Strategies of New Firms in the Formative Years of a Developing Economy

The Case of Rwanda

Samuel Kamugisha
Strategies of New Firms in the Formative Years of a Developing Economy

The Case of Rwanda

Samuel Kamugisha
Doctoral Thesis in Business Administration

Strategies of New Firms in the Formative Years of a Developing Economy: The Case of Rwanda
JIBS Dissertation Series No. 151

© 2022 Samuel Kamugisha and Jönköping International Business School

Published by
Jönköping International Business School, Jönköping University
P.O. Box 1026
SE-551 11 Jönköping
Tel. +46 36 10 10 00
www.ju.se

Printed by Stema Specialtryck AB, 2022

ISSN 1403-0470
ISBN: 978-91-7914-014-4 (Printed version)
ISBN: 978-91-7914-017-5 (Online version)
Acknowledgement

First and foremost, I praise the Almighty God for giving me the strength and ability to keep on the track of what I felt was a never-ending journey which is finally coming to an end as well as opening a new a new chapter in my life. I wholeheartedly acknowledge the tremendous support and courage from my family, supervisors, colleagues, and friends without which I believe this doctorate journey would undoubtedly not have been possible.

The biggest thanks go to my main supervisor Lucia Naldi. I would like to express my sincere gratitude to your dedication and patience. Your guidance and critical feedback always encouraged and motivated me to keep on the track of this long and inspiring journey of PhD. Your close follow-up and feedback always came when they were most needed, particularly when I was almost dropping out of this journey. Thank you very much.

Special thanks to my co-supervisor Ethel Brundin. Your follow-up played a crucial role in the completion of my PhD. I am deeply indebted to your constructive thoughts and advice and making time for supervising meetings whenever I needed guidance. Thank you so much for your attentiveness and reflection on this thesis. I would also like to express my thanks to my co-supervisor Faustin Gasheja for your guidance and advice which enabled me to overcome challenges along my PhD journey.

I am grateful to Fabrizio Montanari, discussant during my final seminar. Your constructive comments helped me to sharpen and theoretically anchor my thoughts and reflect on the story I wanted to tell. I also want to thank Marcela Ramirez-Passillas and Khizran Zehra, discussants of my research proposal. Your comments and feedback played an important role in structuring the final version of this dissertation.

Despite the key role played by my supervisors in the process of developing this thesis, I would like to acknowledge the support and feedback I received from colleagues at Jönköping International Business School. Thanks to Leona Achtenhagen, Olof Bruninge and Daniel Pitino for your support and constructive feedback and reflection whenever I contacted you for your advice during the early stages of the development of this thesis. I would also like to express my sincere gratitude to Susanne Hanson for your support during my study period at JIBS. Thanks to Henry for your chats and jokes along the corridors. Similarly, my thanks go to Katarina for the administrative support and humorous hugs on Fridays.

I am thankful to my friends, Samuel Mutarindwa and Pierre Sindambiwe for your support and constructive ideas along this journey. I would also like to extend thanks to my fellow former PhD Candidates: Amedeus, Sam Lu, Sumaya, Songming, Enrique, and Joaquin.

I acknowledge the support from the University of Rwanda, Swedish International Development Agency (Sida) and Jönköping International Business
School. I thank Lars Hartvigson and Prof. Rama Rao for your support during the period of my study.

Finally, and most importantly, this work could not have been possible without the support of my family. Thanks to my wife and Son, I am indebted to your unfailing support and encouragement through phone calls and despite my limited commitment to communication. This thesis stands as a proof of your unconditional love. I also express my profound gratitude to my mum and siblings for providing me unwavering encouragement throughout my years of study. I dedicate this accomplishment to you. Thank you very much.

Kigali, November 2022

Samuel Kamugisha
Abstract

The purpose of this thesis is to explore how new firms navigate the regulatory environment of a developing economy in its formative stage to ensure their survival. As developing economies are growing to become major global economies, nevertheless, they are undergoing frequent changes in their institutional, particularly regulatory environment. Such changes are even more frequent in a developing economy in its formative stage. In such an economy, these rapid changes in regulations and policies create challenges to new firms which comprise more than 75% of the total establishments including uncertainties, discontinuities and high operational costs which affect their continued operations and survival (Bruton, Ahlstrom and Obloj, 2008).

This thesis focuses on the survival of new firms in Rwanda which is a developing economy in its formative stage—that is, undergoing a process of reconstruction and transformation after devastation by the 1994 Genocide against the Tutsi. The 1994 genocide against the Tutsi left all key sectors of the economy devastated. Specifically, the regulatory environment denoted by the rule of law and bonds of social trust, were nonexistent, the manufacturing industry was devastated since critical infrastructure were destroyed, and skilled personnel were exterminated, displaced, or fled the country. The process of rebuilding and transforming the economy was characterized by frequent introduction of new rules and regulations and policies, and changes in the existing regulations. Thus, this makes Rwanda a suitable context for this study because it is undergoing a period of reconstruction and economic transformation from the ruins of the civil war and devastation after the 1994 genocide against the Tutsi.

The study seeks to understand the strategies undertaken by new firms to navigate the regulatory environment of a developing economy in its formative stage to ensure their continued operations and survival. Although institutional change and new survival have received considerable research attention, calls to focus on specific characteristics of developing economies and their impact on organizational activities have until now only received conceptual attention and specific focus on economies in their formative stage seems to be neglected. Thus, understanding the strategies undertaken by new firms to survive in a regulatory environment characterized by frequent introductions of new rules and regulations, and continuous changes in the existing regulations and policies is the major contribution of this dissertation.

In order to understand the survival of new firms in a developing economy in its formative stage, the strategies undertaken by those firms in response to pressures and requirements arising from the regulatory environment are identified, namely maneuvering, foresight and proactiveness, changing paths and professionalizing. Institutional theoretical perspective is deemed suitable for understanding the effect of frequent changes in regulations and policies on the activities of new firms. Literature on strategic responses to institutional pressures
was considered appropriate for understanding the strategies undertaken by new firms to navigate an uncertain regulatory environment. Using literature on strategic responses to institutional pressures, this thesis uses data collected from new firms in Rwanda and identifies the strategies undertaken by those firms to ensure their continued operations and survival.

The thesis adopts a qualitative approach with multiple case study design. It uses data from 10 new firms (case studies) from the manufacturing industry in Rwanda—that is, one main case study and nine replication case studies. The dissertation uses interviews and follows a grounded theory approach to analyze and transcribe data. The phenomenon of navigating a regulatory environment of a developing economy in its formative stage is studied following a multilevel analysis—that is involving the interaction of the studied case firms with the industry- and macro-level regulations and policies. A model of navigating an uncertain regulatory environment is developed and conceptualizes how new firms navigate the regulatory environment of a developing economy in its formative stage (See Figure 8.1).

The findings indicate the unlocking and lock-in effects on firms’ strategies arising from the general and sectoral changes in regulations and policies. Second, the findings highlight a continuous interaction and integration of strategies in a trial-and-error manner to find a tradeoff between the strategies and the pressures arising from the changes in regulations and policies. Third, the findings show that firms learn-by-doing along their stage of development which indicates which strategies are undertaken at each stage of development. Fourth, the findings show that there is a boomerang effect of some of the strategies on the firms’ continued operations and survival. Specifically, while all the strategies have positive effects on the firms’ continued operations especially, in the start-up stage, during the development stage, maneuvering and changing paths strategies might have negative effects on the firms’ continued operations.

This thesis contributes by extending our understanding on how new firms cope with uncertain institutional environments. Specifically, this study answers calls to extend our knowledge in strategy and entrepreneurship by focusing on a unique institutional setting—that is, a developing economy in its formative stage and the strategies undertaken by new firms ensure their continued operations and survival. Besides, this study’s findings and theorization elucidate critical dynamics between the specificities of changes in the regulatory environment, the strategies undertaken by new firms, and the firms’ continued operations and survival. The study will also help entrepreneurs and managers to devise tailored and firm-specific strategies in consideration of the challenges associated with the specificities of changes in the regulatory environment.
Table of Contents

Chapter 1: Introduction ................................................................. 13
  1.1 Introduction ................................................................. 13
  1.2 New Firms in Developing Economies ............................... 14
  1.3 Determinants of New Firm Survival in Developing Economies ... 15
  1.4 Developing Economy in a Formative Stage: The Case of Rwanda .... 17
  1.5 Purpose and Intended Contributions of the Dissertation .......... 19
  1.6 Clarification of Key Concepts ......................................... 20
      1.6.1 New Firm ......................................................... 20
      1.6.2 New Firm Survival .............................................. 21
      1.6.3 Developing Economy .......................................... 22
      1.6.4 Developing Economy in its Formative Stage ............... 23

Chapter 2: Theoretical Framework .................................................... 24
  2.1 Introduction ................................................................. 24
  2.2 Institutions Defined ...................................................... 25
  2.3 Types and Sources of Institutions ..................................... 26
      2.3.1 Cultural-Cognitive Institutions ................................. 26
      2.3.2 Normative Institutions .......................................... 27
      2.3.3 Regulatory Institutions ......................................... 28
  2.4 An Overview of the Nexus between Institutions and Entrepreneurship ......................................................... 29
  2.5 Institutions and Entrepreneurship in Developing Economies .......... 30
  2.6 Conceptualizing a Developing Economy in a Formative Stage ........ 32
  2.7 Strategic Responses to Institutional Pressures ..................... 34
      2.7.1 Network-based Strategies ...................................... 35
      2.7.2 Market-based Strategies ...................................... 38
      2.7.3 Hybrid Strategies .............................................. 41
  2.8 Summary and Concluding Remarks ................................................................. 52

Chapter 3: Contextualizing the Study ............................................. 53
3.1 Introduction......................................................................................... 53
3.2 The Regulatory Environment in Rwanda ........................................... 53
  3.2.1 Establishment of Regulatory Institutions..................................... 54
  3.2.2 Frequent Changes in the Regulatory Environment ...................... 55
3.3 Sources and Implementation of New Regulations.............................. 61
  3.3.1 Government and its Agencies...................................................... 61
  3.3.2 Financial Institutions .................................................................. 62
  3.3.3 Professional and Industry-Specific Associations ......................... 63
3.4 The Manufacturing Industry in Rwanda............................................. 64
  3.4.1 Survival of New Firms in Rwanda .............................................. 67

Chapter 4: Methods .................................................................................... 68
4.1 Introduction......................................................................................... 68
4.1 Philosophical Stance: Critical Realism............................................... 68
4.2 Research Approach: Qualitative Case Study ................................. 70
  4.2.1 The Case Study Design.............................................................. 71
  4.2.2 Multiple-Case Design ............................................................... 72
  4.2.3 Replication Design .................................................................... 73
4.3 Study Design....................................................................................... 73
  4.3.1 Level and Unit of Analysis ......................................................... 74
  4.3.2 Selection and Access to Cases ................................................... 74
  4.3.3 Number of Cases Selected ....................................................... 76
4.4 Data Collection................................................................................... 77
  4.4.1 Interviews .................................................................................. 78
  4.4.2 Documentation........................................................................... 83
  4.4.3 Observations ............................................................................ 83
4.5 Data Analysis...................................................................................... 84
  4.5.1 Developing Case Descriptions .................................................. 84
  4.5.2 Coding and Thematization ......................................................... 85
4.6 Ensuring Credibility of Findings and Ethical Considerations.......... 87

Chapter 5: Description and Findings from the Main Case Study .......... 89
5.1 Introduction........................................................................................ 89
5.2 Development of Bwiza Limited......................................................... 89
5.2.1 Motivations and Goals of the Founder ........................................ 92
5.2.2 Founder’s Experience and Education Background ...................... 96
5.3 Changes in Regulations that Affected Bwiza Limited .................... 99
5.4 Navigating the Regulatory Environment at Bwiza Limited .......... 103
5.4.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations ................................................................. 103
5.4.2 Fostering Key Government Concerns and Interests ............... 107
5.4.3 Change of the Initial Business Orientation ......................... 110
5.4.4 Continuous Reorganization of the Organizational Structures ... 112

Chapter 6: Description and Findings from Replication Cases .......... 117
6.1 Introduction .............................................................................. 117
6.2 Inyange Limited ........................................................................ 120
6.2.1 Development of Inyange Limited ............................................. 120
6.2.2 Navigating the Regulatory Environment at Inyange Limited .... 121
6.3 Ubudasa Limited ....................................................................... 131
6.3.1 Development of Ubudasa Limited ........................................... 131
6.3.2 Navigating the Regulatory Environment at Ubudasa Limited ... 132
6.4 Mutware Limited ...................................................................... 138
6.4.1 Development of Mutware Limited ........................................... 138
6.4.2 Navigating the Regulatory Environment at Mutware Limited .. 139
6.5 Umurinzi Limited .................................................................... 143
6.5.1 Development of Umurinzi Limited ........................................... 143
6.5.2 Navigating the Regulatory Environment at Umurinzi Limited .. 145
6.6 Iyamarere Limited ................................................................... 148
6.6.1 Development of Iyamarere Limited ........................................ 149
6.6.2 Navigating the Regulatory Environment at Iyamarere Limited 150
6.7 Inkingi Limited ....................................................................... 154
6.7.1 Development of Inkingi Limited ............................................. 154
6.7.2 Navigating the Regulatory Environment at Inkingi Limited .... 156
6.8 Urugano Limited ...................................................................... 160
6.8.1 Development of Urugano Limited .......................................... 160
6.8.2 Navigating the Regulatory Environment at Urugano Limited ... 161
6.9 Ubuzima Limited .............................................................................. 165
   6.9.1 Development of Ubuzima Limited .............................................. 166
   6.9.2 Navigating the Regulatory Environment at Ubuzima Limited 167
6.10 Imirasire Limited ............................................................................ 171
   6.10.1 Development of Imirasire Limited .......................................... 172
   6.10.2 Navigating the Regulatory Environment at Imirasire Limited 173
6.11 Summary of Key Activities Undertaken by Replication Cases ..... 178

Chapter 7: Comparison of Cases and Analysis of Findings .......... 181
7.1 Introduction....................................................................................... 181
7.2 Aggregate Dimension 1: Maneuvering ............................................ 183
   7.2.1 Theme 1.1: Influencing Regulatory Processes and Outcomes ... 183
   7.2.2 Theme 1.2: Seeking Support and Access to Resources .......... 185
   7.2.3 Concluding Remarks on Aggregate Dimension 1: Maneuvering Strategy ................................................................. 189
7.3 Aggregate Dimension 2: Foresight and Proactiveness ............. 190
   7.3.1 Theme 2.1: Coupling of Firms’ Goals with the Government’s Priorities ............................................................... 190
   7.3.2 Theme 2.2: Prospecting and Anticipation ............................. 192
   7.3.3 Concluding Remarks on Aggregate Dimension 2: Foresight and Proactiveness ............................................................... 194
7.4 Aggregate Dimension 3: Changing Paths ............................... 195
   7.4.1 Theme 3.1: Diversification and Change of the Initial Business Orientation ............................................................... 195
   7.4.2 Theme 3.2: Bypassing and Circumventing Regulatory Requirements ............................................................... 196
   7.4.3 Concluding Remarks on Aggregate Dimension 3: Changing Paths ............................................................... 198
7.5 Aggregate Dimension 4: Professionalizing .............................. 199
   7.5.1 Theme 4.1: Building Competent Management Teams .......... 199
   7.5.2 Theme 4.2: Introducing and Readjusting the Board of Directors ............................................................... 201
   7.5.3 Concluding Remarks on Aggregate Dimension 4: Professionalizing ............................................................... 203

Chapter 8: Discussion and Conclusions .............................................. 204
8.1 Introduction....................................................................................... 204
8.2 Navigating Uncertain Regulatory Environment: an Overview of the Model ................................................................. 204
  8.2.1 Specificities of Changes in the Regulatory Environment .... 207
  8.2.2 Interaction and Integration of Strategies ............................ 208
  8.2.3 Stages of Firm Development ............................................. 210
  8.2.4 The Liability of the Strategies .......................................... 212
8.3 Theoretical Contributions ..................................................... 214
  8.3.1 Navigating Uncertain Regulatory Environment ................... 214
  8.3.2 Institutional Environment and Strategic Responses ............ 216
8.4 Practical and Policy Implications .......................................... 218
8.5 Study Limitations and Suggestions for Future Research .......... 220
References .................................................................................. 223
JIBS Dissertation Series ............................................................... 241

Figures

Figure 7. 1: Data Structure .......................................................... 182
Figure 8. 1: Navigating the Uncertain Regulatory Environment .......... 206

Tables

Table 2. 1: Categories of Strategic Responses to Institutional Pressures .... 44
Table 3. 1: Introduction of New Regulations (2003 – 2018) ...................... 59
Table 3. 2: Doing Business Indicators: Areas of Business Regulation ........ 60
Table 4. 1: Overview of the cases and types of data collected and analyzed .... 81
Table 5. 1: Sources and types of data collected ................................... 91
Table 5. 2: Summary of the Changes in Regulations and Policies (2009–2017) ................................................................. 101
Table 5. 3: Summary of Key Activities Undertaken by Inyange Limited in Response to Changes in the Regulatory Environment ..................... 114
Table 6. 1: Sources and types of data collected from Replication Cases .... 118
Table 6. 2: Summary of Key Activities Undertaken by Inyange Limited .... 130
Table 6. 3: Summary of Key Activities Undertaken by Ubudasa Limited .... 137
Table 6. 4: Summary of Key Activities Undertaken by Mutware Limited ..... 142
Table 6. 5: Summary of Key Activities Undertaken by Umurinzi Limited ..... 147
Table 6. 6: Summary of Key Activities Undertaken by Iyamarere Limited..... 153
Table 6. 7: Summary of Key Activities Undertaken by Inkingi Limited ....... 159
Table 6. 8: Summary of Key Activities Undertaken by Urugano Limited....... 165
Table 6. 9: Summary of Key Activities Undertaken by Ubuza Limited ...... 171
Table 6. 10: Summary of Key Activities Undertaken by Imirasire Limited .... 177
Chapter 1: Introduction

1.1 Introduction

This thesis is about the survival of new firms in a developing economy that is in its formative stage. A developing economy in its formative stage is conceptualized as a developing economy that is undergoing a recovery process after devastation by a civil war and/or genocide. The regulatory environment of this economy is inherently characterized by the frequent introduction of new rules and regulations and changes in the existing regulations and policies (Cavusgil et al., 2012; Holden, 2018; & World Bank, 2018). These frequent changes create challenges for new firms, such as uncertainties, discontinuities, and increased operating costs, that affect their survival (Ahlstrom & Bruton, 2010; Bruton et al., 2008; Williams & Vorley, 2015). Specifically, this thesis studies the survival of new firms in the developing country of Rwanda, which is undergoing a process of recovery and transformation after devastation by the 1994 Genocide against the Tutsi. New firms are conceived as firms that have been in existence for a period of not more than ten years since they were founded (Josefy et al., 2017; Neubaum et al., 2004).

This thesis builds on literature drawn from strategic management, entrepreneurship and an institutional theoretical perspective to understand the strategies undertaken by new firms to navigate the regulatory environment of a developing economy in its formative stage. Extant literature highlights how firms cope with pressures from the institutional environment (Manolova & Yan, 2002; Oliver, 1991). According to the literature, some of the strategies undertaken by firms to cope with institutional pressures include acquiescence, compromise, avoidance, defiance, and manipulation (Oliver, 1991). However, this research has been almost exclusively focused on relatively stable regulatory environments in developed and developing economies. Thus, knowledge on strategies undertaken by new firms in response to regulatory pressures outside these types of economies remains limited. In particular, little is known of the strategies undertaken by new firms to navigate the regulatory environment of a developing economy in its formative stage.

To illustrate, the 1994 genocide against the Tutsi devastated the economy. Key sectors of the economy, such as the manufacturing sector and infrastructure, were destroyed, and skilled personnel were exterminated, displaced, or fled the country. By the end of the genocide, over a million people had been killed, over two million people had fled the country (Hodler, 2018; Straus & Waldorf, 2011), and institutions and the rule of law had been devastated (Ansoms, 2011). However, the aftermath of the genocide provided an opportunity for the government to rebuild the economy by embarking on a comprehensive economic recovery and transformation process that has been characterized by the frequent introduction of new rules and regulations as well as changes in existing regulations in order to create an environment conducive to business (World Bank, 2018). By 2018,
Rwanda had implemented a total of 75 regulatory reforms and was ranked among the top business reformers (World Bank, 2019). The strategies undertaken by new firms in response to regulatory pressures in developing economies may not be readily applicable to a developing economy in its formative stage. There is a need to provide an understanding of the strategies undertaken by new firms to navigate the regulatory environment of a developing economy in its formative stage to ensure firm survival.

The remainder of this chapter proceeds as follows: Section 1.2 sets the stage and presents literature on new firms in developing economies; Section 1.3 highlights the determinants of new firm survival in developing economies; Section 1.4 introduces the research setting of this study, a developing economy in its formative stage, and its specific challenges; Section 1.5 presents the purpose of this study; and section 1.6 clarifies key concepts that are used in this thesis. Finally, Section 1.7 provides the structure and an outline of this dissertation.

1.2 New Firms in Developing Economies

New firms play an important role in economic growth in all countries. They are the main generators of employment opportunities and income and are key drivers of knowledge spillovers, innovation, and overall market growth (Ayyagari et al., 2011; Mead & Liedholm, 1998; Naudé et al., 2011). The agility and innovativeness of new firms enables the exploitation of external knowledge and adaptation to external shocks, which increases a firm’s chance of survival and the creation of other related ventures and economic growth (Fischer & Reuber, 2003; Naudé et al., 2011; Stam & Wennberg, 2009; Wong et al., 2005). According to Voeten et al. (2011), new firm activities, such as innovation, enable firms to upgrade their production processes and enter export markets, thereby contributing to economic growth. Extant research shows that new firms have a higher employment and productivity growth rate in comparison with established firms (Ayyagari et al., 2011).

New firms are particularly important to developing economies, which are herein conceptualized as economies that are inherently characterized by a high rate of economic development, government policies favoring economic liberalization, adoption of a free-market system (Hoskisson et al., 2000), and with a gross national index (GNI) per capita that is less than a $995 threshold (World Bank, 2018).

New firms are important in this context for several reasons. First, the importance of new firms in developing economies is observed in their significant contribution to the generation of income and increases in productivity (Klapper & Richmond, 2011; Liedholm et al., 1994). For example, Li and Rama (2015) found out that new firms substantially contributed not only to gross job creation but also to net job creation in developing economies. Similarly, it has been projected that 600 million workers will join the labor market in the next 15 years, and new firms are expected to generate four out of every five jobs to absorb the growing
workforce in developing economies (Ndiaye et al., 2018). The latest World Bank report indicates that in Africa, new firms contribute up to 60% of total employment and thus, are key drivers of job creation (World Bank, 2019). In the East African Community (EAC) member countries, new firms in Uganda and Kenya contributed 10% and 12%, respectively, of the total jobs created in 2011–2018 (Rwakakamba, 2011; Sebikari, 2014; World Bank, 2017).

Second, new firms in developing economies provide access to new knowledge that enables individuals to discover and exploit new opportunities and create other new firms, products, and services (González-Pernía & Peña, 2015). Extant research indicates that over the last two decades (1999 to 2019), higher private and public investments—partly denoted by the increase in the number of new firm startups—have been considered to be the major drivers of economic growth in the Sub-Saharan African countries given their significant (over 30%) contribution to gross job creation (e.g., Nuwagaba & Nzewi, 2013; World Bank, 2017).

In Rwanda, a significant increase in the number of new firms started per year—that is, 119,252 to 183,867—was registered between 2011 and 2017. This increase in the number of new firms created a total of 466,206 jobs in 2017, up from 264,648 jobs in 2011. These numbers signify approximately 20% of the total annual jobs created since 2011 (NISR, 2017). Between 2017 and 2018, new firms also contributed to over 20% of the total employment in Rwanda, and this growth rate more than doubled when new firm contributions to total job creation was first reported in 2011, with the construction sector contributing 25.3% followed by the manufacturing sector contributing 20.6% of the total jobs created (NISR, 2018).

Despite these promising statistics, new firms in developing economies are inherently characterized by low survival rates. For example, in EAC countries, particularly Uganda and Kenya, more than half of new firms closed a year after they were founded. Research shows that such closures result in increased job destruction due to firm exit (Haltiwanger et al., 2013), which, in turn, affects the contribution of new firms to economic growth (World Bank, 2018). A more worrying scenario has been observed in Rwanda, wherein the majority—more than 75% of the total establishments that were started between 2010 and 2013—had closed or informally exited without following due procedures of closure (Agutamba, 2014).

1.3 Determinants of New Firm Survival in Developing Economies

Research has long explored the determinants of new firm survival in developing economies because of the substantial contribution of these firms in generating employment opportunities, innovation, and growth. Even though there are various factors that determine the survival of new firms, the literature on this topic shows that the institutional (regulatory) environment plays an important role in their survival and post-entry performance in developing economies (Bruton et al.,
Although this may be true even for developed economies, “a fortiori, these institutional constraints play a crucial role in developing countries, with a larger impact moving from the middle-income to the low-income developing countries” (Quatraro & Vivarelli, 2014, p. 5).

The fast economic growth rates experienced by developing economies are usually associated with frequent regulatory and policy changes that not only create a business environment conducive to investment and business activities but also result in uncertainties, discontinuities, and increased operational costs that are usually not supportive of entrepreneurial activities that affect the survival of new firms (Ahlstrom & Bruton, 2010; Bruton et al., 2008; Busenitz et al., 2000; Peng, 2000; Williams & Vorley, 2015).

Ardagna and Lusardi (2010) found that frequent economic reforms in developing countries may result in ineffective regulation and inefficient enforcement of contracts that affect business activities. This is because the regulatory frameworks in developing economies that are intended to support business activities are usually characterized by counterproductive policy measures that inhibit entrepreneurship and increase the impact of risk aversion (Quatraro & Vivarelli, 2014). Mitra and Pingali (1999) indicated that frequent changes in government policies and regulations, particularly policies aimed at creating a conducive business environment and increasing competitiveness, influenced the post-entry performance and survival of new firms since those firms did not have the resources and expertise to cope with those changes. Moreover, bureaucratic and ambiguous administrative procedures resulting from government ineffectiveness and poor regulatory quality in developing economies create room for corruption and slow down the innovation process, which is a key factor to the survival of new firms (Oluwatobi et al., 2015). As a result, firms may opt to mobilize resources to alter existing institutions or create new ones through lobbying and political activity (Li et al., 2006). In addition, Peng and Heath (1996) found that institutional constraints in developing economies compelled firms to pursue network-based strategies to ensure their survival, including the building of personal trust and the formation of informal agreements.

According to Li and Atuahene-Gima (2001), environmental turbulence in developing economies denoted by changes in business regulations affects the survival of new firms. The authors showed that in an unstable regulatory environment, new firms resorted to creating networks with other firms and building relationships with government and administrative officials as substitutes for the ineffective regulatory frameworks in order to obtain resources and approval and, thus, ensure their survival. Moreover, Fajnzylber et al. (2011) indicated that new firms that are able of coping with the institutional constraints are more likely to have higher revenues and profits, to hire more employees, and to have access to capital, particularly government subsidies, support, and development services, unlike firms that are resistant or less capable of adapting to the pressures from the regulatory environment.
Introduction

In summary, even though the literature on determinants of new firm survival in developing economies portrays these economies as heterogeneous among themselves, this may be different for a developing economy in its formative stage, as I will elaborate in the next section (1.4).

1.4 Developing Economy in a Formative Stage: The Case of Rwanda

As already mentioned, this study focuses on Rwanda, a developing economy in its formative stage—that is, a period of rebuilding after a prolonged civil war and genocide. The 1994 genocide against the Tutsi devastated all key sectors of the economy. The regulatory environment, particularly the rule of law and bonds of social trust, were nonexistent, the manufacturing industry was devastated since critical pieces of equipment and infrastructure were destroyed, and skilled personnel were exterminated, displaced, or fled the country—over a million people were killed and over 2 million people fled (Ansoms, 2011; Hodler, 2018; Straus & Waldorf, 2011). De Walque and Verwimp (2010) highlighted that the genocide mostly affected the more educated people—implying a substantial loss of skilled human capital—which takes a long time to catch-up since it recovers at a slow pace (Serneels & Verpoorten, 2015). Thus, the end of the genocide was reached at a high cost in terms of the rule of law, human capital, and infrastructure.

The aftermath of the civil war and genocide was a challenge, but it also provided a strong basis for the Government of Rwanda to rebuild and transform the economy. As a result, the government embarked on an overarching institutional and economic transformation process that has been characterized by the frequent introduction of new rules and regulations and changes in existing regulations (World Bank, 2018). Although this may be true even for other developing countries that are undergoing reforms to liberalize and transform their economies (Cavusgil et al., 2012; Chari & Banalieva, 2015; World Bank, 2018), Rwanda is a suitable context for this study because it is undergoing a period of reconstruction and economic transformation from the ruins of the civil war and devastation after the genocide in 1994.

Extant research indicates that during the reconstruction period “… political differences that led to war must be accommodated by changing the pre-war institutions and rules, but there is no foundation on which to build new institutions” (Lake, 2010, p. 30); the devastated social fabric of the economy must be reconstructed, for example, by developing human capital necessary to spearhead the new economy (Höglund & Orjuela, 2011). Moreover, the resolve, complexities and knowledge involved in rebuilding the economy imply a trial-and-error process as there are no established foundations or role models from which to learn and none of the institutional actors, particularly the government and its stakeholders, are able to determine which regulations and policies are
appropriate and will enable the stability of the regulatory environment (Hodler, 2018; Holden, 2012; Lake, 2010).

Research also indicates that after a civil war, there will always be inherent instability and uncertainty that affects economic activities. For example, in the aftermath of a civil war, fighting or violence is likely to reoccur since antagonists may resume fighting and this may further weaken the economy, thereby extending the reconstruction period or frustrating the process of rebuilding the devastated fabric of the economy, such as institutions, infrastructure, and human capital (Kang & Meernik, 2005; Straus & Waldorf, 2011; Wedgwood & Jacobson 2001). Moreover, approximately 30% of all terminated civil wars are likely to degenerate into wars or violence within another five years (Högglund & Orjuela, 2011).

Barakat and Wardell (2005) highlighted that reconstructing a devastated economy and achieving the counterfactual economic development after a civil war may take more than 30 years since fighting is likely to reoccur and the rival factions may sabotage the reconstruction process. Therefore, it is not surprising that it took the Government of Rwanda almost two decades for its GDP to add up to equal its counterfactual GDP—which it would have achieved in the absence of the civil war and genocide (Hodler, 2018)—and to rebuild institutions and infrastructure and develop and amass human capital (World Bank, 2018), signifying that Rwanda’s economy is still undergoing reconstruction and, thus, is in its formative stage.

Since the 1994 genocide against the Tutsi, Rwanda as a developing economy in its formative stage has been and is still undergoing a reconstruction process that has been associated with a number of government efforts to rebuild and transform the economy. These efforts include a myriad of overarching institutional and economic reforms, for example: (a) the establishment of new institutional agencies, such as the Rwanda Development Board (RDB), the Rwanda Utilities Regulatory Authority (RURA), and the Rwanda Standards Board (RSB); and (b) the frequent introduction of new rules, regulations, and policies and their continuous adjustment in order to accommodate a very dynamic context (World Bank, 2017). For example, since 2004, Rwanda has implemented a total of 75 economic reforms related to doing business (World Bank, 2018).

As a result, Rwanda is currently ranked as the second easiest place in Africa and the twenty-ninth globally for doing business—that is, creating a business environment that is attractive to both local and foreign investors (World Bank, 2018)—the economy has been steadily growing at an average rate of 8% per annum (Gathani & Stoelinga, 2013), and, interestingly, a big proportion (more than 90%) of new firms has been started, with the majority of them founded between 2006 and 2015—a period when the government introduced economic reforms and adopted its industrial policy.

Despite the very encouraging characteristics of a developing economy in its formative stage, as illustrated, such institutional changes and economic reforms are also known to increase uncertainty, operational costs, and transaction costs as well as to create an unconducive business environment (Ahlstrom & Bruton, 2010; Aidis et al., 2008) that affects the survival of new firms, particularly during
their first years of existence (Aidis & Adachi, 2007; Chari & Banalieva, 2015; Manolova & Yan, 2002). New firms are usually strapped by the liability of newness (Stinchcombe, 1965), and complying with frequent regulatory and policy changes becomes an additional burden that risks their legitimacy and survival (Manolova & Yan, 2002; Zimmerman & Zeitz, 2002). In addition, the perception that new rules of the game will be continuously introduced implies that new firms will be generally preoccupied with how to adapt and cope with the recurring changes in institutions to ensure their survival (Aidis & Adachi, 2007; Tonoyan et al., 2010). Finally, scholars have indicated that starting a new business is risky, especially in a milieu where there are no established models and limited practices from which to learn (e.g., Aldrich & Fiol, 1994).

Even though institutional change and new firm survival have received considerable research attention, the call by Cavusgil et al. (2012) to focus on specific characteristics of developing economies and their impact on organizational activities has only received conceptual attention until now (e.g., Hodler, 2018; Holden, 2012), and a focus on economies in their formative stage seems to be neglected. This dissertation research suggests that there is a dearth of literature on new firm survival, particularly in a developing economy in its formative stage, and thus, an understanding of the strategies undertaken by new firms to navigate such an economy is relevant. This examination is justified not only because the characteristics of a developing economy in its formative stage are unique but also because we have a limited understanding of how new firms navigate the regulatory environment of a developing economy in its formative stage to ensure their survival. In addition, such a study enables an in-depth understanding of the processes through which new firms cope with an uncertain regulatory environment to ensure their continued operations and survival. Thus, the scope of this study is how new firms navigate the regulatory environment of a developing economy in its formative stage.

1.5 Purpose and Intended Contributions of the Dissertation

Once the characteristics of a developing economy in its formative stage that affects new firms have been identified, the new firms ought to devise strategies to ensure their continued operation and survival in such an economy (Holden, 2018). Using an institutional theoretical lens, the purpose of this thesis is to explore how new firms navigate the regulatory environment of a developing economy in its formative stage to ensure their survival.

With this purpose, I make the following contributions to the strategy and entrepreneurship field and to institutional theory. First, I offer a deeper understanding of what strategies new firms undertake to survive in a regulatory environment characterized by the frequent introductions of new rules and regulations and continuous changes in existing regulations and policies. Second,
my findings and theorization elucidate critical dynamics between the specificities of changes in the regulatory environment, the strategies undertaken by new firms, and the continued operation and survival of firms.

This study is also relevant for both managers of new firms and policymakers that are dealing with frequent regulatory changes. Despite the promise of regulatory changes that would move toward creating an environment conducive to business in developing economies, the strategies undertaken by new firms to navigate such a regulatory environment have not been well explored. While some new firms have succeeded, others have struggled to stay in existence or have exited (Bhattacharya & Michael, 2008; Chari & Banalieva, 2015). A better understanding of the implications of the regulatory environment in a developing economy in its formative stage helps to identify effective strategies to navigate such an environment and ensure continued operation and survival of new firms. It is also important that policymakers understand the effect of the regulatory environment since new firm survival is an important indicator of a conducive business environment and an incentive to investors to establish other firms, invest in innovative new products and processes, and, thus, drive economic growth and development (Chari & Banalieva, 2015).

1.6 Clarification of Key Concepts

In this section, I clarify concepts that are relevant and play a key role in this thesis. These concepts include a new firm, new firm survival, and a developing economy.

1.6.1 New Firm

There are several perspectives from which new firms are defined. For example, Shane and Khurana (2003) defined new firms as newly established legal entities that have been in operation for not more than ten years. Other scholars have defined new firms as business entities that have been in existence for eight years or less since they were founded (Biggadike, 1979; Chandler & Hanks, 1994; Zahra, 1996; Neubaum et al., 2004). Biggadike (1979) found that new firms required eight years to be profitable and that they needed twelve years to become established firms. Extant research shows that in their initial stages, new firms are particularly preoccupied with the need to specify their organizational structures and processes and link themselves to their environment while lacking information from past operations (Brinckmann et al., 2010). These activities are continuously undertaken until these firms have established organizational structures, links to the markets, and information based on their past operations. With the high level of uncertainty in developing economies, it may take up to ten years for new firms to have established organizational structures, processes, operating systems, and market linkages (Gathani & Stoelinga, 2013). In this study, I use a 10-year point as the cutoff for being a new firm.
For clarity purposes, this study was only focused on privately owned and independent new firms. Thus, state-owned enterprises or subsidiaries of established corporations were not included in the empirical study. This is because state-owned firms and subsidiaries of established firms do not encounter the same challenges as independent privately-owned firms (Agarwal et al., 2004). For example, spinoffs and subsidiary companies usually get support from their parent companies (Fackler et al., 2016; Semadeni & Canella, 2011) and state corporations are usually fully funded and supported by their governments (Nyamita et al., 2015; Samuelson et al., 1985). Hence, the opportunities available for and/or challenges encountered by privately-owned or independent new firms are far different from those encountered by spinoffs, subsidiaries, and state-owned enterprises (Bradley et al., 2011; Brown et al., 2005).

1.6.2 New Firm Survival

Several indicators of new firm performance have been extensively studied, including survival. Survival is defined as the existence of a new, legally incorporated firm and the possibility of that firm to continue operating into the unforeseen future (Audretsch, 1991; Shane, 1996). Therefore, new firm survival is the possibility of a new firm to continue to exist or operate until it is considered an established firm—that is, up to a period of not more than ten years (Neubaum et al., 2004; Zahra, 1996). In addition, the impact of the inherent characteristics of a developing economy in its formative stage are usually reflected in the survival of new firms. This makes new firm survival an important concept in this thesis since it is a significant indicator of the performance of new firms (Josefy et al., 2017; Manolova & Yan, 2002; Delmar & Shane, 2004) and can be considered as a necessary condition or a “minimum criterion of success” (Brüderl & Preisendörfer, 1998, p. 218).

New firms that survive their first years of existence (ten years) signal an ability to navigate the regulatory environment of a developing economy in its formative stage. Thus, survival is a significant performance indicator based upon which new firms measure their goal—market persistence (Josefy et al., 2017; Manolova & Yan, 2002). It is problematic to focus on financial performance indicators, such as return on sales and profits, to study the success of new firms since most of them are preoccupied with acquiring resources and establishing optimal systems and structures (Delmar & Shane, 2004). Lastly, the survival of a new firm is represented by a series of activities, actions, and interactions undertaken by the firm, particularly during its initial stages (Delmar & Shane, 2004; Gartner, 1985). These actions include the acquisition of resources, including employees, funds, and equipment, and the creation and building of networks with both customers and other stakeholders (Delmar & Shane, 2004). Given that new firms have a high failure or exit rate during their first years of existence, survival—continued existence—is the appropriate indicator of their performance.

Notwithstanding the mentioned advantages of using survival as a key performance indicator for new firms, I acknowledge the challenges of using this
approach. First, extant literature indicates that not all firms that fold or exit are unsuccessful or have failed. Some firms may deliberately exit because their purpose has been attained, some may fold to pursue opportunities in other business domains, and others exit because of mergers (Wennberg et al., 2010). To mitigate these challenges, I explicitly asked owners during the interviews about their motives for starting a firm and whether they intended to see the firm exist and operate up to an unforeseen period or at least ten years since it was founded.

### 1.6.3 Developing Economy

Generally, there are several definitions used to define economies. For example, the World Bank uses, among other definitions, Gross National Index (GNI) per capita to define economies. According to the World Bank rankings in 2018, Rwanda was classified as a developing economy as it had a GNI per capita of $780, which was less than the $995 threshold (World Bank, 2019). However, this criterion is not static, and GNI per capita is adjusted every year. For example, for the year 2015, developing economies were defined as those countries with a GNI per capita of $1,025 or less; in 2016, developing economies were defined as those economies with a GNI per capita of $1,005 or less, and in 2017, developing economies were those economies with a GNI per capita of $995 or less. In this thesis, the term country and economy are used interchangeably to signify any territory or region for which distinct social or economic statistics may be reported (World Bank, 2018). The term developing economy is used in a broad sense to represent developing countries in Africa, Asia, Latin America, and the Middle East (Hoskisson et al., 2000; World Bank, 2018).

Other scholars have used different criteria to define a developing economy. For example, Hoskisson et al. (2000) argued that developing economies are countries that satisfy two criteria: (a) “a rapid pace of economic development, and government policies favoring economic liberalization, and (b) the adoption of a free-market system” (p. 249). Cavusgil et al. (2012, p. 2) defined developing economies as countries that are inherently characterized by high risk for foreign businesses, economic and technological backwardness, consumers with low purchasing power, limited opportunities for businesses, and unpredictable growth patterns. In this thesis, I follow Hoskisson et al (2000) and World Bank (2018) and define developing economies as countries that are characterized by a high pace of economic development, government policies favoring economic liberalization, and the adoption of a free-market system, with a GNI per capita that is below the set threshold.

Rwanda meets the criteria and definition of a developing economy given the continuous establishment of new institutions and recurring changes in rules, regulations, and policies aimed at creating a conducive business environment since the country is experiencing a high economic growth rate (8% per annum), government policies aimed at liberalizing and adopting a free market economy, with a GNI per capita that is less than the $995 threshold.
1.6.4 Developing Economy in its Formative Stage

In this study, a developing economy in its formative stage is conceptualized as a developing economy that is undergoing a recovery period after a prolonged civil war and/or genocide. The aftermath of the civil war is characterized by a devastated economy wherein all key sectors of the economy are left crumbled. Specifically, the aftermath of such an economy is characterized by a) the destruction of the rule of law and bonds of social trust during the civil war and/or genocide; b) a ruination manufacturing industry, particularly of critical types of equipment and infrastructure; and c) a lack of skilled personnel since they were killed, displaced, or fled the country during the civil war and/or genocide. Accordingly, recovery from such devastation requires the laying of new foundations on which the economy should be rebuilt, and this recovery period may span decades (Serneels & Verpoorten, 2015).

1.7 Structure of the Dissertation

Chapter 1 laid the foundation of this thesis and outlined the overall purpose of this dissertation. Chapter 2 presents the theoretical framework adopted for this study, specifically institutional theory, and provides a review of the literature on the strategies undertaken by firms in response to institutional changes and pressures. Chapter 3 presents the research context and setting. This study was conducted in Rwanda—a developing economy in its formative stage. Data was collected from the manufacturing industry, which is undergoing reformation. The industrial sector is important in driving the economic transformation agenda adopted by the government of Rwanda. Chapter 4 describes the research methods by highlighting the design and means of data collection and analysis. Chapter 5 introduces and analyzes the “Main Case Study” and provides a structure used to present and analyze the nine replication cases as presented in Chapter 6. Chapter 7 presents a cross-case analysis and highlights the similarities and differences among all ten case studies. Chapter 8 comprises the discussion and conceptualization of the findings and highlights the contribution of this study to strategy and entrepreneurship literature and institutional theory. It also discusses both the policy and practical implications of this study and provides conclusions and suggestions for future research.
Chapter 2: Theoretical Framework

2.1 Introduction

Extant research indicates that institutional theory is a key theoretical perspective from which to explain the behavior of organizations, particularly in uncertain institutional settings. This is because it embraces the contexts in which organizations are embedded and influences entrepreneurial attitudes and motivations (e.g., Hoskisson et al., 2000; Lyles et al., 2004; Welter & Smallbone, 2011; Wright et al., 2005). Specifically, this thesis draws on Scott’s (1995) pillars of institutions, namely cultural-cognitive, normative, and regulatory institutions, to understand organizational behaviors in uncertain institutional environments, with a specific focus on the regulatory elements of institutions. Even though these pillars are seemingly intertwined, they are nevertheless analytically distinct since they each represent different aspects of institutions, operate through different mechanisms, are carried by different forms, and have different indicators. The regulatory element of institutions influences organizational behavior by inducing compliance through the setting of rules and regulations, monitoring or inspecting, imposing sanctions, and giving rewards based on established rules (Scott, 2014).

The institutional framework of developing economies is fundamental in shaping entrepreneurial behaviors and, ultimately, ensuring the survival of new firms (Manolova & Yan, 2002). First, all new firms encounter the liability of newness that mostly arises from the lack of legitimacy that inherently affects their survival (Stinchcombe, 1965; Zimmerman & Zeitz, 2004). New firms must comply with institutional requirements to overcome this challenge and gain legitimacy, which is a conduit to other resources necessary for their survival (Delmar & Shane, 2004). Second, during their initial stages, new firms are preoccupied with activities aimed at gathering resources and developing structures and optimal systems as compared to established firms (Delmar & Shane, 2004). Thus, in their infant stages, new firms lack resources and capabilities, and there are no established models to follow while undertaking their activities (Aldrich & Fiol, 1994); they may even be unaware of existing or newly introduced institutional requirements. Therefore, to ensure their survival, new firms ought to devise strategies to navigate such uncertain institutional environments (Manolova & Yan, 2002; Welter & Smallbone, 2011).

The remaining sections of this chapter elaborate on the institutional theoretical perspective. Section 2.2 provides the definitions of institutions. 2.3 highlights the different types and sources of institutions and elaborates the type of institutions upon which this thesis is focused. Section 2.4 provides an overview of the nexus between institutions and entrepreneurship. Section 2.5 provides a review of the literature on institutions and entrepreneurship in developing economies. Section
2.6 highlights the characteristics of a developing economy in its formative stage vis-à-vis other developing economies. Section 2.7 provides an extensive review of the strategies undertaken by firms in response to institutional pressures, changes, and requirements. Section 2.8 presents the concluding remarks.

2.2 Institutions Defined

There are several perspectives on institutions, but the commonly discussed ones indicate that institutions are durable and have the power to create stable expectations of the behaviors of others; they depend upon the thoughts and activities of individuals but are not reducible to them, that is, institutions are social; and they both constrain and enable behavior (DiMaggio & Powell, 1983; Hodgson, 2006; Scott, 2008). Thus, institutions affect organizational actions by influencing organizational actions through conferring on organizations the right to existence or legitimacy (Scott, 2014), which is a key resource and conduit through which other resources are accessed (Delmar & Shane, 2004).

Meyer and Rowan (1977) described institutions as taken-for-granted rationalized myths. The authors highlighted that “organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society” (Meyer & Rowan, 1977, p. 340). The reason for the rational structures is the need to be approved and recognized as appropriate and desirable by society since the notions of structure are embedded in the values of society. Similarly, institutions are viewed as “more-or-less taken-for-granted repetitive social behaviour that is underpinned by normative and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order” (Greenwood et al., 2008, p. 4). Thus, institutions consist of structures and meanings that provide sense to social life because these social structures induce organizational compliance through rules, regulations, and beliefs that ultimately influence organizational activities and their outcomes.

According to Scott (2008), institutions are “cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life” (p. 48). The regulative pillar represents the rule-setting, monitoring, and sanctioning activities; normative elements denote the prescriptive, evaluative, and obligatory dimension of social life; and the cultural-cognitive elements emphasize the shared conceptions that constitute the nature of social reality and the frames through which meaning is made (Scott, 2008). Scott (2014) further noted that although one or another of the three institutional pillars may dominate the others, the three elements are generally intertwined and work in combination, which justifies the comprehensiveness of the institutional framework. However, depending on the motives for compliance, logics of action, and indicators employed, the three institutional elements considerably differ in the institutional structures they support. This is because organizations are composed of various institutional elements with various rules,
norms, and beliefs enacted in an ongoing interaction, while other elements emerge from the outside environment (Scott, 1995).

Despite the various definitions of institutions, there is no consensus on a single definition. In this thesis, I adopt Scott’s (1995) omnibus conceptualization emphasizing that institutions consist of cultural-cognitive, normative, and regulative structures that provide stability and meaning to social behavior (Scott, 1995, 2008, 2014). This definition embraces the regulatory elements of institutions that are the main foci of the theoretical framework used in this thesis. Section 2.3 outlines the different types of institutions and highlights the element (pillar) of institutions that is adopted in this thesis.

2.3 Types and Sources of Institutions

Given the broadness of the concept of institutions, it is important to specify the type of institution that is relevant to this study. Highlighting the types and sources of institutions provides an understanding of the elements comprising each type and the mechanisms through which they influence organizational behavior and outcomes.

2.3.1 Cultural-Cognitive Institutions

Cultural-cognitive institutions represent the shared conceptions and cognitive frames that constitute social reality and through which meaning is made (Scott, 2008). This element of institutions describes how the taken-for-granted assumptions are widely diffused and deeply embedded in a social setting to provide deeper foundations on which institutions are based (Scott, 2008, 1995). The cultural-cognitive institutions include general assumptions about how things are done (Sine & David, 2010). For example, despite the market potential of the business, new firms seeking financial support are unlikely to succeed if they do not present a business plan that conforms to the accepted and set standards of the format and content of a business plan (Honig & Karlsson, 2004). This type of institution functions through mimicry of the shared and taken-for-granted schemas (DiMaggio & Powell, 1983).

Cultural cognitive institutions provide a foundation for the other institutional elements (Scott, 2008) that underlie many of the challenges and opportunities that organizations face (Sine & David, 2010). Kostova (1997) indicated that cultural-cognitive institutions affect how entrepreneurs recognize and exploit opportunities and how they manage their startups from the initial growth to maturity stage. Cultural-cognitive institutions also shape the processes, structures, and information that investors and other stakeholders, such as consumers, expect from a new firm (Sine & David, 2010, p. 5). Therefore, new firms need to conform to the taken-for-granted assumptions within their business domains to gain
Theoretical Framework

legitimacy (Meyer & Rowan, 1977) since this enables them to access other necessary resources (Delmar & Shane, 2004; Zimmerman & Zeitz, 2002).

2.3.2 Normative Institutions

This element of institutions “introduces a prescriptive, evaluative, and obligatory dimension into social life” (Scott, 2008, p. 54). Normative institutions entail “social definitions of what is ‘good’ or ‘appropriate’ and influence both the prevalence and evaluation of organizational processes and organizational forms” (Sine & David, 2010, p. 6). Normative institutions function through prescriptive mechanisms—implying that the more firms abide by the set obligations and expectations in accordance with the widely held norms and values, the more they are likely to be approved and supported in pursuit of their activities (DiMaggio & Powell, 1983).

Normative institutions determine who will or is not likely to engage in entrepreneurial activities (Sine & David, 2010). For example, career paths are a normative factor that influence the motives to engage in entrepreneurial activities and the number of people in each entrepreneurial activity (Lawrence & Tolbert, 2007). According to Lawrence and Tolbert (2007), the normative expectations, standards, and certifications within an organizational field render some business activities desirable and helpful to society while others are considered illegitimate. In addition, previous experience within an industry gives a firm the tacit resource of networks and information that is an added advantage compared to other firms in terms of exclusive and timely access to relevant information about some opportunities and developments that would enable or impede their success (Sine & David, 2010).

DiMaggio and Powell (1983) indicated that normative institutions derive from external actors, primarily professional and industry-specific associations and certification and regulatory organizations. These actors are explicitly or implicitly involved in the creation and enforcement of the norms and values that eventually influence entrepreneurial activities and outcomes (Sine & David, 2010). Pressures to conform to the widely-held norms and values in an industry usually provide firms with legitimacy and signal professionalism (Honig & Karlsson, 2004). For example, norms and values that are created during the formation of associations and membership clubs directly or indirectly span all organizations within that industry. As a result, firms are bound by those norms and values (Sine & David, 2010).

According to Sine and David (2010), normative institutional actors may be considered as conduits for sharing information about certain practices and forms of organization in a specific industry, which may create specific normative support, for example, through joining and subscribing to membership clubs or associations. By adhering to club norms and values, new members (in this case, new firms) are regarded as appropriate and desirable or serious in that industry and may secure regulative support for certain organizational forms (Hiatt, 2010; Sine & David, 2010). Thus, any actions that deviate from the set values, standards,
2.3.3 Regulatory Institutions

The regulative type of institution denotes the rule-setting, monitoring, and sanctioning activities of different institutional actors, especially the state or government (Scott, 2008, p. 52). Regulative institutions govern organizational activities by means of coercive mechanisms (Scott, 1995). These institutions derive from state or government legislation and industrial agreements (Bruton et al., 2010), and they induce compliance from firms by setting rules and regulations, monitoring the enforcement of regulations, and applying sanctions in case of nonconformity (Scott, 2008). Thus, regulatory institutions are concerned with the question of “what is (not) allowed” (Scott, 2001).

Regulatory institutions reflect “the existing laws and rules in a particular national environment which promote certain types of behaviors and restrict others” (Kostova, 1997, p. 180). Thus, a country’s regulatory environment—denoted by its business-related rules, regulations, and policies—plays an important role in legitimizing business activities. Extant literature indicates that supportive regulatory institutions influence entrepreneurial activities (Baumol, 1990; Henrekson & Sanandaji, 2011). On the one hand, regulatory institutions streamline and ease entrepreneurial processes, such as the startup of new business activities (Schneiberg, 2002). For example, policies, regulations, and laws that are supportive of business activities may boost productive entrepreneurship (Henrekson & Sanandaji, 2011), denoted by the increase in the number of firms started (Sine et al., 2005) and their appropriateness or desirability (Ahlstrom & Bruton, 2010). On the other hand, in instances in which the regulatory environment is unsupportive or constraining, business activities may be inhibited, it may take a long time to obtain licenses and permits to start and operate firms or business activities, and there may be long or endless periods of waiting to secure funding, such as bank loans (Sine & David, 2010). As a result, entrepreneurs may engage in unproductive or destructive activities, such as rent seeking and circumventing or evading regulations to ensure the survival of their firms (Manolova & Yan, 2002; Welter & Smallbone, 2011).

In summary, the three types of institutions (cultural-cognitive, normative, and regulative) substantially vary in formality and the institutional structures they support. They differ in the bases of order, motives for compliance, logics of action mechanisms, and indicators employed […] and each is properly seen as providing or contributing to an institutionalized social order: all support and sustain stable behavior (Scott, 2008, p. 428). The cultural cognitive institutions provide the foundation on which the institutional framework is based and are more informal and stable, while the normative institutions based on the cultural cognitive institutions define what is appropriate, good, or bad in an organizational field and are moderately stable and informal. Regulatory institutions are formal and tend to
be flexible, and they represent the rule-setting, enforcement, and sanctioning aspects of different actors, particularly the government. Regulatory institutions also favor partial conformity over full compliance. This implies that instead of conforming to regulations per se, firms may partially or ceremonially comply with certain regulations or devise other alternative ways to safeguard their activities from compliance or evaluation by external institutional actors (Meyer & Rowan, 1977).

Therefore, given the breadth of the concept of institutions and the various types of institutions and their sources, in this thesis, the regulatory aspects of institutions that are formal and flexible and, thus, susceptible to frequent changes are used to understand the strategies undertaken by new firms to navigate a rapidly-changing regulatory environment. Regulatory institutions are the main source of the rapid changes in rules, regulations, and policies to which firms should comply to ensure their survival. Even though scholars have explored the influence of institutional pressures on entrepreneurial activities across different contexts, the rate of regulatory changes and how new firms respond to such changes vary by context (Boettke & Coyne, 2009). Moreover, much theorizing remains to be done in relation to the strategies undertaken by new firms to navigate the regulatory environment of developing economies to ensure their survival (Holden, 2018), particularly a developing economy in its formative stage.

2.4 An Overview of the Nexus between Institutions and Entrepreneurship

This section discusses the relationship between institutions and entrepreneurship and discusses the theoretical foundation for new firm survival in an uncertain institutional environment. The link between institutional theory and entrepreneurship began to emerge with the foundational institutional theorists who were interested in how institutions affected entrepreneurial activities and how the institutional environment influenced the organizational structures and behaviors (DiMaggio & Powell, 1983; DiMaggio, 1988; Meyer & Rowan, 1977; Scott, 1995). Later, the focus shifted to institutional pressures within established organizations (Barley & Tolbert, 1997; Dacin et al., 2002; Oliver, 1991) and the role of institutional actors, such as government and institutional entrepreneurs, that are involved in the creation of new or transformation of existing institutions (Greenwood et al., 2002). Generally, institutional scholars have emphasized the influence of rules, regulations, and the taken-for-granted norms on organizational behavior and outcomes (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). In other words, institutional theorists accept that there is an interaction between institutions and entrepreneurship (Bruton et al., 2010; Estrin et al., 2013).

Specifically, the relationship between institutions and entrepreneurship is embodied in the day-to-day interactions between organizational members and the
institutional environment in which they are embedded (Greenwood et al., 2008; Scott, 1995). This relationship is expressed in an ongoing process of social interaction that sets standards and rules of the game (North, 1990), thereby inducing compliance in organizational behaviors and activities (Greenwood et al., 2008). Thus, understanding organizational activities and outcomes requires recognizing that organizations are embedded in institutional contexts that determine how they interact with different actors (Greenwood & Hinnings, 1996; Oliver, 1997).

Institutions in relation to entrepreneurship have primarily been studied by looking at the influence of external macro-institutional forces on organizations with a broad focus on isomorphism and convergency among organizations (DiMaggio & Powell, 1983; Meyer & Höllerer, 2014). Previous studies have examined how institutions in the form of regulations, norms, and values not only create opportunities but also impose constraints on organizations that eventually affect their activities and outcomes (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). For example, DiMaggio and Powell (1983) indicated that institutional mechanisms, namely coercive, mimetic, and normative mechanisms, impose compliance pressures on organizations that ultimately affect their survival. This view of institutions implies that firms must conform to institutional pressures and requirements to gain the legitimacy needed for their survival. However, extant research indicates that the alternatives undertaken by firms to conform to institutional pressures and requirements depend on the context and the types of institutions (Peng, 2003). Section 2.5 presents an overview of the literature on institutions and entrepreneurship in developing economies.

2.5 Institutions and Entrepreneurship in Developing Economies

This section presents a review of the literature on the relationship between institutions and entrepreneurship in the context of developing economies and highlights how the characteristics of developing economies differ from the characteristics of developed economies where most of the research on this topic has been conducted. The review shows that the relationship between institutions and entrepreneurship has been widely studied. This stream of research shows that entrepreneurship is generally affected by a wide range of factors, particularly the general macroeconomic business environment and institutional factors (e.g., Acs & Audretsch, 1990; Audretsch, 1995). However, the majority of these studies have been conducted in developed and emerging economies with little focus on the distinctive contexts of developing economies (Bruton et al., 2008; Bruton et al., 2014). For example, of the 32 articles reviewed, most of the studies (24 articles) were conducted in both emerging and transitional economies with a few studies (three articles) conducted in the contexts of developing economies. The
remaining studies were conducted as comparative studies across different economies. There has also been a tendency to consider the contexts of developing economies as homogeneous, yet each developing economy has distinct characteristics (Cavusgil et al., 2012; Walsh, 2015). Overlooking the uniqueness and dynamism of developing economies ignores and omits the real generative mechanisms that affect entrepreneurial activities and their outcomes. For example, Meyer et al. (2009) indicated that it is important to recognize institutional differences across developing economies and/or between developed and emerging economies since they are particularly important for companies operating in different institutional contexts and to investors willing to start firms in developing economies (Cavusgil et al., 2012). Even though some studies have clearly delineated the differences between the characteristics of emerging or transitional economies and developing economies, most studies have tended to confound developing economies with emerging economies (Marquis & Raynard, 2016).

Extant research indicates that contrary to developed economies, developing economies are inherently characterized by an uncertain, disoriented, and hostile regulatory environment that constrains the activities of new firms and their outcomes (Chari & Banalieva, 2015; Manolova & Yan, 2002). In such economies, there is a high tendency to use incentives or coercion to induce firms to comply with rules, regulations, and procedures (Cavusgil et al., 2012), which makes performance outcomes uncertain. Similarly, Ahlstrom and Bruton (2006) found that developing economies entailed overarching changes in their institutional structures compared to developed economies. These cyclical changes in regulatory institutions, such as rapid changes in business regulations and policies, have mostly constrained entrepreneurial activities (Busenitz et al., 2000). Ahlstrom and Bruton (2010) indicated that even though all new firms are impeded by the liability of newness, new firms in developing economies encounter an additional challenge of operating in institutional environments that impede their activities and outcomes. Hydén (2006) further indicated that in developing economies, institutions and their changes tend to be abrupt and unpredictable, which negatively affects business activities.

Research in this area has primarily focused on changes in the institutional contexts of the former socialist economies, such as Russia, Eastern Europe, and the more liberalized socialist economy—namely, China—with less emphasis on changes in regulatory institutions in developing economies (Cavusgil et al., 2012). Hoskisson et al. (2013) differentiated between traditional, mid-range, and newly developed economies and indicated that there are significant institutional differences across those economies. These authors highlighted that most developing economies are characterized by low levels of institutional (regulatory and legal) stability, infrastructure and factor market development, which have negative effects on entrepreneurial activities. Similarly, Marquis and Raynard (2016) noted that emerging economies have several characteristics that not only
differentiate them from developed economies but also are associated with challenges that impede business activities.

According to Newman (2000), frequent changes in the institutional environment in emerging economies are “not likely to lead to better outcomes for the firm, because the context for operation is too chaotic, cause-effect relationship cannot be discerned, and experience has little value as a guide for future action” (p. 605). Similarly, Arnold & Quelch (1998, p. 9) summarized the challenges of operating in uncertain institutional environments and highlighted that in developing economies “there is little or no reliable market data, nonexistent or poorly developed distribution systems, relatively few communication channels, and both a lack of regulatory discipline and a propensity to change business regulations frequently and unpredictably.” Overall, research on developing economies has alluded to market failures, low levels of infrastructure development, and uncertain regulatory and legal conditions as significant determinants of entrepreneurial activities and outcomes. Even though this may be true for the developed economies, these institutional—regulatory—changes and their ensuing challenges could play a significant role in developing economies, with a huge impact flowing down from emerging and transitional economies to developing economies.

Now that an overview of institutions and entrepreneurship in developing economies has been provided, Section 2.6 highlights the characteristics of a developing economy in its formative stage in relation to other developing economies. It presents the concept of a developing economy in its formative stage and how its characteristics differ from those of other developing economies.

2.6 Conceptualizing a Developing Economy in a Formative Stage

While developing economies may have somewhat similar characteristics, some developing economies have unique characteristics that differentiate them from other developing economies and, thus, may have different effects on entrepreneurial activities. The case in point is a developing economy in its formative stage.

In this study, a developing economy in its formative stage is conceptualized as a developing economy that is undergoing a period of rebuilding after a civil war and/or genocide. During this period, the economy is mainly characterized by (a) frequent introduction of new rules, regulations, and policies, and (b) rapid changes in existing rules, regulations, and policies. In addition, after a civil war, there are not many established and long-lived businesses to mimic or take as role models for new firms. This is because during a civil war, key pillars of the economy, such as infrastructure (roads, power networks, and industries), are destroyed; skilled personnel are exterminated; and there is no rule of law since enforcement by regulatory institutions is ineffective (Hodler, 2018). According to De Walque and
Verwimp (2010), the genocide mostly exterminates educated people, implying a remarkable loss of skilled human resources and a recovery process that takes a long time since rebuilding and training a huge pool of human capital may span decades (Serneels & Verpoorten, 2015).

The aftermath of the civil war or genocide provides possibilities for the government to rebuild the economy. The process of rebuilding the economy is characterized by an ambitious economic transformation agenda and a regulatory environment denoted by frequent introduction of new rules and regulations and changes in existing regulations and policies (World Bank, 2018). In such a context, even the regulative institutions are not yet stable—that is, they are still forming themselves in a trial-and-error pattern that makes the overall regulatory environment highly uncertain.

According to Lake (2010), during the reconstruction period “… political differences that led to war must be accommodated by changing the pre-war institutions and rules, but there is no foundation on which to build new institutions” (p. 30). The crumbled pillars of the economy must be rebuilt, for example, by developing human capital necessary to spearhead the economic transformation process (Höglund & Orjuela, 2011). In addition, the lack of foundations or models from which to learn in the aftermath of a civil war and genocide means that rebuilding the economy involves lengthy trial-and-error processes because none of the concerned institutional actors are in a position to determine which policies, rules, and regulations are suitable and effective (Hodler, 2018; Holden, 2012; Lake, 2010).

In the aftermath of a civil war, there are also instabilities that affect economic activities. For example, fighting or violence is likely to recur since rival parties may disagree and resume fighting, which further affects economic activities. This further frustrates the process of rebuilding the devastated economy, such as its infrastructure, human resources, and institutions (Kang & Meernik, 2005; Straus & Waldorf, 2011; Wedgwood & Jacobson 2001). Höglund and Orjuela (2011) indicated that within a period of five years, 30% of the civil wars that had ended were likely to degenerate into wars or violence. Moreover, achieving counterfactual economic development after a civil war may take more than three decades since rival factions may sabotage the reconstruction process (Barakat & Wardell, 2005).

In summary, although some of the mentioned characteristics may be similar to those in other developing countries that are undergoing economic liberalization (Chari & Banalieva, 2015; Cavusgil et al., 2012; World Bank, 2018), a developing economy in its formative stage is exceptionally characterized by frequent introduction of new rules and regulations and recurring changes in existing rules, regulations, and policies that subsequently affect entrepreneurial activities and their outcomes. This prompts new firms to undertake alternative strategies to cope with such uncertain and unfavorable institutional environments (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991).
2.7 Strategic Responses to Institutional Pressures

This section presents a literature review on strategic responses to institutional pressures and summarizes the debate on this topic in the entrepreneurship and strategic management domains. The review is based on the process developed by Tranfield et al. (2003). This review minimized bias by using appropriate keywords, covering important sources, and developing a criterion for inclusion and exclusion of articles. The first step was to define key concepts, including new firms, survival, and the developing economy. This purposefully excluded definitions other than those used in this thesis.

The review identified three streams of strategies, namely network-based strategies, market-based strategies, and hybrid strategies, to classify and group the strategies that characterize most of the entrepreneurship and management studies on new firm survival in the context of uncertain institutional environments. The concepts of network-based (or relational) strategies and market-based strategies are borrowed from Peng (2003), while the concept of hybrid strategies is borrowed from Du et al. (2016).

Network-based strategies refer to the actions and activities undertaken by firms to interact with and strategically manage institutional actors, such as political bodies and other stakeholders (Marquis & Raynard, 2016). Market-based strategies relate to the actions and activities taken to build competitive resources and capabilities as emphasized in traditional strategy research. Such actions and activities are independent of a firm’s networks, relationships, and connections (Peng, 2003). Hybrid strategies suggest the actions and activities undertaken by firms to recombine and/or reconfigure different strategies to confront the

---

1 To search for new firm, the following keywords were used: “new firm”, “new venture”, “new business”, “new organization”, “new company”, “new enterprise”, “young firm”, “young venture”, “young business”, “young organization”, “young company”, “young enterprise”, “entrepreneurial firm”, “entrepreneurial venture”, “entrepreneurial business”, “entrepreneurial organization”, “entrepreneurial company” and “start-up”. The search for survival entailed keywords such as: “survival”, “performance”, “success”, “growth”, “continuity”, “exit”, and “fail”. The search for developing economies included the following keywords: “developing country”, “developing economy”, “emerging economy”, “transitional economy”, and “emerging market”. Finally, the search for regulatory changes and strategic responses entailed the use of the following keywords: “institution”, “regulation”, “regulatory changes”, “strategy”, and “strategic responses.”

The second step was to search for studies related to this topic in high quality entrepreneurship and management electronic databases, namely Scopus and Web of Science. These two databases are repositories of comprehensive collections of journals that publish entrepreneurship and management studies on this topic.

The third step entailed developing a criterion to identify, screen, and decide which articles to exclude from the review. Following Lee et al. (2022), the identified articles were excluded from the review when they did not meet one of the identified characteristics.
Theoretical Framework

challenges of operating in uncertain institutional environments (Du et al., 2016). Firms may recombine a market-based strategy and network-based strategy to provide value to its customers as well as engage government officials not only to access resources but also to gain legitimacy (DiMaggio & Powell, 1983; Oliver, 1991). The remaining subsections present the categories of strategies identified from the review.

2.7.1 Network-based Strategies

Research under this stream indicates that organizations are usually faced with both market and non-market forces that in most cases are inconsistent and in conflict with their goals, and thus, firms that are unable to cope with those forces may adopt alternative strategic choices to overcome them (e.g., Newman, 2000; Peng & Heath, 1996). Network-based or relational strategies have been identified as one of the main strategic responses undertaken by firms in response to institutional pressures (Hoskisson et al., 2000; Peng, 2003). The critical aspect of this strategy is related to organizations’ interactions with and management of relationships with internal and external institutional stakeholders (Marquis & Raynard, 2016). The main argument advanced by proponents of this strategy is that relationships and connections enable organizations not only to scale up their competitive advantage in the market but also to ensure a stable and certain flow of resource exchanges.

Peng (2003) studied the strategies undertaken by firms in transition economies characterized by an uncertain and hostile institutional environment and differentiated between network-based and rule-based strategies. Peng recognized that when emerging economies experienced uncertainties, particularly those arising from the fundamental and comprehensive changes in rules of the game, startups were more likely to adopt a network-based or non-market-oriented strategy by building relationships and amassing connections with key institutional actors, such as professional bodies and governments, in order to gain legitimacy as a conduit to access other resources. This is because in their early stages, startups lack the resources and capabilities necessary to create competitive advantages and scale up performance to compete with established and larger firms.

Peng (2003) further highlighted that new firms that had managers or entrepreneurs with substantial experience in the pretransition period were more likely to engage in networking and relation-building activities than startups led by entrepreneurs with no or little prior experience. Extant literature further indicates that during this stage, new firms may build two types of networks, namely professional and political networks. While professional networks may be built with entrepreneurs and managers from other firms, political networks involve liaising with government officials, which is the more preferred network due to the government’s involvement in changing regulations (Peng, 2003; Peng and Heath, 1996).

Political connections place entrepreneurs in a better position to timely access information, resources, and opportunities that are essential to the profitability and
survival of their firms (Ge et al., 2017; Li et al., 2008). Similarly, professional networks enable entrepreneurs to share information among managers at other firms and with stakeholders, such as suppliers, clients, and competitors in the same industry. Such information is critical in identifying opportunities and accessing resources and capabilities necessary to scale up their firms (Du et al., 2016; Ozgen & Baron, 2007; Peng, 2003). Scholars have also identified financial networking as another type of networking that is undertaken by new firms to ensure their competitiveness and survival in an uncertain institutional environment. Financial networks enable new firms to access different credit channels, which are significant resources for their survival (Anwar et al., 2020; Muhammad, et al., 2018).

Wu et al. (2021) found that in economies with an uncertain institutional (low-marketization) environment, entrepreneurial firms resorted to a network-based strategy to ensure growth of their firms. However, the effect of networking was more likely to decrease as the institutional environment stabilized (Newman, 2000). This is because in environments like these, governments control access to critical resources, such as funding; thus, maintaining a close relationship with government officials facilitates the acquisition of resources by firms, reduces the risk of expropriation by the government, and enables entrepreneurs to scale up their business activities. In addition, extant literature shows that in the case of institutional stability, attention is diverted to market demands, and political networking becomes counterproductive (Du et al., 2016).

Peng and Heath (1996) explored the relationship between institutions and organizations and indicated that due to institutional challenges, both organic expansion and acquisition strategies were not viable in emerging economies. Rather, firms resorted to a network-based strategy of growth by leveraging personal trust and informal agreements among managers of other firms in the industry. Lyles et al. (2004) echoed that new firms survived even under uncertain institutional environments in transitional economies and without significant government support. Entrepreneurs ensured the survival of their firms through leveraging their industry experience and building networks of relationships with other managers and stakeholders in the industry. These relations helped firms to establish legitimacy and, thus, overcome the liability of newness.

Research has also indicated that new firms’ strategic choices are minimized in the face of constraints from an extremely uncertain and hostile institutional environment, and survival becomes the main performance expectation (Manolova & Yan, 2002). For example, due to the uncertainty and hostility of key institutional players, such as government officials, new firms in Bulgaria have mostly engaged in building connections as a key strategy to ensure their survival. Here, networks were not only used to create client bases and negotiate contracts but also for other business operations, such as sourcing good suppliers, publicity purposes, and obtaining good legal advice (Manolova & Yan, 2002; Williams & Vorley, 2014). Welter and Smallbone (2011) looked at how institutional contexts influenced entrepreneurial behavior in uncertain institutional environments, particularly in transitional and emerging economies, and found that networking
was an essential strategy leveraged by entrepreneurs for business purposes. This involved capitalizing on friends and acquaintances to gain favors and access to services that were short in supply. As a result, entrepreneurs would be facilitated in their daily business activities, such as dealing with authorities (Stevens & Newenham-Kahindi, 2020; Williams & Vorley, 2014).

Even though networking is beneficial to both domestic and foreign firms in emerging economies, this strategy benefits local firms to a larger extent. This is because most of these economies are dominated by local economic actors and domestic firms, and thus, changes in local institutions are more likely to be favorable to domestic firms than foreign subsidiaries (Kafouros & Aliyev, 2016). For example, Singh et al. (2018) found that there was a negative relationship between pro-market reforms and corporate growth through new investments. Local firms overcame this constraint by resorting to group affiliations that would help them to share resources, get timely and quality information about future opportunities, and build capabilities. As a result, group affiliated firms were in a better position than unaffiliated firms to pursue opportunities, access finance through internal capital markets, and exploit superior capabilities from their internal labor market.

Singh et al.’s (2018) findings concur with Shaner and Maznevski’s (2011) study indicating that in uncertain institutional environments (less developed institutional settings), networking enhances the performance and survival of local firms compared to foreign corporate business units (CBUs). This is because local firms are in a better place to have network configurations that provide access to relevant information and capabilities at minimum cost. Extant research has also indicated that the profitability of firms tended to decline during and after the initiation of reforms and subsequently increased as pro-market reforms were adopted and the environment stabilized (Chari & Banalieva, 2016; Danis et al., 2010). Thus, to buffer themselves from declining profitability, new firms adopted network-based strategies by leveraging their internal networks of relationships to obtain resources to be able to cope with costs arising from the reforms.

Despite the benefits of networking, building networks and relationships may imply spending resources on unproductive activities rather than on productive activities. For example, Du and Mickiewicz (2016) revealed that for new firms to access subsidies in China, which is a key resource offered by the government, new firms were required to allocate resources and time to access and influence the officials who distribute those subsidies in both the administrative and political hierarchy. Therefore, building political connections involves allocating resources to unproductive activities. Briefly, even though such rent-seeking activities may generate some gains for individual entrepreneurs, they nevertheless are unproductive since they are characterized by resource redistribution that may not be aimed at creating additional value but may negatively affect the average performance of the industry, and often the costs and negative influences may counterbalance the gains or come with a huge burden on firms.

In sum, the critical dimension of network-based strategies is related to how a firm interacts with and manages relationships with both internal and external
institutional actors. Effective management of networks and relationships enables a firm not only to enhance its competitive advantage in the market but also ensures a stable and certain flow of resources (Marquis & Raynard, 2016). In other words, a network-based strategy assumes that “organizations require more than material resources and technical information if they are to thrive and survive in their social environment” (Scott et al., 2000, p. 237)—implying that firms must also be socially approved to gain legitimacy. Thus, in developing economies where there are rapid changes in the institutional environment, network-based strategies are crucial for new firms to access resources, support, and legitimacy from external institutional actors. However, relational strategies involve redistribution of resources for non-productive purposes, and the strategies may be unproductive since they require managers to spend a lot of time on building networks and relationships. The circumstances under which new firms adopt network-based strategies are not clear from the review, nor is how such strategies develop over time and how they interact, integrate, and reinforce other strategies.

2.7.2 Market-based Strategies

Another stream of research has emphasized the importance of commercial, technological, and physical infrastructures that facilitate market interactions and transactions. In the absence of such infrastructures, several challenges arise that need to be overcome (Marquis & Raynard, 2016). The stylized fact in this stream of research is that a firm has considerable discretion to allocate its resources and operate in a market-based economy (Peng & Heath, 1996). From an institutional theoretical perspective, this assumption implies that firms ought to conform to the rules of the game to gain the legitimacy that is essential to their survival (North, 1990; Scott, 1995). Research also indicates that as institutions stabilize and markets become competitive, network-based strategies become less relevant, suggesting that market-based strategies are more relevant (Hoskisson et al., 2000; Peng, 2003).

Market-based strategies involve an impersonal economic exchange that requires third-party enforcement through formal legal and regulatory regimes and market capabilities (Peng, 2003). This strategy emphasizes competitive resources and capabilities that are independent of the firm’s networks, relationships, and connections. Therefore, since startups cannot compete with established firms, there is a need to focus on building competitive capabilities and competing based on resourcefulness (Peng, 2003). For example, in an institutional environment characterized by frequent changes in rules and regulations, entrepreneurs may continuously learn and accept new market competition norms. Kafouros and Aliyev (2016) showed that changes in business regulations, such as those related to the openness of export markets, may provide new opportunities for firms to grow and/or access foreign markets for different factor inputs, including capital, technology, and raw materials. However, as competition becomes stronger, some of the competitive advantages may be lost and firms would be required to respond
by continuously developing other competitive capabilities to manage the institutional idiosyncrasy.

Danis et al. (2010) indicated that in high velocity institutional environments, particularly those characterized by frequent changes in rules and regulations, firms would ensure their performance by developing dynamic capabilities, such as new technologies, products, or the adoption of a managerial orientation that enables responsiveness and strategic flexibility. However, research shows that a market-based strategy may not be feasible during the early phase of changes in rules and regulations partly because it is difficult for managers to assess their firms’ situations to formulate and implement consistent strategies during a period of high uncertainty and discontinuous changes. New firms may resort to improvisation and resourcefulness to ensure their survival during this period (Danis, et al., 2010).

Peng and Chen (2011) studied how firms respond to both domestic and foreign rules of the game and found that firms undertook either passive or defensive strategies or proactive strategies. Defensive strategy refers to a firm’s tendency to deny its responsibilities in the global market by not responding in a timely manner to institutional requirements. For example, firms may deny responsibility and respond to a regulatory requirement when their products have already been recalled from the market. Firms pursuing a defensive strategy conform to both domestic and foreign institutional requirements and accept their responsibility. However, their responses to foreign institutions are relatively defensive, depending on whether the requirements or constraints arising from the changes in foreign rules and regulations compromise their legitimacy in foreign markets. Firms pursuing a proactive strategy acknowledge both domestic and foreign institutions. Peng and Chen (2011) argued that a proactive strategy is pursued by firms that need to gain and maintain legitimacy to survive in both local and foreign institutional environments. Despite its benefits, including legitimacy, this strategy was found to be adopted by only a few firms due to high costs associated with acknowledging the differences in local and foreign regulations (Kostova & Roth, 2002).

Other studies have identified entrepreneurial bricolage as a market-based strategy undertaken by startups in response to changes in rules and regulations. Yu et al. (2020) found that entrepreneurial bricolage, which is denoted by the ability to reconfigure available resources to exploit new opportunities and solve problems, had a positive impact on new venture growth and adaptiveness. This strategy enables new firms to overcome resource shortfalls at the same time they are adapting to environmental pressures (Senyard et al., 2014). In other words, entrepreneurial bricolage assists new firms to cushion themselves from changes in the environment through reconfiguration of existing resources (Baker & Nelson, 2005). Through entrepreneurial bricolage, particularly resource reconfiguration, new firms can discover new opportunities for growth and overcome resource challenges (Baker and Nelson, 2005; Yu et al., 2020).

Extant research has also alluded to product innovation as a market-based strategy undertaken by new technology ventures in emerging economies. This line
of research indicates that firms operating in uncertain and turbulent institutional environments may adopt product innovation as a strategy to enhance their performance and survival. For example, Li and Atuahene-Gima (2001) emphasized that to cope with environmental turbulence, new technology firms in emerging economies adopted product innovation strategies. The strategy indicates how new firms attempt to manage uncertainty by mitigating the effects of external forces to enhance their performance. However, the effectiveness of this strategy was enhanced by institutional support from the government and negatively affected by political networking and strategic alliances. This is due to the difficulties in the relationships between alliance partners and new ventures which may divert the scarce resources from the main product innovation strategic activities.

Diversification has been identified as a market-based strategy that enhances new firm performance and survival in developing economies. For example, Chakrabarti et al. (2007) examined the impact of diversification on the performance of firms operating in both stable and uncertain institutional environments and found that diversification improved the performance of firms operating in uncertain institutional environments. Similarly, Ding et al. (2016) highlighted that under institutional uncertainty, firms adopted a diversification strategy not only as a hedge against uncertainty but also to exploit opportunities arising from the changes in regulations. New firms may also internationalize their operations through exporting as an alternative form of diversification. Lipuma et al. (2013) found that new firms in emerging economies were more likely to export their activities than established firms due to their agility and flexibility in frequently coping with changing regulatory requirements. This finding is corroborated by Chittoor et al. (2008), who indicated that new firms in emerging economies navigated the changing regulatory environment through internationalization by exporting products and sourcing inputs—labor from foreign markets.

As institutions in developing economies stabilize and markets become competitive—that is, the availability of rule-based market exchanges, relatively developed capital markets, a stable flow of market liquidity, and transparent rules and regulations—new firms adopt market-based strategies to scale up their businesses. However, since developing economies, especially developing economies in their formative stage, are undergoing continuous changes in their institutional contexts, it is important to note that the market-based strategies undertaken by new firms in response to changes in regulations may be feasible only in the short term since the same regulations keep on changing, necessitating continuous adaption of firm strategies to the frequently changing institutional environment. Thus, the continuous realignment of strategies with changes in the institutional environment may be costly since it involves redeployment of resources from other activities and requires capabilities that new firms may be lacking.
## 2.7.3 Hybrid Strategies

Hybrid strategies relate to the actions and activities undertaken by firms to recombine and/or reconfigure different strategies to adapt to uncertain institutional environments (Du et al., 2016). Such strategies allude to how firms combine both market-oriented strategies and network-based strategies to not only create value for their customers but also to engage government officials to access resources and gain legitimacy (DiMaggio and Powell, 1983). For example, Du et al. (2016) found that political networking strategy amplified the positive influence of the market-based strategy adopted by new firms to improve their performance. The study indicated that the hybrid strategy adopted by new ventures was mainly dependent on the dysfunctional nature of the competition in the market—implying an uncertain institutional environment. Similarly, Manev et al. (2015) found that new firms that deviated from the traditional strategies of cost leadership and differentiation or found a compromise between the two strategies reported superior performance.

Du and Kim (2021) explored how new ventures operating in extremely uncertain environments achieve high performance and found that such firms avoid a single one-size-fits-all strategy by adopting a strategy recombination and reconfiguration. This strategy facilitates new firms to meet their current needs, anticipate future customer needs, respond to competitive pressures, and secure resources to run their business activities. The configurational framework developed in the study shows that new ventures achieve high performance by implementing joint strategies to create competitive advantage and access resources, such as combining entrepreneurial orientation with market orientation or non-market strategy with market-oriented strategy.

Guo et al. (2014) studied whether organizational legitimacy and entrepreneurial orientation were complementary or contradictory in their effect on new venture performance in uncertain institutional environments and found that even though two factors have beneficial effects for new ventures, new firms should strive to attain a balance between conflicting pressures, such as pressures related to providing value to customers (differentiation) and pressures to conform to changes in rules of the game (legitimacy). This is because recombining legitimacy and differentiation strategies would improve the performance of new ventures (Deephouse, 1999; McNamara et al., 2003; Norman et al., 2007). However, other scholars have cautioned against the dangers of simultaneous utilization of both organizational regulatory legitimacy and entrepreneurial orientation and have advocated for either high conformity or high novelty (e.g., Jennings et al., 2009).

Previous research has also explored strategies undertaken by entrepreneurs who are confronted by institutional uncertainty at different levels. For example, Bylund and McCaffrey (2017) identified different types of uncertainty at different levels of institutions and how entrepreneurs handled such uncertainties. The study shows that entrepreneurs responded to those uncertainties whenever they anticipated misalignments or contradictions between institutions on different
levels and their entrepreneurial activities. If the costs of bearing the uncertainty was perceived to be high, entrepreneurs responded by either evading institutions, altering them, or exiting the market. The study indicates how entrepreneurs respond to different categories of uncertainties by simultaneously devising strategies that are appropriate for each type of uncertainty.

Sutter et al. (2013) highlighted the strategies undertaken by entrepreneurs operating in an uncertain and hostile institutional environment. The authors’ study shows that entrepreneurs continuously leveraged their network strengths and proximity and entrepreneurial attributes, such as resource mobility, to access information and resources that influenced the responses undertaken to cope with the uncertain institutional environment. The strategies that were simultaneously recombined and undertaken by new firms were defiance, avoidance, and acquiescence. In her seminal article, Oliver (1991) suggested a typology of five strategic responses that could be undertaken by firms with respect to conforming to institutional pressures, including acquiescence, compromise, avoidance, defiance, and manipulation. Oliver (1991) highlighted that these strategies would be recombined and/or simultaneously undertaken depending on the level of institutional uncertainty.

Moreover, institutional pressures emerge from both market and nonmarket stakeholders and target the entire firm or specific subunits and functions within a firm. This may prompt the firm to devise tailored strategic responses to handle specific institutional requirements (Delmas & Toffel, 2008). For example, Binder (2007) showed that different subunits within a firm may undertake different strategies in response to institutional demands within their environment. Thus, a firm that has different units that are confronted by different institutional requirements may adopt a hybrid strategy that recombines and/or reconfigures different strategic responses to cope with such institutional requirements (Lounsbury, 2001). Delmas and Toffel (2008) emphasized the importance of the interaction between an organization’s internal functional departments and a diverse set of external institutional actors in devising organizational responses tailored to the requirements of each institutional actor.

Ahlstrom and Bruton (2010) studied rapid institutional changes and the coevolution of entrepreneurial firms in transitional economies and found that new firms in such economies ensured their growth by coevolving with the institutional environment. Firms did not adopt standalone strategies; instead, they combined a range of strategies to match their rapidly changing institutional environment. Other scholars have noted that new firms ensure their survival in a rapidly changing institutional environment by recombining a range of strategies that coevolve in tandem with changes in the institutional environment (e.g., Bruton & Rubanik, 2002). This strategy requires new firms to not only be flexible in responding to customer needs vis-à-vis changes in regulations but also to influence the changes in regulations (Christensen, Raynor & Anthony, 2003).

In summary, it is evident from the literature review that the studies exploring the adoption of hybrid strategies were conducted in the contexts of emerging and transitional economies and were mainly focused on performance outcomes, such
as profitability and growth, using cross-sectional and sampling research designs. However, emerging economies and developing economies in their formative stage have quite different characteristics compared with developed economies, and thus, their institutional contexts have different implications for the survival of new firms. Only a few studies have explored the effectiveness of this strategy, and there is thus a need to understand how new firms navigate the regulatory environment of a developing economy in its formative stage. Specifically, previous literature has not highlighted the preference and urgency with which the strategies are undertaken and the underlying dynamics that explain the circumstances and mechanisms through which those strategies are devised—that is, how the strategies interact and integrate to enable new firms to handle the challenges of operating in uncertain regulatory environments. In addition, the extant literature has not indicated how the various strategies undertaken by new firms in response to changes in the regulatory environment develop over time and the benefits and risks of each strategy in relation to the firms’ goals and motives.

To fulfill the purpose of this study, this thesis addresses the gaps in previous literature by exploring how the strategies interact and integrate to reinforce each other, how they develop over time, and their impact on the continued operations of firms. Specifically, the study explores the relative importance of the various strategies undertaken by new firms vis-à-vis their lifecycle stages, how those strategies are integrated in a trial-and-error manner to handle the challenges of operating in uncertain regulatory environments, the temporal development of the strategies, and the successfulness and liability of each strategy in relation to the firms’ continued operations. Although previous studies, such as Du et al.’s (2016) study that examined the effectiveness of recombining market-based and network-based strategies on the performance of new ventures in dysfunctional competition, have contributed to our understanding of new firm survival, they have not highlighted the influence of the changes in the regulatory environment on the strategies, the preference and order with which those strategies were devised, their development patterns, and the risks involved in adopting the strategies vis-à-vis the goals of the firms. In other words, previous studies have not examined the underlying dynamics that explain the strategies undertaken by new firms in response to changes in the regulatory environment. Table 2.1 illustrates the categories of strategic responses to institutional pressures as identified from the review of the literature.
Table 2.1: Categories of Strategic Responses to Institutional Pressures

<table>
<thead>
<tr>
<th>Author(s) and Year</th>
<th>Level of Analysis</th>
<th>Sample Context of the study</th>
<th>Strategies identified</th>
<th>The rational for the strategies</th>
<th>Type of study</th>
<th>Timeframe of the study</th>
<th>Key findings</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wu et al. (2021)</td>
<td>Firm level</td>
<td>Established firms, Emerging economy - China</td>
<td>Relations-based strategy</td>
<td>Relation-based strategies promote firm growth in the early stage</td>
<td>Quantitative</td>
<td>Cross-sectional</td>
<td>Network-based strategies are positively related with firm growth in the early stage of the institutional change</td>
<td>Performance</td>
</tr>
<tr>
<td>Peng (2003)</td>
<td>Firm level</td>
<td>Established firms, startups and foreign entrants, Emerging economies</td>
<td>Network-based strategy, market-based strategy</td>
<td>Network-based strategy is effective during the early phases of institutional transition</td>
<td>Conceptual</td>
<td>Conceptual</td>
<td>Startups are more likely than other types of firms to compete based on networks and relations during institutional changes</td>
<td>Performance</td>
</tr>
<tr>
<td>Manolova and Yan (2002)</td>
<td>Firm level</td>
<td>Entrepreneurial firms, Emerging economy - Bulgaria</td>
<td>Short-term orientation, networking, opportunism and surplus extraction</td>
<td>The strategies help new firms to cope with institutional constraints and changes</td>
<td>Qualitative</td>
<td>Longitudinal</td>
<td>During high institutional uncertainty, entrepreneurial choices are limited, and survival becomes the only performance expectations.</td>
<td>Survival</td>
</tr>
<tr>
<td>Authors</td>
<td>Level</td>
<td>Type</td>
<td>Context</td>
<td>Method</td>
<td>Timeframe</td>
<td>Institutional/Entrepreneurship/Performance/Strategy/Growth</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------</td>
<td>-------------------------------</td>
<td>----------------------------------</td>
<td>-----------------</td>
<td>-----------------------------</td>
<td>----------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walter and Smallbone</td>
<td>Firm level</td>
<td>Entrepreneurial firms</td>
<td>Emerging economies</td>
<td>Networking</td>
<td>Coping with the influence of institutional context on entrepreneurship</td>
<td>Conceptual Conceptual Conceptual Survival</td>
<td>Institutions not only influence entrepreneurial behavior, but entrepreneurs may also influence institutional development.</td>
<td></td>
</tr>
<tr>
<td>Kafouros and Aliyev</td>
<td>Firm level</td>
<td>All firms</td>
<td>Transitional economies</td>
<td>Network-based strategy, market-based strategy</td>
<td>To increase competitive advantage and profitability of both domestic firms and foreign subsidiaries</td>
<td>Quantitative Longitudinal Performance</td>
<td>Local firms use their networks to cope with institutional pressures that have different effects on their competitive advantages and profitability.</td>
<td></td>
</tr>
<tr>
<td>Chari and Banalieva</td>
<td>Firm level</td>
<td>All firms</td>
<td>Developing economy (India)</td>
<td>Networking and influencing regulatory change</td>
<td>Buffering the firms from the negative effects of reform-related uncertainties</td>
<td>Quantitative Longitudinal Performance</td>
<td>Firm profitability declines initially after reforms have been initiated and rises subsequently as reform are implemented.</td>
<td></td>
</tr>
<tr>
<td>Du and Mickiewicz</td>
<td>Firm level</td>
<td>All firms</td>
<td>Emerging economy</td>
<td>Rent seeking</td>
<td>To protect firms from expropriation and gain access to resources</td>
<td>Quantitative Longitudinal Performance</td>
<td>Government-induced uncertainty increases costs to new firms since managerial resources are diverted from productive engagements to rent-seeking activities.</td>
<td></td>
</tr>
<tr>
<td>Author(s)</td>
<td>Firm Level</td>
<td>Entity Type</td>
<td>Industry Type</td>
<td>Concept/Research Question</td>
<td>Methodology</td>
<td>Findings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>------------</td>
<td>-------------</td>
<td>---------------</td>
<td>---------------------------</td>
<td>-------------</td>
<td>----------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyles et al. (2004)</td>
<td>Firm level</td>
<td>New ventures</td>
<td>Transitional economy</td>
<td>Leveraging industry experience, networking, and strategic orientation</td>
<td>The strategies predict/explain the survival of ventures under uncertain and hostile institutional environments</td>
<td>Quantitative Longitudinal</td>
<td>Even without significant government support, new ventures survive under uncertain environments due to the ability of their managers to leverage their industry experience and engage in networking activities.</td>
<td></td>
</tr>
<tr>
<td>Peng and Heath (1996)</td>
<td>Firm level</td>
<td>Established firms</td>
<td>Transitional economies</td>
<td>Network-based strategy</td>
<td>Networks help overcome a firm's problem of lack of resources to accommodate growth, while avoiding bureaucratic costs</td>
<td>Conceptual Conceptual</td>
<td>Growth through boundary blurring is a distinct model of growth for firms in transitional economies.</td>
<td></td>
</tr>
<tr>
<td>Singh et al. (2018)</td>
<td>Firm level</td>
<td>Established firms</td>
<td>Emerging economy</td>
<td>Business group affiliation (networking) and diversification</td>
<td>The strategies explain how emerging economy firms make strategic decisions when faced with pro-market reforms.</td>
<td>Quantitative Longitudinal</td>
<td>The impact of pro-market reforms on firms growth vary depending on organizational forms and the prior dominant logic of competition.</td>
<td></td>
</tr>
<tr>
<td>Ahstrom and Bruton (2006)</td>
<td>Firm level</td>
<td>New venture capitalists</td>
<td>Emerging economies</td>
<td>Networking</td>
<td>Provides an understanding of how venture capitalists manage the unpredictability inherent in emerging economies</td>
<td>Qualitative Longitudinal</td>
<td>Venture capitalists monitor firms through informal ties to entrepreneurs and their families. VCs create links to key customers, the government, and other allied firms through personal connections.</td>
<td></td>
</tr>
<tr>
<td>Study</td>
<td>Research Design</td>
<td>Sample</td>
<td>Context</td>
<td>Methodology</td>
<td>Findings</td>
<td>Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------</td>
<td>--------</td>
<td>----------------------------------</td>
<td>-------------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Li et al. (2008)</td>
<td>Firm level</td>
<td>Entrepreneurs</td>
<td>Emerging economy, Political networking</td>
<td>Quantitative, Longitudinal</td>
<td>Explains how political connections encourage entrepreneurs to seek opportunities for growth in uncertain institutional environments</td>
<td>Entrepreneurs leverage their political connections to reinvest in their business despite uncertain institutional environments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anwar and Ali Shah (2020)</td>
<td>Firm level</td>
<td>New ventures</td>
<td>Emerging economy, Networking</td>
<td>Quantitative, Cross-sectional</td>
<td>Enables new venture to handle challenges arising from uncertain institutional environment and enhance their performance</td>
<td>Managers of new and medium-sized firms should build relationship with external partners such as financial institutions, and governments and government officials to create an effective business model to survive in a turbulent market.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stevens et al. (2020)</td>
<td>Firm level</td>
<td>MNEs</td>
<td>Developing economies, Networking</td>
<td>Qualitative, Longitudinal</td>
<td>Explains how and why MNEs engage their networks as strategies to avoid, acquiesce, and engage partners to ensure their survival</td>
<td>Leveraging partnerships with governments and other firms and forming deeper, long-term relationships in the host country.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Market-based Strategies

<table>
<thead>
<tr>
<th>Study</th>
<th>Firm Level</th>
<th>Context</th>
<th>Type</th>
<th>Methodology</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Williams and Vorley (2014)</strong></td>
<td>Firm level</td>
<td>All firms (New and old)</td>
<td>Transitional economy</td>
<td>Rent-seeking</td>
<td>The strategies enable entrepreneurs to handle the effects of an uncertain institutional environment involving asymmetries. The strategies should be congruent between formal and informal institutions over the longer term for entrepreneurship to flourish and contribute to economic growth.</td>
</tr>
<tr>
<td><strong>Peng and Chen (2011)</strong></td>
<td>Firm level</td>
<td>Established firms</td>
<td>Emerging economy</td>
<td>Passive, defensive, and proactive strategies</td>
<td>Maintaining legitimacy amidst institutional pressures. Having foresight and ability to adopt a proactive strategy enable firms to deal with institutional pressures both locally and abroad.</td>
</tr>
<tr>
<td><strong>Yu et al. (2020)</strong></td>
<td>Firm level</td>
<td>New firms</td>
<td>Emerging economy</td>
<td>Entrepreneurial bricolage and adaptiveness</td>
<td>Overcoming the inefficiency of factor market and mobilizing resources under unfavorable institutional environments. Entrepreneurial bricolage enables new ventures to overcome resource constraints caused by the underdeveloped strategic factor market.</td>
</tr>
<tr>
<td><strong>Li and Atuahene-Gima (2001)</strong></td>
<td>Firm level</td>
<td>New technology ventures</td>
<td>Emerging economy</td>
<td>Product innovation</td>
<td>Explains how firms attempt to manage uncertainty and mitigate the effects of external forces to enhance their performance. Support from government institutions improves the effectiveness of new technology ventures' product innovation strategies.</td>
</tr>
<tr>
<td>Study</td>
<td>Level</td>
<td>Setting</td>
<td>Focus</td>
<td>Method</td>
<td>Longitudinal</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------</td>
<td>------------------------------</td>
<td>--------------------------------------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Ding et al. (2016)</td>
<td>Firm level</td>
<td>Old SMEs</td>
<td>Transitional and building competitive</td>
<td>Qualitative</td>
<td>Longitudinal</td>
</tr>
<tr>
<td>LiPuma et al. (2013)</td>
<td>Firm level</td>
<td>All firms (new and old)</td>
<td>Internationalization (exporting)</td>
<td>Quantitative</td>
<td>Cross-sectional</td>
</tr>
<tr>
<td>Chittoor et al. (2008)</td>
<td>Industry level</td>
<td>Old firms</td>
<td>Emerging economy</td>
<td>Quantitative</td>
<td>Longitudinal</td>
</tr>
<tr>
<td>Firm</td>
<td>New ventures</td>
<td>Emerging economy</td>
<td>Hybrid market-orientation-political networking strategy</td>
<td>Highlights how new ventures cope with the constraints arising from the uncertain institutional environments in which they operate to enhance their performance</td>
<td>Quantitative</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>-----------------</td>
<td>-----------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Du et al. (2016)</td>
<td>Firm level</td>
<td>New ventures</td>
<td>Emerging economy</td>
<td>Hybrid market-orientation-political networking strategy</td>
<td>Highlights how new ventures cope with the constraints arising from the uncertain institutional environments in which they operate to enhance their performance</td>
</tr>
<tr>
<td>Quo et al. (2014)</td>
<td>Firm level</td>
<td>New ventures</td>
<td>Emerging economy</td>
<td>Balancing conformity and differentiation</td>
<td>Enables new firms to counter the dilemma of differentiating or conforming to other firms in the industry.</td>
</tr>
<tr>
<td>Study</td>
<td>Level</td>
<td>Type of Firm</td>
<td>Economy</td>
<td>Organizational Form</td>
<td>Methodology</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
<td>--------------</td>
<td>---------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Bylund and McCaffrey (2017)</td>
<td>Multi-level</td>
<td>Established</td>
<td>All economies</td>
<td>Abiding, evading, altering, and exiting</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Sutter et al. (2013)</td>
<td>Firm level</td>
<td>New ventures</td>
<td>Developing economy</td>
<td>Defiance, avoidance, acquiescence</td>
<td>Qualitative</td>
</tr>
<tr>
<td>Manev et al. (2015)</td>
<td>Firm level</td>
<td>New firms</td>
<td>Transitional economy</td>
<td>Hybrid Strategy</td>
<td>Quantitative</td>
</tr>
<tr>
<td>Ahstrom and Bruton (2010)</td>
<td>Firm level</td>
<td>New technology ventures</td>
<td>Transitional economy</td>
<td>Coevolution</td>
<td>Qualitative</td>
</tr>
</tbody>
</table>
2.8 Summary and Concluding Remarks

From a review of the literature, this chapter organized the identified strategic responses to institutional pressures into three main categories, namely network-based strategies, market-based strategies, and hybrid strategies. The first category emphasizes networks and relationships as essential for sustaining a firm’s performance through providing access to resources and institutional support necessary for coping with the uncertain and turbulent institutional environment. This strategy focuses on influencing institutional stakeholders. The second category builds on the traditional strategy research and focuses on the actions and activities undertaken by firms to build their competitive resources and capabilities independent of their networks, relationships, and connections. This category mainly focuses on building competitive resources and capabilities necessary to handle changes in the institutional environment. The third category of strategies considers the actions and activities undertaken by firms to recombine and/or reconfigure different strategies to cope with the challenges of operating in uncertain institutional environments. This category focuses on strategy recombination and/or reconfiguration.

This thesis adopts the logic of the third category of strategic responses. Therefore, the thesis focuses on the multifaceted strategies undertaken by new firms through integrating various strategies and reconfiguring the available resources to gain support and/or approval as a conduit to access other resources, provide value to customers, and build capabilities necessary to cope with the frequent changes in the regulatory environment. Specifically, this thesis integrates four underlying dynamics that explain the strategies undertaken to provide an understanding of how new firms navigate the regulatory environment of a developing economy in its formative stage. These dynamics are the influence of scope and the specificity of the changes in the regulatory environment on strategies devised by new firms, the integration and links between the strategies, the development pattern and sequence of the strategies, and the liability and risks involved in undertaking those strategies.

From the literature review, I observed that a standalone one-size-fits-all strategy may not be feasible for new ventures to confront the challenges and/or exploit opportunities arising from the changes in the regulatory environment. The literature indicates that new firms that deviated from the network-based and market-oriented strategies had more chances of surviving than firms that followed generic strategies in highly uncertain environments. Similarly, firms that found a tradeoff between network-based and market-based strategies were able to cope with uncertain and hostile institutional environments. Thus, new firms that combine and integrate strategies were more likely to survive in uncertain institutional environments, which is the focus of this study.
Chapter 3: Contextualizing the Study

3.1 Introduction

This chapter introduces the research context and presents the setting of this study. Specifically, the context is a developing economy in its formative stage characterized by 1) the frequent introduction of new rules, regulations, and policies, and 2) changes to existing rules, regulations, and policies. In other words, this study specifically focuses on the manufacturing industry in Rwanda. The justification of the focus on the manufacturing sector is twofold. The first is the significant role played by the manufacturing sector in job creation and economic growth and transformation (MINECOFIN, 2020; Tybout, 2000; Naudé & Szirmai 2012). Second, the frequent changes in Rwanda’s regulatory environment have significant consequences for the survival of new firms.

The remainder of this chapter is organized into three sections. Section 3.2 presents an overview of the institutional—regulatory environment in Rwanda. Section 3.3 outlines the sources of the overarching regulatory changes. Lastly, section 3.4 presents the specific research setting of this study—the manufacturing industry in Rwanda.

3.2 The Regulatory Environment in Rwanda

The 1990-1994 civil war and genocide against the Tutsi left the economy in ruins and complete devastation (Hodler, 2018). To overcome this economic devastation, the Government of Rwanda embarked on rebuilding and transforming the economy by setting up new policies, rules, and regulations and adopted rapid economic reforms (Golooba-Mutebi and Booth, 2018). Since 2000, the Government of Rwanda has also adopted a comprehensive economic transformation agenda which has been heralded by a number of interventions such as transforming the economy from a purely agrarian to a diversified-economy, reviving and liberalizing the economy, and shifting from a low- to a middle-income economy, as highlighted in the ‘Vision 2020’ white paper (MINECOFIN, 2000). Besides, this ambitious agenda entailed efforts to make the private sector the main driver of the country’s economic growth by increasing its participation and involvement in economic activities and improving the competitiveness of the economy by creating a conducive business environment through the adoption of
a series of regulatory and pro-market reforms ranging from regulatory and policy changes to administrative reforms (World Bank, 2010).

3.2.1 Establishment of Regulatory Institutions

Rwanda’s economic transformation approach to liberalize and create a free-market economy can be referred to as ‘shock therapy’ to economic development (Benn, 2001)—implying the sudden establishment of new rules, regulations, and policies and frequent changes to the existing regulations and policies. For example, in 1995 the Government of Rwanda started privatizing state-owned enterprises in a bid to increase the involvement of the private sector and liberalize the economy (MINECOFIN, 2000). This period was characterized by the enactment of a law regulating public investment and establishment of the Privatization Secretariat to oversee the implementation of the privatization process. By 2005, around 70 state-owned enterprises—representing about 95% of government parastatals—had been privatized.

In 2003, the government adopted the World Bank’s ‘Doing Business’ guidelines to streamline the scope and manner of regulations in order to create a conducive business environment for private sector investment and economic growth (World Bank, 2004). In a bid to fast-track and streamline the implementation of the economic reforms, the Rwanda Development Board (RDB) was created in 2008, with a mandate of fast-tracking and streamlining Rwanda’s economic development agenda by overseeing the implementation of the business regulatory reforms, improving on service delivery, and pooling together resources. This ‘one-stop-shop for all investors’ was established through a merger of eight key government institutions (agencies): Rwanda Investment and Export promotion (RIEPA), Office of Tourism and National Parks (ORTPN), Rwanda Information Technology Authority (RITA), Human Resource and Institutional Capacity Development Agency (HIDA), Rwanda Commercial Registration Services Agency (RCRSA), the Centre for Support to Small and Medium Enterprises (CAPMER), part of the Rwanda Environmental Management Agency (REMA), and the Privatization Secretariat. These agencies were responsible for business registration, investment promotion and facilitation, environmental clearances, and capacity development, particularly for SMEs and providing support to key sectors. However, in the initial phases of the merger, the merged agencies were still operating independently and had overlapping responsibilities—implying an unconducive environment for business development—until the inter-agency body, RDB, was restructured in 2010.

Other regulatory bodies that have been established since 1995 include the Rwanda Utilities Regulatory Authority (RURA), Rwanda Standards Board (RSB), Rwanda Environment Management Authority, and National Industrial Research and Development Agency (NIRDA). RURA was established in 2001 to regulate public utilities such as electricity, water, and the removal of waste products from residential and business premises. Similarly, RSB was established in 2002 with a mandate of developing, awarding, and enforcing standards on
Rwandan products in order to increase their quality and safety, both of which have significant consequences on consumer protection and trade. REMA was created in 2006 with the responsibility of protecting, conserving, and managing the environment. Finally, NIRDA was created in 2014 with the sole mandate of enabling industrial innovators to become competitive through technology monitoring, acquisition, development, and applied research. Among others, the establishment of these regulatory bodies has signaled overarching changes in Rwanda’s regulatory environment with substantial consequences for the survival of new firms.

3.2.2 Frequent Changes in the Regulatory Environment

To illustrate the state of frequent changes in the regulatory environment in Rwanda, the World Bank’s Doing Business Report series is used. The Doing Business Reports highlight the business regulations and their enforcement across 190 economies to provide a basis for understanding and improving the regulatory environment for business development (World Bank, 2018). The first Doing Business report was published in 2003 covering 5 indicator sets across 133 economies (World Bank, 2004). By 2018, the indicator sets had increased to 11, covering 190 economies (World Bank, 2018). Specifically, the ‘Doing Business’ reports cover domestic firms, particularly SMEs, and evaluate the regulations that affect the activities and outcomes of those firms throughout their life cycle (World Bank, 2018). In addition, the Doing Business report measures a country’s regulatory environment and how it generally affects the overall economic performance outcomes.

As noted earlier in this section, in the year 2000, the government of Rwanda adopted an economic transformation and development strategy as envisaged in Vision 2020—a framework for Rwanda’s economic development articulating the thematic areas, key priorities and guidelines for the future development up to the year 2020. To achieve this vision, in 2003 the government adopted the World Bank’s ‘Doing Business’ guidelines to streamline the scope and manner of regulations that enhance business activity and create a conducive business environment (World Bank, 2004). This resulted in the rapid implementation of regulatory business reforms and policies as indicated by the high number of reforms (75) adopted from 2003 to 2018 and the changes in Rwanda’s rankings in the Doing Business Report per year, which illustrate significant changes in the country’s regulatory environment for business development (World Bank, 2017).

In 2003, three reforms were introduced, and in 2004, six reforms were adopted. However, the country still ranked poorly on all the indicators of doing business (World Bank, 2004; 2005). In 2005, three reforms related to getting credit (by expanding the scope and availability of credit information); trading across borders (by scrapping pre-shipment inspections and enhancing trading across borders by making customs declarations electronic); and enforcing contracts (by streamlining the appeal process and imposing limits on filing contracts) were introduced (World Bank, 2006). Similarly, in 2006, three changes in business regulations
were introduced. These regulatory changes concerned regulations governing (1) starting a business, whereby a colonial law that provided for only one notary in the country was scrapped to reduce start-up delays, (2) paying taxes, wherein profit tax rates were reduced, and (3) the law regarding enforcing contracts was revisited by speeding up enforcement once a rule or decision had been taken, in addition to the expansion of the specialized commercial division of the high court (World Bank, 2007).

In 2007, two reforms were implemented: a regulation concerning obtaining construction permits was changed by reducing the time to process and acquire building and occupancy permits, and the law regulating cross border trading was revisited by expediting the acceptance of customs declarations and opening the warehouse services market to other investors, which was initially a government monopoly (World Bank, 2008). In 2008, yet more changes in the business regulations were introduced. Here, the overall country’s ranking somewhat improved from 150th position out of 178 economies to 139th out of 181 economies. In this year, four business regulations were introduced—namely, dealing with construction permits, registering property, trading across borders, and enforcing contracts. Regulations concerning registering property were altered by reducing the cost and time to register property, and a centralized service in the tax authority to speed up the award of certificates of standing was created (World Bank, 2009). Even though business regulatory reforms were adopted prior to the establishment of the RDB, their implementation was somewhat ineffective, whilst their monitoring was dispersed across different agencies, as indicated by the dismal performance of the country in the ‘Doing Business’ reports.

In 2009, seven regulatory changes were introduced. In this year, Rwanda was ranked as the world’s top reformer and its ranking shifted from 139th out of 181 economies to 67th out of 183 economies, implying an outstanding performance in terms of creating a conducive business environment (World Bank, 2010). These changes were made in regulations concerning starting a business, registering property, getting credit, protecting minority investors, trading across borders, resolving insolvency, and labor market regulations. In 2010, three regulatory reforms concerned with construction permits, getting credit, and trading across borders were made, increasing the country’s ranking to 58th out of 183 economies (World Bank, 2011). In 2011, four regulatory reforms were introduced, subsequently leading to the country’s improved ranking from 58th position out of 183 economies to 42nd out of 183 economies (World Bank, 2012). In 2012, two reforms were adopted; these were related to getting electricity and enforcing contracts, leading to yet another improvement in the rankings at 52nd out of 185 economies (World Bank, 2013). In 2013, eight reforms were introduced. These reforms included changes in regulations concerning starting a business, dealing with construction permits, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, and resolving insolvency (World Bank, 2014).
In 2014, four reforms were implemented and related to starting a business, dealing with construction permits, getting electricity, and getting credit (World Bank, 2015). In 2015, seven reforms were adopted, and these changes affected seven indicator sets of the Doing Business project. Specifically, these reforms affected regulations related to starting a business, dealing with construction permits, getting credit, protecting minority investors, paying taxes, trading across borders, and resolving insolvency or dissolving a business (World Bank, 2016). In 2016, six reforms were introduced concerning regulations related to starting a business, dealing with construction permits, registering property, paying taxes, trading across borders, and enforcing contracts—all of which are key aspects in the process of business development (World Bank, 2017). The year 2017 was characterized by the introduction of five regulatory reforms concerning obtaining construction permits, registering property, protecting minority investors, paying taxes, and enforcing contracts. This led to Rwanda achieving a 2017 ranking of 41st out of 190 economies (World Bank, 2018). In 2018, seven reforms were adopted: these concerned governing starting a business, getting electricity, registering property, getting credit, trading across borders, enforcing contracts, and resolving insolvency. In this period, the country was ranked 29th out of 190 countries—implying an outstanding performance in relation to creating a conducive business environment.

The aforementioned changes in business regulations indicate that from 2003 to 2018 Rwanda adopted 75 business regulatory reforms (World Bank, 2018) and the country’s ranking tremendously improved from 150th to 29th out of 190 economies globally, earning itself the title of the second easiest place to do business in Africa (World Bank, 2019). These frequent regulatory changes have had a significant impact on Rwanda’s overall regulatory and economic landscapes (Coulibaly, Ezemenari and Duffy, 2008), leading to considerable consequences around the survival of new firms (Gathani and Stoelinga, 2013). The previous literature indicates that the higher the number of reforms, the higher the costs to monitor the implementation and enforcement of those reforms, which implies an increased burden on firms’ activities and outcomes (Blanc, 2012). On the other hand, frequent regulatory changes also create opportunities for firms to seize and exploit, which affect the survival of firms (Chari and Banalieva, 2015). Moreover, as more new business reforms are introduced, the more likely it is to keep changing (Sirkin, Keenan, and Jackson, 2005), implying that new firms have to always be proactive in order to comply with the pressures arising from those frequent changes in rules and regulations.

For example, in 2015, Rwanda introduced a mandatory electronic filing of taxes. In 2016, this regulation was revised by introducing a requirement to file and pay social security contributions monthly instead of quarterly, as in years prior (World Bank, 2017). Such frequent changes in tax regulations imply that new firms must incur extra costs in hiring tax consultants to train their staff or hire more skilled staff to compute and file tax bills in compliance with new tax regulations (Tonoyan et al., 2010). Similarly, the changes in regulations related to obtaining construction and occupancy permits introduced new requirements to
obtain a construction permit, which subsequently made obtaining construction permits more complicated and expensive (World Bank, 2017). Table 3.1 presents the regulatory reforms that Rwanda adopted from 2003 to 2018, whilst Table 3.2 illustrates the Doing Business indicators—areas of business regulation.
<table>
<thead>
<tr>
<th>Year</th>
<th>Starting a business</th>
<th>Dealing with construction permits</th>
<th>Getting electricity</th>
<th>Registering property</th>
<th>Getting credit</th>
<th>Protecting minority investors</th>
<th>Paying taxes</th>
<th>Trading across borders</th>
<th>Enforcing contracts</th>
<th>Resolving insolvency</th>
<th>Labor Market Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2017</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2016</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2015</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2014</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2013</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2012</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2011</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2010</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2009</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2008</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2007</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2006</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2005</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2004</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2003</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Table 3.2: Doing Business Indicators: Areas of Business Regulation

<table>
<thead>
<tr>
<th>Indicator</th>
<th>What is measured</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting a business</strong></td>
<td>Procedures, time, cost and paid-in minimum capital to start a limited liability company</td>
</tr>
<tr>
<td><strong>Dealing with construction permits</strong></td>
<td>Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system</td>
</tr>
<tr>
<td><strong>Getting electricity</strong></td>
<td>Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs</td>
</tr>
<tr>
<td><strong>Registering property</strong></td>
<td>Procedures, time and cost to transfer a property and the quality of the land administration system</td>
</tr>
<tr>
<td><strong>Getting credit</strong></td>
<td>Movable collateral laws and credit information systems</td>
</tr>
<tr>
<td><strong>Protecting minority investors</strong></td>
<td>Minority shareholders’ rights in related-party transactions and in corporate governance</td>
</tr>
<tr>
<td><strong>Paying taxes</strong></td>
<td>Payments, time and total tax and contribution rate for a firm to comply with all tax regulations as well as post-filing processes</td>
</tr>
<tr>
<td><strong>Trading across borders</strong></td>
<td>Time and cost to export the product of comparative advantage and import auto parts</td>
</tr>
<tr>
<td><strong>Enforcing contracts</strong></td>
<td>Time and cost to resolve a commercial dispute and the quality of judicial processes</td>
</tr>
<tr>
<td><strong>Resolving insolvency</strong></td>
<td>Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency</td>
</tr>
<tr>
<td><strong>Labor market regulation</strong></td>
<td>Flexibility in employment regulation and aspects of job quality</td>
</tr>
</tbody>
</table>
3.3 Sources and Implementation of New Regulations

Having presented the regulatory environment in Rwanda characterized by the frequent introduction of new rules and regulations, in addition to changes in the existing regulations and policies, it is important to indicate the bodies and/or authorities which initiate those changes and enforce their implementation. There are several sources of regulatory institutions, including the government and its agencies, local authorities, financial institutions, and professional associations (DiMaggio and Powell, 1983). Regulatory pressures and demands impose compliance on firms through the setting of rules and standards, whereupon legal sanctions and rewards are established in case of noncompliance (Scott, 1995). This implies that complying with pressures and requirements arising from new regulations and frequent changes in the existing regulations affect the day-to-day activities of firms and their survival.

Consequently, understanding the sources of the new regulations and changes in the existing regulations and their implementation enables an in-depth understanding of the motives and enforcement of those new rules and regulations. In Rwanda, the authorities and/or bodies that initiate new regulations and changes in existing regulations include the government and its agencies, financial institutions, and professional and organizational level associations. In the following subsections, I present an overview of the main sources of the new regulations and changes in the existing regulations.

3.3.1 Government and its Agencies

The extant literature indicates that most of the changes in business regulations and policies are driven by the state or government’s need to create a conducive business environment and increase the country’s economic competitiveness (Chari and Banalieva, 2015). Empirical studies have examined the role played by the government in enacting and changing business regulations (Williams and Vorley, 2014) and how such regulatory changes have affected business activities and performance in Indian and Pakistani manufacturing firms (Malik and Kotabe, 2009). For example, in 2008, the Government of Rwanda merged seven agencies into a one-stop-shop, namely the RDB; this merger aimed to create a business environment that would be conducive to investors through streamlining and simplifying the process of starting businesses and service delivery.

It was noted that the RDB was highly instrumental in fast-tracking business reforms aimed at accelerating the country’s economic growth (Nzohabonimana, 2019). The establishment of the RDB heralded the commencement of the mandatory enforcement of business reforms by all firms. Specifically, the enforcement, monitoring, and evaluation of these reforms was spearheaded by the RDB. Furthermore, REMA plays an important role in introducing and enforcing
reforms that affect organizational activities. For example, in 2008 the government introduced a policy banning the manufacture, import, use, and sale of polythene bags through REMA, and this law has since been adjusted more than once. This resulted in increased operational costs for firms that used conventional packages (polythene bags). This regulation requires manufacturers to use biodegradable packages such as paper packages that are expensive and perceived as substandard or low quality.

Specifically, the introduction of the new law banning the use and manufacture of plastic bags and the subsequent changes in this law significantly affected the activities of firms through increased costs of operation such as buying biodegradable paper packaging materials. This subsequently led to increased prices of the firms’ products, thereby making them uncompetitive on the market. For example, for firms to recover their costs of operations, they are prompted to increase the prices of their products thereby making these items uncompetitive compared to imported products which are packaged in conventional packages. Therefore, the government and its agencies play a vital role in introducing and changing regulations that affect business activities and survival and their outcomes.

3.3.2 Financial Institutions

Previous research has examined the influence of financial institutions on the activities and performance of new firms (e.g., Tsoukas, 2011; Guiso, Sapienza and Zingales 2004). However, this research indicates that established firms stand more chance of benefiting from financial institutions. Despite this, established and developed financial institutions and systems increase the chance of starting new firms and improving competition, thus stimulating performance or the growth of new firms. Besides this, the extant literature shows that apart from retained earnings, new firms depend on loans or debt to finance their activities, and financial institutions such as banks tend to set strict evaluation criteria based on the available collateral assets and the ability to repay loans (Burns, 2004), which in most cases new firms fail to meet.

BRD is a development bank mandated with financing entrepreneurial activities and new firms. It was identified that BRD sets strict procedures and requirements which have to be fulfilled by firms applying for funding. This has increased the number of firms applying for funding, thereby prompting the bank to be strict when issuing loans. This strictness is bureaucratic and frustrating since some applicants or firms withdraw or give up their applications and opt for other sources of funding such as external equity. Furthermore, the requirements set by BRD to issue a loan are a result of the general business reforms, which required BRD to fund new firms and also comply with the standards across the financial sector. Moreover, BRD regularly revises the procedures and requirements to obtain funding, implying that it plays a key role in changing the procedures and requirements regarding acquiring financing.
Contextualizing the Study

Previous scholarly work has ascertained that apart from repayment ability and satisfactory collateral securities, other requirements imposed by financial institutions on firms applying for funding include a specified management team composed of professionals and skilled personnel, in addition to a defined structure (Honig and Karlsson, 2004). Even though such requirements highlight the managerial capabilities of a firm applying for funding, they are nevertheless challenging for new firms to fulfill, given that they have limited resources with which to hire professionals. Interestingly, BRD not only sets requirements to offer funding, but also frequently introduces changes in those requirements. Therefore, financial institutions play a significant role in introducing new rules and regulations and changing existing rules and regulations, particularly regarding obtaining funding, thus affecting business activities and their outcomes.

3.3.3 Professional and Industry-Specific Associations

Previous scholarly work on the institutional perspective has examined professional associations as sources or mechanisms through which regulations are initiated and enforced. Scott (2014) indicates that professions are conduits through which normative values and standards are set and diffused within an organizational field. These values and standards within an organizational field determine organizations’ structures and operations (Scott, 1995). The values and standards set by professional bodies cause organizations to imitate others since they are rewarded for being similar to other organizations in their domains (DiMaggio and Powell, 1983). Besides, professional bodies “are also subject to coercive and mimetic pressures as are organizations” (DiMaggio and Powell, 1983, p152). This study focuses on the manufacturing industry and thus the influence of professional associations within this organizational field on the activities and survival of new manufacturing firms. Specifically, the focus is on two professional bodies that play a key role in promoting, initiating, and influencing changes in business regulations and policies. These bodies are Private Sector Federation (PSF) and the Rwanda Association of Manufacturers (RAM).

PSF is a member-based professional body composed of ten (10) professional chambers. It was established in 1999 to represent and promote the interests and concerns of its members, namely the business community in Rwanda, through advocacy, business networking, and capacity building. PSF accredits the activities of the chambers and promotes the interests of the general business community. Furthermore, PSF engages and lobbies various institutional actors, particularly the government and its agencies, on behalf of its members on some contentious issues regarding constraining business regulations and policies. Here, the body usually lobbies for flexibility in the enforcement of the reforms. This induces the government to offer various incentives to firms such as grace periods or flexible schedules for implementing the reforms. Moreover, PSF offers capacity building and advisory services to its members.

RAM is an industry-specific body that was established in 1990 to advocate for the concerns of its members, namely manufacturing firms, to promote the
improvement of the business environment in Rwanda. This professional body is mainly dedicated to representing and ensuring that the concerns and interests of its members (manufacturers) are brought to the limelight and addressed. However, due to the loss of its key personnel in the 1994 genocide, the body was inactive until 2012 when it was reestablished. In 2013, the Chamber of Commerce and Industry, in conjunction with PSF, restored RAM and it officially started operating in 2014. Since its re-establishment, RAM has been influential in representing and advocating for the interests of its members at various forums and setting standards and expectations to be fulfilled by its members. RAM also plays a crucial role in engaging and lobbying the government and its agencies and other institutional actors to address issues affecting its members, particularly aimed at enhancing the business environment.

3.4 The Manufacturing Industry in Rwanda

Over the last two decades, Rwanda has registered stable rates of economic growth whereby it [Rwanda] has been dubbed one of Africa’s ‘rising stars’ and a ‘success story’ (World Bank, 2018; Calabrese et al., 2017). This fast-growing economy has been characterized by an exponential growth rate and increases in both local and foreign direct investments following the comprehensive pro-market reforms and proactive policies aimed at creating a conducive business climate. This remarkable economic progress and transformation is largely attributed to the central and proactive role played by the Government of Rwanda during the recovery and reconstruction period—specifically, the structural transformation of the economy involving the movement of labor from low productivity sectors (agriculture) to higher productivity sectors (manufacturing); the role of foreign investment in providing expertise and finance, especially to the industrial sector; and the role of the manufacturing industry (Ggombe and Newfarmer, 2017).

A focus on the manufacturing industry is motivated by the significant role it plays in stimulating economic growth and development in developing economies (Tybout, 2000). Thus, the development of the manufacturing sector is vital for sustainable economic growth, particularly through the creation of employment opportunities in developing economies (Naudê and Szirmai, 2012, 2011). The previous literature shows that policymakers in most developing countries are usually concerned with how to improve the performance and growth of their manufacturing sectors since they play a significant role in their countries’ economic growth and transformation (Tybout, 2000), as well as poverty alleviation mainly through the generation of employment opportunities (Naudê and Szirmai, 2012). For example, over the period 2011 to 2014 business establishments in Rwanda increased by 24.4%, and during this period 34.5% of new jobs were created by new firms (NISR, 2015). Generally, new Rwandan firms play a crucial and substantial role in creating employment opportunities and income generation, thus significantly contributing to the country’s economic growth (NISR, 2018; Gathani and Stoelinga, 2013). Hence, improving a
developing economy’s productive capabilities by boosting its manufacturing sector is integral to economic growth and development.

Specifically, the manufacturing sector in Rwanda is assumed to play a critical role in the pursuit of key government policies and strategies that are aimed at increasing export value, decreasing trade deficits, generating off-farm employment, and growing GDP (Golooba-Mutebi and Booth, 2018). Furthermore, extant studies indicate that for the past decade Rwanda’s manufacturing sector has registered steady progress—in 2011, the output of the manufacturing industry hit its highest level since the 1994 Genocide (NISR, 2011; Calabrese et al., 2017). Besides this, Calabrese et al. (2017) indicated that if the manufacturing sector’s growth rate was maintained, its output would reach US$400m in 2018, surpassing pre-genocide levels.

In terms of composition, Rwanda’s manufacturing sector is largely undiversified and mainly composed of agro-processing firms and companies producing construction materials. Specifically, the sector is broadly composed of firms dealing in food processing, beverages, paper and printing, garments and clothing, furniture, and plastics. Firms dealing in food and beverages account for the largest share (70%) of the total manufacturing output (Gathani and Stoelinga, 2013; World Bank, 2015; Calabrese et al., 2017). In addition, most manufacturing firms are micro enterprises—employing fewer than 10 persons and comprising approximately 93% of the total manufacturing firms. SMEs, which employ between 11 and 100 persons, account for 6%; while large firms which employ more than 100 persons account for approximately 1% of the total firms in the manufacturing sector. Interestingly, the majority of these firms were started between 2006 and 2011 and so are mainly in the start-up phase, with some firms still in the process of establishing their operating procedures and structures (Gathani and Stoelinga, 2013). In terms of ownership, the majority of the firms, particularly micro enterprises and SMEs, are locally owned by Rwandans, whilst a small percentage (approximately 1%) of large firms are owned by foreigners. The domination of agro-processing and construction material manufacturing firms is due to the availability of raw materials and the booming construction sector due to the surge in the population (Kamarudeen and Söderbom, 2013).

Like other sectors of the economy, the manufacturing sector too has been characterized by the frequent introduction of changes in regulations. For example, in 2012, the government introduced a new industrial policy and undertook several initiatives to boost industrial productivity. This involved the Made-in-Rwanda initiative, which aimed to address the challenges related to market linkages, finance, skills capacity and technology, and synergy of the private sector in order to promote the competitiveness of manufacturing in the local, regional, and international markets. Other interventions towards boosting the manufacturing sector entailed the provision of fiscal and non-fiscal incentives and subsidies. In addition, in 2015, an investment promotion policy was introduced which provided a range of incentives to investors in priority areas, mainly the manufacturing industry. These incentives included: preferential income tax rates; a corporate income tax holiday of up to seven years; exemptions from customs tax for
products used in export processing zones; exemption from capital gains tax; value-added tax refunds; accelerated depreciation at a rate of 50% for the first year for new and used assets; and immigration incentives such as expedited issuance of residence permits to investors and their experts (Calabrese et al., 2017).

Other incentives and subsidies offered to the manufacturing industry include an Export Processing Zone (EPZ) user license, which exempts manufacturing firms from paying taxes on imported machinery, equipment, and materials; the domestic market recapturing initiative aimed at increasing public awareness and creating domestic markets for locally produced goods; technical assistance offered to firms in priority sectors such as manufacturing; facilitation in accessing export markets through various export development programs and bilateral and multilateral trade agreements; establishment of special economic zones and industrial parks designated for both local and foreign investors towards diversification and increase of the export value; and the provision of investor aftercare services such as technical advisory and policy advocacy (Calabrese et al., 2017). As a result, these incentives and initiatives resulted in an increase in the number of firms starting in or entering the manufacturing sector and partly explain the recent increase in the sector’s productivity and contribution to the export value.

Despite Rwanda’s rapid economic growth rate, progress in the manufacturing industry is not yet satisfactory. In 2015, the contribution of manufacturing to GDP remained stagnant at 5% and its share of total exports remained small at 15% (Calabrese et al., 2017). Compared to other low- and middle-income countries in sub-Saharan Africa, Rwanda has received higher than average investment flows equivalent to 24% of the GDP. However, a significant share of this investment has not been channeled to the manufacturing sector, which remains relatively weak and small (Gathani and Stoelinga, 2013; Calabrese et al., 2017). Previous studies have shown that the major challenges to the performance of the manufacturing sector in Rwanda include high transport costs due to the country’s geographic location (being landlocked), insufficient and unreliable power supply, and limited availability of skilled labor (Calabrese et al., 2017).

The growth of the manufacturing sector registered in the aftermath of the 1994 Genocide reflects economic catch-up rather than growth per se (Calabrese et al., 2017). Specifically, the period of positive growth of the manufacturing sector has been bounded by another year of negative growth (Gathani and Stoelinga, 2013). Briefly, regardless of recent progress and growth in Rwanda’s manufacturing sector, this persistent stop-and-go trend indicates that the manufacturing sector has not yet settled on a path of sustained economic growth. The sector remains small and is mainly composed of firms with limited resources and capabilities which serve the local market and a few large firms, some of which export their products to the region. Thus, the aforementioned trends and facts about the manufacturing sector in Rwanda provide a unique research setting that is capable of offering in-depth insights for understanding the survival of new firms in such a setting.
3.4.1 Survival of New Firms in Rwanda

As indicated in the preceding chapter, the previous literature on entrepreneurship indicates that starting a new firm and the survival thereof depends on resources and capabilities which are usually not available, thereby subjecting such firms to early failure or exit (Coulibaly, Ezemenari and Duffy, 2008; NISR, 2018). This is echoed by the unrelenting efforts and actions undertaken by the Government of Rwanda to create a conducive business environment favorable to both local and foreign investors. Moreover, these efforts have been associated with the introduction of new regulations, frequent changes in the existing regulations, and economic reforms, with significant consequences for new firm survival.

Even though the rapid economic reforms adopted over the last decade have resulted in an increase in the number of firms started per year, the majority of these firms fail or exit the market relatively soon after they are founded (Agutamba, 2014). Indeed, the majority of new firms die as soon as they are started (Gathani and Stoelinga, 2013), in that one would argue that even those that persist are just ‘living dead’. The available statistics indicate that the majority of new firms in Rwanda do not operate for more than a year (NISR, 2015). This contrasts previous research findings on the survival of new firms in developed and developing economies. For example, Bartelsman et al. (2005) identified that in OECD countries, about 20–40% of new firms fail within their first two years of life, whereas only 40–50% live beyond their seventh year. Moreover, although it takes a matter of hours to start a business in Rwanda, many entrepreneurs tend to be ignorant of what to do regarding closing their firms, among other challenges (Agutamba, 2014). This phenomenon stipulates the need to further examine and understand new firm survival in a developing economy in its formative stage.

This chapter has presented the research context and setting and highlighted their key characteristics, specifically the establishment of new rules and regulations and frequent changes in existing regulations, and the manufacturing industry, which is currently undergoing a recovery process after it was devastated during the 1994 Genocide. Moreover, the research setting presented illustrates how the regulatory environment in Rwanda affects business activities, thus providing unique and in-depth insights which are important to understand how new firms navigate such a context to ensure their survival.
Chapter 4: Methods

4.1 Introduction

This chapter presents the research philosophy underlying this study, the research design, and the methodology used to accomplish the purpose and answer the research question of this study. Subsequently, the chapter discusses the procedures for data collection, analysis of findings, and the coding process. Drawing on Guba and Lincoln (1994) to delineate my underlying assumptions and set boundaries for this study, in this chapter I answer the ontological, epistemological, and methodological questions. Given that this thesis is concerned with understanding how new firms navigate the regulatory environment of a developing economy to ensure their survival, it addresses the research question concerning the ways in which new firms respond to the changes in the regulatory environment to ensure their continued operations. Thus, to answer the research question, focus is on the activities and the subsequent strategies undertaken by new firms in response to changes in the regulatory environment to ensure their continued operations. In other words, this chapter highlights how I researched the studied phenomenon—that is, navigating the regulatory environment of a developing economy in its formative stage and interpreted data thereof.

The chapter is structured as follows: Section 4.1 presents the philosophical assumptions underlying my view of reality and knowledge; Section 4.2 outlines the research approach—the multiple-case qualitative study; Section 4.3 provides details of the research design, highlighting the levels and units of analysis and the cases studied; Sections 4.4 and 4.5 highlight data collection and analysis techniques and consist of an elaborate discussion of the criteria followed and choices made; and lastly, Section 4.6 outlines how quality was ensured throughout the research process, including regarding ethical considerations.

4.1 Philosophical Stance: Critical Realism

My philosophical perspective is anchored in the views of critical realism (e.g., Bhaskar, 2010; Danermark, 2002; Denzin & Lincoln, 2011; Van de Ven, 2007). Critical realism makes a distinction among three domains of reality: the empirical domain—what we experience; the actual domain—where events happen independently of our experience about them; and the real domain of reality—in which events can be produced (Bhaskar, 2010; Danermark, 2002). Thus, critical realism makes it possible to differentiate between the real, the actual, and the empirical domains, and thus integrates philosophy, methodology, and the research
problem (Danermark et al., 2002; Van de Ven, 2007). Therefore, critical realism coincides with my view that regardless of a rich background and experience in relation to the phenomenon studied, reality is not out there readily available and to be understood without the intervention and interpretation of the researcher; rather, reality is socially constructed and context-dependent.

Critical realism embraces a realist ontology and subjective epistemology (Bhaskar, 1978; Van de Ven, 2007). It is anchored on two main assumptions that relate to my own beliefs: Reality exists independently of our recognition and perception of it and our knowledge of that reality is dependent on all sorts of influences (Van de Ven, 2007). Thus, it makes a clear distinction between reality and our knowledge of reality. Reality objectively exists and studying it calls for scientific methods that involve observation of events. However, since the real domain of reality that produces events is complex, it is necessary for the researcher to intervene by subjectively interpreting and observing the phenomenon at the empirical level. Thus, it is indispensable that one understands the mechanisms that generate the empirical actions and events that are also hardly visible in order to acquire concrete knowledge (Danermark et al., 2002). This is relevant to my understanding of the strategies undertaken by new firms to navigate a regulatory environment of a developing economy in its formative stage. I believe that there are inherently underlying mechanisms that influence the activities and actions undertaken by new firms that can be understood as strategies devised to navigate the regulatory environment to ensure their survival.

Danermark et al. (2002) note that it is still possible to conduct causal analyses with critical realism whereby informed reflections about the possible consequences of the mechanisms present in various settings can be explained. Drawing on this thinking, I take research as a means to understand reality by examining the underlying mechanisms of the empirical world—activities and events, while cognizant of the researcher’s subjectivity and preconceptions in relation to the empirical data and the phenomenon studied. Specifically, the main task of critical realism is to identify the generative mechanisms of reality and explain how they are manifested in real events and processes. Moreover, explaining a given phenomenon requires examining the relationship between the real world—the real domain of reality, and the concepts we form of it—the actual domain of reality through our observations: the empirical reality (Danermark et al., 2002).
4.2 Research Approach: Qualitative Case Study

The qualitative research approach has been shown to be the most appropriate way of producing knowledge for studies involving understanding human experience and a social phenomenon (Brinkmann & Kvale, 2005; Morgan & Smircich, 1980). In this study I assume that an organization is better understood through the construction of its members. Thus, to understand the strategies denoted by activities and actions undertaken by new firms to navigate the regulatory environment of an economy in its formative stage, a qualitative research approach consisting of multiple cases and in-depth qualitative interviews was adopted. A qualitative approach provides the opportunity to gain in-depth knowledge and understanding of the studied phenomenon (Yin, 2009) since it enables identification and understanding of the perceptions of respondents (owners, managers, and other institutional actors) in relation to the influence of the regulatory environment on the survival of new firms.

A qualitative approach was chosen due to its flexibility and ability to use naturally occurring data to identify how firm members understand different activities or events in regard to the phenomenon studied (Silverman, 2013), and due to its suitability to use human senses to interpret organizational phenomena in discovering new knowledge (Daft, 1983). This is further in line with Yin (2014), who argues that a qualitative case study inquiry is the most appropriate method, compared to others, particularly in situations when: (1) the main research questions are “how” questions; (2) a researcher has little or no control over the behavioral activities and events; and (3) the focus of study is a contemporary phenomenon—implying that a case study approach explores a contemporary phenomenon (the case) in its real-life context, where the boundaries between the phenomenon and the context are not clearly evident and where multiple sources of evidence may be used (Yin, 1989).

Briefly, I chose the qualitative case study approach in this study for three main reasons—namely: (1) the phenomenon under investigation denoted by the activities and actions undertaken by new firms in response to pressures arising from the regulatory environment are contemporary, broad, and complex, requiring the direct involvement of the researcher in both data collection and analysis over time, (2) which requires the use of several data sources compared to self-reported data from structured questionnaires to address the research question and purpose; and (3) a qualitative approach enables the phenomenon to be explored from the empirical material.

In addition, this study involved studying the phenomenon over time and in a real-life context. This entailed identifying the activities and actions and how they [activities and actions] were continuously undertaken or evolved over time (Langley, 1999; Van de Ven & Huber, 1990), all of which are less examined in relation to the activities of new firms in the context of a developing economy in a formative stage (Quatraro & Vivarelli, 2014; Reynolds, 2012). For clarity purposes, in this thesis, how new firms navigate the regulatory environment of a developing economy in its formative stage is highlighted by the strategies denoted
Methods

by different activities and actions that were undertaken by new firms. Previous studies show that understanding organizational phenomena necessitates observing the activities or events undertaken by those organizations over time (Van de Ven, 2007), and most importantly, those activities and events must be perceived by organizational members and other stakeholders as having played a significant role in relation to the phenomenon studied (Kaulio, 2003).

4.2.1 The Case Study Design

A case study is one of the forms of research in social sciences, such as experiments, surveys, and archival analyses (Yin, 2014). It is “a phenomenon of some sort occurring in a bounded context, implying that the case is, in effect, the unit of analysis” (Miles & Huberman, 1994, p. 25). Thus, a case study is context-dependent since it seeks to explore a social phenomenon within its real-life contexts (Elger, 2010). Drawing on Yin (2014), in this thesis, I define a case study as a way to understand a complex social phenomenon in which the boundaries between the phenomenon under investigation and the context are not clearly evident.

Previous research indicates that a case study design is selected for a number of reasons. First, a case study places social processes within their contexts, which involves both internal contextualization within the case and external contextualization within the wider setting in which the case is embedded (Elger, 2010). Second, it [case study design] enables examination and understanding of unique and rare organizational phenomena and complex or dynamic events and processes (Eriksson & Kovalainen, 2010). Third, a case study design makes it possible to examine the details of the interactions between the case firms and various stakeholders, in order to understand the activities, events, and processes undertaken by the studied firms in certain situations (Eisenhardt, 1989). Fourth, a case study design enables the combination of different data collection methods, including interviews and documentation, in order to generate a new, or extend an adopted, theoretical framework (Bingham & Davis, 2012; Eisenhardt, 1989). Specifically, in this study, a case study design was appropriate since it enabled an understanding of the internal and external contexts of the case studies denoted by the activities and actions undertaken by the case firms in response to the regulatory environment that affected their survival.

In this study, new firms are the case studies, and within each case study, the focus is on identifying a series of activities and actions that organizational members perceived as having played a crucial role in enabling their new firms to navigate the regulatory environment to ensure their survival. Specifically, in each case firm, two aspects were examined: (1) key activities and actions undertaken; and (2) these activities and actions were linked together to allow strategies undertaken by the case firms to be inferred. Thus, explaining how organizational members (owners, managers, and other key personnel) perceived the importance of the activities and actions undertaken by their firms linked the boundaries between the phenomenon studied and the context within which those firms
operate, namely the regulatory environment, which was very important in providing an in-depth understanding of how new firms navigate a regulatory environment in order to survive. Furthermore, the theoretical perspective adopted, namely institutional theory, allows the activities undertaken by the case firms in relation to the regulatory environment to be linked. In particular, linking the activities undertaken by the case firms with the regulatory environment enabled identification and understanding of the strategies undertaken by the case firms to ensure their survival. Thus, the patterns arising from the key activities and actions at the firm level were linked with the frequent introduction of regulations and policies and changes in the existing regulations at both industry and national levels, in order to provide an in-depth understanding of how new firms navigate the regulatory environment of a developing economy in its formative stage.

4.2.2 Multiple-Case Design

A multiple-case design involves the use of two or more case studies in a single study (Eisenhardt, 1989). Multiple-case designs are preferable to single-case designs because the analytic benefits from multiple-case studies are substantial compared to single-case designs (Yin, 2014). Besides, multiple-case studies allow for a greater variety, direct replication, and comparison of the findings in the case of contrasting situations (Yin, 1989). Furthermore, multiple cases enable the exploration of several aspects of the phenomenon being studied—for example, revelatory, extreme exemplars, and polar cases that disconfirm patterns from early case studies (Eisenhardt, 1989; Pettigrew, 1990; Yin, 2014); young and established firms; and small and large firms with the purpose of comparing the cases to identify the emerging patterns and thus explain the phenomenon under investigation.

In this study, a multiple-case design was chosen because it allowed the study to achieve its aim of making a theoretical contribution in relation to the studied phenomenon. Specifically, a multiple-case design was adopted in order to achieve analytical generalization from the multiple cases (Eisenhardt, 1989; Yin, 2014). Thus, with a multiple-case design, I was able to replicate and compare the findings across the case firms, thereby providing a stronger basis for theory building and elaboration and broader exploration of the research questions (Eisenhardt, 1989). Thus, the use of the multiple-case approach was important in identifying the activities that were deemed pertinent in ensuring the survival of the case firms. Since the appropriate number of cases depends on how much is known and how much new information is likely to be learned from the additional cases (Eisenhardt, 1991), it was not necessary to decide on the limit or number of cases to be selected before the actual fieldwork or data collection. The following subsection describes my understanding of a case study.
4.2.3 Replication Design

In this thesis, I studied ten new firms (the justification for the number of firms studied is provided in 4.3.3), which are herein interchangeably referred to as “cases” or “case firms.” I used a multiple-case approach with a replication design consisting of one main or revelatory case study and nine additional case studies that were incrementally added to the main case firm, in order to replicate—specifically, to corroborate or refine and ensure the analytical generalizability of findings from the main case study (Schofield, 2009; Yin, 2014). The main case firm was considered because it was typical of the studied phenomenon and the research purpose and permitted access to the rich empirical data relevant for this study (Aguinis & Solarino, 2019; Gomm et al., 2009). Specifically, two criteria were used to identify the main case, namely its ability to provide a suitable research setting whereupon the studied phenomenon was clearly observable and its ability to enable access to the firm and the availability of the inordinate empirical evidence to address the research question.

Firstly, the main case offered an appropriate research setting since the studied phenomenon was clearly observable. Moreover, it enabled the researcher to gain access to “inordinately detailed, relevant and rich data, and the opportunity to analyze a phenomenon that was previously inaccessible” (Ng & Gable, 2010, p. 2). Secondly, the main case study had operated for eight years, and thus had vast experience and extensive and detailed records related to the activities it undertook with respect to the regulatory environment compared to the other additional cases. Following theoretical sampling logic, the replication cases were theoretically relevant in relation to the phenomenon studied since they not only corroborated the main case but also enabled identification of other emerging and contrasting patterns, thereby providing an in-depth understanding of the phenomenon studied (e.g., Eisenhardt, 1989; Yin, 1989).

4.3 Study Design

Designing and conducting an empirical study requires a comprehensive strategy to be devised that involves making decisions regarding how many and which research objects or case studies should be included in the study, methods for collecting the empirical evidence, and the analysis of the empirical material. In addition, these decisions are dependent on the research problem being studied. Specifically, this section presents the unit and level of analysis, the criteria for selecting cases, and the number of cases studied.
4.3.1 Level and Unit of Analysis

The level of analysis is important in regard to the study design and for the application of the adopted theoretical framework (Davidsson & Wiklund, 2007). The level of analysis for this study is the firm. However, it [level of analysis] involved the interaction of the firm with industry- and macro-level regulations and policies. Extant literature shows that this kind of interaction enables the understanding of complex phenomena, particularly where the boundaries between the phenomenon studied and the context are not clearly evident (e.g., Davidsson & Wiklund, 2007; Yin, 2014).

The unit of analysis comprised the strategies that are derived from the various activities undertaken by the case firms to navigate the regulatory environment. Therefore, the levels and units of analysis were intertwined, and together formed the study design. The activities undertaken by the case firms were identified through the respondents’ understanding and perceptions since the firm and its dynamics are best understood through its members (Weick, 1976). In addition, each firm may perceive and respond differently to the same regulatory and policy changes, and thus a firm’s response depends on how its members (owners and managers) perceive the regulatory environment in relation to the survival of their firms. Owners and managers were the main respondents at the firm level since they are considered to be more active in the activities of new firms than other firm members (Utsch et al., 1999). Furthermore, it is important to note that the firms’ activities and actions are understood from the perspective of their owners or managers since they [owners and managers] prevail over other organizational members in determining the strategic direction of their firms.

4.3.2 Selection and Access to Cases

Purposeful sampling was adopted for this study. Purposeful sampling in qualitative research enables cases to be selected that are capable of answering the study’s research questions and fulfilling its purposes (Burns, 2000; Eisenhardt, 1989; Patton, 1990). This involves theoretical sampling, which enables the selection of cases that are suitable and offer the ability to replicate or extend existing theory (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Similarly, Yin (2014) indicates that cases should be purposely chosen on the basis of their ability to illuminate the phenomenon studied. Thus, cases that were revelatory of the phenomenon studied (Yin, 2014), were willing to participate in this study, and had the potential to offer inordinately rich information were selected.

Given the sensitivity of the phenomenon studied, identification and selection of, and access to, case firms were the milestones sought to be achieved first (Stake, 1995). In cases where the phenomenon under investigation can be observed from a relatively small number of cases, these cases should be selected using a transparently observable process (Eisenhardt, 1989; Pettigrew, 1990). To select the cases, I developed criteria to ensure that appropriate case studies were identified and studied. Specifically, for a firm to be included in this study, it must
have been classified under the manufacturing industry and must be a new firm that has operated for no more than ten years (Shane & Khurana, 2003). This is because focusing on a specific or a single industry allows the research questions and purpose to be examined within a focused setting (De Castro et al., 2014).

In addition, the manufacturing industry in Rwanda is undergoing a recovery process after its total devastation during the 1994 genocide (Gathani & Stoelinga, 2013; Hodler, 2018). This recovery process implies new challenges or opportunities, particularly for new firms, and thus has the ability to offer in-depth insights to assist in understanding new firm survival in such contexts (Ahlstrom & Bruton, 2010). Furthermore, previous research indicates that the majority of firms in Rwanda were founded from 2006, a period when the government had embarked on overarching changes in business regulations and policies (Gathani & Stoelinga, 2013; NISR, 2011). Therefore, it was imperative to select case firms that were founded during that period and which, by the time I started this study, were revelatory of the phenomenon studied.

In addition, I developed other criteria beforehand to enable an observable and transparent process of selecting the case studies. As such, I decided that only firms independently owned by individual entrepreneurs should be selected. Thus, state-owned enterprises or parastatals and corporate spin-offs were not included in this study. This is because, for example, corporate spin-offs have the added advantage of knowledge inherited from their parent companies (Klepper & Sleeper, 2005)—implying that they do not encounter the same challenges as independent new firms since they benefit from the organizational routines, procedures, and resources directly provided by the parent companies (Semadeni & Cannella, 2011), and state-owned firms are supported and fully funded by their governments.

To gain the trust of the respondents and access to the case firms, the first step was to obtain recommendations and cover letters from the main supervisor, the university, and the National Institute of Statistics Rwanda. This increased my credibility and trustworthiness, and thus was very important in gaining the respondents’ trust and access to the case firms. Secondly, where possible, I relied on my contacts and previous knowledge of the local context and industry to identify and negotiate potential case studies to participate in this study. Lastly, I sought help and advice from experts and professionals with rich experience and profound knowledge of the manufacturing sector in Rwanda. These experts and professionals were drawn from both industry-specific professional associations such as the Private Sector Federation (PSF) and the Rwanda Association of Manufacturers (RAM) and government agencies including the Rwanda Development Board (RDB), the Ministry of Trade and Industry (MINICOM), the National Industrial Research and Development Agency (NIRDA), and the National Agricultural Export Development Board (NAEB).
4.3.3 Number of Cases Selected

Although arguments over the number of cases to be included in a study may obscure other essential elements such as why a given case is included in a study, it is still important to justify the number of cases included in a study. As indicated in Section 4.3.1, it is important to note that the number of cases chosen for this study was more than one. However, apart from the main case, the exact number of additional cases could not be determined beforehand. The number of cases chosen for this study was decided based on theoretical saturation, particularly when redundancy in the data or data from additional case studies added no value (Charmaz, 2006). Existing scholarly work shows that saturation should be the guiding principle in deciding the number of case studies to be included in a study (Mason, 2010). Thus, drawing on Eisenhardt (1989), the appropriate number of cases to be chosen in a study was determined by how much was known and how much new information was likely to be learned from the added cases. In addition, replication logic was used to determine the number of cases to be included in this study (Yin, 1989). Following replication logic, the case firms were selected on the basis that they could corroborate each other and enable the emergence and identification of different theoretical concepts (Yin, 1989). This enabled me to identify several patterns of differences and similarities in relation to the strategies undertaken by new firms to navigate the regulatory environment to ensure their survival.

Following the aforementioned guidelines to enable the emergence of diverse theoretical concepts (Eisenhardt, 1989), I selected new firms from different subsectors of the manufacturing industry, namely detergents, meat processing, fast food, animal feed processing, tannery, paper packages, garments, construction, medical, and electronics. During the initial identification of potential new manufacturing firms to be included in this study, 34 new firms were selected. After contacting these firms, 15 firms were typical of the studied phenomenon and thus relevant for this study—specifically, they met the set selection criteria and agreed to participate in this study. During the data collection process, two cases dropped out of the study, referring to a lack of interest in the study and limited time to participate in the interviews.

Later, one case firm ceased to operate and also expressed a lack of interest in the study. However, given that the actual number of cases to be included in a study is dependent on saturation—specifically, how much new information is likely to be learned from the additional cases (Eisenhardt, 1991)—the total number of cases included in this study finally was ten. In the initial stages of data collection and analysis, each added new case firm provided new insights and observations that corroborated or contrasted the findings from the main case firm (Patton, 1990). However, as more data were incrementally added from the additional case studies, a saturation point was reached when each added case study brought little or no new information (Charmaz, 2006; Kuzel, 1999). At this point, ten case firms had been studied and thus no more additional cases were needed to corroborate
the ten case studies. Therefore, the final sample of ten cases met the data and theoretical saturation criteria used in purposive sampling.

### 4.4 Data Collection

Using multiple sources of data enhances data credibility (e.g., Patton, 2002). For this thesis, data were collected using several techniques, namely interviews, documentation (company documents, websites, press releases, policy papers), and observations (on-site visits), which is a common combination in qualitative case study research (Brundin, 2007; Charmaz, 2006; Miles & Huberman, 1994; Silverman, 2013; Yin, 2014). Despite using multiple data collection techniques, the main technique used to collect data was in-depth interviews (Eisenhardt & Graebner, 2007), which were conducted with new firm owners, managers, and officials from key institutional sources such as the government and professional associations including PSF and RAM. Documentation was used to collect data to supplement or corroborate interview data. It entailed reviewing company documents such as reports and websites and policy papers and briefs from the industry and national level. Observation was conducted through on-site visits, which I conducted after interviews at each case firm to physically observe what was happening at the firms’ premises, including activities and operations. Observations were used in recognizing and sorting meaning arising from the data obtained from other techniques such as interviews (Stake, 1995) to corroborate the interviewees’ thoughts and thus gain an in-depth understanding of the case firms’ activities.

Using several data collection techniques (interviews, documentation, on-site visits, and observations) in combination, triangulation helped in increasing the reliability and rigor of the empirical material and findings (Yin, 1994). In addition, the use of multiple data collection techniques allowed for a better understanding of several aspects of the phenomenon studied (De Massis & Kotlar, 2014), namely the activities and actions undertaken by new firms in response to pressures arising from the regulatory environment to ensure their survival. Lastly, the use of multiple data collection techniques helped in identifying and corroborating data that would have gone unnoticed if one data source had been used (Zilber, 2002), and thus helped in increasing the reliability and validity of the findings. In the following sections, I present in detail the data collection techniques used in this study.
4.4.1 Interviews

Interviews are one of the main methods of data collection used in qualitative research to gather information, particularly on nonobservable aspects (Stake, 2010), and thus provide relevant information for knowledge production and development (Legard et al., 2003). Moreover, interviews are an effective way of gathering rich data about an organization’s members’ perceptions, experiences, impressions, and ideas (Alvesson, 2003). Thus, the ability to capture the perceptions and understanding of organizational members and other respondents made in-depth interviews an appropriate method of data collection for this study.

Since the phenomenon under investigation in this thesis involves aspects at different levels, selecting respondents who were knowledgeable about the same was another important decision to be made. For this study, respondents were selected on the basis that they had broad and deep knowledge and information regarding the selected case firms, the manufacturing sector, and the regulatory environment. Respondents who were perceived to understand the background of the selected case firms and who were directly and actively involved in the activities of the case firms and thus had broad and in-depth understanding of the activities and actions undertaken by the case firms and the regulatory environment within which those firms operated were chosen and interviewed—namely, firm owners and/or managers (Utsch et al., 1999). Specifically, firm members (owners and managers) were focused upon because they were actively involved in the founding and the daily activities of the firms, had powers to take unilateral decisions regarding the strategic direction of the firms (Bruton et al., 1997; Yang et al., 2011), and thus played a key role in their firms’ survival. This implies that they had an in-depth understanding of the regulatory environment in which the firms operated—specifically, the challenges and opportunities arising from the regulatory environment and the actions undertaken to navigate that environment.

In situations where the case firms had different departments, the heads of departments or managers were interviewed in order to capture specific activities undertaken in those departments. Moreover, officials from ministries and government agencies, particularly those in charge of promoting the manufacturing sector and investment, for example, MINICOM and RDB, and industry-specific professional associations such as PSF and RAM were interviewed because they were well informed about the manufacturing sector and actively involved in introducing and enforcing new rules and regulations and changing the existing regulations and policies. This mitigated the challenges that could arise from interviews such as recall bias, particularly where respondents could not recall past activities or had memory distortion problems (De Massis & Kotlar, 2014; Golden, 1992).

During the interviews, the firm owners and managers in some cases were requested to provide a detailed account of their previous experience, their education background, and their motivations to start the firms, and later they were asked to provide a thorough account of the firms since their foundation in order to highlight various activities, events, or milestones that the firms had undertaken
Methods

or experienced. Here, a set of both broad and specific questions included in an interview guide were used to obtain information from the respondents. The interview guide was standardized and partly tailored to extract information from each group of respondents. Firm owners or managers were asked the same questions, mainly concerning their motives to start the firms, their education background, previous work experience, and questions about the story and development of the firms in order to obtain information about the various activities, events, or milestones that the case firms had experienced since their founding, including how they handled the challenges and exploited opportunities arising from the regulatory environment. Respondents from the industry-specific associations (PSF and RAM) and officials from RDB, MINICOM, and NIRDA were asked broader questions concerning the challenges the country and manufacturing industry faced in trying to create a conducive business environment favorable to entrepreneurial activities, how successful the regulatory and policy changes were, the challenges brought about by the reforms, and the remedies that had been devised to avert the challenges.

As a result, respondents were able to provide references or records of their previous experience and a detailed description of the firms’ day-to-day activities, plans, and commitments. Where I found discrepancies, information from documentation and websites was used to corroborate interview data and gain a general picture of each case firm. Later, specific questions concerning each activity—for example, a change of business idea from trading to manufacturing, a change of management team, subscribing to lobby groups, and direct participation in politics at local authorities—districts were further probed. In the subsequent rounds of interviews, respondents provided the sequence and pattern of the activities undertaken by their firms or events that the firm experienced and thus provided relevant information without much probing by the interviewer.

On average, interviews lasted between 45 and 120 minutes, and in some cases, respondents were repeatedly interviewed to provide more information or clarifications about the collected data where necessary. This made it possible to identify and understand the various activities or milestones undertaken and achieved by each case firm. As a result, to ensure that key activities, events, and the recurring regulatory and policy changes were captured, efforts were made to interview individuals in each case firm who were perceived as having pertinent information relevant for this study. On average, three to five interviews were conducted at each case firm except for the main case study, Bwiza Limited, where ten interviews were carried out.

For interviews conducted with government officials and industry-specific associations, I carried out one interview with respondents from each of the following organizations: MINICOM, RDB, PSF, and RAM. Moreover, I attended various conferences and trade exhibitions where I interacted and informally interviewed different officials in order to corroborate data previously collected from government officials and representatives of industry-specific professional associations. Interviews were conducted until respondents started providing the same information that they had provided in previous interviews or had been
obtained from other sources (documentation, on-site visits), thereby leading to data saturation (Patton, 1990). Data saturation helped in deciding the number of interviews in each case firm and per respondent (Bowen, 2008). In total, 45 interviews were conducted.

Another essential element considered during the process of data collection was the period covered by the study. The starting point was to retrospectively track and identify past activities, actions, and milestones of each case firm. This entailed descriptive accounts provided by the respondents regarding their motives and goals to start the firms and previous activities that the firms had undertaken in response to pressures arising from the regulatory environment. The studied firms were followed for a period of 30 months. This allowed for gathering of more reliable and rich information through follow-up interviews. In terms of ownership and management, in the case firms that were fully owned by foreigners, their management team, such as the managing director, general manager, and other senior management staff, comprised locals and thus had broad knowledge of the manufacturing sector and the regulatory environment. Table 4.1 below presents an overview of the cases and types of data collected.
<table>
<thead>
<tr>
<th>Cases</th>
<th>Year Founded</th>
<th>Ownership</th>
<th>Size (Employees)</th>
<th>Subsector</th>
<th>Respondent</th>
<th>Number of Interviews</th>
<th>Interview Length</th>
<th>Other Data Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bwiza Ltd</td>
<td>2009</td>
<td>Locally owned</td>
<td>50</td>
<td>Detergents</td>
<td>Founder and CEO, managers, board member</td>
<td>10</td>
<td>45 – 120 minutes</td>
<td>5 company documents, company website, 25 reports and policy documents, 3 on-site visits, and informal discussions</td>
</tr>
<tr>
<td>Inyange Ltd</td>
<td>2012</td>
<td>Foreign owned</td>
<td>20</td>
<td>Meat processing</td>
<td>Owner, managers</td>
<td>4</td>
<td>75 – 120 minutes</td>
<td>5 archival documents, company website, and informal discussions and observations at the firm</td>
</tr>
<tr>
<td>Ubudasa Ltd</td>
<td>2014</td>
<td>Jointly owned</td>
<td>45</td>
<td>Fast foods</td>
<td>Owner, managers</td>
<td>4</td>
<td>60 – 120 minutes</td>
<td>Company website, informal discussions and observations at the firm</td>
</tr>
<tr>
<td>Mutware Ltd</td>
<td>2015</td>
<td>Foreign owned</td>
<td>30</td>
<td>Animal feed</td>
<td>Owner, managers</td>
<td>4</td>
<td>75 – 120 minutes</td>
<td>6 archival documents, company website, informal discussions, observations</td>
</tr>
<tr>
<td>Umurinzi Ltd</td>
<td>2013</td>
<td>Foreign owned</td>
<td>200</td>
<td>Tannery</td>
<td>Founder, managers</td>
<td>3</td>
<td>60 – 120 minutes</td>
<td>5 archival documents, company website, and observations at the firm</td>
</tr>
<tr>
<td>Company</td>
<td>Year</td>
<td>Ownership</td>
<td>Industry</td>
<td>Key Position</td>
<td>Interviews</td>
<td>Time Range</td>
<td>Sources and Methods</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>-----------</td>
<td>--------------</td>
<td>--------------</td>
<td>------------</td>
<td>------------</td>
<td>---------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Iyamarere Ltd</td>
<td>2011</td>
<td>Foreign</td>
<td>Packaging</td>
<td>Owner, managers</td>
<td>3</td>
<td>90 – 120 minutes</td>
<td>4 archival documents, company website, and observations at the firm</td>
<td></td>
</tr>
<tr>
<td>Inkingi Ltd</td>
<td>2015</td>
<td>Foreign</td>
<td>Garments</td>
<td>Owner, managers</td>
<td>3</td>
<td>90, 75, 120 minutes</td>
<td>3 archival documents, company website, and observations at the firm</td>
<td></td>
</tr>
<tr>
<td>Urugano Ltd</td>
<td>2015</td>
<td>Foreign</td>
<td>Construction</td>
<td>Owner, managers</td>
<td>3</td>
<td>90, 100, 120 minutes</td>
<td>4 archival documents and observations at the firm</td>
<td></td>
</tr>
<tr>
<td>Ubuzima Ltd</td>
<td>2015</td>
<td>Locally</td>
<td>Medical</td>
<td>Owners, managers</td>
<td>3</td>
<td>90, 60, 120 minutes</td>
<td>2 archival documents and observations at the firm</td>
<td></td>
</tr>
<tr>
<td>Imirasire Ltd</td>
<td>2012</td>
<td>Foreign</td>
<td>Electronics</td>
<td>Owner, managers</td>
<td>4</td>
<td>75 – 120 minutes</td>
<td>4 archival documents and informal discussions</td>
<td></td>
</tr>
<tr>
<td>Other Actors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Officials from RDB, MINICOM, PSF, and RAM</td>
<td>4 (1 at each)</td>
<td>45 – 120 minutes</td>
<td>8 archival documents</td>
<td></td>
</tr>
</tbody>
</table>
4.4.2 Documentation

In this study, documentation was used in tandem with interviews. Previous literature shows that information from documents, including memoranda, minutes of meetings, business plans or proposals, newspaper articles, and so forth, is relevant in case study research (e.g., Yin, 2014). Specifically, in this study, two types of documentation were used, namely internal and external. Internal documentation comprised of official documents and reports provided by the respondents, some of which were available on the case firms’ websites. These consisted of company documents such as memoranda, business plans, financial reports, minutes of meetings and other written reports. Internal documentation was combined with interview data in order to provide a clear picture of each case firm with respect to the activities undertaken and to gain an in-depth understanding of the phenomenon studied.

External documentation was comprised of documents such as policy papers, policy briefs, sector or industry profiles, and reports. These documents were obtained from government bodies and agencies such as RDB, NIRDA, the National Institute of Statistics Rwanda (NISR), the directorate of industry and entrepreneurship development at MINICOM, and industry-specific professional associations: PSF and RAM. In addition, the World Bank’s annual Doing Business reports were used to obtain information concerning business reforms. The selection and inclusion of reports from government bodies and agencies was based on the roles played by these organizations in promoting entrepreneurship and industrial development. For example, the Directorate of Industry and Entrepreneurship development at MINICOM was in charge of improving the competitiveness of manufacturing firms in Rwanda, supported the creation and emergence of new manufacturing firms, and supervised the national employment program for start-ups; NIRDA was responsible for carrying out research to improve the competitiveness of Rwanda’s manufacturing sector so as to increase their export capacity; and RDB plays the key role of fast-tracking Rwanda’s economic development through overseeing the creation of a conducive business environment. While most of the documents or reports were readily available on the websites of these organizations, some of the reports were provided by respondents during or after interviews. Specifically, external documentation was helpful in providing a contextual understanding of the national policy regarding promotion of the manufacturing sector and an overview of the institutional environment in Rwanda.

4.4.3 Observations

I carried out observations through on-site visits to the case firms (Brundin, 2007). These visits were conducted after each interview whereby I would ask for permission to visit the plant and observe different activities taking place at the case firm. On-site visits were helpful since they enabled me to understand the
main features of each case firm and they helped in validating interview data. This is in line with research that shows that observations provide in-depth insights to assist in understanding case studies and the context in which they operate (e.g., Montanari et al., 2016; Silverman, 2013). Specifically, during field visits I had an opportunity to talk to different people and engaged in informal discussions with different employees at each case firm through which [interactions and discussions] I learned more about the case firms’ activities and the general atmosphere at those firms.

In addition, I attended industry-specific events focusing on the dynamics of the manufacturing sector such as the East Africa Community Manufacturing Business Summit and the Made in Rwanda trade fairs. During these events, I was able to talk to different stakeholders in order to gain more insights into sector-level business regulatory changes and the general state of affairs regarding the status of the manufacturing industry in Rwanda. In sum, data obtained from conferences and trade exhibitions were added to interview data and documentation in order to gain more insights or validate the already collected data (c.f. Zilber, 2002).

4.5 Data Analysis

In this study, data analysis was conducted in two steps: developing case descriptions and coding and thematization. Developing case descriptions was intended to provide an overview of the case firms in relation to the story and development of each firm, the frequent introduction of rules and regulations and changes in the existing regulations that affected the firms, and the activities and actions undertaken to navigate the regulatory environment. Coding and thematization involved labeling and summarizing pieces of empirical material and continuous juxtaposition of data with literature while searching for emerging patterns, insights, and theoretical concepts (Eisenhardt, 1989).

4.5.1 Developing Case Descriptions

The first step in developing case descriptions was to identify the motives and goals of the owners or founders in starting the firms, their education background and past experience, and the activities and actions undertaken by each case firm in response to pressures arising from the regulatory environment. The activities undertaken by the case firms were then labeled and summarized into four broad activities, namely building networks, capitalizing on government policies, diversifying and changing the initial business orientation, and restructuring and reorganizing. Case descriptions were continuously updated after each phase of data collection in order to provide rich and detailed data regarding the activities undertaken by each case firm. The case descriptions are presented in Chapter 5
and Chapter 6, which provide a basis for comparing and contrasting all the cases as presented in Chapter 7.

Following Denzin (2001), case descriptions were developed through three steps, namely bracketing the phenomenon, constructing the phenomenon, and contextualizing the phenomenon. Bracketing entailed unpacking the studied phenomenon—that is, the regulatory environment of a developing economy in its formative stage to the continuous changes in regulations and policies so that the activities undertaken by the case firms would be identified. Construction of the phenomenon involved moving back and forth to the case firms to collect more data and generate extensive, reliable, and rich data from the respondents in order to refine or revise the case descriptions. This resulted in the construction of rich case descriptions that were a basis for conducting the within- and cross-case analyses to identify and develop the strategies undertaken by the studied firms. In addition, I presented the case descriptions to the respondents to provide a better understanding of the categories and concepts developed from the original data that were not clear and thus needed further explanation. As a result, I was able to understand how respondents perceived and understood the activities undertaken by their respective case firms in response to pressures from the regulatory environment to ensure their continued operations. Contextualizing the phenomenon involved interpreting the patterns through which the strategies interacted and unfolded and their effects on the continued operations of the studied firms.

Case descriptions were helpful in providing in-depth understanding of each case firm (Eisenhardt, 1989). Moreover, within-case analysis was used to deeply explore each case as a stand-alone entity. Insights that were drawn from each particular case facilitated finding out how the developed categories corroborated, refuted, or refined the categories and concepts derived from the “main case” (Yin, 2014). Between-case analysis was used to identify similarities and differences across the case firms and thus made it possible to move beyond the initial impressions and concepts that emerged from the analysis of the main case firm and develop new patterns to help in building theoretical explanations (Eisenhardt, 1989; Yin, 2014) as presented in Chapter 7.

4.5.2 Coding and Thematization

Similar to data collection methods, data analysis was influenced by the purpose and research question of the study. Data analysis was dependent on the sufficient presentation of evidence and careful consideration of alternative interpretations (Yin, 2014). Furthermore, during data analysis I was interested in identifying the distinctive complexities and dynamics specific to the phenomenon studied. This enabled tracing, capturing, and understanding the individuals’ actions and motives at each case firm that were implicit or unconscious to the respondents (Nordqvist et al., 2009). Analysis also involved interpretation of data using intuition to understand or re-enact past activities, events, or milestones (Alvesson
& Sköldberg, 2009). To ensure transparency and consistency during data analysis, codes and themes were developed as presented later in Chapter 7 of this thesis.

Coding and thematization consisted of structuring, ordering, and recombining empirical material to produce empirically based findings (Aguinis & Solarino, 2019; Yin, 2014). To structure and order interview data, I developed initial codes that were continuously updated after new information from the additional cases was obtained. This involved numerous rounds of reading interview data and thorough examination of secondary sources of data such as company reports and policy documents. Later, I followed the procedures outlined in Gioia et al. (2013) and Shepherd and Williams (2014). Here, the first step was to develop first-order codes using interview data as coding units. This involved labeling and summarizing the text of the interviews (sentences and paragraphs) while retaining the informants’ terms and language used in the text. Later, I made connections between the first-order codes to develop second-order codes and themes by choosing codes that appeared frequently and then condensed them into a more conceptual level. This involved analytically categorizing the second-order themes and iteratively linking them to theory to develop theoretical concepts (Miles & Huberman, 1994). Lastly, I identified the aggregate dimensions to derive the strategies undertaken by new firms to navigate the regulatory environment to ensure their survival, namely maneuvering, foresight and proactiveness, changing paths, and professionalization.

The “main case” was used to generate initial codes, themes, and aggregated theoretical concepts, which were refined or extended by the codes and themes emerging from the additional replication cases (Brown & Eisenhardt, 1997; Doz, 1996). Data from the replication cases were added to the “main case” to ensure depth and nuance, or develop new insights (Doz, 1996). Activities and actions identified from each additional replication case were pattern-matched with themes and theoretical dimensions that had emerged from the “main case” to corroborate or identify contrasting patterns (Yin, 2014). Thus, following replication logic (Yin, 2014), additional replication cases were analyzed following the same procedure and in comparison, with the “main case” to identify similarities and differences or new patterns, themes, and concepts, which became a basis for generating a theoretical framework to explain the phenomenon studied.

Specifically, when respondents explained how their firms navigated the regulatory environment to ensure their survival, first-order codes were derived. The next step of analysis involved making connections between the first-order codes to develop second-order themes whereby the first-order codes were merged to develop the second-order themes. The last step was to merge the second-order themes to derive aggregate theoretical dimensions. The aggregated theoretical dimensions were the basis for the emergent model to explain how new firms navigate the regulatory environment to ensure their survival.
4.6 Ensuring Credibility of Findings and Ethical Considerations

“There are no simple formulas or clear-cut rules about how to do a credible, high-quality analysis. The task is to do one’s best to make sense out of things” (Patton, 1999, p. 1205). Thus, given the subjectivity of qualitative research, it is challenging to ensure that a qualitative study has quality and rigor since the trustworthiness and credibility of the findings thereof are subjective (Denzin & Lincoln, 2009). Moreover, my previous experience and understanding of the context and my contacts within the manufacturing sector played a key role in enabling me to access the case firms and in gaining the trust of the respondents, thereby enabling the collection of extensive and rich data. However, extant research shows that vast experience and having contacts do not translate into the skills required to conduct credible research (Silverman, 2013; Yin, 2014). Thus, to mitigate these credibility issues, the researcher needs to ensure the reliability and validity of the findings (Miles & Huberman, 1994).

To increase reliability, I did my utmost to safeguard transparency and trustworthiness in this study right from case selection through data collection to analysis by thoroughly and elaborately explaining the process through which the findings were derived (Eisenhardt, 1989; Miles & Huberman, 1994). I ensured that the research process was empirically replicable—the “main case” was replicated using the same procedures to analyze the additional cases (Aguinis & Solarino, 2019). This entailed thoroughly elaborating the techniques used to iteratively collect and analyze data from multiple sources (Yin, 2014). Moreover, the case firms were retrospectively followed to identify previous activities and prospectively studied for a period of 30 months. Retrospectivity enabled the identification of past activities as firm members recalled the activities and reconstructed the sequence through which they were undertaken (Bingham & Davis, 2012). However, following the firms retrospectively was affected by a lack of common reliability measures and problems with access to empirical data (Akhter et al., 2016; Williams & Vorley, 2014). Moreover, some respondents were not able to recall the activities in their sequence, and data tended to be eclectic and broad since they involved dealing with human relationships, thoughts, and interpretations (Langley, 1999).

To increase the reliability and credibility of the findings, I continuously contacted and referred to peers and colleagues who guided me and provided feedback during data collection and analysis. In addition, I iteratively returned to the data and the codes to avoid bias during analysis. With regard to issues of generalizability, this is a qualitative study that examined how new firms navigate the regulatory environment of an economy in its formative stage to ensure their survival, and thus generalization was not the main focus. Specifically, this study covered a particular context and a limited number of case studies and thus sought
Throughout all the stages of this research project, ethical issues were taken into consideration (Maxwell, 2012). Given that the empirical material was mainly collected from people, specific attention was paid to the methods used to collect data and the techniques applied to gain access to the case firms. Across all the case firms, after introducing myself and presenting the purpose of this study to members of each case firm, I sought their informed consent and willingness to participate in this study. Furthermore, due to the sensitivity of the phenomenon studied, I ensured that the privacy of all the case firms and respondents was protected by anonymizing their identities (Gioia et al., 2013). To ensure anonymity, for reporting all data, the case firms and the respondents were assigned pseudo names. The firms were assigned fictitious names adopted from the names of infant gorillas, which are considered a key pillar for tourist attraction and economic development in Rwanda. The case firms were arranged based on the sequence in which they were contacted and interviewed. Bwiza Limited was the main case study and the first to be interviewed.

Similarly, respondents were assigned names depending on their functions at their respective firms. For example, the owner or founder was named the “Founder” while managers were labeled “Manager,” followed by a number depending on the sequence of the interviews—for example, “Manager 1,” implying that he/she was the first to be interviewed. Anonymization helped in gaining trust and increased my access to the case firms. In addition, I ensured that official and sensitive company documents were kept safely to protect data and avoid leakage of company information.
Chapter 5: Description and Findings from the Main Case Study

5.1 Introduction

This chapter presents the description and findings from the main case study—that is, Bwiza Limited. The case description is developed from the identified activities and actions that were undertaken by Bwiza Limited since its founding in relation to the frequent changes in regulations and policies. Thus, this case description focuses on identifying key activities that were undertaken by Bwiza Limited in response to changes in the regulatory environment to ensure its continued operations.

A structure was developed through which this case firm is presented. This structure is composed of five subsections. Section 5.2 presents the development of the firm with respect to the founder’s motives and goals in starting the firm and his experience and education background prior to founding Bwiza Limited. Section 5.3 presents an overview of the changes in the regulatory environment that affected the activities of Bwiza Limited. Section 5.4 elaborates key activities that were undertaken by Bwiza Limited to navigate the rapid changes in the regulatory environment. These activities are presented in Table 5.3 (and are marked in bold), indicating how they were continually undertaken since the firm was founded. Throughout the case description and the activities undertaken in response to changes in the regulatory environment, quotes are used to highlight and emphasize the findings.

5.2 Development of Bwiza Limited

Bwiza Limited is a privately owned manufacturing firm that was founded in 2009. Thus, in 2016, when I contacted this firm’s management to invite them to participate in this research, it was a new firm, i.e., it had been in existence for seven years, and thus the firm met the criteria for participating in this study. Specifically, its business comprises manufacturing, supplying, and exporting eco-friendly liquid detergents and paper tissues. Bwiza Limited started as a small trading company with approximately ten employees. In the initial stages (start-up stage), that is, within the first four years after its founding, the firm was run in a founder-centric management basis whereby the founder was the CEO and the chairman of the board of directors, which enabled him to make unilateral decisions regarding the management and governance of the firm. Prior to starting
In 2009, when Bwiza Limited was founded, there were tremendous institutional and economic reforms across the economy. For example, in 2009, Rwanda was ranked as the world’s top reformer in business regulations (World Bank, 2010). In 2010, the founder, who had started as a sole owner, sold a third of the company shares to another partner—a senior consultant with expertise in chemical, energy, and industrial engineering who immediately became the deputy CEO of the firm. This decision later had a significant impact on the future activities of the firm, including changing the initial business orientation and diversification into the manufacturing industry. In the same period (2010), the firm received its first external funding from the Rwanda Development Bank (BRD) and started building a paper milling factory and a recycling plant.

In 2013, using both internally generated revenues and a second loan from BRD, the firm bought and installed detergent filling lines and machines. In 2015, Bwiza Limited acquired another loan to purchase and install a bar soap plant. In the same year (2015), the founder relinquished the chairmanship of the board of directors and the firm was restructured. By 2017, Bwiza Limited was the largest manufacturer of paper products in Rwanda with total investment estimated at around 17 billion Rwandan Francs (FRW) with an annual turnover of FRW3 billion, and approximately 50 employees—implying a remarkable performance. Table 5.1 below presents the types and sources of data collected from Bwiza Limited.
<table>
<thead>
<tr>
<th>Type of data</th>
<th>Source of data</th>
<th>Number</th>
<th>Length</th>
<th>Use of data in analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>Founder and CEO</td>
<td>3</td>
<td>90, 100, and 120 minutes</td>
<td>To collect information about the education, experience, and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Board member</td>
<td>1</td>
<td>90 minutes</td>
<td>To gather perspectives on the management of the firm</td>
</tr>
<tr>
<td></td>
<td>Deputy CEO</td>
<td>2</td>
<td>70 and 90 minutes</td>
<td>To collect information on the objectives and activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Head of finance</td>
<td>1</td>
<td>45 minutes</td>
<td>To collect information on the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Head of production</td>
<td>2</td>
<td>45 and 60 minutes</td>
<td>To collect information on the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Head of commercial</td>
<td>1</td>
<td>50 minutes</td>
<td>To collect information on the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Institutional stakeholders (RDB, MINICOM, PSF, and RAM)</td>
<td>4 (1 interview at each)</td>
<td>45 – 120 minutes</td>
<td>To gather perspectives on the changing business regulations and policies from government officials, industry experts, and regulators</td>
</tr>
<tr>
<td>Documentation</td>
<td>Company documents, website and policy documents</td>
<td>5 company documents and 25 reports and policy documents</td>
<td>-</td>
<td>To reconstruct and understand the main activities of the firm and gain more information about the rapid business reforms</td>
</tr>
<tr>
<td>Observations</td>
<td>On-site visits</td>
<td>3 visits</td>
<td>2 hours each</td>
<td>To understand the main activities of the firm and identify people to help in reconstructing the history of Bwiza Limited</td>
</tr>
</tbody>
</table>
5.2.1 Motivations and Goals of the Founder

Despite being a small trading firm, Bwiza Limited was started with an espoused goal of creating impact and contributing to the socioeconomic transformation of the Rwandan economy. The founder and chief executive officer (CEO) expressed his aspiration to create impact in the community through generating employment opportunities, thereby directly participating in the overall economic development of the country. The quote below indicates that although the founder started the firm with intentions of profit making, the key motive was largely to contribute to the economic development and transformation of the economy through creating and generating jobs, especially for the local community.

In a country that is undergoing economic transformation like Rwanda, I found it necessary to put the interests of the public first rather than personal benefits. I find creating impact on a big scale, for example, generating jobs for the community and thus contributing to the overall socioeconomic development of my country, more important and motivating. In fact, it is a double win: It gives a sense of attachment to the local community and at the same time you achieve the ensuing goal of making money.

Founder and CEO

In addition, the founder stressed the need to keep a sense of attachment to his community. He indicated that even though there were several other designated places for industrial development such as the Special Economic Zone in Kigali (KSEZ)—the capital city, which had more facilities and business opportunities—the founder decided to locate the firm outside of Kigali and opted for an industrial park in a region where he comes from. He argued that this would enable him to keep in touch with his local community and extended family as indicated in the quote below.

I come from this place, so I felt that by locating this company here, I would be able to keep and maintain attachment to my hometown and community. Since then, I have been able to get time to interact with the local people, some of whom are my relatives. We have given jobs to many impoverished people in this area. In fact, the company is helping the government to reduce the poverty levels in this district. For example, the number of people under the social protection program has dropped since the company was founded and started operating from this place.

Founder and CEO

Further, the founder pointed to his motivation and vision of building a well-established firm in the industrial sector in Rwanda. Documentation provided by the firm indicated that since the firm was founded, it had been able to sustain its activities and operations. The founder further reiterated that he wanted the firm to
Description and Findings from the Main Case Study

become an eco-friendly manufacturing company aimed at sustaining the environment. One of the respondents stressed that the firm’s current growth and expansion trend reflected the founder’s ambitions to sustain the environment and create impact in his community. The adoption of biodegradable products and an eco-friendly approach to business and inclusion of this perspective in the firm’s activities and operations signified the owner’s motive to protect and sustain the environment. The deputy CEO and partner stated:

*At Bwiza Limited, we are not gratified by the profits we make, we are basically satisfied by the visible impact that the company is creating in the community and the economy in general..., we are the only eco-friendly manufacturing firm in Rwanda and our vision points to becoming the industry leader in terms of environmental sustainability whereby sustainability will be inbult so that it becomes part and parcel of every activity at our company and waste products and residues will be fully reprocessed, reused, and recycled again.*

Deputy CEO

The quote above highlights the firm’s motivations and aspirations to sustain the environment while actively contributing to improving the well-being of the local community and growth of the economy. Sustaining the environment through engaging in activities that are perceived to be eco-friendly was a strong point as per the deputy CEO’s understanding and description of the firm’s motives. As echoed by other respondents, regardless of the costs involved in acquiring state-of-the-art machines and hiring experts and professionals in environmental sustainability, the founder mainly espoused sustaining the environment and enhancing the well-being of the local community rather than making profits.

However, another respondent contended that these kinds of goals—environmental sustainability and creating impact in the community—were only fronted goals, yet there were other motives pursued. Even maintaining the balance between the two goals, i.e., ensuring environmental sustainability and revenue generation, was untenable for a young company like Bwiza Limited. He [respondent] echoed that what the founder espoused was different from what was exhibited at the firm and stressed that the firm was entirely profit oriented.

*I think promoting environmental sustainability was just a coincidence. It is mandatory to protect and sustain the environment as a manufacturing firm. In fact, we have not yet achieved what the founder promotes. We are always asked to find ways to break even or keep the margins high. The benchmark for performance has been set as the increase in revenues generated per year rather than the number of jobs created or awards received for sustaining the environment. In fact, the information out there is different from what is done here.*

Manager 1
The above quote signifies the founder’s motivations of establishing a profit-oriented company under the guise of sustaining the environment, creating impact in the community, and contributing to economic development. This indicates that the firm’s espoused goals were different from the goals pursued by the firm. Nevertheless, other respondents defended the founder’s promoted goals and alluded to the espoused and proactive actions of the firm by arguing that it was the best alternative to remain in business despite the uncertain environment. Here, the respondent commented:

*The government and the local authority are promoting entrepreneurs to start companies that can generate more employment opportunities and uplift the well-being of the people, but then on our [Bwiza Limited] side, to create those job opportunities, the company must be able to reach break-even point and at least reimburse the loans.*

Manager 1

Another manager remarked:

*I think that the [founder] is right; in such an uncertain business environment, he must make sure that the company portrays a good image to the public and the local authorities. What is important, but challenging, is to maintain a balance between the goals that the firm espouses and the real goals of the owners. ...creating jobs and sustaining the environment must be aligned with making best use of the owners’ wealth—maximizing profits, otherwise, the firm risks failing. It is simple—if your performance is bad, you will not be able to operate and create more jobs.*

Manager 2

As the respondent specified in the quote above, even though the founder proudly claimed that his motives and goals to start the firm were to create impact in his community and thus contribute to the development and transformation of the economy, the real goal of the firm was first and foremost to maximize profits. Another respondent said:

*The essence is to create a balance between the exhibited goals and the espoused goals of the firm, but the question remains: How is that balance achieved? Well, this company is business oriented, and it requires revenues to operate and sustain its activities. So, if we cannot sustain our internal operations, the company risks failing and thus not being able to achieve the espoused goals—creating job opportunities and sustaining the environment.*

Deputy CEO

Other respondents noted that for the firm to keep operating and undertaking its activities, it must look for other business opportunities—for example, finding other sources of funding and creating business relationships, as well as complying
with the local authorities. The respondent indicated that this would partly help in funding the expansion agenda of the firm and thus enable the creation of more jobs. Here, the deputy CEO stated:

*The owners’ goals and those of the firm could be achieved, but what matters for this company to keep in business is to sustain its operations; the threshold is that the firm must reach the break-even point—make profits. The founder’s goals can then be achieved if we are profitable, expand, and are able to employ many more people. In fact, the finance, production, and commercial departments must take a lead in sourcing funds, increasing efficiency levels, and justifying this agenda to our clientele.*

*Manager 3*

The quote above highlights the contradiction between the firm’s goals. The respondent indicated that if the company could break even, then the espoused goals—generating employment opportunities and sustaining the environment—would be achieved. Therefore, for the company to be profitable, it should first undertake activities aimed at accessing and sourcing funds, realigning and reorganizing its production processes, and strengthening its commercial department, especially the sales team, and later engage in expansion programs, which together would enable the firm to generate more jobs. Thus, on the one hand, to generate more jobs and sustain the environment, the firm should at least be able to access and acquire funds to finance the expansion—a diversification program and reorganization of the production processes. On the other hand, to obtain funds to finance its expansion program and internal reorganization, the firm must live up to its espoused goals—sustaining the environment and generating jobs.

In addition, one respondent indicated that even though there are other sources of funds that do not necessarily require the firm to justify its intended goals, the firm should espouse appealing and interesting goals to gain trust and recognition from the public and other institutional actors. Other respondents indicated that the founder’s espoused and enacted goals were intertwined and thus all the departments must work interdependently.

*The credibility of this company derives from the goals of the founder as well as the fact that the firm and everyone here work relentlessly to achieve those goals. The contribution of each department is looked at in the perspective of a value chain: The departments are integrated and operate synergistically. The company intends to become an established and leading firm in the industrial sector in Rwanda.*

*General Manager*

Therefore, even though there seems to be a contradiction between the espoused and the enacted goals of the firm, the overall goals of the firm can still be achieved. The essence is to promote goals that are attractive and appealing to different
stakeholders, including the public, government, and other stakeholders, so as to gain their recognition. As indicated by the respondents, for the firm to remain in business, the owner and CEO had to find a way of promoting goals that were attractive and beneficial to the local community, while at the same time pursuing individual-specific goals such as making profits.

5.2.2 Founder’s Experience and Education Background

Here, emphasis is placed on the founder of Bwiza Limited. It was noted that prior to founding Bwiza Limited, the founder owned a firm that dealt in cleaning services. He [founder] further revealed that in 2008 he recognized opportunities in the detergents industry and developed interest in the business. He said that he started on a small scale by mixing various detergents from his garage at home and selling them to his friends and some of the clients he retained from his previous company. Later, after realizing that interest in detergents was picking up, he sold off the company he previously owned—Company X2 (not the real name)—to start Bwiza Limited. In 2009, he founded Bwiza Limited, which started as a small trading firm mainly dealing in imported detergents and cosmetics. The founder mentioned that he mostly referred to his previous business associates and capitalized on the advice from his acquaintances, especially government officials and professionals, to acquire funds and obtain markets. This would later become a defining moment for the subsequent growth of the firm, and it would be considered one of Rwanda’s well-performing manufacturing firms.

Prior to starting this firm, I owned another company [Company X], which dealt in cleaning services. At Company X, I gained a lot of experience in cleaning services, and I gained several business associates and clients. Around 2008, I started developing an interest in making detergents myself, and after that I started thinking of how I could start a locally blended company, especially in the cleaning services industry. Later, as I attended sector-specific workshops and seminars, I interacted with different professionals and experts from whom I gained more ideas. In fact, attending these workshops helped me a lot in fine-tuning my business idea. I mostly referred to the advice and insights gained from experts and professionals I met in different seminars.

Founder and CEO

In the quote above, the founder reiterated that despite his prior experience, he mainly relied on the advice and information from his business associates and contacts, especially in government, to run his previous business. He noted that as soon as he started developing interest in the detergents business, the first step was to seek information and advice from his friends, government officials, and associates about his new business idea. He further noted that through his previous

2 Company X refers to the firm the founder sold to start Bwiza Limited.
company he had gained experience in searching for information about business ideas. Thus, the founder’s previous experience was a key factor in the process of founding Bwiza Limited.

Later, as the founder was in the process of refining his business idea and plans for starting Bwiza Limited, in 2009, the government was initiating its industrial policy aimed at increasing production and promoting the consumption of locally made products. This policy was intended to achieve an economically competitive industrial sector through promoting private-sector-driven economic growth. The founder indicated that it was the right timing for him since the firm was founded at the same time as the government was promoting and raising awareness of industrialization. Here, the founder commented:

*I think there was some luck at play and the right timing. Around 2009, the government was grappling with economic development and competitiveness-related challenges. For example, the government had embarked on promoting the industrial sector and there were increased country-wide sensitization campaigns to build awareness regarding consumption of locally produced goods. As a result, several incentives were offered, and we were among the beneficiaries.*

*Founder and CEO*

Prior to starting Bwiza Limited, the founder had a high school education and experience in starting up ventures and he had served in various positions and played different roles at various companies. For example, up to 2000, he [founder] was working with Company Y3, a wholesale trading company, and later in 2001, he started Company X where he was the managing director. In 2005, he sold some of the shares in Company X and bought shares in another firm—Company Z Limited4. In the same year (2005), he became the director of Company Z Limited, which was a one-stop center dealing in furniture and decoration services. The founder indicated that this immense experience enabled him to amass business acquaintances and gain expertise in starting and managing start-up companies. This is corroborated by the founder, who stated:

*With the experience and knowledge that I gained in the previous companies I worked for and even my own companies, I had started developing ideas for establishing something big. The idea to start this company (Bwiza Limited 1) came while I was mixing detergents used in the cleaning services provided by Company X, and then I developed the idea that I could make those products myself instead of importing them. Later, as interest in the products kept on increasing, I started realizing the potential of the business. Immediately, I sold off my shares in Company X and Company Y and started this firm. I first relied on my previous clients and business*

---

3 Company Y refers to the company the founder was working with before starting Company X.

4 Company Z Limited is the firm that the founder of Case 1 co-owned before starting Case 1.
associates to get markets for the products and services provided by this company.

Founder and CEO

Furthermore, prior to founding Bwiza Limited, the founder had enrolled for a diploma in office management and administration. In 2015, he enrolled for a professional course in business management for executives, and later in 2016, he registered for an MBA program.

Regardless of the vast experience in management of companies, I started this company with less formal education related to management and business development. Now I have an MBA with the competencies required to manage a large and diversified firm. Now, I am a proud alumnus of a prominent business school. I think the essence is that you must keep trying and doing the best you can to achieve your goals and ambitions. I think it is not because of the education but the enthusiasm and passion for creating a difference in my community that we (Bwiza Limited) have been able to push this business basically from scratch to a $30 million company with a range of around 40 products and employing more than 50 full-time employees. I have received awards and accolades, and today, I am among the influential people in the manufacturing industry; I sit on the PSF board, a very significant body that advocates the development of the private sector in Rwanda.

Founder and CEO

As indicated in the quote above, the founder relied more on his experience and business associates than his previous education to establish Bwiza Limited. Soon after incorporating Bwiza Limited, he was elected vice-chairperson of the Private Sector Federation, in charge of the Chamber of Industry. He indicated that as the vice-chairperson, he represented the chamber’s business interests, acted as the voice, and advocated the sector for both local and national emerging issues. In addition, he supervised the activities and services offered by the chamber to its members, such as the provision of business advice, advocacy and networking, and training and capacity building.

Briefly, examining the founder’s motivations and goals prior to founding Bwiza Limited and his experience and education background prior to founding the firm is one perspective for understanding the background and context of the phenomenon under investigation—that is, the activities undertaken by Bwiza Limited in response to changes in the regulatory environment to ensure its continued operations. The following section presents an overview of the changes in the regulatory environment that affected the activities of Bwiza Limited after it was founded in 2009.
5.3 Changes in Regulations that Affected Bwiza Limited

The first key change in the regulatory environment that affected Bwiza Limited was the merging of seven government agencies, which resulted in the establishment of RDB. The establishment of RDB resulted in the creation of a “one-stop center” where multiple services that were previously provided by the merged government agencies were now offered under one roof. However, in the initial stages, RDB was affected by coordination challenges whereby the merged agencies had not effectively integrated into one inter-agency group. This implied uncoordinated efforts in attracting investors, and subsequently RDB was restructured in 2010 to make it more effective and efficient.

In 2009, seven changes in regulations were adopted that affected almost all development stages of a business. These reforms included changes in regulations concerning starting a business, registering property, obtaining credit, protecting minority investors, trading across borders, resolving insolvency, and labor market regulations. In the same period, the government introduced an environment protection policy banning the manufacturing, importation, use, and sale of polythene bags. Respondents noted that those changes greatly affected the activities of the firm during that period.

In 2011, four reforms were adopted, namely: the introduction of mandatory checks for capital gains tax, which made the registration and transfer of property costly; changes in the procedures for acquiring credit; changes in the environmental protection policy; and the introduction of a policy establishing industrial zones in each district. The year 2012 was characterized by changes in regulations concerning obtaining an electricity connection and enforcing contracts. In the same year (2012), the environment protection policy was revised, and the industrial promotion initiative was adopted. In 2013, eight changes were made in regulations concerning starting a business, obtaining construction permits, registering property, obtaining credit, protecting minority investors, paying taxes, trading across borders, and resolving insolvency. Respondents indicated that the most significant reforms in relation to the firm’s activities included changes in regulations concerning obtaining construction permits, obtaining credit, paying taxes, and changes in the land policy with a new master plan that affected the activities of the firm.

In 2014, the environment protection policy was revised, which respondents indicated affected the activities of Bwiza Limited. Moreover, respondents reiterated that five out of the seven regulatory reforms adopted in 2015 were considered to have affected the activities of Bwiza Limited, and these included changes in regulations related to obtaining construction permits, obtaining credit, protecting minority investors, paying taxes, and trading across borders. Respondents further stated that for the reforms that were introduced in 2016, two regulatory reforms (obtaining construction permits and paying taxes) had significant consequences for the activities of the firm. In 2017, five regulatory
reforms were adopted, namely changes in regulations concerning obtaining construction permits, registering property, protecting minority investors, paying taxes, and enforcing contracts. Respondents stated that among these reforms, three changes had a considerable effect on Bwiza Limited. For the seven regulatory reforms that were introduced in 2018, respondents indicated that three reforms (registering property, obtaining credit, and trading across borders) had significant consequences for the activities of the firm. 

Briefly, since the founding of Bwiza Limited in 2009, a total of 53 changes in regulations and ten policy reforms had been adopted. These changes had significant consequences for the firm’s activities and outcomes. Policy reforms largely concerned persistent changes in environment protection policy, introduction of the industrial policy, and the made-in-Rwanda policy. Even though these rapid changes created opportunities, they resulted in uncertainties and discontinuities in the business environment, which increased both operational and transactional costs for Bwiza Limited. Table 5.2 below presents the changes in the regulatory environment that affected Bwiza Limited.
Table 5.2: Summary of the Changes in Regulations and Policies (2009–2017)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes in Regulations and Policies</strong></td>
<td>- Changes introduced in the requirements for starting a business by requiring firms to publish online company information.</td>
<td>- Changes in acquiring construction permits by introducing new building regulations.</td>
<td>- Changes in the procedures for obtaining credit, which required borrowers to report to the central bank’s credit registry.</td>
<td>- Introduction of mandatory checks for capital gains tax, which made registration and transfer of property costly.</td>
<td>- Changes in the procedures for acquiring credit by requiring firms to register with the credit bureau.</td>
<td>- Changes introduced in the procedures for obtaining electricity connection.</td>
<td>- Procedures in enforcing contracts changed by introducing an electronic filing system.</td>
<td>- Adoption of the web-based land administration information system for handling land issues.</td>
<td>- Adoption of changes in procedures for obtaining credit by requiring firms to file greater environmental concerns.</td>
</tr>
</tbody>
</table>

- Introduction of a law requiring greater corporate disclosure.
- Enforcement of environmental regulations.
- Changes introduced in the requirements for starting a business by requiring firms to publish online company information.
- Changes in acquiring construction permits by introducing new building regulations.
- Changes in the procedures for obtaining credit, which required borrowers to report to the central bank’s credit registry.
- Introduction of mandatory checks for capital gains tax, which made registration and transfer of property costly.
- Changes in the procedures for acquiring credit by requiring firms to register with the credit bureau.
- Changes introduced in the procedures for obtaining electricity connection.
- Procedures in enforcing contracts changed by introducing an electronic filing system.
- Adoption of the web-based land administration information system for handling land issues.
- Adoption of changes in procedures for obtaining credit by requiring firms to file greater environmental concerns.
- Increased quality controls and risk assessment inspections.
<table>
<thead>
<tr>
<th>Protection laws banning the manufacture, importation, use, and sale of polythene bags.</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Increased enforcement of the environmental protection laws.</td>
</tr>
<tr>
<td>- Introduction of a policy establishing industrial zones in each district.</td>
</tr>
<tr>
<td>- Introduction of the made-in-Rwanda initiative to promote competitiveness of locally made products.</td>
</tr>
<tr>
<td>- Changes introduced in the law concerning the use of polythene and plastic packages.</td>
</tr>
<tr>
<td>- Introduction of a new law giving creditors and plaintiffs more protection.</td>
</tr>
<tr>
<td>- Changes in the law making decision-making complicated.</td>
</tr>
<tr>
<td>- Changes in the online system of declaring and paying taxes.</td>
</tr>
<tr>
<td>- Process of revising the industrial policy initiated.</td>
</tr>
<tr>
<td>- Introduction of the made-in-Rwanda initiative to promote competitiveness of locally made products.</td>
</tr>
<tr>
<td>- Changes introduced in the law concerning the use of polythene and plastic packages.</td>
</tr>
<tr>
<td>- Introduction of a new law giving creditors and plaintiffs more protection.</td>
</tr>
<tr>
<td>- Changes in the law making decision-making complicated.</td>
</tr>
<tr>
<td>- Changes in the online system of declaring and paying taxes.</td>
</tr>
<tr>
<td>- Process of revising the industrial policy initiated.</td>
</tr>
</tbody>
</table>
5.4 Navigating the Regulatory Environment at Bwiza Limited

This section presents the actions that were undertaken by Bwiza Limited to navigate the regulatory environment of a developing economy in its formative stage. To highlight how these activities were connected to the various regulatory and policy changes, they are discussed in relation to the corresponding changes in regulations and policies. Although these actions seem to have been undertaken in a linear and chronological sequence, they were undertaken concurrently and unfolded in different patterns. By the time of this study, Bwiza Limited had diversified and developed into a reputable manufacturing firm. This growth was characterized by various activities and actions undertaken to navigate the regulatory environment. The identified actions provide a framework for understanding how the firm navigated the regulatory environment. These activities are elaborated in the following subsections.

5.4.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

In 2010, the firm received funding from the Rwanda Development Bank. Here, the respondents alluded to the fact that despite the initial capital from the founder’s savings and proceeds from the sale of Company X, the firm required more funds to sustain its activities. As indicated by the respondents, the acquisition of funding from BRD was a crucial milestone for the firm that influenced the firm’s subsequent activities. It was reported that the process of acquiring funds took less than a month for the firm to obtain the funds as opposed to the normal procedure, which ranged between three and six months for the bank to analyze and evaluate projects or business plans. The founder reiterated that he relied on two main ways to acquire funding for the firm. First, he relied on his associates and connections at the bank, who helped him to secure the funds in a short period of time. Second, he [founder] used his savings, which became a negotiation tool for acquiring the funding from the bank. As indicated by the respondents, the founder’s reliance on his personal contacts and business associates enabled Bwiza Limited to easily go through the bank’s strict and bureaucratic procedures to obtain the initial funding, which later became a determining factor in the subsequent activities and operations of the firm.

After securing the funding, the firm embarked on procuring equipment and machines to set up a small-scale detergents factory. Using the same bank loan and based on advice from his partner, the firm acquired a recycling plant to recycle waste and residues from the detergents factory. Respondents noted that the acquisition of the recycling plant was a requirement of the Rwanda Environment Management Authority (REMA) since the detergents used by the firm could be a
threat to the environment and dangerous to the community. Respondents further noted that even though the eco-friendliness aspect of Bwiza Limited of using biodegradable raw materials enabled it to increase efficiency through cutting production costs, it was nevertheless meant to comply with the environmental regulatory requirements of the Rwanda Environment Management Authority—a government agency responsible for the implementation of policies related to the protection and sustainability of the environment and integration of those policies in national development programs. This observation was quite contrary to the espoused goals of the founder and the firm—protecting and sustaining the environment. Later, in 2010, a paper milling factory and pulp plant were built that processed jumbo rolls into toilet paper and tissues of different types and first-class paper, respectively.

Acquiring a recycling plant and other laboratory equipment enabled the firm to reduce excess material in the production process and allowed for the reuse of scrap and waste. The founder and CEO reiterated that acquiring the recycling plant was a turning point in terms of achieving efficiency as well as their goal of becoming an environmentally friendly company. This is corroborated by the quote below:

*The facilitation and advice from our associates have been paramount. Since the acquisition of the recycling plant, things have changed here. It has been a decisive moment in terms of achieving efficiency as well as remaining an environmentally friendly entity. Sustainability is now part and parcel of our processes—product design and development, ...we use our laboratory to test our products before they are distributed out.*

*Manager 2*

As a result of enhanced efficiency in production processes, production volumes increased, and the ensuing challenge was to effectively manage the production processes and to source and acquire markets for the products. During this period, the firm was still small, and the founder and CEO undertook a variety of activities himself, including finding markets (salesman) and collecting revenues from clients. He indicated that the volume of work was overwhelming, and consequently he was compelled to hire a sales team so that he could concentrate on supervisory roles and sourcing markets for the increased volumes produced. He [founder and CEO] specified that although he relied on his personal contacts from previous employment and businesses, he actively and continuously established new business relationships, most of which were government tenders negotiated at high-level political forums and trade fairs, especially the annual Rwanda International Trade Fair and the Made-in-Rwanda Expo—specifically designed to support local producers.

By 2014, Bwiza Limited had begun exporting its products to new markets, particularly to neighboring countries such as Uganda, the Democratic Republic of Congo (DRC), and Burundi. However, it was noted that these markets did not translate into increased revenues; rather, the firm was relying strongly on the local market and exported in order to conform to the government requirements. In the
same year (2014), using his contacts, the firm acquired more funding from BRD and procured and installed detergent filling machines. In addition, the firm used the same funding to acquire small machines to process different sorts of tissues. At this point, the firm’s initial business idea had already changed to a full-fledged manufacturing firm. Using the same contacts, in 2015, the firm acquired more funding from the Rwanda Development Bank to purchase the bar soap plant.

The acquisition and installation of different factories such as a paper mill, detergent filling plant, bar soap plant, and tissue converter had two implications: first, expansion of the firm through increasing the number of products and volumes produced; and second, increased public recognition and approval of the firm by the regulatory agencies and other stakeholders. Although this unprecedented growth and expansion of the firm alludes to the founder’s goal of becoming a large and established company in the manufacturing industry in Rwanda, respondents stated that setting up factories was not an end to it. To sustain its activities, Bwiza Limited had to reimburse the loans as well as endure the increasing wage bill by increasing its turnover. One of the managers said:

*After setting up the processing plants, production volumes increased, and the subsequent challenge was finding and acquiring big and durable markets for those products. The CEO took up the task of finding the markets. We do not know how he [CEO] does it, but he mostly relies on his personal connections, especially in government. As a result, the company has been able to win big and profitable tenders to supply detergents and paper tissues. I think his affiliation and involvement in local politics and his position in PSF have also been crucial in accessing market information. The made-in-Rwanda initiative is another important factor that he has relied on to get markets for the firm’s products.*

*Manager 2*

Respondents indicated that with the increase in the number of product lines and quantities produced, Bwiza Limited had to embark on a move to boost sales. As a result, in 2014, the firm invested heavily in sales promotions and reputation building through a series of public sensitization campaigns aimed at gaining customers’ confidence and loyalty. Here, the firm recruited an expert in marketing and sales especially for the fast-moving consumer goods (FMCGs). The new head of the commercial department then embarked on developing a comprehensive and well-thought-out focus on the various products of the firm. However, some respondents indicated that despite the recruitment of an expert in marketing and sales, most of the tenders and big clients were particularly identified and negotiated by the founder and CEO. One of the managers commented:

*Well, here things are done differently. Despite having an organizational structure with specified duties and responsibilities for each department and staff, mostly the CEO and his deputy do the job for most of the departments, especially the finance and commercial department. For example, most of the deals (e.g., searching for clients) are identified and negotiated by the*
owners (founder and CEO and deputy CEO). Funds are usually sourced by the CEO and even the collection of receivables from some of the big clients is solely done by the owners. In my view, the hierarchical structure of the firm is basically for fulfilling regulatory requirements and for self-promotion and status—that the company is professional and developing.

Manager 4

The quote above shows how the founder built and leveraged his connections to acquire markets and tenders for the firm. It also indicates how the owners (CEO and deputy CEO) of Bwiza Limited ceremonially adopted a formal organizational structure with specified duties and responsibilities for each position or staff member to fulfill stakeholders’ requirements, which subsequently helped the firm to gain credibility. It was observed that the founder prevailed over the newly recruited expert in marketing and opted to use his informal networks and contacts to obtain contracts with key institutional stakeholders such as government officials and other public organizations.

This hierarchical structure is not entirely followed when it comes to implementing some tasks. I think the organizational structure is purposively used for conforming to the requirements of some stakeholders, especially banks, such as BRD, which is the main source of funding for the projects of the firm. The owners of the firm prevail over all the departments since most of the information regarding the activities and projects in departments is solely held by the owners.

Manager 4

In 2015, the firm officially became a member of an influential body—the Rwanda Association of Manufacturers (RAM). This body is responsible for enhancing business opportunities and the environment for Rwandan manufacturers. It also ensures that its members exploit and take advantage of business opportunities locally, regionally, and internationally and plays a key role in advocating and lobbying for its members in all spheres of influence. It gathers information on key issues affecting its members and ensures that such issues are raised through either formal or informal channels with various stakeholders and partners and at different levels. In the same period (2015), the founder was elected the vice-chairperson of the Private Sector Federation (PSF), another professional body dedicated to promoting and presenting the interests of the business community in general. It was indicated that the founder of Bwiza Limited pushed for the establishment of Business Development Services (BDS), a center that provides a broad range of services comprised of policy responsiveness and consultancy, and other services related to market access, input supply, technology and product development, training and technical assistance, access to finance, basic accounting, tax filing and clearance, and advocacy to all forms of business in every district in the country. Furthermore, respondents revealed that affiliation to professional organizations played a big role in building the firm’s legitimacy and accessing foreign markets.
Description and Findings from the Main Case Study

Given the pace and magnitude of the changes in the business regulatory environment that usually affect the activities and operations of companies, as businessmen, we must always find ways to mitigate such challenges. As such, we have always capitalized on advice and support from various advocacy bodies and forums whereby we have been able to identify and acquire markets for our products, lobby the government for flexibility in implementing some changes, incentives such as the tax clearance certificate, and subsidies in the form of grants or interest-free loans to implement some changes.

Founder and CEO

During the same period, the firm was having issues with filing and declaring taxes. This was because tax regulations had been changed and firms were required to file and declare taxes electronically using designated machines and systems. This prompted the firm to seek technical assistance from the Private Sector Federation and particularly BDS whereby staff in the finance section were trained in tax filing and declaration.

At some point, we were warned by the tax authority as regards late filing and declaration of taxes. This was a bad precedent because we risked not being offered the Quitus Fiscal or even being fined heavy penalties, which would affect our operations and continuity. The facilitation provided by BDS enabled the company to comply with the requirements of the tax body.

Manager 1

However, in 2017, issues started emerging as the firm was failing to service the loans. It was later found out that the firm had obtained funding without following due procedure. It was further noted that despite the failure by Bwiza Limited to repay earlier loans, the founder, through his associates—particularly the CEO of BRD—was able to prevail over the bank’s loan committee and single-handedly approved the loan to Bwiza Limited in 2017. Later, the firm was closed pending auction and some of the founder’s associates were arrested and charged with embezzlement, favoritism, and other corruption-related charges such as bribery and soliciting of illegal benefits to offer service.

5.4.2 Fostering Key Government Concerns and Interests

Documentation provided by MINICOM indicated that in 2012, the government introduced a policy promoting the industrial sector. This policy entailed the establishment of industrial parks in districts to facilitate economic transformation of rural areas and avoid congestion in the capital, Kigali. Respondents indicated that the founder decided to locate the firm outside of Kigali to benefit from government support. It was noted that soon after its founding, the firm received substantial subsidies and funding from the government. The firm exploited the incentives offered by the government, for example, subsidized funding (FRW300
Jönköping International Business School

million) to extend water to the factory. Respondents indicated that the fund was an interest-free loan, and its refund modalities were quite flexible. In 2014, the firm received more incentives, including reduced electricity rates, exemption of value added tax on imported raw materials, and flexibility in paying the withholding tax on imports. Respondents further noted that the founder capitalized on the government policy to promote the industrial sector and the business regulatory reforms to request subsidies and facilitation to seize opportunities and handle the constraints arising therefrom.

Furthermore, in the same period, the firm received another important incentive/reprieve from the government authorizing the use of polythene bags for packaging its products. This was contrary to the law introduced in 2008 banning the manufacturing, importation, use, and sale of polythene bags. However, the reprieve did not last long, as just a few months after the incentive, the Ministry of Natural Resources (MINIRENA), together with the Rwanda Environment Management Authority (REMA), introduced more stringent procedures to acquire permission to use polythene bags. According to the respondents, these strict requirements increased both the operating and transactional costs of the firm since it [Bwiza Limited] resorted to using locally manufactured packaging materials, which were costly and perceived to be of low quality. Here the founder said:

*I personally requested and negotiated with the government for flexibility in implementing the ban on polythene, which was a substantial incentive. However, as part of the ongoing business reforms, more stringent procedures were introduced, making the use of polythene bags more burdensome. As a result, we ended up buying our packaging materials from local suppliers and manufacturers whose products are not only expensive but also of low quality, and this greatly affects our sales. We are forced to increase the price of our products, which in turn negatively affects our margins.*

Founder and CEO

The quote above points to how the changes in the regulatory environment affected the activities of the firm and how the firm responded to those changes. As revealed by the respondents, through several forums and platforms, especially at the industry level, the management of Bwiza Limited resorted to seeking incentives and subsidies, especially from the government. As expressed by respondents, despite the challenges arising from the changes in regulations that affected the firm’s activities, the owners’ ability to actively find opportunities from the frequently changing policies and regulations and from lobbying the government for support and incentives were substantial in sustaining the activities of the firm. One interviewee remarked:

*Despite the magnitude and frequency of the changes in regulations and other business reforms since the firm was founded, which resulted in both opportunities and constraints, the owners of the firm have to some extent been able to handle such challenges. They have always been able to*
Description and Findings from the Main Case Study

identify opportunities from those reforms. Even though these changes are sometimes costly, the company has not been weakened by the cross-cutting reforms across the industry and the economy, which in most cases have left many start-ups closed.

Manager 3

In a bid to increase the competitiveness of local industries, the government started the Made-in-Rwanda initiative in 2012. This initiative was adopted as a cross-cutting strategy that incorporated activities from a range of public and private stakeholders, all of which needed to be realigned within a coordinated framework. In particular, it was aimed at boosting the competitiveness of locally produced goods in terms of price and quality through mass campaigns and sensitization programs to raise awareness of locally made products. Through these awareness-raising campaigns and trade exhibitions, Bwiza Limited was partly able to secure markets for its products, although more efforts were put into sourcing big government contracts.

The local market is slowly developing, thanks to the Made-in Rwanda initiative, which is steered by the private sector, the Ministry of Trade and Industry, and other stakeholders, aimed at improving the competitiveness of locally produced goods and stimulating their demand both at home and abroad. Local consumption of products has been increasing over time, and sales from exports are promising. Competing with more established and highly capitalized firms locally is no longer a challenge.

Manager 3

Some respondents said that the Made-in-Rwanda initiative was an invention of the private sector to seek support in the form of incentives from the government to recapture the local market. It was revealed that the initiative was adopted after a series of lobbying and engagements with the government to intervene and mitigate the supply-side bottlenecks such as boosting competitiveness and developing domestic supply chains. Respondents further indicated that the founder took advantage of his position at PSF to exploit the various support and incentive packages extended to manufacturing firms by the government, which subsequently enabled the firm to handle the challenges and exploit opportunities arising from the frequent regulatory reforms.

Briefly, the activities presented above highlight the various actions that were undertaken by Bwiza Limited to navigate the regulatory environment. To achieve the objective of the industrial policy, the government, through its various agencies, decided to induce firms to invest in the manufacturing industry and in turn committed to extending various support and incentive packages to firms in the industrial sector. Thus, to benefit from those opportunities and to handle the challenges arising from the frequent regulatory reforms, the firm opted to capitalize on those support and incentive packages, including grace periods, flexible schedules to implement the reforms, tax exemptions, and subsidized funding to sustain its activities.
5.4.3 Change of the Initial Business Orientation

In 2014, the firm changed its initial business orientation from a trading company to a manufacturing firm. The firm started manufacturing the products it previously traded in and expanded by introducing more product lines to its initial business idea. Respondents said that due to the constraints and uncertainty arising from the frequent changes in the regulatory institutional environment that affected the firm’s activities, the owners were unable to envision the continuity of the firm in the initial business domain—trading. Thus, they capitalized on the government’s focus on promoting the industrial sector and changed their initial idea to start a manufacturing firm—Bwiza Limited. One respondent said:

After realizing we [Bwiza Limited] could be affected more by the business reforms—changes in regulations—we [owners] decided to change our initial business idea. This reorientation changed our perception of what we could offer to the market using our recently acquired machines and resources. When we changed the original business plan and internally diversified, leading to an increase in what we offered to the market, the revenues of the firm more than doubled. As a result, the company is now more attractive to investors, especially banks.

Deputy CEO

The change of the initial business idea was characterized by changing the initial orientation of the firm. The founder and CEO reiterated that this diversification was partly driven by his initial goal of creating impact in the community and contributing to the country’s economic development through generating employment opportunities. Respondents further indicated that during this period the government was trying to persuade manufacturers with attractive incentives and subsidies. The change of the initial business idea later resulted in subsequent expansion and diversification of the firm’s portfolio. Here, one of the respondents remarked:

Given the uncertainties and constraints we were dealing with and our strong focus on creating impact while growing our business, we had to take some fundamental decisions to remain in business. We were being outpaced and running out of control of the circumstances at hand, so we had to adjust our initial business idea to remain relevant and stay in business. I think if we had not taken the initiative and acted fast, we were risking being overtaken by the changes and perhaps closing the company. There could have been other alternatives or business ideas, but we had to act fast. At first, changing our initial business ideas was like a gamble and being overambitious, but it is paying off now.

Deputy CEO

In the statement above, the respondent stressed that the owners changed their initial business idea to realign the direction of the firm with the changing business
Description and Findings from the Main Case Study

environment. This action illustrates how the owners of Bwiza Limited avoided the challenges in their initial business, i.e., trading, and invested in manufacturing, which had various incentives and support packages. An official from the Rwanda Association of Manufacturers stated:

*The government has made relentless efforts to improve the business environment by initiating, streamlining, and implementing several business reforms. Actually, Rwanda is now among the best places to do business in Africa. However, despite the attempts to realign the business environment, it is increasingly becoming burdensome and costly to do business, especially for new ventures, which form the majority of enterprises in the manufacturing sector. Things [regulations] have been changing and we are still seeing them change now and then; for example, regulations related to paying taxes, obtaining licenses, and authorizations have been changing from year to year. It is becoming increasingly problematic for firms to know which regulations to conform to due to the high rate of changes. As a result, some firms are changing their initial business plans and orientation to avoid the challenges posed by the frequent changes.*

*Official 1*

To spread and reduce the firm’s risk, more product lines were introduced, and experts and professionals were hired in relation to the firm’s expanded portfolio—increased product lines and to operate the newly assembled plants and machines. The founder and CEO said:

*With the frequent changes in business regulations that generally affected our activities, we had to find a way to spread and reduce the risk. We internally diversified the operations and activities of the firm by introducing more products on the market. Today, we have a range of about 40 products that we offer to the market.*

*Founder and CEO*

Respondents further indicated that the changes in the business regulations, for example, changes in regulations related to getting construction permits, and changes in tax regulations constrained the activities of the firm. Moreover, these business reforms were followed by more constraining processes in obtaining construction permits due to the stringent quality controls and risk-based inspections introduced and the introduction of a mandatory online system for filing and paying taxes, which was costly for the firm since it implied acquiring electronic billing machines (EBMs) and training staff in how to use those machines. The introduction of a mandatory filing and paying of social security contributions monthly from a quarterly filing led to additional costs for the firm through acquiring more loans to increase its working capital and the hiring of more staff. However, respondents indicated that despite the constraints posed by the business regulatory reforms, the firm was resilient and able to handle the
changes. By 2017, the firm had a wide range of products offered on the market, which enabled the firm to seize a noticeable share of the local market and increase its presence in the region.

5.4.4 Continuous Reorganization of the Organizational Structures

In 2015, the firm was internally restructured to enable it to align its resources and capabilities with the newly adopted business domain and the changes in regulations and policies. This involved a series of changes in the management team and the board of directors. One respondent noted:

*As the firm expanded its portfolio, managing a big array of products and resources became another challenge. As management, we are required to learn almost daily to adjust to both internal and external changes; we had to continuously align the management and organization structure with the reforms. The general manager position was created, and since he was brought on board, he has helped in monitoring activities daily.*

Deputy CEO

In addition, more professionals and experts were hired in different departments. For example, the firm hired the head of the human resources and administration department and the legal advisor. Three new heads of department (finance, production, and commercial) were also brought on board. Respondents indicated that hiring professionals and restructuring the management team was partly to safeguard the firm from increasing penalties from the tax and environmental authorities and to align the firm’s capabilities with its new business domain and the regulatory environment. Here, the CEO remarked:

*At some point, I realized I did not have to do and know everything...., the reforms that the firm was facing required more experienced and professional staff with expertise and vast knowledge of the industry and the entire region...., so we had to fix it quickly since it was of high importance to counteract the challenges ahead.*

Founder and CEO

In the same year (2015), the firm made another significant decision. The owners of the firm decided to move from a founder-centered management style to a professional and diversified top management team, although the founder remained the chief executive officer and chairman of the board of directors. Later, the founder relinquished the chairmanship of the board of directors. It was noted that the new professional and diversified management team, which comprised of both local and expatriate staff enabled the firm to blend national sensitivities and international expertise.
Another important action undertaken by Bwiza Limited was the continuous restructuring of the board of directors. This entailed identifying and hiring well-connected professionals from different domains such as law, finance, engineering, and management to join the firm’s governance board. For example, one of the board members was the CEO of BRD and the CEO’s long-time friend, who is a legal expert and a career lawyer with vast legal expertise with respect to corporate governance, contracts, arbitration and dispute resolution, and international trade law. Respondents further noted that continuously restructuring and professionalizing the firm was not only aimed at complying with the changing regulatory and policy requirements emerging from various institutional stakeholders, including the environmental regulatory agency (REMA), tax authorities (RRA), and financial institutions (BRD), to gain credibility and endorsement to access other resources, but also at proactively building capabilities to handle the frequent reforms.

In summary, in line with the purpose of this study, the current chapter has presented and discussed findings from the main case firm, Bwiza Limited, in relation to its background and development and the actions that were undertaken by the firm to navigate the frequent regulatory and policy changes. These actions were elaborated and grouped into four key actions, which were chosen for further analysis as highlighted in Section 5.5. The identified actions included: relating with stakeholders and establishing contacts, capitalizing on government policies and initiatives, diversification and change of the initial business orientation, and continuous restructuring and reorganization of the firm.

While changing the initial business idea, diversifying, or expanding the firm’s offering and exporting were meant to evade the challenges in the initial business—trading and taking advantage of the renewed government focus on promoting the industrial sector and increasing the country’s export value—building and leveraging networks was aimed at influencing institutional processes and seeking facilitation to handle the frequent reforms. Building networks involved activities such as lobbying, influencing, and hiring key institutional stakeholders to help the firm to cope with the frequent regulatory and policy changes. Capitalizing on the changing government policies was intended to exploit or take advantage of the reforms and the various support and incentive packages offered by the government, particularly for firms that were responsive and willing to invest in the industrial sector. Lastly, continuous restructuring and reorganizing was undertaken partly to comply with the frequently changing regulations and policies and to proactively build capabilities to handle the frequently changing regulations and policies. Altogether, the four key actions enabled Bwiza Limited to navigate the regulatory environment through exploiting opportunities such as accessing the resources necessary to undertake its activities and overcoming the challenges arising from new regulations and changes in the existing regulations and policies. Table 5.3 presents a summary of key activities that were undertaken by Bwiza Limited in response to the changes in regulations and policies since it was founded.
Table 5.3: Summary of Key Activities Undertaken by Inyange Limited in Response to Changes in the Regulatory Environment

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-opting and appointing influential officials</td>
<td>X</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td></td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Cont.</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Engaging in politics and seeking visitations from politicians and top leaders</td>
<td>X</td>
</tr>
<tr>
<td>Collaborating with local authorities for assistance</td>
<td>X</td>
</tr>
<tr>
<td>Espousing social goals</td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Locating the firm in the proximity of inputs</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on changes in policies</td>
<td>X</td>
</tr>
<tr>
<td>Change of the initial business orientation</td>
<td>X</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Diversification of the business portfolio</td>
<td>X</td>
</tr>
<tr>
<td>Entering foreign markets</td>
<td>X</td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td>X</td>
</tr>
<tr>
<td>Aligning management structure with new business domain</td>
<td>X</td>
</tr>
<tr>
<td>Separation of management and oversight roles</td>
<td>X</td>
</tr>
<tr>
<td>Persuading and appointing experts to join the board of directors</td>
<td>X</td>
</tr>
</tbody>
</table>
Chapter 6: Description and Findings from Replication Cases

6.1 Introduction

This chapter presents the descriptions and findings from the nine replication case studies included in the empirical study. Each case description is presented in accordance with a predefined structure developed in Chapter 5 whereby each case description consists of two main components, namely the development of the case firms and key activities that were undertaken by the firms in response to changes in the regulatory environment. These activities are presented in a table (and are marked in bold) after each case description indicating how they were continually undertaken over time.

As indicated in Chapter 4, the case studies in this chapter are new firms that were founded between 2010 and 2015, and by the time of this study, the age of these case firms ranged between one and six years. These replication case studies are classified as manufacturing firms since their production processes involve the transformation of raw materials to finished products. Furthermore, all of the nine firms were registered in Rwanda, although some of them were owned by entrepreneurs who owned other firms, particularly in similar business or in the same industry but in other countries.

In regard to the size of the replication cases, most of these case firms were classified as small and medium-sized enterprises, with the average number of employees ranging from 20 to 65, except for Inkingi Limited, which employed more than 100 employees due to the nature of its business activities. Table 6.1 below presents a summary of the sources and types of data collected from these cases.
Table 6.1: Sources and types of data collected from Replication Cases

<table>
<thead>
<tr>
<th>Cases</th>
<th>Types of Data</th>
<th>Source</th>
<th>Number of Interviews</th>
<th>Length</th>
<th>Use of Data in Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inyange Ltd</td>
<td>Interviews</td>
<td>Owner, managers</td>
<td>4</td>
<td>75 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Company reports</td>
<td>5</td>
<td>-</td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Observations</td>
<td>On-site visits</td>
<td>2</td>
<td>2 hours each</td>
<td>To understand the activities of the firm</td>
</tr>
<tr>
<td>Ubudasa Ltd</td>
<td>Interviews</td>
<td>Owner, managers</td>
<td>4</td>
<td>60 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Company reports</td>
<td>4</td>
<td>-</td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Observations</td>
<td>On-site visits</td>
<td>2</td>
<td>2 hours each</td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td>Mutware Ltd</td>
<td>Interviews</td>
<td>Owner, managers</td>
<td>4</td>
<td>75 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Company reports</td>
<td>6</td>
<td>-</td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Observations</td>
<td>On-site visits</td>
<td>2</td>
<td>1 hour each</td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td>Umurinzi Ltd</td>
<td>Interviews</td>
<td>Founder, managers</td>
<td>3</td>
<td>60 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Company reports</td>
<td>5</td>
<td>-</td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Observations</td>
<td>On-site visits</td>
<td>1</td>
<td>1 hour</td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td>Iyamarere Ltd</td>
<td>Interviews</td>
<td>Owner, managers</td>
<td>3</td>
<td>90 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>Documentation</td>
<td>Company reports</td>
<td>4</td>
<td>-</td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>Observations</td>
<td>On-site visits</td>
<td>1</td>
<td>1 hour</td>
<td>To observe and understand the main activities of the firm</td>
</tr>
<tr>
<td>Company</td>
<td>Interviews</td>
<td>Documentation</td>
<td>Observations</td>
<td>Duration</td>
<td>Purpose</td>
</tr>
<tr>
<td>-------------------------</td>
<td>------------------</td>
<td>-----------------</td>
<td>--------------</td>
<td>------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Inkingi Ltd</strong></td>
<td>Owner, managers</td>
<td>Company reports</td>
<td>On-site visits</td>
<td>90, 75, 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>3</td>
<td>2</td>
<td></td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>90, 100, 120</td>
<td></td>
<td>1 hour each</td>
<td></td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td><strong>Urugano Ltd</strong></td>
<td>Owner, managers</td>
<td>Company reports</td>
<td>On-site visits</td>
<td>90, 100, 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4</td>
<td>1</td>
<td></td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>90, 60 120</td>
<td></td>
<td>1 hour</td>
<td></td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td><strong>Ubuzima Ltd</strong></td>
<td>Owners, managers</td>
<td>Company reports</td>
<td>On-site visits</td>
<td>90, 60 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>2</td>
<td>2</td>
<td></td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>90, 60 120</td>
<td></td>
<td>1 and 2 hours</td>
<td></td>
<td>To observe and understand the activities of the firm</td>
</tr>
<tr>
<td><strong>Imirasire Ltd</strong></td>
<td>Owner, managers</td>
<td>Company reports</td>
<td>On-site visits</td>
<td>75 – 120 minutes</td>
<td>To collect information about the background and motives of the founder</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>4</td>
<td>1</td>
<td></td>
<td>To reconstruct and understand the activities of the firm</td>
</tr>
<tr>
<td></td>
<td>75 – 120</td>
<td></td>
<td>1 hour</td>
<td></td>
<td>To observe and understand the activities of the firm</td>
</tr>
</tbody>
</table>
6.2 Inyange Limited

Inyange Limited is a social enterprise that espouses two broad goals: improving nutrition and creating employment opportunities. The venture was founded in 2012 and deals in poultry farming and processing of chicken meat. The firm aims to develop poultry value chains to provide affordable sources of protein to alleviate malnutrition, generate jobs, promote entrepreneurial development in the community, and export its products to neighboring countries—which are all key government priorities. Inyange Limited’s activities range from grain storage, feed production, rearing of chickens, and processing of chicken meat to distribution of processed meat. In addition, the firm trains and equips contract farmers with the best poultry farming methods and educates consumers on effective methods of cooking. Thus, Inyange Limited is an integrated poultry farm with its own feed mill, broiler farmhouse, and slaughtering, processing, and distribution facilities.

The main goal espoused by Inyange Limited is to create a positive social impact by fighting malnutrition through providing affordable and readily available meat proteins to the average population. Inyange Limited is estimated to be worth US$2.5 million and employs 20 workers with approximately 200 contract farmers. Moreover, the firm has a strong team of poultry experts and receives technical advice from industry professionals mainly outsourced from other countries such as the Netherlands, South Africa, and Singapore, which not only enables the firm to deliver high-quality protein products to the market, but it can also handle the requirements from the regulatory environment.

6.2.1 Development of Inyange Limited

Prior to starting Inyange Limited, the founder had worked with a family firm that was dealing in the transport and logistics industry with broader interests cutting across social, human, and environmental aspects. The founder has vast professional experience gained from previous employment with multinational advertising agencies, particularly in England and Australia. Accordingly, in 2011, she founded a branding consultancy firm, AZ Solutions (not its real name). By 2012, AZ Solutions had acquired and successfully implemented several rebranding and innovation projects for SMEs. Furthermore, in 2012, while the founder was on a business trip to Rwanda and other African countries to supervise some of the projects run by the family firm, she started identifying and recognizing social entrepreneurial opportunities. Here, the founder commented:

*It was quite shocking that chicken meat was very expensive in Rwanda to the extent that the average Rwandan could not afford it regularly. As such, I thought of going beyond just a business to create social impact, particularly by providing affordable and readily available proteins—chicken meat—and teaching farmers the best poultry farming methods.*
Subsequently, the founder came up with the idea of starting a social enterprise in Rwanda with the intention of improving the well-being of the community through providing affordable sources of proteins, generating employment opportunities, and promoting entrepreneurial spirit by training and developing the capacities of contract poultry farmers in the best practices and methods of poultry farming. Here, the founder said:

*The Rwandan economy, which is largely agrarian, is based on subsistence farming. Well, the country is new and almost everything is imported. It was astonishing that chicken meat was being imported—of course at unaffordable prices—and farmers had no idea about modern poultry farming methods and techniques.*

Furthermore, the founder indicated that the desire to invest in Rwanda was motivated by her late father, who had investments in the logistics and transport industry in the country. She reiterated that in 2012 there were many opportunities in Rwanda, especially in the industrial sector. In addition, she highlighted that she was partly encouraged to invest in Rwanda because the government had a clear economic development plan. She attributed the conducive business environment to the government’s elaborate plan to transform the economy, and the collaboration between the government and the private sector. Here, she stated:

*One of the good things about investing—doing business—in Rwanda compared to other countries in the region is that the country is organized, and the government has a clear plan. They are receptive and collaborate with the private sector to draft regulations, standards, and tax regimes. That is a huge plus for us entrepreneurs.*

As outlined above, the founder decided to change the initial business orientation of the previous family firm by investing in a different sector—manufacturing. This was because the industrial sector seemed more accepting of the prevailing changes in the business environment. Moreover, the founder noted that the motive to start a social enterprise was partly derived from the previous family firm’s broader interests in promoting social, human, and environmental aspects of society.

### 6.2.2 Navigating the Regulatory Environment at Inyange Limited

Inyange Limited undertook four key activities in response to changes in the regulatory environment, namely change of the initial business orientation,
lobbying stakeholders to alter the enforcement of the changes, fostering key government concerns and interests, and continuous reorganization of its organizational structure. Other activities undertaken by Inyange Limited included creating networks and support bases, capitalizing on changes in policies, entering foreign markets, and building professional management teams. These activities are elaborated in the following subsections.

6.2.2.1 Change of the Initial Business Orientation and Diversification

By the time of this study (2016), Inyange Limited had diversified from transport and logistics to become a reputable social enterprise dealing in the processing and distribution of chicken meat—proteins. As indicated by the respondents, by the end of 2015, the firm was running a modern chicken farm with the capability of processing 8 tons of chicken meat per week. As expressed by the founder, in 2012, largely due to the government’s emphasis on promoting and boosting the industrial sector, the founder decided to invest in the manufacturing sector with a focus on improving the social and human welfare of the average population. She indicated that she was surprised that chicken meat was relatively expensive and could not be regularly afforded by the average population. Here, she stated:

*When I came to Rwanda in 2011, I realized that chicken was the most expensive meat on the market, and it is still quite expensive. Despite the economic progress registered over the past two decades, the country was still struggling with food security issues. I found that to be a business opportunity and the following year I decided to invest in poultry farming and the processing of chicken meat.*

*Founder*

Despite the initial orientation of the family firm, the founder of Inyange Limited purposely diversified to a new industry: manufacturing—that is, processing chicken meat. The founder also opted to espouse a broad and socially appealing goal: contributing to improving the welfare of the community in contrast to promoting the family firm’s initial business idea and orientation in the transport and logistics industry. Here, the founder stated:

*The fundamental purpose of Inyange Limited is to make a social impact, not maximizing profits. In fact, even the little profits generated are reinvested back into the business to further improve social welfare, particularly through expanding the firm’s operations, building entrepreneurial capacity farmers and staff development. It is self-evident that the firm has helped in generating employment opportunities in this area and more industries and houses have been started and built respectively, [...] in fact, the firm has helped in creating a local economy in this area.*

*Founder*
As indicated in the quote above, the firm focused on improving the social welfare of the community by providing relatively affordable sources of proteins—chicken meat—to fight malnutrition and generating employment opportunities in the area. Furthermore, respondents stated that the founder’s tendency to diversify and change the initial business idea and orientation from the transport and logistics industry to manufacturing was intended to run away from the constraining regulations that restricted the initial business. The changes in regulations related to trading across borders were making the business unsuccessful, particularly due to the increased costs of operations. Here, one respondent remarked:

*I think it was appropriate for the founder to promote social goals such as uplifting the social welfare of the community. But I think the main reason behind changing the initial industry was to run away from the costly reforms that had made the business unviable and unsuccessful.*

*General manager*

The quote above indicates how the founder decided to espouse the broader and socially attractive goal of uplifting the social welfare of the community as a pretext to avoid the constraining business regulations that had made the initial business unviable.

Briefly, changing the initial business idea and orientation of the firm by investing in another industry is indicative of the firm’s tendency to safeguard itself from the rapid business reforms and their associated requirements. The frequent changes in regulations and policies concerning trading across borders were explained as one of the challenges that impeded the performance of the transport and logistics industry, which prompted the founder to change the initial business orientation and invest in the manufacturing sector by founding a social enterprise—Inyange Limited—with two broader and socially appealing goals: creating social impact by improving nutrition and generating employment opportunities in the community.

6.2.2.2 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

Regardless of the lack of expertise in food processing and poultry farming, the founder started Inyange Limited—a social enterprise with a focus on the processing and distribution of chicken meat. As noted by respondents, it required commitment and a passion for creating social impact to be able to attract the attention of key institutional stakeholders, especially the government and its agencies, for approval and endorsement of the firm. Respondents noted that it was necessary to build networks with different stakeholders and leverage those connections, particularly to learn the dynamics of the entire business environment and be able to influence changes in regulations and policymaking in favor of the firm. Thus, the firm continuously created and leveraged its connections to lobby
and influence key institutional stakeholders mainly for facilitation to cope with the reforms. Here, the founder stated:

*Even though this business is profitable, I invested in this sector mostly because of the passion and conviction I had to create social impact by uplifting the social welfare of the community. It is possible you can venture into any business regardless of the expertise required to understand the business. In my case, what is important for the viability of the business is understanding the business environment and its dynamics by creating networks and business relationships and inducing those connections to lobby and influence policymaking to our benefit.*

*Founder*

As outlined in the quote above, to handle the frequent regulatory and policy changes, the firm had to express passion and commitment towards creating social impact in the community. This enabled the firm to attract the attention and facilitation from key institutional actors, especially the government. Moreover, the founder resorted to building networks and business relationships that the firm leveraged to seek facilitation to handle rapidly changing regulations and policies. Respondents expressed the belief that what was more important for the success of the firm was leveraging the firm’s connections to lobby key institutional stakeholders, particularly the government, for flexibility in the enforcement of regulatory and policy changes. Furthermore, respondents alluded to the business contacts and relationships that had been amassed by the family firm, which were utilized by Inyange Limited to get acquainted with the dynamics of the business environment. These business connections and relationships were leveraged by the firm to seek facilitation to handle the challenges arising from the rapid changes in regulations and policies. One of the respondents commented:

*She [founder] succeeded her late father in running the family firm, which enjoyed special treatment and care, particularly from government and its agencies. At some point we thought this was a government-funded project since several government and local authority (district) officials keenly facilitated and followed up the activities of the firm, especially during the first two years after founding.*

*Manager 1*

Documentation indicated that there was a strong business relationship and collaboration between the government of Rwanda and the founder’s county of origin, particularly in terms of trade and investment. Accordingly, the founder of Inyange Limited took advantage of this bilateral cooperation to lobby and negotiate with the government for facilitation, including technical support. As a result, the firm was offered immense support, which was helpful to the firm in effectively coping with regulatory and policy changes, especially during its initial stages. Here, the founder noted:
Even though my family’s company deals in port operations, which is quite different from this firm’s [Inyange Limited] line of business, by the time I succeeded my late father in 2014 the company had built a strong network of contacts and business relationships in Rwanda and across the region. This was so helpful, particularly in the initial stages of starting and developing this firm; it opened doors for me, and as such, together with PSF, I have been able to continuously meet, engage, and negotiate with officials about several issues affecting the operations and activities of this firm.

**Founder**

The quote above points to the founder’s ability to leverage the firm’s networks and contacts, particularly those inherited from the family firm, albeit the two firms operated in different industries. Moreover, the bilateral cooperation between the two states enabled the founder to have unlimited access to any government office with respect to presenting or enquiring about the firm’s challenges. This direct access to influential government officials was an added advantage for the firm in enabling them to lobby and influence the government and other stakeholders with respect to the enforcement of the reforms. As a result, the founder gained unfettered access to information in relation to upcoming changes in regulations and the firm was always offered technical support, consulted, and even involved in drafting industry-specific regulations and policies. On this point, one official from RDB remarked:

> Since business reforms are a continuous process that requires relentless efforts to enhance and further improve the business environment, we must involve other stakeholders, especially the private sector. Engagement or dialogue with the investors is usually conducted on a mutual basis with different stakeholders; some investors are more active and informed while others are not even interested or just comply with any reforms. So, having constant dialogue helps us to understand their [investors] issues and areas that need further improvement. Sometimes we move down to the firm level, and we try to identify and understand firm-specific issues and what approaches would be used to improve the environment. Really, there is a lot of dialogue and engagement going on to further improve the business environment.

**Official 1**

As highlighted in the quote above, the firm used its networks to continuously engage and lobbied the government and other stakeholders with respect to refining and enhancing the reforms to further improve the business environment. In some instances, dialogue was conducted at a micro level between the firm and the government and other institutional actors to identify and understand the firm’s specific challenges and jointly devise remedies to those challenges. As noted by some respondents, the continuous lobbying between the firm and other
institutional actors, particularly the government, not only increased the firm’s approval but also enhanced its endorsement to access resources.

Briefly, to cope with the frequent changes in business regulations and policies, Inyange Limited continuously sought and built networks and leveraged its connections to lobby and influence key institutional stakeholders with respect to changes in regulations and policies in the firm’s interests. Moreover, leveraging connections enabled the firm to get technical support and access to information about forthcoming reforms, and made the firm actively involved in drafting regulations and policies related to the firm’s activities.

6.2.2.3 Fostering Key Government Concerns and Interests

As noted earlier, Inyange Limited was established in a period when the government had an urgent need for partners to corroborate with to develop interventions to curb the challenges of malnutrition and unemployment in the country. Inyange Limited capitalized on this policy and aligned its goals with the prevailing government concerns to exploit and benefit from the various support and incentive packages offered by the government to firms contributing to alleviating the challenges. As a result, Inyange Limited was offered support from the government and local authorities comprising land (10 hectares) and facilitation to raise public awareness about its products and services and other incentives including tax exemptions, subsidized certification, and endorsement for funding. The general manager asserted:

Despite the challenges that we regularly face, it is important to acknowledge the massive support we get from the government, the local authorities, and other actors. Government bodies, particularly RDB, have been very supportive of our business activities, especially through domestic marketing using the Made-in-Rwanda initiative. Local authorities have been helpful and cooperative: We have been offered a vast piece of land for our operations. The day-to-day challenges have been minimized and consequently the firm’s objective—social impact—is progressively being achieved.

General manager

The support and facilitation from the government were significant in enabling the firm to handle regulatory and policy changes. Respondents further said that the government, through RDB and other stakeholders, regularly provided relevant and timely information to the firm regarding the business reforms and what was required from the firm to implement those reforms. In cases where challenges in implementing the reforms were identified, aftercare services were offered consisting of workshops and field visits to the firm to identify and understand its specific challenges and collectively devise solutions to those challenges. One manager said:
Given that we are pursuing a broader societal objective—creating social impact—we have been really facilitated and supported. We have received tremendous support, especially from RDB, and the local authorities have been helpful and cooperative. You can imagine a minister visiting the firm and listening to the company-specific issues and we have always utilized such occasions to seek facilitation to overcome some challenges. This has increased our recognition by the local authorities and the community. The Made-in-Rwanda initiative has helped us to work with the local population and has opened doors to more business opportunities in the area; it is now easy to work with farmers since they are identified and sensitized by the local authorities and officials from RDB and MINICOM.

Manager 2

The quote above illustrates how the firm took advantage of the changing government policies, particularly the Made-in-Rwanda policy aimed at increasing the consumption of locally made products and raised public awareness about its products and services. Documentation indicated that there was a misconception among people in rural areas that chicken was a luxury meat that was afforded by the rich and often eaten occasionally or at special events. As noted by respondents, this misconception was initially a big challenge to the firm since people in the area were reluctant to cooperate with the firm. Thus, the firm’s promotion of the broader and socially attractive goals enabled it to benefit from the subsidized Made-in-Rwanda campaigns and trade fairs to market its products and services. The general manager said:

Typically, people in this community perceive chicken meat as a luxury that can only be afforded by the rich. The average population, especially those in rural areas, consume chicken meat once a year and/or at some special events. Even in the initial stages of the firm, local people were not willing to work at the firm, they had no skills and interest in the firm’s activities. But now things have changed, the community is cooperative and working closely with the firm.

General manager

Respondents indicated that the founder’s motive for promoting the social welfare of the community was purposely to align the firm’s goals with the prevailing government’s concerns and interests, particularly in fighting malnutrition and creating employment opportunities to be approved and endorsed for support and incentive packages, particularly from the government. The Comprehensive Food Security and Vulnerability Analysis (CFSVA) indicated that despite the impressive progress made in fighting malnutrition and food insecurity from 2012 to 2015, the prevalence of malnutrition was still high, especially in rural areas and particularly among children. The report estimated that between 2012 and 2015 the percentage of malnourished children ranged between 43 and 37%. Thus, the prevalence of malnutrition, which was a big concern to the government, partly
motivated the founder to start a firm in another industry—manufacturing. Here, the general manager stressed:

To win government support from the government, of course, the firm had to put forward contributing or helping in creating social impact as the main objective of the enterprise. Well, it is estimated that the average Rwandan only eats meat once a week and generally it is usually goat or beef. Chicken is taken as a luxury meat and those deep in the villages can only afford to have chicken approximately once a year. Currently, the prices of chicken meat have averagely reduced by almost 30 to 40 %, depending on the season.

General Manager

Specifically, the firm was founded in a period when there was a need for efforts and initiatives to curb the malnutrition problem by extending social safety measures such as providing stable and diversified sources of income for malnourished households, mainly in rural areas. Documentation indicated that:

“It is clear Rwanda is making impressive progress in its fight against food insecurity and undernutrition, but we must keep working together to win that battle for good,” said Jean-Pierre de Margerie, WFP’s Country Director for Rwanda. [...] “At WFP, we are committed to continuing our work to help Rwanda keep improving its food and nutrition security. The aim is to improve national capacities to develop, design, and manage nationally owned hunger solutions, which is why we are supporting the government’s effective strategies to make Rwanda a food-and-nutrition-secure country,” he added. (CFSVA 2015)

The quote above highlights the intensity and prevalence of the problem of malnutrition during the period in which Inyange Limited was founded. The government needed partners to collaborate with, especially the private sector and other actors, to develop strategies to fight the malnutrition problem. This is corroborated by one of the respondents from the local authorities who indicated that the firm was very helpful in improving and contributing to uplifting the social and economic welfare of the community. The official stated:

Even though poultry farming is still carried out on a small scale, it is important to highlight the significance of Inyange Limited, particularly in this area. Since this firm was started, many people have been given jobs, but most importantly, poultry farmers have been trained in modern poultry farming methods, and now, they have a stable source of income from selling their chicken to the firm, and other farmers supply the firm with chicken feed including maize and soya beans.

Official 1
Description and Findings from Replication Cases

As indicated in the quote above, the firm capitalized on the prevailing challenges, including malnutrition, and espoused broader societal goals, namely creating social impact in the community by providing affordable proteins, generating jobs, and developing an entrepreneurial spirit in the community.

Moreover, the firm partnered with other government bodies such as MINICOM and RDB and the local authorities to participate in country-wide mobilization and sensitization campaigns to raise public awareness of the benefits of consuming and taking up the firm’s services. In doing so, the firm gained public recognition and was offered incentives ranging from flexibility in implementing regulatory and policy changes, tax abatements, and subsidized certification to process and supply chicken meat. One respondent noted:

Through the Made-in-Rwanda initiative, we have been working hand in hand with other players in the industry under the private sector umbrella to raise public awareness about the benefits of consuming locally made products. In the process, the negative beliefs and perceptions against our products and other locally produced goods are slowly reducing. There has been an increase in the consumption of our products even though we are currently supplying Kigali and other small cities. It is evident that the community is now appreciative of our products and services. Together with other incentives and support packages, we have been able to cope with the changes in the business environment.

Manager 2

The quote above shows that the firm capitalized on government policies to seek incentives from the government and facilitation from local authorities to mitigate the challenge of the negative beliefs and perceptions against the firm’s products and services. Thus, by taking advantage of the various government policies, Bwiza Limited sought support and incentives not only to sensitize the public and raise awareness about the benefits of the firm’s products and services to the community, but also to handle the challenges arising out of the frequently changing regulations and policies.

In short, the firm opted to capitalize on government policies such as the renewed government focus on promoting the industrial sector and exploited the ensuing opportunities and incentive packages associated with the new policy. Moreover, Inyange Limited participated in a series of country-wide sensitization and mobilization campaigns and trade shows to raise public awareness and promote the consumption of their locally made products and services. This resulted in increased consumption and acceptance of the services offered by the firm and further enhanced the firm’s recognition and access to other resources such as subsidized export funds and laborers.
6.2.2.4 Continuous Reorganization of the Organizational Structures

It was noted that after the firm was founded, it continuously restructured and reorganized its activities. This included its continuous alignment of the firm’s structure with the regulatory and policy requirements and hiring of professionals and experts in nutrition and food processing. Respondents noted that this not only increased the firm’s approval among key institutional stakeholders such as RBS and REMA but also enhanced its chances of accessing resources since it was recommended by RDB for funding from BRD. The respondent noted:

_The firm has been proactive in its activities. Despite the limited resources, especially in the initial stages, the firm was able to hire professionals and experts in nutrition and food processing and preservation. This enabled the firm to be positively evaluated, especially by regulators, particularly the bureau of standards and the local authorities._

_Manager 1_

Table 6.2 below illustrates the summary of key activities undertaken by Inyange Limited to navigate the regulatory environment.

Table 6.2: Summary of Key Activities Undertaken by Inyange Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Collaborating with local authorities for assistance</td>
<td>X</td>
</tr>
<tr>
<td>Espousing social goals</td>
<td>X</td>
</tr>
<tr>
<td><strong>Fostering key government programs</strong></td>
<td>X</td>
</tr>
<tr>
<td>Locating the firm in the proximity of inputs</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on changes in policies</td>
<td>X</td>
</tr>
<tr>
<td><strong>Change of the initial business orientation</strong></td>
<td>X</td>
</tr>
<tr>
<td>Entering foreign markets</td>
<td>X</td>
</tr>
<tr>
<td><strong>Continuous reorganization of the organizational structure</strong></td>
<td>X</td>
</tr>
</tbody>
</table>

130
6.3 Ubudasa Limited

Ubudasa Limited was founded in 2014 by two business partners as a manufacturing firm dealing in food processing. Basically, Ubudasa Limited is an agro-processing firm that processes potatoes to make crisps, chips, and other fast foods and snacks. One of the co-founders was an ambitious Rwandan agribusiness entrepreneur with a solid background in entrepreneurship and vast expertise in food processing and marketing. The second co-founder was a foreign investor with vast knowledge in trade and doing business and with expertise related to developing and enhancing farmers’ entrepreneurial skills, especially in the context of developing countries. The two partners teamed up in 2013, and later in 2014 they decided to start Ubudasa Limited, which subsequently started operating in 2015. Soon after, the Rwandan co-founder and managing partner left the firm. Respondents stated that in 2015, the firm encountered several challenges particularly related to the frequently changing regulations such as packaging challenges, stringent and changing health standards and requirements, and conflicting government policies, especially those favoring foreign firms that imported their products in Rwanda.

6.3.1 Development of Ubudasa Limited

Respondents reiterated that the remaining co-founder and managing partner remained as a single owner of the firm and was optimistic and forward-looking about the success of the firm despite the challenges from the regulatory environment. In 2016, the firm hired an experienced and professional general manager—a decision that later heralded a phase of expansion and growth of the firm. The general manager leveraged and capitalized on personal contacts from his previous employment and the connections the founders of the firm had established to market and expand the firm’s product lines. Respondents also noted that the general manager further capitalized on the Made-in-Rwanda policy to increase public awareness about the firm’s products by participating in different made-in-Rwanda trade fairs and sensitization campaigns across the country.

In a bid to achieve the broad and socially attractive goals—creating employment opportunities for the youth and improving the livelihood of local farmers—the firm embarked on creating employment opportunities and providing markets to potato farmers. By the end of 2016, the firm employed 45 men and women, especially those with no formal education, provided a reliable market with a higher price to farmers, and had more than doubled its production capacity
to 5 tons of crisps and chips per day, implying a significant increase in turnover and that the firm [Ubudasa Limited] was particularly targeting urban young consumers mostly in Rwanda and across the region. As noted by the general manager, this played a big role in increasing the firm’s approval by different stakeholders, including the government and its agencies and the farmers.

Prior to starting the firm, the founders envisaged starting on a small scale, using cheaper equipment specially sourced from China and maintaining their previous employment. However, as soon as they got funding from the Dutch government and other investors in the Netherlands, they acquired larger and higher-quality processing machines from Europe. Later, they [founders] partnered with the United States Agency for International Development (USAID), which provided more funding to enhance the firm’s production capacity—specifically, expanding the value chains and increasing efficiency. As a result, the firm expanded its operations, increased its presence across the country, and started exporting its products to neighboring countries, particularly Uganda, Burundi, and eastern parts of the Democratic Republic of Congo.

In addition, respondents said that the acquisition and installation of large and high-quality equipment and machines not only increased the firm’s production capacity and efficiency but also improved its competitive advantage against its competitors’ products, which were mostly imported from Kenya, South Africa, and Europe and eliminated the firm’s barriers to competing with the already established products on the market and exporting its products to the region. However, despite the increase in volumes produced and the introduction of new product lines, the firm still focused on establishing itself on the local market. Respondents indicated that this was mainly caused by the expanding local market due to the Made-in-Rwanda initiative that played a key role in increasing the consumption of locally produced goods and the government’s incentives towards promoting domestic industrial firms.

6.3.2 Navigating the Regulatory Environment at Ubudasa Limited

Four key activities were identified as having been undertaken by Ubudasa Limited in relation to handling the changes in the regulatory environment. These activities consisted in fostering key government concerns and interests, lobbying stakeholders to alter the implementation of changes in regulations, entering foreign markets, and continuous reorganization of the organizational structure. Other activities that were undertaken by Ubudasa Limited included creating networks and support bases, capitalizing on changes in policies, changing the initial business orientation, and aligning the management team with new business or markets. These activities are presented in the following subsections.
6.3.2.1 Fostering Key Government Concerns and Interests

It was indicated that even though Rwanda is a leading producer of potatoes in the region, a big percentage of snacks were imported, and farmers were usually overexploited by speculators. Thus, with the experience in food market linkages and research on farming, particularly in developing economies, and given the government’s renewed focus on boosting the industrial sector, the founders decided to start an agro-based manufacturing firm specializing in processing potatoes into crisps, chips, and other fast foods. Soon after, the founders aligned the firm’s goals with the prevailing government’s concerns and espoused broader and socially attractive goals, including creating employment opportunities for the youth and improving the livelihood of local farmers in the community. Moreover, one of the co-founders explained that their focus on creating a socially responsive business with a specific emphasis on improving the livelihoods of potato farmers, particularly young people with less formal education, was intended to gain recognition and support from key institutional stakeholders, especially the government. Here, one respondent said:

Having realized the government’s emphasis on promoting the industrial sector, which is mainly dominated by agro-processing enterprises as well as the abundance of raw materials such as potatoes, and Rwanda being the leading producer of potatoes in sub-Saharan Africa, we thought of how we could align our experience and expertise with the prevailing opportunities to start a company that would provide solutions to those challenges and generate jobs, especially for the young men and women with no formal education and who can’t be employed elsewhere.

Co-founder

Thus, the firm’s tendency to espouse broader and socially attractive goals and couple them with prevailing government concerns such as the prevalent post-harvest losses suffered by potato farmers due to a lack of markets enabled the firm to attract the attention of the government and its agencies, particularly the National Agricultural Export Board (NAEB). As a result, the firm was offered incentives, including allocation of land to set up the plant, financing of its feasibility studies, and mobilizing and sensitizing farmers through their cooperatives to supply the firm with high-quality potatoes. By the end of 2016, the firm had invested 350,000 euros, employed around 45 people and had a large chain of potato farmers, and its production capacity had increased to 2 tons of processed crisps, chips, and other snacks per day.

In 2017, the firm benefited from a public-private partnership initiated by the government between the firm and USAID—a development partner. Through this partnership and collaboration, USAID, under the Private Sector Driven Agricultural Growth Project (PSDAG), extended support to the firm to upgrade its potato processing plant. As a result, the firm’s total investment was scaled up to more than one million US dollars and the production capacity more than doubled to 10 tons per day. Due to the increased quality of its products, the firm
was able to compete with established brands as well as meeting the domestic demand for its products. Moreover, respondents echoed that expansion prompted the firm to increase its presence in the region by shifting its focus to exporting to the region, particularly the Democratic Republic of Congo and Uganda. The co-founder and managing director indicated that:

*With the scaling up of the firm’s production capacity, we are now shifting our focus to serving regional markets. It is quite a big market, and we expect to export there around 60% of our products. We appreciate the government’s facilitation by collaborating and linking us with different organizations, which have in turn provided financial support to upgrade our processing and production capacities.*

**Co-founder**

As noted by the respondent in the quote above, the firm’s ability to align its goals with the government’s interests and the government’s renewed focus on promoting the industrial sector explain how the firm attracted the government’s attention to help the firm to access resources and upgrade its processing and production capacity. Specifically, it was indicated that the government committed to supporting the firm and in the process linked Ubudasa Limited with different development partners, which provided financial support to the firm to upgrade its production capacity. In the process, the firm received subsidized funding, which enabled it to handle the frequent business reforms. An official at MINICOM stated:

*The government is currently giving more priority to agro-processing firms. This is because it would help the farmers get markets for their produce and thus improve their livelihood. So, the more capacity the agro-based firms have, the more produce is processed and the more farmers access markets, which is a big relief to the government.*

**Official 1**

Documentation indicated that the firm was founded in a period when the government had adopted a policy to promote economic competitiveness in the industrial sector. This policy was mainly characterized by devising actions aimed at raising public awareness with respect to the consumption of locally produced goods and services. In particular, this was done through various sensitization and mobilization campaigns under the support of the Made-in-Rwanda policy. This initiative would later enable the firm to overcome both demand- and supply-side challenges. As indicated in the interviews, the firm took advantage of this initiative to market its products across the country, which increased the consumption of the firm’s products locally. As a result, the demand-side challenges were eliminated, which enabled the firm to gain access to quality raw materials—potatoes. Here, the co-founder and managing director noted:
We have been able to exploit the Made-in-Rwanda policy to position our product as a first-class brand so that it can compete with more established brands. This has increased the consumption and appreciation of our products domestically. In turn, we have also gained the support of local authorities and the farmers who supply us with raw materials—potatoes.

Co-founder and managing director

6.3.2.2 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

Respondents indicated that the constraining regulatory requirements arising out of the ban on the use and manufacture of polythene and other nonbiodegradable plastic bags increased the operating costs of the firm. To cope with this policy requirement, the firm sought to create and leverage its connections to engage and lobby key institutional actors, especially the government and its agency NAEB, for flexibility in enforcing the policy changes. Here, the respondent said:

The changes in business regulations, for example those concerning the use and manufacture of polythene or nonbiodegradable bags, have resulted in a big packaging challenge that affects our operations. Conventional packaging costs about RWF15, which is cheaper than a biodegradable pack at RWF120. This makes it problematic for us to compete with foreign and established brands that are packaged using conventional packaging outside Rwanda.

Manager 1

The quote above indicates that given the constraints resulting from the changing regulations and policies, the firm resorted to lobbying and negotiating with key institutional stakeholders, especially the government and its agency NAEB, for flexibility in enforcing the policy changes. As articulated by the remaining co-founder and managing director, engaging and lobbying key institutional stakeholders played a big role in harmonizing the policy on the use and manufacture of polythene bags across all firms, domestic and foreign, which created a basis for fair competition, particularly with established imported brands.

Furthermore, respondents stated that through its connections, the firm was able to create the support bases necessary to lobby and influence regulatory changes and policymaking in its interests and to overcome the challenges arising from the frequent regulatory and policy changes, including conflicting policies, which promoted unfair competition, especially from imported products that were packaged using conventional packages and thus favored foreign firms at the expense of domestic ones.

Furthermore, it was noted that the firm, through its connections, exerted pressure on the government to consider the interests of local firms. As a result, the firm was offered various support and incentive packages to enable it to cope with the frequent reforms. This support and facilitation included tax exemptions,
subsidized funding, and flexible enforcement of the ban on polythene bags. Respondents emphasized that the incentives played a key role in enabling the firm to cope with the reforms.

6.3.2.3 Entering Foreign Markets

Here, respondents said that even though the firm’s attempts to expand and export its products were aimed at contributing to the government’s interests, especially increasing the country’s export value and highlighting the firm’s growth potential, particularly to its development partners, respondents further noted that the firm opted to export its products to diversify its risks and avoid the constraining reforms. Interviewees echoed that given the conflicting policies that favored established and foreign firms, it was necessary for the firm to find other alternatives to do business. Here, one of the managers noted:

*Well, exporting is a win-win to us and the government. You know the government has of late embarked on an export promotion agenda where firms are required to export to increase the country’s export value. On the other hand, it has been a big reprieve to our activities and operations since we were able to avoid some of the challenges arising from the local reforms.*

Manager 1

The quote above indicates how the firm avoided implementing the constraining local reforms by exporting its products to neighboring countries while at the same time promoting and contributing to the prevailing government concerns. Documentation indicated that most of the neighboring countries where the firm exported its products had not adopted the same reforms as Rwanda and thus there were more business opportunities.

6.3.2.4 Continuous Reorganization of the Organizational Structures

To undertake its activities, the firm opted to build capabilities by hiring professionals and experts in food science and technology and nutrition. Respondents stressed that continuous restructuring and reorganizing enabled Ubudasa Limited not only to effectively handle the changing regulations and policies and their requirements but also to enhance the firm’s image to external partners and investors who provided the firm with resources and markets. One of the managers commented:

*With the upgraded capacity in terms of production processes and the expertise and professionalism of the staff, the company has been able to create a brand name; in the process, we have secured contracts with reputable organizations and clients. We have a contract to supply Rwandair and it is making a big difference to the company’s turnover.*

Manager 2
Table 6.3 presents a summary of key activities undertaken by Ubudasa Limited to navigate the regulatory environment.

Table 6.3: Summary of Key Activities Undertaken by Ubudasa Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Fostering key government interests and concerns</td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Locating in the proximity of inputs</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on changes in policies</td>
<td>X</td>
</tr>
<tr>
<td>Change of the initial business orientation</td>
<td>X</td>
</tr>
<tr>
<td>Diversification of the business portfolio</td>
<td>X</td>
</tr>
<tr>
<td>Entering foreign markets</td>
<td>X</td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td>X</td>
</tr>
<tr>
<td>Aligning management team with new business/markets</td>
<td>X</td>
</tr>
<tr>
<td>Separation of management and oversight roles</td>
<td>X</td>
</tr>
<tr>
<td>Persuading and appointing experts to join the board of directors</td>
<td>X</td>
</tr>
</tbody>
</table>
6.4 Mutware Limited

Mutware Limited is a small agro-processing company that was founded in 2015 by two foreign nationals with vast experience in the animal feed industry and agricultural operations. The firm produces different types of animal feed, particularly for dairy cows, pigs, and chickens. By 2017, the firm employed approximately 30 employees and had a 12,000-layer bird farm and an animal feed processing plant with the capacity to process 40 million tons of animal feed per day. According to the respondents, this enabled the firm to serve various dairy, pig, and poultry farmers across the country. Respondents indicated that Mutware Limited’s main clientele included commercial farms, cooperatives, and household consumers, which the firm served through its distributors and storage facilities across the country. Furthermore, the firm produced 9,000 eggs per day for the local market and export. Most importantly, the eggs were supplied to child development centers under the “Egg a Day” program in a bid to fight malnutrition among children. To ensure good-quality animal feed, Mutware built a state-of-the-art laboratory, which was further used to test and certify soil quality, thereby ensuring the quality of raw materials and final produce and modernizing the country’s agro-based industrial sector.

6.4.1 Development of Mutware Limited

The founders of Mutware Limited espoused creating social impact by eradicating malnutrition and improving the welfare of local farmers as their main goals. In turn, these espoused goals enabled the firm to attract the attention of key institutional actors, particularly the government, which subsequently offered various support and incentives to the firm, including subsidized certification from RBS and REMA and tax exemptions. In addition, to undertake its activities, the firm trained and improved the farmers’ skills by teaching them modern farming methods, which in turn increased the firm’s access to good-quality raw materials and demand for the firm’s products.

It was further noted that the firm’s acquisition of state-of-the-art laboratory equipment enhanced its competitive advantage over its competitors—local and foreign firms—and opened opportunities for the firm to undertake cross-border trading activities, especially with the Democratic Republic of Congo. However, despite the increased volumes produced and the improved competitive advantage, the firm put more emphasis on serving and satisfying the local market and particularly the child development centers under the “Egg A Day” program. Respondents said that the motive for concentrating more on serving the local market, especially child development centers, was to achieve the firm’s espoused goals of creating social impact by fighting malnutrition among children.

With regard to the previous experience and expertise of the founders, respondents noted that the founders of Mutware Limited had vast experience in the animal feed industry. However, it was indicated that they [founders]
previously operated in the United States of America. The implication here is that the founders were not well acquainted with the Rwandan context and thus it would be difficult for them to leverage their previous experience and connections from the US to handle the frequent economic reforms in Rwanda. However, respondents expressed their reservations regarding the frequent reforms. They complained of the increasing operation costs and uncertainty mostly arising from the frequent changes in regulations and policies that affected the activities of the firm. To overcome these challenges and exploit the opportunities arising from the recurring changes in business regulations and policies and frequent introduction of new rules, Mutware Limited undertook two key actions. These actions are presented and elaborated in the following section.

6.4.2 Navigating the Regulatory Environment at Mutware Limited

From the interviews, the key activities that were devised by Mutware Limited to navigate the regulatory environment included fostering key government interests and concerns and lobbying stakeholders to alter the enforcement of changes in regulations. Other activities undertaken by Mutware Limited in response to changes in the regulatory environment included creating networks and support bases and espousing social goals. These activities are described in the following subsections.

6.4.2.1 Fostering Key Government Concerns and Interests

Respondents indicated that promoting broader and socially attractive goals was an important action undertaken by the firm to attract the attention of key institutional actors, especially the government and its agencies, such as RDB, NAEB, and REMA. Thus, espousing broader societal goals aimed at creating social impact in the community enhanced the firm’s recognition as a desirable company that catered for the community interests. This enabled the firm to attract the attention of the government, which in turn committed to facilitating the firm through various support and incentive packages such as flexible implementation of the regulatory and policy changes. As expressed by respondents, this action was indicative of the firm’s attempt to proactively take advantage of the reforms and government initiatives to its benefit. Here, one of the respondents noted:

*This firm was started in a period when the government was promoting the industrial sector, especially the agro-processing subsector, and the founders capitalized on this government program to start a firm that would produce animal feed with an overall objective of collaborating with farmers and increasing their produce as well as fighting malnutrition in the community.*

*Managing director*
In the quote above, it is indicated that Mutware Limited capitalized on the government’s program of promoting the industrial sector by collaborating with farmers to increase their farm produce. Moreover, Mutware Limited was started in a period when there was a growing livestock industry, which required the establishment of a reliable and effective animal feed plant. In addition, the firm’s attempt to embrace the government’s concerns and align them with its goals further enhanced the firm’s access to resources and collaboration with farmers who supplied the firm with raw materials and consumed its products. To create social impact and fight malnutrition, Mutware Limited opted to supply eggs to the “Egg a Day” program with the aim of supporting schoolchildren and child development centers. Respondents indicated that supplying eggs to child development centers enabled Mutware Limited to get support from various institutional stakeholders, particularly local authorities. For example, the firm was helped by local authorities, MINICOM and the Ministry of Agriculture (MINAGRI), to mobilize and sensitize farmers through their cooperatives to supply it with raw materials and consume the firm’s products—animal feed through the Made-in-Rwanda initiative. Here, the respondent said:

*Our decision to focus on supplying eggs to the “Egg A Day” program in a bid to fight malnutrition enabled us to get support and facilitation from other key stakeholders. It also increased our recognition in the community. Altogether, it has increased the firm’s potential to engage and negotiate with other key stakeholders in case of some contentious issues, especially standards and changing regulatory requirements.*

*Logistics manager*

From documentation, it was noted that in a bid to realize Vision 2020, the government was in the process of transforming the economy from subsistence-based agriculture to a more diversified and competitive economy particularly characterized by efforts to modernize the sector into a productive, high-value, market-oriented sector of the economy and with the private sector taking the leading role as the major engine of growth. Thus, Mutware Limited was founded in a period when the government was grappling with transforming the economy from an agrarian economy to a more diversified one. In other words, the government as a key institutional stakeholder was in dire need of partners to collaborate with in developing interventions to transform and diversify the economy.

Given the founders’ immense experience and expertise in the animal feed industry, they decided to capitalize on the prevailing government concerns and challenges to start a firm, Mutware Limited, in a priority sector that was more attractive to the government and the public. This in turn enabled the firm to be supported and helped to handle the recurring regulatory and policy changes. For example, through the government, the firm obtained funding from USAID. This funding enabled Mutware Limited to upgrade its animal feed processing capacity and improved smallholder farmers’ ability in relation to raising growing broiler chickens and thus overcome the certification and standardization issues arising
Description and Findings from Replication Cases

from changing food safety regulations. In turn, this increased Mutware Limited’s recognition within the community and other stakeholders, which further increased the firm’s chances of being helped to handle the frequent regulatory and policy changes. Here, one respondent said:

*Contributing to broader societal concerns such as fighting malnutrition enabled us to exploit the joint private-public partnership between USAID, the University of Tennessee Institute of Agriculture (UTIA), the Africa Sustainable Agriculture Project Foundation, and the government of Rwanda. This partnership popularized our brand and played a big role in enhancing the company’s operations and coping with the challenges arising from regulatory requirements.*

Managing director

In the quote above, it is indicated that for Mutware Limited to cope with pressures from the regulatory environment, the firm decided to capitalize on the prevailing government priorities and concerns—specifically, malnutrition and improving the livelihoods of farmers in benefiting from the various support and incentive packages offered by the government. This support not only increased the firm’s access to subsidized funds but also enabled the firm to gain recognition from the community. The above actions undertaken by Mutware Limited are indicative of the firm’s proactiveness with respect to taking advantage of the various government initiatives and policies.

6.4.2.2 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

As indicated in Section 6.4.1, Mutware Limited was founded by two foreign nationals with immense experience in animal feed market linkages and research. However, it was discovered that the founders’ experience was particularly from a well-established and stable regulatory environment, the USA, implying that they [founders] lacked or had little experience of developing economy contexts. Thus, with little experience of such regulatory environments, the founders resorted to building business relationships with key institutional actors such as the government, local authorities, and nongovernmental organizations such as USAID, which in turn helped the firm not only to handle the frequently changing regulations and policies but also to access other crucial resources. Here, the founder commented:

*Well, the business environment here is very dynamic compared to the developed world. We have embarked on creating business network relationships with our key stakeholders, especially the government and local authorities. This has enabled us to overcome some challenges, especially constraints arising from the economic reforms. We have*
established relationships with farmers who supply us with raw materials, which we process and sell to farmers at subsidized prices.

Founder 1

During interviews with the managing director, he stated that the animal feed industry is a highly regulated business domain and that any changes in policy or regulations implied increased costs to the firm. Thus, to mitigate those challenges, Mutware Limited attempted to build connections to influence key institutional stakeholders, especially the government, to gain support to handle the changes in regulations and policies through grace periods and flexible implementation schedules and technical support. Moreover, the firm’s attempt to contribute to the fight against malnutrition, which was a key government concern, through providing social services such as supplying eggs to child development centers and schoolchildren, enabled the firm to build strong relationships with the government and nongovernmental organizations (NGOs), which in turn increased Mutware Limited’s recognition and approval. As a result, Mutware Limited gained access to resources, particularly from USAID, and other support and incentive packages including certification from RBS and REMA and technical support through the provision of experts and professionals to help the firm to restructure its business model. Here, one respondent noted:

[...], because of collaborating and building relationships with stakeholders like USAID and RSB, we have been offered financial support and facilitation in coping and overcoming constraints arising from the business reforms such as the ever-changing, rigorous, and procedural certification processes.

Managing director

Therefore, Mutware Limited opted to collaborate and create networks with key stakeholders and leverage those connections to influence regulatory and policy processes and seek support in the form of incentives such as subsidized funding and grace periods and technical support to undertake its activities. Table 6.4 highlights key activities undertaken by Mutware Limited to navigate the regulatory environment.

Table 6.4: Summary of Key Activities Undertaken by Mutware Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
</tbody>
</table>
6.5 Umurinzi Limited

Umurinzi Limited is a domestic manufacturing firm dealing in the processing of leather—converting raw hides and skins to tanned leather. The firm processes wet blue leather from cow hides and sheep skin into tanned leather for shoes, garments, and other leather materials. It was founded in 2013 and started operating in 2014. By the time of this research (2017), the firm employed 200 employees and had the capacity to process 3,000 pieces of blue wet leather per day and 1,500 pieces of tanned leather per week. Although the firm’s products are particularly for local consumption, a big percentage is mainly exported to China, India, Europe, and Middle East countries. The firm is owned by two foreign nationals with an initial investment capital of USD5 million.

6.5.1 Development of Umurinzi Limited

Umurinzi Limited was founded in a period when the government of Rwanda (GoR) had adopted both the Made-in-Rwanda and export promotion initiatives. In addition, the government had banned the export of fresh hides and skins, and this led to an increase in the smuggling of hides and skins to neighboring countries such as Uganda and Kenya. Here, one official remarked:

In a bid to achieve Vision 2020, the government has adopted a strategy of promoting domestic industries. This strategy has been associated with banning the exportation of fresh hides so that they can be processed locally. However, this ban has resulted in increased acts of smuggling of hides and skins to neighboring countries, particularly Uganda and Kenya. To solve this issue, the government sought to encourage investors to start firms processing and producing leather products locally.

Official 3
As expressed by the founders, they were enticed by the government’s program of promoting local industries and increasing their competitiveness to start Umurinzi Limited. From documentation, it was indicated that the firm was helped and supported to start operating. For example, in the year 2014, Umurinzi Limited was allocated land (out of the industrial zone) and offered a construction permit to set up the factory. In the same period, the firm obtained an Environmental Impact Assessment Certificate from RDB and REMA to certify the firm’s compliance with environmental regulatory requirements. However, due to rapidly changing regulations, in 2018, the firm’s activities were suspended, and the firm was temporarily closed due to non-compliance with environmental regulatory requirements. Here, the founder stated:

*After we had been offered an operating license and been authorized to start operations by MINICOM, new regulations were introduced. As a result, our activities were provisionally suspended, and we were forced to close our operations to first fulfill the new regulatory requirements. We were asked to acquire modern equipment to dispose of and recycle water and other waste from the factory and ensure the safety of the employees from chemicals and accidents.*

*Founder 1*

For the firm to reopen its operations, the environmental agency—REMA—required Umurinzi Limited to build a modern waste treatment plant where all waste would be disposed of and recycled. In a bid to find a lasting solution to the environmental regulatory challenges, the firm acquired state-of-the-art equipment in terms of waste treatment and recycling machines and hired a team of professionals (engineers) to set up and operate the plant. The managing director noted that the process of fulfilling the new regulatory requirements—acquiring new waste treatment and recycling machines and hiring professionals—not only cost the firm in terms of time as it took almost a year for Umurinzi Limited to reopen its activities, but also prompted the firm to search for more funding to acquire that equipment. The respondents remarked:

*Despite the advantages accruing from the current business reforms with respect to ensuring a conducive business environment, there were a lot of sudden changes, especially in regulations and policies, which affected our activities and operations. We were forced to close our operations and activities for almost a year due to sudden changes in regulations. However, we have been resilient and able to comply with all the requirements, and we are hopeful the suspension is going to be lifted very soon so that we resume our operations.*

*Managing director*

From the quote above, it is indicated that despite the firm’s closure due to the changes in regulations, the management was resilient and complied with the new regulatory requirements and standards. As indicated by the respondents, the firm’s
flexibility and agility in complying with the new regulatory and policy requirements enabled it to regain approval from the government, the regulatory bodies, and the local community.

6.5.2 Navigating the Regulatory Environment at Umurinzi Limited

The key activities that were undertaken by Umurinzi Limited in response to changes in the regulatory environment included lobbying stakeholders to alter the enforcement of changes in regulations, fostering key government concerns and interests, and bypassing regulatory requirements. Other activities that were undertaken by Umurinzi Limited to navigate the regulatory environment comprised creating networks and support bases and capitalizing on changes in policies. These activities are presented in the following subsections.

6.5.2.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

In interviews, respondents indicated that to effectively handle the frequently changing business environment, Umurinzi Limited opted to build networks with different stakeholders such as PSF and RAM. These networks and relationships enabled the firm to interact and lobby different institutional stakeholders such as RDB, REMA, and NIRDA for facilitation with respect to implementing the reforms. Respondents indicated that through its networks, particularly with professional and industry-specific associations, the firm was able to lobby and attract the attention of key institutional stakeholders and influenced them to support the firm in the form of incentives. Thus, continuously building and leveraging networks implied Umurinzi Limited’s attempts to influence key institutional stakeholders to help the firm to cope with the frequent reforms. Here, one of the managers commented:

*The founders sought allies and built relationships with key stakeholders and professional associations to get closer to higher institutional levels to raise their grievances and for dialogue. Through negotiations, the firm was helped to acquire modern equipment, and offered a team of experts and professionals to help in designing the new plant, expanding the road, and extending the water supply to the factory. The firm also received subsidized certification and funds.*

*Production manager*

The quote above indicates how Umurinzi Limited sought allies and connections through which the firm engaged and lobbied key institutional stakeholders for facilitation in implementing the frequent regulatory and policy changes. As noted by the respondent, after a series of negotiations and lobbying, Umurinzi Limited
was offered a grace period to implement the recommendations of the Environmental Regulatory Agency (REMA) and other incentives including tax exemptions. Respondents further indicated that through its networks, the firm was able to influence key institutional actors, particularly the government and regulatory bodies such as REMA, to offer professional support to design the required waste processing and recycling plant to reopen its activities.

6.5.2.2 Leveraging Government Programs to Raise Awareness

Here, Umurinzi Limited aligned its goals with the prevailing government’s interests to benefit from government policies such as the Made-in-Rwanda policy and export promotion strategy. Specifically, the firm engaged in activities that were aimed at attracting attention from the government to benefit from its support and incentive packages. During interviews, respondents mentioned that for Umurinzi Limited to be able to handle the coercive pressures from frequent business reforms, the firm decided to match its goals with government policies in anticipation of facilitation to handle changes. For example, Umurinzi Limited participated in the Made-in-Rwanda campaigns and trade fairs to sensitize the public about the benefits of its products and to counteract the accusations that the firm’s activities were polluting the environment and unfriendly to the local community. This not only enhanced the firm’s recognition in the community, but also resulted in increased consumption of the firm’s products. The managing director noted:

The Made-in-Rwanda campaigns have been helpful in counteracting the accusations against the firm of being dangerous to the community and the environment. With the help of the local authorities and other stakeholders, we have been able to take advantage of this policy to sensitize the local community and raise public awareness about the benefits of the firm to the community and its contribution to the economy.

Managing director

As indicated in the interviews, Umurinzi Limited capitalized on the Made-in-Rwanda policy to promote its products and counteract the accusations against the firm caused by the firm’s inability to comply with the environmental regulations and policies. As mentioned by respondents, this action not only enabled Umurinzi Limited to get more revenue and increase its clientele and suppliers, but it also increased the firm’s recognition and approval by key stakeholders, particularly REMA, RDB, and MINICOM.

6.5.2.3 Bypassing Regulatory Requirements

Here, to cut down on the costs of operations mainly arising from the effluent treatment plant, the firm opted to use manual procedures such as treatment of the waste and then discharging it. According to respondents, as the firm’s activities
increased, the capacity of the existing waste treatment plant was overwhelmed, and it required a new plant to be acquired. The managing director noted:

Initially, when we started operations, we had the capacity to treat all the waste from the factory. However, due to pressure from different stakeholders to increase our production capacity and process all supplies from different cooperatives across the country, the treatment plant was overwhelmed, and we decided to treat the waste manually. In the process some waste leaked and got into the nearby river, which was a mistake on our part.

Managing director

As indicated above, it is evident that instead of acquiring an appropriate or second effluent treatment plant, the firm decided to contravene environmental regulations and discharged its waste into the environment, which was hazardous to the community. Later there was a public outcry from the community that alerted both local authorities and the environmental regulatory body to intervene. As a result, the firm was fined, and its license was suspended and later revoked. The production manager commented:

After it emerged that we had contravened regulations, the firm was fined, the license was suspended and later revoked by the environmental regulatory body. To reopen our activities, we had to present a new business plan indicating how we were going to mitigate the raised issues and safeguard the environment. This required huge sums of money to acquire a state-of-the-art effluent treatment plant and hire experts to train our staff on both operating the plant and safety measures.

Production manager

Table 6.5 below presents a summary of key activities undertaken by Umurinzi Limited to navigate the regulatory environment.

Table 6.5: Summary of Key Activities Undertaken by Umurinzi Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Collaborating with local authorities for assistance | X | X | X | X | X

Fostering key government programs | X | X | X | X | X

Leveraging government programs to raise awareness | X | X | X | X | X

Locating the firm in the proximity of inputs | X | X

Capitalizing on changes in policies | X | X | X

Entering foreign markets | X | X | X

Adoption of mixed business models | X | X | X

Bypassing regulatory requirements | X | X

Continuous reorganization of the organizational structure | X | X | X

Aligning management structure with new markets | X | X | X

Persuading and appointing experts to join the board of directors | X | X

6.6 Iyamarere Limited

Iyamarere Limited is a small paper bag manufacturing company. It was founded in 2011 by two foreign nationals. One of its founders has vast experience related to starting and managing new ventures, particularly in the context of developing economies. Documentation provided by the firm indicated that he [co-founder] had helped other investors to start firms in various sub-Saharan African countries such as Nigeria, Ethiopia, and Uganda. It is the only domestic firm that produces smaller paper bags and that has been able to withstand competition with imported paper bags especially from Uganda and Kenya since it caters for at least 40% of the local market.
6.6.1 Development of Iyamarere Limited

In 2017, the firm employed around 50 employees, had the capacity to process up to 15 metric tons per month, and was capable of stamping and printing customized paper bags for some big clients like supermarkets. However, as indicated from the interviews, Iyamarere Limited had not yet developed capabilities to produce high-end packaging materials. Here, the managing director stated:

Since the ban on the importation, manufacture, and use of polythene and plastic packages, there has been high demand for paper packages. Currently, we have the capacity to produce usual paper packages, however we have not yet ventured into high-end paper bags, and other packaging materials to preserve perishable consumables like bread, among others.

Managing director

As regards the motivations to start the firm in Rwanda, one of the co-founders indicated that he was motivated to invest in Rwanda mainly by the conducive business environment and the opportunities arising out of the economic development agenda that the country had earlier adopted in 2002 and the industrial promotion strategy adopted in 2012. The co-founder expressed his satisfaction with the country’s top leadership and authorities with respect to the support and incentives offered to investors. He hinted at the aftercare investment services provided by RDB whereby investors were provided with basic information about doing business in Rwanda, including potential investment areas, tax regimes, and other available opportunities. Documentation indicated that by the time this firm was founded in 2011, the government had banned the importation, manufacture, and use of polythene bags and other plastic packaging materials and adopted the use of biodegradable packages, which sparked an increase in the demand for paper bags and other biodegradable packaging materials. Here, the co-founder said:

[...], we decided to invest in the Rwandan market mainly because of the country’s ever-improving business environment and the attractive investment services offered by RDB and other authorities such as the tax authority. RDB and other institutions have created a platform through which investors engage in a dialogue with key officials and decision-makers regarding issues affecting their business activities.

Co-founder 1

On the other hand, respondents expressed their dismay towards the conservatism of some institutional stakeholders such as financial institutions. The respondent noted that despite the ever-improving country’s business environment, accessing funding, particularly for start-ups like Iyamarere Limited, was still a major challenge. He [respondent] reflected on how financial institutions were reluctant to fund investment projects in the industrial sector, particularly those related to the manufacturing of packages despite their importance in the economy. As noted
from interviews, even those financial institutions that agreed to finance such projects raised their interest rates, resulting in working capital problems and losses that affected the activities of firms that sought funding from those financial institutions. Here, the managing director remarked:

Well, the government and its agencies have been helpful and supportive to our business activities. However, financial institutions seem to be conservative and only interested in financing high-rise buildings and some extravagant projects compared to firms in the industrial sector, which is a priority sector according to the government. In fact, one would say that interest rates are prohibitive, and they have really affected our working capital and we have been making losses for the last three years. The policies are not harmonized; if you promote investment there should be an investment fund as well. Banks need to cooperate and change their attitudes towards financing our projects.

Managing director

In addition, respondents referred to the challenges arising from nonharmonized regulations. They indicated that neighboring countries had not yet adopted the same policy and established paper packages as manufacturers from those countries that exported their products to Rwanda. As a result, cheap paper packages from the region flooded the local market since they were more competitive in terms of prices, which affected the performance of local manufacturers of packaging materials and most of them became idle or operated under excess capacity. One respondent said:

The Rwandan government has been steadfast in introducing and enforcing business reforms such as the ban on plastic and polythene bags and other changes in business regulations; however, EAC member states have not adopted the same policy yet paper bag manufacturers from these countries easily export their products to Rwanda.

Managing director

The quote above shows the nonharmonization of policies, which affects local firms. Thus, given the challenges arising out of the reforms, Iyamarere Limited undertook two key actions to cope with the reforms as discussed in the section below.

6.6.2 Navigating the Regulatory Environment at Iyamarere Limited

The key activities undertaken by Iyamarere Limited to navigate the regulatory environment consisted of lobbying stakeholders to alter the enforcement of changes in regulations and fostering key government concerns and interests. Iyamarere Limited also engaged in activities related to creating networks and
Description and Findings from Replication Cases

support bases and capitalizing on changes in policies. These activities are elaborated in the following subsections.

6.6.2.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

During interviews, respondents indicated that for Iyamarere Limited to handle the frequent regulatory and policy changes, the firm resorted to seeking and building networks and leveraging those connections to lobby and influence key institutional stakeholders to help and support the firm to go through the reforms. Through building networks, the firm joined professional and industry-specific associations including PSF and RAM for a collective and strong voice to lobby and negotiate with key institutional sources regarding the implementation of the reforms, particularly changes in regulations concerning obtaining credit. As a result, the firm was able to interact and engage with officials from various key institutional sources such as RDB and RRA. Through this interaction, the firm raised and presented its challenges and grievances about the reforms, and remedies were collectively devised. The co-founder stated:

Through the Private Sector Federation, we [manufacturing firms] have collectively exerted pressure on the government and other stakeholders for accelerated implementation of the ban on nonbiodegradable and plastic packages so that domestic manufacturing companies can compete favorably within the region.

Co-founder 1

Further, through engaging and interacting with RDB and other institutional actors such as RRA, a platform, “Investor Open Day,” was created through which key institutional stakeholders—for example, RDB and RRA—regularly met with firm representatives to discuss issues affecting their business activities. Through this forum, information regarding tax regimes and other business opportunities was presented to firms, and then each firm presented its grievances or views about the business reforms. Then, solutions to those challenges were jointly devised. The co-founder stated:

Through dialogue and interaction with RDB and other stakeholders such as RRA, a platform, “Investor Open Day,” has been created. Through this platform we express our complaints and suggest possible solutions to the challenges we encounter. Through this interaction and dialogue, we have continuously asked the government to create a fund for manufacturers and technical support to solve the problem of high interest rates charged by banks.

Co-founder 1
Furthermore, managers at Iyamarere Limited complained of some stakeholders who delayed in implementing and enforcing the incentives and facilitation offered to the firm, especially customs officers, who were reluctant to implement the tax exemption incentives offered to the firm. To overcome this challenge, the firm utilized the “Investor Open Day” platform to lobby and influence responsible stakeholders, particularly RRA, to accelerate the enforcement of tax incentives to enable the firm to compete with firms from the region. Here, one respondent commented:

*Some officers have been hesitant to implement tax incentives. For example, customs officers have been reluctant and taken a long time to exonerate some of our products from taxes, yet we have been offered those incentives. However, we have engaged all concerned stakeholders, especially RRA and RDB, to fast-track those incentives and this has really helped us to keep operating.*

Managing director

Briefly, the firm’s tendency to build networks involved activities aimed at creating networks that were later leveraged by the firm to lobby and influence key institutional stakeholders, especially the government and its agencies, to help the firm to handle the challenges arising from the frequent business reforms. As noted by respondents, building networks not only enabled Iyamarere Limited to handle the frequent changes in regulations but also played an important role in increasing the firm’s access to resources such as subsidized funding, which was necessary to overcome the challenge of limited funding.

6.6.2.2 Fostering Key Government Concerns and Interests

Documentation indicated that after the government adopted a policy banning the use, manufacture, and importation of nonbiodegradable packages in 2006, the demand for paper bags and other biodegradable packaging materials increased. However, since there were no domestic firms producing paper packages, there was a high demand for the imported paper packages mostly imported from Kenya and Uganda. In a bid to reduce dependence on imports and increase local production of paper packages, in 2011, the government adopted an industrial policy aimed at diversifying the economy and particularly enhancing the competitiveness of the industrial sector by increasing the sector’s domestic production and share of GDP and creating a conducive environment for industrial transformation.

Documentation obtained from MINICOM showed that despite the increase in the number of firms registered and started during 2011, there were several internal challenges that impeded the activities and operations of those firms. Respondents noted that the challenges that were encountered by Iyamarere Limited were mostly associated with the changing policies and regulations. For example, the
implementation of the industrial policy was impeded by challenges related to nonharmonized policies, limited access to finance, and infrastructural challenges. Documentation further indicated that it was relatively difficult for firms, particularly start-ups, to cope with such challenges since they were still attempting to build business relationships and find markets.

Therefore, to navigate the regulatory environment, Iyamarere Limited opted to capitalize on government policies by coupling its goals with the prevailing government concerns to benefit from the various support and incentive packages ensuing from the new industrial policy. Thus, the founders of the firm decided to invest in the manufacturing sector, which was a priority for the government to benefit from the various support and incentive packages. Aligning the firm’s goals with key government concerns such as eradicating nonbiodegradable packages attracted the attention of the government through its agencies, particularly RDB and other financial institutions. As a result, Iyamarere Limited was endorsed for special financing schemes and the government introduced restrictive taxes, which discouraged the importation of paper bags from the region. One respondent said:

*To undertake our activities amidst the prevailing challenges, we decided to invest in the priority sector to seek support and facilitation from the government and other stakeholders. This enabled us to take advantage of the various support and incentives offered by the government to boost the industrial sector. These incentives included the introduction of restrictive taxes on paper bags from the region and special financing schemes, which enabled us to build our capacities to cope with the reforms.*

Co-founder

Table 6.6 outlines key activities undertaken by Iyamarere Limited to navigate the regulatory environment.

Table 6.6: Summary of Key Activities Undertaken by Iyamarere Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lobbying stakeholders to alter the enforcement of</td>
<td>X</td>
</tr>
<tr>
<td>changes in regulations</td>
<td></td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Fostering key government interests and concerns</td>
<td>X</td>
</tr>
</tbody>
</table>
6.7 Inkingi Limited

Inkingi Limited is a local firm that manufactures garments. The firm was started in 2015 by two foreign nationals. The founders of Inkingi Limited have vast experience in textile manufacturing, especially in the context of developing economies across different sub-Saharan Africa countries. In 2017, the firm was managed by an experienced team of experts with an influential CEO who had a track record of success in managing companies in developing countries. Inkingi Limited was established with the objectives of producing high-quality garments, particularly for exporting to European and North American markets, and creating employment opportunities. It was also shown that the firm focused on sustaining the environment. Respondents indicated that promoting environmental sustainability was meant to conform with the requirements of environmental regulatory authority and thus enhance its recognition as a responsible company. The co-founder stated:

*I have been doing business in different African countries since 2000 and I have been dealing with export garment businesses in countries such as Kenya and Mauritius and now we are even planning to expand to more countries from Rwanda to Ethiopia and Senegal.*

Co-founder and CEO

6.7.1 Development of Inkingi Limited

Inkingi Limited started with a small factory employing 200 workers. By 2017, the firm had constructed two garment factories, one for export and the other for local consumption, and employed approximately 1,500 employees, most of whom were women and had prospects of establishing a third factory that would employ more than 3,000 workers. Despite Inkingi Limited’s objective of exporting its products mainly to Europe and North American markets, it was indicated that 20% of the firm’s produce was meant for local consumption. Respondents attributed this tremendous growth to the support and facilitation from the government in a bid to achieve economic transformation and promotion of the industrial sector. The co-founder commented:
Description and Findings from Replication Cases

*The government of Rwanda supports the development of the manufacturing sector and has been supportive of our activities, and that is why it took us a very short time to go through all the procedures and formalities to start this firm.*

*Co-founder and CEO*

The co-founder and CEO indicated that their motive to invest in Rwanda was mainly motivated by the attractive and conducive business environment in Rwanda. She further noted that pursuing broader and attractive objectives—increasing exports value and creating employment opportunities—played a crucial role in enabling the firm to attract the attention of the government and other key stakeholders such as the Work Development Authority (WDA) to collaborate with the firm. Another respondent noted that due to the challenge of an insufficiently skilled workforce being employed at the firm, the government through WDA intervened and helped the firm to train the first batch of workers. Here, the managing director said:

*By the time this firm was started, there was an acute shortage of skilled personnel to work at the firm’s workshops. However, the government through RDB through WDA intervened and supported us by training the first group of 200 laborers in one month.*

*Managing director*

However, despite the support provided particularly by the government, respondents complained of the increasing uncertainty mainly arising out of the frequent changes in policies and regulations. Moreover, respondents indicated that such changes were implemented without sufficient consultation of all concerned parties, resulting in information asymmetries and delayed enforcement of some changes in regulations. Here, the respondent said:

*Despite the usual infrastructural challenges, including limited power supply and transport challenges, the rapid changes in policies and regulations, sometimes without engaging and consulting all the concerned parties, create uncertainty and increased costs of operation. This affects our plans and operations of the firm.*

*Managing director*

Overall, to handle the reforms, Inkingi Limited opted to espouse broader goals and couple those goals with the prevailing government interests and building networks and business relationships and leveraging those connections to lobby and influence key institutional stakeholders to help the firm overcome challenges arising from the frequent regulatory and policy changes. These actions are presented in detail in the following section.
6.7.2 Navigating the Regulatory Environment at Inkingi Limited

The key activities undertaken by Inkingi Limited to navigate the regulatory environment included fostering key government concerns and interests and lobbying stakeholders to alter the enforcement of changes in regulations. Other activities that were undertaken by Inkingi Limited in response to changes in the regulatory environment included creating networks and support bases, espousing social goals, and capitalizing on changes in policies. These activities are described in the following subsections.

6.7.2.1 Fostering Key Government Concerns and Interests

Given the prevailing government interests, including promoting the industrial sector through enhancing its competitiveness and diversifying the economy and creating employment opportunities, the founders of Inkingi Limited decided to espouse broader and socially attractive goals and align them with those prevailing government interests. This attracted the attention of the government, which in turn helped the firm to handle the reforms. Specifically, Inkingi Limited capitalized on the government’s resolve to attract both local and foreign investors, particularly in the industrial sector, to benefit from the various support and incentive packages. The co-founder and CEO said that their ability to align Inkingi Limited’s goals with key government concerns enabled the firm to access support from government, particularly through training of its workers by WDA. This action indicates that Inkingi Limited proactively espoused broader and socially attractive goals and purposely aligned them with the government’s interests to exploit the various incentives offered to firms in the industrial sector by the government. The co-founder and CEO commented:

*Aligning our goals with those of the government by setting broader and socially appealing goals such as creating employment opportunities enabled us to attract the attention of key stakeholders, mainly the government and its agencies, which in turn we capitalized on to seek support and facilitation to deal with the regulatory and policy changes.*

*Co-founder and CEO*

As indicated in the quote above, the founders’ ability to espouse broader goals and align them with the prevailing government concerns mainly related to creating jobs, promoting the competitiveness of the industrial sector, and increasing export value, which played an important role in securing funding from BRD and support for training the initial batch of 200 workers.

*Initially, we were quite reluctant and full of doubt about investing in Rwanda, mainly due to how we could get the workers, which is a big factor in the textile and garment industries, but when we presented our business model and objectives, the government was so interested, and in return, it
Description and Findings from Replication Cases

extended some good support through its agencies—RDB and WDA. Eventually, we were recommended for financing from BRD, and WDA trained our workers.

Managing director

The various support and incentive packages offered to Inkingi Limited by the government through its agencies not only enabled the firm to overcome the challenges arising out of the frequent regulatory and policy changes, but also enhanced the firm’s access to other resources that were crucial in enabling the firm to undertake its activities.

Furthermore, respondents commented that the rapid changes in environmental regulations and policies created uncertainty and additional costs for the firm. Thus, to mitigate the effect of those changes, the firm resorted to promoting the sustaining and protection of the environment. The co-founder stated that the firm’s focus on protecting the environment played a big role in enabling the firm to secure international standard certifications such as the “fair trade certification.” Moreover, the firm’s attempts to sustain and protect the environment enabled it to access international markets. Additionally, the firm capitalized on the ban on second-hand clothes and the Made-in-Rwanda policy to raise public awareness about its products, which resulted in increased consumption of its products. Here, the managing director said:

*Our activities have been attractive and appreciated by the government and other stakeholders and this has induced the government and its agencies to support us to establish ourselves on the market. For example, the ban on second-hand clothes and the made-in-Rwanda policies have been helpful in sensitizing and changing the mindset of the local people, especially the youth, towards our products.*

Managing director

6.7.2.2 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

Despite having vast experience of operating in uncertain regulatory environments, the founders of Inkingi Limited still complained of the uncertainty and high operating costs. Thus, to handle the recurring changes in business regulations and policies, Inkingi Limited sought to create networks and business relationships, particularly with key institutional stakeholders, which in turn were leveraged to obtain support and facilitation, including grace periods and flexible or delayed enforcement of the regulatory and policy changes. Here, one of the respondents said:

*Despite the complaints over uncertainties arising from rapid business reforms, the founders have created wide-ranging networks and business relationships locally, especially with influential stakeholders and officials*
locally, which have somewhat enabled us to be offered some grace periods and flexibility in implementing some business reforms.

Managing director

The quote above signifies how the firm leveraged its connections to lobby and influence key institutional actors to enable the firm to handle the reforms. Moreover, respondents echoed that the firm leveraged its business relationships with reputable organizations to influence the government to accelerate the enforcement of the policy banning second-hand clothes, thereby giving Inkingi Limited’s products a competitive advantage compared to imported garments. Moreover, through lobbying, the government was induced to adopt and reinforce the public procurement policy, which required all public institutions to procure at least 60% of the products they used from local producers if they were locally manufactured.

Through dialogue and interaction with key stakeholders, the government and its agencies committed to helping local manufacturers. For example, the government’s ban on importation of second-hand clothes has also increased the consumption and use of our products locally.

Managing director

Furthermore, through its networks, the firm was able to create business relationships with key government organizations such as security organizations and commercial banks to supply them with uniforms and other kinds of attire. Respondents indicated that creating business relationships with key government organizations not only increased the firm’s revenues but also played a big role in increasing the firm’s reputation and endorsement to access other resources such as funding. It was also indicated that Inkingi Limited leveraged its reputation and business relationships to obtain the “fair trade certification,” which not only enhanced its access to foreign markets, especially in Europe and North America, but also enabled it [Inkingi Limited] to build more business relationships with international brands such as Walmart and Adidas.

Well, despite the vast experience and previous networks of the owners and CEO of this firm, they have also been active in building networks and business relationships both locally and internationally. Now, the firm has contracts with reputable public organizations locally and has been able to secure contracts with international brands such as Adidas and Walmart.

Managing director

The quote above highlights how Inkingi Limited leveraged its business relationships with reputable organizations to lobby and influence policymaking in its favor and to get help to cope with the changes in regulations and policies. Despite Inkingi Limited’s reliance on its networks and business relationships to influence key institutional stakeholders, later it had a negative effect with significant consequences on the firm’s operations. In 2017, it was found out the
firm had defied rules and regulations, including failure to honor contractual agreements and obligations with its stakeholders, such as creating jobs and boosting the country’s export value. Moreover, it was revealed that the owner of the firm had taken advantage of her networks with influential personalities to influence and manipulate other institutional stakeholders to gain support and incentives. This had significant consequences for the firm’s activities, and as a result, the firm closed its exports’ garment plant, which was later acquired by another company, and later in 2018 the firm closed. Table 6.7 below highlights key activities undertaken by Inkingi Limited to navigate the regulatory environment.

Table 6.7: Summary of Key Activities Undertaken by Inkingi Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Co-opting and appointing influential officials</td>
<td>X</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Seeking visitations from politicians and top leaders</td>
<td>X</td>
</tr>
<tr>
<td>Collaborating with local authorities for assistance</td>
<td>X</td>
</tr>
<tr>
<td>Espousing social goals</td>
<td>X</td>
</tr>
<tr>
<td><strong>Fostering key government interests and concerns</strong></td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on changes in policies</td>
<td>X</td>
</tr>
<tr>
<td>Entering foreign markets</td>
<td>X</td>
</tr>
<tr>
<td>Bypassing regulatory requirements</td>
<td>X</td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td>X</td>
</tr>
<tr>
<td>Aligning management structure with new business domain</td>
<td></td>
</tr>
<tr>
<td>(export markets)</td>
<td></td>
</tr>
</tbody>
</table>
6.8 Urugano Limited

Urugano Limited is a local manufacturing firm that uses renewable resources—straw pulp from wheat and rice—to make strong walls and strawboard panels for affordable housing. Specifically, Urugano Limited uses locally prefabricated strawboards to make walls and panels for low-cost, sustainable, and eco-friendly houses. The firm was started in 2015 by foreign investors. The founders of Urugano Limited have vast experience in the manufacturing of sustainable and green construction materials. Thus, they [founders] leveraged their unique idea and experience towards providing housing solutions to establish a self-sufficient manufacturing firm in Rwanda. The firm was founded with the objective of providing alternative solutions to the expensive cement by using strong and sustainable walls made from straw. Straw, which is the main raw material, and which was, prior to the establishment of the firm, mostly disposed of as waste or used as manure, is bought and collected from farmers across the country.

6.8.1 Development of Urugano Limited

With regard to the founders’ motivations to start the firm in Rwanda, one of the founders indicated that they were generally motivated by the conducive business environment in Rwanda. The respondent revealed that Rwanda was identified as the perfect entry point into the African market, partly due to the effective business reforms that had resulted in a conducive business environment, visionary leadership, and the government’s commitment to providing future housing solutions compared to other African countries. The respondent stated:

*Rwanda has demonstrated both political and economic stability in terms of creating a positive investment and business environment. The World Bank has ranked the country third in Africa and 46th in the world in effectively implementing economic reforms, and the Rwanda Development Board has played a big role in guiding and helping us to invest here.*

*Co-founder 1*

In 2017, Urugano Limited planned to recruit 1,000 graduates from Technical and Vocational Education Training (TVET) centers and craftsmen and develop their skills. Moreover, the firm had trained 1,200 farmers in how to handle straw and intended to train another 5,000 farmers who would, in turn, supply straw to the firm. Similarly, the firm planned to create employment opportunities for 100 production staff, specialized architects, and engineers, and 1,000 specialized construction-related jobs. As noted by respondents, this enhanced the farmers’ sources of income and thus contributed to improving their livelihood.

Documentation indicated that climate change was one of the major threats to Rwanda’s development and it was predicted to worsen over the coming years. To mitigate this challenge, the government of Rwanda (GoR) adopted the Green Growth and Climate Resilience Strategy aimed at safeguarding biodiversity and
ecosystem services. To implement this strategy, the government, through RDB, opted to attract and persuade development partners, especially the private sector—both local and foreign—to invest in green technologies and renewable housing in Rwanda. This is corroborated by one of the respondents, who said:

*After several negotiations, we decided to establish this firm in Rwanda, partly to ensure that Rwanda takes the lead in Africa regarding the construction of affordable housing units using locally available raw materials—straw from farmers because of its conducive business environment and climate-friendly strategies.*

Manager 1

Nevertheless, respondents raised their concerns about the rapid change of policies and regulations. They mentioned that such brisk changes in policies and business reforms resulted in unpredictable costs and uncertainty, which impeded decision-making. Respondents further stated that even though Urugano Limited’s business concept and technology were unique and new on the market and aimed at providing solutions to the prevailing government concerns, they were worried by the frequent changes in policies and business regulations, which at times were introduced without consulting or involving the concerned stakeholders. Here, one of the respondents remarked:

*Despite the low uptake of our new technology and products by the local people and the limited supply of straw, the rapid changes and implementation of business reforms are making it even harder to do business here. In particular, changes in the regulations concerning obtaining construction permits are delaying our operations and affecting our revenues. Now, we are surviving on government contracts, which is not sustainable.*

Manager 2

The quote above indicates how the rapid changes in policies and business regulations result in increased costs of operation and uncertainty, which affected the activities of the firm. This prompted the firm to undertake key actions that would enable it to handle recurring changes in business regulations and policies.

### 6.8.2 Navigating the Regulatory Environment at Urugano Limited

The key activities undertaken by Urugano Limited to navigate the environment consisted in lobbying stakeholders to alter the enforcement of changes in regulations and fostering key government concerns and interests. Other activities undertaken by Urugano Limited in response to changes in the regulatory environment include creating networks and support bases, relocating to the proximity of raw materials, and leveraging government programs to raise awareness. These activities are presented in detail in the section below.
6.8.2.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

Having realized the uncertainty and increasing costs of operation arising from the business reforms, the firm opted to build networks and business relationships with key institutional stakeholders. The firm also had influential officials on its board of directors. Respondents alluded to the important role played by Urugano Limited’s networks and business relationships, particularly the government and public organizations in offering the firm long-term business contracts. These connections would in turn be leveraged by the firm to lobby for and seek facilitation, including grace periods or flexible enforcement reform schedules. Moreover, Urugano Limited established business relationships with influential and reputable public organizations and private companies such as the Ministry of Education, security organizations, Mota-Engil Africa, and NPD Cotraco. Here, one respondent said:

*Initially, it was quite hard to sell our concept to the public. During the first phase..., we had to seek allies and influential clients and organizations to collaborate with as we got established. In the process, we have managed to build some business relationships with the government and other reputable public and private organizations who are currently our main clients.*

*Manager 1*

Respondents further indicated that in addition to partnering with private companies, Urugano Limited also had a business partnership with the Ministry of Education to build schools and MINAGRI and NAEB to sensitize farmers to collect and supply straw to the firm. This enabled the firm to disseminate and publicize its business concept and products throughout the country.

*Our partnerships with the ministries of education and agriculture and other reputable public organizations have not only played a key role in marketing our business concept and solutions but have also enabled us to get reprieve from some regulations, particularly those concerning construction permits. Now, we have contracts with reputable clients and a reliable supply of straw from farmers, though it is not yet sufficient to sustain the increasing demand for our products and most importantly our products—houses are no longer referred to as makeshifts.*

*Manager 2*

Furthermore, respondents stated that building business relationships with the government and reputable companies played an important role in enhancing the firm’s public recognition and increasing the firm’s revenues. Respondents further noted that although the government and public organizations were still the major clients, they [respondents] were optimistic that the number of private clients would increase soon. There were expectations that the Made-in-Rwanda policy
would play a big role in increasing the number of private customers and suppliers. One production manager commented:

*Our business relationships with the government have not only enabled us to get long-term contracts from the government but have also played a key role in marketing our products and we expect an increase in the number of private clients. The Ministry of Agriculture and local authorities have really helped us to access farmers linking us with local leaders who help us to mobilize farmers [farmer] regarding collecting straw instead of disposing of it as waste.*

*Manager 2*

As noted by the respondents, building networks and business relationships with reputable and influential public organizations not only enabled Urugano Limited to influence institutional stakeholders to assist it in handling the changing regulations and policies, but also played a big role in enabling the firm to access raw materials.

6.8.2.2 Fostering Key Government Concerns and Interests

As documented in the Green Growth and Climate Resilience Strategy, in 2011, the government of Rwanda adopted a policy that was aimed at finding support and alternative building technologies to mitigate the challenges arising from climate changes. Thus, Urugano Limited was founded in a period when the government was looking for development partners, especially from the private sector, to develop interventions to mitigate the challenges of increasing population, especially in Kigali City. In the process, a development partner, Urugano Limited, entered the Rwandan market with broader societal objectives of building affordable and green housing units, improving farmers’ livelihoods, and creating employment opportunities, which were all key government concerns at the time.

*Initially we wanted to locate this firm in another country, not Rwanda. However, given Rwanda’s political and economic stability and conducive business environment, we were induced to invest in Rwanda. Since our business model and technology are new to Rwanda and are aimed at providing alternative solutions to some key government challenges, the government committed to helping us to overcome some initial challenges as the business gets established.*

*Co-founder*

The quote above alludes to how the firm capitalized on the existing government policies by espousing broader societal goals to be supported and helped to handle the frequent reforms. Moreover, respondents indicated that in the initial stages of Urugano Limited, there were several impediments that constrained the firm’s activities. While most of these challenges were associated with the rapid business
reforms, other challenges arose from the misconceptions of the people about Urugano Limited’s products. Thus, to overcome these misconceptions about its products, Urugano Limited opted to collaborate and seek support from its key partner—the government. As a result, the government, through public procurement policy, required all public organizations to procure locally made products whereupon the firm was offered contracts to build schools by the Ministry of Education (MINEDUC). This was supported by the respondents, who remarked:

*The government of Rwanda has appreciated our business model and technology to provide solutions to housing challenges, and this has increased our chances of being supported and offered incentives so overcome those challenges. The government has offered us contracts to start with; RDB regularly checks on us to identify the challenges we are facing, we have been offered a relaxed tax regime, and some of our raw materials are exempted from taxes. Basically, we have capitalized on this support and these incentives to enhance our operations and establish ourselves on the market.*

Manager 1

In addition to the contracts from the government and public organizations, Urugano Limited also capitalized on the Made-in-Rwanda policy to raise public awareness about its products and services. Respondents noted that there were misconceptions about the firm’s products whereby the houses built by the firm were referred to as “makeshifts” and farmers were also hesitant to collect and supply straw to the firm.

*People could not believe how straw, which is basically farm waste that is usually used as manure on farms, could be used to make strong walls to construct a house. [....], we had to seek intervention from the government and other stakeholders to sensitize farmers and the public about the benefits of our products and how they [farmers] would benefit by earning income from selling farm waste (straw) to us. While working together with other stakeholders such as MINICOM, MINAGRI, PSF, and RAB, we took advantage of the Made-in-Rwanda campaigns to sensitize and raise public awareness about the benefits of our products and encourage farmers to collect and supply us with straw.*

Manager 2

The quote above denotes how Urugano Limited capitalized on the Made-in-Rwanda policy to market its products and overcome challenges related to the negative perception that people had about its products—straw walls and houses. As a result, there was increased consumption and uptake of the firm’s products and farmers were committed to supply straw to the firm. Table 6.8 below highlights key activities undertaken by Urugano Limited to navigate the regulatory environment.
Table 6.8: Summary of Key Activities Undertaken by Urugano Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Co-opting and appointing influential officials</td>
<td>X</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Seeking visitations from politicians and top leaders</td>
<td>X</td>
</tr>
<tr>
<td>Collaborating with local authorities for assistance</td>
<td>X</td>
</tr>
<tr>
<td>Fostering key government interests and concerns</td>
<td>X</td>
</tr>
<tr>
<td>Relocating to the proximity of inputs</td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td>X</td>
</tr>
</tbody>
</table>

6.9 Ubuzima Limited

Ubuzima Limited is a business company dealing in the manufacturing of medical and laboratory consumables. It was started by three Rwandan investors as a distribution company and was registered as a manufacturing company in 2014. In 2017, Ubuzima Limited was the only manufacturer in Rwanda dealing in the in vitro diagnostics with a broad range of products including laboratory analyzers and a wide range of reagents. Specifically, Ubuzima Limited specializes in the manufacturing of various types of medical consumables, including different types of blood tubes, and stool and urine containers, and offers maintenance and
aftercare services to its customers thanks to the firm’s specialized team of engineers and technicians.

6.9.1 Development of Ubuzima Limited

By the time of this research (2017), Ubuzima Limited had envisioned becoming the leading manufacturer of medical consumables in the region by providing a wide range of affordable and high-quality medical consumables and laboratory reagents, as well as devices. Two of the founders have vast experience in pharmaceuticals and midwifery and nursing and had worked in Switzerland and Belgium, while the third co-founder was a career banker with managerial competencies. The founders stated that although the idea of starting Ubuzima Limited was motivated by their experience, their focus was on contributing to their country’s economic transformation and creating a legacy for their families. One of the co-founders commented:

*We studied and worked in Europe as professionals in pharmacy and midwifery. In 2000 we thought about how we could further exploit our experience and start a company back home, and in 2004 we partnered with Human Diagnostics—a Germany company—and started distributing their products in Rwanda. Later, in 2014 we changed our idea and registered this firm as a manufacturing company.*

Co-founder 1

Furthermore, the founders specified that they were partly persuaded by the government to start a manufacturing firm dealing in medical consumables and laboratory products and were promised to be helped to establish the firm. In addition, respondents noted that despite the support promised by the government, there were a lot of challenges in starting Ubuzima Limited. Moreover, respondents stressed their dismay towards the brisk changes in policies and regulations and the way those reforms were enforced. They [respondents] revealed that it was challenging to fulfill the requirements and maintain the mandatory standards. This partly explains why it took a long time to obtain the operating license and permission to start Ubuzima Limited. One of the managers said:

*Despite the economic reforms, which are largely aimed at creating a conducive business environment, and the support from the government and its agency—RDB—in starting the firm, it was quite challenging to comply with the changing policies and regulations. Maybe we should have waited for some time..., the business reforms are really making our business vulnerable, and we risk closing.*

Co-founder 2

Furthermore, respondents complained of the unfair and unharmonized regulations and policies. They claimed that although the government was inducing the private sector to invest in the medical industry, the market was highly regulated whereby
only one government entity had exclusive rights to supply medical and laboratory equipment to all government entities such as hospitals and health centers.

_The market is overregulated, and this makes it hard for us to compete in the market. The government, which is the biggest client, has given exclusive rights to the Rwanda Biomedical Center (RBC) and this is unfair on us._

Co-founder 3

During interviews, respondents also expressed their concern about the unfair competition from substandard products that are mainly imported from the region. They indicated that despite the rapid changes in policies, there were loopholes particularly in the effective enforcement of those regulations whereby low-quality products from the region were imported into the country under the pretext of the common market, free trade area under regional integration of the East African countries. Here, one of the co-founders remarked:

_Develop the exclusive rights given to RBC to procure and supply medical and laboratory equipment to all government hospitals, which form the biggest share of the market, private hospitals and clinics prefer using imported products, which are usually low priced and of course of inferior quality._

Co-founder 3

Despite the conducive business environment, respondents complained of the rapidly changing business regulations and policies that affected the firm’s activities through increased operating costs and uncertainty.

### 6.9.2 Navigating the Regulatory Environment at Ubuzima Limited

Ubuzima Limited undertook three key activities in response to changes in the regulatory environment. These activities comprised lobbying stakeholders to alter the enforcement of changes in regulations, fostering key government concerns and interests, and the adoption of mixed business models. Other activities that were undertaken by Ubuzima Limited to cope with changes in the regulatory environment included creating networks and support bases, seeking assistance in certification processes, and leveraging government programs to raise awareness. These activities are further elaborated in the following subsections.

#### 6.9.2.1 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

To handle the challenges arising from business reforms, the first attempt undertaken by Ubuzima Limited was to build networks and business relationships with key institutional stakeholders, particularly the government. Respondents
specified that in the process of building networks, they were able to raise the firm’s challenges and concerns with respect to business reforms, and through lobbying, the firm sought facilitation, particularly from the government and its agencies, to effectively handle the reforms. Through lobbying via its networks and professional associations such as PSF and RAM, the firm induced the government to liberalize and open the market for private firms to freely compete on the market. Respondents stated that liberalizing the medical and laboratory equipment market and allowing private firms to locally manufacture and supply medical and laboratory equipment increased the firm’s turnover and access to resources, especially funds to further expand its operations. As a result, Ubuzima Limited was subcontracted by the government through the Rwanda Biomedical Center (RBC) to supply medical and laboratory equipment to district hospitals. One of the co-founders noted:

\[...\], we had to find ways we could engage and lobby the government to open the market for private practitioners. With the help of PSF and other contacts, we were able to present our challenges to the government and RDB, which later committed to facilitating us, for example, by giving us contracts to supply medical and laboratory consumables to district hospitals, banning importation of substandard products, and opening the market for private companies.

Co-founder 3

The quote above shows that through networking and business relationships, Ubuzima Limited was able to attract the attention of key institutional stakeholders, mainly the government and RDB, which in turn committed to assisting the firm [Ubuzima Limited] by effectively enforcing the ban on substandard medical and laboratory equipment. Moreover, respondents reiterated that despite the formalities involved in obtaining the license to start Ubuzima Limited, they were able to attract RDB’s attention, which in turn intervened and helped the firm to obtain an operating license and further endorsed the firm for funding from BRD. This is corroborated by one of the co-founders, who stated:

It was quite hard to fulfill the changing requirements and formalities to start this firm. However, being the first domestically owned firm manufacturing medical and laboratory equipment and given the government’s urge to reduce its reliance on the importation of medical and laboratory products, it was quite easy to lobby the government to help us to undertake our activities by certifying our products and endorsing us for subsidized funding from BRD.

Co-founder 1

As reiterated by managers, Ubuzima Limited’s contacts and networks played a key role in linking the firm with key institutional stakeholders such as RDB, which prevailed upon RBS to issue an operating license and certify the firm’s products. Ubuzima Limited later leveraged this local certification to apply for
international certification. As a result, the firm received an ISO certification from QAS International Limited. Here, respondents specified that obtaining international certification increased the firm’s recognition and approval by reputable international partners from which the firm procured its raw materials and sourced new technologies.

Through our networks, we sought and lobbied the government and its agencies to help us in the certification process that we used to apply for international certification. This has increased our chances of partnering with international firms, particularly for raw materials and expertise.

Co-founder 2

6.9.2.2 Fostering Key Government Concerns and Interests

Given the constraints that the firm was encountering, the managers opted to promote broader goals championing key government concerns related to increasing export value and reducing the country’s dependence on imported medical and laboratory equipment. Even though it took a bit longer for the concerned stakeholders to approve this business project (starting Ubuzima Limited), respondents indicated that later the government realized the need to cut imported medical and laboratory consumables and allowed the firm a license to operate. Subsequently, this (contributing to solving government concerns) enabled the firm to benefit from the various support and incentive packages offered by the government, and thus the firm was helped to handle the changing regulations and policies and the challenges arising therefrom.

You know this was a new business concept, which of course was likely to face a lot of resistance since it affects people’s lives. However, given the government’s urgent need for partners to provide solutions to mitigate the challenge of overreliance on imported medical and laboratory consumables, we thought of aligning our goals with the prevailing government concerns of cutting the importation of medical and laboratory consumables by locally manufacturing affordable medical and laboratory consumables. As a result, the government committed to helping us to become internationally certified and established to expand the business and compete regionally to increase the country’s export value.

Co-founder 2

In addition, to further benefit from the government support and incentive packages, Ubuzima Limited attempted to expand its product lines in order to show that it was growing. Respondents mentioned that the firm opted to expand its portfolio to access more incentives and resources. This was because expansion (introducing more product lines and employing more staff) was one of the criteria used to evaluate the performance of firms and the basis for obtaining incentives from the government. By 2017, Ubuzima Limited, which had earlier started as a
trading and distribution company with five employees, were employing 20 staff and had a wide range of product lines manufactured domestically. Here, one respondent stated:

*To cope with the uncertainties and excess capacity, we had to make the best use of the support and incentives we had been offered to get more support and incentive packages. We had to prove that the previous support and incentives had enhanced our activities and that the firm was on the right track to sustain its activities and get established in the market.*

*Co-founder 1*

Furthermore, respondents indicated that Ubuzima Limited participated in the Made-in-Rwanda campaigns and trade fairs to raise awareness about its products and services. In doing so, the firm sought partnerships and collaboration with institutional stakeholders spearheading this initiative, including MINICOM, RDB, and PSF, to sensitize the public and raise awareness about the products made by Ubuzima Limited. In addition, Ubuzima Limited was able to get in touch with other independent clients including private hospitals and clinics. This increased the firm’s turnover and ability to handle the costly reforms. Here, one of the respondents remarked:

*Given that we were competing with imported products that were preferred on the market, we had to make the best use of the prevailing government policies, for instance, the Made-in-Rwanda policy, in order to build long-term business relationships with big buyers such as RBC and other private hospitals and clinics.*

*Co-founder 2*

6.9.2.3 Adoption of Mixed Business Models

Under this activity, respondents noted that the firm adopted a mixed business model that involved manufacturing and importing. However, it was indicated that this model was contrary to the operating license offered to the firm and inconsistent with the industrial policy to reduce the country’s dependence on imports since Ubuzima Limited still imported some of its products, yet it had been licensed to manufacture its products locally in Rwanda. Here, one of the founders stated:

*To sustain our activities and keep in business, we took advantage of the government’s strategy to promote the industrial sector and decided to manufacture some of the products locally while importing others. Although this was contrary to the government policy of reducing imports in general, imported products were preferred on the market and more profitable compared to locally made products.*

*Co-founder 3*
Description and Findings from Replication Cases

The quote indicates how the firm circumvented regulations by adopting a mixed business model involving both local production and importation of its products, which was contrary to its operating license and the government’s concern of reducing imported medical and laboratory consumables. Table 6.9 highlights the key activities that were undertaken by Ubuzima Limited to navigate the regulatory environment.

Table 6.9: Summary of Key Activities Undertaken by Ubuzima Limited

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Co-opting and appointing influential officials</td>
<td>X</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Seeking visitations from politicians and top leaders</td>
<td>X</td>
</tr>
<tr>
<td>Fostering key government interests and concerns</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Adoption of mixed business model</td>
<td>X</td>
</tr>
</tbody>
</table>

6.10 Imirasire Limited

Imirasire Limited is a manufacturing firm specializing in the production of energy-saving and eco-friendly LED lights and solar panels. It was founded by foreign investors in 2012 as a small trading company; however, in 2013, the firm diversified into manufacturing. By the time of this research, Imirasire Limited had grown into a successful manufacturing company employing 50 local staff and five foreign experts. Documentation indicated that Imirasire Limited’s management had rich experience and expertise in the electronics industry, particularly in the manufacturing of power-saving and eco-friendly LED lights and solar panels and other electronic products.
6.10.1 Development of Imirasire Limited

The firm was founded with the objective of producing high-quality LED lights and other customized electronic products to satisfy the country’s energy needs. One of the founders reiterated that after changing the firm’s initial idea—from trading to manufacturing—Imirasire Limited decided to promote the production of environmentally friendly electronic products. Here, the respondent said:

_We started as a small trading company and later, after analyzing the needs and growth potential of the market and the challenges impeding our business, in 2013 we decided to go manufacturing and now everything is moving on smoothly. Now there is a high demand for our LED lights and eco-friendly solar products, thanks to the country’s high power and construction needs._

Co-founder

In addition, respondents noted that the conducive business and investment climate motivated the founders to start Imirasire Limited in Rwanda. The CEO indicated that the country’s path to economic recovery and development through adopting different economic reforms had resulted in a conducive business environment that attracted, in particular, foreign investors to start businesses in the country compared to other countries in the region. The respondent stated:

_The economic reforms adopted by Rwanda have created a conducive investment climate, and the government is very supportive and responsive to investors and their challenges. The government’s need to transform and diversify the economy has resulted in the promotion of the domestic manufacturing compared to importation, and this has induced us to change our initial business orientation and has enabled the firm to undertake its activities._

CEO

Documentation indicated that the boom in the country’s construction and housing sector partly motivated the founders to change their initial business idea to diversify into the industrial sector. It was noted that in a period of five years (2006–2010), the construction industry in Rwanda had more than doubled and the sector’s growth trajectory up to 2012 had been tremendous. Moreover, the adoption of the Green Growth and Climate Resilience Strategy in 2011 further made Rwanda a potential entry point for the founders of Imirasire Limited to invest in the manufacturing sector. Respondents indicated that there was a big challenge related to the shortage of power to satisfy the booming construction and housing sector in Rwanda. To alleviate this challenge, the government, through RDB, opted to attract partners or investors to venture into the production of affordable and energy-saving lights. Here, the respondent commented:
There are many opportunities here. We had earlier started as a trading company, but after realizing the market potential both in Rwanda and in the region and other favorable government policies such as the Green Growth and Climate Resilience Strategy, the Made-in-Rwanda policy, the public procurement policy, and other incentives extended to manufacturers, we decided to diversify and invest in the manufacturing sector.

CEO

Despite the favorable government policies and conducive business environment, respondents raised their concerns about the challenges arising from frequently changing regulations and policies. Respondents noted that Imirasire Limited’s activities were affected not only by the bureaucratic burdens arising from the frequent business reforms but also the firm’s activities and operations were affected by increased operational and transaction costs arising from the rapid changes in regulations. The challenges mentioned included uncertainties and increasing costs arising from frequently changing environmental regulations, tax codes, and inadequate consultations regarding the implementation of reforms, which resulted in heavy penalties and losses. Here one respondent stated:

The economic reforms have always come with some challenges that impede most businesses. On average, five regulations are introduced or changed every year and implementing these changes implies more bureaucratic burdens and increased costs of operations that affect the overall performance of the firm.

Manager 1

The above quote indicates that the frequent changes in regulations and policies resulted in increased operational costs, which subsequently affected the activities and operations of Imirasire Limited. This prompted Imirasire Limited to undertake two key actions to navigate the regulatory environment. These actions are presented in the next section.

6.10.2 Navigating the Regulatory Environment at Imirasire Limited

The key activities that were undertaken by Imirasire Limited included fostering key government concerns and interests and changing the initial business orientation. Other activities undertaken by Imirasire Limited in response to changes in the regulatory environment included espousing social goals, leveraging on government programs to raise awareness, and the diversification of business portfolios. These activities are presented in the following sections.
6.10.2.1 Fostering Key Government Interests and Concerns

The first action undertaken by Imirasire Limited was to espouse attractive and broader goals aimed at providing solutions to the prevailing government concerns. This attracted the attention and consideration of the government with respect to the firm’s complaints about the challenges arising from the rapid reforms. Respondents noted that in turn, the government committed to enabling the firm to overcome the challenges arising from the frequent reforms through various incentives and support packages. Here, one of the respondents said:

_Our main objective is not trading in LED lights as we had earlier started, rather we are interested in providing solutions to the increasing needs of the construction sector by manufacturing and supplying power-saving and eco-friendly lights that are affordable to the local people locally in Rwanda and across the region. These goals have induced the government to support us through incentives such as tax exemptions and grace periods to implement environmental policy changes._

_Co-founder_

The quote above indicates how the founders of Imirasire Limited aligned the firm’s goals with the prevailing government interests and concerns to attract its attention and help the firm to cope with the rapid reforms through various incentives such as tax exemptions, subsidized funding, and flexible implementation schedules of the reforms. Respondents further mentioned that setting up the factory in Rwanda would help the government to achieve its import substitution strategy through the promotion of local industries to reduce the country’s reliance on imported electronics and thus mitigate the challenge of power shortages. One of the respondents said:

_It is surprising that here lighting consumes around 75% of the energy produced. [...] After analyzing the problem and given our capacity, we decided to support the government and set up a manufacturing plant that would help in lessening the power shortage problem in the country by producing LED lights with the capacity to save 50% of the energy used in lighting._

_CEO_

In addition, Imirasire Limited espoused job creation and skills development and increasing the country’s export value through exporting its products across the region as part of its main goals. Respondents reiterated that promoting such goals not only induced the government to support the firm but also played a big role in enhancing the firm’s public approval arising from the affordable power-saving lights, which enabled an average household to use power for lighting. Here, one respondent commented:
Manager 2

To increase the firm’s coverage across the country, the government offered Imirasire Limited various incentives, including tax exemptions, access to subsidized export funds, and environmental certification. Respondents noted that these incentives enabled the firm to expand and thus created more employment opportunities. One respondent stressed:

“Our products and services have been approved and recommended by the key stakeholders. The government as a key stakeholder has expressed its appreciation of our products and services towards providing solutions to the energy problem in the country. We have been offered some special support and incentive packages by the government, including tax exemptions and subsidized loans, which have also enabled us to expand our activities and thus provide more jobs.”

Manager 1

In addition, Imirasire Limited capitalized on the Made-in-Rwanda initiative to market its products. Respondents indicated that Imirasire Limited continuously participated in the Made-in-Rwanda sensitization campaigns and trade exhibitions to market and raise awareness about the benefits of its products and services. It was noted that the government further assisted the firm by requiring all public organizations to use Imirasire Limited’s products—power-saving lights. Respondents indicated that this facilitation not only increased the firm’s revenues, but also enhanced its recognition and approval to access the subsidized export funding since the firm had espoused increasing export value as one of its goals. Here, the respondent remarked:

“We have benefited from various government policies and initiatives, such as the Made-in-Rwanda policy, which has specifically helped us to market and promote our products throughout the country. The Made-in-Rwanda trade fairs and exhibitions are usually mainly organized at subsidized rates and broadcasted across the country, and this has enabled us to reach a big coverage across the country.”

Manager 1

As noted by respondents, the Made-in-Rwanda campaigns and trade shows not only increased the buyers’ confidence towards the firm’s products but also played a key role in increasing the firm’s market share compared to competitors, particularly firms dealing in imported conventional lights. Respondents further reiterated that despite the support from the Made-in-Rwanda and other policies,
there were other unharmonized and conflicting government policies and flaws in enforcing the reforms. The respondent highlighted the continued presence of substandard products on the market, particularly imported from the region. He noted:

*Even though we have been allowed exclusive rights to produce and supply LED lights in the country, our clients have sometimes been duped into buying substandard products imported from the region. However, with the support and facilitation of the government, particularly through the Made-in-Rwanda awareness campaigns and trade fairs, we have unleashed public awareness campaigns to raise awareness about the benefits of our products throughout the country and we are slowly capturing the market.*

(Manager 2)

6.10.2.2 Change of the Initial Business Orientation

The second key action undertaken by Imirasire Limited to navigate the regulatory environment was to change its initial business orientation. By 2017, the firm that had earlier started in 2012 as a trading company had become a full-fledged manufacturing firm. Respondents noted that the frequently changing regulations and policies and the constraints arising therefrom prompted the founders to change their initial business orientation and invest in the manufacturing industry, which was more accepting of, and favorable towards, the reforms. Here, one respondent noted:

*Despite the various support and incentives that we received from the government to cope with the reforms, the industrial sector was much more attractive and accepting of the reforms. Venturing into manufacturing the products we previously traded has been a big boost to our operations since we are less constrained by the reforms compared to the previous business.*

CEO

The quote above indicates how the firm changed its business orientation to avoid the regulatory and policy changes that had impeded its activities. In addition, it was indicated that the firm diversified and expanded its portfolio to avoid the need to implement the reforms that had hampered its previous business activities. One respondent noted:

*I think the founders will always put forward the goals that are more attractive to the firm’s stakeholders rather than the real reasons why they switched to another business just one year into operation. With regard to the change of the initial business idea, I think they’re trying to avoid the challenges they encountered during the first year of operation and the industrial sector was becoming more attractive.*

Manager 2
As indicated in the quote above, the firm changed its initial business orientation to elude the regulatory requirements that had initially affected the activities and success of the firm. Thus, the firm’s attempts to diversify its portfolio and change its initial business orientation from trading to manufacturing are indicative of bypassing and circumvention actions, which were aimed at precluding the firm from the need to implement the frequent regulatory and policy requirements that had initially affected the firm’s activities. Table 6.10 below highlights key activities that were undertaken by Imirasire Limited to navigate the regulatory environment.

**Table 6. 10: Summary of Key Activities Undertaken by Imirasire Limited**

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Espousing social goals</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fostering key government interests and concerns</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of the initial business orientation</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Diversification of business portfolio</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Separation of management and oversight roles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
6.11 Summary of Key Activities Undertaken by Replication Cases

The analysis of the replication cases indicates that all nine case firms undertook different activities aimed at capitalizing on government policies. It is apparent from the case firms that they mainly started by espousing broader and socially attractive goals and aligning those goals with key government concerns and interests to benefit from the various support and incentive packages offered by the government to firms that were responsive to its [government] concerns and interests. The studied firms capitalized on government policies and initiatives with the purpose of obtaining support and facilitation to handle the rapid changes in regulations and policies.

Activities related to building relationships with stakeholders and establishing contacts were undertaken by eight case firms. Like the “main case,” these activities were mainly comprised of attempts to navigate the regulatory environment by building networks and business relationships with key institutional stakeholders and leveraging those connections to lobby and influence regulatory processes and outcomes in the benefits of firms. Activities related to diversification and change of the initial business orientation were undertaken by four case firms. These consisted of changing the firms’ initial business orientation, diversifying and expanding their portfolios, and adopting mixed business models—exporting and importing contrary to the regulatory requirements, and exporting with the intention of bypassing the requirements of the frequently changing regulations and policies.

Lastly, nine case firms proactively undertook activities and actions related to continuous restructuring and reorganization. This was mainly done through hiring experts and professionals, continuous readjustment of their management teams, and changing the composition of their boards of directors to build competent teams with the ability to handle the reforms. Overall, the findings from the nine replication cases highlight the significance of the activities undertaken by the studied firms to ensure their continued operations vis-à-vis the rapid changes in regulations and policies and frequent introduction of new rules and regulations. Table 6.11 below presents a summary of key activities undertaken by case firms in response to changes in the regulatory environment.
Table 6.11: Summary of Activities Undertaken by Case Firms in Response to Changes in the Regulatory Environment

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Case Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bwiza</td>
</tr>
<tr>
<td>Co-opting and appointing influential officials</td>
<td>X</td>
</tr>
<tr>
<td>Lobbying stakeholders to alter the enforcement of changes in regulations</td>
<td>X</td>
</tr>
<tr>
<td>Seeking assistance in certification processes</td>
<td>X</td>
</tr>
<tr>
<td>Creating networks and support bases</td>
<td>X</td>
</tr>
<tr>
<td>Engaging in politics and seeking visitations from politicians and top leaders</td>
<td>X</td>
</tr>
<tr>
<td>Collaborating with local authorities for assistance</td>
<td>X</td>
</tr>
<tr>
<td>Espousing social goals</td>
<td>X</td>
</tr>
<tr>
<td>Fostering key government programs</td>
<td>X</td>
</tr>
<tr>
<td>Leveraging government programs to raise awareness</td>
<td>X</td>
</tr>
<tr>
<td>Activity</td>
<td>X</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Locating the firm in the proximity of inputs</td>
<td>X</td>
</tr>
<tr>
<td>Capitalizing on changes in policies</td>
<td>X</td>
</tr>
<tr>
<td>Change of the initial business orientation</td>
<td>X</td>
</tr>
<tr>
<td>Diversification of the business portfolio</td>
<td>X</td>
</tr>
<tr>
<td>Entering foreign markets</td>
<td>X</td>
</tr>
<tr>
<td>Adoption of mixed business models</td>
<td>-</td>
</tr>
<tr>
<td>Bypassing regulatory requirements</td>
<td>-</td>
</tr>
<tr>
<td>Continuous reorganization of the organizational structure</td>
<td>X</td>
</tr>
<tr>
<td>Aligning management structure with new business domain</td>
<td>X</td>
</tr>
<tr>
<td>Separation of management and oversight roles</td>
<td>X</td>
</tr>
<tr>
<td>Persuading and appointing experts to join the board of directors</td>
<td>X</td>
</tr>
</tbody>
</table>
Chapter 7: Comparison of Cases and Analysis of Findings

7.1 Introduction

This chapter presents a comparison of cases and an analysis of findings—that is, a comparison of the activities undertaken by the firms empirically studied in this thesis. The chapter analyses the empirical material presented in the preceding Chapters 5 and 6 from which the first-order categories emerged. This chapter follows the breakdown presented in Figure 7.1, which presents the activities and strategies undertaken by new firms in response to changes in the regulatory environment.

During the analysis, data were first coded into categories and then grouped together to derive first-order codes. First-order codes were grouped together to derive second-order themes. Drawing on Corley and Gioia (2004), second-order themes reflect my interpretation of the activities undertaken by the studied firms. Similar second-order themes were grouped together as aggregate dimensions that represent the studied phenomenon (Charmaz, 2006). While I developed the first-order codes and second-order themes, the aggregate dimensions were inspired by concepts from the literature review such as network-based strategies, market-oriented strategies, and hybrid strategies.

Therefore, this chapter focuses on the second-order themes that describe the activities that were undertaken by case firms in response to changes in the regulatory environment. The second-order themes developed include influencing regulatory processes and outcomes, seeking support and access to resources, coupling the firm’s goals with the government’s priorities, prospecting and anticipation, diversification and change of the initial business orientation, bypassing and circumventing regulatory requirements, building professional management teams, and introducing and readjusting the board of directors.
Figure 7.1: Data Structure
7.2 Aggregate Dimension 1: Maneuvering

7.2.1 Theme 1.1: Influencing Regulatory Processes and Outcomes

The activities undertaken under this theme were mainly aimed at influencing regulatory processes and outcomes and thus helping firms to handle pressures from the regulatory environment. Analysis of findings indicates that this was done through different activities and actions, including co-opting and appointing influential officials, lobbying stakeholders to alter the enforcement of regulatory changes, and seeking assistance in the certification process.

7.2.1.1 Co-opting and Appointing Influential Officials

The survival of new firms in a changing regulatory environment is important, but it has preceding activities and actions. Findings from the respondents interviewed across the case firms indicated the need to cope with the changes in regulations and policies to ensure the continued operation of their firms through persuading and appointing influential officials, particularly from key institutional actors such as the government and its agencies who would not only advise or help the firms with handling the changes in the regulatory environment, but also influence the enforcement of those changes and requirements arising therefrom. Accessing relevant advice is not the only way to effectively handle changes in regulations and policies. In fact, having influential officers on their advisory boards meant the studied firms could easily influence regulatory processes and outcomes in their interest and to their benefit. As a result, influencing regulatory processes and outcomes would enable firms to get some exoneration or flexibility in fulfilling the regulatory requirements.

Furthermore, being able to influence regulatory processes and outcomes enables firms to get attention and approval from key institutional stakeholders. It is a big achievement for entrepreneurs and/or managers to be able to negotiate key institutional stakeholders such as the government and its agencies in the interest and to the benefit of their firms. Failure to negotiate or get the right advice on how to handle the changes in business regulations and policies implies that firms would incur additional costs while conforming to the new requirements. This would affect the activities of the firms since much of their resources would be reallocated to activities aimed at conforming to the new requirements. Therefore, having influential officials on the advisory boards of the firms becomes critical for them to access the right advice and be able to influence regulatory processes and outcomes to their benefit.

The motive to scale up the activities of the firms and having them continue operating induces entrepreneurs and/or managers to find alternative means to cope with the changes in the regulatory environment. In four firms (Bwiza Limited,
Inkingi Limited, Urugano Limited, and Ubuzima Limited), co-opting and appointing influential officials was clearly identified. For the other firms where this activity was not identified, this was due to the fact that these firms had no experience of the business environment in Rwanda and had no acquaintances in the industry and limited resources to persuade and hire key and influential officials.

7.2.1.2 Lobbying Stakeholders to Alter the Enforcement of Changes in Regulations

Apart from nominating influencing officials on the firms’ advisory boards, findings indicate that the studied firms also influenced regulatory processes and outcomes through lobbying and negotiating with different stakeholders to modify the implementation and enforcement of the changes in regulations and policies. Most of the managers indicated that it was important to directly engage and negotiate with relevant stakeholders on the issues that were constraining their firms’ activities. They emphasized the effectiveness of lobbying since it was less costly and involved no third parties. Similarly, the majority of the managers highlighted that in some instances they directly lobbied and negotiated for adjusting the implementation plans of some changes in regulations and policies, for example, through the “Investor Open Day”—that is, a platform through which investors met officials from relevant authorities and presented and discussed issues they were encountering. Through discussions and presentations under this platform, different amendments or modifications were proposed or made to various regulations and policies depending on requests from different firms.

Findings further indicate that from the same platform, all of the firms except Imirasire Limited lobbied relevant government authorities not only to modify the existing regulations but also to introduce new regulations. The reason why firms lobby relevant authorities with different requests is a sign that they may be affected differently by the same changes in regulations and policies. In all but three firms, managers engaged relevant authorities to introduce restrictive taxes on imported packaging materials and to accelerate the implementation of the policy banning plastic packages to create a competitive advantage for firms locally producing the same products. Findings also highlight the importance of the firms’ ability to leverage their experience to advise concerned stakeholders and influence policy outcomes. This was mostly evident at Inyange, Urugano, and Inkingi. Here, firms capitalized on their vast experience and expertise in their specific business areas to advise policymakers while pushing their motives to be embraced and captured in the new policies and regulations. This was a kind of a win-win situation on both sides—that is, the policymakers and the concerned firms.
7.2.1.3 Seeking Assistance in the Certification Process

Apart from operating locally, the studied firms also conducted their activities across borders. To access foreign markets mainly through exporting, firms must fulfill both local and foreign standards and requirements. This is a rigorous and time-consuming process that involves a lot of resources, which most of the studied firms lacked. Firms that exported their products (Bwiza Limited, Inyange Limited, Ubudasa Limited, Umurinzi Limited, and Inkingi Limited) emphasized the need for assistance (technical and financial) and facilitation from regulatory authorities and the standardization board to fulfill those standards and requirements.

On the other hand, firms such as Ubuzima, Imirasire, and Urugano did not directly seek assistance from the government but capitalized on the government’s policy to promote the consumption of locally made products through both local and foreign markets to request quick interventions, mainly shortening the process of getting certified. This involved creating special task forces or committees to specifically help those firms to get their products certified. As a result, the process was shortened, and firms incurred fewer costs.

Other options used by the studied firms to influence regulatory processes and outcomes included engaging in exporting without following due procedures and requirements. Due to the high rate of changes in regulations and frequent introduction of new rules, sometimes firms were caught unawares of those changes and their products were barred from crossing the border. To avoid incurring losses, sometimes firms resorted to social media and other news agencies to attract public attention and exert pressure on the regulatory authorities to get their issues solved. However, this action was reactional and sensational and thus could not be successful when used by the same firms again. Thus, since it induced reprisal from the regulatory authorities, it was noted that firms could not repeatedly flout due procedures and requirements under the pretext of promoting key government programs or being caught off guard by changes in regulations and policies.

7.2.2 Theme 1.2: Seeking Support and Access to Resources

The activities undertaken under this theme emphasize the need of the majority of the firms for support and resources to handle the changes in the regulatory environment. Analysis of findings shows that this was done through different activities, such as building support bases and creating networks for advice and to access resources and markets, engaging in politics and seeking visitations from politicians and leaders to attract their attention and inducing them to lobby the government on behalf of the firms, and collaborating with local authorities for both advocacy and assistance in implementing regulatory changes.
7.2.2.1 Creating Networks and Support Bases

This is a crucial activity that was undertaken by all the studied firms except one (Imirasire Limited). Every firm’s preoccupation was to find whom to work with and how to get the support necessary to access resources and markets. Respondents emphasized the need to build networks, relationships, and support bases. Most of the firms except Imirasire Limited purposely sought new contacts and acquaintances as a way of building networks and relationships, particularly with key institutional stakeholders from which they expected to get support for handling changes in the regulatory environment. In the case of Imirasire Limited, the firm did not require to leverage its networks since it was supported by the government in venturing into the business and had a ready market for its products.

Similarly, the majority of the studied firms utilized the existing platforms to seek facilitation and assistance to access resources and markets. It was observed that all the studied firms were members of the Private Sector Federation (PSF) and the Rwanda Association of Manufacturers (RAM), from which they obtained critical information on upcoming changes in regulations and policies and the potential markets. With regard to accessing new markets, most of the firms built or leveraged their business networks not only to access information on the availability of resources, but also to access information on potential opportunities such as new markets to be exploited. The need to venture into foreign markets, particularly in countries where the government had signed bilateral trade agreements, was observed across firms that exported some of their products.

Another important element related to building networks and business connections is leveraging those networks to engage in rent-seeking activities. Most of the firms were not honest when they presented the issues and challenges they were facing. It was identified that they [firms] were mainly interested in maximizing profits. In the case of frequent requests for tax exonerations and incentives on almost every business activity, which were observed in Bwiza Limited, Umurinzi Limited, Inkingi Limited, and Ubuzima Limited, they were meant to take advantage of the existing policies at the expense of the interests of other stakeholders. Moreover, firms utilized their networks to access sensitive information, which in turn they used against concerned authorities, particularly in initiating or implementing changes in regulations.

To maintain a mutual working relationship between the firms and regulatory authorities, firms usually referred to their umbrella bodies for collective advocacy. Respondents from most of the firms believed that even though their individual networks were important in terms of gaining support, accessing resources, and venturing into export markets, they also noted that in some instances, most of the firms’ requests were turned down, thereby inducing them to use their advocacy bodies as a fallback position to collectively engage the regulatory authorities and other concerned stakeholders. Using collective advocacy over individual networks enabled firms to negotiate with regulatory authorities and other stakeholders as a group, which exerted more pressure on regulatory authorities to accept firms’ requests.
Even though all firms engaged in creating networks and business relationships, this activity was to some extent burdensome because it was time-consuming since it required continuously searching for new contacts with relevant information and diverted managers from focusing on their firms’ core activities. This explains why some firms, such as Imirasire, Iyamarere, Umurinzi, and Mutware, were reluctant to continuously build and leverage their networks and connections in conducting all their business activities.

7.2.2.2 Engaging in Politics and Seeking Visitations from Politicians and Leaders

Having the attention and support of politicians and leaders is very important, especially to new firms. Respondents in this study pointed out that apart from networks and business relations, firms would also attract the attention of politicians and top leaders through visitations to obtain their support in the form of advocacy and influence. During such visits, firms present the challenges they are facing and propose possible solutions to those challenges. In turn, politicians and leaders promise to handle their requests by contacting, and following up with, concerned authorities. This activity was mostly observed in three firms, namely Bwiza, Mutware, Inkingi, and Urugano Limited. The visits by politicians and top leaders not only increased the firms’ visibility and client bases, but also enhanced their approval to obtain contracts, particularly with government agencies. Thus, deciding to engage politicians and leaders is a good strategy undertaken by new firms to create networks and business relationships through which they gain support and approval, and increase their client bases.

Engaging in politics is another activity undertaken by firms seeking to access resources and clientele. This activity can be identified in Bwiza Limited and Ubuzima Limited. These firms engaged in politics by participating in various political events, not only to seek approval, but also to strengthen their networks and to access resources. Moreover, in some cases, these politicians and leaders were shareholders or in those firms but fronted their proxies to handle the challenges that those firms encountered. This made it easier for those politicians to indirectly follow up on the requests made by those firms. Furthermore, participating in political events such as campaign rallies created a good platform for meeting the “big shots” in the industry. Most of the managers interviewed alluded to having participated in politically related events mainly to meet and liaise with key stakeholders in their respective subsectors.

7.2.2.3 Collaborating with Local Authorities for Assistance

It is important for firms operating with the local population to collaborate with local authorities to be supported in their operations. This collaboration was identified in Inyange, Mutware, Umurinzi, and Urugano Limited where respondents noted that it was critical for their firms to work closely with local
The importance of the relationship between firms, the local population, and the local authorities was noted by all the firms that dealt with the local population. Whenever the collaboration was effective and, most importantly, beneficial to the local population and farmers, the local authorities would inform higher authorities—that is, local government—through monthly and annual reports about the success of the collaboration. As a result, the firms would be approved by relevant authorities to continue operating and in some cases provided with incentives such as subsidized inputs to cover a bigger area and/or more farmers. However, when firms were perceived as pushing self-seeking interests, they were not likely to get recommended or approved to continue operating in some areas. This was identified at Umurinzi Limited and Inkingi Limited after it was identified that they were engaging in opportunistic activities exploiting the population.
Comparison of Cases and Analysis of Findings

7.2.3 Concluding Remarks on Aggregate Dimension 1: Maneuvering Strategy

The main findings of this thesis in terms of maneuvering strategy are influencing regulatory processes and seeking support to access resources. All but one firm acknowledged the importance of a maneuvering strategy by undertaking various activities identified under this strategy. Firms purposefully adopted the activity to be undertaken in relation to the prevailing changes in regulations and their subsequent requirements. The importance and relationship between the activities undertaken by the studied firms were at the center of their need to ensure continued operations. Thus, every firm had leeway to undertake the activities that it considered appropriate and necessary to ensure its continued operations. Besides, these activities had underlying antecedents, including resource constraints, a lack of markets, and limited capability to cope with the changes in the regulatory environment.

New firms influence regulatory processes and outcomes. However, to avoid reprisals from regulatory authorities and/or not to be perceived as pursuing self-seeking interests, this activity is thoughtfully undertaken. Here, new firms leverage their networks and business connections to influence the process of formulating regulations and policies and enforcement of changes in regulations in their interests and benefits. Influencing regulatory processes and/or negotiating for changes in the enforcement of regulations involve indirect consultations between the firms, regulatory authorities, and other stakeholders where in most cases, firms are not directly involved, which is a common phenomenon in Rwanda. Moreover, much emphasis on influencing regulatory processes may be disadvantageous. This is because during the process of influencing regulatory processes and outcomes, some regulations or procedures may be sidestepped, which contravenes laws and may have negative consequences for the activities and operations of the firms involved.

Generally, the ability to undertake different activities is related to the notion of strategy integration and reconfiguration of available resources to cope with the challenges of operating in uncertain institutional environments (Du et al., 2016). Here, reconfiguration refers to the firms’ ability to blend and arrange their strategies in a particular order to suit their goals and motives (Wu et al., 2020; Yu et al., 2020). Maneuvering strategy is dynamic since it is continuously adjusted depending on the changes in regulations and policies. As firms continue to operate, their resource needs and goals change, and thus they must find or create new networks and business relationships to obtain more support and resources. In fact, during their first years of existence, new firms are mainly preoccupied with ensuring their survival by creating networks and support bases and lobbying stakeholders to influence regulatory processes in their interest and to their benefit. In their development stages, more emphasis is put on scaling up operations and profitability. This is because during their development stages, focus shifts from survival to finding a trade-off between different strategies vis-à-vis changes in the regulatory environment to ensure their continued operation and growth.
Even though there are risks involved in undertaking some activities under a maneuvering strategy, this is not worrying since such activities are mainly indirectly undertaken and their negative effects may be cushioned by other activities undertaken in tandem. Moreover, new firms not only undertake different activities concurrently, but they also find a trade-off between those activities. Such integration of activities is not in line with literature on new firm survival, which is usually impeded by the liability of newness (Aldrich & Auster, 1986; Mata & Portugal, 1994; Stinchcombe, 1965). Thus, despite the limited resources and capabilities, new firms in a developing economy in its formative stage not only integrate different activities but also find a trade-off between those activities to cope with the changes in their regulatory environment.

7.3 Aggregate Dimension 2: Foresight and Proactiveness

7.3.1 Theme 2.1: Coupling of Firms’ Goals with the Government’s Priorities

The activities undertaken under this theme were mainly aimed at finding a trade-off between firms’ goals and the government’s concerns and interest. This theme was derived from two first-order codes, namely espousing broader social goals through showcasing empathy to the well-being of the community and fostering key government interests and concerns.

7.3.1.1 Espousing Broader Social Goals

The founders and/or managers of the studied firms emphasized the raison d’être of their firms as being socially responsible through embracing socially related goals such as the generation of employment opportunities to the local population and being a source of income to the community and safeguarding the environment. This was observed in seven out of the ten studied firms. By linking the firms’ goals with the critical needs of the community, the firms sought approval from the community and other stakeholders. Founders and/or managers of the studied firms believed that embracing broader and socially appealing goals was a proactive strategy to create a good working relationship between their firms and relevant stakeholders, particularly the government, local authorities, and the community, who would in turn help the firms to implement their activities. For the three firms that did not directly espouse social goals (Umurinzi Limited, Iyamarere Limited, and Ubuzima Limited), it was observed that they were more capital-intensive and interacted less with the local population.

Furthermore, firms espoused social goals to create a perception of promoting a humanitarian cause and thus be able to attract the attention of different stakeholders, particularly NGOs and other development partners. This can be
Comparison of Cases and Analysis of Findings

identified in Inyange Limited, Mutware Limited, and Inkingi Limited, where the firms’ activities required direct interaction with the local population. This enabled those firms to access resources in terms of grants and donations and improve their reputation and visibility. However, to create a balance between promoting a social cause—that is, fighting malnutrition—creating employment, and protecting the environment vis-à-vis profitability, it was noted that a win-win situation was created whereby the firms and the community benefited. While the community benefited in terms of getting employment and other sources of income, firms benefited through getting markets for their products and accessing resources such as grants and donations. Such access to markets and resources enabled firms not only to ensure their continued operation, but also to scale up their activities.

7.3.1.2 Fostering Key Government Concerns and Interests

All the studied firms emphasized the importance of supporting the prevailing government concerns and interests. In fact, all of the studied firms were started when the government was grappling with the issues of malnutrition, environmental degradation, and high levels of unemployment among young people. This created the need for investment in food security, mainly in food production and processing, and in other sectors to create employment opportunities. This was not only an opportunity for entrepreneurs and investors, but also an opportunity for the government to address the challenge of malnutrition, particularly among children, improving farmers’ livelihoods and well-being and generating employment opportunities. In regard to the issue of stunting and malnutrition, it was indicated that firms (Inyange Limited and Mutware Limited) proactively promoted this concern by showcasing empathy for the well-being of the community and supporting the government in improving the welfare of the local population with expectations of getting access to various incentives and resources from the government and other development partners. These firms would use such resources and incentives to implement the regulatory requirements in the food sector such as acquiring modern and high-tech machines and equipment as well as scaling up their activities.

Similarly, it was noted that stunting was a very big challenge for the community and the government. Thus, embracing such a concern was a very important decision in conducting business in Rwanda. As observed at Inyange Limited and Mutware Limited, this created a particular attachment between the business and the community, the government, and other stakeholders. The community perceived the business as being empathetic to their well-being, which in turn created a good working relationship between the community and the firms. This relationship induced the government to liaise with its development partners and NGOs to support the firms in this area of business through offering various incentives, financial support, and facilitation in mobilizing and sensitizing the local community to collaborate with the firms.

Other firms, particularly Bwiza Limited and Iyamarere, championed key government concerns through investing in various activities related to protecting
the environment. The firms’ commitment to investing in environmental protection enabled them to create conducive working relationships with environmental regulatory authorities, local authorities, and other stakeholders. Taking a decision to invest in nonprofitable activities appeased the firms’ stakeholders, particularly the environmental management authorities. In turn, this induced the environmental regulatory authority to allow the firms some flexibility in implementing the changes in regulations related to environmental protection. This was mainly observed in Mutware Limited and Bwiza Limited. Other firms, particularly those that engaged in exporting their products such as Bwiza Limited, Inyange Limited, Ubudasa Limited, and Inkingi Limited, championed the government’s interest of increasing export value through exporting their products to neighboring countries and other foreign markets. This commitment not only created a good working relationship between the firms and government, but also induced the regulatory authorities to support some of those firms such as Bwiza Limited and Ubuzima Limited during certification processes.

7.3.2 Theme 2.2: Prospecting and Anticipation

The activities undertaken under this theme involved proactively searching and predicting opportunities. This theme was derived from three first-order codes, namely leveraging on government programs to raise awareness and to market business activities, relocating to the proximity of raw materials, and capitalizing on changes in policies.

7.3.2.1 Leveraging Government Programs to Raise Awareness

In most firms, leveraging of the government’s programs in raising awareness and marketing of the firms’ products can be observed. That is, a leverage-based tendency to take advantage of the existing and/or new government programs to increase firms’ visibility can be identified. Commonly, firms use subsidized government programs — for example, the Made-in-Rwanda trade fair and campaigns—not only to market their products, but also to increase their visibility. To implement the domestic market recapturing strategy, the government embarked on promoting the consumption of locally made products through organizing annual trade fairs and campaigns. Every manufacturing company was expected to participate in these annual trade fairs and campaigns since they were subsidized and attracted a large number of people. For those firms that did not participate in these trade fairs and campaigns (Inyange Limited, Mutware Limited, Iyamarere Limited, and Ubuzima Limited), it was identified that they had been supported and had secured enough markets in the country.

Similarly, in most firms, the Made-in-Rwanda trade fairs and campaigns were used to create and strengthen business networks. Through the trade fairs, these firms were able to create networks in terms of suppliers for raw materials and other inputs and markets. Since all but two of the firms are small, they leveraged
the trade fairs to create business groups through which they would pool funds and collectively engage suppliers as a group of companies capable of ordering huge quantities of raw materials at cheaper prices compared to when an individual firm would engage the suppliers. In those two firms where this pattern could not be observed (Mutware Limited and Inkingi Limited), it was due to the fact that the firms had enough resources and networks to rely on, unlike other firms.

Another pattern that was identified was a tendency of firms to utilize the Made-in-Rwanda trade fairs and campaigns to access business advisory services. All agencies related to assisting investors and businesses, including relevant ministries, banks, and advisory bodies, were required to participate in these annual trade fairs. This made it easy for the entrepreneurs to access the services provided by those bodies. Specifically, in most firms, the importance of advice from financial institutions and advisory bodies on affordable financing, restructuring nonperforming loans, and business activities can be identified.

7.3.2.2 Locating to the Proximity of Key Inputs

It was very important to relocate to the proximity of raw materials and other inputs such as affordable labor. Most of the firms (Bwiza Limited, Inyangye Limited, Ubudasa Limited, Mutware Limited, Umurinzi Limited, and Urugano Limited) located or later relocated their operations and activities closer to their sources of raw materials, not only to cut the costs of operations but also to create an attachment with the community to ensure continued supply of raw materials and for easy awareness raising about their products. With respect to the other firms (Iyamarere Limited, Inkingi Limited, Ubuzima Limited, and Imirasire Limited) that did not locate or relocate to the proximity of raw materials, it was observed that they mostly imported their key raw materials.

Besides, firms located their activities closer to the community for easy collaboration with local authorities and the community in anticipation of support and facilitation. This is because community-based firms are supported and helped by local authorities in terms of mobilizing and sensitizing the local population to participate in the activities of those organizations. Moreover, it was indicated that the firms’ need to relocate to the community was stimulated by the rising costs of operating in industrial parks, which increased their operational costs. Thus, relocating to the proximity of raw materials not only cushioned firms from the high costs of operating in industrial zones, but also created a good working relationship between the firms on the one hand and the community and local authorities on the other.

7.3.2.3 Capitalizing on Changes in Policies

Changes in regulations and policies induce investors and entrepreneurs to keep searching for and anticipating opportunities arising from those changes. In most of the firms except three, it was noted that changes in the regulatory environment induced the firms to continuously search for information on new changes and how
to exploit opportunities arising from those changes. Continuous anticipation of opportunities enabled firms to invest in sectors that had been earmarked as priority areas that needed urgent attention in terms of investment where they could in turn get support and incentive packages to sustain their businesses. In those three firms (Mutware Limited, Urugano Limited, and Imirasire Limited) where this pattern could not be observed, it was due to the fact that the firms had already invested in priority sectors that were associated with various incentives and support packages from the government.

Furthermore, Inkingi Limited and Umurinzi Limited acknowledged the importance of the changes in policies, particularly the introduction of a new policy phasing out the use of second-hand clothes and shoes. While on the one hand, these new policies affected businesses that previously imported both second-hand clothes and shoes, on the other hand, new opportunities were created for entrepreneurs and businessmen to invest in the local production of garments and shoes. Since these were new and priority areas of investment, various incentives were put in place by the government to attract investors. Thus, firms that invested in this sector not only benefited from the incentive packages but were also supported in terms of certification and raising awareness about their products. The government also followed up those firms to ensure their continued operation.

7.3.3 Concluding Remarks on Aggregate Dimension 2: Foresight and Proactiveness

The key findings of this thesis in terms of foresight and proactiveness strategy are realigning the firms’ goals with key government policy priorities and proactively searching for opportunities arising from changes in the regulatory environment. While aligning the firms’ goals with key government priorities enabled firms to benefit from support and incentives offered by the government and other stakeholders, proactively searching for information on upcoming changes in regulations and policies enabled firms to identify opportunities arising from those changes. Moreover, firms undertook a foresight and proactiveness strategy not only to identify opportunities, but also to access the resources necessary to cope with the challenges arising from the changes in the regulatory environment.

As a response to pressures from the regulatory environment, the studied firms proactively sought information on upcoming changes to prepare beforehand for how to handle them. The firms’ tendencies to proactively identify challenges and opportunities are indicative of a win-win scenario whereby all the concerned stakeholders benefited from the activities undertaken by the firms. While the firms aligned their goals with the existing key government concerns and interests to benefit from the various support and incentive packages, the government benefited through implementation of its policies, such as the policy phasing out second-hand clothes and shoes, industrial policy, and the eradication of key challenges such as stunting, malnutrition, and environmental degradation.

Generally, the findings in terms of a foresight and proactiveness strategy indicate that the studied firms in Rwanda tended to hedge their activities on the
support and incentive packages from the government. For example, aligning the firms’ goals with key government concerns and interests enabled firms to access support and other incentive packages that were necessary for firms to run their daily activities. Similarly, engaging in prospecting and anticipation activities was critical in enabling firms to access information on challenges and opportunities arising from changes in the regulatory environment and thus prepare in advance for their implementation and exploitation, respectively. This strategy characterizes the adaptiveness of new firms in overcoming the inefficiency of factor markets and being able to mobilize resources under uncertain institutional environments (e.g., Yu et al., 2020).

7.4 Aggregate Dimension 3: Changing Paths

7.4.1 Theme 3.1: Diversification and Change of the Initial Business Orientation

The activities under this theme were mainly undertaken with the motive of avoiding the enforcement or implementation of the changes in the regulatory environment. This theme is composed of two main activities, namely change of the initial business idea and orientation and diversification of the firms’ portfolio.

7.4.1.1 Change of the Initial Business Idea and Orientation

Once conforming to the changes in the regulatory environment was perceived as being costly, some of the studied firms (Bwiza Limited, Inyange Limited, Ubudasa Limited, and Imirasire Limited) opted to change their initial business ideas and orientation. The decision to change the business orientation was mainly aimed at avoiding the challenges affecting the firms’ initial business idea. When the founders and/or managers realized that the changes would have a critical impact on their firms’ operations, they decided to change the business and invest in other businesses that they perceived as being less affected by the changes in the regulatory environment.

On the other hand, firms changed their initial business ideas to exploit opportunities in new business areas such as manufacturing, which had been earmarked by the government as a priority sector that needed urgent attention in terms of investment. Similarly, among the four firms that changed their initial business orientation, deliberate attempts to avoid the need to conform to changes were observed. Specifically, the need to minimize risks that were associated with the changes in the existing regulations and newly introduced rules and regulations was identified in the four firms. This reorientation changed the firms’ perception of what they could offer to their customers in terms of products. As a result, firms were able to increase their revenue base and enhance their attractiveness to investors, especially banks to access more funding.
7.4.1.2 Diversification of Business Portfolio

By diversifying their business portfolios, some firms (Bwiza Limited, Ubudasa Limited, and Imirasire Limited) were able to spread and/or avoid risks through introducing new products and entered new business domains or sectors that were accepting of the reforms. Specifically, Bwiza Limited and Ubudasa Limited highlighted the importance of diversifying their business portfolios not only to spread risks, but also to increase their product lines by introducing new products to offer value to their clients. However, it was noted that to avoid criticism and reprisal from regulatory stakeholders such as the government, firms did not explicitly admit that the motive to diversify their business portfolios was to elude conformity with requirements arising from the frequent changes in regulations and policies. Rather, their motives to diversify their business portfolios were attributed to the need to offer more value to their customers and contributing to government concerns such as increasing employment opportunities.

As regards what motivates firms to diversify their business portfolios, strategy and entrepreneurship literature is replete with studies on diversification patterns and which types of firms engage in which type of diversification. While changing the initial business orientation and diversifying business portfolios have been observed as a common phenomenon, for example, in new high-tech firms with high agility, firms in this thesis exhibit the types of strategic responses observed in established firms (e.g., Chakrabarti et al., 2007; Singh et al., 2018). Conversely, the findings are indicative of short-term-oriented strategies undertaken by new firms to avoid lock-in situations in the case of radical changes in the institutional-regulatory environment (e.g., Manolova & Yan, 2002).

7.4.2 Theme 3.2: Bypassing and Circumventing Regulatory Requirements

The firms’ attempts to bypass and circumvent regulatory requirements were mainly aimed at avoiding the need to comply with changes in regulations and policies. This theme is derived from three key activities, namely entering foreign markets, adopting mixed business models, and bypassing regulatory requirements.

7.4.2.1 Entering Foreign Markets

Half of the studied firms (Bwiza Limited, Inyange Limited, Ubudasa Limited, Umurinzi Limited, and Inkingi Limited) emphasized the significance of entering foreign markets through exporting. It was identified that the aim of this activity was twofold: first, to avoid the need to conform to local regulatory requirements; and second, to expand their markets and client bases. Respondents from these firms indicated that by entering foreign markets through exportation, their firms partly avoided the need to implement local regulatory requirements. Exporting to the Democratic Republic of Congo (DRC) where the enforcement of regulatory
requirements was not strict or required, which can be observed in Bwiza Limited, Inyange Limited, and Ubudasa Limited, the firms were able to indirectly preclude themselves from the need to conform to local regulatory requirements. Moreover, through exporting, these firms were able to appease their stakeholders, particularly the government through promoting its key priorities and concerns. On the other hand, firms opted to export their products to neighboring countries to symbolically comply with the government’s interest of increasing export value while at the same time avoiding the challenges that were arising from the conflicting policy changes that favored established and foreign firms compared to new local firms. Venturing into export markets was significant to firms’ operations since it improved their revenues and provided a reprieve to those firms in terms of costs involved in fulfilling regulatory requirements. Some of the export markets like the Democratic Republic of Congo (DRC) did not require, or were not stringent enough on, firms to meet some standards, which further reduced their operational costs.

While the typical pattern observed in the firms that engaged in exporting is to avoid the need to conform to local regulatory requirements, symbolic conformity to regulatory requirements is also identified in those firms. Firms in this study precluded themselves from the need to conform to regulatory pressures by changing markets and disguising nonconformity (e.g., DiMaggio & Powell, 1983; Oliver, 1991). Firms precluded themselves from conforming to regulatory requirements by appeasing stakeholders through embracing goals that were contributing to key government priorities. This not only enabled firms to scale up their business activities, but also to increase their survival chances since they had the support and resources necessary to cope with the regulatory environment.

7.4.2.2 Adoption of Mixed Business Models

While most of the firms indirectly avoided the need to conform to regulatory requirements by exporting their products to neighboring countries, two firms (Umurinzi Limited and Ubuzima Limited) adopted a mixed business model whereby they engaged in manufacturing and importing that was contrary to regulations and the operating license. However, to avoid disapproval and reprisals from regulatory authorities, this activity was undertaken under the pretext of being responsive to key government interests, such as promoting the industrial sector and capturing the domestic market through increasing local production.

Even though adopting a mixed business model was contrary to the policy to reduce the country’s dependence on imports, Umurinzi Limited and Ubuzima Limited found it the most effective way to minimize the effects of unfavorable competition due to imported substandard products. This activity enabled those firms to shield themselves against unfavorable competition, which affected their operations and business activities. However, the issue of substandard products on the market did not last long since it was later handled by concerned authorities through heightened enforcement of regulatory requirements and standards, thereby creating a conducive environment for competition.
Another pattern under the mixed business model is related to evading the requirement to reserve a certain percentage (not specified) of their products for local consumption as per the operating license. When some firms (e.g., Inkingi Limited and Umurinzi Limited) realized that the local market was not as profitable as exports, they decided to export all their products under the pretext of increasing the country’s export value in contravention of the domestic market recapturing strategy. This pattern was attributed to the high cost of production mostly arising from the overall business environment. Indeed, all the firms that exported their products had at one point or another preferred to export all their products at the expense of local consumption.

7.4.2.3 Bypassing Regulatory Requirements

While most of the studied firms indirectly avoided the need to conform to regulatory requirements, Umurinzi Limited and Inkingi Limited directly evaded complying with regulations. The two firms that undertook this activity mainly concealed it under the pretext of supporting the government in addressing its concerns. Bypassing of regulatory requirements was observed at Umurinzi Limited where the firm placated regulatory authorities by building a small effluent treatment plant, indicating that it would be used to treat industrial waste and thus safeguard the environment and the neighboring community. However, due to the high costs of operating the plant, the firm opted to directly discharge some of the untreated waste in the open environment—that is, nearby a water stream.

It was observed that this activity was successful during the start-up stages of Umurinzi Limited. However, during its development stage, it was discovered that the firm had defied regulatory requirements after a public outcry from the community alerted environmental regulatory authorities to intervene and address the issue. This resulted in temporary closure of the firm after its operating license was revoked and it was fined huge fines. To reopen its activities, the firm had to provide a roadmap indicating how it was going to address environment-related issues. It took the firm more than a year to raise funds to build an appropriate waste treatment plant and build the capabilities of its suppliers and employees.

7.4.3 Concluding Remarks on Aggregate Dimension 3: Changing Paths

The main finding in this thesis in terms of a changing path strategy is avoidance of the need to conform to regulatory and policy requirements. Mostly, firms avoided complying with regulatory and policy requirements to reduce their operational costs, scale up activities, and increase their revenues. This was done through partially conforming to regulatory requirements and symbolically promoting key stakeholders’ concerns and priorities, such as increasing export value, creating employment opportunities, and safeguarding the environment.

The activities undertaken by the studied firms in terms of a changing path strategy were indirect and differed across the studied firms. These activities were
observed across firms that advocated contributing to key government priorities and interests such as engaging in cross-border trade to increase the country’s export value, creating employment opportunities, and protecting the environment. Even though adopting two business models—that is, manufacturing and importing—was contrary to the operating license, it was done under the pretext of enforcing a partnership that the firms had with their international partners and building their capabilities. This is not common with new firms, which usually lack legitimacy from key institutional stakeholders and resources that would otherwise enable them to leverage those resources and connections to avoid conforming to regulatory requirements (e.g., Delmar & Shane, 2004; Oliver, 1991; Singh et al., 1986).

Therefore, some of the characteristics of a developing economy in its formative stage, particularly the lack of established foundations and role models to learn from and the inability of institutional actors to determine which regulations and policies are appropriate to ensure the stability of the regulatory environment (Hodler, 2018; Holden, 2012; Lake, 2010), provide leeway to new firms to avoid and preclude themselves from the need to conform to regulatory requirements. Specifically, lack of established foundations to learn from and/or role models to imitate results in an institutional vacuum (Aldrich & Fiol, 1994), which enables new firms to address their challenges through trial-and-error approaches by undertaking and different integrating strategies until the desired goal is attained.

This is not in line with extant literature on new firm survival, which shows that avoidance as a strategic response to institutional pressures is mainly undertaken by established firms in relatively stable institutional environments. Besides, established firms have legitimacy, resources, and networks and business connections that they leverage for support and facilitation from different institutional stakeholders to preclude themselves from the need to comply with regulatory requirements (e.g., Aidis & Adachi, 2007; Oliver, 1991; Peng, 2003; Peng & Chen, 2011; Tonoyan et al., 2010). This observation is supported by findings in this study concerning how new firms change their goals, disguise nonconformity, and in some instances bypass regulations to ensure their continued operations.

7.5 Aggregate Dimension 4: Professionalizing

7.5.1 Theme 4.1: Building Competent Management Teams

The main motive for the activities undertaken under this theme was to build competent and professional management teams with the ability to handle the changes in regulations and their subsequent requirements. The main activities undertaken under this theme include continuous attempts by firms to reorganize
their organizational structures and align the management structures with newly adopted business domains.

7.5.1.1 Continuous Reorganization of the Organizational Structures

When trying to identify and differentiate the capabilities built by the studied firms in response to the changes in the regulatory environment, some interesting patterns emerge. In most firms, it was imperative to build professional management teams with the ability to handle the changes and requirements arising from those changes. It was noted that it was necessary for firms to continuously align their teams’ capabilities and competencies with the requirements and changes arising from the regulatory environment. Mostly, this involved creating new positions to reduce the workload of the existing managers and empowering those managers and other staff to take decisions on matters concerning their departments, which generally increased the firms’ responsiveness to the changes in the regulatory environment. Moreover, this activity not only increased the firms’ agility in terms of decision-making, but also enabled them to avoid issues of bureaucracy and hierarchy that derail decision-making.

While the overall pattern of building capabilities relates to the observations made by other researchers, there are various exceptions observed in this study. Frequently, persuading and recruiting experts was observed across the studied firms except for Ubuzima Limited. However, this activity was highly diverse in terms of importance. Hiring experts was critical since it increased the firms’ ability to handle challenges and improved their approval by key regulatory authorities and stakeholders. In the case of Ubuzima Limited, there were no instances of hiring experts noted since the firm’s top management comprised experts in the sector. The studied firms proactively hired experts to identify opportunities and to leverage their professional networks to help the firms to handle the changes. This improved the firms’ approval and working relationship with their regulatory stakeholders.

7.5.1.2 Aligning Management Structure with New Business Domain

In a bid to align the organizational structure with the new business domains after changing the initial business orientation, firms opted to strengthen their management teams. This was observed in five firms that changed their initial business orientation and/or engaged in exporting (Bwiza Limited, Inyange Limited, Ubudasa Limited, Umurinzi Limited, and Inkingi Limited). As firms expanded and diversified their business portfolios, managing a wide range of products and resources was challenging. Thus, firms were required to continuously learn and adjust their structures to align them with new business domains. This mostly involved creating new positions to have staff to manage new business lines and/or markets.

Similarly, it was observed that realigning management structures with new business domains was motivated by the desire to have the ability to identify new
opportunities mostly in the cross-border markets. This was observed at Bwiza Limited, Inyange Limited, and Ubudasa Limited, which diversified their business portfolios and entered foreign markets. As observed from the empirical material, this activity was done through the continuous training and capacity building of staff and the introduction of new internal control systems. While the introduction of internal management controls was aimed at increasing operational efficiency, continuous capacity building was meant to build capabilities to monitor and manage changes in the regulatory environment and gain approval from relevant authorities. Although Umurinzi Limited and Inkingi Limited exported their products, no instances of introducing new internal control systems were observed since the firms exported their products from their inception.

Furthermore, it was observed that this activity unfolded in different patterns and was undertaken at different stages of the firms’ life cycle. Mostly, building the firms’ capabilities through continuous restructuring and realignment of the management teams with the newly adopted strategic directions, employee training, and management development was commonly undertaken during the development stages of the firms’ life cycle. This is because, during this stage, firms had gained experience and acquired resources to build their internal capabilities. On the other hand, it was noted that instead of building its internal capabilities by realigning its management team with the needs of its export markets, Umurinzi Limited mostly referred to outsourced advice and guidance from professionals and experts. In instances where the firm realigned its structure with the needs of its export markets, it was observed that it was a regulatory requirement.

7.5.2 Theme 4.2: Introducing and Readjusting the Board of Directors

The key activities undertaken under this theme included separation of management from oversight roles and the appointment of experts to join the board of directors with the aim of increasing accountability and transparency and approval by stakeholders.

7.5.2.1 Separation of Management from Oversight Roles

In line with developing capabilities, it is important to separate the responsibilities of the management team from advisory roles. An important pattern that emerged under this activity is that as firms scaled up their business activities, it was imperative to separate management roles from oversight roles by introducing boards of directors. This was mainly observed at Bwiza Limited, Ubudasa Limited, and Imirasire Limited where the firms’ management was initially founder-centric. Another pattern identified was the adjustment of management structures to separate senior management from middle- and lower-level management to create a clear separation of responsibilities and a formal chain of command. The decision to separate management and advisory roles enabled the
management team to focus on day-to-day management of the firms’ activities while the advisory board focused on advising the management on priority areas for investment and the appropriate strategies that would enhance the firm’s performance in the long run.

As firms scaled up their business activities, it was important to separate management and oversight for various reasons, including increasing transparency and accountability, effective decision-making, and approval by key stakeholders, particularly financial institutions. It is a requirement for firms when applying for bank loans to submit their business plans showing the composition of their management teams with clear separation of responsibilities between the management and the board of directors. Thus, it emerges from the studied firms that the motives to separate management from oversight roles varied and ranged from increasing accountability and transparency in the fulfillment of regulatory requirements to building capabilities to handle challenges, identifying and exploiting opportunities arising from the regulatory environment, and enhancing the firms’ approval vis-à-vis regulatory stakeholders. However, for Imirasire Limited, the main motive to separate management and advisory roles was to appease its stakeholders, particularly the government with a view to approving and making accessible various incentive packages.

7.5.2.2 Nomination of Experts to Join the Board of Directors

Apart from separating management and oversight roles, to get effective advice, it was significant to have experts on the firms’ board of directors. In most firms, the tendency to hire experts and professionals on the boards of directors can be observed—that is, a tendency to have competent boards of directors with the ability to provide professional and appropriate advice necessary not only to steer the firms through the uncertain regulatory environment but to improve the firms’ approval by their stakeholders in the long run. As observed in Bwiza Limited, Inyange Limited, and Ubudasa Limited, there was a need to have experienced boards of directors with experts and professionals from different business backgrounds, which they would leverage to get approval from different stakeholders necessary to access resources.

In terms of when firms appointed experts to join their boards of directors, it was observed that they differed in their priority in undertaking this activity. However, most of the firms appointed experts on their boards, particularly during the development stages of their life cycle. This was observed in Bwiza Limited and Ubudasa Limited, where there was a requirement to have competent boards of directors to obtain funding from a bank to scale up their business activities. In the case of Inyange Limited, the firm’s board of directors was composed of experts since it was founded as a fulfillment of various regulatory requirements in the sector.
7.5.3 Concluding Remarks on Aggregate Dimension 4: Professionalizing

The main findings in terms of professionalizing as a strategy are building managerial capabilities and increasing transparency and accountability through introducing and adjusting boards of directors. A professionalizing strategy entailed a continuous and dynamic process that unfolded in different patterns, motivated by different goals and varied in terms of priority across the studied firms. Specifically, the firms’ motives to professionalize their activities and practices were twofold: first, to build capabilities to proactively handle newly introduced regulations and the changes in existing regulations and policies; and secondly, to comply with the regulatory pressures from different key stakeholders. Moreover, introducing advisory boards enabled firms not only to address the identified challenges, but also to build their internal capabilities to handle such challenges in the future.

Thus, most of the studied firms developed capabilities and improved their transparency and accountability levels to appease regulatory authorities and other relevant stakeholders to gain approval and access resources. However, this finding is not in line with extant research on new firm survival. While appeasing stakeholders and building capabilities have been observed as commonly undertaken by large and established firms operating in uncertain environments, findings in this study show a pattern whereby new firms engage in building capabilities and improving their transparency and accountability aspects not only for approval, but also to access resources. The empirical material also highlights when new firms introduce the boards of directors—that is, during the development stages of their life cycle when they have built connections and accumulated resources to persuade and appoint experts onto their boards of directors.
Chapter 8: Discussion and Conclusions

8.1 Introduction

Chapter 7 outlined the strategies undertaken by new firms to navigate the regulatory environment of a developing economy in its formative stage. In this chapter, I propose a model that incorporates these research findings and present the contributions and conclusions of the thesis.

The remaining part of the chapter is divided into five sections. Section 8.2 presents a model that integrates the findings and discusses them in relation to current studies in entrepreneurship and strategy research. Section 8.3 presents the contributions of this study—specifically, to strategy and entrepreneurship literature and institutional theory. Section 8.4 outlines the practical and policy implications of this study. Section 8.5 outlines the limitations of this study and provides suggestions for future research.

8.2 Navigating Uncertain Regulatory Environment: an Overview of the Model

The model in Figure 8.1 incorporates the findings presented in the previous chapters and conceptualizes how new firms navigate the regulatory environment of a developing economy in its formative stage. Drawing on Whetten (1989), the model presents the “what and how” aspects of the studied phenomenon—that is, what changes in the regulatory environment induced what strategies and how the strategies interacted and induced or reinforced each other. Figure 8.1 illustrates the specificities of changes in the regulatory environment that exert pressures on firms and, thus, induce firms to devise strategies to cope with those pressures. Due to the unpredictability of the changes in the regulatory environment, the strategies are undertaken in a trial-and-error manner through continuous interaction and integration to find a tradeoff between those strategies and the pressures arising from the changes in the regulatory environment. Moreover, the strategies are undertaken in tandem and engender or reinforce each other with respect to ensuring the firms’ continued operations and survival.

Next, the model shows that the strategies vary in terms of their order of development across the studied firms. A firm’s stage of development is the underlying mechanism that explains the preference, urgency, and the relative importance of the strategies vis-à-vis a firm’s continued operations. During the
Discussion and Conclusions

startup phase, firms tend to engage in maneuvering and foresight and proactiveness strategies while changing paths and professionalizing strategies that emerge during the development stage. Lastly, the model indicates the effects of the strategies on a firm’s continued operation. Even though all the strategies had a positive impact on a firm’s continued operation, particularly in the startup stage, maneuvering and changing paths strategies during the development stage may have boomerang effects on some firm activities and continued operations.

First, the findings highlight the unlocking and lock-in effects on firm strategies resulting from the changes in the regulatory environment. Second, there is a continuous interaction and integration of strategies in a trial-and-error manner to find a tradeoff between the strategies and the pressures from the changes in regulations and policies. Third, firms learn-by-doing along their stage of development, which indicates a firm’s development and the strategies that are undertaken at each stage. Fourth, there might be a boomerang effect of some of the strategies on a firm’s continued operations—that is, while all the strategies have positive effects on a firm’s continued operations, especially in the startup stage, maneuvering and changing paths strategies during the development stage might have negative effects on a firm’s continued operations. Please see Figure 8.1.
Figure 8.1: Navigating the Uncertain Regulatory Environment


8.2.1 Specificities of Changes in the Regulatory Environment

The changes in the regulatory environment comprise changes in the macro or general business environment (general changes) and sector-specific changes (sectoral changes)—that is, changes in the regulatory environment differ in specificity. The requirements arising from these changes exert pressure on firms to comply with them. The general changes in regulations and policies are wider in scope and affect the general business environment. Such changes include changes in regulations regarding getting credit, paying taxes, trading across borders, the introduction of the industrial policy, and the introduction of the domestic market recapturing strategy. General changes spiral over the whole economy and their effects cut across different sectors of the economy. Sectoral changes in regulations and policies are narrow in scope and affect specific sectors of the economy. These changes include the introduction of the policy and regulation banning the use of plastics and the phasing out of second-hand clothes and shoes.

The findings of this thesis suggest that sectoral and general changes result in what I label unlocking and lock-in effects on firm activities and strategies, respectively. Extant literature shows that an organization’s context may have a lock-in effect on its strategic choices and paths (Koch, 2011; Sydow et al., 2009). In this study, changes in sector-specific regulations and policies had lock-in effects on the strategic choices of firms since they narrowed the firm’s strategic options—specifically, they limited firms to undertake maneuvering and changing paths strategies. Thus, due to the lock-in effect of changes in the regulatory environment, some firms were left with the options of devising strategies which would enable them to either acquire support from their connections to handle the pressures from the changes in regulations and policies and/or to avoid the necessity to comply with the requirements arising from the changes. for example, by changing their initial business orientation and entering foreign markets to elude complying with changes in local regulations.

This finding partially supports network- and market-based strategies. The tendency of the studied firms to build networks and connections and leverage those connections to influence changes in regulations and policies and acquire support necessary to cope with the pressures from the regulatory environment partially support Peng’s (2003) theoretical study on the processes by which firms move from network-based strategies to market-based strategies. A firm’s ability to partially preclude themselves from the necessity to comply with some of the requirements arising from changes in regulations and policies are in line with Oliver’s (1991) conceptual study about the strategies that firms undertake in response to institutional pressures, particularly by disguising nonconformity and buffering themselves from the necessity to comply with institutional pressures.

Differently from sector-specific changes, general changes in regulations and policies increased the number of strategic options from which firms can choose and, thus, had unlocking effects on a firm’s strategic choices and paths. The
findings of this thesis (see Figure 8.1) show how general changes in regulations and policies increased the firms’ strategic options—that is, general changes created a leeway for firms to devise different strategies to handle pressures and requirements arising from those changes. Different strategies were undertaken to ensure the continued operations of firms and allow them to attain their business goals vis-à-vis the pressures and requirements arising from the regulatory environment. The changes in the regulatory environment were comprised of opportunities and constraints for the studied firms. For example, firms that recognized the introduction of the industrial policy as an opportunity invested in the manufacturing sector to gain support from the government and access different incentives and resources necessary to handle the requirements from the new industrial policy. On the other hand, firms which recognized the new industrial policy as a challenge to their activities resorted to devising strategies that would enable them to avoid the necessity to comply with the requirements of that policy, such as maneuvering and changing paths strategies. This finding supports market-based strategies whereby firms proactively identify and exploit opportunities in their operating environments (Peng, 2003; Porter, 1980).

Due to frequent changes in the regulatory environment, the unlocking and lock-in effects of changes on firm activities and strategies was found to be ongoing and dynamic and was influenced by the motives of the founders of the firms. As a next step, the recognition of both opportunities and challenges from changes in the regulatory environment was crucial for firms to continuously integrate the devised strategies to find a tradeoff between the strategies and the requirements arising from the changes. Firms could combine or simultaneously undertake different strategies, such as maneuvering and foresight and proactiveness strategies to offset the effects of changes in regulations and policies. For example, a firm could leverage its networks at the same time it aligns its goals with key government priorities. In addition, the founders’ previous experiences and knowledge of the business environment enabled firms to continuously offset the effects of changes in the regulatory environment on their firms’ activities and continued operations. Along the lines of Koch (2011), these findings confirm that organizational context—and especially the regulatory environment—influences the organization’s strategic choices and paths. However, even though an organization’s context may result in a lock-in effect of its strategic choices, the organization still has a few options of strategies to undertake. This finding indicates that the specificity of changes in the regulatory environment induces firms to interchangeably undertake network- and market-based strategies depending on the effect that those changes have on firm activities (Du & Kim, 2021; Peng, 2003; Peng & Chen, 2011).

8.2.2 Interaction and Integration of Strategies

A basic feature that was identified in all the studied cases is the integration and links between the strategies undertaken to ensure a firm’s continued operation. As it is displayed in Figure 8.1, the integration of strategies is anchored in the
Discussion and Conclusions

continuous interaction between the strategies undertaken by the studied firms. This interaction of strategies is ongoing—implying a trial-and-error approach by which firms find a tradeoff between the strategies and the requirements arising from changes in the regulatory environment. This finding extends previous research on hybrid strategies that highlight how firms combine strategies and reconfigure resources (Yu et al., 2020) by identifying a more precise approach, namely new ventures integrate strategies in response to an uncertain regulatory environment in a trial-and-error manner. Similarly, observations from the studied firms indicate that integrating and reconfiguring strategies enabled firms to shield themselves from the impact of changes in their regulatory environment. For example, the aligning of Bwiza Limited’s goals with the government priority of developing the industrial sector enabled the firm to avoid conforming to changes in its previous domain—trading. Later, the firm leveraged its new business domain—manufacturing—to engage in exporting, which also enabled it to elude conforming to local requirements arising from local changes in regulations and policies, particularly standards. This finding is also consistent with Du et al. (2021) who highlighted how new ventures cope with uncertain institutional environments by leveraging network-based strategies to amplify market-based strategies to enhance their performance.

The findings show that there are multiple relationships between the strategies. First, maneuvering and foresight and proactiveness strategies engendered both changing paths and professionalizing strategies. In all the studied firms except Imirasire Limited, maneuvering and foresight and proactiveness strategies directly engendered and influenced the adoption of changing paths and professionalizing strategies. In Imirasire Limited, this pattern was not identified. This might be because this firm did not undertake a maneuvering strategy. Second, foresight and proactiveness and professionalizing strategies reinforced the adoption of each other—that is, while firms (e.g., Bwiza Limited, Inyange Limited, and Ubudasa Limited) aligned their goals with key government priorities and continuously sought information on opportunities arising from changes in regulations and policies (foresight and proactiveness strategy), this approach required the necessary capabilities to identify and exploit those opportunities (professionalizing strategy). Similarly, the acquired capabilities were leveraged by firms to identify and exploit other opportunities, especially those arising from new changes in the regulatory environment.

The relationship between the strategies derives from their compatibility and ability to engender or reinforce each other. While the adoption of the four strategies varied depending on the specificity of the changes in regulations and policies and on a firm’s stage of development, all the studied firms interchangeably undertook those strategies depending on their compatibility—that is, how the strategies engendered and suited each other to be integrated or undertaken in tandem. This finding informs the literature on how firms may integrate different strategies to confront the challenges of operating in volatile institutional environments (e.g., Du et al., 2016; Sutter et al., 2013) in that it shows
that new firms integrate only those strategies that are compatible and that reinforce each other.

The integration of the strategies involved combining strategies and reconfiguring resources to find a tradeoff between firm goals and motives vis-à-vis the challenges and opportunities arising from the regulatory environment. In other words, firms combined, and blended activities drawn from different strategies to find a compromise between those activities and the opportunities and challenges arising from the regulatory environment. As regulations and policies frequently changed, firms (e.g., Iyamarere, Inkingi, and Umurinzi) also continuously adjusted and/or reconfigured their strategies to cope with those changes. However, the need for integrating strategies varied across firms depending on a firm’s business goals and requirements arising from the changes in the regulatory environment. For example, the need by Iyamarere Limited to cut its costs of production prompted the firm to undertake activities aimed at obtaining support from the government and leveraging opportunities arising from changes in the policy banning manufacture and use of plastics. Similarly, Umurinzi Limited’s need to increase its export revenues induced the firm to export most of its products contrary to the operating license in the guise of fostering key government priorities and concerns. Thus, firms continuously combined strategies and reconfigured their resources depending on their goals and challenges and/or opportunities arising from the regulatory environment (e.g., Senyard et. al., 2014; Yu et al., 2020).

8.2.3 Stages of Firm Development

The strategies undertaken by the studied firms differed in terms of preference and urgency—that is, they were undertaken at different points during the firms’ stages of development (see Figure 8.1). There were two stages of development: the startup and the development stage. The observed pattern through which the strategies unfolded was sequential whereby, for example, foresight and proactiveness and maneuvering strategies were undertaken during the startup stage of a firm’s development and changing paths and professionalizing strategies were undertaken later during a firm’s development stage. A deeper look into the stage-of-development perspective reveals that new firms are created through a series of activities and actions ranging from obtaining inputs, hiring employees, and seeking funds to gathering information on opportunities (e.g., Delmar & Shane, 2004; Gartner, 1985). These activities are undertaken at different stages of firm development depending on their importance vis-à-vis attainment of a firm’s business goals (e.g., Vohora et al., 2004).

The sequential emergence of changes in regulations and policies enabled firms to gain experience and learn how to respond to changes in other related regulations and policies. The studied firms continuously referred to their previous strategies to handle new changes in regulations and policies. This implies a learning-by-doing approach through which firms handle changes in their regulatory environment. Such learning is manifested in ways through which strategies
adopted in the startup stage reinforced strategies adopted in the development stage. This can be observed in all the studied firms whereby the strategies adopted during the startup stage—that is, maneuvering and foresight and proactiveness strategies—influenced the strategies undertaken during the development stage—that is, changing paths and professionalizing strategies. This finding alludes to a lack of established foundations and role models from which to learn or to imitate that induces firms to learn from their own experiences (e.g., Holden, 2012). Thus, by learning from their experiences, the studied firms were able to adapt their strategies to new changes and requirements from the regulatory environment.

Further, the stage of development and the sequence through which the adoption of the strategies unfolds implies the importance of those strategies (e.g., during the initial stages of a firm’s development). The importance of the strategies is manifested in the order and urgency with which firms adopted the strategies with respect to pressures arising from changes in the regulatory environment. For example, even though maneuvering and foresight and proactiveness strategies were undertaken in both the startup and development stages of the studied firms, these strategies were initiated during the startup stage of a firm’s development. Changing paths and professionalizing strategies were primarily undertaken during a firm’s development stages—that is, a period when firms have accumulated resources to undertake different strategies (e.g., Delmar & Shane, 2004). This finding is related to market-based strategies in which firms undertake strategies depending on their stages of development and stock of resources (Yu et al., 2020).

From the findings, it appears that the foresight and proactiveness strategy was the most preferred strategy since it was repeatedly undertaken by all the studied firms during their startup stage of development. Notably, all the studied firms aligned their goals with key government priorities by fostering key government concerns and interests and espousing socially-related goals. Similarly, firms continuously engaged in prospecting and anticipation by taking advantage of the changes in policies and by leveraging government programs to get support and facilitation in the form of incentives and raise awareness of their products. There are two reasons that explain this. First, the activities undertaken in this strategy did not require any cost in terms of resource commitments. Second, the strategy was easy to undertake—that is, it did not take or require the founders and/or managers of the studied firms to allocate most of their time to devising this strategy.

Maneuvering strategy appears to be the second most preferred strategy based on a firm’s stage of development since it was undertaken by most of the studied firms during their startup stages. Apart from foresight and proactiveness strategy, maneuvering strategy preceded other strategies, and activities comprising this strategy were regularly and repeatedly undertaken compared to other strategies. The activities undertaken in this strategy include building networks and support bases with the aim of seeking support and access to resources that were later leveraged by firms to lobby key stakeholders to influence regulatory processes and outcomes. Extant literature shows that network-based or relational strategies are in most cases associated with resource redistribution, rent-seeking and
unproductive activities (e.g., Stevens & Newenham-Kahindi, 2020; Williams & Vorley, 2014). However, this study’s findings show a mixed pattern whereby some firms (e.g., Bwiza Limited, Umurinzi Limited, and Inkingi Limited) leveraged their networks and connections to undertake both unproductive and productive activities.

The model in Figure 8.1 shows that a professionalizing strategy is undertaken during a firm’s development stage. The studied firms built their capabilities and increased transparency and accountability during their development stage to gain more support and the legitimacy necessary to access other resources. Firms undertook professionalizing strategies during their development stage to consolidate gains made from the strategies undertaken during the startup stage. Specifically, building capabilities and ensuring effective governance enables firms not only to gain approval from key stakeholders but also to get support and access resources necessary to handle the pressures and requirements arising from changes in the regulatory environment. Moreover, ensuring transparency in decision making and accountability is a requirement for firms imposed by their stakeholders, particularly financial institutions.

Lastly, most of the activities comprising changing paths strategy occur the least and are less preferred. The model in Figure 8.1 shows that if the strategy is undertaken during a firm’s development stage, it has less interactions with other strategies. Thus, although this strategy is important, it is not often undertaken and, in most cases, it is adopted as the last option. Even firms that undertook changing paths strategy later dropped some of the activities comprising it, such as bypassing regulations and adopting mixed business models, due to its repercussions on firm activities and continued operations. The strategy is mainly reinforced by activities undertaken during a firm’s startup stage, such as building networks and support bases, and therefore, its preference and importance largely depends on the strategies undertaken during a firm’s startup stage—that is, especially a maneuvering strategy.

### 8.2.4 The Liability of the Strategies

A critical aspect of the findings concerns the successfulness and liability of the strategies; more specifically, whether the strategies were successful and responsible for the firms’ continued operations. The successfulness of strategies was related to how firms utilized those strategies to achieve their intended goals. The outcome of the strategies varied in terms of their success in ensuring the continued operations of the studied firms.

Even though some strategies were successful in the short term as they helped the firms to achieve their objectives or motives, these strategies required the firms to take risks and were eventually responsible for the closure and failure of some firms in the longer term. I label these processes as “boomerang” effects of these strategies. For example, although the maneuvering strategy was successful in the initial stages of Bwiza Limited, the effect of the strategy boomeranged during its development stage and resulted in the closure and auctioning of the firm.
Discussion and Conclusions

the findings, it emerged that the firm flouted regulations while it was undertaking its maneuvering strategy, particularly through coopting and appointing influential officials to join the firm and facilitate its access to funding. Contrary to existing procedures, the coopted official leveraged its own position to influence the process of approving the firm’s request for funding. Later, it emerged that the firm had circumvented regulations to access funding, and both the founder and the official were arrested and imprisoned. The firm was closed and later auctioned to recover the misappropriated funds.

Two strategies were more likely to have a boomerang effect: maneuvering and changing paths strategies. In Figure 8.1, the boomerang effects of strategies are illustrated by plus and minus (+-) signs along dotted arrows pointing to the continued operations of firms. As indicated earlier, most of the activities comprising maneuvering strategy were undertaken during the startup stage of the firms; however, a firm’s burden emerged during firm development stages. This is because during the development stage, firms gained experience about the regulatory environment, gathered resources, and built networks and support bases and, hence, had the capacity and resources necessary to influence regulatory processes and outcomes to their benefit. Thus, relying on or repeatedly undertaking maneuvering strategy may have severe consequences on firm activities and continued operation in the long run. For example, while firms were successful in fostering key government interests and concerns and leveraging their connections to seek and access resources, it later emerged that the firms were engaging in opportunistic activities by taking advantage of the changes in policies through manipulating authorities to gain support and facilitation in the form of incentives to their benefit. This resulted in terminating agreements that firms had with the government and other stakeholders, and some firms were closed and later acquired by other investors.

Unlike maneuvering strategy, the impact and burden of changing paths strategy on the firm activities and continued operation emerged immediately after the strategy had been undertaken. For example, one of the studied firms (Umurinzi Limited) that engaged in activities related to bypassing regulatory requirements, particularly discharging its industrial waste in the open environment—water stream—was immediately closed, and its operating license suspended by regulatory authorities. This was done by placating regulatory authorities by constructing an ineffective effluent treatment plant that had limited capacity to treat all the waste from the factory. This finding contradicts previous studies on strategic responses to institutional pressures which showed that when firms are confronted with challenges from their institutional environments, they should balance the expectations of different institutional stakeholders by finding a compromise between the strategic responses they undertake and the requirements arising from the institutional environment (e.g., Oliver, 1991; Powell & Friedkin, 1986).

Therefore, firms that directly resisted pressures and requirements arising from changes in the regulatory environment, for example, by failing to balance the expectations of different stakeholders and to disguise nonconformity, suffered
severe consequences for their activities and continued operations, particularly due to changing paths strategies.

Despite the negative effects of maneuvering and changing paths strategies on firm activities and continued operations, firms that were able to renegotiate with regulatory stakeholders on how to comply with requirements arising from the changes in regulations and policies had their operations reopened at a cost—that is, after paying heavy penalties and the imposition of a tight schedule to ensure compliance with the changes and their subsequent requirements.

8.3 Theoretical Contributions

The focus of this study was to understand how new firms navigate the regulatory environment of a developing economy in its formative stage to ensure their continued operations and survival. Surviving in such a brisk environment is important for new firms in developing economies due to their contribution to economic development, in general, and, in particular, through employment generation and positive spillovers (e.g., Mead & Liedholm, 1998; Nichter & Goldmark, 2009). The study employed an in-depth qualitative analysis to understand the influence of an unpredictable regulatory environment on the survival of new firms. The study contributes to research in the strategy and entrepreneurship domains on how firms cope with uncertain environments and to the literature on strategic responses to institutional–regulatory pressures. I will now elaborate on these contributions.

8.3.1 Navigating Uncertain Regulatory Environment

This study contributes to the strategy and entrepreneurship fields by extending our understanding of how new firms cope with uncertain institutional environments. I answer calls made in these fields to extend knowledge in this area by focusing on a unique institutional setting—that is, a developing economy in its formative stage and the strategies aimed at ensuring the continued operations and survival of new firms. Some studies have focused on understanding the survival of new firms in uncertain institutional contexts despite their lack of resources and legitimacy (e.g., Ge et al., 2017); however, navigating such an environment is the concept that highlights this dilemma. It is imperative to indicate what comprises navigating an uncertain regulatory environment. The strategies undertaken by the studied firms in this thesis—maneuvering, foresight and proactiveness, professionalizing, and changing paths—highlight the process through which new firms cope with pressures from the regulatory environment to ensure their continued operation.

This study covers the gap in strategy and entrepreneurship literature by highlighting how new firms continuously devise and integrate different strategies to find a tradeoff between the strategies vis-à-vis the pressures arising from
Discussion and Conclusions

changes in the regulatory environment. Thus, the firms studied in this thesis learned from their experiences along their stages of development the circumstances under which they should undertake the different strategies. Existing strategy and entrepreneurship research indicates that firms devise different strategies in response to institutional challenges in the context of emerging economies (e.g., Aidis & Adachi, 2007; Chari & Banalieva, 2015; Lyles et al., 2004; Manolova & Yan, 2002), but in the present study, firms do not just undertake a set of strategies. Instead, they continuously integrate strategies to find the tradeoff between the strategies and the pressures from the regulatory environment.

This study contributes to strategy and entrepreneurship research by identifying the strategies undertaken by new firms in the context of a developing economy in its formative stage to ensure their continued operations and survival. Navigating an uncertain regulatory environment acts as a process through which new firms not only undertake the strategies to cope with pressures arising from changes in the regulatory environment but also proactively identify opportunities from those changes. Linking strategy and entrepreneurship research has generally been done in studies on strategic responses to institutional pressures in transitional and emerging economies (e.g., Manolova & Yan, 2002; Marquis & Raynard, 2015; Peng, 2003). However, this has not previously been observed in the case of navigating uncertain regulatory environments, particularly in the context of a developing economy in its formative stage.

This study also corroborates strategy research on emerging economies, such as Peng (2000, 2003), who recognized that strategies devised by firms in developed and mature economies do not equally apply to emerging and developing economies. In addition, this study highlights that in an unpredictable regulatory environment of a developing economy in its formative stage, new firms undertake strategies that vary in their conformity with requirements and changes, ranging from active resistance, such as bypassing regulatory requirements, to proactive conformity, such as aligning goals with key government priorities and concerns. This study is a reply to the relentless calls that have been made to embrace contextualized entrepreneurship research in emerging economies in order to recognize and integrate different institutional settings and theoretical perspectives to provide an in-depth understanding of the various entrepreneurial and strategic choices that new firms make (e.g., Bruton et al., 2008; Zahra et al., 2014). The results of this study add to the literature on entrepreneurial activities and the strategic responses undertaken by new firms in the context of less developed economies in which entrepreneurship is the key engine that is driving these economies forward to become key economic forces in the world (Bruton et al., 2008; Marquis & Raynard, 2015).

Finally, this study extends our understanding of how new firms survive in a regulatory environment of a developing economy in its formative stage by highlighting the combination of strategies aimed at ensuring a firm’s continued operation and the business goals of its founders or managers. In line with Josefy et al. (2017), this finding infers that new firms navigate an uncertain regulatory
environment by undertaking different developmental progressions that are contrary to the logical set order over time, that is, from the startup phase through the growth stage to the maturity or decline phase. The iterative progression through which the studied firms undertook the strategies to navigate the regulatory environment suggests that a new firm’s survival trajectory unfolds through a process involving back and forth movements (e.g., Dimov, 2011; Langley, 1999; McMullen & Dimov, 2013)—that is, through continuous integration of strategies in a trial-and-error manner, new firms learn from their experiences how to handle changes in the regulatory environment.

8.3.2 Institutional Environment and Strategic Responses

The present study adds to the scholarly debate on the embeddedness of economic activities and strategic choices that are interpreted in the contexts within which they occur—especially the institutional context that is comprised of the economic, cultural, and regulatory environment in which entrepreneurs operate (Welter & Smallbone, 2011) —by indicating how the strategies unfold and integrate over time and their effects on the continued operations of firms. Specifically, the contribution of this study to the existing debate on strategic responses to institutional pressures is that the regulatory environment as observed in Rwanda is a relevant context to understand how new firms cope with uncertain regulatory environments and how those strategies reinforce each other over time. The institutional–regulatory environment influences entrepreneurial motives and choices to run a business (Martinelli, 2004). The frequent changes in regulations and policies in developing economies make institutional environments unstable and, thus, unfavorable to entrepreneurial activities and their outcomes (Manolova & Yan, 2002; Newman, 2000).

The strategies identified in this study add to the strategies identified in previous studies. Previous studies have identified different strategies undertaken by firms in response to institutional pressures ranging from reactive to proactive strategies, including network- and market-based strategies (Peng, 2000, 2003) and hybrid strategies (Du et al., 2016). Du et al. (2016) indicated how new ventures combine market-oriented strategies and political networking strategies in a dysfunctional environment to enhance their performance. Other institutional theoretical scholars have identified avoidance (Elert & Henrekson, 2016; Oliver, 1991; Welter & Smallbone, 2011), opportunism (Manolova & Yan, 2002) and diversification and portfolio expansion (Welter & Smallbone, 2011) as strategic responses undertaken by firms in response to institutional pressures.

The strategies identified in this study have some similar characteristics to strategies identified in previous studies; however, they differ in the sense that they integrate multiple features of different strategies regardless of their effectiveness. While Du et al. (2016) identified hybrid strategies that emerged from combining market-oriented strategies and political networking strategies, the strategies identified in this study are continuously integrated in a trial-and-error approach to find a tradeoff between the strategies and the pressures arising from the regulatory environment.
environment. For example, while maneuvering strategy has aspects that are similar to network-based strategy, it also integrates aspects of other strategies, such as avoidance and opportunism strategies, whereas changing paths strategy embraces aspects of avoidance strategy and integrates features of opportunism and market-based strategies. The foresight and proactiveness strategy involves aspects of market-based strategies but also embraces elements of opportunism and avoidance strategies. Lastly, while professionalizing strategy has features of market-based strategy, it also integrates aspects of proactive strategies.

In line with previous literature, this study suggests that the effectiveness of the strategies undertaken by the studied firms is influenced by various institutional stakeholders, including the government, financial institutions, and professional bodies (DiMaggio & Powell, 1983). Institutional stakeholders are not only the key sources of the new regulations and policies but also play a key role in changing the existing regulations and policies. Given that institutions form the “rules of the game,” including formal rules and regulations (North, 1990; Scott, 1995), that affect business activities and choices, new firms must comply with institutional requirements to ensure their survival despite such challenges (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). However, compliance implies additional operational and transactional costs, yet due to the liability of newness and smallness, new firms are mostly resource constrained and lack the legitimacy and approval from different stakeholders that is necessary to access other resources (Delmar & Shane, 2004; Stinchcombe, 1965). Thus, new firms ought to devise means to balance the expectations of their stakeholders while pursuing their business goals.

This study draws on institutional theory, which indicates that institutions are products of human interaction and action, and highlights that the various stakeholders involved in initiating the frequent changes in the regulatory environment consider and reflect the impact of such changes on economic activities and their outcomes and, thus, emphasizes the stakeholders’ “capacity and intent to create, maintain and alter institutions” (Lawrence et al., 2009, p. 6). The findings of this thesis show that regulatory environments characterized by frequent changes in business regulations and policies are largely dependent on the stakeholders—government efforts to create a conducive business environment for investors and, thus, improve the country’s economic competitiveness. This is evident in the key role played by the government in introducing and enforcing the implementation of business reforms across the economy. Thus, this study extends our understanding of institutional theory by highlighting the different actors involved in initiating the frequent changes in the business regulatory environment and their role in enabling or constraining entrepreneurial activities. The government, regulatory authorities, financial institutions, and professional associations are mainly involved in initiating new rules and regulations and changing the existing regulations and policies.

Furthermore, this study extends the extant literature by showing how firms differ in complying with the institutional requirements and expectations of different stakeholders (Oliver, 1991). Even though the studied firms operated in
the same industry and, thus, faced the same institutional requirements, their attempts to conform to the requirements arising therefrom varied. Despite operating in the same regulatory environment, the studied firms undertook different activities comprising their strategies in their responses to the same pressures and requirements from changes in the regulatory environment. This is contrary to earlier institutional scholars such as DiMaggio and Powell (1983), who indicated that institutional pressures lead to isomorphism among firms—that is, firms encountering the same institutional pressures are likely to take the same means to cope with such pressures. The results of this study also show that the studied firms differed in the preferences and order of devising the strategies. This means that each firm devised the strategies depending on its own specific business goals.

The findings show that the firms indirectly influenced or collaborated with key institutional stakeholders, particularly the government and its agencies, financial institutions, and professional associations, to initiate changes or alter their implementation. Thus, despite the lack of legitimacy and approval by stakeholders, new firms can influence or collaborate with institutional stakeholders to initiate changes in the regulatory environment. This provides a nuanced understanding of the role of new firms in influencing changes in the regulatory environment to their benefit. For example, firm attempts to build networks were observed to have reinforced the activities undertaken to proactively seek information about upcoming reforms. The literature indicates that firms leverage their connections to gain access to information about opportunities and resources (e.g., Peng, 2003; Peng & Zhou, 2005), but such actions have been associated with established firms and state enterprises (Meyer & Peng, 2005). A promising finding in this study is the ability of new firms to collaborate or create relationships with the key regulatory stakeholders, especially the government. Such relationships enable new firms to access information about opportunities or preclude themselves from the necessity to conform to some requirements.

8.4 Practical and Policy Implications

As developing economies undergo economic liberalization processes, they typically attract a huge array of investors ranging from small startups to large foreign multinational corporations that seek to take part in the potential growth of these economies (Chari & Banalieva, 2015). Despite the attractiveness of these economies, the real experiences of the investors and their firms vis-à-vis the institutional–regulatory environment has been perplexing. Some firms have succeeded in coping with the changes in the regulatory environment, while others (especially new firms) have struggled to survive, incurred huge losses, or exited. Given the importance of entrepreneurship to economic development, particularly in a developing economy in a formative stage, this study offers some relevant implications for practitioners—especially entrepreneurs and managers. A better
understanding of the changes in the regulatory environment and the requirements arising therefrom is crucial for identifying effective strategies for such economies (Chari & Banalieva, 2015; Peng, 2003). This may help entrepreneurs and managers to devise tailored and firm-specific strategies by considering the challenges associated with the type and specificity of changes in the regulatory environment.

Effective navigation of the regulatory environment of a developing economy in its formative stage may help firms to ensure their continued operations throughout their stages of development. However, the study shows that this process is firm-dependent because it is contingent on the choices and motives of the founders or managers of the firms and the importance attributed to the strategies undertaken by each firm in relation to handling the recurring changes in the regulatory environment. Thus, practitioners need to consider that the different motives and business goals pursued by each firm means that the strategies and the navigation process followed by one firm may not be applicable to another firm. This will help practitioners to devise strategies that are tailored to their motives and business goals vis-à-vis the requirements arising from the regulatory environment.

Managers also need to recognize the specific roles played by stakeholders—especially, the government and its agencies, financial institutions, and professional and industry-specific associations—in initiating new rules and regulations and altering the existing regulations and policies and the requirements arising therefrom. This would enable founders and managers of firms to balance the expectations of different stakeholders and focus their strategies on specific institutional actors in order to lobby and influence those actors toward facilitating firms to handle the challenges and/or exploit the opportunities arising from reforms. Realizing the specific roles of each institutional stakeholder would enable firms to devise specific strategies in relation to their available means and attempts to comply or preclude themselves from the necessity to conform with the changes.

For policymakers, this study shows that the regulatory environment of a developing economy in its formative stage that is characterized by frequent introduction of new rules and regulations and recurring changes in the existing regulations and policies has implications on entrepreneurial activities and their outcomes. Thus, firms that survive in such a regulatory environment are acknowledged as playing an important role in steering a country’s drive toward economic growth and development, particularly through employment creation (Goedhuys & Sleuwaegen, 2010). Policymakers, especially the government and its agencies, need to acknowledge that even though the frequent regulatory and policy changes create a conducive business environment that attracts large amounts of investments (Chari & Banalieva, 2015), these reforms create unprecedented uncertainties and discontinuities that substantially affect entrepreneurial activities and their outcomes (Bhattacharya & Michael, 2008). Thus, understanding the influence of such reforms on entrepreneurial activities, particularly for new firms, is important for policymakers in that the continued
operations and persistence of new firms in the market is important for developing economies struggling to create employment opportunities (Manolova & Yan, 2002; Nichter & Goldmark, 2009).

Moreover, this study shows that the frequent business reforms mainly initiated by the Government of Rwanda to create a conducive business environment imply that the country is in a trial-and-error phase. While more investors have been attracted and a number of new firms have been founded or have entered the Rwanda market, this has been followed by a large number or a majority of new firms exiting through back doors or struggling to succeed. Given that policymakers in developing economies are inclined to adopt pro-market reforms (Kafouros & Aliyev, 2016), they should be prepared for long periods of uncertainty, discontinuities, and increasing monitoring costs resulting from the frequent reforms before the benefits from such reforms are realized (Chari & Banalieva, 2015). A better understanding of the influence of frequent reforms on the activities of new firms is relevant to policymakers with respect to introducing new and altering existing regulations and policies that are favorable to both existing firms and potential new entrants. Policymakers should expect many firms to exit and/or struggle to survive as they try to form effective strategies to handle the frequent economic reforms. Therefore, this study offers potential avenues for policymakers to improve the regulatory environment for entrepreneurial activities in developing economies.

8.5 Study Limitations and Suggestions for Future Research

This study has limitations that can be addressed in future research activities. This study uses data from a specific group of organizations (new firms) from within a single industry (manufacturing) and a specific institutional context—regulatory context comprised of formal regulations and policies. Despite the focus of this study, for instance, on the regulative elements of the institutional environment, extant research shows that the three elements of institutions (regulative, normative, and cultural-cognitive elements) change overtime, are intertwined, and engender each other (Scott, 1995). Therefore, I acknowledge that there may be some significant insights that have not been highlighted due to focusing on a single institutional element rather than examining them altogether. Thus, future research replicating this study and incorporating different sectors, several developing countries, and the three institutional pillars could provide more insight on how new firms navigate the institutional contexts of developing economies.

This study also relied on formal institutions. Previous studies have highlighted the importance of informal institutions in developing economies and how they can substitute for formal institutions to influence economic activities (e.g., De Castro et al., 2014; Hydén, 2006). Future research taking into consideration both formal and informal institutions could enhance this topic to further understand how
Discussion and Conclusions

institutional changes and transitions enhance or inhibit new firms’ market persistence. In addition, a multi-country study would provide representative data to analyze country differences in relation to informal institutions and how new firms handle institutional shifts to ensure their survival. Equally, a multi-country study can add value to the findings in this study by studying different sectors and further examining the underlying dynamics that justify the sequence and patterns through which the strategies unfold and integrate.

This study did not focus on the differences between firms owned by nationals and foreigners. I believe this would provide avenues for future research to examine whether there are differences between the strategies undertaken by locally-owned, jointly-owned, and foreign-owned new firms that have more chances of surviving in an unpredictable regulatory environment in the context of developing economies in their transformative stages.

This study also shows that new firms continuously devise and adjust strategies and decisions—implying flexible strategies and structures over time. This finding suggests that a “being ontology” is applied in devising strategies that opens new perspectives for enhancing our understanding of entrepreneurial activities in developing economies. Specifically, this study identifies different activities undertaken by new firms which comprise the strategies devised to navigate the regulatory environment. Thus, following this line of inquiry—process perspective—future studies may improve and contribute to this topic by identifying key activities, events, critical incidents, and milestones and the continuous interaction between institutional actors and firms (Lichtenstein et al., 2006). This would enable the capture of the micro-processes that new firms experience through their life trajectories. Even though this study identifies the activities undertaken by new firms, further studies could explore the real-life contexts of new firms by focusing on their micro aspects—activities, events, or milestones on a daily, weekly, or monthly basis—to understand what new firms actually do to navigate the regulatory environment.

This study was conducted in the specific and unique context of Rwanda, which is a developing economy in its formative stage, and in the context of an industry undergoing reconstruction. I thus recognize that there are limitations with respect to the generalizability of the findings of the study. However, through a longitudinal approach and a qualitative study, I have created a local theory. Even so, I call for future research to focus on other developing economies in sub-Saharan Africa that are undergoing similar economic transformation programs but with different institutional contexts. I believe that to further enhance this topic, other research perspectives, such as quantitative and comparative enquiries, need to be embraced. These would provide complementary views and perceptions from other stakeholders for a refined understanding of the strategies devised by new firms to navigate the regulatory environment of a developing economy in its formative stage. This would enable the use of other theoretical perspectives to conceptualize activities, events, or incidents undertaken by new firms in relation to devising strategies to navigate their regulatory environments.
In addition, the findings of this study indicate several avenues for future research that seem promising. The findings show that throughout their stages of development, new firms follow different patterns in undertaking strategies to cope with changes in the regulatory environment. Following Josefy et al. (2015) and Wennberg and Lindqvist (2010), this topic may be further examined by classifying new firms into categories that indicate their heterogeneity to observe the patterns they follow in undertaking the strategies. Such research would likely require the study of firms from different sectors not only to capture variances in how strategies unfold but also to gain an in-depth understanding of the complex learning processes that support them.

The findings of this study show that even though new firms undertake similar strategies to navigate the regulatory environment, the importance and sequence through which these strategies unfold varies from firm to firm and in specificity of the changes in the regulatory environment. Drawing on Peng (2003), I believe this topic may be further enhanced by grouping strategies into different clusters, for instance, political and sociocultural strategies, that could be used to further highlight the importance of each cluster and the patterns through which they unfold as indicated across the ten case firms.

In relation to institutional actors or stakeholders, this study highlights the role they play in initiating and influencing changes in regulations and policies and how they interact in the broader institutional–regulatory environment. This topic could be further examined by shedding light on the learning processes through which new firms shape and influence changes in their specific organizational fields. This would help in gaining a more fine-tuned understanding of the complex interactions and learning processes that underpin those processes. Learning theories could further extend institutional theory in relation to institutional pressures and processes.
References


Biggadike, E. R. (1979). Corporate diversification: Entry, strategy, and performance. Division of Research, Graduate School of Business Administration, Harvard University; Cambridge, MA.

References


225


Danermark, B. (2002). Interdisciplinary research and critical realism the example of disability research. *Alethia, 5*(1), 56-64.
References


References


References


References


References


<table>
<thead>
<tr>
<th>No.</th>
<th>Author</th>
<th>Title</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>017</td>
<td>Wigren, Caroline</td>
<td>“The Spirit of Gnosjö – The Grand Narrative and Beyond”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>018</td>
<td>Hall, Annika</td>
<td>“Strategising in the context of genuine relations: An interpretative study of strategic renewal through family interactions”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>019</td>
<td>Nilsson, Ulf</td>
<td>“Product costing in interorganizational relationships – A supplier’s perspective”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>020</td>
<td>Samuelsson, Mikael</td>
<td>“Creating new ventures: A longitudinal investigation of the nascent venturing process”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>021</td>
<td>Bruns, Volker</td>
<td>“Who receives bank loans? A study of lending officers’ assessments of loans to growing small and medium-sized enterprises”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>024</td>
<td>Ejeromo, Olof</td>
<td>“Perspectives on Regional and Industrial Dynamics of Innovation”</td>
<td>Economics</td>
</tr>
<tr>
<td>025</td>
<td>Barenfeld, Jesper</td>
<td>“Taxation of Cross-Border Partnerships: Double-Tax Relief in Hybrid and Reverse Hybrid Situations”</td>
<td>Law</td>
</tr>
<tr>
<td>026</td>
<td>Hilling, Maria</td>
<td>“Free Movement and Tax Treaties in the Internal Market”</td>
<td>Law</td>
</tr>
<tr>
<td>027</td>
<td>Brunninge, Olof</td>
<td>“Organisational self-understanding and the strategy process”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>028</td>
<td>Blombäck, Anna</td>
<td>“Supplier brand image – a catalyst for choice: Expanding the B2B brand discourse by studying the role corporate brand image plays in the selection of subcontractors”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>029</td>
<td>Nordqvist, Mattias</td>
<td>“Understanding the role of ownership in strategizing: a study of family firms”</td>
<td>Business Admin.</td>
</tr>
<tr>
<td>031</td>
<td>Johnson, Andreas</td>
<td>“Host Country Effects of Foreign Direct Investment: The Case of Developing and Transition Economies”</td>
<td>Economics</td>
</tr>
<tr>
<td>032</td>
<td>Nyström, Kristina</td>
<td>“Entry and Exit in Swedish Industrial Sectors”</td>
<td>Economics</td>
</tr>
</tbody>
</table>


No. 041 Hultman, Jens (2007): “Rethinking adoption – Information and communications technology interaction processes within the Swedish automobile industry”, (Business Administration).


No. 064  Ots, Mart (2010): “Understanding value formation - A study of marketing communications practices at the food retailer ICA”, (Business Administration).
No. 068  Wikner, Sarah (2010): “Value co-creation as practice: On a supplier’s capabilities in the value generation process”, (Business Administration).
| No. 072 | Cui, Lianguang (2011): “Innovation and network development of logistics firms”, (Business Administration). |
No. 100 Jafari, Hamid (2014): “Postponement and Logistics Flexibility in Retailing”, (Business Administration).
No. 103 Parada Balderrama, Maria José (2015): “Developing Governance Structures in the Family Firms: From adoption to institutionalization”, (Business Administration).


No. 110 Evansluong, Quang V.D. (2016): “Opportunity creation as a mixed embedding process – a study of immigrant entrepreneurs in Sweden”, (Business Administration)

No. 111 Criaco, Giuseppe (2016): “Founding conditions and the survival of new firms: An imprinting perspective on founders, organizational members and external environments”, (Business Administration)


No. 113 Pereseina, Veronika (2017): “Managing Sustainable Business Model of a Heavy Vehicle Manufacturer Through Life-Cycle Thinking. A Case of Road Freight Transport Supply Chains”, (Business Administration)

No. 114 Nazir, Imran (2017): “Nurturing Entrepreneurial Venturing Capabilities: A Study of Family Firms”, (Business Administration)


No. 116 Ekberg, Sara (2017): “The role of organizational integrity in responses to pressures: A case study of Australian newspapers”, (Business Administration)

No. 117 Wass, Sofie (2017): “The Importance of eHealth Innovation: Lessons about Patient Accessible Information”, (Informatics)

No. 118 Wallin, Tina (2017): “Firm renewal in the regional economy”, (Economics)

No. 119 Bagley, Mark (2017): “The Birth, Life and Death of Firms in Industrial Clusters”, (Economics)

No. 120 Van Helvert-Beugels, Judith (2018): “The emerging role of advisory boards in strategizing in family firms: A sensemaking perspective”, (Business Administration)

No. 121 Kaneberg, Elvira (2018) “Emergency preparedness management and civil defence in Sweden: An all-hazards approach for developed countries’ supply chains” (Business Administration)
No. 122 Habimana, Olivier (2018) “Asymmetry and Multiscale Dynamics in Macroeconomic Time Series Analysis” (Economics)

No. 123 Mari, Isabelle (2018) “Developing Trust among Family Owners in Multiple Branches Family Firms” (Business Administration)


No. 125 Gustafsson, Anders (2018) “Grants, loans and reforms - Causal understanding of industrial policy” (Economics)

No. 126 Waldkirch, Matthias (2018) “From Professional Interactions to Relational Work: Investigating Relationships around Non-Family CEOs in Family Firms” (Business Administration)

No. 127 Sari, Virta (2018) “Managing Tensions in Creative Content Development Work: Cases from the Media Industry” (Business Administration)


No. 131 Duras, Toni (2019): “Applications of Common Principal Components in Multivariate and High-Dimensional Analysis”, (Statistics)

No. 132 Kuiken, Andrea (2019): “Exploring the internationalization of small and medium-sized enterprises as a discontinuous process”, (Business Administration)


No. 140 Feng, Songming (2020), “Craft production in the Kingdom of Crystal (Glasriket) and its visual representation: Constructing authenticity in cultural/marketing production”, (Business Administration)


No. 142 Caccamo, Marta (2020), “Cross-boundary knowledge work in innovation: Understanding the role of space and objects”, (Business Administration)


No. 144 Cyron, Thomas (2021), “How Organizations Incorporate Insights from Stakeholder Communication: The Role of Media and Modal Affordances”, (Business Administration)


No. 146 Lu, Shanyun (Sam) (2021), “Managing contexts for innovation and renewal: Strategies of incumbent firms in traditional manufacturing industries”, (Business Administration)

No. 147 Arshad, Nadia (2021), “The Backers’ Crowdfunding Journey – An Engagement Perspective”, (Business Administration)


No. 150 Petreski, Aleksandar (2022), “Green finance in real estate, housing price volatility and rental swaps”, (Economics)

No. 151 Kamugisha, Samuel (2022), “Strategies of New Firms in the Formative Years of a Developing Economy: The case of Rwanda”, (Business Administration)
Strategies of New Firms in the Formative Years of a Developing Economy

The Case of Rwanda

This thesis explores how new firms navigate the regulatory environment of a developing economy in its formative stage to ensure their continued operations and survival. The study’s context is Rwanda which is a developing economy that is undergoing a process of reconstruction and transformation after devastation by the 1994 Genocide against the Tutsi.

The study seeks to understand the strategies undertaken by new firms to navigate uncertain regulatory environment to ensure their continued operations and survival. The study identifies four strategies undertaken by new firms in response to pressures arising from the changes in the regulatory environment, namely maneuvering, foresight and proactiveness, changing paths and professionalizing.

The findings highlight: (1) the unlocking and lock-in effects of the changes in regulatory environment on firms’ strategies, (2) a continuous integration of strategies in a trial-and-error approach to find a tradeoff between the strategies and the pressures arising from the regulatory environment, (3) a learning-by-doing approach which also indicates the strategies undertaken at each stage of development, and (4) a boomerang effect of some of the strategies on the firms’ continued operations and survival.

The study extends our understanding of how new firms cope with uncertain institutional environments. The study’s findings and theorization elucidate critical dynamics between the specificities of changes in the regulatory environment, the strategies undertaken by new firms, and the firms’ continued operations and survival. The study will also help entrepreneurs and managers to devise tailored strategies in response to the challenges associated with the specificities of changes in the regulatory environment.

SAMUEL KAMUGISHA is a lecturer at the College of Business and Economics, University of Rwanda. He is currently a PhD Candidate at Jönköping International Business School (JIBS), Jönköping University in Sweden. Samuel has experience in industrial growth and entrepreneurship development in Rwanda. His research interests are mainly in industrial development and organizational performance focusing on strategies for industrial growth and survival of manufacturing firms in the context of developing economies.