

## EXAMINING THE EFFECTS OF SOCIO CULTURAL ENVIRONMENT ON INTERNATIONALIZATION: EXPORTERS' PERSPECTIVE

Wineaster Anderson<sup>1</sup>

### ABSTRACT

*There is a shortage of literature and studies that link socio-cultural environment to internationalization particularly in developing countries. This paper examines the effects of socio-cultural environment on exporting using a multiple (n=30) case-study method. The exporter-specific in-depth interviews were conducted and responses categorized and presented using thematic statements and narrative form. The findings revealed that various cultural elements were affecting exporting activities particularly on marketing communication, price negotiations, labeling, branding and packaging. Language was found to have the greatest impact followed by education and religion. Exporters consider engaging local agents and exclusive distributors in the foreign markets as some of strategies to overcome socio-cultural barriers. Likewise, various government institutions offer short term training on internationalization strategies. The exporters are advised to focus on cultural similarities in different markets as a way to widen the opportunities and enable their firms to standardize marketing strategies in order to realize global products and brands. Policy and managerial implications have also been discussed.*

**Keywords:** *business environment, culture, internationalization, exporters, Tanzania*

### INTRODUCTION

Business environment is one of the most challenging areas in international marketplaces, and yet academic literature addressing socio-cultural factors influencing internationalization in developing countries (e.g. Anderson, 2011; Wangwe, 1995), has paid very little attention to it. Socio-cultural environment encompasses everything that cannot be captured in economic and political systems (Wetherly and Otter, 2011) including social activities and relationships in the society; the integrated sum total of learned behavioral traits that are shared by members of a society (Johnson, et. al., 2013; Terpstra, 1994). Culture shapes people's values, attitudes, perceptions and patterns of consumer behavior, that may explain why Johnson et. al. (2013) described it as 'the software of the mind' that impacts the way people interact and make certain decisions in their personal and private lives.

---

<sup>1</sup> Wineaster Anderson , Associate Professor ; Department of Marketing, University of Dar es Salaam Business School, Tanzania (E-mail: [wineaster@udbs.udsm.ac.tz](mailto:wineaster@udbs.udsm.ac.tz); Mob: +255 754387250) Business Management Review pp. 110-130 ISSN 0856-2253©January-June 2015 UDBS. All rights of reproduction in any form are reserved

Naturally, the world economy has formed business environments that require firms to look past the traditional thinking of the home markets. It is well known that exporting entails relative high level of risks compared to domestic business because of the strange environments encountered in the former. Focusing on the study area, the share of total exports from Tanzania, for instance, is still very low compared to the rest of East African countries (Bank of Tanzania, 2015). In August 2015, the country's exports stood at 805.10 USD million compared to 228.70 USD million in March of 2006. The major exports are agricultural commodities with tobacco, coffee, cotton, cashew nuts, tea and cloves being the most important. Other exports include gold and manufactured goods. Tanzania main exports partners are India, Japan, China, United Arab Emirates, Netherlands and Germany (Bank of Tanzania, 2015). In fact, most of the exporters involved in the mentioned products are associations, boards or cooperatives (for agricultural products) and multinational companies (for mining and manufactured products), who apparently possess enormous international business experience; therefore, they suffer less when it comes to socio-cultural environment.

This study has, therefore, chosen to go beyond the cooperatives, multinationals or crop boards and focus on individual exporters who seek to internationalize. In the first place, individual exporters face high level of competition domestically. Because of this competition, they are struggling to expand in a globalized world. Most of these firms are found in the sectors of clothing (*batiki, textiles, vikoi, weaving and tailoring businesses*); handicraft (*wood carvings, bowls, tingatinga paintings, ebony wood, baskets, candles, traditional decorations and bone jeweler*); Food processors (*beverages, green vegetables, cereals processing, cooking oil, fruits processing and traditional wine*); Furniture works (*timber and woods processors*) and leather (*traditional leather shoes, key holders, passport holders and bags*) (Anderson, 2011).

It has been established in the previous studies that most of these firms seeking to go abroad lack adequate exposure on the current global issues (Anderson, 2011). Therefore, proper understanding of foreign environments would help these individual exporters to conduct business with minimal risks. However, the situation for businesses from developing countries that seek to enter foreign markets is more difficulty. The difficulties in the exporting require many aspects to be taken into account including cultural, economic, political and legal environments (Root, 1994; Osland et al., 2001). It has been established that many firms from developing countries fail to adopt culturally when dealing with their trading partners abroad (Keegan, 2002).

Trade becomes impactful to those who are well informed and are ready to take risks. Thus, it is vital for exporters to thoroughly analyze the foreign business environments before attempting to export (Mayrhofer, 2004). This has no option to the exporters in Tanzania who started trading with foreign cultures such as Arabs, Asians and Europeans since the colonial period, before 1961. By doing

this, many obstacles can be reduced and the entry can be much easier. In most cases, firms succeed easily if they are expanding into countries with cultural affinities with the home country. According to Kogut and Singh (1988) and Bonaccorsi and Dalli (1990), the foreign market entry mode a company chooses can seriously affect the business if socio-cultural issues are ignored. To cope with the situation, various studies (e.g. Freeman, 2002; Fillis, 2002; Cheng et al 2005; Deari et al, 2008) suggest, for example, that if there are significant cultural differences between the foreign market and the home market, joint ventures and indirect exporting through agents and exclusive distributors may be preferred in order to reduce the cost and efforts to learn the new market and culture.

Unfortunately, little has been done in academic research, particularly in developing countries, with the aim to address the raised concerns. This study intends to fill that gap by using socio-cultural perspective in examining the effects of socio-cultural business environment on internationalization, with the special attention to exporters from Tanzania. In particular, the study strives to achieve three specific objectives (i) to explore how the socio-cultural (language, religious beliefs, ethnic values, material culture/artifacts, aesthetics) differences affect exporting (in negotiations, product offering, personal sale, marketing research, sales promotion, advertising, pricing method, distribution); (ii) to investigate the measures taken by the exporters to overcome the identified social-cultural barriers; and (iii) to explore the role of supporting institutions from the public sector in addressing the socio-cultural barriers.

The study is expected to inform business and trade stakeholders the importance of considering the socio-cultural environment as a source of business opportunities and or threats. The analysis of socio-cultural environment will guide the business community that is enthusiastic to expand or introduce their business abroad to enjoy the maximum benefits. The existing institutional machinery (both private and public entities responsible for trade) can utilize the study results to foster marketing programs for exporters and improve the existing trade policies. To fulfill the stated study objectives, the paper is structured as follows: the introduction section is followed by literature, and then the methodology followed by research findings and finally the conclusion of the study follows.

## **LITERATURE REVIEW**

### *The concept of Internationalization*

The concept of international usually refers to an attitude of the firm towards foreign activities or to the actual carrying out activities abroad (Johanson and Wiedersheim-Paul, 1975). At its simplest level, internationalization involves the firm making one or more of marketing mix elements (e.g. product, pricing, promotion, place, physical evidence, productivity and quality, process management or personnel) decisions across national boundaries. At its most complex level, it involves the firm establishing manufacturing facilities overseas

and coordinating marketing strategies across the globe (Anderson, 2011; Kogut and Chang, 1996). In other studies (including Johanson and Vahlne, 1977), internationalization of the firm has been referred to a process in which the firms gradually increase their international involvement. The decision to enter new markets often takes into account different alternatives – e.g. exports and imports, foreign licensing, joint ventures, strategic alliances and foreign direct investment, of which each alternative represents the degree to which a firm must be committed and involved in a new market (Chetty and Campbell, 2003). For the purpose of this study, any firm that carries out business activities across the Tanzania boundaries either directly, indirectly or through foreign production is considered to be engaged in internationalization.

#### *Socio-Cultural Elements and their influence on exporting*

Carrying out cultural analysis before entering any new foreign market to avoid committing cultural mistakes is vital for any rational exporter. Culture refers to the collective mental programming which people in a society have, including the way they eat, how they talk, worship, look and general behavioral pattern (Howard and Sheth, 1969). It is the 'patterns of behaviors and thinking that people living in social groups learn, create and share (Hollensen, 2007); a total way of life of a given society which includes beliefs, languages, rituals, and technology, dressing code, consumption behavior, and religion, political and economic systems in a particular society (Lackmann, et. al, 1997). The consumer's attitude towards a product or service is the culmination of one's experiences because of socialization within the socio-cultural environment. There are variations in cultural beliefs and values across foreign markets. Therefore, the cultural issues impact the acceptability and adoption of a product or service and the accompanying marketing mix elements in the international markets.

Language represents the means of communication which reflects the cultural nature and values which distinguishes one culture from another. Communication can be verbal and non-verbal. Verbal means how the words are spoken (tone of voice) and non-verbal includes gestures, body position and eye contact. The meanings assigned to words or body language in one market may be different from another market (Freitag, 2005). Thus, importers and exporters have a difficult task of ensuring that the meanings of words are clear before using them in foreign markets. As Tayeb (1998) expressed, language is important when it comes to trade negotiations, product labeling, business cards, company brochures, leaflets, emails, websites, and specific information about the target product such as manuals.

Religion influences gender roles, consumption behavior and customs such as dressing code, marriage and social institutions. The traditional religions in the world include Christianity, Islam, Hinduism, Buddhism, Shintoism and Animism (Smith and Marranca, 2009). In Muslim societies, for example, women and men practice monogamy and polygamy respectively and, in most cases, the role of

women is restricted to the household (Anderson, 2011). Religious holidays affect working patterns, in that sense in the Muslim world, during the month of Ramadan virtually all types of work slowdown, especially in business and trade. In these countries, religion is a total way of life for people. On the other hand, the Protestant ethic of hard work and success is a dominant value; and for them measure of achievement is the acquisition of wealth. In contrast, Hinduism as practiced in India is fatalistic about the acquisition of wealth. In the Christianity world, religion is the aspect of life and business interruptions are minimal except for the few days over the Christmas period (Anderson, 2012; Babakus *et al*, 2004; Mokhlis, 2009).

The level and nature of education may influence consumers when it comes to exporting activities. For instance, a society which is highly educated is perceived to be more open and receptive of new ideas, new products, new services and new practices than otherwise. When focusing on competitive strategy and the competitiveness of nations and regions, Porter (2008) emphasized that the advanced factors and demand conditions are positively affected by the quality of education. Likewise, according to Carter (2002), the level of literacy and educational attainment determines the nature of advertising, packaging, quality of market research and distribution systems available in a given country.

#### *Internationalization Theories*

There are numerous theories explaining how and why business firms go international, such as the staged approach - Uppsala internationalization model (Feldhusen, et al., 2006; Johanson and Vahlne, 1977, 1990) and product life cycle approach (Anderson, 2011; Venon, 1966); the network approach (Mitgwe, 2006; Johnson and Mattson, 1988), the born global approach (Autio, et al., 2000; Freeman, 2001; Callaway, 2008) and Porter diamond model (Porter, 1990; Yetton, et. al, 1992; Sharp and Dawes, 1996). However, the relevance of the theories in explaining why exporters prefer to enter in one market against several others (e.g. Uppsala Internationalization Model, Network theory); how can a firm break the barriers when going abroad (born global theory); and the role of national or government in creating a competitive business environment (Porter's Diamond Model), justifies the choices of the study theories.

Uppsala model is considered one of the primary stage models of internationalization (Ruzzier, 2006), which suggests that organizations go abroad gradually committing resources on an increasing basis to attain full presence in the foreign markets as foreign direct investment (FDI). According to Johanson and Vahlne (1977), firms going abroad initially ventured across borders, they gravitated toward those markets with similar cultural characteristics especially languages, a connection they call "cultural distance" and psychic distance. This theory in a way helps us to understand why exporters prefer to engage certain markets rather than the other, the cultural similarities between host and home countries.

The network theory puts forth that global expansion follows the actors' relationships (Mitgwe, 2006) and that the involved firms belong to one or more networks via linkages to their suppliers, customers, and other market actors (Johnson et.al, 1988). For business network to function smoothly some common conditions, interests or similarities between its actors must prevail; for instance the actors' shared vision, interests and socio-cultural elements such as language, religion or education.

The "born global" approach in internationalization is based on the premise that there are number of firms that are global from almost the instant they are created, in many cases relying on the international aspects for their existence (Autio et. al, 2000; Callaway, 2008). Born global often rely on new technology such as the internet to give them a wide geographical reach in a relatively short period of time (Freeman, 2002). In addition, their products offering may be relatively standardized as such not require a significant adaptation to be sold across a variety of markets thereby facilitating homogeneity in approach (Callaway and Hamilton, 2006). This theory is useful when one considers the material culture which is one of the socio-cultural elements. In particular, the use of information, communication and technology (ICT) facilities and social media – such as twitters, face book, Skype, etc to connect immediately has to a large extent managed to match the theory with practice.

Our point of departure is the role that national institutions play in supporting the industry to compete in the world markets. In understanding why some nations succeed while others fail although they have the same level of factor endowment, Porter (1990) suggested diamond model which represents the national playing field that countries establish for their firms or industries. The Porter diamond model (1990) consists of four main attributes that shape the business environment in which local, connected firms compete namely factor conditions, demand conditions, related and supporting industries, firm's strategy, structure and rivalry. The model also includes the role of government (Sharp and Dawes, 1996, Anderson, 2011). Unlike other cited theories above, the Porter diamond model tries to explain the role of public institutions in facilitating trade. According to Porter (1990), the government creates the situation in demand and factor conditions, as well as to the related and supported industries and the firm's strategies, structure and rivalry. According to Arbelaez *et al.* (2000), the role of governments is to provide the framework that will allow private sector to create wealth. The lack of export system and compliance on export procedures and foreign culture is among the challenges affecting exports in many developing countries (see Anderson, 2011).

### *Conceptual Framework*

A conceptual framework which was developed purposely for this study (Figure 1) highlights the fact that an exporting firm operates in both domestic and foreign environments which represents a set of socio-cultural elements to which the firm ought to adapt its exporting activities because they could act as constraints or

provide opportunities. Major socio-cultural elements include language, religious beliefs, education, ethnic values, material culture/artifacts and aesthetics (Keegan, 1989; Dunning, 1993; Hofstede, 1997; Fillis, 2002; Morrison, 2003; Czinkota, 2007). Each society has its own way of living and can easily identify certain elements that differentiate them from others. Language for instance, is an essential element of culture that reflects society’s nature and values. The exporter is required to consider language in product labeling, branding, promotion, negotiation, etc.

**Figure 1: Conceptual Framework which guides the study**



Religion reflects the society’s morality, beliefs and attitude to life. Through religion, people share values and learn the best way to live in their society. Religion differences sometimes play a great role in describing a kind of society one is coming from and has a great impact on trading. Hofstede (1991) argues that the process of learning and sharing culture values is transmitted through the education system. The literacy rate of a society will affect the marketers’ promotional strategies – advertising, sales promotion, personal selling, etc. A high illiteracy rate may mean the exclusion of printed instructions and more drawings and vice versa. An economy with a poorly developed education system may hinder the firm’s operations in the market through lack of trained personnel within the firm and in the support services, such as R&D, and advertising agencies. And as we have seen in the theories, the success in the business will highly depend on the measures taken by the exporters and supporting institutions in the host and home countries (Porter, 1990; Sharp and Dawes, 1996; Anderson, 2011; Arbelaez *et al.*, 2000).

## **Methodology**

This study opted for a qualitative research method while using the case study strategy. Case studies require a problem that seeks a holistic understanding of the situation using inductive logic (Patton, 1990). The in-depth understanding of effects of socio-cultural environment on exporting and the measures to be taken by exporters and public institutions to address the barriers are very complex and had several parameters that would be more difficult to discover through quantitative survey. According to Yin (1994), a case study is the most suitable to answer the “how”, “when”, and “why” questions, since the researcher has no control over behavioral events and focuses on contemporary events. Hence, a case study was considered suitable for answering the research questions - “How the socio-cultural environment affect the performance of exporters?”; “what are the measures taken by the exporters to overcome the identified social-cultural barriers?” and “how do supporting -public institutions address the barriers that hamper exporters.

The exporting firms formed the unit of analysis, at the same time a population from which the cases were drawn. Apart from commodity exports, majority of individual exporters from Tanzania enter foreign markets using the products from the following sub-sectors: clothing (batiki, textiles, vikoi, weaving and tailoring businesses); Handicraft (wood carvings, bowls, tingatinga paintings, ebony wood, baskets, candles, traditional decorations and bone jeweler); Food processors (beverages, green vegetables, cereals processing, cooking oil, fruits processing and traditional wine); Furniture works (timber and woods processors) and Leather products (traditional leather shoes, key holders, passport holders and bags) [see Anderson, 2011].

Therefore the sample frame was the exporting firms from the mentioned sub-sectors which were also listed either under Export Processing Zones, Special Economic Zones [EPZ & SPZs], Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), TanTrade or the Ministry of Industry and Trade. The basis for selection of the respondents included the size of firm’s capital (at least \$100,000) and number of employees (at least 50 employees); which is equivalent to medium-sized enterprises by using Tanzania definition of SMEs (URT 2003). The study was conducted in Dar es Salaam because most of exporters are hosted in this biggest and the commercial City of Tanzania. Dar es Salaam hosts the government administration, industrial, commercial, port authority and banking head quarters. In fact out of 60 companies registered under EPZ and SEZs, 50 are found in Dare es Salaam (EPZ, 2013). Forty five (45) exporters were contacted; of them 30 exporters responded.

The multiple methods of data collections including questionnaires and in-depth interview were utilized. The interview questions were open ended, semi structured and sought to obtain reflective, informative and in-depth information on the subject matter. The open ended and in-depth interview technique enables us to probe, clarify and cross check responses from questionnaires.



The qualitative data were analyzed using content analysis techniques during which the responses were coded and categorized under thematic statements and presented in narrative form. Interpretation of the results was done in relation to the theoretical background to conform their validity. On the other hand, data of quantitative nature were analyzed using statistical methods. The data were edited, coded and tabulated to bring responses to manageable levels and results were expressed in percentages to make it easy for analysis and interpretation. The next section presents the characteristics of the respondents in the study.

## Findings

### *Characteristics of the Respondents*

As Table 1 summarizes, the age range of most respondents was from 26 to 40 years old, followed by respondents with over 40 years of age. The presence of more respondents from the 25-40 age group stems from the fact that, it is the age of youths who had no opportunities to continue with school or who decided to abscond from studies and decided to engage in business. Respondents from 40 and above years who own businesses after accumulating capital from salaried employment. Gender difference was not noticed, probably implying that, there is an increase in participation of Tanzania's females in international businesses as compared to the past where there were big variations between the number of male and female who engage in business (see Anderson, 2012; Anderson and Philemon, 2014). In addition, most respondents were Tanzanians. The foreign respondents are mainly incentive-recipient exporters, operating under Export Processing Zones and Special Export Zones facilities.

**Table 1. Selected Respondent Characteristics**

<b>Characteristics</b>	<b>Percent</b>
<b>Age of respondents</b>	
≤25	7
26-40	53
Above 40	40
<b>Sex</b>	
Male	53
Female	47
<b>Originality</b>	
Tanzania	90
Foreigner	10
<b>Education level of respondent</b>	
Primary education	16.67
Secondary education	30
Certificate	10
Diploma	16.67
Bachelor Degree	16.67
Master's Degree and above	10
<b>Experience</b>	

0-2 years	17
3-5 years	37
6-10 years	33
Above 10 years	13
<b>Nature of the Business/institution</b>	
Clothing (batiki, textiles, vikoi, weaving and tailoring businesses)	25%
Handicraft (wood carvings, bowls, tingatinga paintings, ebony wood, baskets, candles, traditional decorations and bone jewellery)	45%
Food processors (beverages, green vegetables, cereals processing, cooking oil, fruits processing and traditional wine)	12%
Furniture works (timber and woods processors)	7%
Leather products (shoes, bags, key holders, passport holders, etc)	11%

Regarding the education level, it was encouraging to find that most respondents have attained at least secondary education. Over 50% of the respondents have at least a certificate level of education. This suggests that they should not have language barrier in undertaking international business, taking into consideration that English as an international language is mostly associated with the level of education in the Tanzanian education system. With regard to experience in exporting, over 80% of the respondents had more than 2 years experience in exporting. The number of years of experience in exporting is significant for the provision of relevant information to conform to validity of the study. The presence of higher number of respondents in group between 5-10 years implies that there was access to the participants who were information- rich about the topic at hand, hence that, the collected information was a reflection of what the research intended to achieve.

#### ***The impact of socio-culture on exporting***

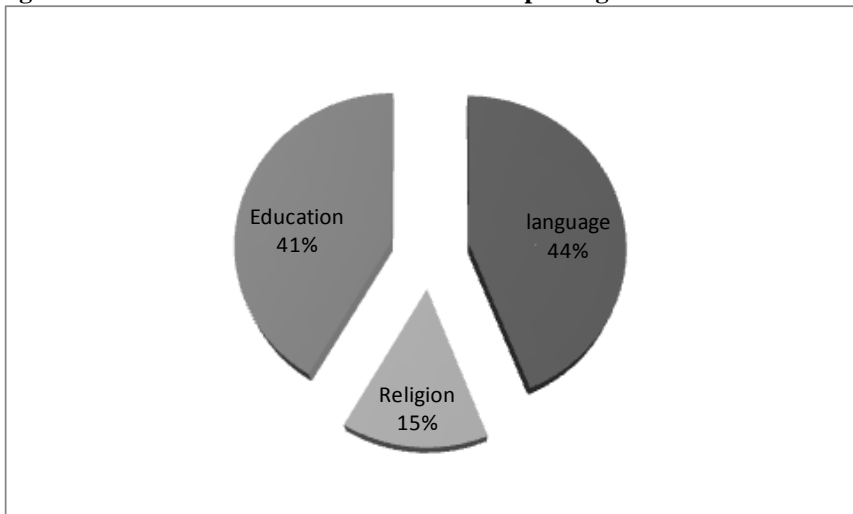
The results on the influence of each cultural element on exporting are summarized in Figure 2. Language was the most significant factor that has impact on international business as it is a crucial medium of business communication. The objective here was to examine if the language of the importing country affects the respondent on undertaking his or her business.

Language plays a major role in business as means of communication. Some exporters of grains and sunflower oil to Zambia and DRC argue that at first instant they faced language barrier which made difficulty to exploit the full potential of the product's markets. This was due to the fact that Tanzanian exporters are better at Swahili and they could not write or speak well English or French, the languages used in the target markets. For instance, some added that language creates barriers in promotion which in turn led potential buyers switching to competitors. The same case was claimed by other business

entrepreneurs who export food grains, shoes and clothes respectively in the same markets. One of the exporters of “vitenge” and “batiki” to Kenya, Uganda, Malawi and Zimbabwe said that she encountered communication barrier as she is not good in English language. She claimed that poor English language speaking caused her to lack confidence during negotiations. She said:

*“my English language skills is only form four level, as you know I am aged, I sometimes lose confidence in negotiating business especially when I come into contact with a completely Kiswahili non-speaker and of different pronunciation as me. When I find a white person and he or she doesn't know Kiswahili, I find myself losing confidence”*

**Figure 2: Influence of Cultural Elements on exporting business**



Language barrier was also encountered by the exporters of air condition products to DRC and South Sudan. One of them argued that, in South Sudan a large population of indigenous people speaks Arabic language, where in DRC, French is the official language. Other common languages in DRC are Kikasai, Kiswahili and a small group of people speak Lingala. Language differences caused the respondent to hire a translator, something which increased the transaction costs. He claimed that at some point he was required to hire the translator at a cost of 200 US dollars.

Most of the transport entrepreneurs who provide transport services to Rwanda, Burundi, DRC and Botswana claimed that, their drivers cannot read road banners and interpret road signs while transporting from Botswana to South Africa. They also argued that their truck servant cannot speak and read French and Portuguese languages which are mostly used by their clients in the target markets. Thus,

while in those countries, they are required to hire a translator or a part time local driver/ servant to ease their transportation to their intended clients. Other business entrepreneurs exporting handicraft to UK and France have experienced the language barrier during the business process. They claimed that French people value and prefer their language most. This requires them to hire an international translator, which is more expensive compared to a translator for English in English speaking countries. One of the exporters of hand-woven products to Germany was required to hire a foreign translator as she was not good in Germany language.

The language barrier was also represented by another respondent who export meat to Oman Muscat. The respondent commented that individuals use Arabic language as a medium of communication. According to this respondent, since Arabic language is associated with Islamic religion beliefs people do value it and trust the Arabic speakers compared to other sellers of the same product. Therefore he opted to hire a local agent to bridge the existing language barrier between his business and clients. This leads to additional cost of doing business which ultimately reduces the expected profit margin. Another respondent, exporter of honey to Dubai reported to have experienced the same problem.

Around 15% of respondents point religion as an obstacle to their international business undertakings. The underlying argument behind those who see religion as not an obstacle was that their products and its marketing do not collude with foreign religious beliefs. The findings conform to the Johnson et. al, 2013 disclosure, that religion lays down a set of fundamental principles and values which govern the behavior and life of its adherents. For example, the fact that the adherents of Islam do not work on Fridays goes against the practice in other countries and thus Tanzanian exporters to these countries find it difficult to make adjustment as it delays the inventory turnover, hence increasing the cost of doing business. This was claimed by those respondents who export their goods to Islamic countries that:

*“In Arabic countries, Fridays go like holidays. Most people and businessmen work half a day. On the same, time some people go for prayers five times a day! How are you going to deal with the situation like this? Their culture is very difficult.”*

It is further noticed by respondents that in Islamic countries they used to export their goods, during the lunar month of Ramadan that precedes Eid al-Fitr. He reported that during Ramadan (Muslims) normal business patterns are disrupted slightly. He added that in these countries, it is considered highly impolite to eat, drink or smoke in public during daylight hours and some disruption continue into Eid al-Fitri. In this period sales volume is very low, as most population fast during the daytime. Even it is rare to find women in the streets during this period, although they are considered to be big buyers. The exporters of meat and fruits to these countries claimed. Similarly, exporters of meat to Arabic countries

claimed that before exporting one has to ensure that the slaughtering is done in accordance with the Islamic rules and procedures. However, most exporters who are knowledgeable about Islamic culture claimed that, business goes smoothly in those countries if one has network relationship. Another respondent, who is the exporter of air conditions to South Sudan and DRC, claimed that his company failed to penetrate North Sudan due to strictly Islamic laws which are accompanied by discrimination against non-Muslims.

*“If you have network and you are not Muslim for sure, you will work very hard. But that is the business and you have to deal with it.”* The exporter of air conditions to South Sudan said

On the other hand, those exporting to Christian countries like Zambia, DRC, Malawi, Botswana, Rwanda, Burundi, Kenya, UK, French, and Mozambique, reported that, although religious holidays provide opportunities to price products differently for different seasons because consumers are willing to pay for more than regular prices, but these opportunities go to local companies located within the same geographical region as the customers. Thus holidays limit business opportunities for foreigners, Tanzanian exporters argued that. *“But if you have a business partner, ooh, you will make money”*, said one of the respondents. In other scenarios, those exporting to Zambia and DRC claimed that most Sundays in these countries are like holidays as many businesses are closing, hence increasing the number of days of doing business which add more costs to the business.

The study confirmed that education is a key ingredient to international business success, whether as individual or as a company. A system of formal education provides insights into the knowledge of consumers and traders. The literacy levels influence international business not to mention the fact that the ability to speak a foreign language such is highly associated with higher educational level in Tanzania. Education level differences are some of the factors limiting their business operations abroad. The exporters of air conditioners to South Sudan and DRC, for example are facing ‘illiteracy challenge’ as according to them the problem in penetrating Sudanese market is mainly caused by the fact that, the country is still at its infancy stage in all senses and the education level of majority of the population is very low which impaired the business negotiation processes. In areas where literacy rate levels are high, customers were perceived to be very sensitive and hence add non-monetary costs during negotiation process. The same was experienced in the DRC.

Some exporters of food grains and oil to DRC and Zambia claimed that the lack of appropriate business knowledge such as foreign language, prior identification of the customer needs, customer segmentation, how to make discounts etc, limited them to exploit the potentiality of targeted market. As a result most customers opted for competitors’ products. The same problem was encountered by most respondents who export second hand shoes to Kenya, Uganda,

Mozambique, Comoro and South Africa from Karume and Kariakoo markets in Dar es Salaam. They all claimed that lack of international business skills limits them to do online transaction and thus fear to go for more contractual international business. The consequences of inadequacy business skills, led some exporters to neighboring countries smuggle their products to their importing countries. This was the riskiest business approach as in some cases they were found by preventive officers at border stations.

In another case, the exporters of transport services to Rwanda, Burundi, DRC and Botswana argued that, the lack of education for trucks servants especially the driver is largely impacting their businesses.. The truck drivers and their servants have no knowledge of translating and interpreting the international business documents like bill of lading and letter of credit. Not only that but also they face a problem in reading and interpreting road banners and signs while moving from Botswana to South Africa. According to one of the respondents:

*“In Tanzania we don’t have drivers who can manage to drive in countries like South Africa and Botswana. I found a deal of transporting sand from Gaborone (Botswana) to South Africa; I was required to hire a local experienced driver to assist my driver! He could not do it properly. We are poor in everything.”*

The exporters of fresh fruits and vegetables to Arabic countries have also experienced the education barriers with their employees – in packaging and labeling. According to the exporters, there is a good market for mangoes in Arabic countries. There is serious shortage of international business skills in Tanzania (Aikaeli, 2007). The common view from the respondents was that:

*“You have to be educated to deal with international business, to study your customers, to ensure the quality of products, to communicate and to make decision. You need to study and know the type of package that can attract your customer, to keep the standard of my farm in order to have best quality; I was trained in that because quality is of no compromise in international business.”*

### **How Tanzanian Exporters overcome Cultural Difference Barriers?**

The results revealed that 33% of the respondents hire some experienced staff to accompany them when visiting abroad (expatriates) and use local people in the foreign markets (nationals) to assist them understanding the marketing and sales procedures in the respective countries. More than 20% of respondents reported to hire foreign translators and about 40% reported to have used foreign agents who have a clear knowledge of the foreign markets’ cultural elements. With regard to education barrier, respondents reported to have employed skilled educated individuals in their businesses, seeking professional advice from educated and experienced business people, and accompanied with expatriates or nationals during business negotiations. Other respondents decided to attend training

workshops and seminars organized by several institutions in the country in order to develop their international marketing skills.

With regard to the impacts of religion, the findings show that the respondents have learnt to fit their marketing programs to the religious requirements of the importing countries. Some exporters use agents especially those who deal with Arabic countries which are predominantly Islamic. According to respondents, it was easy for the agent to comply with strict Islamic rules and customary procedures and rules. Exporters to the Christian faith - based countries have common views that such countries are more flexible, taking religion as any other aspect of life. The use of social networks was common in marketing in both Christian and Islamic faith based countries. For example, exporters of fresh fruits considered to use network of their relatives and friends living in the target markets.

***Role of the institutional machinery in addressing the social-cultural-related barriers that hamper Tanzanian exporters***

Tanzania has several institutions dealing with traders, but the main ones are Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Tanzania Bureau of Standards (TBS) and TanTrade. The role of these institutions in the trade is largely the formulation and regulating the macro-economic and sectors policies that define and provide the guidelines and rules governing the activities of players in the economy. Equally, private sector institutions are responsible for support of export development and promotion. The need for enabling favorable environment to support export expansion is underscored by the persistence trade deficits recorded with the outside world. When asked if they have ever received any support from the government, overwhelm majority of respondents, 83% said “No”. The study findings indicate that the majority of Tanzanian exporters have no trust with their government, particularly export business. They are of the opinion that the Tanzanian government is not paying attention to export business; instead it is focuses on imports:

*“Currently Tanzanian government has no export policy. It’s only by having it that small Tanzanian farmers will benefit from their harvest. Presently, they are the servants of big exporters who are foreigners. Some government officials encourage importation in order to make lucrative profit from it.”*

TCCIA is the sole authority or issuer of all certificates of origins of products originating from Tanzania. For example, it issues East African Certificate of Origin, SADC Certificate of Origin, AGOA and International Certificate of Origin. It is clear that certificates of origin reduce or remove trade barriers including cultural barriers to a large extent. The Chamber provides training workshops on such topics as business skills, taxation, sales and marketing information technology for business and accounting. In addition, the Chamber helps business licensing processes, to formalize business and trade and provide

promotional activities. This is exemplified by one respondent who attended Hanover business exhibition in Germany during 2009 after been awarded the best Tanzanian businesswoman entrepreneur. Currently she is a chairwoman of TCCIA- Coastal region. She said being a member give your counterparty confidence and easy business negotiations.

Some respondents mentioned TBS as one of the important government institutions greatly influencing export process in the country. TBS participates actively in the harmonization process of standardization within EAC and SADC regions. The major activity of TBS is to supervise the implementation of standards which are important for trade facilitation. Without standards there is no business. One of the respondents, the grower and exporter of mangoes to Arabic countries responding to the question as “what the government should do to Tanzanian exporters and what her advice to other Tanzanian exporters?” she argued that *“quality is a crucial element in international business, no compromise”*. She said. She argued the government should help exporters adhere to product quality before going abroad.

TBS for example organizes training on ISO9001:2008QMS (Quality Management Systems) to enable participants to understand the requirements of international markets and be able to implement the standards in their organizations. Also to ensure that companies deliver quality products (goods and/or services) consistently and enable companies to become competitive by solving typical problems facing typical organizations. TBS in that regard plays the important role to export business as the standards make products competitive on the local and international market and reduce both technical and psychic distance. This concurs with the statement of respondents at TBS who argues that *“adherence to standards open doors to national and international business on a global scale. They ensure that business becomes sustainable as they are able to attract and retain markets for their products. This implies increased output, business expansion and large exports.”*

Having realized the problem of packaging standard, the government established the Packaging Technology Centre within TBS premises to ensure that it assist improve the product quality. According to TBS, *“Most of Tanzanian’s products are very good but fail to compete in the international market because of the poor quality of the package. Their package is not attractive. Their package is supposed to be a salesperson on its own.”*

Tan Trade endeavours to foster better market penetration for Tanzania’s goods and services at domestic, regional and international markets, through planning, coordination organization and management of International Trade Fairs (DITF), specialized exhibitions, expositions and participating in servicing incoming and outgoing missions. Trade Fairs and exhibitions are considered one of the best ways to meet current customers, reach previously unidentified prospects and offer goods and services to international markets. Tan Trade used to send some



exporters on Trade Fairs and exhibitions organized abroad by trading partners just to gain exposures. This is very crucial part of a concern by the majority of the respondents. When responding to the question as “whether they have got any kind of support from the government and what should they want the government to do for them as incentive or support to influence their exports?” Most of the responses were no, implying that they have not got any support from the government. And as for what do they want from the government, among others, they want the government to assist them to participate in international trade fairs and exhibitions both within and outside the country because according to respondents, this is one of the necessary and important learning processes. One of the female respondents, from TCCIA-Costal region said that, she learned a lot about international business and benefited by getting business partners after attending Hanover exhibitions in Germany during 2009. Other respondents stressed that ITF and exhibitions is a good place to find new customers, business partners, new suppliers and get international exposures that can bridge the cultural differences gap.

### **Conclusion**

This study was triggered by the fact that, there is a shortage of literature and studies that linked socio-cultural environment to internationalization particularly in developing countries. Tanzania exporters face barriers in both developed and developing countries. Among these are socio-cultural differences. Developing countries have enormous potentials to achieve a fast economic growth if these barriers should be addressed. For Tanzanian exporters to realize their potential, both government and its agencies and private agencies dealing with the facilitation of international business should both pro-act and react on those barriers. This includes formulation and implementation of clear export policy and development of supportive international business environment. The findings revealed that various cultural elements were adversely affecting business negotiations and product attributes particularly on pricing, labelling, branding and packaging. Language barriers have the greatest impact followed by education and religion. Exporters consider engaging local agents and exclusive distributors in the foreign markets as some of strategies to overcome socio-cultural barriers. The identified cultural differences impose extra costs and raise price and transaction costs.

The findings indicate that, hiring some experienced people as foreign expatriates, nationals in the foreign markets, foreign translators and uses of foreign agents are the strategies used to overcome cultural barriers. The findings also indicate that the government plays a crucial role to help exporters reduce obstacles caused by cultural differences. In the light of the findings, various governmental and state funded institutions (including Tan Trade, TCCIA and TBS) seem to have a great influence on the steps involved in the export businesses.

Different countries have different social setting, their own language of communication, religion, education, economic and political ideologies.

International business individuals and companies should have to consider these differences in their potential markets before taking decision to enter into those countries. They should evaluate what these differences mean for their business. Thorough market analysis should be conducted before fully fledged exporting in order to serve the business from the danger of lacking information. Equipped with certain levels of cultural awareness enables exporters build international competences.

Moreover, exporting companies and potential ones should have international language courses to prepare international marketing managers to improve on communication as a long run solution instead of relying heavily on the personnel's own language skills. This will serve the company especially when it comes to enter a completely new country where the translator is either hard to find or costs much to find one. As for individual case, it will be of advantage to become a member of associations mentioned above in order to enjoy training workshops, seminars, and business advice. Also they are encouraged to allocate budget to attend international trade fairs and exhibitions to gain more international exposures. Likewise, quality assurance of one's products is very important above all. Consultation with the responsible organs dealing with issues of quality and standards like TBS and TCCIA is very important to meet international standards.

There are some areas which should be focused on in the further research. These may include analysis of political, economic, technology and/ or legal environments on international business. This would create a complete package on the international marketing environments.

## References

- Aikaeli, J. (2007). Improving competitiveness for SMEs to harness available trade and investment opportunities: the case of Tanzania. *Available at SSRN 1021214*.
- Anderson, W. & Saidi, S. A (2011). Internationalization and Poverty Alleviation: Practical Evidence from Amani Butterfly Project in Tanzania. *Journal of Poverty Alleviation and International Development*, 2(2):17-45
- Anderson, W. (2011). Internationalization Opportunities and Challenges for SMES from Developing Countries. *Journal of African Business*, 12:2, 198-217
- Anderson, W. (2012). A Gender-based Comparison of Marketing Strategies of SMEs. *International Journal of Marketing Principles and Practices*, (2): 32-42
- Anderson, W. and Philemon, J.R.M. (2014). Opportunities and Challenges of AGOA for Tanzanian Firms: Marvellous Flotea, a Successful Story. In Anderson, W., Chijoriga, M. & Philemon, J.R.M. (Ed). *Promoting Trade*

- Competitiveness in Developing Countries*, Cambridge Scholars Publishing, UK
- Arbelaez, H., & Milman, C. (2000). The new business environment of Latin America and the Caribbean. *International Journal of Public Administration*, 23(5-8), 553-562.
- Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of management journal*, 43(5), 909-924.
- Babakus E, Eroglu S, Yavas U (2004). Modeling consumers' choice behavior: an application in banking. *Journal of Services Marketing*. 18(6): 462-470
- Bank of Tanzania (2015). Tanzania Exports 2006-2015. Retrieved on 31<sup>st</sup> October 2015at: <http://www.tradingeconomics.com/tanzania/exports>
- Bonaccorsi, A. and D. Dalli (1990) Internationalization Process and Entry Channels: Evidence from Small Italian Exporters, Papers presented to the 19th Conference of the European Marketing Academy, Innsbruck.
- Callaway, S. K. (2008). Global corporate ventures: a new trend of international corporate entrepreneurship. *Multinational Business Review*, 16(3), 1-22.
- Callaway, S. K., & Hamilton, R. D. (2006). Exploring disruptive technology: the structure and control of internal corporate ventures. *International Journal of Organizational Analysis*, 14(2), 87-106.
- Carter, E.W. (2002), *Doing the best you can with what you have: lessons learned from outcomes assessment*, *The Journal of Academic Librarianship*, Vol. 28 No. 1, pp. 36-41
- Cheng, J. S. M., Blankson, C., Wu, P. C., & Chen, S. (2005). A stage model of international brand development: The perspectives of manufacturers from two newly industrialized economies-South Korea and Taiwan. *Industrial Marketing Management*, 34, 504-514.
- Chetty, S., & Campbell-Hunt, C. (2003). Paths to internationalisation among small-to medium-sized firms: a global versus regional approach. *European Journal of Marketing*, 37(5/6), 796-820.
- Czinkota, M. Ronkainen, I. (2007). *International Marketing*. 8th edition, USA:
- Dalli, D. (1995). The organization of exporting activities: relationships between internal and external arrangements. *Journal of Business Research*, 34(2), 107-115.
- Deari, H. and Kimmel, V. and Lopez, P. (2008). Effects of cultural differences in international business and price negotiations: *International Marketing Strategies*
- Dunning, J. (1993). *The globalisation of business*, United Kingdom. Routledge
- Ellis, P. (2000). Social Ties and Foreign Market Entry, *Journal of International Business Studies*,
- Export Process Zones (2013). Annual Report 2012/2013. EPZ, Dar es Salaam, Tanzania
- Feldhusen, F., Schmidt, M. & Strauch, F. (2006): *Internationalization Theories and their Application to one of Sweden's most successful Exports -H&M*. C-Thesis in Business Administration.

- Fillis, I. (2002). Barriers to internationalisation: An investigation of the craft microenterprise. *European Journal of Marketing*, 36(7–8), 912–927.
- Freeman, S. (September, 2002). A comprehensive model of the process of small firm internationalization: A network perspective. Paper presented at the 18th Annual IMP Conference, Dijon, France, pp. 1–22.
- Freitag N. (2005), Critical impacts of culture on International marketing plans and review of The French Wine Industry. University of Plymouth
- Hofstede, G. (2001). *Culture's Negation-Comparing values, Behaviors, Institutions, and Organization Across Nation*, USA: Sage Publication
- Hollensen S. (2007). *Global Marketing: a decision oriented approach 4<sup>th</sup> ed. Pearson Education Limited*
- Howard, J. A., & Sheth, J.N. (1969), *The Theory of Buyer Behavior*, New York: John Wiley & Sons.
- Johanson, J., Mattsson, L. G., Hood, N., & Vahlne, J. E. (1988). Internationalization in industrial systems—a network approach. *Strategies*, 287-314.
- Johanson, J. and Vahlne, J. E. (1977): Internationalization process of firms - Model of Knowledge Development and Increasing Foreign Market Commitments; *The Journal of International Business Studies*, 8(1): 22-32, 1977
- Johanson, J., & Vahlne, J. E. (1990). The mechanism of internationalization. *International Marketing Review*, 7(4), 11–24.
- Johnson, F. O., George, O., Owoyemi, O., & Adegboye, M. (2013). Effects of Socio-Cultural Realities on the Nigerian Small and Medium Sized Enterprises (SMEs): Case of Small and Medium Sized Enterprises in Lagos State. *International Journal of Business and Management*, 9(1): 90-100
- Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm—four Swedish cases 1. *Journal of management studies*, 12(3), 305-323.
- Keegan J.W (2002), *Global Marketing Management; 7<sup>th</sup> ed. prentice hall, NJ*
- Kogut, B., & Chang, S. J. (1996). Platform investments and volatile exchange rates: Direct investment in the US by Japanese electronic companies. *The Review of Economics and Statistics*, 221-231.
- Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of international business studies*, 411-432.
- Lackman, C. L., Hanson, D. P., & Lanasa, J. M. (1997). Social relations in culture and marketing. *Journal of Marketing Theory and Practice*, 144-152.
- Lackman, L.L, Hanson D.P, and Lanasa, M.J (1997), social relation in culture and marketing, *M.E Shape Inc Armonk, Ney York*
- Manevska Tasevska, G. (2006). An economic analysis of the Macedonian viticulture: a competitiveness view of the grape and wine sectors.
- Mayrhofer, U. (2004). International market entry: does the home country affect entry-mode decisions??. *Journal of International Marketing*, 12(4), 71-96.

- Mitgwe, B. (2006). Theoretical Milestones in International Business: The Journey to International Entrepreneurship Theory, *Journal of International Entrepreneurship*, Vol. 4, pp. 5-25.
- Mokhlis, S. (2009). Determinants of choice criteria in Malaysia's Retail Banking: An analysis of gender-based choice decisions. *Euro. J. of Econ., Fin. and Adm. Sciences*. 16: 18-30
- Morrison A. D., (2003) Banking Licences, Bailouts and Regulator Ability. August, 2003
- Osland, G. E., Taylor, C.R., and Zou, S. (2001). Selecting international Modes of Entry and Expansion *Marketing Intelligence and Planning* 19(3), pp153-61.
- Porter, M.E (1990). *The Competitive Advantages of Nations*. New York: Free Press
- Root, F. R. (1994). *Entry Strategies for International Markets*. New York
- Rugman, A. M., (1980) A New Theory of the Multinational Enterprise: Internationalization Versus Internalization, *Columbia Journal of World Business*, 15, 1 (Spring) pp. 23-29.
- Sharp, B and Dawes, J (1994). Does competitive strategy demand differentiation? Review of the deficiencies of the Porters competitive strategy typology.
- Smith, H., & Marranca, R. (2009). *The world's religions*. New York: HarperOne.
- Tayeb, M. (1998). *The Management of a Multinational Workforce*, England: John Wiley and Sons
- Terpstra, V. (1994). *International Marketing*, USA: The Dryden Press
- United Republic of Tanzania (URT) (2003). *SME Development Policy 2003-2013*. Ministry of Industry and Trade, Dar es Salaam, Tanzania
- Wangwe, S. (1995). *Exporting Africa: Technology, Trade and Industrialization in Sub-Saharan Africa*, London: Routledge
- Wetherly, P. and Otter, D. (2011). *The Business Environment*, 2<sup>nd</sup> Edition. USA: Oxford University Press
- Yin, R (1989). *Case Study Research: Design and Methods (Revised Edition)* Newbury Park: Sage Publishing
- Yin, R (1994). *Case Study Research: Design and Methods*; Thousand Oaks; Sage Publication