time the quality in the production was too poor, so at current time the industry is waiting and not moving its production to Africa (Appendix A p xxiv).

5.5.5 Concluding on the “I”

These are examples that show that a large number of factors decide whether a company should enter, wait or exit. It is seen that each company and each case has its own specific considerations behind the decision to enter, wait or exit.

It is also seen that the decions made are not solely based on the expected current earnings, but also reflect considerations about expected future earnings. Also, the element of acquired knowledge plays an important role, when companies evaluate their strategies. Here it is seen that knowledge about how to navigate in the foreign market is seen as an asset for future
earnings which, makes companies pursue strategies to obtain this knowledge as first-movers, or at least early-movers.

5.6 Findings and implications

In this chapter the analytical framework from Chapter 2, the background knowledge from Chapter 3 and the methodology from Chapter 4 have been brought together to answer the research question, what characterises Danish investments in Africa? The result of the analysis is presented in the next and final chapter together with an evaluation of the process and the methods used.
6 Conclusion

6.1 Introduction
Some 80 pages ago we set out on a journey to answer the research question What characterises Danish investment in Africa? In this, the last chapter, the conclusions of previous chapters will be brought together and answer the research question. But prior to that, the results will be discussed, and the strength and weaknesses of the theories and methods chosen will be evaluated.

6.2 A Tripod
In Chapter 2 the analytical framework was coined setting out to identify motives for venturing to Africa, and completing Dunning’s OLI with theories from International Business and Emerging Market literatures. To complete the “O” the Uppsala scholar’s path dependency and the knowledge and the resource-based view from the International Business literature were utilised. To complete the “L”, Emerging Market literature was introduced taking an institutional perspective and finally, to complete the “I” Khanna and Palepu’s model was used to uncover how a company should enter a market.

After determining the framework for the analysis. Information relevant to the areas covered by the analytical framework was presented in Chapter 3 to form a background and a setting for the analysis. Here the differences in the environment that meets the Danish companies was made evident from the indexes on competitiveness, attractiveness and corruption.

The last leg of the tripod that carries the analysis is the methodology and the cases. These were all presented and discussed in Chapter 4. With a view to focus on mechanism and dynamics in answering the research question, the methodology was build on the philosophy of Pragmatism, mainly inductive in its conclusions, and using qualitative data from case studies collected through semi-structured interviews.

These three chapters have been written as part of an iterative process where theory and new information in one area led to new areas to be explored in another. The three chapters are therefore closely related and can be read in any order.
6.3 Discussion

With these three pillars in place the analysis found that:

6.3.1 Motives

Using Dunning’s framework as a point of departure to understand the processes and dynamics of Danish investments in Africa it is seen that market seeking and strategic investment are important for the two cases that form the basis for this thesis. Further, these two drivers are, together with natural resources, confirmed by the two experts to be important for Danish companies investing in Africa, whereas few Danish companies are entering African markets to access the human resources. The issue of human resources are confirmed when looking at the location disadvantages, where unskilled and undedicated labour is seen as an important challenge. Further research into why African labour is not attractive could be interesting, in particular looking into the relationship between productivity and wages.

Strategic investments are also important for Danish companies. Understandable, as the African economies are expected to continue to grow, and businesses want to be well positioned to meet future demand and benefit from first-mover advantages.

Dunning’s model is well designed to embrace both current and future profit and feeds well into the OLI framework that follows. The analysis could have been weakened because the cases used do not cover resource seeking. This is however, complemented by the two experts who both have experience from advising resources seeking companies. Also, the challenges met by resource-seeking companies do not differ from that of the market seeking, so has little influence on the analysis’ result.

Entering the OLI framework

6.3.2 O-Advantages

Turning to the O-advantages, it is seen that ownership advantages are closely linked to overcoming liability of foreignness. It is also seen that companies are pursuing dynamic strategies to overcome liability of foreignness either by starting out small or by using agents or other arms-length involvement in the earlier stages. The Uppsala model’s focus on the incremental advances coupled with the RBV/KBV captures the dynamics well.
6.3.3 L-Disadvantages

To include the challenges specific to emerging markets, the L-advantages of the OLI-framework have been replaced with L-disadvantages. Here a number of conclusions can be drawn.

Regarding corruption: From the background chapter it is seen that Africa is the most corrupt continent and from the interviews it is understood that the responses are neither easy nor straightforward. Companies venturing to Africa must therefore be very clear in their strategies on how they want to deal with this issue, in particular on whether they want to follow the “don’t ask, don’t tell” approach by hiring an agent or a lawyer to deal with the local authorities.

Regarding institutional voids: Institutional voids cover a broad range of inefficiencies and lack of competences in the formal institutions that in more developed markets protect investors from everything from opportunistic behaviour to fraud. As institutional voids embrace a variety of challenges and each country and region has its own specific, and there is no general response to these challenges.

Regarding unskilled labour: Unskilled labour can be divided into two segments: On one hand lacking skills, which is brought forward by Stine Bork representing the interests of Danish SMEs and supported by data from GCI. On the other hand lacking commitment from employees as brought forward by Søren Jegindø. On this issue no useful literature was found, and this issue could be a topic for future research.

Finally, turning towards the poor infrastructure that characterises many African economies, it is seen in the background chapter that the four focus countries all score the lowest on this pillar of competitiveness (table 3.6). This has implications for the Danish investments in different ways. The solution can be found in one of two directions: Either accept the poor infrastructure as it is and adjust to the circumstances. Or upgrade the infrastructure at the expense of the company. The latter option is costly and therefore requires a long-term commitment. Also, the investor runs the risk that competitors would benefit from the investment. The argument applies to both infrastructure and education.
Overcoming these four challenges become a competitive advantage, when other companies do not hold the same capabilities. I.e. location disadvantages can with the right strategy be turned into an O-advantage.

It was useful to look at disadvantages rather than advantages and including emerging market theories made the framework suitable for analysing emerging markets. Simply looking at the location advantages, of which there are plenty, would not fully grasp the dynamisms that these challenges create.

The use of semi-structured interviews proved useful here: There could be a tendency to avoid talking about challenges, or underestimate their importance. Also, in regard to the delicate question of how to handle corruption did the semi-structured interviews proof their worth, and all the interviewees explained openly about how they approach the issue. This might not have been the case, had the interview been replaced by a questionnaire.

6.3.4  I-Advantages
Finally looking at the I-advantages,

6.3.4.1  Replicate or adapt
Adapting business models and products to local circumstances is viewed as essential because differences in markets are so important that just replicating home strategies would in most cases not be successful. Also, it is worth noting that simply making ONE strategy for all African markets would be a mistake as inter-African differences are significant. On this point all the consulted experts agreed.

6.3.4.2  Alone or collaborate
Accordingly, if the form of partnership is not already given by involvement of a donor, deciding on whether to compete alone or acquire local capabilities is a balancing of two challenges presented in 6.3.3: On one hand the liability of foreignness in regard to the local settings, and on the other hand the risk of opportunistic behaviour by the local partner.

6.3.4.3  Accept or change context
It is seen above that companies in response to poor infrastructure, take on the role of the state and provides or upgrades them.
6.3.4.4 Enter / wait / exit

Here the picture becomes more complex, and what is retained is that a large number of factors decide whether a company should enter, wait or exit. It is seen that each company and each case has its own specific considerations behind the decision to enter, wait or exit.

It is also seen that the decisions made are not solely based on the expected current earnings, but also expected future earnings. Again, the element of acquired knowledge plays an important role, when companies evaluate their strategies. Here it is seen that knowledge about how to navigate in the foreign market is seen as an asset, and hence make companies pursue strategies to obtain this knowledge as first-movers, or at least early-movers.

In all, the analysis provides the conclusions to answer the research question below. Caution should be taken when generalising the findings, though it is likely to be applicable to Danish companies and companies coming from similar background to the Danish (small open economy).

The conclusion will be a piece in a large puzzle. And brings us one step closer to finding a model describing Danish investments in Africa.

6.4 Answering the Research Question

What characterises Danish investments in Africa?

Danish companies investing in Africa are characterised by an interest in strategic asset seeking. They are looking for markets and for natural resources, but not for human resources. Danish companies are trying to lose their liability of foreignness by recruiting agents and building networks to tap into their knowledge and networks, and by learning how to navigate in the local setting. This is particularly prevalent when it comes to corruption, which is a no-go, and when dealing with institutional voids. Some Danish companies are responding to the poor infrastructure and unskilled labour by building and training their own. As differences across the continent are important, Danish companies adapt to each specific location. Though the findings cannot automatically be generalised to all Danish companies investing in Africa,
the results of the analysis will contribute to the understanding of the challenges and opportunities a Danish company venturing to Africa.

6.5 Further research

Answering one question often raises new. And here is no exception. Two important challenges are still to be tackled to support Africa in utilising its potential, and needs attention in the future:

Firstly, under which conditions does FDI lead to development? What are the pitfalls? Where are the good stories? What can the host countries do? What should the home country and the international community do? Can races to the to replaces races to the bottom? Can the resource curse become a blessing?

And secondly, why are African economies challenged by low productivity? How does employees own businesses on the side affect their commitment in regard to foreign investors? How can Africa become competitive, and preferably in the sectors that create development?

Answering these two (groups of) questions would provide valuable insight to support Africa in their struggle for development and fight against poverty.


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APPENDIX A – Interviews

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For the ease of reading, quotes have been highlighted.

Nicolai Hesdorf, Accenture
Date: Wednesday December 3, 2014
Present at interview: Nicolai Hesdorf, Mette Ravn
Location: Accenture’s offices, Ørestaden, Denmark

Intro af mig.
Intro af mit speciale.

NH: Det vi taler om er to store volumendrevne segmenter: Det er emerging less poor og så er det dem der for første gang bliver løftet ud af fattigdommen, men som stadig er lud fattige, men bliver forbrugere for første gang - de har for første gang noget der kan karakteriseres som et forbrug, som man som virksomhed kan kapitalisere på. Det er ikke forbrugere i gængs vestlig forstand, for det indebærer at man kan købe fx en maggie suppeterning, hvor man før, ikke købte noget som helst. De segmenter er store.
Så er der også noget som man i nogle af landene, sådan et sted som Nigeria, kan kalde en middelklasse. Men som i sheer numbers ikke er kæmpestor.

Interviewer Det jeg kigger på er i første omgang dem i den voksende middelklasse som begynder at få råd til fx at gå på baresso - for at tage det som eksempel, og hvor det begynder at kunne bære et marked for danske virksomheder som fx Pandora i Nigeria - det er sådan noget jeg synes er interessant at kigge på. Jeg tror, det andet er også en mulighed, og det kan være jeg bevæger mig over og kigger på nogle af dem, men i udgangspunktet så et det den anden gruppe.

NH: Jeg tror faktisk ikke det er uvæsentligt at se på den fattigste gruppe når vi taler om forbruger virksomheder: Retail consumer goods. Så kan man sige at de her bottom of the pyramid segments, det er et segment som representere et meget meget interessant både nuværende og udviklingspotentielt marked. Og det er dem som har succes i Afrika. Og dem som har succes i Afrika er dem som får bygget nogle brands og nogle positioner, som ikke nødvendigvis for nærværende udgør en stor bottom line, men som bygger positioner. Det er det nogle af de dygtige gør. For så har de positionen til, når de forbrugere vokser op og bliver mere affluent osv så sidder det brand fæstnet på nethinden. Så det er et langsigtet perspektiv. Og derfor har du nogle af de her consumer brands som står meget meget stærkere og der er ikke nogen danske, på nært, som så heller ikke længere er dansk - og det er fanmilk. Men
ellers er det nogle af de store internationale. Og de gør det fordi de kan se at der er nogle som kommer op og på et eller andet tidspunkt så får de et forbrug som er rigtig interessant.

Vores perspektiv, vi har jo en meget stor sustainability praksis, og udgangspunktet for effektiv sustainability, det er faktisk at du kan tjene penge på det. Så hvis du separere de tro fra hinanden, som jeg ved der er en vis tradition for nogle steder, så er det netop at det ikke bliver succesfuldt. Effektiv sustainability er karakteriseret ved nogle forretningsmodeller, som gør at der er profitable.

Interviewer: Mit spørgsmål til dig, det er egentlig ret simpelt: Hvad karakteriserer succesfulde danske investeringer i Afrika. Du må meget gerne komme ind på følgende punkter: ....

NH: Det er mange spørgsmål i et, og du kan sige at der er store forskelle. Vi har arbejdet med virksomheder i øst, vest, syd og nord. Men min egen erfaring kommer hovedsaligt fra Vestafrika. Med den disclaimer, kan du sige at vi beskæftiger os jo primært med de store virksomheder, så små opstartsvirksomheder har vi ikke den store berøring med. For vi er over 300.000 ansatte og har en kontor i Lagos med 300 mand, som er en af vores hubs i Afrika, og Sydafrika har også et stort kontor, men over 1000 mand. Og projekter rundt om i Afrika, og Sydafrika er på mange måder bare på et helt andet udviklingsstadi end resten. Så når det er udgangspunktet, så kan man sige, om jeg er ekspert, det ved jeg ikke om jeg er, men jeg ved da lidt om det, i hvert fald. Jeg har i hvert fald et perspektiv!

Så hvis vi starter med det første spørgsmål - hvad der karakteriserer succesfulde danske virksomheder... Jeg tror at en vigtig præmis det er at man som udgangspunkt har været langsigtet og at man er gået ind til det med en strategisk og en finansiel strategisk business strategi. Med en viden om at det man starter med at lave i sit regneark, godt kan komme til at se noget anderledes ud i den sidste ende. Fordi, det er Afrika, og at vilkårene i speciealt Vestafrika er mildest talt dynamiske. Det ses også på de udsving der er på to fronter: Valutakurserne og oliepriserne, som lige nu gør noget ved Nigeria. Hvis du tager Ghana, så har valutakursudsvingene meget stor betydning. Så der er nogle ting der som kan ramme en fuldstændig overnight, og det gør det også for nogle af de virksomheder der er der. Så dem der er succesfulde er dem der også er karakteriserede ved at de gør deres hjemmearbejde ordentligt. Grundig research og sørger for at have folk på jorden som forstår de respektive markeder og geografier. Jeg vil nærmest sige at hvis vi tager Nigeria som eksempel, der taler du ikke, og det gælder for hele Vestafrika, om lande, men om byer. Lagos er en by med 20 mio indbyggere med en dynamik i sig selv som svarer til et mellemstort europæisk land. Det samme gør sig faktisk gældende for en række af byerne. Det er byerne der driver forbrugerprodukter, som driver forbruger consumption i det hele taget. Så det starter med en forståelse for at der er en verden til forskel på nord og syd, øst og vest. Og i vest er det ikke på lande niveau, men du er nødt til at komme ned på by-niveau og se hvilke byer og geografiske områder inden for landene er interessante. Forståelsen skal være mere granulær. Der tror jeg det er mange der går galt i byen. Hvad er Afrika? Hvad er Nigeria? Hvad er Vestafrika? Du er nødt til at zoome ind på nogle byer, på nogle costal areas hvor der er et vist form for infrastruktur der fungerer. Tilbage til det jeg startede med at sige, du er nødt til at have en granulær forståelse, du er nødt til at have folk på jorden som forstår hvad det drejer sig om. Så tror jeg også at noget af det der karakteriserer dem som gør det godt er at de selv finder ud af hvad der sker. Du kan jo ikke gå hen til Gallup og trække en markedsanalyse der forklare hvad
der sker. Eller, jo det kan du godt, men den er nonsense, fordi de dækker typisk 5-10% af det reelle marked. Altså, derfor er traditionel markedss research er ikke viable i Afrika der er du nødt til at have nogle folk på jorden som er med at lave en triangulering som er med til at forstå markedet bedre. Faktisk, nogle af de bedste kilder til at hjælpe med triangulering, det er i virkeligheden faktisk nogle af NGO’erne. Vi har i accenture et partnerskab hvor vi pro bono går ud og tilbyder vores konsulenter at deltage i projekter som et sponsorship rundt omkring i verden, så vi har rigtig gode relationer til en lang række NGO’er rundt om i verden. Og vi bruger dem en gang i mellem hvor vi siger ok, prøv at fortælle os lidt om forbruger adfærd her, prøv at fortælle os lidt om hvad I ser, prøv at se lidt omkring de forudsætninger som vi har stillet op omkring markedsvudvikling - hvad tror I på. For der er typisk i de NGO’er folk som har været dernede i mange år og som er tæt på på en hel anden måde på et helt andet niveau som man ellers kan komme i nærheden af. Så alternativt data input kan også være rigtig fornuftigt at benytte sig af. Omend der på NGO siden kan være en vis berøringsangst ift den kommercielle del.

Endelig kan der være noget i det der, start small- think big: Kom i gang, gør nogle erfaringer før man accelererer. Bruger tid. Vi er i gang med process engineering i Nigeria og det starter med at de etablerer et lille salgskontor med et par folk som kan begynde at få en indsigt i markedet, hvad er det for en dynamik, og hvilke potentielle virksomheder er der som vi kan sælge vores produkter til osv. De har jo tre industrier som de primært arbejder med: Geo processing er verdens største producent af maskiner til hhv frysetørring af kaffe, mælkepulver og bryggerier. Og de tre produkter er områder som brager frem - er kæmpe kæmpe store i Afrika og vestafrika i sædeleseshed. Tre markerde som har vigtig plads hos afrikanerne og derfor ret opportunt at begynde at kigge på og sige, kan man få noget afsætning dernede. Og de starter med et relativt lille salgskontor, og så må vi se hvad de kan få bygget ovenpå. Det er nok lidt sværere hvis du er APM terminals fx. og du står overfor at skulle træffe en beslutning om du skal lave en milliardinvestering i at udvikle en ny havneterminal, men der ligger så en lang lang prospekkersperiode forud, hvor de har set på hvad er det du er op imod: hvad er det for en dynamik, hvad er det for et bureaukrati, og selvfølgelig også hvad er det kommercielle, holder det? Det har de faktisk gjort i et tæt samarbejde med IFU.

Ang. finansieringen, og her er det vigtigt at holde sig for øje at du er nødt til at gå ind i det her med et .... (inauditable) ... man er naiv hvis man tror at den business case man laver, at der ikke skal være en masse elastik i den. Fordi, det er Afrika og der er bare nogle forudsætninger der er mere dynamiske end verden er vant til at operere i ellers.

Derfor er man også nødt til at ville det og man skal have tålmodighed også økonomisk til at bygge noget.

Interviewer: Jeg et eksempel med en dansk virksomhed som arbejder med bioethanol har fået lokale investeringer.

Ja ok, men jeg tror, uden at gøre mig til ekspert i det, at hvad der ligger af alternative investeringskilder er en del både her i DK, dernede og internationalt. Som primært retter sig mod SMV.

Interviewer: Min tanke var at det var risikabelt fordi man så risikerer at være i lommen på investorerne, men det mener de ikke at de er. Derimod har de fået nogle tunge spillere fra
landet med på deres hold og kan åbne en masse døre. Der har været en del fordele ved denne tilgang.

NH Der er jo en række pan-afrikanske banker, hvoraf en del af dem så efterhånden er ejet af Kina, men det er en anden sag, men som laver mere over i private equity investeringer. Det er den ene ting, og den anden er at hvis du tager Fan-milk som eksempel, så blev de jo købt af PPPP som er vel nok verdens største emmerging markets kapitalfond. Som er meget specialiseret omkring Afrika, faktisk. Så de laver mange primære investeringer i forskellige virksomheder og også af substantiel størrelse. Så der er fonde der i stigende grad interesserer sig for at investere i Afrika. Og for relativ nyligt var der en private equity konference i London som udelukkende var private equity specialiseret i Afrika. Investeringerne har hidtil været koncentreret omkring øst og syd og mindre omkring vest. Vest ER mere usikkert, af mange årsager både politiske og økonomiske. Og større fattigdom. HVis du kigger på FDI så er de for 80-90% vedkommende centreret omkring to lande: Sydafrika (50-60%) og Nigeria (10-20%) og resten er så sprincled across ... Det er en tung polarisering omkring Sydafrika og Nigeria.

Interviewer: Det er jo to engelsktalende lande. Nu ved du mest om Vestafrika, oplever du at der er en opdeling mellem den fransktalende og den engelske?


Men den politiske situation er usikkert. Det er ikke mange år siden at lig flød i gaderne osv. Det er også en anden mentalitet. Og der er igen også forskel på, hvis du tager de to væsentligste engelsktalende lande i vestafrika. Der er stor forskel på Ghana og Nigeria mentalitetsmæssigt. Det handler om at gøre sit hjemme arbejde ordentligt. Det skal man have sat sig ind i inden man drager afsted. Bare fordi de begge er tidligere britiske kolonier er det ikke ensbetydende med at kultur, mentalitet og arbejdsmoral er den samme. Især den sidste varierer meget.

Væsentlige forskelle også mellem de fransk- og engelsktalende lande.

Interviewer: Korruption?

NH: Jeg tror korruption er desværre et eller andet sted et vilkår som er en del af at lave forretnings i Afrika. Og der må man som virksomhed gøre op med sig selv fra starten omkring hvad der er ens politik på området. Og der er to grundholdninger. Enten er det ren clean cut, og så
siger man, vi accepterer ikke under nogen omstændigheder nogen form for korruption, med hvad det så indebærer af besværligheder ift. at kunne agere. Så er der nogen som har den holdning at de accepterer ikke korruption men det der med at lave en pakke cigaretter over diskon i en forhandlingssituation, det er ik emrig korruption. Og så accepterer man det niveau. Sidstnævnte har man faktisk i sådan en virksomhed som mærsk, hvor der er en policy der siger at et vist niveau er acceptabelt. Det er klart defineret. Fx hvis der kommer en costums official og du stikker ham en sodavand så er det vist ok. På det niveau.

Interviewer: Men ikke brune konvolutter til ministeren?

NH: Nej, det er ikke ok. Det er ovre i en anden boldgade hvor det er totalt uacceptabelt. Der tror jeg faktisk ikke der er nogen danske virksomheder der befinder sig.

Interviewer: Skyder man sig selv så meget i føden at man ikke har noget at stå på ved ikke at deltage i korruption?

NH: Der er der både en personlig holdning og en professionel holdning og de er her ret synkronæ: Det skal man ikke acceptere. Og i virkeligheden skal man nok ikke acceptere det på noget niveau. Fordi du bidrager så negativt til en kultur og en måde at opfører sig på som ikke er fordrænende for noget som helst.

Interviewer: Det er jeg naturligvis helt enig i, men så kan jeg jo se at så kommer kineserne ind i stedet for og får de kontrakter, og kineserne er altså ikke lige så gode arbejdsgivere som os danskere.

NH: Men kineserne kan også noget andet. De har et strategisk spil som de kører omkring Afrika. Og de strategiske spil de kører omkring Afrika det handler om international storpolitik, det er med et 30-50 årigt perspektiv. Og det de faktisk også gør, og det er de færreste klar over. Udover at de investerer i infrastruktur både veje og den slags, men også den finansielle infrastruktur, så er de i gang med en form for kolonialisering af bagvejen. Fordi, vi har oplevet eksempler på at der bygges en motorvej fra Togo til hovedstaden i Ghana, og kineserne tilbyder at bygge den. 3 år senere står den færdig så spørger kineserne så bagfor: Hvordan vil I betale? Det med konstanter det er lidt vanskeligt, men I kan gøre det i form af equity eller i form af råstoffer. Og by the way, de 1200 kinesiske arbejdere som har udført motorvejen, dem lader vi blive i Ghana. Og det accepterer Ghana - det betyder at du ser kinesiske settlements skyde op rundt omkring. Rygterne vil vide at det er analfabetere fra landdistrikterne som får en kontrakt som de skriver under på uden at vide at de binder sig i 25-30 år før de kan få en billet hjem igen. Og når du har boet 25-30 år et sted, så er der en tendens til at du har fået børn og ikke flytter tilbage. Så jeg tror det er meget bevisst. Jeg tror Kina har en strategi med at lave disse settlements rundt omkring, og det er et eller andet sted lidt skræmmende, for det er en imperialistisk kolonipolitik. De tænker meget strategisk og meget langsigtet: 30-50 år frem. Og der er der ikke tvivl om at da vil Afrika se meget anderledes ud.

Man ser også de her billige kinesiske motorcykler. Og det er fordi kineserne har set en mulighed i at tilbyde det som leasing, for ingen har råd til at købe den slags kontant. Men leasing, det kan de. Og med den financieringsform får de skabt en afhængighed af nogle
produkter som man så senere kan kapitalisere på. Der er selvfølgelig en risiko forbundet, og det er den de vestlige virksomheder er mere følsomme overfor end de kinesiske.

Afrika er the last frontier, specielt når du snakker den vestlige del af Afrika.
Christian Ingvorsen, DESMI

I Date: January 15, 2015
Present at interview: Christian Ingvorsen, Mette Ravn
Location: Interview was carried out by telephone


Jeg kan forstå at du har arbejdet i Ghana og Tanzania med de her pumpesystemer I laver, og at det det ene sted blev en succes og det andet sted ikke blev. Det fik naturligvis mig til at tænke at der her er en mulighed for læring.

Det jeg har gjort hidtil når jeg har talt med folk der som dig ved noget om det. Det er at jeg har stillet nogle meget åbne spørgsmål og så ladet dem der bliver interviewet snakke frit fra leven. Det er naturligvis sådan at du har mulighed for at at gøre indsigelser ift transcriptet. Og jeg lover at der kommer ikke noget ud som du ikke har godkendt.


Det overordnede spørgsmål jeg har er hvad karakterisere de danske investeringer som er succesfulde? Her ser jeg på: Hvorfor tager man derned? Hvordan går man ind?

CI: DESMI, som organisation, har primært arbejdet med oliespild i Afrika udenfor Sydafrika og det har været en strategisk beslutning igennem mange år. Bla fordi der fordi det er miljø har været mulighed for at få støtte til nogle projekter. DESMI er blandt verdens tre største virksomheder der samler olie op på vand. Så der har vi kørt nogle ret kommercielle projekter hvor den måde vi har gjort forretninger på i Afrika i mange år er simpelthen at man udpeg en agent. Og den agent er så en som får X % i provision og no cure, no pay. Og det er den billig og den hurtige måde at gøre det på. Ulempen er at 80% af de agenter man udpegede de performer ikke rigtigt. Det er den der normale 80-20 regel: 20% af agenterne står for 80% af omsætningen. Men alt andet lige, er det bedre end ingenting. Og der har vi haft nogle projekter, bla i Ghana har vi leveret på helt almindelige kommercielle vilkår nogle skibe og noget udstyr til at samle olie op. En af de ting man finder ud af når man rejser rundt i Afrika,
det er hvor stort Afrika er - og hvor store forskelle der er. Det er et kæmpe kontinent og kulturelt er der jo stor forskel endda indenfor det samme land.

Vi kigger på hvor der sker vækst i verden. Nu har der jo været vækst i Asien i mange år. DESMI er stærkt repræsenteret i Kina og Korea. Og Afrika har jo ligget med de der 5-6% i snart nogle år. Vi har lavet noget forretnings i Afrika tidligere, primært omkring olieskibe og vi kan se at Grundfos er stærkt repræsenteret dernede, og det gør de jo nok ikke for sjov. De har ikke lyst til at smide penge ud af vinduet hver eneste dag.

MR: Du nævnte da vi talte sammen sidst at I havde en agent som også var agent for Grundfos, og at det med agenter der samtidig også er agent for en konkurrent, var en af de udfordringer I havde.

CI: Det er jo lidt tricky fordi hvis du udpeger en der ikke har mange agenturer, så giver han dig pænt meget opmærksomhed, men det kunne også tyde på at han ikke kan få andre kunder. At der er en grund til at de andre ikke vil have ham. Vi er jo, med al respekt for det firma jeg nu repræsenterer, så er vi jo ikke first movers. Vi er jo nogen der typisk lige ser hvilken vej blæser vinden. Og så prøver vi at ser om vi kan gøre det mindst lige så godt, og helst en anelse bedre end dem vi konkurrerer med. Nogle gange må vi bare acceptere at agenterne også repræsenterer konkurrenten og så håbe at det pumpesegment som vi gerne vil til adressere, der er vi bedre end konkurrenten. Med mit kendskab til Afrika, så virker det som om at der i hvert land er relativt få mennesker i hvert land der laver forretninger i en større skala. Og de relativt få mennesker, de kender hinanden rigtig godt. Så det er egentlig ikke altid et spørgsmål om at have den der ved meget om pumper (som agent). Nogle gange er det bare et spørgsmål om at komme ind i kredsen fordi så skal han nok finde den der ved noget om det. Og så kører man videre den vej: Connections, forbindelser. Det er jo det det handler om i Afrika. At komme ind. Der har vi jo som et 'hvidt' firma en fordel frem for lokale firmaer.

MR: Det siger du fordi i har et bedre ry som vestligt firma?

CI: Det som vi oplever i Afrika (jeg var i Tanzanier for et par uger siden): Jeg spørger altid nysgerrigt til kineserne fordi de jo virkelig har fremgang i Afrika. Og den melding jeg i hvert fald har mødt indtil nu er at de kommer godt nok med deres billige produkter, men det er de deres medicinsk også noget lort meget af det. Og der kigger de så på et Vesteuropäische land med en formodning om at det gør de nok bedre. Det er klart du kan ikke gange med for stor en faktor - jeg kan sælge det samme som kineserne, hvis jeg er tre gange så dyr, men det kan godt være lidt dyrere, fordi de har en større tillid til at det du leveres, det er også bedre.

Der er også en anden ting jeg har oplevet: Det er at man bliver nødt til at være der et stykke tid fordi de har alt alt for tit oplevet Karl Smart fra København der kommer ned og regner med at han laver forretnings i løbet af tre måneder. Det gjorde han så ikke, og så gider han ikke at være der mere og så er han ude igen. De vil godt lige have en fornemmelse af om investorerne mener det. Er det alvor det her? Eller er de bare væk om 6 måneder.

MR: Og det er ikke bare et spørgsmål om at det er den tid det tager at få svunget bureaukratiet rundt?

MR: Har det noget at gøre med deres måde at gøre forretnings på? At de har brug for at mærke de mennesker der er bag i højere grad end vi som europæere har?

CI: Nej. Nu arbejder jeg i nichemarkeder og alle nichemarkeder ligemeget hvor du er i verden, hvor kunden ikke har viden selv og kun køber produktet en gang i mellem, og hvor det ikke kan betale sig for kunden at opbygge stor viden på området. Da er du super afhængig af den person du taler med. Og hvis du så føler og tror på at vedkommende ved noget på området, så kommer du langt.

Rent praktisk så når der skal laves udbud, som der jo skal i de her større projekter, så sidder der en tekniker og en indkøber og kigger på hinanden og siger hvordan gør vi det her? Og så ringer de lige til ham de kender. Kan du ikke lige hjælpe os? Og det vil vi jo fantastisk gerne, for så kan man jo lige få luget de værste problemer ud og kræve en form for kvalitet. Så på den måde så er netværk vigtigt. Det foregår også i Danmark, i Norge. Det foregår i hele verden i de her niche markeder. Og man kan så måske sige at det er lidt mere udbredt dermed end vi ser det her, fordi de alt andet lige, måske er lidt mindre klædt på i en forretningsverden end vi er.

Det har jo meget at gøre med at de jo egentlig stoler på at man kan hjælpe dem. Og hvis man gør det godt, så er der jo ingen tvivl om hvem de spørger næste gang. Når det gælder commodities så er det måske lidt mere afhængigt af forbindelser end vi er vandt til her i Europa, men om 20 år vil det være anderledes - det er en proces de skal igennem.

(Udredning om DESMI's produkt)

Der må jeg sige at de har imponeret mig med hvor effektive de er. Jeg har oplevet folk i danske havne der ikke nåede deres energiniveau overhovedet. De har et drive og en nysgerrighed, I Ghana i hvert fald.

Og igen er der store forskelle. Vi var sammen med en gruppe fra Mozambique og en fra Ghana, og det er to forskellige verdener.

MR: Hvordan med korruption? Hvad gør I? Hvilke overvejelser har I gjort jer? Hvad er jeres politik? Er det OK at give en sodavand?

CI: Det var jo et dejligt spørgsmål! For bare 10 år siden, tror jeg, da mener jeg man kunne trække korruption fra i skat i Danmark. Så blev vi jo inspireret af amerikanerne og deres puritanske syn på det her. Og nu er det jo no-go. DESMI er på ingen måde involveret i korruption. Men når det er sagt og for at det skal give mening: Uanset hvilket land du arbejder i, og det gælder faktisk også om det er Norge eller Sverige eller Tyskland, så kan du ikke fungerer effektivt uden at du har en lokal partner. Og hvornår begynder er land at blive korrupt? Jamen det er jo syd for Hamburg - er der jo nogle der siger, meget godt. Jeg må også sige at oplevet embedsmænd i Danmark der er kommet med nogle udtalelser, hvor jeg tænkte,
hvad pokker skete der lige der? Det groveste eksempel det var indenfor en offentlig myndighed i Danmark hvor vi valgte ikke at hoppe med på vognen og vi fik heller ikke ordren, men vi tog den beslutning at vi ville aldrig nogensinde gøre noget ved det. Fordi hvis vi havde fortalt til ledelsesniveau at ham der kom med de og de udtalelser, så kender vi jo fra os selv at så lukker man sig om den der bliver anklaget for at beskytte sig mod anklager udefra. Det er sindssygt svært. Du kan ikke rigtig gøre noget ved det fordi du ved at du sparker dig selv i numsen hvis du begynder at høje det der moralske flag. Det jeg prøver at sige til dig det er at i alle lande bliver du nødt til at have en lokal person. Og det er den lokale person der ligesom tager bestik af hvad der er nødvendigt. Og vi betaler den person nogle procenter af salget for at gennemføre de ting der skal gøres. Når det så er sagt så er han …. Hvad skal vi sige... Ordet korruption bliver aldrig nævnt, vel. Men det er også en härfin balance med hvornår man anderkender en eller anden service. Hvis nu du i denne situation, hvor du har mere brug for mig end jeg har for dig. Hvis du så sendte mig to flasker vin for at deltage i dit interview. Er det så korruption? Det er svært at trække en grænse for hvor korruption ligger. Og lokalt er der også stor forskel på hvor den ligger. Så det er ligesom der findes nogle kutymer for mange procent man giver en agent indenfor forskellige brancher. Og det skulle da undre mig at når danske virksomheder ender med at give meget tæt på det samme bud, så er der jo en grund til det.

Hvis der kommer en og siger til os at vi skal sende x antal tusinde dollars til den og den fordi han skal bestikkes. Jamen så ville vi sige klart nej. Men det er klart at et af de områder vi diskuterer med os selv.


CI: DESMI har en afdeling der har specialiseret sig i funding typisk Danida, Verdensbanken og andre. Det er ikke business partnership, det er meget større, og der kan være et gaveelement op til 35%. Typisk bliver der tilbagebetalt over 10 år, så det de slipper med det er at de kun skal betale det faktuelle eller værdien af varerne. Og de har arbejdet i Dar es Salam med at lave en komplett pakke til havnen dermede for at de kan opfylde FN kravene (FN’s maritime organisation) som har nogle krav om at man skal kunne modtage skibe af en vis størrelse og det er der faktisk rigtig mange havne i Afrika der har problemer med. Og det giver problemer for skibsrederne fordi de ikke dokumenterer at de afleverer det affald som de skal og derfor risikerer bøder. Det har vi arbejdet med i lang tid bl.a. med nogle havnedirektører i Dar som har typisk politisk udnævnte, dvs når der sker et politisk skifte, så kommer der også en ny havnedirektør. Og så starter man lidt forfra. Men DESMI besluttede: Vi skal noget mere i Afrika. Vi har nogle erfaringer med Afrika som vi kan bruge og vi har det her projekt i Dar så lad os dog sætte vores eget kontor op i Dar. Så vi har lejet en bolig hvor der er plads til en 5-6 mennesker og der bor så bl.a. den DESMI person som kører det i hvertfald en to-tre år til det kan køre selv. Så det har man gjort i Tanzania og de dækker ikke kun Tanzania, de dækker hele Afrika. Det er en englænder, der er født i Afrika som varetager opgaven. Har arbejdet for DESMI i ca 10 år nu. Han har ansat sine egne folk. De har været der et års tid nu og det fungerer rigtig godt fordi det er bare nemmere - du får meget mere at vide end med en ekstern agent. At have en ekstern agent det er den billige og hurtige måde at komme i gang på, men når du når et eller andet niveau, så vil du jo gerne ind selv fordi så har du ikke noget filter
mht informationer. Det koster selvfølgelig noget så man skal have en tro på at det kan betale sig. Så det er en afvejning. Når man har været et sted et sted vist stykke tid og der er volumen nok i salget til at det kan betale de folk der skal være der permanent, så gør man jo det. Det er en beskidt verden at være agent for hvis man er rigtig god, så bliver man smidt ud når ens rolle bliver overtaget af dem man har hjulpet.

Ghana: Der blev truffet en beslutning om at man ville køre et Danida projekt, business partnership og det var før jeg kom. Man kan godt blive facineret af tanken om at man kan få dækket en del af sine udgifter ved at køre et Danida business partnership projekt. Så det kan være svært at sige nej hvis der er nogen der fortæller dig om hvorfor det er en god idé også uduover det at du får støtte. Så den beslutning blev taget at det ville man godt. Den kommunikation der var mellem de to der egentlig kørte projektet og så primært kontoret i Ghana, den foregik meget per telefon og med nogle møder og sådan noget, hvor der ikke rigtigt blev underskrevet nogen papirer. Og så skete der en ændring i sommers i hvem det egentligt var der skulle køre projektet videre, så vi stod lige pludselig med tre personer der overtog et projekt hvor melding var at det skal egentlig bare sendes afsted så ville de klappe i hænderne i Ghana. Da vi så sender den ansøgning afsted så var det ikke den tilbagemelding vi fik. Der var en del kritikpunkter, men ikke være end at vi så gik i gang med rette de her kritikpunkter til, og jeg vil også sige at det måske var fair nok.

MR: Kritikpunkterne kom fra Danida?

CI: Ja. Der var nogle overskrifter med nogle underpunkter. De havde gjort os den tjeneste og umage at fortælle os istedet for at sige, det her er lort, det gider vi ikke. De havde gjort sig umagen at fortælle os hvad det var vi skulle stramme op på. Vi to så i første omgang den beslutning at OK, så gør vi det. Og så skete der jo så det her for en måned siden at den nye finanslov blev vedtaget og fordi der kommer de her mange syrere så fjerner vi nogle midler fra ulandsområdet og putter over i flygtninge. Og det betød jo bl aat business partnership, at alle dem der ikke var godkendt, de blev stoppet her og nu. Nu sidder vi så lidt og kigger på hinanden og bliver enige om at det er så det og det vil vi ikke græde over i lang tid for lad os nu bare følge firmaets overordnede strategi og så bruge det kontor der og så måske med god gammeldags agentmåde.

Der er forskel på Tanzania og Ghana. Det er to forskellige verdener. Så det kan jo godt være at vi finder ud af at ja det kunne være en smart idé at have to kontorer i Afrika. Så det er lidt det vi arbejder på nu. Lad os blive så gode at der kan blive økonomisk fornuft i at have to kontorer udenom Danida. Simpelthen bare den gode gammeldags kommersielle måde. Fordi der er virkelig mulighed for at lave forretnings i Afrika - og der findes jo også ganske velstående firmaer og mennesker i Afrika, så der er MULIGHED.

MR: Tusinde tak for dit indspark.
Flemming Kristensen, EnergiMidt

Date: May 6, 2014
Present at interview: Flemming Kristensen Mette Ravn
Location: Telephone interview, Denmark

interviewer: Introduktion til formål med projekt ...

Hvordan startede det hele? Hvordan kom I igang?

FK: Det kom i gang på baggrund af en tidligere samarbejdspartner der havde gang i noget dernede og gerne ville oprette en produktionsvirksomhed nede i Kampala. Hvor han ville producere solcellemoduler. Det var Racell. Yacov Safir hedder han. Og så ved jeg faktisk ikke rigtig, men jeg tror han anbefalede os - han kunne se at nogle af de kompetencer vi havde, de kunne også bruges dernede. og behovet var der i hvert fald for at producere energi ud af lyset. Og det betød så at, så havde vi kontakt til Dansk Industri og de gav os faktisk noget støtte til at komme i gang - jeg kan ikke helt huske hvad det var, men de gav os støtte til et feasibility study. Vi havde en konsulent til at hjælpe os lidt der, fra DI. Og det udmøntede sig i at vi så tog kontakt til Danida derefter og presenterede dem for vores tanker og idéer omkring det og vi lagde ikke skjul på at vi er i det her fordi, selvfølgelig, tanken tiltalte os, men det skulle også være en forretning. Det var egentligt startskuddet til vi så gik ind og til sidst lavede sådan et samarbejde med Konserve Consult omkring det her. Det har vi så arbejdet med nogle år nu og er selvfølgelig blevet noget klogere. Men sådan i de store træk er det det der er sket vi er det der med at tjene penge er vi ikke kommet til endnu. Men efter det projekt vi fik støtte fra er udløbet, så er vi fortsat og vi har da budt på nogle opgaver (sammen med Konserve Consult) her på det sidste og ...

Vi har købt halvdelen af Konserve. Det var modellen. Vi skulle jo helst have noget engagement. Og der brugte vi lidt tid på at finde ud af hvem skulle partnernen være og prøve hinanden lidt af og sådan. Og det resulterede så i at vi købte os ind i Konserve.

Interviewer: Når du siger prøvet betyder det så at I har prøvet forskellige partnere eller betyder det forskellige samarbejdsmodeller?

FK: Nej, vi havde en anden en vi arbejdede lidt sammen med i begyndelsen, men hans opgaver det gik mere på infrastruktur: vejbyggeri og broer og sådan, og det var svært at finde noget synergi i det. Så vi besluttede at det skulle så ikke lige være det. Ellers en udmærket fyr, det var ikke det, men så valgte vi det andet for at prøve at få det...

Interviewer: Hvor stor betydning havde det at Abdalla (CEO) er som han er? Altså den her meget internationale entrepreneurial type?

FK: Joooo, det er klart det er nødvendigt at have en der som han er knusende dygtig, det er han bestemt. Og driftig på alle mulige måder. Men altså, ja jeg ved ikke lige hvordan jeg skal udtrykke det, men det er ... Jeg kan huske, jeg købte engang en bog dernede der hed 'the Ugandan way' og det passer han præcis til! Det kunne være skrevet om ham.
Interviewer: Var det ham som person eller var det hvad Konserve Consult arbejder med der fik jeg til at vælge dem?

FK: Det var da det vi gerne ville, men set i bagkundskabens klare lys, så havde vi nok ikke valgt den model, hvis vi i dag skulle begynde forfra DET havde vi ikke! Hvis vi skulle have lavet det anderledes så ville vi lave en samarbejdsaftale med Konserve Consult i stedet for. Og bruge dem som underleverandører, i hvert fald i en periode, indtil vi var ordentligt oppe og køre, fordi vi har prøvet forskellige metoder, men det er sagt i fortrolighed.


FK: Det er klart at hvis nogen skal lære noget - der er jo ingen grund til at andre laver de samme dumme fejl som vi har lavet. Det må alt andet lige være det optimale. Vi havde ikke gjort det på den her måde og brugt alle de kræfter på at styre i forhold til økonomi, hvis vi havde vist hvad vi ved i dag.

Interviewer: Var det derfor Søren blev ansat?

FK: Ja, men det var heller ikke nogen success. Og det betyder at det var alt for mange kræfter der blev brugt på at sikre at de varer som blev sendt derned at de ikke bare bliver solgt uden der kommer penge ind. Altså så er det familie der er ansat, og det... Hold op. Der er bare noget hele tiden. Og det er på en måde så utrolig ærgerligt for havde vi brugt den anden model, så skal jeg love dig for, så havde vi faktisk haft en rigtig god forretning, og vi ville have ansat rigtig mange ugandere. Og på et tidspunkt ville vi jo kunne have ladet dem tage over. Vi er jo ikke interesseret i at stå med et selskab dernede. Lad os sige vi havde en mindre procentdel af sådan en virksomhed, så når tingene kørte, så havde vi en god forretning. For altså Afrika er mulighedernes land, men altså vi kan ikke sende nogle containere med forskelligt udstyr derned uden vi næsten selv skal sidde ovenpå den, det kan man ikke og det gør jo at man bliver lidt forsigtig og det bliver besværligt og du får det ikke i den skale det skal op i - det er hamrende ærgerligt at det er sådan. Men det er altså vilkårene. Og det havde vi bedre kunnet styre hvis vi havde købt eller selv etableret vores eget selskab dernede og så hyret nogle personer ind sammen med måske en Søren, eller en anden som så bare havde købt underleverandørleverancer fra KC.

Interviewer: Ville det så være expats der skulle køre det?

FK: Så ville vi selvfølgelig have sådan en på og når vi havde fundet den rigtige så ville vi selvfølgelig få ham til at køre det, sådan at vi ikke skulle være med på samme måde, for det er ikke meningen.

Om ikke andet, så er vi blevet klogere. Men det ærgrer mig, for det er ikke til at gøre om.

Interviewer: I har ikke planer om at starte op andre steder og bruge den erfaring i nu har?
FK: Der er masser af steder, men der er vel ikke steder der er så meget bedre end andre. Mulighederne er sådan set ok dernede, det er stabilt og man er rimelig tryg og sådan. Det er et rigtig godt land og sproget er til at forstå.

Det har også noget at gøre med at det er jo lidt et nebengeschäft vi har ved siden af det andet og derfor har vi hele tiden sagt at det kan ikke hjælpe at vi springer fra den ene tue til den anden. Og derfor har vi sagt, lad os give den alt det vi har for at få det til at køre. Jeg kan ikke komme til min direktion og sige, nu prøver vi sgu' noget helt andet.

(Afbrydelse - telefoninterview til tog!)

Jeg har lige været dernede. Der er jo meget mere end for bare 5 år siden. Store supermarkeder med masser af vare, og de ville jo ikke være der, hvis der ikke var nogen til at købe det. Så der er noget der går godt dernede. Der er nogen der tjener penge.

Hvordan er jeres oplevelse af korruptionen?

Det har faktisk været et problem for os. Nogle af de sager vi har vundet i udbud, har vi alligevel ikke fået selvom vi var de bedste. Men hvis der er noget vi ikke giver as af med, så er det de brune kuverter. Det har været Abdallas opgave at rydde sporet og vi holder ham i ørerne med hvad der foregår. Men det er jo årsagen til at vi går sammen med en lokal forretning det er jo egentlig at så skulle vi i ikke have det problem, i hvert fald.

Men som det ser ud nu er vi ikke alt for optimistiske, og jeg ved heller ikke om vi vil blive ved med at være dernede. Vi har et udbud, som vi har vundet for et stykke tid siden, nu skal vi se om det bliver til noget, om det bliver vores. Vi smider ikke en hel masse penge derned, det gør vi ikke. Det er helt sikkert!

Interviewer: Den finansiering der ligger til grund, hvordan er den kommet i stand?

FK: Vi har fået støttemidler fra Danida til at komme i gang men vi har også selv skudt penge i det.

Interviewer: Har I brugt DI's klimafond?

I forhold til det institutionelle. Har I haft interaktion med offentlige myndigheder dernede og hvordan var det? Eller var det altsammen overladt til Abdalla?

FK: Vi har forsøgt at arbejde med det nationale energiselskab, men der ventede vi i flere år på at få en tilbagemelding på vores henvendelse. Og da vi sidst var dernede havde vi igen en snak med dem. De projekter vi ville have lavet - vi ville gerne have lavet nogle solcelleparker til det national grid - men der skulle man have en power-purchasing agreement, og det var fint nok. Det ville vi gerne være med til, men da vi havde ventet flere år og man endelig kunne byde på det, da var der nogle priser på det som var helt håbløse, så det ville vi ikke bruge tid på. Det er ikke let.

Interviewer: Omkring ejerskab af samarbejdet. Hvad var det der gjorde at I endte med at købe jer ind? hvad var strategien bag det?

FK: Det var en strategi om, at vi gerne ville engagere os helhjertet i det og der mente vi at det var en god måde at gøre det på - at eje en del af virksomheden.

Interviewer: Var der et ønske om at beskytte jeres viden?

FK: Det var egentligt for at sikre at vi fik viden ud. Vi ville selvfølgelig også gerne uddanne dem. Hvis vi havde en virksomhed, så er det jo med henblik på at tilføre den det vi er gode til, den viden vi nu har og prøve at hjælpe dem i gang så godt som muligt.

Vi vil kun lave noget som vi synes vi selv kan være bekendt. Sådan er det. Det er hele vores forretningspolitik. Vi kommer ikke ned for at udbyte nogen og så løbe med det hele bagefter. Det kan vi slet ikke holde til image-mæssigt og derudover, vi har heller ikke nogen grådig aktionærer der står bag og skal have noget ud af det. Det skulle prøves af: er det tidligt? er det for tidligt? I og med vi ikke har trukket os hjem endnu, så håber vi selvfølgelig at ... Nu har vi foreløbig noget vi har vundet og kunne vi finde en model på det så... Kunne vi begynde at få noget til at lykkes, så er vi parat til at køre videre.

Interviewer: Tak for din tid. Det har været rigtig lærerigt og brugbart.

**Søren Jegindø, EnergiMidt**

Date: April 12, 2014
Present at interview: Søren Jegindø, Frederikke Darfeldt, Mette Ravn
Location: Søren Jegindø’s offices, Kampala, Uganda

MR: Can you tell us more about the involvement of EnergiMidt. From the idea to the actual entry.

SJ: When I got hired, EnergiMidt was on the way to pull out because of failures to commit. That was why it was agreed with the local partner that I got in. I still remember the first
month where it was a bit hectic. So I joined in October 2009 and then I have been working with them until end of last year (2013).

So the process... EnergiMidt had sent somebody down and they worked together on at least one project that had a good potential. And that was why they wanted to take it one step further. When I joined they had finalised the first fase, the private sector business programme. And we were on to the implementation of the project fase.

MR: Why did energimidt insist on you coming down? Was it to control a process?

SJ: It was to have a counterpart to the local partner and also energimidt had bought majority in the company and let Abdalla stay as managing director and it is still that way today.

There hasn't been much of a change when it comes to how the local company is run. They already had some pretty good systems in place and what I did was actually to document those and the different processes. It was then and is today a typical Ugandan company with a managing director that makes all the decisions and supervises everybody. So you don't give away much management to the staff.

Of course there were changes. From the beginning there was a Monday meeting and that we had through out, but the fact that we documented all the different processes for example a manual for the staff - something they could actually show if there was a conflict or ...

Here (in Uganda) you are a bit afraid of the managing director. He decides whether you are going to stay on board or whether you get fired, whether you get training abroad, a pay rise etc... Even if Consult is well developed, there is still a long way before it is at Danish levels.

In general there are a lot of differences between the expectations of the involved partners. The Ugandan partner will often look at ‘what is in it for me?’. “what can I get not on the short term?”. And the Danish partner is looking at the longer term involvement. It is very common that there is difference in the expectations of the different partners. And that the local partner will say "I really didn't get anything out of this". And the Danish partner will say "we tried to get commitment but we never got the money back that we paid in for the stock or what ever it is”.

For a Danish company, when you make an investment, what you are looking at is that you open up a new market and it might not be in the short run and you are fully aware that it is not in the short term that you will benefit from it. The local partner will look at "what did I get out of it?". And that is typically very short term. Its like, did I get any training out of it? Did my staff benefit? Did it somehow do capacity building? That is a typical scenario. We see that in many places.

I think there is a fault in the B2B programme when the partnership is happening like that. There are partnerships here where B2B has not been involved and they are working out much better. Because there is a build in conflict scenario in the B2B programme:

(Entrepreneurship)
Every Ugandan has tried to have a company. If you have a job, then you also have something on the side. But it is usually small scale, like chickens and you try to earn a little extra on that.

The big supermarkets are also coming in now here. And that will be important in the years to come. There is also a lot more foreign investors coming in. When I came here in 2002 there were hardly any Danes around. There were a few that had been here for a long time, but there were not many that would come in doing business and then leaving again. Those are now plentyfull.

MR: So the driving force behind EnergiMidt coming here was profit?

SJ: It was profit, but it was also looking into new markets. It was not CSR.

MR: Can Danish companies make money here?

SJ: They can. But it is not easy. And that is the mistake everybody make. If you are a businessman back in DK and you have made some money and you think you can take your business to Uganda and do the same thing. But it is a different business environment here.

MR: Is it the institutional structures that are lacking?

SJ: Yes, those are lacking completely.

MR: Is that the biggest challenge?

SJ: No it is not. The capacity of the local staff is somewhat low. You find very well educated and trust worthy people but they also usually get a salary which is not that different from a European. Maybe they have an education from the UK or ... But when you come here as an investor you usually dont take them on. You find somebody that you hire. And usually what happens is that you loose your money or your company. It is very difficult to operate down here.

MR: So Human resources are a bigger challenges than the institutional voids?

SJ: It is definitely important. But there is also the corruption. For public contracts it is probably about 99%. If you dont give a commission then they dont look at the contract. And for licence to operate it is the same. They might give it to you in the end, but then you have to be very persistent. If you want it within a reasonable time, because you need it to operate your business then clearly you will have to pay money to get it.

MR: Tell me about the agent system here

SJ: We have a lawyer. I dont know what the lawyer is paying. I can imagine where they can draw on a network and not pay. But my guess is that when they want something to be expedited then they are also paying.
(Entrepreneurship)

SJ: Another problem here with the entrepreneurial staff. If you have a sales director that is trying to sell something else. Or even get commission from somebody else. So in general that is one of the problems. You can't be sure to get a 100% commitment out of your staff members.

But it is understandable. There is not social benefits, so what happens if I lose my job. So you always keep something on the side and all opportunity open. And of course that is as a managing director, that makes it difficult to operate. So that is the reason why some people will say that it is better to hire an expat.

Another problem is the trust between businesses. If you are two businessmen back in Denmark, then you can give each other credit. You can shake hands and then you KNOW that you will be paid. That does not happen here. You will find that the person you gave credit to will go to somebody else. And taking him to court will not do anything, so the best advice is not to put yourself in a situation where you have to go to court.

And given that, the flow of commodities is slowed because you need money up front every time. So you have cashflow problems. When you are ordering stuff from Europe you have to pay up front because the companies know what will happen. They will not even think of sending anything. So EnergiMidt has lost money on this.

When you come from abroad, you are a bit naive. You are ok in Scandinavian market: you make an agreement, you sign a piece of paper. Here that means absolutely nothing.

Developing the private sector is the only way of lifting Uganda out of poverty.

(on Development )

When you are poor you don't care about democracy. When your children are fed you do. Best way to ensure democracy!

MR: Historically, no democracy has moved out of poverty.

SJ: The level of corruption is much worse now than it was 10 years back.

MR: Why?

SJ: Donor aid, “its not our money, its theirs” and it is easier to steal from global funds. There has been a lot of funding where money has been taken by government officials. And here, if you steal there is nothing bad in that. As a minister you might be put aside for a year, but then you are back. That is typically what happens.

SJ: I would recommend Danish companies to come here. But not come here and sell something you cant sell in Denmark. There seems to be companies coming down that think they can sell gadgets that cant be sold in DK. People here have the same needs as people in Denmark. So it is really about having the right business plan and getting the right resources to the project.
Preferably from the beginning. Sometimes it is too late when you have lost your first million. And you run out of investment funds.

Ugandan are not lazy. It is more that they are running their own thing on the side. You can find very good and qualified staff here, but there are also many that finish their master’s degree and they don’t know what they are doing.

Dedication is to themselves, not the company.

Giving people responsibility. And it works. But you have to keep an eye on them.

Giving benefits like health insurance can make people stay, but they need to understand the concept.

It is about being good at HR getting the right people on board.

MR: Thank you
Tine Bork, Håndværksrådet

Date:
Present at interview:
Location:

Præsentation af mig og struktur for interview.

MR: Når virksomheder interesserer sig for Afrika, så er der forskellige ting som driver det: Er det markedet, resource seeking, strategisk?

TB: Umiddelbart er min første indskydelse at der er ikke så mange virksomheder der går ud og søger noget i Afrika og det skal man være klar over, og det er jo også derfor at Danida har nogle programmer som kan skyde det i gang, for der er ikke den interesse som man synes burde være der, som man ønsker der skal være og som man håber der vil være når man taler om vækstøkonomi - som ikke er helt til stede endnu.

Umiddelbart så tror jeg at der nok er en del der bliver drevet af ressourcerne og det er naturressourcerne, ikke de menneskelige ressourcer. I modsætning til Asien, hvor det er meget båret af muligheden for at få lavtlønsarbejde. Det er det ikke i Afrika. Altså, Afrika er meget lidt konkurrencedygtig. Så hvis man er interesseret i at tage til Afrika, så er det enten fordi der er nogle naturressourcer eller fordi der kan være et marked - og hvis ikke nu, så på lidt længere sigt.

MR: Omkring ‘mode of investment’, hvordan går man ind på markedet. Hvad er din oplevelse der?

TB: Min oplevelse er at man først of fremmest bruger de muligheder der er for at få hjælp til at komme derned, dvs Danida og deres varierende privatsektorstøtte. Det er meget få virksomheder blandt dem jeg kender til, små og mellemstore, som bare tænker ’jeg tager sgu til Afrika’. På den måde er det ret vigtigt at der er nogle muligheder for at få noget viden om de lokale forhold og det lokale marked, og også at få hjælp til at lave noget. Jeg kan ikke komme i tanke om på stående fod en dansk virksomhed som bare er taget derned og sagt, jeg laver et setup.

MR: Det set-up der bliver lavet dernede, er det et ligeværdigt partnerskab eller er det et opkøb af en lokal virksomhed eller JV, licencing,...?


MR: Er det også det I anbefaler
TB: Ja. Altså, det kommer rigtig meget an på hvad det er for en forretningsmodel. Vi vil aldrig gå ud helt firkantet og sige, vi vil anbefale alle virksomheder at gå ud og lave joint-venture, eller ikke. Det kommer meget an på hvad det er for et set-up og hvor vigtigt er det for dem at sikre commitment og de værdier de hver især bringer ind i samarbejdet.

MR: Vil man så se at det foregår i steps? Man starter med at have en underleverandør som man så laver noget sammen med, og så til sidst ender med at ‘gå helt i seng med’?

TB: Det kunne sagtens være. Eller ikke. Eller også så starter man med at have noget distance på, og så bliver man sådan set ved med at have, men man kan godt have en god og givende relation alligevel, uden at man nødvendigvis behøver at investere. Eller også skal der laves et fælles selskab. Er det vigtigt? Eller er det nok at man har hver sit, og man handler sammen? Man behøver ikke at lave et joint venture.

MR: Men hvis du ser på en investering i fx Tyskland, så vil du jo typisk arbejde den vej. Er du mindre tilbøjelig til at gå i den retning?

TB: Ja det vil jeg tro.


MR: Korruption?


MR: Inkluderer det også en fx sodavand i lufthavnen eller er der en nedre grænse?

TB: Nede på det niveau tror jeg ikke vi diskuterer det og det spørger vi ikke om. Der tror jeg de har deres egne grænser for det. Når vi taler om det og vi spørger, så - det er ikke tabu - så er min holdning at det skal man bare holde sig væk fra. Jeg kan give et eksempel: En lille dansk virksomhed som havde et partnerskab med et trykkeri i Ghana, som sådan set gik meget godt. Og han endte med at etablere en papirvirksomhed i Ghana, hvor han importerede papir til Ghana, for der er ikke noget ordentligt papir i Ghana. Hans holdning det var at han ville sådan set gerne betale, han ville bare have en kvittering på det. Så når han blev stoppet på vejen, så sagde han fint, jeg skal bare have en kvittering til mit regnskab - og så skal du få penge til bøden. Og sjovt nok så har han aldrig betalt noget.
Det kan sagtens lade sig gøre at arbejde uden at småre nogen. Men det er klart at du kan løbe ind i problemer fx i tolden hvor tingene skal ud og ind af havnene og sådan noget. Det kan tage evigheder og det er lidt morsomt at udenrigsministeriet siger, at det er noget af det de gerne vil hjælpe virksomhederne med, men hvis virksomhederne spørger, så siger de også bare 'du skal ikke betale noget'. Hvordan vil du så løse de problemer i praksis? Og det er der ikke rigtigt nogen løsninger på. Og hvis det er ens holdning, så må man stå på sit.


Men det er mit indtryk at danske virksomheder er meget meget lidt interesseret i at skulle betale korruption. Det er ikke en del af at gøre forretning. I bund og grund så støder det dem.

MR: Det er også på linie med de meldinger jeg får fra andre: Der er ikke nogen der har lyst til at være en del af det og man vil gøre hvad som helst nærmest for at undgå det. Men der er nogle situationer, jeg brugte eksemplet med at give en sodavand, at det nogle gange er det der skal til for at papir bliver stemplet. Og så kan det måske være ok fordi det er af en størrelse ... Så længe det ikke er brune kuverter der skal aflveres.


MR: Jeg tænker også at vi arbejder jo med lobbyisme, hvor man får gode middage etc. Og det er jo ikke korruption.


MR: Det næste jeg kigger på er det jeg kalder ‘weak institutions’. Institutions skal forstås meget bredt: fra at regeringen ikke har så stor magt, dårlig law enforcement, etc. at den uformelle sektor er vigtig, altså både de formelle og uformelle strukturer der får et marked til at køre. Hvilken betydning har det og hvordan rådgiver I i forhold til det?


En anden udfordring er retssystemet: At du kan indgå aftaler med parter, og hvis de aftaler så bliver brudt, er der så overhovedet et retssystem som har tænkt sig at følge op på det? Kan du
regne med at få en fair behandling? Vil det tage 10 år? Altså, hvordan sikre du dine rettigheder? Og generelt så siger vi at folk må søge legal counselling localt ift at sikre sig bedst muligt. Selvfølgelig også benytte sig af ambassaden, men også gå ud og finde lokale advokater og revisorer som er velanderkendte som kan hjælpe dem. For vi kan ikke på afstand sige noget om hvilke specifikke fare de kan stå i i en given situation. Hvis de hurtigt kan trække sig ud, gør det ikke så meget, men hvis de ligesom skal begynde at binde penge op, så er det vigtigt. Der kan vi ikke hjælpe dem. Der er vi nødt til at sige, brug lokale kompetencer og der kan ambassaden måske anbefale nogen som er troværdig.

MR: Så det normale setup er at der er den lokale virksomhed, der er den danske virksomhed og så er der en samarbejdspartner til den danske virksomhed.


MR: Unskilled labour force. Du nævnte det før: Man tager ikke til Afrika for at få billig arbejdskraft. Oplever I at unskilled labour force er en udfordring?

TB: Det er en kæmpe udfordring! Det er en kæmpekæmpe udfordring. Og på rigtig mange områder, uanset hvor skilled labour man snakker om: Håndværkere, industriarbejdere, syersker,... Der er simpelthen et stort spring: et kompetence-gap. Der er for mange der bliver uddannet på universiteterne (alså, ikke for mange). Der er akademikere som man stort set kan fodre svin med og så er der en hel masse som ikke kan noget. Og dem der burde have erhvervsrettede uddannelser, faglige uddannelser de er simpelthen ikke godt nok uddannede.

MR: Hvad skyldes det?

TB: Det skyldes mange ting. Punkt 1 der er ikke prestige i det. Folk synes ikke det er interessant nok. Man har jo råd til det, men man vil hellere have en akademikeruddannelse, læge eller ingengør, end man vil uddanne sig som blikkenslager.


I vestafrika er der stort set ingen tekniske skoler, så man kommer i lære hos en skrædder/tømre/etc. Som så ikke kan alt det de skal kunne, og så skal familierne faktisk betale for at få børnene i lære, og så går de der i 4-5 år og arbejder gratis og kommer ud og er i virkeligheden ikke særligt kvalificeret. Så der ligger en kæmpe stor udfordring her ift at der ikke er de nødvendige kompetencer når det gælder håndværk og industri i det hele taget.

TB: Hvilken infrastruktur man har brug for afhænger af hvilken sektor man er i. Det er klart at veje kan være et problem. Jeg har lige været ude og besøge en virksomhed i går som har lavet et fiskeopdræt i Ghana ved lake Volta, West African Fish. De startede med at tage ned og sejle rundt i den sø for at finde en location. Så fandt de en location og så måtte de selv bygge en vej ud til for det var der ikke. Og da de spurgte, fik de at vide at der ville gå en del år, så de byggede selv en vej og trak også selv el.

Så er der rigtig mange andre som måske ikke har brug for at ligge så fjernt ude som de måske har. Andre industrier tager ned og placerer sig i byområder. Der er det måske ikke vejene der er den store udfordring.


MR: Så du vil sige at energisektoren er faktisk der hvor de største udfordringer ligger.

TB: Ja, den er ekstrem vigtig. Og så kan man sige, anden infrastruktur, fx IT. Det kræver altså bare at man har noget infrastruktur, noget fibernet, fx så man kan kommunikere hurtigt. Jeg synes det er en udfordring med de partnere vi har: Deres IT systemer er hele tiden nede, så er der ikke netadgang, etc. Det er også svært i det daglige samarbejde. Hvis du skal arbejde i Afrika, så skal du kunne have løbende dialog. Du skal kunne ringe, skrive etc.

MR: De fire punkter her, korruption, weak institutions, unskilled labour, og manglende infrastruktur, er der en der stikker ud, så hvis bare man kunne få den fikset, så ville det blive nemmere.

TB: Jeg synes labour force er en stor hurdle. Det gør det svært. Hvis du ser det fra en dansk virksomheds perspektiv. Hvis de gerne vil ud i verden, enten for at hente arbejde eller råvarer, eller for at finde nye markeder, så står de i Danmark og kigger ud på hele verden. Og alle lande er i konkurrence med hinanden: hvilke favorable faktorer er der. Og der synes jeg altså at labour er en udfordring i Afrika. Der er for lav produktivitet, kompetencerne er ikke gode nok.

Produktiviteten er meget lavere end den er i Asien. Hvorfor det lige er sådan det ved jeg ikke. Der ligger også noget kulturelt som jeg ikke helt kan forklare. Men jeg kan fortælle en lille historie. Jeg var dernede med en tekstildelegation i Kenya. En dansk delegation for at prøve at åbne op for at danske tekstilindustriker som ellers kun producere tøj i Asien og Europa, skulle synes det var interessant at kigge på Afrika som en mulighed. For at undgå nogle af alle de CSR fæld som er i Bangladesh og alle mulige andre steder: Frisk start. Og det er der en hel masse udfordringer med, inkl. at der ikke er nogen tekstiler i Afrika, de skal hentes ude i Kina alligevel. En af virksomhederne som var med ude og besøgte en systue, han kommer ud og siger: Det der slår mig med det samme det er at der, når jeg er i Asien og kommer ind på en
systue, så kører maskinerne non-stop. Der er larm hele tiden fra maskinerne. Når du kommer til Afrika, så pludselig er der helt stille. Så er der ikke én symaskine der kører. Og der må man bare sige at produktiviteten er bare for dårlig. Og de virksomheder vi taler med de siger jo også at en ting er at man er der og får sat tingene i gang, men når man så ikke er der, så sker der ikke så meget. Det er ikke kun en fordom - sådan er det faktisk. Og det er en udfordring for virksomhederne, som er vand til i vores samfund og vores ledelsesstruktur og måde at organisere os på, at der regner vi med at medarbejderne selv kan tage ansvar og selv gå i gang, og selvom du kigger den anden vej så bliver der stadig produceret.

MR: Det er jo heller ikke fordi vi på den måde kender asiatere for at være initiativtager i den sammenhæng. Men de kan jo alligevel opretholde produktiviteten.

TB: Det er rigtig nok. Asiater er heller ikke ret gode til, på medarbejder niveau, selv at kunne tage initiativer. Hvis ikke direktøren har sagt... Der er ingen der kan få lov at træffe beslutninger nede i systemet. Der har de en meget hierarkisk ...

MR: Nu bringer du tekstilindustrien på banen. Tror du det er muligt at Afrika kommer med. Og kan man undgå de races to the bottom som man har set i Bangladesh?


Og det vi kan se i Kenya, så ligger der faktisk sådan nogle export processing zones, hvor der ligger en del tekstilindustri, men så er det altsammen ejet af koreanske, kinesere og indere. Der er ingen med lokalt ejerskab, for de kan ikke styre det. De har så de her gode aftale for de ligger og producerer til det amerikanske marked, men det amerikanske marked er bare meget anderledes end det danske, fordi velfungerende er meget ringere end dansk tøj. Altså virkelig, virkelig dårligt. Og kæmpemad minder, og dansk tøj, det er noget med små mængder og høje kvaliteter. Det er sådan noget med at så får de en kontrakt med McDonalds og så siddes de og syr 2 mio uniformer over en to-årig periode. Og det er en ubrugelig kvalitet.

TB: Vi har ikke noget i mod at Mærsk er alle vegne. Vi kan bare ikke se hvorfor Danida skal finansiere det. Mærsk her så rigeligt råd selv og vil gøre det også uden støtte. Og Danida er jo begyndt at tale rigtigt meget om additionalitet. Bistanden skal give noget ekstra, noget som man ikke selv ville have gjort. Og der må man bare sige at de ville have gjort det hele alligevel.

Jeg deler ikke din holdning til erhvervsprogrammerne i den forstand at de skulle være drevet muligheden for tilskud fra projektmidlerne. Det er rigtigt at der har været virksomheder som har søgt projektmidler på den baggrund - sådan er det altid. Men det er min klare oplevelse at det er et meget meget lille andel af projekterne som er drevet af virksomheder der bare vil have projektmidlerne. Fordi så attraktivt er det simpelthen ikke, for det er utrolig bevælet. For det første så er tilskudsprocenten faldet henover årene til nu at ligge på 50% af de aktiviteter som Danida vil støtte, og det er til cost pris. Der er ikke noget overhead, dvs til 50% af en medarbejders løn, men uden at tænke på at der normalt genereres overhead og der er nogle kapacitetsomkostninger som også skal betales. Så man må sige at det er blevet mindre og mindre attraktivt rent økonomisk. Det er super besværligt rent administrativt. Mange af de virksomheder vi arbejder med (de små og mellemstore), er ikke virksomheder der er ledet af akademikere eller som har projektafdelinger eller som ved noget som helst om udviklingsbistand eller udviklings-lingo - som de slet ikke forstår. Og Danidas programmer tager ikke i ret høj grad udgangspunkt i forretningskoncepter. De er meget akademiske og meget udviklingstunge. De her virksomheder de skal prøve at forstå hvordan de kan passe ind i den kontekst og det kræver rigtig mange ressourcer for dem at skrive og skrive og skrive... Hvordan kan de opfylde udviklingsmålene, hvordan kommer der impact, det ene og det andet... Og de ved dårligt nok hvad det betyder. Og de skal afrapportere og de skal lave regnskaber som bliver gennemgået af BDO ned i groteske detaljer. Og det er bare utrolig besværligt. Læg så oveni at de er i gang med at engagere sig i udviklingslande hvor det hele jo også bare er meget mere besværlig. Det er nyt og anderledes og tingene fungerer ikke som de gør der hjemme. Der er kulturelle forskelle og det hele er lidt usikkert... Så jo jo det kan godt være der sidder nogle virksomheder derude som lige tænker de kunne få nogle projektpenge der, men for størstedelen af dem der er det simpelthen ikke nok til at det bliver interessant. De får mere ud af at bruge deres tid på noget som de tjener penge på andetsteds. Og det er den overvejelse de hele tiden gør sig: hvor skal vi bruge vores ressourcer, hvad skal vi bruge vores tid på? Vi har dyre medarbejdere. Hvad skal de lave? Skal vi gå til de lidt lettere markeder eller skal vi kaste os ud i at lave et joint venture i Afrika.

Vi har arbejdet med de her programmer i 20-25 år og har været med fra starten. Og vi kæmper lidt mod den der holdning at Danida har alle de her penge, så der står bare linet op alle de her virksomheder som ringer hele tiden og vil gerne afsted. NEJ! De ringer aldrig! Vi skal ringe til dem. Vi skal ud og fortælle dem om at der er forretningsmuligheder i Afrika. Vi skal fortælle dem om at her har jeg en lokal virksomhed som ser super god ud, er screenet af ambassaden, de har en god forretningsidé - måske kunne det passe jer? Det er op ad bakke! Hele tiden! Med de fleste. Der er meget få som selv tænker 'jeg vil til Afrika'.

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Så ud fra den betragtning, så synes jeg man skal passe på at man ikke overvurderer hvor attraktivt det lige er med de støtteordninger der er og hvor meget det skulle trække en hel masse rådne æg til. Der har selvfølgelig været eksempler på det. Og der må UM jo gribe i egen barm og sige at de bare ikke er gode nok til at screene virksomhederne. De sidder meget med de der formkrav og dokumenter der skal læses.

Tidligere hyrede Danida erfarne erhvervsfolk og sendte dem ud på ambassaderne, men det blev simpelthen for dyrt. Så nu er det Danidafolk der varetager opgaven. Typisk unge lokale koordinatorer - og der er bestemt dygtige folk iblandt. Det er ikke for at tale dem ned, men de ved ikke så meget om dansk erhvervsliv. Og nogle af dem er ikke ret tilbøjelige til at komme ud af ambassaden. De skulle meget mere ud i felten og mærke efter hvad er det for nogle virksomheder, hvad er det for nogle forretninger, hvad er visionerne, så de kunne screene virksomhederne, både de lokale og de danske.
Appendix B - Definitions and Abbreviations

FDI
The OECD definition Foreign Direct Investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. Some compilers may argue that in some cases an ownership of as little as 10% of the voting power may not lead to the exercise of any significant influence while on the other hand, an investor may own less but have an effective voice in the management. Nevertheless, the recommended methodology does not allow any qualification of the 10% threshold and recommends its strict application to ensure statistical consistency across countries.


MNC
An enterprise operating in several countries but managed from one (home) country. Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation.

www.businessdictionary.com

Liability of foreignness is a term describing the additional costs that firms operating outside their home countries experience above those incurred by local firms. These costs originate in limited local knowledge, local stakeholders’ discriminatory attitudes and the difficulties of managing organizations whose subunits are separated by time and distance.

http://www.palgraveconnect.com/esm/doifinder/10.1057/9781137294678.0239
Emerging market
Markets that are not yet industrialised, are based in low income countries and have a low degree of industrialisation, whilst they have experienced recent economic growth, liberalisation and are open to foreign investments. (Khanna and Palepu, 2010, p 6).
Appendix C - Interview Guide

The interviews were performed as semi-structured interviews, where the role of the interviewer was to centre the interviewee’s talk about some central topics defined by the analytical framework. The interviews had an introduction, a core and a closing.

**Introduction**
The interviewer presented the thesis, the process and what role of the interviews.
The interviewer asks for permission to record the interviews.
The interviewee is asked to present him or herself, and the company they represent.

**Core**
Topics defined by the analytical framework are covered by asking open question:

**Motivation behind investment**
Business or CSR;
Market, resources or strategic asset seeking.

**Ownership advantages**
Why did the company want to invest in Africa?

**Location advantages**
Corruption
Institutional voids
Unskilled labour
Infrastructure

**Internalisation advantages**
Entry mode
Entry timing

**Closing**
Thanking for the input asking if interviewee has any questions.
Appendix D - GCI Reports
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2.1: Country/Economy Profiles


Note:
From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Key indicators, 2013

Population (millions) ...................................... 169.3
GDP (US$ billions) ........................................ 286.5
GDP per capita (US$) ................................... 1,692
GDP (PPP) as share (%) of world total ............ 0.55

Global Competitiveness Index
GCI 2014–2015 .................................................... 127 ..... 3.4
GCI 2013–2014 (out of 148) ......................... 120 ......3.6
GCI 2012–2013 (out of 144) ......................... 115 ......3.7
GCI 2011–2012 (out of 142) ......................... 127 ......3.4

Basic requirements (60.0%)
Institutions .............................................................. 129 ......3.0
Infrastructure .......................................................... 134 ......2.1
Macroeconomic environment ..................... 76 ......4.6
Health and primary education ..................... 143 ......3.0

Efficiency enhancers (35.0%)
Higher education and training .................... 124 ......2.9
Goods market efficiency ................................. 87 ......4.2
Labor market efficiency ................................. 40 ......4.5
Financial market development .................... 67 ......4.1
Technological readiness ................................. 104 ......3.0

Market size ............................................................... 33 ......4.7

Innovation and sophistication factors (5.0%)
Business sophistication .............................. 87 ......3.8
Innovation ............................................................... 114 ......2.8
Notes:
Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). For further details and explanation, please refer to the section “How to Read...”
2.1: Country/Economy Profiles
### Appendix D - GCI Reports

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*Values indicate the relative performance of countries in each category.
2.1: Country/Economy Profiles


Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Key indicators, 2013

Population (millions) ........................................ 36.8
GDP (US$ billions) .......................................... 23.1
GDP per capita (US$) ...................................... 626
GDP (PPP) as share (%) of world total ............ 0.06

Global Competitiveness Index

GCI 2014–2015 .................................................... 122 ..... 3.6
GCI 2013–2014 (out of 148) ................................... 129 ......3.4
GCI 2012–2013 (out of 144) ................................... 123 ......3.5
GCI 2011–2012 (out of 142) ................................... 121 ......3.6
Basic requirements (60.0%)
Institutions .............................................................. 115 ......3.3
Infrastructure .......................................................... 129 ......2.3
Macroeconomic environment ................................... 96 ......4.4
Health and primary education ................................. 122 ......4.4
Efficiency enhancers (35.0%)
Higher education and training ................................. 129 ......2.7
Goods market efficiency ........................................ 119 ......3.9
Labor market efficiency ............................................ 27 ......4.7
Financial market development .................................. 81 ......3.8
Technological readiness .......................................... 119 ......2.8
Market size ............................................................... 86 ......3.3
Innovation and sophistication factors (5.0%)
Business sophistication ......................................... 109 ......3.5
Innovation ................................................................. 96 ......3.1

The most problematic factors for doing business
Corruption .........................................................................22.5
Access to financing ...........................................................14.0
Tax rates ............................................................................13.5
Inadequate supply of infrastructure ....................................11.5
Inflation ................................................................................8.4
Inefficient government bureaucracy .....................................7.6
Poor work ethic in national labor force ...............................6.1
Tax regulations ....................................................................3.2
Crime and theft ...................................................................2.8
Poor public health ...............................................................2.3
Insufficient capacity to innovate ...........................................1.8
Inadequately educated workforce ........................................1.7
Policy instability ...................................................................1.6
Foreign currency regulations ..............................................1.4
Restrictive labor regulations ...............................................1.1
Government instability/coups ..............................................0.6

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Notes:
the Country/Economy Profiles” on page 101.
Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). For further details and explanation, please refer to the section “How to Read

Rank Score (out of 144)

GDP (PPP) per capita (int'l $), 1990–2013

Percent of responses

Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

2.1: Country/Economy Profiles

Institutions
Infrastructure
Macroeconomic environment
Health and primary education
Higher education and training
Goods market efficiency
Labor market efficiency
Financial market development
Technological readiness
Market size
Business sophistication
Innovation

Key indicators, 2013
Population (millions) .......................................... 5.6
GDP (US$ billions) ........................................ 331.0
GDP per capita (US$) ................................. 59,191
GDP (PPP) as share (%) of world total ............ 0.24
Global Competitiveness Index
GCI 2014–2015 ...................................................... 13 ..... 5.3
GCI 2013–2014 (out of 148) ..................................... 15 ......5.2
GCI 2012–2013 (out of 144) ..................................... 12 ......5.3
GCI 2011–2012 (out of 142) ....................................... 8 ......5.4
Basic requirements (20.0%)
Institutions ................................................................ 16 ......5.3
Infrastructure ............................................................ 21 ......5.6
Macroeconomic environment ................................... 16 ......6.1
Health and primary education ................................... 25 ......6.4
Efficiency enhancers (50.0%)
Higher education and training ................................... 10 ......5.7
Goods market efficiency .......................................... 23 ......5.0
Labor market efficiency ............................................ 12 ......5.0
Financial market development .................................. 27 ......4.7
Technological readiness .............................................. 6 ......6.1
Market size ................................................................ 54 ......4.2
Innovation and sophistication factors (30.0%)
Business sophistication ........................................... 11 ......5.3
Innovation ................................................................. 11 ......5.1

The most problematic factors for doing business
Tax rates ............................................................................23.2
Access to financing ...........................................................18.3
Tax regulations ..................................................................14.2
Inefficient government bureaucracy ...................................11.5
Restrictive labor regulations ...............................................10.8
Poor work ethic in national labor force ................................6.8
Insufficient capacity to innovate ...........................................5.3
Inadequate supply of infrastructure ......................................3.5
Inadequately educated workforce ........................................3.5
Policy instability ...................................................................0.7
Crime and theft ...................................................................0.6
Inflation ................................................................................0.5
Foreign currency regulations ................................................0.3
Poor public health ...............................................................0.3
Government instability/coups ..............................................0.2
Corruption ...........................................................................0.0

Denmark
Advanced economies
Stage of development
Factor driven
Efficiency driven
Innovation driven
1
Transition
1–2
2
Transition
2–3
3
Denmark
Advanced economies
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## Appendix E Flyvbjerg’s 5 misunderstandings

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<th>Misunderstanding</th>
<th>Arguments</th>
<th>Conclusion</th>
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<td>1. General, theoretical (context-independent) knowledge is more valuable than concrete, practical (context-dependent knowledge)</td>
<td>First, the case study produces the type of context-dependent knowledge that research on learning shows to be necessary to allow people to develop from rule-based beginners to virtuoso-experts. Second, in the study of human affairs, there appears to exist only context-dependent knowledge, which thus presently rules out the possibility of epistemic theoretical construction.</td>
<td>Predictive theories and universals cannot be found in the study of human affairs. Concrete, context-dependent knowledge is therefore more valuable than the vain search for predictive theories and universals.</td>
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<td>2. One cannot generalize on the basis of an individual case; therefore, the case study cannot contribute to scientific development</td>
<td>The case study is well suited for identifying ‘black swans’ because of its in-depth approach: what appears to be ‘white’ often turns out on closer examination to be ‘black’.</td>
<td>One can often generalize on the basis of a single case, and the case study may be central to scientific development via generalization as supplement or alternative to other methods. But formal generalization is overvalued as a source of scientific development, whereas ‘the force of example’ is underestimated.</td>
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<td>3. The case study is most useful for generating hypotheses, that is, in the first stage of a total research process, while other methods are more suitable for hypotheses testing and theory-building</td>
<td>Experienced case researchers cannot help but see the critique as demonstrating a lack of knowledge of what is involved in case-study research. Researchers who have conducted intensive, in-depth case studies typically report that their preconceived views, assumptions, concepts and hypotheses were wrong and that the case material has compelled them to revise their hypotheses on essential points.</td>
<td>The case study is useful for both generating and testing of hypotheses but is not limited to these research activities alone.</td>
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<td>4. The case study contains a bias towards verification, that is, a tendency to confirm the researcher’s preconceived notions.</td>
<td>Summarizing case studies is not always useful and may sometimes be counterproductive. Knowledge at the beginner’s level consists precisely in the reduced formulas that characterize theories, while true expertise is based on intimate experience with thousands of individual cases and on the ability to discriminate between situations, with all their nuances of difference, without distilling them into formulas or standard cases.</td>
<td>It is correct that summarizing case studies is often difficult, especially as concerns case process. It is less correct as regards case outcomes. The problems in summarizing case studies, however, are due more often to the properties of the reality studied than to the case study as a research method. Often it is not desirable to summarize and generalize case studies. Good studies should be read as narratives in their entirety.</td>
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<td>5. It is often difficult to summarize and develop general propositions and theories on the basis of specific case studies.</td>
<td>Knowledge at the beginner’s level consists precisely in the reduced formulas that characterize theories, while true expertise is based on intimate experience with thousands of individual cases and on the ability to discriminate between situations, with all their nuances of difference, without distilling them into formulas or standard cases.</td>
<td>It is correct that summarizing case studies is often difficult, especially as concerns case process.</td>
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Table 27.1