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Factors Affecting Entry Modes of Manufacturing Multinational Corporations (MNCs) in Zambia.

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ABSTRACT

The main motivational forces for globalization are the giant economies of the world, developed countries and foreign Multinational Companies (MNCs). In spite the Zambian government been able to attract Foreign Direct Investment(FDI), many problems arise. The economy of the country is declining, lack of employment and low human development index. The major problem is lack of capacity to attract meaningful manufacturing investment which could help raising in economic development.

This research paper was intended to study the relationship between factors that are involved in determining manufacturing MNCs and the entry strategies chosen by manufacturing MNCs. The research first concentrated on the factors that affect the choice of entry modes of manufacturing MNCs into the Zambian market. For this purpose, literature review was done for the study. An exploratory methodology was adopted in this research and a multi-method (qualitative and quantitative are used to analyse multi source data. A sequential mixed method was used for research design for the study. In qualitative, semi-structured interviews, questionnaire was used and time series data was collected from government departments, books and journals and, international statistics on internet. In quantitative, questionnaires were used to collect primary data. Triangulation analysis was employed which is appropriate for multi-source data. The data was analysed using the Ordinary Least Square (OLS) Multiple Regression Statistical technique and T-test of Means of independent variables. A correlation matrix was also used to check the relationship between all the variables. The following are the findings:

(i) Availability of Infrastructure in Zambia helps to attract manufacturing Multi-National Corporations;

(ii) There is direct relationship between manufacturing MNC inflow and Economic Growth

The results of this research could assist the Zambian policy makers to take aggressive approach in attracting credible manufacturing MNCs. the findings are also beneficial to the future prospective investors. The research also contributed to the already existing models of theories.

Keywords:

Manufacturing Multi-National Corporations, Foreign Direct Investments (FDI), Gross Domestic Product (GDP), Economic Growth.

INTRODUCTION

Background Information

Manufacturing Multinational Corporations (MNCs) are main players in a global knowledge-based economy. (World Bank, 2014). Foreign manufacturing companies' market inflow is important in many ways such as the creation of employment, enhancement of competition, transfer of skills of through training and growth of Gross Domestic Product (GDP). Manufacturing MNCs also offer Less Developed Countries (LDCs) the chance to reduce dependence on foreign aid, thereby increasing the state's independence from donor policies. These are some of the reasons why LDCs have been strongly attracted to manufacturing MNCs as a source of external finance. Accordingly, many governments have created policies aimed at encouraging inward manufacturing MNCs' flows. As pointed out by (Adewumi, 2006), most LDCs are in need of significant levels of foreign manufacturing companies to improve their struggling economies. Most of the LDCs' economies are having problems due to few resources to finance long term investments and this has proved to be a major setback to GDP growth. According to (Adams, 2009), country-specific factors determine the direction and volume of manufacturing MNCs across countries. Some of these factors include the host country's GDP growth and macroeconomic stability. Due to the differences in economic uncertainties across LDCs, the growth effects of foreign manufacturing companies also differs.

The selection of an appropriate entry mode in a foreign market by manufacturing MNCs can have significant and far-reaching consequences on a firm's performance and survival (Root, 1994). For example, an inappropriate entry mode may block opportunities and substantially limit the range of strategic options open to the firm .It may result in substantial financial losses to the firm, including exit from the foreign market (Hill, 2002). The entry mode chosen has a major impact on the level

of control the Multinational Corporation (MNC) has over the venture (Root, 1994). Some entry modes, such as exporting and licensing, are associated with low levels of control over operations and marketing, but are also associated with lower levels of risk. Since reversing an inappropriate entry mode choice can be difficult, it is important that well thought out decisions be made.

Zambia is among the LDCs that has received significant amounts of foreign investment inflows in different sectors. Most of the Foreign Investment inflows in Zambia have been in the mining, construction, infrastructure, agriculture and tourism sectors.

History of Foreign Manufacturing Investment Inflow in Zambia

Zambia is a landlocked country in Southern part of Africa which got independence from Britain in 1964.The economy of Zambia has greatly developed from reliance in copper mining and agriculture to a diversified economy. Foreign aid and manufacturing MNCs are the main drivers of financial flows in the country. Between 1964 and 1991, the running of all private firms was taken over by the government through welfare support parastatal firms. In the late 1980s, the performance of parastatal firms collapsed despite continued government funding leading to the downfall of the economy. Economic openness started in 1991 when the country shifted from one party state to multiparty. The government introduced Structural Adjustment Programme (SAP) with the help from the International Monetary Fund (IMF) in the early 1990s to help uplift the struggling economy. Among the SAP strategies introduced were: Moving ownership of firms to private entities, liberalisation of exchange rate, increase of interest rates and adding of incentives on taxes (Maliwa and Nyambe, 2015). These policies attracted more foreign manufacturing companies which became crucial in the liberalisation process of the economy of Zambia. The country has also attracted investments from different countries like SABMiller and Metorex from South Africa, Trentyre from Mauritius, Illovo from South Africa, Tata from India and America Minerals from United States of America which led to the economy to improve (UNCTAD, 2006).

The government introduced the Zambia Development Agency (ZDA) in 2007 through the ZDA Act No 6 of 2006 as the primary legislation for investment in Zambia and mandated to offer incentives such as waivers on customs duty on imported equipment, excise duty and value added tax, among other concessions to investors who are willing to invest not less than US$ 10 million in identified sectors or US$ 500,000 in Multi-Facility Economic Zones (MFEZ) it established. An investor, foreign or local, is free to identify and suggest any location in the country deemed

economical for development of MFEZ, although government has prioritized designated areas in Lusaka, Ndola, Mpulungu, Chembe, Nakonde, Kasumbalesa and Mwinilunga. Three MFEZs have since been set up in Zambia through the support of the Chinese government to facilitate Chinese investments and exports which are Chambishi MFEZ on the Copperbelt, the Lusaka East MFEZ and the Lusaka South MFEZ. The MFEZs attracted a lot of FDI from China which increased exports and economic growth (Leslie, 2014).

Despite the efforts to attract Foreign Companies by the government, Zambia still has low levels of Manufacturing Companies coming into the country.

REVIEW OF LITERATURE

Foreign direct investment (FDI) has been fueling economic growth in many different nations across the world (Alfaro, 2017). In the last few years, many countries have received an increased inflow of FDI as a result of globalisation (Hill and Mckaing, 2015). FDI improves the economic growth of the recipient nations in many ways which includes economic growth, job creation and technology transfer among others (Botha et al, 2020). Past researchers have studied impact of FDI on economic growth and they came up with varied results. In this chapter a detailed literature review on the effects of FDI on economic growth is given. The empirical literature aims at making an understanding of the relationship between the inflow of FDI and economic growth so that we have a solid foundation for the study.

The literature review includes the theoretical studies on the factors that influence the choice of the entry mode by Multi- National Corporations (MNCs) to invest in foreign nations. It also looks at the different types of market entry modes such as Exporting, Manufacturing Contract, Licencing and Franchise, Joint Venture and Wholly Owned. The literature review also outlines various studies on the different entry modes.

Concept of Internationalisation

Foreign Manufacturing Companies face tough time in selecting the strategies used to enter a foreign nation. Several scholars have undertaken researches on the internationalisation strategies and factors influencing the strategies.

Hemmert (2017) defines internationalisation as a process of outward movement of company's goods and services or technology to other countries.

In order to explain internationalisation, we use the Uppsula Model which states that: (a) Companies first establishes themselves locally before taking up foreign markets (b) the more knowledge gained on specific markets, the more ownership commitment to the firm (Lewin, 2009). The Uppsala model gives us an idea on why there is an increased internationalisation and the paths which these companies take and the factors which affect these decisions.

Market Entry Mode

This part of literature review analyses and compares the types of entry mode strategies. A firms strategy can be defines as the actions that managers takes to attain the goal of the firm (Hill, 2005). Daniels et al (2002) defines strategy as the specific group of decisions managers take to maximize their companies' performance. They further argues that the concept of the strategy in international business is important because some companies perform better than others within the same industries and performance differences relate largely to the various decision* managers make and their abilities to carry our decisions. Performance difference of firms in the same industry is thus brought about by differences in strategies and strategy implementation. International markets are extremely competitive due to the liberalisation of the world trade and investment environment. The decision about the choice of foreign entry mode (FEM) is of strategic importance to the internationally expanding firms. The decision impact greatly on the scale of resources commitment and has far reaching implications on the future performance of the foreign business (Root, 1994). In light of the above observations about strategy and the question of foreign entry modes, this research project will regard the choice of foreign entry modes as strategic choices, hence refer to them as foreign entry strategies. According to Petersen (2008) the foreign market entry strategy helps firms to gain knowledge, skills, experience and resources. According to Brassington and Pettitt (2000), there are many ways of entering and deciding the kind of market entry is not easy as there are many things to consider such as level of investment, direct or indirect, goods or services, produced home or abroad among others. The most common internationalisation strategy is through exports using agents in the foreign market. The other entry modes are Contract Manufacturing Licencing and Franchising, Joint Venture and Wholly Ownership.

Brouthers (2002) mentioned that the important part of internationalisation is putting up an entry mode. Companies use entry strategies which gives specific advantages and are in relation to strategic aims of the company (Hennart, 2015). Daniels et al. (2002) view the entry modes to be in three categories namely: The trade mode including exporting in all forms and counters trade, contractual entry modes including licensing, franchising, management contracts which he considered as collaborative arrangements and foreign investment modes including Joint Ventures and Foreign Direct Investment (FDI) in either mergers or acquisitions or green field investments (GI) as collaborative arrangements. Hill (2005) break down foreign entry strategies into six common strategies namely "exporting, turnkey projects, licensing, franchising, establishing joints ventures with a host country firm or setting up a new subsidiary in host country." Equity alliances and other strategic alliances are achieved in either of the equity-based entry modes or in either of the contractual entry modes mentioned above. The next subsections will look at the literature describing the salient features of the six entry modes listed by Armstrong and Kotler (2005); Export, Contract Manufacturing, Licensing, Franchising, Joint Ventures and Wholly Owned Enterprises

Exporting

Exporting is the most used entry mode which most MNCs prefer when getting into new markets. This is done by using agents and distributors. According to Delios and Henisz (2000), exporting is the simplest entry strategy if the company has economies of scale in producing at home. Bouquet (2008) observes that in exporting the firm does not have control in the way its products are distributed in a foreign market as the control is on the distributors. Enterprises through export entry modes can transfer products manufactured at home or third country indirectly or directly to target market. Exporting is the most common method for early internationalization. Shaver (2013) The firms entering foreign markets rapidly and early usually use modes like distributors or exporting, which involving lower resource commitment. Morschett (2010) For SMEs, they must control over their own export channels well to achieve the success. (Hennart, J.F.; Slangen, 2015).

Indirect export can be a first option for the firm to choose, as it involves with very low resource commitment. (Root, 1994) It occurs when the firm uses an independent middleman in its home country to export the products. (Morschett, 2010) Because of this characteristic, it has become

the preferred mode for many SMEs. In this mode, the firm sales turned into a kind of domestic sales, these intermediaries will sell the company's products after buying to foreign markets. All sales activities in foreign markets are under the control of middlemen. (Morschett, 2010) This is a mode involving every low resource commitment, but the company lost control of foreign markets. (Bouquet and Birkinshaw, 2008).

Through direct export mode the company directly delivers their products to the customers in target markets, it can be the entire final customers or intermediaries (importers) located in host countries. (Morschett, 2010) In this mode, the firms can implement the exporting activities through the distributors or agents in host countries. (Rugman and Verbeke, 2008)

Distributors can get the exclusive rights to act as the exclusive representatives of the firm in host market. Normally, they have their own sales networks and channels, and they have adequate rights to select the customer segmentation and also to set the conditions for sales, which includes prices, place etc. Agents are unlike the distributors, as they sell the products of exporter to customers with the name of and on behalf of the exporter, all arrangements concerning with financing, credit and promotion, are directly done between the buyers and the exporter. The agents make profits from the commissions paid by the exporter. (Morschett, 2010) The firm can get market knowledge and access to local experience easily though this mode, but the firm still has low degree control of the market price. Delios and Henisz (2000). Cooperative export is another type of export and refers to the collaboration between the firm and other export marketing groups concerning the exporting functions performance. This is a common mode that used among SMEs when they trying to enter foreign markets for the first time. The motivation of SMEs to participate in this group is the opportunity to marketing a complementary product program to larger buyers effectively. Firm can achieve the benefit of costs and risks sharing through this mode, but there is still risk of unbalanced relationships as very member has different goals. (Shen, 2017).

States that exports avoid costs of production and operation of manufacturing plants. It aids the manufacturers to achieve location economies of scale and experience.

According to Hemmert (2017) despite export been the first mode of a firm's market penetration in to the global world, many firms encounter high scale economies in cases where the host countries have lower manufacturing costs. In addition to this tarrif barriers and higher transportation costs also affect exports negatively. When the company faces such disadvantages then, it switches to another mode of entry.

Contract Manufacturing

A contract is given to an external partner which allows the outsourced firm to use its technologies and manufacturing plants from the patent company. According to this type of entry mode enables the parent company to channel its efforts to other important sections of the firm like Marketing and Research and Development (R and D) among others. State that entry mode gives flexibility in choosing the manufacturing partners because the parent company if not happy with the manufacturing partner can discard it and engage another one.

Rugman (2008) mentions that the entry mode is not good because the manufacturing partner may not be producing goods as specified by the patent partner. Tihanyi eta l (2005) states that in some cases the manufacturing partner may become a competitor after the contract ends and also difficult to transfer back some technologies.

Licensing

According to Brouthers (2002) defines Licensing as the agreement made by a firm which is called the licensee which buys the rights to manufacture goods from a patent company at a fee. The company getting the licence invests its own technologies, expertise and know how. Canabal (2008) acknowledges that development costs and risks are avoided in licensing which is to the advantage to the licensor.

Mentions that licensing is affected by lack of control of what the licensee is doing hence quality is affected since the licensor is at a distance to monitor. States that licensing does not involve significant interactions for more exposure to and absoption of information.

Franchising

In this entry mode, the firm which is the franchiser sells limited rights to use its brands to another company with strict set of rules, at a fee and a share of profits. According to Grundig and Morschett eta l. (2010) Franchising is similar to licensing and mostly used in service business outlets such as restaurants, hotels stores among others. Franchising involves no equity entities between the MNC and the host company. In these types of investments, management and technology systems are transferred to the host company. According to Brouthers (2004) franchising is good because it involves higher degree of control less costs and risks for the franchiser.

Morschett eta l. (2010) however states that franchising faces disadvantages as there is no hierarchical control over the franchisee's operation. The franchisee is an independent business and has freedom to manage their own store. Adds that there could be losses in profits if same quality of the patent company is not followed strictly by the franchisee.

Joint Ventures

This is another option of market entry by MNCs where there is partnership between the MNC and the host company. In this type of market entry, risks, profits, technology and product development is shared between the two (2) companies. There are two types of joint ventures, which is contractual non–equity joint venture and an equity joint venture. The difference is the equity joint venture refers the establishment of a new company. This is where there are equity entities between the MNC and the host company. Hennart (2015) argued that for less experienced SMEs, the equity joint ventures can be helpful to reduce cultural barriers. However, in equity joint venture, the MNC loses control of the company as the control of technology is offered to the partner company hence breeding source of conflict.

Non–equity joint venture is contract relationship between two partners (Petersen, 2008).

According to Tsai and Eisingerich (2010) Joint ventures allows the firm to access knowledge from its partner about the host nation's language, culture, business and political systems. States that the firm is able to share its risks and costs with its partner.

However, states that there is loss of control over firm's subsidiaries because control of technology is shared with partner.

Wholly Ownership

Finally, the Wholly Ownership. This is where the MNC has a One hundred Percent (100 %). The decisions of how much to produce, pricing and other strategic decisions are done by the parent company. The Wholly owned enterprise involves 2 types kinds namely Greenfield and Acquisition of already existing firms. Martin (2013) states that to establish the wholly owned Greenfield investment in host country, the firm need to afford all the costs and risks. It is especially suitable when production logistics is the key industry success factor, and the plants or sub-companies can be built to meet the firm's own interests. But it is very slow process to enter the target market compare with acquisition. Morschett eta l (2010) acquisition option, the firm can earn the local market knowledge and experience in short-time and benefits from the existing marketing network. But it is also an expensive option and there may have communication problems between two firms.

Tsai (2010) found both acquisition and Greenfield investment can develop the ability of SMEs to deal with the institutional challenges in host country.

Raugman (2008) notes that in wholly owned, the subsidiary has access to control its technology and that there is no loss of technological competence. Canabal (2008) adds that it gives the parent firm access to control operations in the host nation.

However, it involves enormous costs and risks such as political risks, war among others in setting up a wholly owned company.

Theoretical Framework

Choice of Entry Modes Theories

Economic Growth Theory

For the host countries, the main purpose of introducing foreign capital is to stimulate economic growth. So economic growth theory is one of the theoretical basis when we discuss FDI.

Economic growth theory can be divided into Classical, Neo-Classical and Endogenous growth theories according to the evolution of theory.

The classical theorists, Adam Smith, David Ricardo and others believed that the main drivers of the economic growth over a certain period of time is the formation of capital. In the long run, Investment can stimulate social need and then push enterprises to improve production capabilities and supply job opportunities (Ayhan,205).

Neo-Classical growth theory studies the economics from a new perspective and the most typical one is Solow growth model. He assumes that the society only produce one kind of product, production factors can substitute each other and emphasized the importance of market mechanism in economic growth. The model indicates in the stationary equilibrium, the long term economic growth only has level effect, but not rate effect. The main drawback of this model is that it is impractical to assume labour and capital can substitute each other and realize equilibrium economic growth (Felber and Teitscheid, 2021).

Endogenous growth theory releases some assumptions of the neo classical growth theory and Endogenises related factors. The theory states that Endogenous technological progress is the determinant among other factors that stimulate economic growth: on one hand, society and corporations can invest in the labour through education, training and other learning activities to get highly productive human capital; on the other hand, they can also realize physical capital accumulation alongside technological advances through innovation, research and development (Chukuemeka, 2015).

International Investment Theory

The history of foreign direct investment can be traced from middle 19th century but much of these economic activities sprung up during the second half of the 20th century. Economists start from the host country to study on the necessity and possibility of less developed countries to use FDI. The classical international Investment theory includes monopolistic advantage theory, internalization theory, eclectic theory of international production and comparative advantage theory.

Monopolistic advantage theory has the assumption of perfect competition of traditional capital movement theory as unrealistic. It postulates that the effect of product differentiation, scale economy, technology monopoly, tariff and other factors lead to an imperfect competition market and monopoly is the main form of imperfect competition market. The conclusion of monopolistic

advantage theory is the combination of monopoly position and advantages are the main spring for Multi-National Corporations (MNCs) to invest abroad (Nayak and Choudhury, 2021). Internalisation is the further development of early monopolistic advantage theory. It postulates that the imperfect competition not only exists in the end product market but also exists in the intermediate market. Intermediate product not only includes raw materials and components but also encompasses knowledge shown by technical experts which gives the enterprises strong motives for internalisation of knowledge product providing monopolistic advantage. On the other hand, it is difficult to price the intellectual product due to the incompletion of intermediate market. So MNCs can take advantage of internalization to transfer pricing and maintain knowledge and technology monopoly to avoid extra transaction costs due to externalisation of knowledge market (Casson and Wadeson, 2018).

Eclectic theory by John Dunning suggested that there are three advantages that determine Investment activities abroad of MNCs: Ownership advantage, Internalizing advantage and Location advantage.

Dunning believed ownership advantage of assets is the fundamental for MNCs to invest abroad and this is what determine the capability of MNCs to invest.

Internalization advantage lies in that MNCs take advantage of internalization of owned assets. The motives of MNCs to internalize its ownership advantage is to avoid negative effect from the external incomplete competitive market, realizing the optional allocation of resources and maintain and exploit monopoly position brought by ownership advantage (Cantwell,2015).

Location advantage is another significant factor regarded when investing abroad which refer to the beneficial factors offered by the host countries to attract inward FDI like market size, infrastructure, politics among others(Nayef et Al, 2016).

The comparative advantage theory postulates that MNCs should also observe competitive advantage in the home country. The theory explains that FDI based on the vertical labour division while the boundedness of the theory is lack of efficacy in explaining the Investment between developed countries which is featured by horizontal labour divisions and willingness and potential of developing countries to develop high technology industry (Salam and Tufail, 2016).

The Big Push Theory

The theory of the big push postulates that less developed countries require large amounts of Investment to break the line of underdevelopment and pave way for economic growth. The theory proposes that a programme of bit by bit Investment will fail to have much of an impact on the process of growth and will merely lead to a dissipation of resources (Umoru and Onimawo, 2018). Paul Rosenstein, approvingly quotes on Massachusetts Institute of Technology study in this regard, there is a minimum level of resources that must be devoted to a development programme if it is to have any chance of success (Michele, 2021).

Empirical Literature

There is a broad concession in the various literature regarding the multidimensional impact of FDI on the economy of the host-country, as they represent a well-organized way of increasing its export potential, of improving the growth of the economy and, finally, of improving welfare. GDP growth is a very important factor in attracting FDI into the country. Hagan and Amoah (2019) argued that the inflow of FDI help to stimulate the country's economic growth through technology transfer and spill-over effect on domestic firms. Lee and Tcha (2014) found that FDI improves total factor productivity and it brings the money, management innovations to prevent the poverty gap.

According to the study by (Turkovic, 2017) on the link between FDI and GDP in Iran using augmented dickey-fuller model and ARDL model, net FDI inflow significantly affect economic growth. Nketiah-amoonsah and Sarpong (2019) examined the impact of FDI on economic growth in Sub Saharan Africa. Their findings showed that FDI has a favourable effect on economic growth. In the same vain, (Phuyal and Sunuwar, 2018) found that FDI in all sectors had a positive and significant effect on economic growth. Another study by (Al-iriani, 2007) in Middle East, between 1970 and 2004 using a Granger causality test of also found FDI and GDP affect each other positively.

Similarly, a study carried out in Nigeria by Olorogun et al. (2020) found that FDI affects GDP. Furthermore, they also concluded a significant relationship between GDP and Financial Development of the banking sector, which is also corroborated by indirect causality from gross capital formation to the financial sector. Their study analyzes gross capital formation (GCF) and financial development of the financial sector (% GDP) from 1970 to 2018 using Pesaran's ARDL bounds test and Toda–Yamamoto Granger causality and generally reinforces economic

growth as a result of inflows. FDI, in the long run, through the financial sector, confirms that finance is the most crucial sector in the Nigerian economy.

Over a period 1981 to 2017, Mohd and Muse (2021) conducted a study in Ethiopia using the VAR model. According to their findings, FDI has a beneficial and considerable effect on economic growth both in short and long term. A study by (Srinivasan, 2011) claimed that the rise in GDP and GDP per capita are significantly attracting market seeking FDI.

Meanwhile, (Sahraoui et al, 2015) found out that there is a uni-directional causality running from GDP to FDI inflow. A study by (Moyo, 2013) on the impact of FDI on GDP in Zimbabwe using a multiple regression model found that GDP was positively affected by FDI. Alfaro (2017) supported the FDI-economic growth positive nexus. However, (Nwankwo et al, 2013) find that employment, technology transfer, local firm growth is positively affected by FDI.
Despite the benefits of FDI on GDP, other scholars suggested that it can also lead to some weak relationship, null relationship or inverse effect.

Some researchers have come to the conclusion that FDI has no significant effect on the growth of an economy. According to study by Zangoei et al. (2021) found that FDI inflow does not exerts any impact on economic growth. Goh et al.(2017) investigated the said interaction and found that on average, FDI is not an inducer of economic expansion in the Asian economies, as supported by the wok of Zhu(2017). Zhu (2017) found that FDI does not have any significant effect on economic growth. This argument aligns with the work of Zandile and Phiri (2019).

However, other studies found negative impact of FDI on economic growth. In the recent study, Khobai (2018) found that foreign investment had a negative effect on the economic performance of a country and domestic Investments benefited the economy more.
Similarly, Dinh et al. (2019) conducted a study on developing countries from 2000 to 2014 by applying VECM and FMOLS. Their short-run result shows foreign direct investment hurts economic growth, but it has a positive effect in the long run.

There has been many researches around the world on the relationship between FDI and economic growth. However, the existing literature reveals that there is lack of consensus regarding the role of FDI in promoting economic growth.

Literature Gap

The observed gap here is that only few researches have been done on the relationship between FDI and economic growth in Zambia hence having lack of data on the topic. Policy insight can be gained from the investigation as proposed in the study. This research is aimed at filling up the gap and add on literature by focusing on the study of the relationship between FDI and economic growth in Zambia with different variables, with the recent changes and adding of data in recent time.

NEED OF THE STUDY

This study in evaluated the market entry strategies employed by manufacturing MNCs in Zambia with an aim of gaining a deeper understanding on which strategies offer greater success. The study was able to fill the important knowledge gap existing in Zambia. Academicians can therefore benefit from this study as it has given a basis for further exploratory and comparison research on market entry strategies. The study was also of great significance to strategic managers of manufacturing MNCs operating in Zambia. The recommendations are offered as a basis for their planning, evaluation and implementations. It is therefore, of value to strategic managers who wish to have a clearer insight on the advantages and drawbacks of the entry strategies that have been studied. This study is of great importance to manufacturing MNCs in Zambia since the study has brought out entry strategies that have ensured success and those that have not.

PROBLEM FORMULATION

The existence of foreign companies has been crucial for the development of many economies in the world. However, in Zambia foreign companies have not contributed much in the manufacturing sector due to many factors that attract foreign companies. The factors that influence foreign companies' inflow have become an important topic not only for the government but all stakeholders. Moreover, the importance of foreign companies to Zambia arises in view of little performance of preceding policies that concentrated more on the attraction of foreign companies.

Notwithstanding the broad efforts done to attract foreign companies in Zambia, it seems very little attention has been paid to help to attract manufacturing companies in the Zambia. Although ZDA targeted many Developed Countries (DCs) by extending its services, its coverage has resulted in non- manufacturing companies and not manufacturing companies. Manufacturing companies' investment has remained minimal and much effort is needed to attract it. As a result of the importance of entry mode decisions by manufacturing MNCs into Zambia, very little research has focused on how manufacturing MNCs make entry mode choices into the Zambian market.This paper examined the factors enabling the alternative entry modes of manufacturing MNCs into Zambia and also the entry strategies used for the period 2010 to 2019.

OBLECTIVES OF THE STUDY

The following is the research objectives:

1. To identify the factors that influences the choice of entry into market by manufacturing MNCs into the Zambian market.

2. To explore the reasons of the manufacturing MNCs choosing the specific entry mode.

3. To assess the contribution of manufacturing MNCs in Zambian markets to Zambia's economy.

RRESEARCH METHODOLOGY AND DATA SOURCES

Research Design

The research used a convergent parallel mixed method design. The researcher collected qualitative and quantitative data concurrently and analysed the two data sets. The researcher mixed the two data sets by merging the results during interpretation.

Research Approach

The research used mixed method. In this study, both qualitative and quantitative methods of capturing data were used. This enabled the researcher to obtain findings that informed the research

in a more detailed way. Qualitative method was used in order to get indepth information from books, journals and other resources while quantitative method was used for numerical purposes.

Sample Size

Data to inform this study was gathered from 45 respondents (n= 28 were males and n=17 were Females). According to the researcher's experience, unreliable information reporting higher prevalence of workplace alcohol abuse had been obtained. The researcher got 10% of the population in order to reach the sample size.Sinda District Education Board Secretary office and schools under it were selected for the study because it was in close proximity for the researcher.

Sampling Methods

The researcher used purposive random sampling. In applying this technique, the researcher intended to approach the target population to help provide the accurate data required. Purposive sampling was also used to capture the employees both male and female. This method was employed to target employees with the needed data. The reason for using this sampling procedure was to fully capture respondents from whom the required data would appropriately be obtained.

Sources of Data

The researcher used both secondary and primary data sources. Secondary data sources included literature and statistics from journals and books.

Instruments of Data Collection

The following research instruments were designed and used in this study: questionaire and documents. The questionaire generated more primary data while the document analysis generated the secondary data. Both the questionaire and the documents analysed gave quantitative data.

Method and Time of Data Collection

The secondary data was collected by reviewing documents and statistics obtained from journals and books through libraries, internet and public offices The data reviewed was for period between

2010 and 2021.The primary data was collected through a survey done by the researcher during the month of August, 2022.

Data Analysis

Data from literature which involves statistics from journals and information from public offices was transcribed and the resulting statistics were compared in relation to the objectives of the Study. After all the data was collected and arranged, the data was analysed using Microsoft Excel.

The resulting data from the survey came from the respondents and we're benchmarked against the research questions to find out the views of employees about the effects of alcohol abuse on workplace behaviour and also the effects of alcohol policy on the workplace alcohol abuse. The responses by the respondents were then categories according to the alcohol consumption status of the respondents. Those who indicated having taken alcohol were put in one group. Their pattern of answering the questions were noted. Those who indicated that they never took alcohol before were put in their own group. The resulting data from each of the categories were benchmarked against the study questions. The responses to the questions were analysed.Since the study was highly descriptive by nature the resulting data was processed using Microsoft Excel and then presented in terms of graphs and percentages.

Ethical Consideration

Great care was taken to protect the research respondents. First, the purpose of the research was explained to the participants and they were given an option to choose whether they want to participate or not and that they can withdraw at any point. Participants were assured that no harm would come to them as a result of their participation as the information will be kept confidential and used for the purpose of research. The questionnaire did not have any slot for name in order to assure anonymity of the respondents.

Limitation of the Study

This study will focus on the foreign manufacturing companies operating in Zambia, placing emphasis on their strategies and modes of entry into the Zambia. Therefore, the study will not

include other Foreign Investment in other industries, and what strategies and modes of entry applied by these other companies

DATA ANALYSIS AND INTERPRETATION

Analysis of Secondary Data

This segment involved conducting exploratory data analysis on annual time series secondary data covering from 2010 to 2019.

Gross Domestic Product (GDP) per capita

The following are the statistics of GDP per capita:

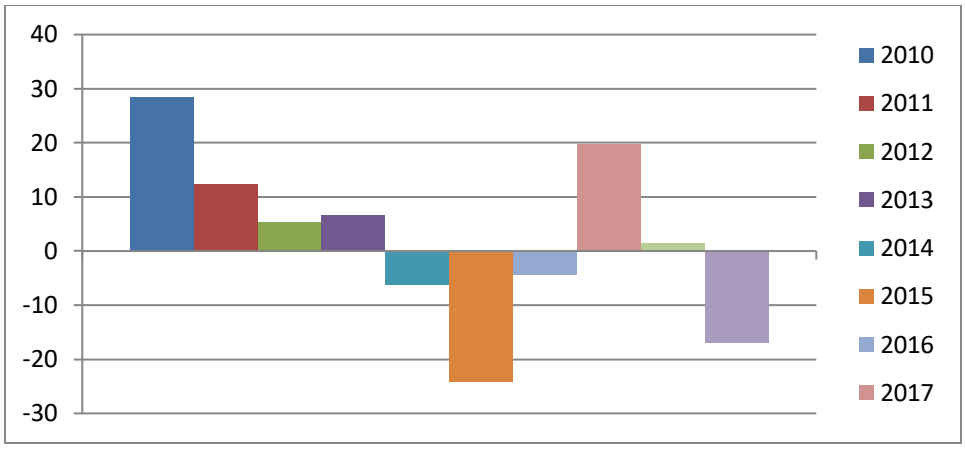
GDP per capita in the period 2010-2019 (%).

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP Per Capita	1,489	1,160	1,763	1,879	1,763	1,338	1,238	1,535	1,556	1,291
Annual Growth Rate	28.41	12.32	5.39	6.57	-6.17	-24.12	-4.28	19.86	1.40	-17.03

Source: Zambia Development Agency (2020).

The GDP per capita decreased steadily from 728.41 % in 2010 to 12.32 % in 2011 and further slumped to 5.39 % in 2012. In 2013, the GDP per capita increased to 6.57 % but declined steadily to -6.17 % in 2014. The data indicated that the economy declined further by -24.9% in 2015 and -4.28% in 2016. The decline was caused by reduction of investment in mining and manufacturing and, the economy was driven by sectors which involved expansion in banking, agriculture, construction and communication. The implication of decline in GDP per capita is lower foreign investment inflow due to lower potential demand and higher costs due to diseconomies of scale.In 2017 the economy grew by 19.86% and 1.40 in 2018 before slumping to -17.3 in 2019. This finding is confirmed by (Srinivasan, 2011) who found that increases in GDP per capita attracted foreign investment.

G**DP per capita (%)**



Source: Analysed data (2021).

FDI inflow

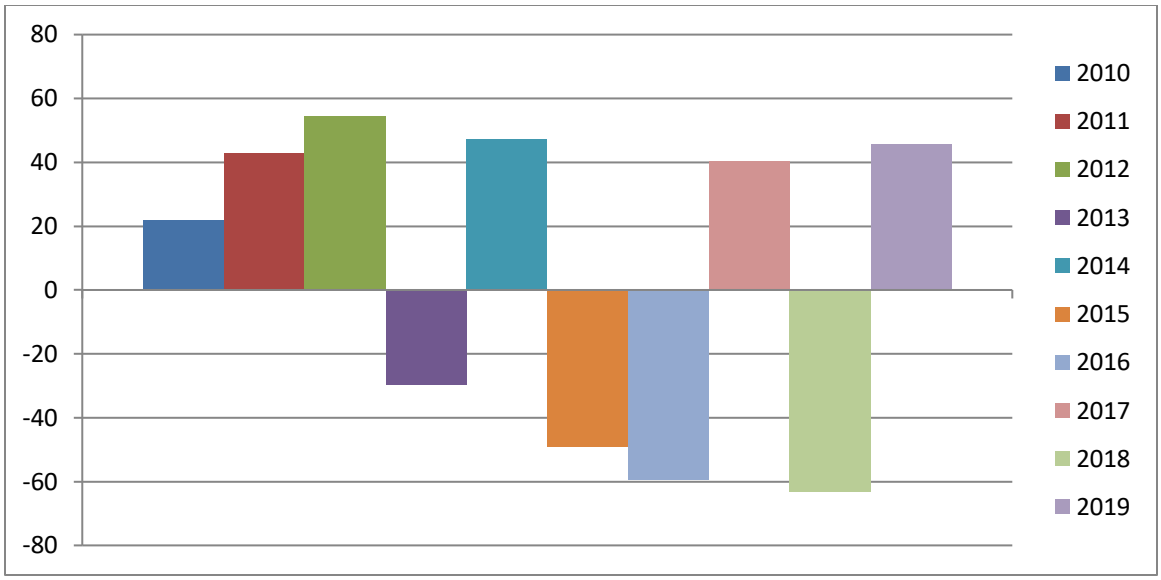
According to secondary data collected on Manufacturing Investment inflow, the statistics were as follows:

Manufacturing Investment inflow in Zambia in the period 2010-2019 (US$ mil)

Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Manufacturing Investment Inflow(US$ mil)	633.9	1109.9	2433.4	1690.5	3194.9	1623.4	660	1,108	408	753
% Growth	21.65	42.9	54.3	-29.8	47.1	-49.1	-59.3	40.4	-63.18	45.8

Source: Central Statistical Office (2020).

Manufacturing Investment inflow in Zambia



Source: Analysed data (2021).

Manufacturing foreign investment in Zambia increased from 21.65 % in 2010 to 42.9% in 2011 and 54.3% in 2012. The increase was largely due to increased promotions to attract investment through provisions of good incentives. In 2013, the Investment inflow reduced by 29.8 as a result of the 2012 financial crisis. In 2014, the investment inflow increased by 47.1%. This increase was driven by higher drawdown in investment assets .In 2015, it reduced by 49.1% and 59.3 % in 2016 as a result of holding back of investment by investors due to bad economic policies introduced by government and high cost of energy. Foreign investment increased by40.4% in 2017 and dropped by 63.18% in 2018 and again increased by 45.8%.The implication of the rise in FDI inflow is the increase in economic growth of the country. This outcome can be confirmed by (Moyo, 2013) who found that FDI had a very significant positive impact on economic growth.

Modes of Entry by Foreign Manufacturing Companies into Zambian Market

The data collected through documentary review revealed the following as some of the Mode of Entries by Manufacturing Foreign companies into the Zambian market:-

Joint Venture Entry into Zambia

The following table gives statistics for the joint venture companies established in Zambia between 2010 and 2019:

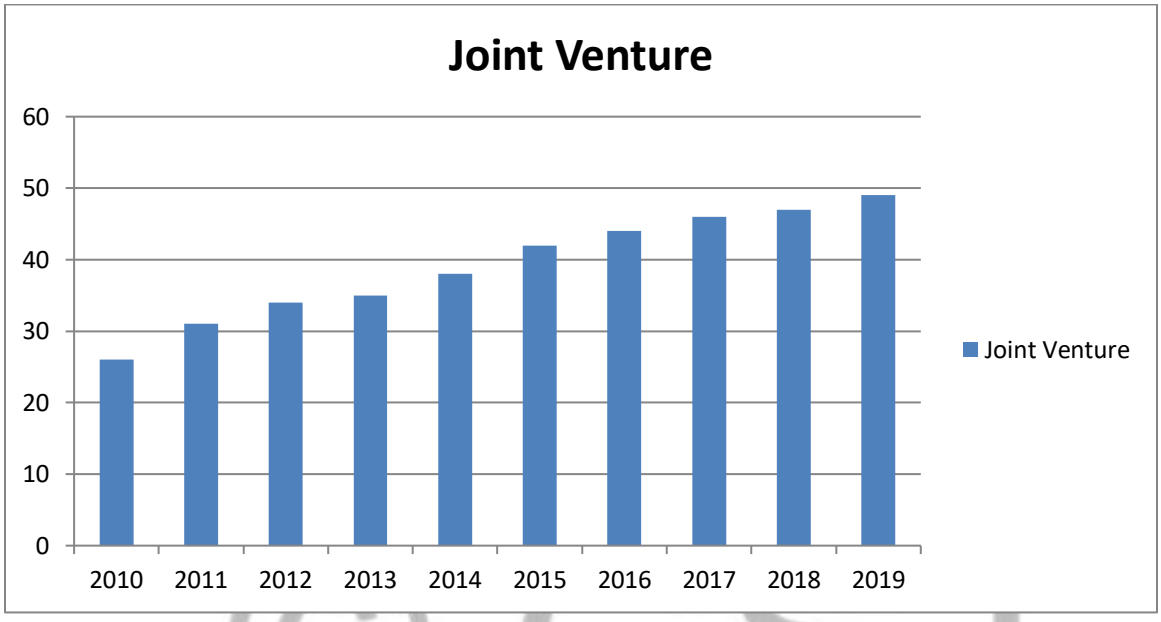
Joint Venture Entry into Zambia

Mode	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

Joint Venture	26	31	34	35	38	42	44	46	47	49

Source: ZDA (2020).

Joint Venture Entry into Zambia



Analysed data (2021).

The number of joint ventures in Zambia increased steadily from 5 in 2013 to 49 in 2019.The continuous increase is because the Zambian business community has a strong interest in joint ventures agreements. Local investors actively seek out these arrangements in order to overcome scarcity of domestic capital, technology, and expertise.

Wholly Owned Entry into Zambia

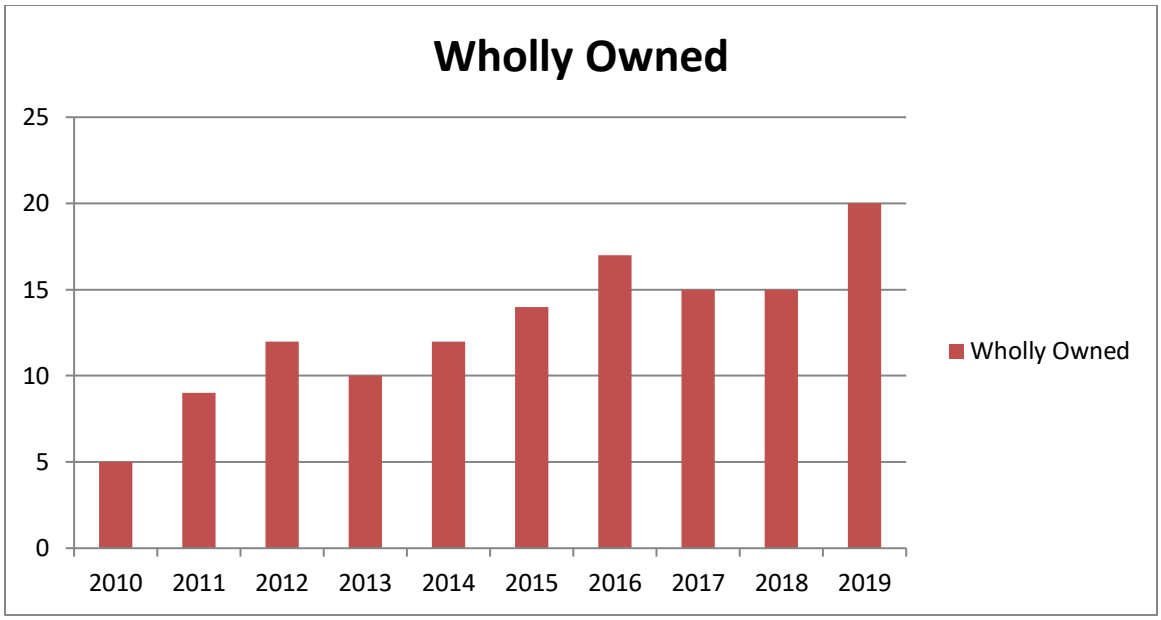
The following table gives statistics for the joint venture companies established in Zambia between 2010 and 2019:

Wholly Owned Entry into Zambia

Mode	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Wholly Owned	5	9	12	10	12	17	14	15	15	20

Source: ZDA (2020).

Wholly Owned Entry into Zambia



Analysed data (2021).

The number of wholly owned enterprises entering in Zambia increased steadily from 5 in 2010 to 12 in 2012. The increase was largely due to increased promotions to attract FDI through provisions of good incentives. In 2013, the number dropped to 10 due the global financial crisis and again it rose steadily to 17 in 2015 then dropped in 2016 to 14 due to drop in purchasing power of the local currency. It was constant at 15 in 2017 and 2018 the rose to 20 due to good investment incentives.

Preliminary Analysis of Primary Data

Descriptive Statistics

First, descriptive statistics about the data collected are tabulated showing the number of respondents, minimum and maximum values mean and standard deviation.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev.
GDP	41	1.00	5.00		
Infrastructure	41	1.00	5.00	2.88	
Firm Size in Target Country	41	1.00	5.00		
Competition in Home Country	41	1.00	5.00		
Market Size in Target Country	41	1.00	5.00		
Product Differentiation in Target Country	41	1.00	5.00		
Cultural Difference in Target Country	41	1.00	5.00		
Valid N (listwise)	41				

Descriptive statistics

Source: Analyzed data, 2020

From Table above, it can be concluded by looking at the overall minimum and maximum values that there are no extreme values in the sample.

Length of Employment

According to the survey, the participants were asked the question" How long have you been working for this firm? "The question was coded with a nominal category (1-5) of 1. 1-5 Years, 2. 5-10 Years, 3. 11-15 Years, 4. 16-20 Years, 5. Above 20 Years.

Table below presents the frequencies and mean for the variable.

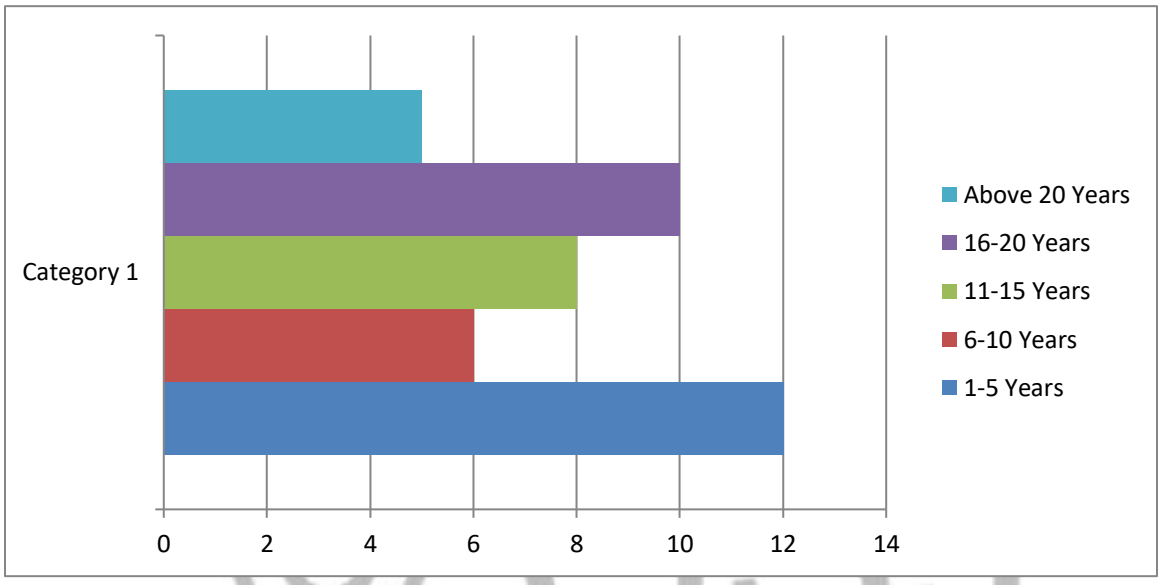
Length of Employment at the Firm

Length of Service	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Above 20 Years	Total
Frequency	12	6	8	10	5	41
Percentage	29.3	14.6	19.5	24.4	12.2	100

Source: Analysed data (2021).

Table above shows that 12% of the respondents have worked for more than 20 years while 24% have worked between 16 and 20 years and 19.5% between 11 and 15 years. It also shows that 14.6% worked between 6 1nd 10 years and 29.3% between 1 and 5 years. This is important to identify whether the respondents were working before or after particular entry strategy adoption.

Length of Employment at the Firm



Source: Analysed data (2021).

Respondents' Educational Qualification

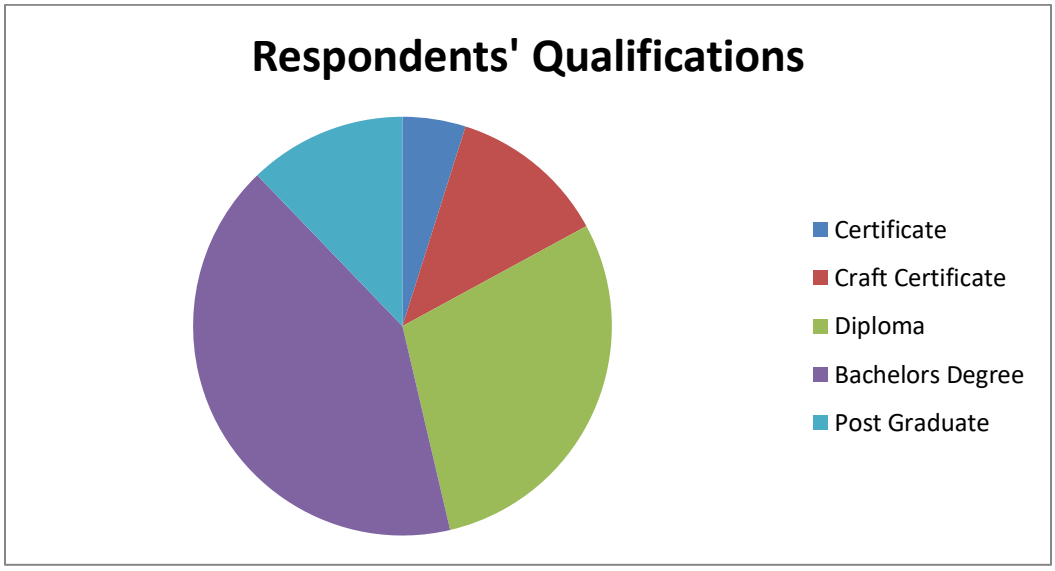
According to the questionnaire, the respondents were asked the question "What is your highest educational qualification?".The question was coded with a nominal category (1-5 respectively) of 1. School Certificate, 2. Certificate, 3. Diploma, 4. Bachelors Degree, 5. Post Graduate. Table below presents the frequencies and percentages for the variable.

Respondents' Qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School Certificate	2	4.9	4.9	4.9
	Certificate	5	12.2	12.2	17.1
	Diploma	12	29.3	29.3	46.3
	Bachelors degree	17	41.5	41.5	87.8
	Post Graduate	5	12.2	12.2	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Respondents Qualifications



Source: Analysed data (2021).

Table above shows that 5% of the respondents had school certificates while 10% had craft certificates, 29% had Diplomas, 44% had Bachelors Degrees and 12% had Post Graduate Degrees.

Gender

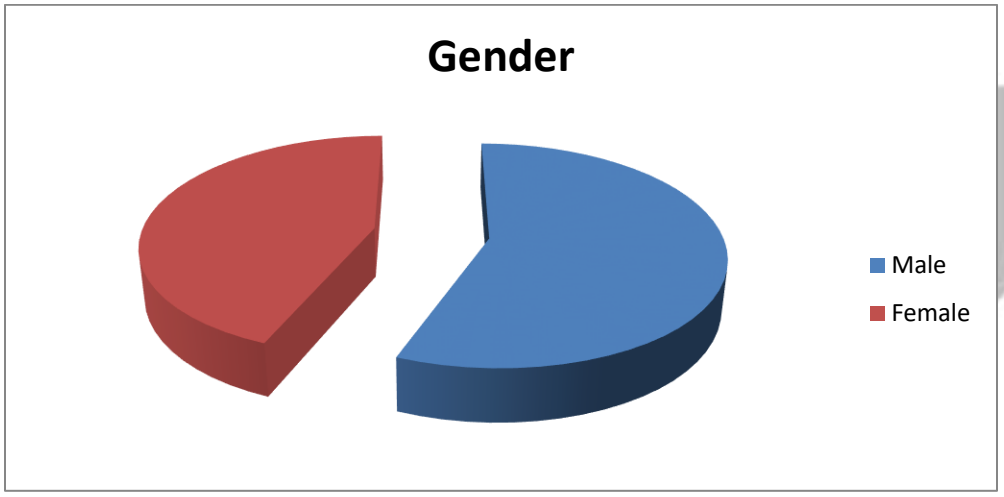
According to the questionnaire, the respondents were asked the question "What is your Gender?". The question was coded with a nominal category (1 and 2) of 1. Male, 2. Female. Table 3 below presents the frequencies and percentages for the variable.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	23	56.1	56.1	56.1
	Female	18	43.9	43.9	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Gender of Respondents



Source: Analysed data (2021).

Table 5.3 below indicates that 56% of the respondents were male while 44% of the respondents were female. The gender factor is well balanced in this survey, showing that the research is gender sensitive.

Age Range of Respondents

According to the survey, the participants were asked the question "Which of the following age ranges are you in?" .The question was coded with a nominal category (1-5 respectively) of 1. Less than 25 Years, 2. 25-34 Years, 3. 35-44 Years, 4. 45-54 Years, 5. 55 and over.

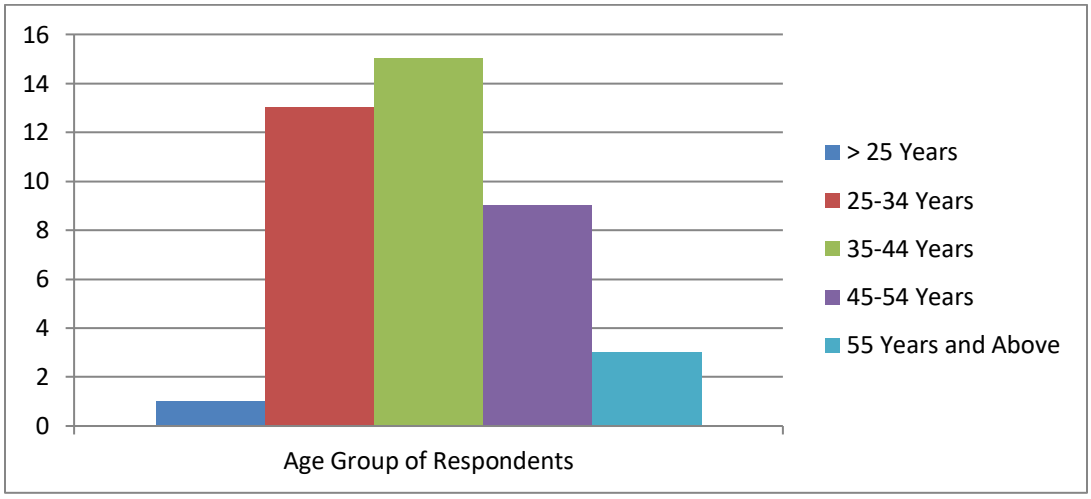
Table 3 below presents the frequencies and percentages for the variable.

Age Range of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>25	1	2.4	2.4	2.4
	25-34	13	31.7	31.7	34.1
	35-44	15	36.6	36.6	70.7
	45-54	9	22.0	22.0	92.7
	55 and Above	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Age Range



Source: Analysed data (2021).

Table 5.2 above shows that 2.4% of the respondents were below 25 years while 31.7% were between 25 and 34 years,36.6% were between35 to 44 years,21.9% were between 45 and 54 years and 7.3 % were 55 years and above.

Growth of GDP

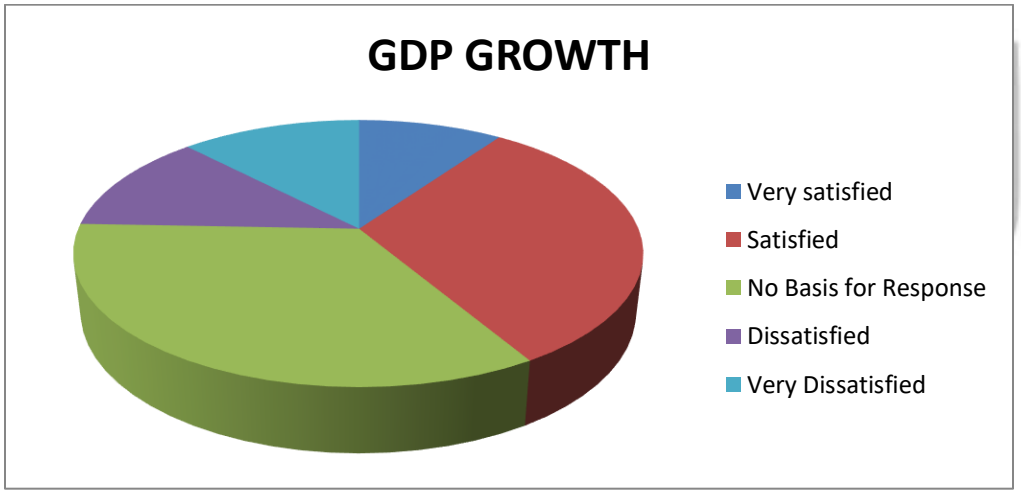
According to the questionnaire, the respondents were asked the question “How are you satisfied with the growth of the economy of Zambia? “ The question was coded with a nominal category (1-5) of 5.Very satisfied 4. Satisfied 3. No basis for response 2. Dissatisfied 1.Very dissatisfied. Table below presents the frequencies and percentages for the variable.

GDP Growth

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Dissatisfied	5	12.2	12.2	12.2
	Dissatisfied	5	12.2	12.2	24.4
	No Basis for Response	14	34.1	34.1	58.5
	Satisfied	13	31.7	31.7	90.2
	Very satisfied	4	9.8	9.8	100.0
	Total	41	100.0	100.0	

Source: Analyzed data (2021)

Growth of GDP



Source: Analysed data (2021).

From the above figure, out of 41 respondents 5(13 %) stated that they were satisfied with the growth of GDP, 11 (30%) were satisfied, 13 (35 %) had stated no basis for response, 3(8%) were dissatisfied and 5(14%) were very dissatisfied. The mean 3.3 shows that the majority of the respondents were satisfied that the growth of GDP was positive.

Inflow of Manufacturing Investment

According to the survey, the participants were asked the question" How would you rate the inflow of Manufacturing Foreign Investment in Zambia?" The question was coded with a nominal category (1-5) of Very poor, Poor, No basis for response, Good and Very Good.

Table 3 below presents the frequencies and percentages for the variable.

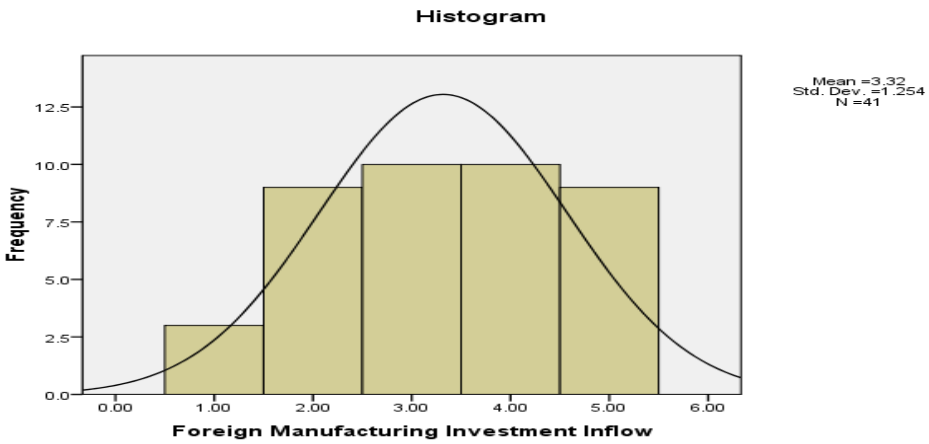
Foreign Manufacturing Investment Inflow

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Dissatisfied	3	7.3	7.3	7.3
	Dissatisfied	9	22.0	22.0	29.3
	No Basis for Answer	10	24.4	24.4	53.7
	Satisfied	10	24.4	24.4	78.0
	Very Satisfied	9	22.0	22.0	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 9(22 %) stated that FDI inflow was very good, 10 (24 %) responded good, 10 (24 %) had stated no basis for response, 9 (22%) responded poor and 3(7%) had very poor as their answer. The mean 3.2 shows that the majority of the respondents stated that the inflow of manufacturing investment was good.

Foreign Manufacturing Investment Inflow



Source: Analysed data (2021).

Home Country Factors influence on foreign market entry

Home Country Factors is represented by Competition in the Home Country and the following are its statistics:

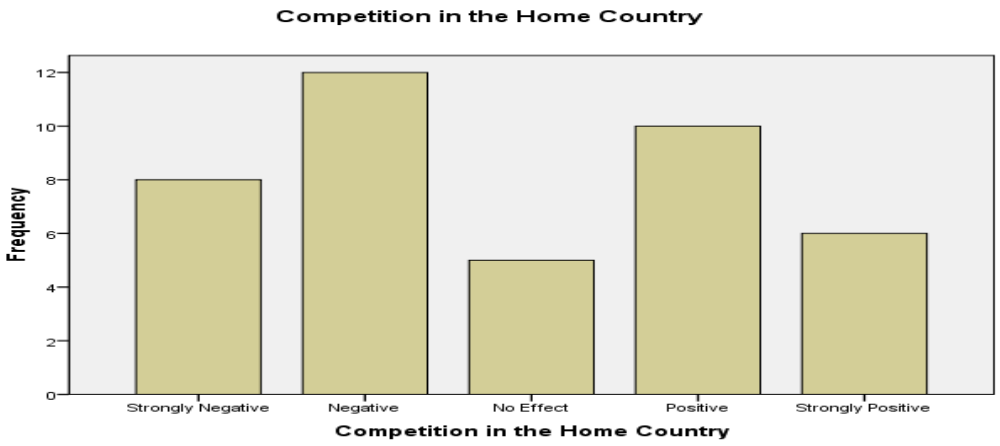
Competition in the Home Country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	8	19.5	19.5	19.5
	Positive	12	29.3	29.3	48.8
	No Effect	5	12.2	12.2	61.0
	Negative	10	24.4	24.4	85.4
	Strongly Negative	6	14.6	14.6	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 6(14.6 %) gave Strongly Negative response to Competition in the Home Country, 10 (24.4%) responded Negative, 5 (24 %) had stated No Effect response, 12 (29.3%) responded Positive and 8(19.5%) had Strongly Positive as their answer. The mean 3.85 shows that the majority of the respondents stated that Competition in Home Country makes manufacturing MNCs to relocate. The following is the graph illustrating the results:

Competition in the Home Country



Source: Analysed data (2021).

Target Country Factors influence on Foreign Market Entry

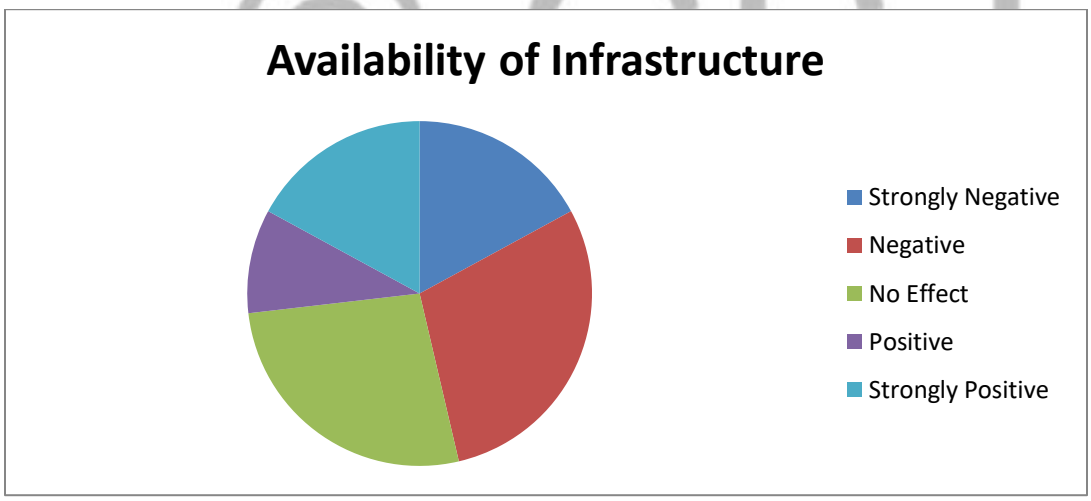
Target Country Factors is represented by Availability of Infrastructure in the Target Country and the following are its statistics:

Availability of Infrastructure in the Target Country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	7	17.1	17.1	17.1
	Positive	12	29.3	29.3	46.3
	No Effect	11	26.8	26.8	73.2
	Negative	4	9.8	9.8	82.9
	Strongly Negative	7	17.1	17.1	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Availability of infrastructure



Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 7(17.1 %) gave Strongly Negative response to Availability of infrastructure, 4 (9.8%) responded Negative, 11 (%) had stated No Effect response, 12 (29.3%) responded Positive and 7(17.1%) had Strongly Positive as their answer. The mean 3.2 shows that the majority of the respondents stated that Availability of Infrastructure in the Target Country attracted manufacturing MNCs. Provision of infrastructure projects in

Zambia is an attractive factor to manufacturing MNCs. Observations confirm that Zambia suffers a lack of infrastructural development such as communication and transportation but it has started to improve them recently.46.4% of the respondents verified that providing infrastructure affect investment decision.

Target Country Environmental Factors Influence on Foreign Market Entry

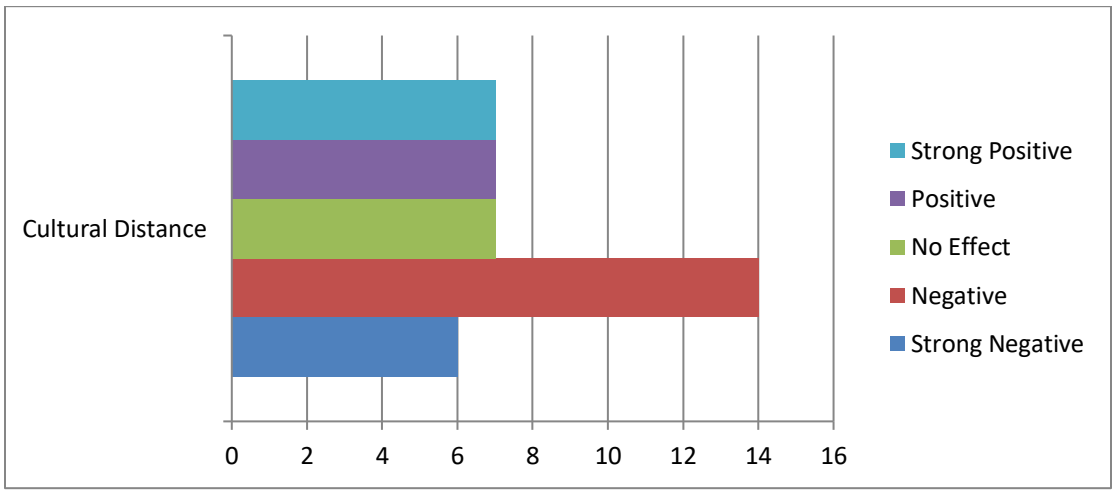
Target Country Environmental Factors is represented by Cultural Distance found in the Target Country and the following are its statistics:

Cultural Distance in the Target Country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	6	14.6	14.6	14.6
	Positive	14	34.1	34.1	48.8
	No Effect	7	17.1	17.1	65.9
	Negative	7	17.1	17.1	82.9
	Strongly Negative	7	17.1	17.1	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Cultural Distance



Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 7(17.1%) gave Strongly Negative response to Cultural Distance, 7 (17.1%) responded Negative, 7 (17.1%) had stated No Effect response, 14 (34.1%) responded Positive and 6(14.6%) had Strongly Positive as their answer. The mean 3.88 shows that the majority of the respondents stated that Cultural Distance in the Target Country attracted manufacturing MNCs.

Country Product Factors Influence on Foreign Market Entry

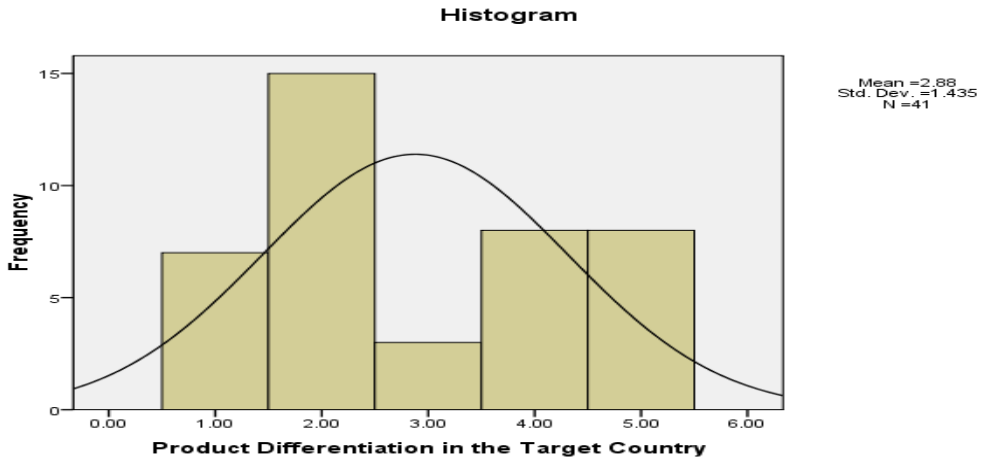
Country Product Factors is represented by Product Differentiation in the Target Country and the following are its statistics:

Product Differentiation in the Target Country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	7	17.1	17.1	17.1
	Positive	15	36.6	36.6	53.7
	No Effect	3	7.3	7.3	61.0
	Negative	8	19.5	19.5	80.5
	Strongly Negative	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Product differentiation in the Target Country



Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 8(19.5%) gave Strongly Negative response to Product Differentiation in the Target Country, 8 (19.5 %) responded Negative, 3 (7.3%) had stated No Effect response, 15 (36.6%) responded Positive and 7(17.1%) had Strongly Positive as their answer. The mean 3.88 shows that the majority of the respondents stated that the majority of the respondents stated that Product Differentiation in the Target Country attracted manufacturing MNCs.

Target Country Market Factors influence on foreign market entry

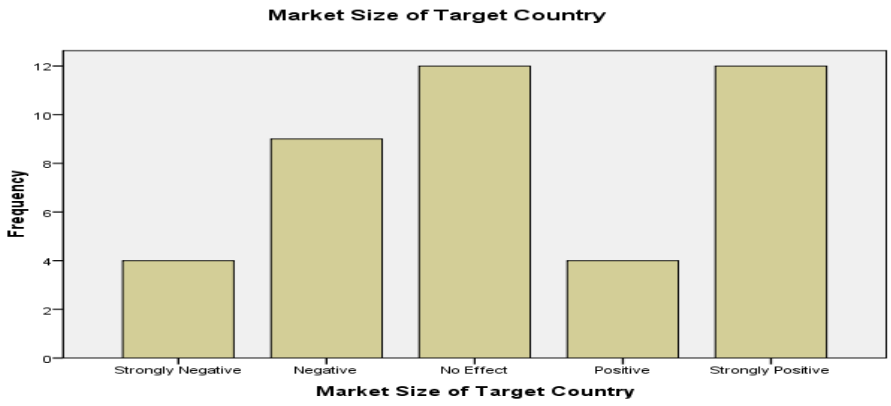
Target Country Market Factors is represented by Market Size of Target Country and the following are its statistics:

Market Size of Target Country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	12	29.3	29.3	9.8
	Positive	9	22.0	22.0	31.7
	No Effect	12	29.3	29.3	61.0
	Negative	4	9.8	9.8	70.7
	Strongly Negative	4	9.8	9.8	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Market Size of Target Country



Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 4(9.8 %) gave Strongly Negative response to Market Size of Target Country, 9 (22%) responded Negative, 12 (29.3 %) had stated No Effect response, 4 (9.8%) responded Positive and 12(29.3%) had Strongly Positive as their answer. The mean 3.27 shows that the majority of the respondents stated that that the majority of the respondents stated that the majority of the respondents stated that Market size of Target Country attracted manufacturing MNCs.

Country Resource-Commitment Factors influence on Foreign Market Entry

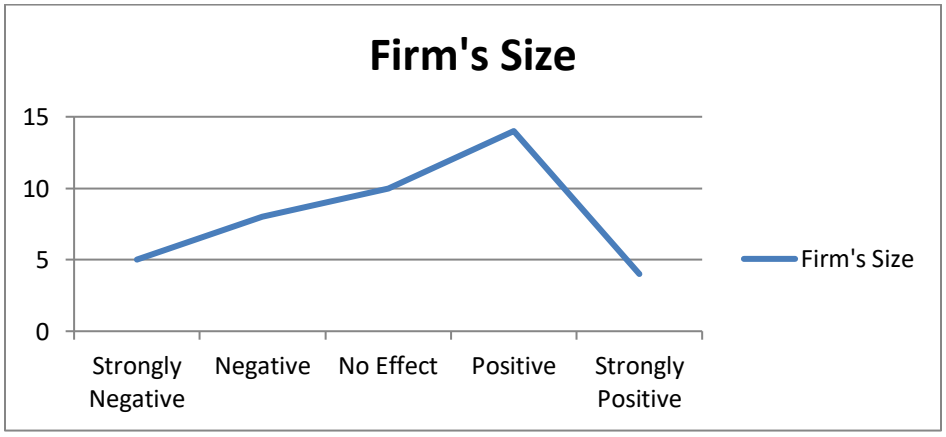
Country Resource-Commitment Factors is represented by Firm's Size and the following are its statistics:

Firm's Size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Positive	5	12.2	12.2	12.2
	Positive	14	34.1	34.1	90.2
	No effect	10	24.4	24.4	56.1
	Negative	8	19.5	19.5	31.7
	Strongly Negative	4	9.8	9.8	100.0
	Total	41	100.0	100.0	

Source: Analysed data (2021).

Firm's Size



Source: Analysed data (2021).

As shown in the table above, out of 41 respondents 4(9.8 %) gave Strongly Negative response to Firm Size, 8(19.5 %) responded Negative, 10 (24.4 %) had stated No Effect response, 14 (34.1%) responded Positive and 5(12.2%) had Strongly Positive as their answer. The mean 3.10 shows that the majority of the respondents stated Firm Size leads to manufacturing MNCs to invest in Zambia.

Entry Mode into Zambia

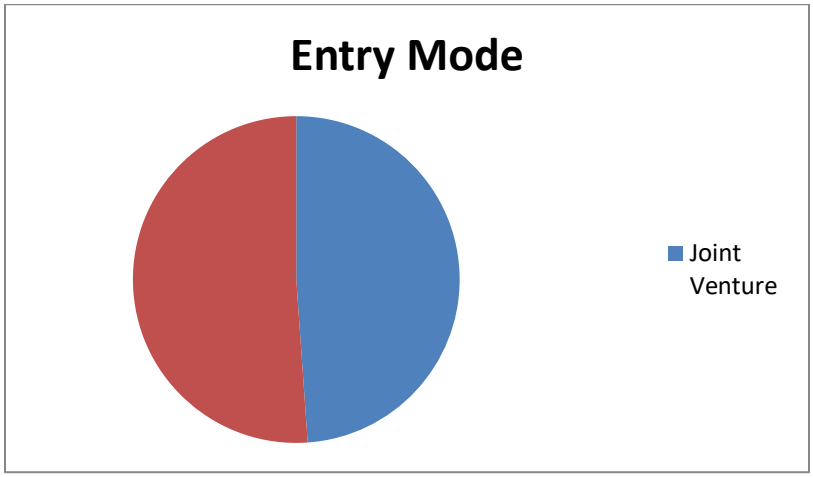
According to the survey, the respondents were asked the question" "How much do you agree on the following Entry modes of been used by Manufacturing Foreign Companies into Zambia?" The question was coded with a nominal category (1-5 respectively) of "Strongly Negative=1, Negative=2, No Effect=3, Positive=4, or Strongly Positive=5". Figure 5 below presents the mean frequencies for these variables.

Entry Mode into Zambia

Entry Mode	Coding	Mean	Std. Dev.
Joint Venture	1-5	2.85	1.424
Wholly Owned	1-5	2.98	1.44

Source: Analysed data (2021).

Entry Mode into Zambia



Source: Analysed data (2021).

As shown in figure, Majority of the respondents were satisfied with both Joint Venture and Wholly Owned in Zambia as all the mean frequencies are above 2.8. The following is the graph showing the results:

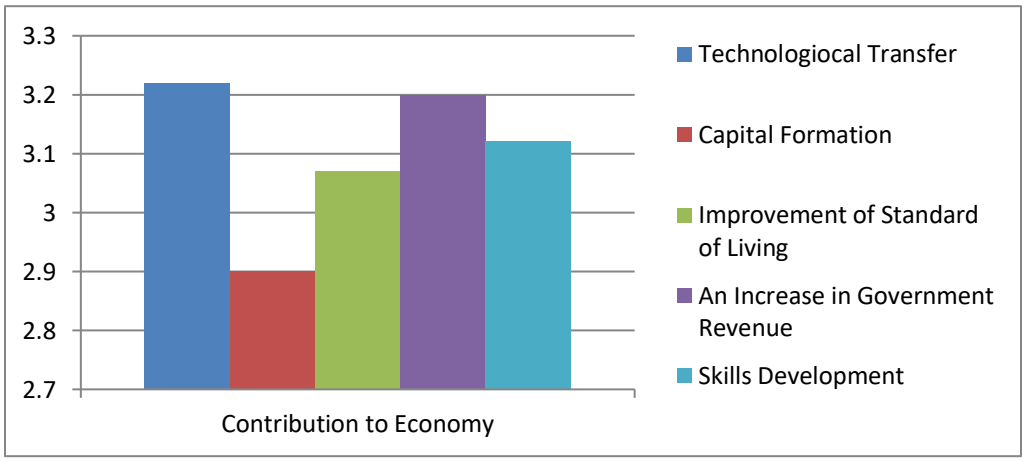
Contribution to the Economy

Respondents answered the question on contribution of FDI under heading" How are you satisfied with the contribution of manufacturing Foreign Investment to Zambia's economy considering the following?" The question was coded with a nominal category (1-5 respectively) of Very dissatisfied, Dissatisfied, No basis for opinion, Satisfied or Very dissatisfied. Figure 5 below presents the mean frequencies for these variables.

Contribution	Employment Creation	Technological Transfer	Capital Formation	Improvement of Standard of Living	An Increase in Government Revenue	Skills Development
Coding	1-5	1-5	1-5	1-5	1-5	1-5
Mean	3.15	3.22	2.90	3.20	3.20	3.12
Std. Dev.	1.406	1.255	1.357	1.385	1.308	1.503

Source: Analysed data (2021).

The contribution of FDI to Zambia's economy



Source: Analysed data (2021).

As shown in figure, Majority of the respondents were satisfied with the contribution of FDI as all the mean frequencies are above 2.9. Manufacturing MNCs positively contributed to employment

creation, technological transfer, skills development, capital formation, improvement of living standards of citizens, and an increase of government source of revenue. The following is the graph showing the results:

Statistical Analysis of Primary Data

This part of data analysis covers exploratory analysis of data collected using the mail survey. The data analysis process of the study was divided into several steps. The first step was to test the non-response bias in the survey responses by checking for any systematic differences between respondents and non-responses. The results of the test are reported in section 7.2.The second part is to examine and refine the variable measurements and calculate the variable scores. As introduced in the methodology (Chapter 5), most of the independent variables are latent and have been measured by single or multiple indicators. The variable constructs that consist of multiple indicators are subject to scale reliability tests. Based on the reliability test results, necessary adjustments were made to the variable constructs before the variable scores were presented in section 7.3.The third step was to test the correlation for the scores of the finalized variable constructs. The test results are described in section 7.4.The fourth and most important was a regression analysis where the proposed framework and related hypothesis were tested.

Correlations

After the analysis of the descriptive statistics, results were run and no detection of extreme values was present. A regression analysis was done in order to answer the main research question of this paper and therefore evaluate the hypotheses.

To start with, the correlation coefficients between the independent and the dependent variables are presented in the following table.

Correlations

		Foreign Manufacturing Investment
Foreign Manufacturing Investment	Pearson Correlation	1
	Sig. (2-tailed)	
	N	41
Firm's Size	Pearson Correlation	.402
	Sig. (2-tailed)	.009
	N	41
Market Size of Target Country	Pearson Correlation	.341
	Sig. (2-tailed)	.029
	N	41
Competition in the Home Market	Pearson Correlation	.440
	Sig. (2-tailed)	.004
	N	41
Cultural Distance	Pearson Correlation	.098
	Sig. (2-tailed)	.544
	N	41
Product Differentiation in the Target Market	Pearson Correlation	.050
	Sig. (2-tailed)	.757
	N	41

Availability of Infrastructure	Pearson Correlation	.307
	Sig. (2-tailed)	.051
	N	41
GDP Growth	Pearson Correlation	.387
	Sig. (2-tailed)	.012
	N	41

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The following are the correlation analysis from table

A correlation coefficient of 0.307 indicates a very moderate relationship between Availability of Infrastructure and manufacturing MNCs investment inflow

, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and Availability of Infrastructure and rejection of our null hypothesis.

A correlation coefficient of .341 indicates a very moderate relationship between human capital accumulation and manufacturing MNCs investment inflow.

, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and human capital accumulation and rejection of our null hypothesis.

A correlation coefficient of 0.98 indicates a very high relationship between Cultural distance and manufacturing MNCs investment inflow, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and Cultural distance and rejection of our null hypothesis.

A correlation coefficient of .0465 indicates a very moderate relationship between Product differentiation in the target country and manufacturing MNCs investment inflow.

, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and Product Differentiation in the Target Country and rejection of our null hypothesis.

A correlation coefficient of 0.402 indicates a very moderate relationship between macroeconomic stability and manufacturing MNCs investment inflow , thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and Firm's Size and rejection of our null hypothesis.

A correlation coefficient of 0.440 indicates a very moderate relationship between macroeconomic stability and manufacturing MNCs investment inflow, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and Competition in Home Country Market and rejection of our null hypothesis.

A correlation coefficient of .386 indicates a very moderate relationship between GDP and manufacturing MNCs investment inflow, thus leading to the acceptance of our alternative hypothesis which states that there is a relationship between manufacturing MNCs investment inflow and GDP and rejection of our null hypothesis.

Independent Sample T-tests

Independent sample t-tests were performed on the 6 independent variables of the framework to study the group mean differences between joint venture and wholly owned in the sample data. The independent variables drawn from the framework were entered as dependent variables while the entry modes were group variables in order to perform the test. The group means, mean differences and t-statistics are as shown in table

Table 5: Independent Sample T-test

		Joint Venture	Wholly Owned	Mean dif(JV-WO)	T(EVA)
Infrastructure	Group Mean	7.71	6.97	0.197	1.762
Firm's Size	Mean	6.92	7.01	-0.896	-2.730*
Competition	Mean	1.67	2.95	1.379	2.452
Market Size	Mean	2.31	2.97	-0.279	-2.363
Product Differentiation	Mean	1.74	2.56	1.537	3.241***
Cultural Distance	Mean	2.10	2.34	0.582	-2.895

Joint Venture entries are significantly different from those of wholly owned, in terms of the one ownership variable of firm size. The difference in the group mean on Firm Size is negative and is significant at the 0.05 level, which suggest that wholly owned is more likely to occur in larger firms than is in joint venture.

For the variable of product differentiation in the target country, the mean difference between the two groups, that is joint venture and wholly owned, are significantly different. Product

differentiation in the target country has a group mean difference that is significant at the 0.001 level between joint venture and wholly owned groups. The positive difference in this group mean suggests that investing firms pay less attention to the product differentiation when investing in joint venture than when investing in wholly owned. For the variable of market size of the target country, the groups mean difference between the joint venture and wholly owned groups is not significant. As there is no evidence to reject the null hypothesis of the equality of the means on this variable, the two groups do not differ from each other in their endowment of the market size of the target country factor. The two variables of cultural distance and infrastructure, do not have significant group mean differences between joint venture and wholly owned. As there is no evidence to reject the null hypothesis of equality of means on these two variables, the two groups, joint venture and wholly owned do not differ from each other on their endowment of cultural distance and infrastructure.

Independent sample t-test was also done on competition of the home country market and the results show no significant difference in the group means is found and also indicates that joint venture and wholly owned do not differ from each other.

In summary, the dependent sample t-tests were done on two groups of joint venture and wholly owned on the 6 variables in the conceptual framework. The t-test results show that the groups mean differences are significant in 2 variables: Firm size and Product differentiation in the target country. They are insignificant in infrastructure, size of the market in the target country, cultural distance and competition in the home country while joint venture has emphasis on the product differentiation of the target country.

5.4.3 Variable Effect Regression

The first step in the estimation of a linear relationship is the model testing in order to find out the characteristics of the data.

Table 16: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.630[a]	.396	.310	0.81468

ANOVA

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.258	5	3.052	4.598	.002[b]
	Residual	23.229	35	.664		
	Total	38.488	40			

Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.300	.570		2.281	.29
	Availability of Infrastructure in the Target Country	.465	.214	.507	2.918	.045
	Market Size of Target Country	.160	.222	.170	1.327	.483
	Cultural Factors in the Target Country	-.094	.682	-.095	2.434	.0083
	Product Differentiation in the Target Country	.286	.214	.262	1.709	.202
	Firm's Size	-.036	.221	-.027	-.164	.871
	Competition in the Home Country	.272	.161	.298	0.865	.100
	GDP Growth	.202	.105	.263	2.872	.043

a. Dependent Variable: Manufacturing MNCs Investment Inflow

Source: Analysed data (2021).

Interpretation of Results

The results in tables 16 and 17 indicate that the model was statistically significant. The goodness of the model is indicated by its R2 value of 0.396 or 40.0% .The total variation in the observed role of manufacturing MNCs investment is wholly explained by the variations in the independent variables up to 40.0%, the remaining 60.0% is accounted for by the disturbance term. The overall significance of the model was also tested using the f-statistics. Here the significance of the

statistics value of 4.598 and p=0.002 (p<0.05) confirmed that the predictability of the model did not occur by chance; it actually confirmed that the model fitted the data well.

Hypothesis One

H_1: Availability of Infrastructure significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Availability of Infrastructure does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The above results show that Availability of Infrastructure is positively related to manufacturing MNCs investment inflow. The responsiveness of Availability of Infrastructure to manufacturing MNCs investment inflow to 0.465 indicates that a 1 % increase in Availability of Infrastructure leads to a more than proportionate increase of 46.5 % in manufacturing MNCs investment inflow. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p > 0.05.

Reject H0: if p < 0.05.

From the regression result, p = 0.045. Since the p value is less than 0.05, the alternative hypothesis is accepted and the null hypothesis is rejected. It therefore implies that GDP does exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, Calculated t-statistics value = 2.918

Table t-statistics value =2.281

Since the calculated t-statistics value of 2.918 is greater than the table t-statistics value of 2.281 at 5% level of significance, we accept the alternative hypothesis and reject the null hypothesis. It therefore means that availability of infrastructure does significantly affect manufacturing MNCs investment inflow in Zambia. This result is supported by (Soremekun and Malgwi, 2012) who found a positive and significant relationship between infrastructure and FDI inflow.

Hypothesis Two

H_1: Market Size of the Target Country significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Market Size of the Target Country does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The above result shows that human capital accumulation is positively related to FDI. The responsiveness of Market Size of the Target country to FDI to 0.160 indicates that a 1 % increase in Market Size of the Target Country leads to a more than proportionate increase of 16 percent in manufacturing MNCs investment. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if $p>0.05$.

Reject H0: if $p<0.05$.

From the regression result, $p = 0.483$. Since the p value is greater than 0.05, the alternative hypothesis is rejected and the null hypothesis is accepted. It therefore implies that market size of the target country does not exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 1.327

Table t-statistics value =2.281

Since the calculated t-statistics value of 1.327 is lesser than the table t-statistics value of 2.281 at 5% level of significance, we reject the null hypothesis and accept the alternative hypothesis. It therefore implies that market size of target country does not exert a significant impact on manufacturing MNCs investment inflow in Zambia.

Hypothesis Three

H_1: Cultural Distance significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Cultural Distance does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The result shows that Cultural Distance is negatively related to manufacturing MNCs investment inflow. The responsiveness of Cultural Distance to manufacturing MNCs investment inflow to -0.103 indicates that a 1 % increase in manufacturing MNCs investment inflow leads to a more than proportionate decrease of 10.3 % in gross GDP. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p> 0.05.

Reject H0: if p<0.05.

From the regression result, p = 0.0083. Since the p value is lesser than 0.05, we accept the alternative hypothesis and reject the null hypothesis. It therefore implies that cultural distance does exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 2.434

Table t-statistics value =2.281

Since the calculated t-statistics value of 2.434 is greater than the table t-statistics value of 2.281 at 5% level of significance, we accept the alternative hypothesis and reject the null hypothesis. It therefore means that infrastructural development does significantly impact manufacturing MNCs investment inflow in Zambia.

Hypothesis Four

H_1: Product Differentiation in the Target Country significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Product Differentiation in the Target Country does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The above result is that Product differentiation in the target country is positively related to manufacturing MNCs investment inflow. The responsiveness of manufacturing MNCs

investment inflow to Product Differentiation in the Target Country to 0.286 indicates that a 1 % increase in Product differentiation in the target Country leads to a more than proportionate increase of 28.6 % in manufacturing MNCs investment inflow. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p> 0.05.

Reject H0: if p<0.05.

From the regression result, p = 0.202. Since the p value is greater than 0.05, the alternative hypothesis is rejected and the null hypothesis is accepted. It therefore implies that Product differentiation in the Target Country does not exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 1.709

Table t-statistics value =2.281

Since the calculated t-statistics value of 1.709 is less than the table t-statistics value of 2.281 at 5% level of significance, we reject the alternative hypothesis and accept the null hypothesis. It therefore means that Product differentiation in the Target Country does not significantly impact manufacturing MNCs investment inflow in Zambia.

Hypothesis Five

H_1: Firm's Size significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Firm's Size does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The result shows that Firm's Size is positively related to manufacturing MNCs investment inflow. The responsiveness of Firm's Size to manufacturing MNCs investment inflow to -0.36 indicates that a 1 % increase in Firm's Size leads to a more than proportionate decrease of 36 % in manufacturing MNCs investment inflow. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p> 0.05.

Reject H0: if p<0.05.

From the regression result, p = 0.871. Since the p value is greater than 0.05, the alternative hypothesis is rejected and accept the null hypothesis. It therefore implies that firm size does not exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 0.872

Table t-statistics value =2.281

Since the calculated t-statistics value of 0.872 is less than the table t-statistics value of 2.281 at 5% level of significance, we reject the alternative hypothesis and accept the null hypothesis. It therefore means that Firm Size does not significantly impact manufacturing MNCs investment inflow in Zambia.

Hypothesis Six

H_1: Competition of Home Country Market significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: Competition of Home Country Market does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The result shows that Competition of Home Country Market is positively related to manufacturing MNCs investment inflow. The responsiveness of GDP to manufacturing MNCs investment inflow to 0.272 indicates that a 1 % increase in macroeconomic stability leads to a more than proportionate increase of 27.2 % in manufacturing MNCs investment inflow. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p> 0.05.

Reject H0: if p<0.05.

From the regression result, p = 0.1. Since the p value is greater than 0.05, the alternative hypothesis is rejected and accept the null hypothesis. It therefore implies that Competition in Home Country Market does not exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 0.872

Table t-statistics value=2.234 Since the calculated t-statistics value of 0.865 is less than the table t-statistics value of 2.2287 at 5% level of significance, we reject the alternative hypothesis and accept the null hypothesis. It therefore means that economic stability does not significantly impact manufacturing MNCs investment inflow in Zambia.

Hypothesis Seven

H_1: GDP significantly affects manufacturing MNCs investment inflow in Zambia.

H_0: GDP does not exert any significantly affects manufacturing MNCs investment inflow in Zambia.

The result shows that GDP is positively related to manufacturing MNCs investment inflow. The responsiveness of GDP to manufacturing MNCs investment inflow to 0.202 indicates that a 1% increase in GDP leads to a more than proportionate increase of 20.2 % in manufacturing MNCs investment inflow. Tests of the hypothesis were done using p value and t-statistics and the following are the results:

P Value test

Decision Rule Accept H0: if p> 0.05.

Reject H0: if p<0.05.

From the regression result, p = 0.043. Since the p value is lesser than 0.05, the alternative hypothesis is accepted and reject the null hypothesis. It therefore implies that GDP does exert a significant impact on manufacturing MNCs investment inflow in Zambia.

T-Statistics test

Decision Rule

Accept H0: if calculated t-statistics value < table t-statistics value.'

Reject H0: if calculated t-statistics value > table t-statistics value.

From the regression result, calculated t-statistics value = 0.872

Table t-statistics value=2.234 Since the calculated t-statistics value of 2.865 is greater than the table t-statistics value of 2.2287 at 5% level of significance, we accept the alternative hypothesis and reject the null hypothesis. It therefore means that GDP does significantly impact manufacturing MNCs investment inflow in Zambia. This result is supported by (Moyo, 2013) who studied the impact of FDI on GDP in Zimbabwe using a multiple regression model found that GDP was positively affected by FDI.

Summary

The response rate in this survey was very high (91 percent). This made it easy to test the hypotheses that have been presented. However, the regression analysis has shown that statistically significant determinant of FDI is human capital accumulation while trade liberalisation and GDP, infrastructural development and macroeconomic stability are insignificant. The results are summarized in the next table.

CONCLUSION

This study was carried out to examine the determinants of FDI inflow in Zambia. The study reviewed relevant theoretical and empirical literatures on FDI. The OLS multiple regression technique was used to investigate the extent to which GDP, trade liberalisation, human capital accumulation, infrastructural development and macroeconomic stability impact on FDI inflow and p-value and t statistics tests were done to test the hypotheses.

Limitations

The study only included companies in Zambia that engage in FDI by acquisition or Greenfield investments. The companies that engage in licensing or franchising were not included in this research. The study did not look at specific industries but is rather of a general nature containing undertakings from all industries.

Conclusions and Contribution of the Study

The results of the study showed that there is positive relationship between human capital accumulation and FDI while GDP, trade liberalisation, infrastructural development and

macroeconomic stability had no causal relationship with FDI. Thus, the Zambian economy benefited less from the inflow of FDI into the country during the period under consideration. As stated in the literature, positive effects of FDI are guaranteed. The lack of a positive impact of FDI on economic growth in Zambia could be caused by failure to focus on some of the conditions set for ensuring successful positive use of FDI as shown in the literature.

This study achieved its goals by revealing the key determinants of FDI. In this line of thinking, this management report, as stated in the theory contribution section, appeals to public policy decisions on the need to improve human capital stock, public infrastructure, trade liberalisation and macroeconomic environment in order to enhance Zambia's image as an investment destination. The study can also serve as a framework for other researchers that wish to examine the subject.

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