



INSTITUTO  
UNIVERSITÁRIO  
DE LISBOA

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## INTERNATIONAL EXPANSION PLAN OF PROGEST ANGOLA

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Master's in Applied Management

Supervisor:

Professor Luís Carlos da Silva Martins, Invited Professor,

ISCTE - IUL

December 2021





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Department of Marketing, Operations, and General Management

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## **ACKNOWLEDGEMENTS**

As vital as the person who writes the project, the people close to the author can be considered the project's key success factors, as they strongly influence the project outcome. Firstly, I want to thank my supervisor Professor Luís Martins for his unconditional support, for the motivation, the assistance and for his readiness, feedback, and patience throughout this project's progress and for the final push. Secondly, I must express my deep gratitude to PROGEST's team, namely Engineer Paulo Nobrega and Engineer Mauro, for this opportunity and also for making this project viable, but mostly for all the trust passed in every conversation we had. A special thanks to my ISCTE colleague Emanuel Rocha that helped me with reading materials and Paulo Rodrigues for support. To my loving daughters' Liyah and Luana I owe a massive thank you for the comprehension they had every time I restricted our family life due to this project. Again, Liyah thank you for helping to take care of Luana when I couldn't due to too much pressure. I also must thank my family for always being understanding, in special my mother Cristina for being an inspiration to me and to my dear friends who have been there also when I most needed: Lula for always listening and believing in me when no one did and Milana and Douglas for opening your house to me. My acknowledgement is dedicated also to my husband Lionel, for the support he has provided me during this time.

Lastly, I cannot stop myself, from thanking ISCTE-IUL for the opportunity of this master's degree for it was a great learning and rewarding experience to attend classes with all the teachers that I had. Thank you.



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## **I. GLOSSARY**

ANC – African National Party

BRENT – Crude oil, Brent Crude

Covid-19 – Corona Virus 2019

CSD – Central Supplier Data base

EEA – Employment Equity Act

FMCG – Fast moving consumer goods

FMCS – Fast moving consumer services

FTZ – Free trade Zone

GDP – Gross Domestic Product

ICT - Information and Communications Technology

IMF – International Monetary Fund

ISM – International strategic management

JIT – Just in Time

JV – Joint-Venture

MCDA – Multiple Criteria Decision Analysis

PIP – public Investment Program

PwC – PricewaterhouseCoopers

SA – South Africa

SADC – Southern Africa Development countries

SAP – System application protocol

SME – Small Medium Sized enterprises

USD – United States Dollar

VAT – Value Added Tax

VS – versus



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## 1. RESUMO

Este projeto de expansão internacional foi elaborado como o objetivo de apresentar uma opção de expansão viável à PROGEST, uma empresa nacional angolana focada na área de construção em serviços de fiscalização de obras, gestão de projectos, projectos de arquitetura e outros serviços técnicos de especialidade. De modo a cumprir com o objetivo proposto, inicialmente foi executada uma Análise de dados comparativos que avaliou vários potenciais mercados, sob um conjunto de critérios definidos em função das preferências e das características da Progest, que permitiram a escolha do mercado alvo: a SADC. O passo seguinte foi analisar o mercado da SADC como um todo, assim como o mercado específico de fiscalização de obras. Foi também executado uma análise competitiva e depois de todas as análises terem sido feitas, foi desenvolvido um plano de entrada no mercado pretendido de modo a responder às características do país, tendo em conta as dimensões do Marketing-Mix. Após a execução da estratégia para o novo mercado, foi executada a análise financeira do projeto que mostrou que o esforço feito na Africa do Sul seria lucrativo, e consequentemente o objetivo inicial do projeto seria alcançado. Antes de terminar o estudo, foi construído um Plano de Implementação que assegurasse que todo o plano seguiria a direção correta, tendo em conta as prioridades e os tempos do projeto, e finalmente trazer boas perspectivas ao futuro da Progest.

**Palavras-Chave:** *Marketing Internacional; Plano de Expansão Internacional; SADC, Gestão Administrativa; Gestão Internacional; Marketing*

**Sistema de Classificação JEL:**

M10 - General, M1- Business Administration, M13 -New Firms • Startups, F21 – International investment movements, F23 -International Business

## 2. ABSTRACT

This international expansion plan was developed under the objective of offering a viable expansion option to PROGEST, a national Angolan company focused on the building and construction field, more specifically auditing of constructions, project management, architectural projects, and other technical services of specialty specific in building and constructions. To accomplish the proposed objective, initially it was performed a throughout analysis of various data that assessed several potential markets, under a set of criteria defined by Progest's preferences and features, which enabled the choice of the target market: The SADC market. The next step was analyzing the SADC market, as well as specifically the auditing of buildings and constructions. It was also executed a competitive analysis to understand how the company should behave in this environment. After all the analysis were carried out, Marketing-Mix was analyzed together with entering steps on that market. Following the execution of the strategy for the new market, it was performed the project's Financial Analysis that showed the company's endeavor in South Africa would be profitable, and consequently achieve the initial objective of the project. Before finishing this study, it was also built an Implementation Plan that ensures the whole plan will move in the right direction regarding the project's priorities and timings, and ultimately bring good prospects to the future of Progest.

**Keywords:** *International Marketing; International Expansion Plan; SADC, General Business Administration; International Business Administration; Marketing*

***JEL Classification System:***

M10 - General, M1- Business Administration, M13 -New Firms • Startups, F21 – International investment movements, F23 -International Business

### 3. EXECUTIVE SUMMARY

The Angolan construction market is stagnated, and due to the current socio-economic and political crisis there is not much space for small companies to grow. If on one hand DAR international, SOAPRO, and Big Chinese global players control a great share of the market, on the other Angola is a smaller market due to poor allocation of budget for national development. These days, companies can no longer look only within the domestic markets, as we live in a global world. If a company wants to grow, they should envision internationalization to outside markets.

Progest is a medium sized business, being smaller than the competition, the company face issues such as shortage of funds, human resource management, lack of visibility in projects and tenders, communication issues, and lack of proper business systems. In adding up, the outbreak of COVID-19 leads to economic crisis and uncertainty and has affected current plans of this company. International expansion, more specifically regional expansion is a crucial choice that needs to be backed up with efficient planning, enough resources, people resources, funds, and crystal-clear business systems. Enlarging business can be consider a great move, yet, along with many advantages it can bring many challenges that need to be consider so to avoid harm. Nevertheless, whatever the challenges Progest faces, it should always seek for solutions because finding a way will always help to overcome all the issues. More so, it is true that uncertainties may cause problems to Progest, but we must not forget that is a part of an action, moreover, and it should not stop Progest from regulating their activities. For example, as Covid-19 pandemic came up as a biggest challenge for most of the companies, still, during the era of digital technology, many firms have found opportunities to expand their businesses at global platform which meant that businesses became borderless. This example and others have provided the motive for Progest to expand its business after an analysis. Hence, the objective of this project is to develop an international expansion plan which can offer an applicable expansion option to PROGEST to grow their operations in other locations within the region and consequently grant a prosperous future to the firm.

Progest Angola is a local Angolan company which deals primarily with building and construction activities and its main functions are the supervision of construction projects, auditing, project management, architectural projects and so on. Progest would like to understand the viability of expanding its business within the SADC region, as its main markets up to know within Angola have mainly been Luanda, Bengo, Benguela, Huila, Kwanza Norte, Kwanza Sul and Namibe.

To develop this project, the first step after the literature review analysis, was the market selection. And knowing that Progest's preference was the SADC market, all country data and statistics was mapped out in tables, using different criteria based on the industry's characteristics



and preferences to be able to analyze and compare the data country by country. Considering those preferences only countries with good economic, social, and political indicators were considered, as well as country attractiveness and doing business index. After this screening, the highest ranked market was Mauritius and South Africa, however, it was decided to leave Mauritius out due to being out of reach geographically as compared to South Africa, that was analyzed, and to which was developed a strategic plan.

The analysis of the South African market was based on a PESTEL evaluation, under which analyzed data related with political, economic, social, technological, environmental, and legal environments. Moreover, the South African construction market was studied, furthermore, it was carried out a competitive analysis, and used a SWOT Analysis, that pointed the possible strengths, weaknesses opportunities and threats of Progest in that South African market, with the objective of understanding how the company should behave in the new market. Following this, a strategic plan started being developed with the selection of entry mode, which point towards a Joint Venture. When doing the Marketing-Mix, the project adapted its plan to the new market. Pricing strategy of Progest is Price Penetration strategy so to be able to give a more competitive price compared to the competition, regarding place special attention is advised in metropolitan business development hubs, in special the region of Simola Golf and Country Estate, Knysna. As for promotional activities it would be important to participate in Construction, economic and technological fairs. Defined the strategic plan, a financial simulation was projected. All in all, this new market seems to be profitable to Progest, and last. Lastly, it was developed an Implementation calendar to ensure that every step and scheduling of this project goes according to what was planned, suggesting that the first two years will be crucial to the success of Progest in South Africa.

Further going deep into the assessment, a detailed analysis related to international strategic management has been explained, and this demonstrated that, expanding business with generate more and more profits for the shareholders. Still, it will be important to continue developing a strategic plan to ensure the activities are carried, and resources needed, and what factors to be avoided. For example, the strategies the company should consider during the international pathway are localization strategy, transnational strategy, international strategy, and global standardization. In context, PROGEST is advised to adopt global standardization strategy as it will allow the company to provide non-customized services to as many countries as possible. And for Progest to enter the market will not be easy and either a waterfall approach or sprinkler approach is more advisable.

A very crucial part of expansion into South Africa is the importance of Progest to look for a serious local partner for a successful, long-lasting Joint Venture, that would bring a win-win solution

to both companies involved, and the reason for advising a JV is to lower the risk factor in new market and acquire existing market share, existing lobbying, access to tenders, licenses, and know-how.

Lastly, it is important to know that whatever strategy is suggested now, strategies evolve and are work in progress and will keep changing, as there is a need of adopting changes to sustain in the market. Just, as in this very moment, PROGEST has realized that staying in the domestic market will not give them the exposure that they could have in outside markets, whether it is finance, global market handling or getting a great pool of talents. All of these can be access by a company if they have the potential to think out of the box. As a result, international marketing rotates around some of the controllable elements, yet there are some factors that are different, and to cope with this, the company is accumulating both adaptation strategy and standardization strategy as it is studied that using both the strategies effectively in the market entry mode provides effective results, as it makes the business more flexible, and make the company more accountable to the individuals whom they are providing their services. Apart from this, in this report, it is discussed that, in this fast-moving customer service, the company should also focus on new technologies. In the case of Progest, being a construction company, the company can use the internet source for identifying the values of the customers so that the company can provide them with more appealing and faster services. Therefore, the present report has the potential of providing appropriate information regarding this topic i.e., the expansion of business in the international market. This project is clear to show that, despite of facing challenges, Progest should really expand into South Africa market, as it presents itself with opportunities of maximizing profits.

#### 4. DEFINITION OF THE PROBLEM CONTEXT

Progest Angola is a local Angolan company of projects, management & consulting with specified solutions of management of constructions, engineering, architecture & design. The Angolan Construction Market is saturated with important competitors such as DAR Angola, SOAPRO S.A., Africonsult, GB Consultores, TPF Angola, COBA, SINTEC, A400, PROSIS, GWIC Angola S.A., Arvest - Projectos S.A., Soleng, Zutari Angola, Lda, Rodrisol Consultoria e Projectos Lda, Habiquatro, EngConsult, Consultar Lda and Agrimiral-Projectos, amongst other Chinese Multinationals. Being in this field, requires a massive financial capacity, so a company cannot afford to lose market share, nor business to the competitors, even thou as mentioned, the market is very competitive. Therefore, small, and medium-sized enterprises (SME) may seek solution to this challenge in expanding to new markets. As Kotler & Keller shared regarding to this: “most companies would prefer to remain domestic if their domestic market were large enough” (Kotler & Keller, 2012: 597).

There are several challenges or issues that are faced by small and medium sized businesses while moving into a new territory. Business growth accelerates the value and profits of a company. However, proper planning, resources, and systems are required to make sure that a business grow potentially in the long term. This helps an entity to ensure that the demand for its products increase in the new markets. While doing so, companies face many challenges so that growth can take place effectively. In this regard, here is an explanation of some of the critical challenges faced by businesses during the market expansion:

***Ineffective planning:*** Majority of the business expansion related issues are a product of poor planning done. Companies will succeed in new markets for a considerably longer period only when they formulate a business plan. In this relation, proper planning renders assistance in the prevention of business failure as well as poor performance delivery. With the help of a strong strategy, a business can easily counter issues arising at the time of expanding into new territories. Poor planning is bound to result into business failure in the long run. It directly implies that a company is on the verge of incurring losses, lose customers, or close permanently in the event of an ineffective or missing growth plan. Hereby, Progest also needs to plan the market expansion taking into consideration the sufficiency of resources as well as equipment for efficient operations in the new territories. The formulation of suitable budget for different divisions of the business is an important part of the business plan. Lastly, proper planning is also necessary in the context of laws and legislation so that the company operates within the legal boundaries.

**Human Resource Management:** With business growth, the workload as well as responsibilities of employees increase. Some of the employee roles may even overlap, resulting in the emergence of interpersonal issues. In this relation, business success within new markets can be ensured by an organization through the capitalization on expertise and skills of the workforce. As the business tasks become more well defined and specific, the allotment of roles and responsibilities to employees needs to be carried out mindfully. Human resource management is critical while expanding into new markets. Progest Angola needs to make sure that the assignment of roles to employees is made in accordance with their interests, competencies, skills, and knowledge. It is essential that every employee clearly understands their role so that they can work effectively and efficiently to meet the business objectives in the new SADC market. Apart from this, hiring employees also becomes significant for businesses to gain local knowledge and ensure the smooth functioning of the company. All these tasks require proper planning and execution as problems can arise if not done effectively. In addition to this, training needs to be given to new employees. It is a process requiring extensive resources and time. Thus, human resource management is imperative while executing the business expansion.

**Communication Problems:** The ability to communicate the mission as well as goals of the company is considered as an imperative element of a growing business. In an instance whereby communication is an issue, a business struggles and ultimately crumbles. In this relation, it has been identified that problems within communication can be informed by alterations within an organization as the company grows with time. It is important that tasks and roles are clearly communicated and understood within the organizational premises as the business procedures become complex. It calls for assurance regarding fulfilment of given instructions and schedules as per the senior management requirements. A business is bound to fail while expanding into a new territory if it encounters communication problems. In the absence of a sound communication system, many problems are bound to emerge. With respect to this, one way to ensure the execution of efficient communication within the bounds of Progest Angola is to conduct weekly meetings after carrying out the business expansion into new market. This will render assistance in having a discussion regarding the progress of business plan and goals to handle the issues as they emerge.

**Lack of proper systems:** For business procedures to operate smoothly, it is important to have every system within place. For instance: Accounting system are essential to handle the financial elements of an organization. In the same way, sales monitoring and inventory management systems are critical for businesses. In the absence of such business systems, business expansion can become uncoordinated as well as messy. The business systems need to be transparent and accountable for the public to trust a new business in the new marketplace.

**Insufficient funds:** Financial difficulty is one of the most foreseen and deemed problems for small and medium sized businesses when expanding into a new geographical territory. As a business plans to grow and expand, it requires a lot of funds to execute the market expansion plan in an effective manner. In this relation, financial resources are also required for opening new franchises or hiring new workers. In this regard, it is essential that Progest manages finance in an effective and efficient manner.

Adding to the challenge above, the pandemic of COVID-19 didn't come in hand. And before that, Angola had already been plunged into an enormous economic crisis, due to the downfall of BRENT price, as well as a financial-banking embargo of the country (for Angolan not been previously compliant with IMF and World Bank anti-corruption regulations). The Covid-19 Pandemic came to aggravate the social-economic problem that Angola was already experiencing for nearly a decade. With this, foreign companies disinvesting in Angola, Government Projects slowed down or stopped and all the ongoing projects of Progest were stopped due to Pandemic, as well as lack of payments of invoices from Clients and Government entities. Uncertainty of the future of the company rose.

Today, we live in a Global Village, and in this digital era, businesses are borderless. Countries benefit tremendously with the proximity between countries in every single level. Kotler, in 2003 stated that "if a company controls only its domestic market, it will probably lose its dominance over the threat of foreign competitors, which will enter the market and challenge it" (Kotler, 2003). This means, that even if a firm does not want to be part of the internationalization process, they will not escape its effects (Ghauri & Cateora, 2014). There are always several social, economic & political motives that shape the international business circle, but some more important than others. Amid some of these motives we can find the "interdependence of the world economies; the rapid growth of free trade areas; the increase wealth and purchasing power almost worldwide; the evolution of large emerging markets; the job shift in services from Western to emerging markets; the transformation of Internet role to a big tool for business; the availability of more advanced methods of communication and transportation; and finally the increased awareness of ethical issues and social responsibility" (ibidem: XIII and I/2).

There can be many ways that a national firm can benefit from investing out of its national market, such: diversifying risks, reducing dependance on only one market, seek better profit opportunities that are sometimes presented in international markets, may achieve economies of scale, reduce the price of raw materials or manufacturing, and so on. And, on this note, the first intention of Progest would be to expand to the nearby countries that are part of the SADC region since its of easier reach geographically, benefiting economies of scale to and from a legal standpoint might be an advantage

since it's the same economic region with economic treaties between countries. In line with some of the key objectives of Southern African Development Community (SADC), that are to achieve economic development, growth, security and support due to Regional Integration.

Considering that, we will develop the project in collaboration with Progest, being the main objective to help them expand, solving the above-mentioned challenges tied to the economic crisis of Angola, the lack of visibility in the future, as well as increased competition over the years. We will study by finding, through a data analysis, a new market to work, enabling them to implement and replicate my work whenever they seek future growth.

International expansion needs to consider several criteria to get a better return from it. There are many resources required in this planning and execution such as financial planning, human resources, operational efficiency, etc. With the help of such planning, the results from activities and operations are positive (Sharma, et. al., 2020). As per the case of Progest, the resources and activities required for planning and proper execution of activities give better return and it will lead to defining organizational objectives properly. The scope of business activities depends on competition availing in the market. The change in planning will affect employee working style because they are responsible for every action executed by them. The managerial activities and operations also get diluted because this makes resources over and under as per the activity (Aguilera and Groggaard, 2019). The business activities of Progest can be performed borderless and because they are thinking to expand the business, activities need to be planned and organized accordingly.

The countries covered under SADC have a similar type of resources, so they have completed and appropriate of conducting activities in a determined manner. It is specific to understand the operational efficiency as per organizational objective, so effectiveness can be analyzed and performed properly. It is essential to communicate and deliver complete information to employees regarding expansion, so the operational efficiency can become effective with time. There are numerous changes taking place in the external environment such as the supply of the resources, availability of human resources, etc. Hence it is essential to consider such emergency factors as well (Backus, Kehoe & Kydtand, 2021). Progest needs to develop operational efficiency with analyzing the scope of working in which market. For instance: as per the data, it is analyzed that changes in the operational efficiency can be achieved when operation and conducting operations at South Africa is better as compared to Mauritius because the resources and determining of business activities are better. With such analyses, the requirement of resources and return from operations can be judged easily. There is complete and proper knowledge and understanding about ways to organize operations because this will lead to giving financial benefits (Bahoo, Alon & Paltrinieri, 2020).

With business expansion, the benefits are not only to organizations, but assist in the development of host and operating countries. The social-economic development of the countries is better because it will lead to organizing and planning for the growth of the company. There is complete and proper knowledge of the market (Nambisan, Zahra & Luo, 2019). It is essential for managers of the Progest to understand the requirement of expansion, so they can plan and conduct motivational strategies in a specified manner. Additionally, there are also many changes happening in the company, so it is important to deliver complete information to employees. The role of marketing strategy is much high because, in a new market, some other associations are operating in a similar sector, hence the association needs to understand the changes happening in the market and communicate within an innovative and creative manner (Cherunilam, 2020). The role of both government parties is active; hence it is essential to understand the market changes and make operations proper to conclude further activities. The role of employees is crucial while they are operating because they must change something as compared to things that are being planned and it is not specified manner always. The change in business activities is required because the demand of consumers also changes, hence the policies of working are much different as compared to a positive return.

The main and core requirement of Progest is to achieve economies of scale in the early years of expansion, hence a company needs to understand the market policies and conduct operations properly. If associations must maintain activities in a better manner, then they must deliver complete knowledge to workers who are managing internalization activities (Czinkota, Ronkainen & Gupta, 2021). There will be a proper understanding when operations will get started because they must manage operations in terms of getting returns. When Progest starts operating in the new market within SADC, then there will be impact on other locations as well because there will be a change in operational efficiency and the scope of conducting operations increasing.

## **5. LITERATURE REVIEW**

### **5.1 INTERNATIONAL STRATEGIC MANAGEMENT**

International Strategic Management (ISM) is an ongoing management planning process intended at developing strategies to enable a company to expand internationally efficiently and therefore generate more profit for the shareholders. Strategic planning is used to develop a specific international strategy. A firm must first determine what services to sell, and how and where they will sell them, as well as how they will obtain the necessary resources for these tasks. Lastly, the firm must have a strategy on how it expects to gain differentiation in the market to outpace its competition.

### **5.1.1. Strategic orientation and organizational structures**

Firms cannot create value on its own, so they engage in actions to boost economic sustainability to maximize their value for the shareholders. These actions are the firm strategy (Johnson, 2006). Entering international, foreign markets is one possible strategy, and therefore firms must find out which strategic path to follow to decide which countries they want to be in and how many segments to be present, deciding if they want to follow a regional strategy or a global strategy. In the regional strategy, firms concentrate their operations domestically or in geographies close by to adopt a standardized approach in all the marketplaces. In the global strategy it expands its activities throughout numerous countries. It not only seeks to trade standardized services and products but aims also at balancing the homogeneity with customization of its services & products to match local demands (Verbeke and Kano, 2016).

Linked to these two strategy choices are four big strategies that will help draw the company's international path: the (1) Localization Strategy, (2) Transnational Strategy, (3) International Strategy and (4) Global Standardization Strategy. Even though the choice of strategy will be conditioned by financial capacity and local responsiveness pressures. (1) Firms adopting the localization strategy focus their activity on customizing the services & products they commercialize to different domestic markets according to the markets' preferences. (2) Firms adopting a transnational strategy differentiate their offer in foreign markets and at the same time they endeavor to decrease costs of production by producing overseas in cheaper countries. (3) Firms adopting an international strategy normally produce to sell in their local country, but whatever surpluses they have they will try to sell to international markets with as minimum customization as possible. (4) Finally, firms adopting the global standardization strategy want to sell their non-customized services & products to as many countries as possible, while always seeking low-cost advantages no matter its place on the company's value chain (Hill, 2012).

In internationalization, the firm's organizational structure, can be an export department, a international division or a global organization, depending on how big the company is and its pledge to internationalization. Usually, little companies have export departments focused on sending products or services to foreign markets. As these sales grow, these departments may grow their duties to include own marketing services. And when these firms grow bigger, they may create an international subunit with its own objectives, budget and accountable for the firm's international success & growth. Moreover, there are bigger firms which have become global organizations, and where their mission, vision and values are aligned, as well as procedures, policies, logistics and production facilities worldwide (Kotler and Armstrong, 2012).



### **5.1.2. Becoming International: Where and How**

To decide which regions or markets to enter is uneasy. Many firms plan to stay small internationally, exporting only the excess of their stock to external markets. Other companies have more ambitious plans, trying the international scene as their major business rather than the domestic market. However, one must be careful when deciding where and how many markets to enter, as we can incur on the error of expanding too much and too quickly compared to own abilities. Apart from finding out the best ways to enter new markets, the two most common approaches to enter new markets are the Waterfall Approach, whereby the firm enters one country at the time or the Sprinkler approach, where the firm enters many countries at the time (Kotler and Armstrong, 2012; Kotler and Keller, 2011). Before doing business in another country, firms should study many factors such as country's attractiveness, political, socio-economic, geographical, and demographic factors. Normally, the main points for choosing a certain country are the size of the market and development of market in which firms look for lower levels of competition. Another point is market similarity because the costs of entry, as well as marketing operations need to be lower, as they can almost be standardized due to the similarities between markets (Kotler and Armstrong, 2012; Miečinskienė et al., 2014).

Concerning the entry modes on foreign markets, the literature presents three big modes that differ among them by four dimensions: control; dissemination risk; resource commitment and flexibility. The control dimension refers to the level of responsibility the firm desires to possess in new market's operations. The dissemination risk dimension points the level of exposure the firm has, that its new market partner will get appropriate any proprietary knowledge. The resource commitment dimension indicates the extent of human, financial and physical resources the firm pretends to employ in the market. Finally, the flexibility dimension refers to the ability of the firm to adapt to possible changes in the new market environment (Driscoll and Paliwoda, 1997).

There are several entry mode choices separated in three big segments, which are Investing, Exporting and Contracting. Exporting is normally the first mode a firm resort when entering a foreign market, due to its simplicity. Firms that export, manufacture their products domestically or in a third country and sell them overseas directly or indirectly. The indirect export is a less risky and less expensive mode. It depends on an intermediary that works in the new market, possessing all the know-how the company needs to make no mistakes. The intermediary does the deals for the company and charges a commission on the goods transaction. On the other hand, the firm does not have an investment in a marketing organization overseas. The direct export mode is the same as indirect, but without the need for intermediaries. The company does all the legal and marketing work in the new market making it riskier and more financially committed than the other type. Even though

if the business goes well, in the long run the investment will pay off. The Contracting may be divided into several different types of entry modes but the three most common are the Licensing, the Franchising, and the Manufacture Contracts. These agreements usually happen when a firm has a certain competitive advantage but cannot capitalize it due to a lack of resources. Licensing occurs when the company (Licensor) agrees to share certain property rights with a foreign company (Licensee). In return the licensee pays royalties to the licensor. Although the licensor has few controls over the operations occurring in the foreign market, it has entered a new market with low risk attached. Franchising is like the Licensing but more complete. The Franchisor sells the entire brand concept and operations know-how that the Franchisee only needs to implement to have granted success and profits. Manufacture Contracts are nothing more than firms paying foreign companies to manufacture their products. However, this mode has a low level of control over the production that may lead to loss of quality and profits. The Investing modes have in common the control or ownership of a firm in a facility overseas. The most used types when it comes to investing abroad are the acquisition, the joint venture, and the foreign direct investment. Briefly, acquisition occurs when a company buys the stock of a foreign company gaining its control. The mode enables companies to establish in the new market quite rapidly. A joint venture involves the two firms joining forces to set a third company in the foreign market, which they will share the control, many times due to economic or political reasons. Lastly, Foreign Direct Investment is seen as the most resource committed entry mode as it consists of starting new investments and build facilities in the host market. Despite being a very risky strategy, the firm faces the possibility of improving its image in the market and reducing its costs by having access to cheaper labor and government incentives (Driscoll and Paliwoda, 1997; Kotler and Armstrong, 2012; Kotler and Keller, 2011).

The range of benefits which can be what do you mean by the companies with the international expansion of the business are access to local talent, enhancement of business growth, attainment of competitive edge, increase in the profitability of the company, better approach towards the desired client and many others. Apart from these businesses are also expected to focus on analyzing several market entry modes so that they can select the best suitable one among all. It is important for the marketing manager of the company to conduct detail study as well as conversation with the top management team of the company. In this conversation the manager is expected share all of their knowledge associated with the international market expansion as well as the consequences along with the benefits which are explores by them during the min research. This would help the manager out in taking right decision with the involvement of top management team. On the other hand, when it is talked about international expansion, it becomes important for the entity to select right entry mode of entering a new market. Joint venture is acknowledged as the most suitable among all the

entry modes. The core reason behind the same is that this method is helper for the company to take leverage of capital as well as other resources of the partner company. For doing this effectively it's important to find the already established or successful business from the local market of new area so that the company can attain expected benefits from the same.

### **5.1.3. International Commerce Theories**

For the purpose of reference, it is crucial to revise here important international economic theories of Adam Smith's Absolute advantage, David Ricardo's comparative advantage theory, Hecksher-Ohlin comparative advantage model and lastly Porter's Diamond Theory of competitive advantage.

#### **5.1.3.1. Absolute advantage**

In one hand, the idea of absolute advantage is the ability of the nation to use less resources to produce goods or services than any other nation. For Smith, a nation must specialize in the production of a product where they have absolute advantage and buy at lower prices goods from nations. Smith favors globalization due to open borders because he justifies that if they are open, nations can specialize in output of which they have absolute advantage, so to exchange these products between nations, defending that global production can increase by this (Smith, 1776).

#### **5.1.3.2. Comparative Advantage**

Ricardo argues that nations can trade and specialize in the production of products of which they have comparative advantage, bringing them to a lower price and increases global production. He defends that it would be ideal to have an absolute advantage, however, even when this is not the case, nations can still focus its production on the product with the lower relative price compared to the competition (David Ricardo, 1817).

#### **5.1.3.3. Comparative advantage theory of Hecksher-Ohlin**

Known as H-O model, it proposes that different nations must export what they are most efficient or abundant have and import what they cannot have efficiently. It defends that nations should export resources or materials which they excess and import resources they don't have and that both those imports, or exports can incorporate other factors of production such as cheaper labor, as the costs and quality of labor vary from nation to nation (Czinkota et al., 1992) and that this would be advantageous.

#### **5.1.3.4. Porter's Diamond Theory of Competitive Advantage of Nations**

Michael Porter defended that if one has a real competitive advantage, compared to competitor rivals if one can produce or operate at a lower cost and own premium price. And in order for this to happen there are a few factors that are very important for success: firm's factor conditions (labor force quality or price of labor, natural resources, land location, and so on), Demand conditions, the own firm's strategy, the present competition in that industry, as well as the quality of the related and supporting industries that this firm will depend on, and, presented chances or opportunities and lastly the local governments' impact. Porter defends that to have a distinguished competitive advantage position, all those factors combined need to be present (Porter, 1990).

### **5.2 INTERNATIONAL MARKETING**

"International Marketing is the performance of business activities that direct the flow of a company's goods and services to consumers in more than one nation for a profit." (Cateora and Ghauri, 1999). And it can be defined as "marketing carried on across national boundaries" and even though marketing concepts are frequently applicable throughout the world, its application may vary considerably between nations, and this is when marketing specialists battle, as their struggle is to adapt the controllable elements to the environment's uncontrollable elements to meet the company's main objectives. The "controllable" are those elements a company can change and adapt also known as the marketing mix: the product, the price, the promotion, and place. The responsiveness to adapt the marketing-mix to those issues will define the success a company has in the new market.

While entering the international marketplace, it is essential for the businesses to look towards the market opportunity in the same sector at newer market. This further helps the company out in acknowledging several international marketing tactics that is helpful for them in improvising their command over the new marketplace in an effective form. For doing this effectively, it becomes important for the business entity to initially analyze their own products, services and offering and then focus on the key favorable and beneficial areas that can be used by them in attaining success at international marketplace. Also, it becomes easier for the company to analyze all the disputes or other sort problems that could affect the overall functioning of the company in appropriate form. This also develops opportunity for the company to make desired changes and initiatives so that they can attain success at newer marketplace.

While entering international marketing, it becomes important for the marketing manager focus on analyzing the new market area in detail form so that all the consequences associated with the same

can be determined at the initial level only. This further helps the company in taking initiative for resolving these issues at the initial stage only. Moreover, they conducted mini research on the new market is helpful for the marketing manager to develop their understanding on the available opportunities in the same market that will leave the company to attain success within predefined period.

The “uncontrollable” are separated as domestic and foreign uncontrollable. Domestic uncontrollable are aspects in the native country that may affect the company, such as the political instability of the domestic country. Foreign uncontrollable are those brand-new environment factors that can affect the operations of the firm in that new country. Adding up to those economic, legal, and political obstacles, the company might also face demographic and cultural factors and with these different consumer behaviors.

Those are some of the situations faced when entering a new country or market and marketers must try to work around those issues, besides holding the “alien status” which is related to the reference marketers have that their own culture is the solution to issues they encounter in other countries and the failure to see the issues as they are, in the culture’s perspective is called the self-reference criterion. The only way to outdo this is to recognize its existence and try to keep away from it (Cateora and Ghauri, 2009).

### **5.2.1 Adaptation vs Standardization**

In IM (International Marketing), companies must decide IF they want to carry on using a standardized marketing-mix OR if they prefer to adjust their marketing-mixes to the foreign markets they’re entering.

The **adaptation strategy** considers that by shaping their services, companies have more chances to be successful in different markets (Kitchen and Vrontis, 2005). Frequently companies face legal, political, cultural, and environmental restraints that force them to adapt not only the services, as well as the marketing-mix elements to that country's standards and regulations. Some of the motives that can make companies to follow this strategy are the level of development of the market, the culture, the competition, the economic differences, and the level of technology (Vrontis, 2009). And, on contrary, the **standardization strategy** sees the markets as universal and growing in uniformity. All the way through that concept, companies seeking this approach look for economies of scale, as they believe this will bring prosperity. Among many reasons that companies use the standardization strategy, the most important is the opportunity of global uniformity and image, the consistency with the flexible consumer, the stability of planning and the stock cost reduction.

However, the way to success can only be achieved using both strategies - Companies should not only uniform some of the marketing strategies but should also adapt when convenient these same strategies into the different markets or countries they are entering too (Kitchen and Vrontis, 2005).

### 5.2.2 Marketing-Mix Variations and Entry Modes

Marketing mix is acknowledged as the framework with the help of which companies can build their marketing strategy and develop its strong image in the marketplace. The respective framework consists of four elements that are further extended with the addition of three more. All these elements influence the company on making right decisions over several years which further helps the mouth in the attainment of organizational goals and objectives. Here, it can be said that indulging into the growth initiative of business, it becomes the core responsibility of the respective manager to emphasizes on checking whether these people are performing their work effectively or not. By making use of effective form of marketing mix analysis as well as all the elements associated with the same, it becomes easier to develop strong brand image of the company at marketplace.

There is a broad variety of adjustments or variations that can be made to the Product (in this Progest case – the service), the price, the promotion, place, processes, and physical evidence – known as the “Seven Ps”. Among the adaptations in the **product** (or service) the most common are modifications in the brand name or the way it is packaged. As for **price**, companies must consider price changes or discounts. Relating to **promotion**, one needs to envisage adjustments in advertising, promotions, and public relations. Concerning **placement**, companies might have to adjust distribution channels to counteract differences that may exist in other countries channels. It is important to plan and organize what **processes** is Progest going to follow and carefully design a process strategy for that specific country, as well as distribution channels. **Physical evidence** is a collection of tangible cues that signals service quality, and it is important because of its ability to impact customers. And lastly, **people** is how important to have competent and adequate professionals. Additionally, some entry modes favor more the marketing-mix adaption strategy than others.

Related to the **product** (or service), entry modes such as franchising, or licensing standardize more its products (services) than other modes because they should respect what is on the contract since the parent brand detains patents and follows certain obligations. Differently, indirect exporting and/or foreign direct investment have more flexibility and are more likely to adapt their products or services to that specific new market needs. The **price** is usually the most adjusted element in the marketing-mix. But, in entry modes like direct and indirect exporting and/or foreign direct investment these adaptations are more remarkable than others. When it comes to **placement** (and distribution), companies either seek both the adaptation strategy and standardization strategy depending on the

country/market they are entering to. In locations with big differences in market development, market conditions or culture, companies need to adapt and therefore need to use the adaptation approach. An entry mode that copes well with this approach is foreign direct investment. Differently, in locations that are similar, companies usually standardize their placement, such as its done in indirect exporting. As for **promotion**, the adjustments are more visible as they must meet the local culture in that country, the legal requirements of the new country or market and the media conditions. Even thou, every type of entry-mode adapts their promotions, the most adaptive is the foreign direct investment, after that the indirect and direct exporting, and the licensing and the franchising mode (Kitchen and Vrontis, 2005). When it comes to services they are carried through **processes**, as the delivery of services requires carrying activities in set sequences and procedures, consisting of several processes that will be taken by a customer at the front-end and by the company at the back-end. When it comes to **people** in this industry it is important to understand how this is important and how it has a direct impact on construction projects, for people should have the ability to find solutions for problems, work, and carry-on projects timely and most professionally as possible. Lastly, **physical evidence** is important because of its ability to impact customers' end experience: time for completion of the project, feedbacks on time, attitude of the staff, after care service, ability to accommodate new demands throughout construction, ability to justify prices of construction and have empathy to the customer, and so on.

### 5.3 STRIVING TO BE: FAST-MOVING CONSUMER SERVICES

The Fast-Moving Consumer Products (FMCG) are commonly purchased at an inexpensive price and rapidly consumed (Leahy, 2011), easily replaced by a competitor (Dibb et al., 2005) they are divided into four categories: convenience, shopping, specialty, and unsought Products.

Fast moving consumer services (FMCS) come in two parts: the delivery of a service and the aftercare. Usually, we don't think of services as fast-moving, however with the cut of delivery times of goods, services began to be a fast-moving intangible asset for firms and clients to keep up with demand and to stay on business. Services that make consumers' lives easier and less bureaucratic are the ones that consumers our days shift towards to (V Diamanti, 2019).

The value-for-money has to do with the longevity of the service knowing that customer's expectations have changed (as well as the prices of intangible goods). When it comes to FMCS we should be expecting better and faster service for tangible and intangible products. Technology allows companies to improve customer experience with just-in-time (JIT) deliveries and real-time updates.

FMCS should be a sector on their own to be representative of companies that do not sell tangible products. And these service Sectors that have a history of long bureaucracy should be striving to simplify the client's journey. Delivering a product on time is not the ultimate quality, as it is also delivering the maintenance on time and dealing with client's issues on time.

### **5.3.1. The significance of a Customer Journey Map**

Companies, irrespective of the size should research, visualize, and implement a marketing plan. A company without a customer journey map that is explicit will fail to retain profits. Thinking about a customer journey map helps explaining the process that a customer goes through to attain the goal tied to a business service. It is important to understand what is significant to the customer every step of the way and improve services given to customers. The "making it easy for the customer to buy" comes from creating an emotion out of the purchase, an experience that the customer will be happy to share afterwards through word of mouth and proud of. Through a customer journey map firms can add value to customer's lives, by improving their services and delivering them faster. A strong FMCS with a simple, clear, and rapid process can be a competitive advantage. And, as soon as that competitive advantage kicks in, the firm can stop being in the middle of price-wars, as the service starts setting them apart from any price. Modern consumers want firms to react fast (Nistorescu, Tudor, Puiu Nd Silvia, 2009).

Customer journey mapping is the process used to create a customer journey map. This map can be said to be the visual representation of the story of customer interaction with a brand. This process renders assistance to companies in stepping into the shoes of customers and seeing the company from the perspective of customers. It is important for businesses to map the customer journey as it is a strategic approach for better understanding the expectations of customers and optimizing the customer experiences accordingly (What is Customer Journey Mapping & Why is it Important? 2021). This process is not just important for large companies but more for small and medium sized businesses.

### **5.3.2. The Importance of Customer Service in the Construction Industry**

As Clientsarm states, contractors need customer service. They explain that the industry of building and construction is exceptional because it provides a service that eventually results in a physical product. However, with project managers, auditors, consultants, engineers, architects, and all others involved in construction projects, customer service becomes their focus for success. There's nothing like an unfinished job or a job that isn't going on schedule. These show the clear need for the communication foundation of customer service. Customer service helps diminish conflict and helps



construction industry professionals become more focused on solutions when conflicts arise. So, what Customer Service means in the Construction Industry is to go above and beyond expectations and to think how a business should truly interact with their clients. Customer service principles are also valuable when various professionals with different focuses work within the same project. One of the best principles is to commit to a project and over-deliver on it. In construction, paying attention to customer demands, no matter how big or small is important – it is important to be aligned with customer expectations and with the other professionals who are working on the same project (Clientsarm, May 4, 2017).

## **5.4 CONSTRUCTION INDUSTRY**

### **5.4.1 Sector Overview**

Construction industry is an important industry worldwide and is generally defined as a sector of the economy. This Industry has an important role in economic growth of any country, but it faces many challenges that impact project goals and stable growth of the economy. Construction is a high-hazard industry which encompasses a wide range of activities involving plan and design, construction, alterations, maintains, repairs and demolishing of buildings, auditing, certifications, civil engineering works, mechanical, architecture, electrical engineering, and other similar works.

Despite the continuing uncertainty due to COVID-19 pandemic, growth in global construction production has achieved 5.7% in 2021, after the 2.4% drop in 2020. While recouping from the COVID-19 crisis, the international industry has suffered tremendously in terms of revenue (Global Data, 2021). And, as per latest data of 'Global Construction Outlook to 2025', the construction industry will persist recovering, after its historic collapse of 2020, as from 2022 to 2025, the global growth is predicted to average 3.7% a year (Global Data 2021). This industry is so complex that makes it susceptible to disputes, delays and cost exceeding. The construction industry has characteristics that separately are shared by other industries but in combination appear in construction alone (Hillebrandt, 1984). This industry comprises of Parties such as Clients, Professional Advisers, Professional bodies, Contractors, Suppliers, Manufacturers, Financial Institutions, Research and Development Bodies, Public Authorities, auditing, architects, project managers, and so on.

This industry is divided into three categories terms of works: In one category the building construction that includes construction of residential, farm, industrial, commercial, or other buildings. In another category the infrastructure construction, which is heavy construction such as roads, highways, sewers, bridges, railways, irrigation projects, dams, flood control projects, marine

construction, airports, and other big constructions. And lastly, in another category, the special trade construction – This includes projects such as electrical work, plumbing, fittings, paintings etc.

#### **5.4.2 Angolan construction market**

According to Market Research Reports Angola's construction industry has fallen by 10.1% in 2020, due to the impact of the COVID-19 global pandemic on the growth of construction works, together with capital spending cuts and the drop in oil prices. In April 2020, the Angolan Finance Ministry suspended the execution of projects signed under the Public Investment Program (PIP), and the non-priority and structural contracts as part of the Expenditure to Support Development, whose financing were not guaranteed (Market research report, 2021). Nevertheless, with the slow recommencement of construction projects, the construction industry picked up in the third quarter of 2020. The economic sentiment index in the industry has risen from -49 in Q2 2020 to -47 in Q3 2020, according to the local National Institute of Statistics (Instituto Nacional de Angola, 2020). Angola, which has an oil-dependent economy, is expected to continue downfall in 2021, due to the fall in oil revenue tied to the lower demand during the pandemic and lower oil prices. According to the Angolan Ministry of Finance, the average crude oil price per barrel has fallen from AOA22,287.2 (US\$61.1) in Nov 2019 to AOA18,976.6 billion (US\$29.7) at the end of Nov 2020; Adding to this, oil tax revenues fell by 5.2% year on year (YoY) in the first 11 months of 2020. The drop in oil revenues, on which Angola is highly dependent due to a lack of economic diversification, weighs on public investment, especially in infrastructure, energy and utilities projects. The risk of increased indebtedness remains high as the debt is highly susceptible to currency depreciation, as well as changes in oil prices (Market Research Reports, 2021).

Over the remaining time of this period, the construction industry is expected to have an annual average growth rate of 4.4% between 2022-2025, backed up by investments in transportation projects, energy projects, and mining infrastructure projects. The government plans to increase electricity access from 40% of the total population in 2018 to 60% of its population by 2025 and for this, it plans to generate 800MW of power from renewable energy sources by 2025. Furthermore, the Angolan government is focusing on developing new free trade zones (FTZs), to improve the business ecosystem and to attract foreign investments into the country to support the industry's growth over this period.

The Angolan construction market has several important players such as Mota-Engil, Odebrecht, Omatapalo, Teixeira Duarte, Soares da Costa, Somague, Zagope, Opway, Edifer, MSF, MonteAdriano, Conduril and so on. Furthermore, part of the same industry are service partners with licenses for project management, auditing, architecture such as DAR Angola, SOAPRO S.A., Africonsult, GB

Consultores, TPF Angola, COBA, SINTEC, A400, PROSIS, GWIC Angola S.A., Arvest -Projectos, S.A., Soleng, Zutari Angola, Lda, Rodrisol Consultoria e Projectos Lda, Habiquatro, EngConsult, Consultar Lda and Agrimiral-Projectos, amongst others.

#### **5.4.3 Construction Industry Attributes**

The construction industry is about constructing, erecting, altering, demolishing, building, civil engineering, works, and other similar structures. It is also about assembly and installation on site of prefabricated materials and building engineering services. It is also about building houses, repairing roads, demolishing dams, erecting bridge, and so on. The characteristics of construction industry can divide by its features of output, its size, government as a main client, nature of demand for construction output, nature of construction work, variety of construction technology, and structure of industry (Nazib Faizal, 2010).

The attributes or features of construction outputs are durable such as a road or a building, large and heavy units, unique, immobile, complex process, and expensive. The construction industry is capital goods industry, and it needs other industries to support them and contributes to gross domestic product of that country. Another characteristic or attribute is that many workers are required in this industry and its main client is the government regarding to their policy in infrastructure development or country projects to be developed. The demand of construction is in various types, such as different locations, different inputs, different resources, and different stages of their process. There are so many uncertainties and discontinuities in the demand pattern.

This industry depends on lots of workers with different skill levels such as skilled labor, and unskilled. The progress of construction industry grows fast, as well as the triangular connection between time, cost, and quality to improve benefits. There are various companies from small to big within this industry, all playing a major role within.

When governments or companies (a client) need a certain project completed, such as an airport, and refinery, a logistics plant, a shopping center, a stadium, or a school they cannot simply walk down to a supermarket and look for that service. It is a more complex product or service delivery, that involves higher costs, various partners or companies executing the project and longer periods of time, as well as environmental and economic variables (such as funding).

#### **5.4.4 Customer's Behaviour**

Customer's behavior in the construction industry is a complex idea, as its dependent on many variables and different situations. Nevertheless, one of the most important concepts is Culture and

Politics due to its influence on every stage of consumer choice, purchase, and consumption. Knowing that the biggest client in this industry is governments it is important to understand that there are many factors 'leading the customer and Buyer behavior at play.

So, if the government is the actual client for most constructions, the government plays a crucial role in the construction industry of every country, as the involvement of the public sector has major effects for the authorization and competence of this industry that the matters need to be measured in detail. Even though the amount of the government's involvement isn't same in all countries, the general principles are the same. Due to the scarcity of land in many countries and growing burdens on it from various types of uses, the government has made it necessary for its use to be controlled everywhere. Also, due to the high density of development in most cities it is necessary for regulations to be enforced to safeguard public health and safety. Consequently, there is need for actual laws, building regulations and construction plans and codes. In most countries, construction items are attractive as a form of asset. Governments try protecting the interests of end purchases with relevant regulations regarding the operations of developers and items produced. Also, to avoid speculation, governments usually interfere within this market for existing and or new construction items with relevant legislation or regulations.

For government construction projects, government budgets need to be approved and assigned and tenders need to be in place, to make sure the money involved will be well spent with a company that will be the most reliable in terms of durability, time keeping, as well as pricing. In addition to that, in the construction of a certain project, lots of vetting companies are involved – such as the company that designs the plan, the architects, also the project management company that can be different from the constructor, also the auditing company, the certification and inspection companies that make sure these projects are well executed and up to standards, and so on.

With the onset of COVID-19, the customer behavior has undergone several changes. It has resulted in the emergence of several changes for real estate companies. It has forced them to reconsider the way in which it used to connect as well as provide services to customers. The severity as well as the urgency of the global pandemic has condensed technology adoption and transition. Tech capabilities have aided companies in succumbing to the catastrophic impacts of the pandemic situation on the construction industry.

Whereby large number of companies are registered on a local basis, there are only fewer large local civil works organizations. The key challenges faced by this sector encompass lack of planning, poor monitoring of public works in relation to state projects, and extensive corruption. Also, late payment from the government is an issue. The consumer behavior of construction industry of Angola is in

accordance with the before discussed facets only. Until now, construction companies have reported their top issues to include a decline within demand, issues in availing finance, and difficulties while attaining materials. This sector in the country is dominated largely by government works. However, with the evolution of time, the private market inclusive of the provision of residential housing, has begun to develop and grow.

## 6. CONCEPTUAL FRAMEWORK OF REFERENCE

The knowledge present in the Literature Review will lead this study, as it will help recognize which approach is better for each situation, as well as to guide this study in the right path to grow the business of PROGEST into the SADC region. To take advantage of this knowledge, the subsequent table will summarize all the subjects and make a relation to the tasks head-to-head to the definition and implementation of the international strategy, in this case regional strategy.

**TABLE 1. Conceptual Framework of Reference**

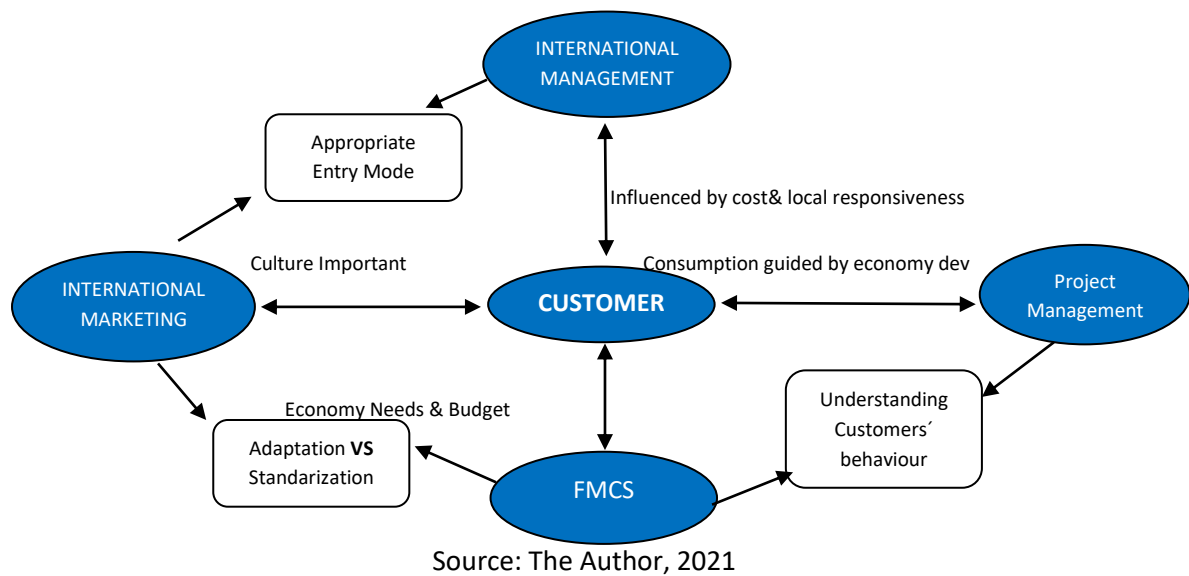
<i>Subject</i>	<i>Description</i>
<i>International Strategic Management</i>	Globalization leads companies wanting extra profits to expand abroad. The International Strategic Management is seen as the ways a company acts to enter and perform in foreign markets (Eden et al., 2010). When it comes to start expanding abroad, companies must choose between a regional strategy, focusing on the geographically close markets, or a global strategy, seeking a global scope (Verbeke and Kano, 2016). And then, companies must select which exact strategy they want to follow from the Localization, the Transnational, the international strategy, and the Global standardization strategy. The criteria for choosing which strategy will usually be conditioned by cost and local responsiveness pressures (Hill, 2012). Depending on the size of the company, the organizational structure of a company will vary. Finally, occasionally companies attain a certain status internationally that make them global organizations (Kotler and Armstrong, 2012). Guided by four dimensions: control, dissemination risk, resource commitment and flexibility. Entry modes are divided into: Exporting, Contracting, and Investing. Exporting is divided in direct and indirect exporting depending on the use of an intermediary. Inside Contracting is divided by three common modes which are licensing, franchising, and manufacturing contracts. Lastly, the entry modes related to Investing are joint ventures, acquisitions, or foreign direct investment (Driscoll and Paliwoda, 1997).
<i>International Marketing</i>	Normally, marketing principles are similar, but its implementation may differ between countries and the difficulty for marketers is to adjust the controllable and uncontrollable elements of the environment. Controllable elements are to do with the marketing-mix. And the uncontrollable elements are divided in foreign and domestic. These elements are just conditions in the home country and overseas that the company cannot control (Cateora and Ghauri, 2014). In international marketing, companies must decide either implement an adaptation or a standardization strategy. The adaptation strategy is the adjustment of the marketing-mix to the host country and, the standardization strategy is opting for using the same standard marketing mix processes throughout all markets. However, it is claimed that the best way to a company's success is to use a combination of both strategies simultaneously.
<i>Fast-Moving Consumer Services</i>	The FMCS are cheap and rapidly consumed services that are basic to the day to day of a consumer's life (example doctor services, accounting services, banking services, call center services, etc). They have a daily basis consumption pattern and clients can easily find the service (Leahy, 2011; Srinivasu, 2014). Among its characteristics, the most evident is immediate need and impulsive buying (example using an ATM machine or calling a friend through phone), the somewhat perishable inventory is the lack of brand loyalty. Meaning that the marketers' challenge is to work to obtain customers loyalty. The two present solutions are to engage directly to the potential customers and engage in a relationship in which both sides feel that there is a win-win or equal gain. And, or to work closer to the retail partners (in this case of construction – the government) to identify the values customers find more appealing in their service

	(Gomez and Hlavinka, 2007).
<b>Construction</b>	<p>The construction industry is about constructing, erecting, altering, demolishing, building, civil engineering, works, and other similar structures. It is also about assembly and installation on site of prefabricated materials and also building engineering services. It is also about building houses, repairing roads, demolishing dams, erecting bridge, and so on. The characteristics of construction industry can divide by its features of output, its size, government as a main client, nature of demand for construction output, nature of construction work, variety of construction technology, and structure of industry (Nazib Faizal, 2010). There are so many uncertainties and discontinuities in the demand pattern. When governments or companies (a client) need a certain project completed, such as an airport, and refinery, a logistics plant, a shopping center, a stadium, or a school they cannot simply walk down to a supermarket and look for that service. It is a more complex product or service delivery, that involves higher costs, involves various partners or companies executing the project and involves longer periods of time, as well as environmental and economic variables (such as funding). According to the World Bank, in Southern Africa the growth of 2020 was mostly driven by South Africa and Angola. Instabilities in the tourism industry and lockdowns produced enormous slowdowns in Namibia, Botswana, Madagascar, Mauritius, and Zanzibar. Economies reliant on mining such as Zambia and Mozambique continued to feel output reductions in the second half of 2020. Angola and South Africa, the region's two largest economies, were expected to restart growth in 2021, partly due to higher commodity prices, but the recovery will remain slow. Growth is projected to rebound to 3% in South Africa, and 0.9% in Angola. Slow vaccine rollout in the largest economies will weigh on the region's outlook. Faster progress on vaccine deployment along with realistic policies to foster private investment will accelerate growth to 4.5% in 2022 in this region. Alleviating the debt burden will releasing resources for public investment in areas such as health, education and therefore infrastructure. The next 12 months will be a critical period for lifting the African Continental Free Trade Area, to deepen African countries' integration into regional and global value chains. Reforms that bring about reliable electricity, better functioning of public utilities, will power the manufacturing sector and the digital economy. Lastly, reforms that tackle digital infrastructure gaps and make the digital economy further inclusive, guaranteeing affordability and building skills for all are critical for boosting connectivity, digital technology, and creating more jobs – all this may lead to development of the SADC region, and therefore with development there is always assigned companies or government budgets assigned for various constructions (World Bank).</p>

Source: The author, 2021

Whether it is on the choice of an entry mode that will allow me to make the needed adjustments to the new market, to the perception of how potential customers relate with FMCS theory and how to approach those, or even understand the choices of the customers regarding which construction company or service provider in the construction of big projects to work with, the knowledge obtained from the Literature Review will help to guide this study and decide the best strategies of regional expansion of Progest within the SADC region.

**Figure 1: Synthesis figure of the Literature Review**



## 7. DATA COLLECTION, TECHNIQUES AND ANALYSIS METHODS

In business, we collect data to give us better evidence to make better decisions. And there are various situations where data collection is importance, for instance, if a company wants to launch a service, before as a first step it will collect data related to demand, competition, customer preferences, and when it does not do this, it is possible that the new launched service fails. Many times, the failure to collect proper data is the prime factor to not meet customers 'needs. After this, part of success is in properly analyzing this data that has been gathered. There are two methods of data collection, in one hand the Primary data collection method, considered to be the data collected for the first time through first-hand experience which means the data was not being used in the past. The purpose of selecting this method while doing research because of two components research's motive and highly accurate information. The other hand is the secondary data collection method, which was the data that have been used in the past are taken into consideration from many sources from where data can be collected such as books, journals, internet sources and many more. For example, in context with PROGEST, the company can collect information for both internal as well as external sources like, financial sources, sales report, government reports, business journals etc., in this relation, the researcher preferably choose this method of data collection because it is less cost and time consuming compared to the primary method. To be able to proceed with the analysis, I have gathered two types of data: primary and secondary data. The primary data was gathered through in-depth interviews with the managers of Progest. The secondary data was gathered both internally and externally. The internal data was present in Progest's internal documents, and the external secondary data was gathered from various websites.

**Table 2. Data Sources**

<b>DATA</b>	<b>SOURCE</b>
<b>Primary</b>	Informal dialogues with Progest managers
<b>Secondary</b>	
INTERNAL	PROGEST's Internal documents
EXTERNAL	Progest website, SADC Website, South African Statistics
	IMF, Group DAR website, Governmental websites
	United Nations, Global Innovation Index, World Bank
	World Economic Forum, The Economist Intelligence Unit
	Internet World Stats, Observatory of Economic Complexity
	South African construction review websites

*Source: The author, 2021*

## **8. INFORMATION ANALYSIS AND CONCLUSIONS**

### **8.1 PROGEST**

#### **8.1.1 Origin**

Progest was founded in Luanda in 1989 by Engineers Manuel Resende de Oliveira and Valério Guerra Marques and was born with the objective of strengthening the prestigious capital and recognition inherited from the company in whose area of projects originated, Progest – Technical Projects Consulting and Management Lda. Progest is a project, consulting, and management company, with specific solutions for the areas of Architecture, Engineering, Design, Consulting and Construction Management.

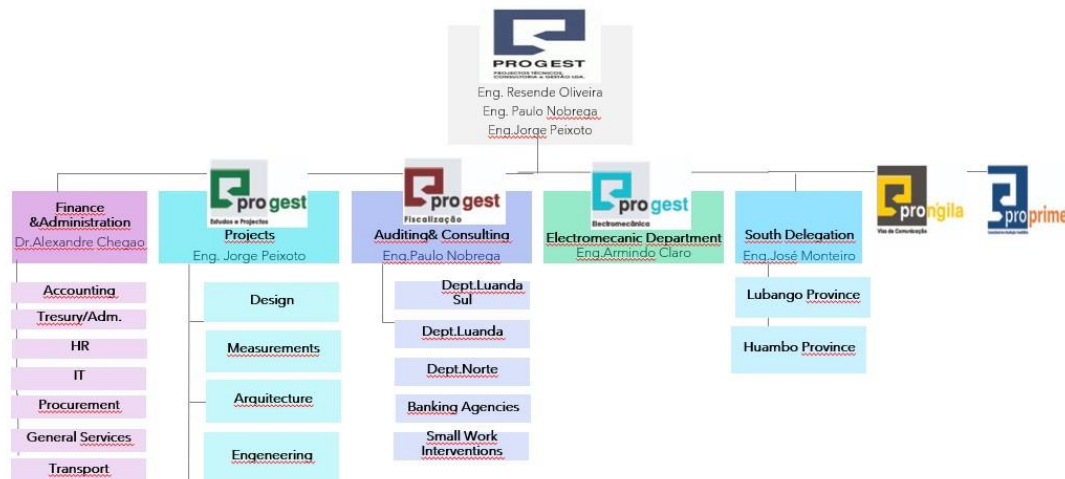
#### **8.1.2 Organizational structure**

Although Progest dates to the 1989, the company always stayed small in terms of human resources, being considered a micro company. The reason behind this decision is that projects are seasonal, and many resources pulled projected based. Nonetheless, Progest's structure changes every year, dependent on the number of projects they have. It is since the beginning lead by its founder Eng.



Resende de Oliveira, and it is divided into 2 big areas, the department of Projects and Surveys lead by Eng. Peixoto and the department of Auditing, Consulting and Project Management lead by Eng. Nobrega. Then we have the separate department of Finance and administration that is lead by Dr. Chegão and entails Finance, Treasury and Accounting department, the banking department, the Information Technology department, the Human Resources department, the procurement and Buying department, the client departments, the transportation department, and the General Services department. Separately there is the South Delegation, led by Eng. Monteiro that is a department that deals with all works allocated in the provinces of Lubango and Huambo. And to end, there is the electromechanics department lead by Eng. Claro. The number of people varies every year depending on the number of Constructions allocated to Progest. However, to every contracted employee, permanent or temporary, Progest provides inhouse training.

**Figure 2: Progest Company Structure**



*Source: Progest, 2021*

### 8.1.3 Mission

The company's mission is to "Provide its clients with a service of excellence in the Area of Engineering and Management." (Progest, 2021)

### 8.1.4 Vision

Progest's Vision is to "Become in a sustained way, a leading company in the sector, striving on continuous improvement, and investing strongly in innovation and training. Forming a set of Angolan technicians who create a cohesive team within a company culture of demand, methodology and discipline is the center where Progest's sustained growth is based. Always contributing to the building and development of the country." (Progest, 2021)

### **8.1.5 Values**

Progest's Values are: "Ethics that stems from social responsibility as engineering professionals. Loyalty, to ensure a relationship of absolute trust. Quality, to ensure compliance with requirements through a customer-oriented service. Innovation, continuous improvement, and search for best practices, optimizing and streamlining procedures. Ambition in improving skills and unceasing the pursuit of excellence." (Progest, 2021)

### **8.1.6 Value Proposition**

Progest delivers value mainly due to three features they possess, which are quality, innovation, and loyalty. First, as Progest does consulting of technical projects and project management, with specific solutions for the areas of Architecture, Engineering, Design, Consulting and Construction Management – they have very high standards for quality implementation, for meeting deadlines, and for doing things the right way, and ensuring that every step of each project meets the highest quality standards. Secondly, they bring value through innovation, as in the engineering industry, the real value is in the state-of-the-art innovation which is custom made for each project. In a fast-moving world, with so much innovation, to stay ahead of the game means that being innovative and thinking and implementing functional ideas out of the box is bringing value to clients' projects. Lastly, Progest primes itself for ensuring that relationships with their clients are maintained and nurtured in complete trust and loyalty, this itself brings value added to the company.

### **8.1.7 Strategy**

the vision of the company PROGEST is to sustain as a leading company in the sector by seeking for continuous improvement, strong investment, innovation, and training. Therefore, the company will develop strategies that fulfil the company's culture demand, methodology and discipline. Hence, a good strategy will help the company in sustaining a good position in the market as the way a company make investment decision or how they are likely to spend a relevant amount of money will demonstrate their priorities to related to the company's position, and the activities related to the same. Even though the company has adequate resources for expanding its business, as their prime focus was the local clients and government. But, as the company wants to expand its business in foreign markets so, they are required to develop strategies that have the potential to meet the requirements of foreign markets. For example, from the above information provided, it is analyzed that, in the initial period of international expansion, the company wants to expand to nearby countries i.e., the countries that comes under SADC community. In this way, the company wants to hold a better position in the market, thus, it will improve the brand image of the company. However, there are numerous factors and elements which the company will have to consider the following points that have been explained below for better understanding:

#### **8.1.7.1. Developing a beachhead team**

Before going global, it is important that the company have adequate amount of information like market segmentation so that the services can be provided by considering the needs and requirements. In context with PROGEST, a construction company, the company can make segments according to the services, like, a different category for planning, different for construction, and so on. Moreover, in accordance with this, the company can establish a team (research and development) who can investigate different kinds of elements and help the company to establish its business in foreign markets from scratch. It is evident that, doing research is time and cost consuming, but for the betterment of the company this factor is important and should be taken into consideration.

#### **8.1.7.2. Products readiness**

As PROGEST can provide solutions for areas such as Architecture, consulting and construction management, engineering, design, so, for them, the prime factor of consideration will be to review government and industry specific regulations as different countries have different regulations. Reading the regulations also includes tax, finance, and other related elements. In terms of construction, the PROGEST company can have a deal with existing companies in the foreign markets after testing the product. In this way, the company can provide quality assured services to the customers.

#### **8.1.7.3. Establish a Go-to-marker strategy**

To establish itself into the market, comprehensive and cohesive strategy are important to be followed. It has the tendency in addressing the sales strategy, sales delivery, value proposition, marketing strategy and other factors related to the same. For example, PROGEST company can determine the optimum sales by analyzing the report of the competitors, so that considering their comprehensive marketing plan along with KPIs. PROGEST can develop their own pricing model which can fit into the international market.

#### **8.1.7.4. Preparing a full final budget**

This is the final stage that comes after analyzing all the important points and factors. Developing a final budget should be data oriented (specific) as it is the final document that is presented before the stakeholders of the company. In particular, the final budget is the passage through which the respective company can enter the international market. In the first draft of the budget the company can start with developing with 3-year budget along with a 12-month business plan. While developing the budget the company should provide with key performance indicators under the criteria where, if

necessary, the key performance indicators can be changed. Apart from this, establishing a real-time budget will help the company in reporting with variance analysis, considering which changes in the budget can be made.

Despite the strategies a company develops, to gain a strong competitive advantage, it is important to build a supporting ecosystem. These relationships can be based on financial perspective, complimentary products and services, alliance and so on. Thus, expanding business overseas has a greater opportunity by just paying attention to the details and outsourcing functions related to the businesses. Henceforth, in a concise manner, it has been identified that, the company should consider certain factors while developing strategies like clear, long-term objectives: as it will help the company in analyzing regulating their activities according to the set goals and objectives. Grabbing the opportunity: market area is full of opportunities, so to grab this opportunity, it is required that a company or an individual stay alert. The frequency of opportunity evolving over time will have to be clearly analyzed, in this context data and facts associated with the respective company can turn out to be a very effective move. This will assist the company in determining the risks and challenges so that anticipated the same company can mitigate the plan and strategies. Furthermore, by considering innovation, a company can ensure the credibility of the services and facilities they are providing to its valuable customers (Want a Successful Business? Build an Effective Strategy, 2018). As a result, taking this step the company can strategically remain in competition with the rival companies. For example, PROGEST Angola has two major rival companies DAR International and SOAPRO, hence, PROGEST can provide economies of scale where they can offer unique features along with high quality customer service to its end customers. Henceforth, these are certain elements which the company can consider, but developing strategies and implementing them is not the final action that a company performs however, there is a need of proper monitoring and evaluation. To know the competencies of the strategies developed it is crucial that the implemented strategies are periodically reviewed and updated by inputting fresh data from business evolution.

#### **8.1.8 Business Evolution**

Business evolution can be possible with the help of proper planning and conducting activities in a better manner. With the help of the best strategic changes, the effectiveness in the business activities can be seen. There is a requirement of change in planning because with frequent planning the resources and return from it are better. After all, it will lead to getting proper and good returns in comparison to planned resources. A company needs to understand the returns because it will lead to the financial and non-financial growth of the association. With the change in trade policies, it can easily be implemented (Eden & Nielsen, 2020). It is communicated to workers properly because it assists in knowing what changes can be made to provide the best returns. The Progest needs to

identify the resources which are available with them because it makes the working policies easy. With the help of the above-mentioned business strategies, it will be easy for the company to understand the scope of growth and plan to get better returns from it (Fatehi & Choi, 2019).

Evolution in business does not happen overnight as it takes time. In accordance with Progest, business evolution went through some progressive stages in which every stage has the tendency to expand its scale of operations. Generally, there are five stages in evolution of business and every company go through this if they want to expand their business in foreign land i.e., local to global business. So, a detailed analysis of all these stages is explained below for better understanding.

**Stage 1: Local Business:** by considering the starting stage in the evolution of business, it is considered as the first stage where a company dream for opening a business, and first provide its services to the local customers i.e., the surrounding neighbors, community, adjacent areas etc., thus, in general terms it can be said that local business shares an advantage of different kinds of exchange trade activities amongst the local area. Even though the local business has a small sphere, but the business into three stages, and these are Barter Economy Stage, Village Economy Stage and Town Economy Stage. However, the first stage of local business is not experienced in today's world, though in some parts of tribal areas the barter system can be traced. Moving forward to the village economy stage: it comprises of communal units that are self-sufficient. In this people show harmony in their emotions and act accordingly. As the connections are so small that people tend to be happy within themselves with the amount of basic goods and services. Lastly, talking about the town economy stage: this stage provides a ground to majority of the villages, thus, people from different villages come together and talk about business so that effective outcomes can be obtained withing specific time. After analyzing the information provided in the research report, it is understood that the company PROGEST is reasonably doing well in the local market. They have a good customer base, and many customers look for the company to resolve their issues and problems.

**Stage 2: Regional Business:** it includes a huge landmass that incorporates numerous town economies. For example, when a company looks for expanding its business other than the scope of their business then it is important that the company consider the regional information. In this perspective as well the company PROGEST excel through the services and facilities. In term of regional business, the company has better economic structure that build the profit share of the company

**Stage 3: National Business:** Angola is a country that comes under SADC community countries, and the country has significant economy that help the country in performing well in the national market. However, in this aspect as well the company has many competitors but with the help of the effective

team, the company manages to operate its business without any much problem. For example, as compared to the countries that comes under SADC community, Angola comes second when we talk about ease of doing business index score is 177 which is great as compared to other countries. However, Congo (DRC) provides a better business opportunity as its ease of doing business index score is around 183. Therefore, in relation with the national business large availability of goods and service is the prime characteristics.

**Stage 4: International business:** this is 100 percent self-sufficient as the percentage of available resources increases. Due to its tendency to provide greater opportunities, most of the companies think of expanding their business at international level. However, the main purpose of doing this research is to evaluate what are the benefits a company can avail after taking its business to international market. First, it will help the company in expanding their customer base, and secondly, it will increase the profit and market share as compared to rival companies. Yet it is crucial that the company that wants to expand its business internationally should have proper relations with everyone because ease of doing business can only be obtained for the respective company through friendly relations.

**Stage 5: Global Business:** Although, in context with PROGEST company, as the current aim of the company is to first expand its business internationally so that, once they create their brand image then, they will have the leverage to impress the customers present at global level. Stepping directly into this stage can be risky, as already there are numerous companies who has shown their worth in the market and giving tough fight to them can be a challenge for PROGEST.

As a whole business evolution, predominantly showcase the sustainable performance after considering the needs and requirements of the market. There are many factors that are required to be considered in this such as the economic activity of the company including the production, distribution, exchange, and other auxiliary functions. The present outcome of the services and facilities provided by the company determine how self-sufficient a company is, in comparison to the modern technology. The main reason why the evolution of business is considered as an important factor because depending upon the outcome, one can analyze the evolution of industry and then economy respectively. For example, PROGEST which is a construction company but along with this it provides solutions to customers through consultation. To determine how much the company has evolved, understanding the mechanism of doing work will be an important aspect. The rate of delivering the finished goods or service to the customer will help in demonstrating the credibility which means how much an individual can trust on the company. to be precise, illustrating why a

company needs to evolve in business, it helps the company in exploring the elements that can add value to the product.

#### **8.1.9 Services**

Progest Angola is a local company in the building and construction industry, which focuses mainly on projects' management, consulting with specified solutions of management of constructions, auditing of constructions, engineering, architecture & design. Progest does consulting of technical projects and project management, with specific solutions for the areas of Architecture, Engineering, Design, Consulting and Construction Management and has very high standards for quality implementation and has tailored made innovative services for each project or situation, another added service is that, Progest highpoint is that it ensures that relationships with their clients are nurtured in complete trust and loyalty, which, this itself brings value added.

#### **8.1.10 Competition**

Progest operates only within the local market of Angola and this Construction Market is saturated with important competitors such as DAR Angola, SOAPRO S.A., Africonsult, GB Consultores, TPF Angola, COBA, SINTEC, A400, PROSIS, GWIC Angola S.A., Arvest -Projectos, S.A., Soleng, Zutari Angola, Lda, Rodrisol Consultoria e Projectos Lda, Habiquatro, EngConsult, Consultar Lda and Agrimiral-Projectos, amongst other Chinese Multinationals. Being in this field of construction requires several important elements, such a massive financial capacity, organizational capacity, good human resources and efficient networking. Progest cannot afford to lose market share, nor business to the competitors, even thou as mentioned, the local market is very competitive, and this is the main reason to envision geographical expansion in nearby countries.

### **8.2 MARKET SELECTION**

#### **8.2.1 Data analysis**

Lots of statistical, real data needs to be gathered to be compared and analyzed. It is a decision-making analysis that evaluates multiple and sometimes conflicting criteria as part of the decision-making process. This tool is used by practically everyone in their daily lives. This process is used to explore potential outcomes by analyzing data and knowledge. The main objective is to use several decision-making tools besides only financial data, resulting in a more rigorous analysis. Essentially, this comparison studies various criteria and then shows results quantitatively in a ranking of alternatives, helping with the elimination of inferior alternatives. It mainly provides a picture of the outcomes of selecting a certain alternative (Beim and Lévesque, 2006). To conduct a throughout

analysis, first, one needs to identify the criteria and list the alternatives. The criteria identification is where one chooses which criteria will be more relevant to be measured. For listing alternatives, one must narrow their markets to a smaller but more interesting group. Secondly, we need to carry out two more steps: the Quantification of each alternative under each criterion and Translation of the quantification into a measure of value. When the criteria are more subjective it means it is not quantifiable, so the analyst must quantify, therefore transform every criterion into a value that allows measurements. Additionally, he must select the weights for every criterion according to the importance given to each indicator. The last step is the identification of the favored option that results from the weighted sum of each criteria value. In this case, the analysis will consist of four steps: firstly, market identification, secondly the first exclusion criteria, a first screening using the most relevant criteria for the company in order to narrow the markets, thirdly a preliminary screening using macro data, and fourthly a fine grant screening with more market-specific indicators.

### 8.2.2 Market Identification

To conduct this selection, I have asked Progest which markets they would prefer to locate their services. According to their preferences, they have narrowed the study to the SADC countries as emerging markets. Progest justifies its inclination to regional proximity and to the fact that the countries that belong to the SADC region, are countries that already benefit from mutual political, legal, and economic treaties. Also, as part of this region of Africa, they have the desire to continue developing (such as the case of Angola) despite being a lower income economy. As emerging markets, they enjoy promising stock-markets, and potential for fast growth. Typically, these countries consist of economic liberalization as an engine to grow. Considering the classifications of five different institutions (IMF, Morgan Stanley Capital International, Standard & Poor's, Russell, and Dow Jones) South Africa in this region is part of the current emerging markets worldwide (Investopedia, 2019).

**Figure 3: SADC Region Map**



Source: SADC website, 2021

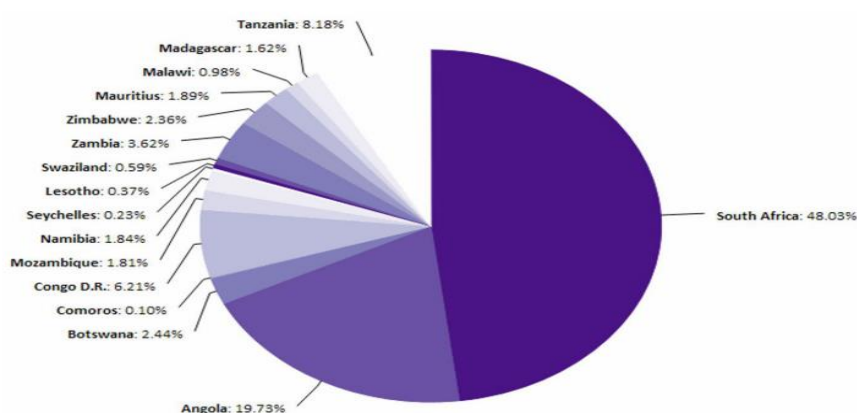


All SADC region countries were selected at first, even if out of regional reach. For the sake of comparison, I have also Progest's National market in this first comparison table below, which is Angola, together with other SADC regional treaty countries: DRC, Namibia, South Africa, Botswana, Zambia, Zimbabwe, Malawi, Tanzania, Mozambique, Lesotho, Eswatini, Madagascar, Mauritius, Comoros, and Seychelles.

### 8.2.3. Preliminary Screening – Macro indicators, Language, and ease of Geographic reach.

The objective of the Preliminary Screening was to evaluate each country using broad, yet important criteria indicators that would show the potentialities of each country. To make this analysis were used "Macro Indicators", "geographical reach" and "Language" which were perceived to be important for the type of Business of Progest. Several Macro Indicators were used to understand the development and growth prospects of each country, such as numbers of Population, labor force, the Real GDP growth, inflation rates, types of industries within the country, amounts of exports and imports per year, exports and imports partners, oil and gas production per year, level of education and so forth. All the criteria of comparison were important, as an example the "Real GDP growth" was analyzed to perceive the potential wealth of a country in the future, which can be a factor of decision while deciding which market to enter. So, I examined the Real GDP as it includes the inflation rate of each country. For this matter I assessed the prospects of GDP. SADC was established in 1980. SADC countries are a place for investments in the coming years, because of millions of customers, gateways of port, and motive for political stability. The region has growing demand, the middle-income class is growing, and they will spend their income. In terms of GDP, South Africa and Angola have 48% and 19% contributions respectively, as can be seen in the figure below.

**Figure 4 – GDP distribution of SADC economic region**



Source: Islamic Development bank, 2021

The Language indicator are used to measure how easy would it be to do business with other countries. Considering Progest's focus on regional markets, and being English the international business language, English was appraised as more important than any other language, including Progest's native language, the Portuguese.

Geographic reach for Progest was also something for analysis, as it is important in the industry of building and construction to be reachable by road or railway. Therefore, we have put more weight in countries onshore than offshore, leaving some SADC countries out such as the islands of Madagascar, Comoros, and Seychelles. Even though as showed in further analysis we had to pay a special attention to the analysis relating to Mauritius due to economic development of this country and the ease of doing Business Index.

#### **8.2.4. First Exclusion Analysis – Economics and Macro Indicators**

After the Preliminary Screening we have identified 12 potential countries, however, we can continue to consider still the same original countries for the purpose of macro indicators and economic indicators comparison between countries so to weigh the potential of each country and conclude which market will be the selected one to work on.

The two tables in annexes summarize the market selection process, by displaying the countries that were considered for each stage, as well as the criterium used in the countries evaluated.

At first it was important to make a general comparison between these countries, in terms of total population, which can be seen as market potential for infrastructure potential developments, as well as type of industries those countries have under development and how significant these can be. Furthermore, some economic aspects were also considered such as real GDP and GDP growth, GDP distribution by main sectors of agriculture, industry and services, the average of inflation rate, yearly exports and imports of the countries, and total labor force.

Furthermore, as showed in both tables in Annexes, further comparison criteria were considered, such as labor force distribution by sectors of agriculture, industry, and services, as well as the unemployment rate of each one of those countries, and Annual country budget and budget attributions for health expenditure and education expenditure. Another criterion of comparison was also each country's Public Debt, the industrial Production growth rate, the countries exchange rates to the Dollar, and it was also important to understand what countries have oil and Gas and what are the production capacities in this regard. The two last factors were used as criterium of comparison, as many of the countries in this region, such as Angola have foster steep economic growth due to the oil and gas industries and the developments around it.

### 8.2.5. Fine granting exclusion Analysis of SADC countries

After the Preliminary Screening and First exclusion analysis and identification of potential markets to invest within the region these economies were then ranked on their ease of doing business. This aims to provide information about the most preferred countries for business.

Various parameters of ease of doing business are considered before selecting a country for business by collecting and studying quantitative data. A total of 10 indicators will be used in analyses of ease of doing business using quantitative data (Jeff 2021). Followings are the indicators used in the analysis:

1. Starting a business.
2. Construction permits.
3. Electricity.
4. Property registration.
5. Credit.
6. Tax rate.
7. Minority investors protection.
8. Trading across borders.
9. Contracts enforcement.
10. Insolvency.

According to the World Bank a high ease of doing business means that the regulatory environment is more conducive in starting operations within that market. The rankings are determined by sorting the aggregate scores on 11 topics, each consisting of several indicators, giving equal weight to each topic.

**Table 3 – Ease of doing Business of SADC Countries**

Measuring ease of Doing Business in each SADC Country												
Countries	Ease of Doing Business Index scores	Rank in Sub-Saharan group	Starting a business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investor	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Congo (DRC)	183	44	7	31	36	34	31	42	41	47	43	38
Angola	177	40	27	21	23	37	46	26	15	38	48	38
Namibia	104	9	37	9	4	42	13	9	11	20	5	23
South Africa	84	4	26	12	10	12	13	2	5	24	14	4
Botswana	87	6	34	2	18	6	13	5	6	3	27	7
Zambia	85	5	20	6	12	32	1	5	2	26	24	6
Zimbabwe	140	21	38	28	31	13	9	11	24	29	39	29
Malawi	109	10	30	24	34	7	4	8	21	18	30	27
Tanzania (URT)	141	22	36	33	6	31	9	12	31	42	7	18
Mozambique	138	20	42	5	8	26	39	26	18	6	38	9
Lesotho	122	15	14	38	24	17	19	26	16	2	13	22
Eswatini	121	14	31	11	14	11	19	32	7	1	41	19
Madagascar	161	31	13	44	45	36	22	23	20	21	26	28
Mauritius	13	1	2	1	1	2	9	3	1	4	1	1
Comoros	160	30	33	13	16	16	22	32	33	13	44	38
Seychelles	100	8	28	16	9	4	28	24	3	8	22	5

Source: The world Bank Group 2020

### **8.2.6. Top Four ease of doing business countries of SADC**

The table above helped weight and select four countries based on their business potential. South Africa, Zambia, Botswana, and Namibia are the short-listed countries, the countries are selected according to their business potential to PROGEST. These four countries are ahead of other SADC countries in terms of GDP and ranking in ease of doing business indicators. Among the four, South Africa has the largest GDP share and Mauritius has the highest ranking (EAC 2021).

### **8.2.7. Final Screening Analysis of each country**

#### **8.2.7.1. South Africa**

South Africa is known for its economy on the African continent. The major benefit of investing in SA is its financial system. Its stock exchange ranks among the top 10 in the world. The country has developed infrastructure, electricity, transport facilities, and telecommunications. The South African region is the second-fastest-growing region in the world, with a 5% average rate. Also, taxes in the country such as VAT are affordable (Galal 2021). Before making an investment PROGEST needs to consider business environment challenges faced by South Africa such as cultural diversity, corruption, and poor labor relation, Etc. Still, the country is preferable for business because the government has taken relevant initiatives and has addressed these challenges. Over the last couple of years, the country has improved domains such as starting a business, contract enforcement, trading across borders, and property registration. The marine cargo sector will grow in the coming decades as the sector has shown uniform growth over the last couple of years. Electrification is also high in the country, with a rate of 85% to 90%. South Africa has the biggest manufacturing and information technology market in Africa.

#### **8.2.7.2. Botswana:**

In terms of corruption and human rights law, Botswana has excellent records. The main reason behind selecting Botswana for doing business is stability, free from corruption, safe as compared to other African nations, affordable taxation rate, well-balanced inflation, and speedy development of infrastructure, information technology, literacy rate, and human capital (S 2021). The country has a deficit of energy, but it has the potential to generate power from coal and solar sources. The attractive indicators to invest in Botswana are ease in construction permit, electricity, ease in property registration, minority investors protection and trading across borders, Etc.

#### 8.2.7.3. Zambia:

Zambia has recorded a major boost in the economy over the last couple of decades. The country has a 3.6% GDP share in Africa. Like Botswana, Zambia is also a politically stable nation. The country is rich in minerals and is the seventh-largest producer of copper in the world. Zambia has plentiful electricity resources and, in the past, also Zambia could meet all its energy requirements (Hussain 2021). But infrastructure development in Zambia is still not up to the mark and needs major attention from the government of Zambia. The GDP growth in the last five years was constantly above 6% and in the coming years, Zambia's GDP might grow more. The attractive indicators to invest in Zambia are ease in starting a business, ease in construction permit, ease in electricity, property registration, credit, cross borders trading, and contract enforcement.

#### 8.2.7.4. Namibia:

The country has a GDP of over 200 billion US\$. Also, Namibia has a good geographical position as its border touches with Angola, Botswana, South Africa, Zambia, and Zimbabwe. It has the potential to become a logistic hub. Because of the increasing consumption in Namibia, the country is under pressure to generate more electricity. The road infrastructure of Namibia is one of the best in Africa, and railway networks are under development (Saleh 2021). Attractive indicators to invest in Namibia are ease in construction permit, electricity, credit availability, minority investors protection, affordable taxes, trading across borders, contract enforcement, and ease in solving insolvency.

**Table 4 – Ease of Doing Business ranking 2020**

Ease of Doing Business ranking 2020				
	South Africa	Botswana	Zambia	Namibia
<i>Ease of doing business</i>	84	87	85	104
<i>Starting a business</i>	26	34	20	37
<i>Construction permits</i>	12	2	6	9
<i>Electricity</i>	10	18	12	4
<i>Property registration</i>	12	6	32	42
<i>Credit</i>	13	13	1	13
<i>Minority investors protection</i>	2	5	5	9
<i>Taxes</i>	5	6	2	11
<i>Trading across Borders</i>	24	3	26	20
<i>Contract enforcement</i>	14	27	24	5
<i>Solving Insolvency</i>	4	7	6	23

*Source: World Bank Group, 2020*

#### 8.2.8. Conclusive analysis

The case analysis has analyzed the business environment in SADC countries. From the analysis, we can understand that SADC countries have the potential to grow. Some countries are exceptionally well ranked in ease of doing business reports such as Namibia, South Africa, Botswana, and Zambia.

**South Africa is the most preferred country among the four countries, as per the analysis.** The country has the largest share of GDP on the African continent, and its stock exchange is among the world's top 10 stock exchanges. Not only is the country economically good for investment but it also has an edge in terms of infrastructure, electricity, transport, and telecommunications, and all these features make South Africa the most preferred location for investment. PROGEST can consider South Africa as the first choice before investing.

### **8.3 ANALYSIS OF SOUTH AFRICAN MARKET**

#### **8.3.1 Overview**

South Africa region has experienced great economic growth for over 50 years and is in the second-fastest-growing region in the world, with a 5% average rate (Galal, 2021). South Africa is a country with developed infrastructures, electricity, great railway and road systems, great educational and health system and it is known for its economy on the African continent. The major benefit of investing in SA is its financial system as its stock exchange ranks among the top 10 in the world and taxes in the country such as VAT are affordable (Galal, 2021). However, to invest in the country it is crucial to contemplate its business environment challenges such as exchange rates, cultural diversity, labor relations, level of corruption, and a wider **PESTEL** interpretation of political, economic, social, technological environmental and legal environment of South Africa.

#### **8.3.2 Political Environment**

South African became a democracy in 1994 with the election of ANC party president Nelson Mandela. At the time it went through a political transition from Apartheid era to democracy. The ANC party has dominated the government since then, and there are presidential elections every 5 years. The South African President serves as head of State and Head Of the government. It is considered a politically stable country, even thou recently in 2021 there was in the regions of Gauteng and KwaZulu Natal some social instability due to Covid-19 pandemic governmental restrictions. The bill of rights of its constitution guarantees equality, prohibits discrimination, guarantees the right of life, privacy, property, freedom of speech, assembly, religion, and association. And prohibits against forced labor and slavery.

#### **8.3.3 Economic**

South African has one of the strongest economies of the world, and certainly the 3rd of Africa according to PricewaterhouseCoopers 2019 end report. According to PwC, Nigeria has the biggest

economy, followed by Egypt and South Africa. South Africa's main sectors of the economy are mining, with SA being the world's leader producer of platinum, as well as being a producer of diamond and Gold, chromium, steel and iron, it also has strong in agriculture (agriculture represents 10% of employment), to automobile assembly, metalwork, machinery, textiles fishery, chemicals, fertilizers, food products producers, commercial ship repairs, winery, financial, pharmaceutical, telecommunications, and so on. The manufacturing Industry's contributes only 13,3% of jobs and 15% of GDP, however, travel & tourism contributes directly to ZAR102 billion per year to SA Gross Domestic Product (2012) and supports also to 10,3% jobs in the nation. SA has reliable access to electricity and great infrastructure. However, the country has a growing public debt due to political mismanagement, low levels of education and therefore high unemployment rates, great social income inequality, as well high levels of crime. Despite the above problems, SA found to have the second most sophisticated financial market in Africa and the second lowest effective business tax rate. And in 2011 SA was officially included in the BRICS group of a now-five emerging market nations.

#### **8.3.4 Social**

South Africa has a population of 58,78 million inhabitants (according to 2019 population estimates of MYPE), its demography is composed of black, white, colored (mixed and Malay origin) and Indian or Asian population. South Africans describe themselves as a Rainbow Nation as culturally it's so mixed and also after brutal apartheid era all races need to cohabit in harmony. However, due to its history of colonization by England and Holland, as well as the very violent era of Apartheid, the Black population has still the highest rates of poverty. On the bright side, there are 11 national languages in South Africa. However, English and Afrikaans are the most used in Business. According to the 2011 census, black south Africans represent 80,2% of the total population, whites 8,4%, coloreds 8,8% and Indians/Asians 2,5%. The number of foreigners living in SA in 2011 are 2,1 million. SA has freedom of speech, association and religion, and all religions are very well represented in this Rainbow Nation.

#### **8.3.5 Technological**

SA is super rich in coal and has some of the largest coal-fired power stations in the world and is as a regional hub and a supply base for neighboring countries regarding areas such as banking, technology, infrastructures, transportation (airport hub, and many harbors). According to Fitch Solution of 2021 SA has one of the largest information and communications technology (ICT) markets in Africa and has technological leadership in the mobile software field, security software as well as electronic banking services. Due to this, many multinationals operate subsidiaries from SA, such as Microsoft, IBM, Unisys, Intel, Dell, Systems Application Protocol (SAP), Novell, and Compaq. SA

Government, via its programs and agencies has embarked on an extensive skills development program aimed at training one million young people by 2030 in Robotics, Artificial Intelligence, Coding, Cloud computing and Networking. SA made many investments in the telecommunications, banking and financial institutions and this is still growing faster. There has been a rapid adoption of game changer technology, automated with a rapid reduction in costs. Digitization is disrupting the banking, travel, retail, auditing, and many other industries. SA has also very good universities and technical schools, and some of the best in Africa even when compared to the rest of SADC countries and it is very easy to find highly qualified and skillful workers.

#### **8.3.6 Environmental**

SA is a popular tourism destination in the world and the readers of Telegraph, a British newspaper rated Cape Town 'the World Best City' in 2016. According to many sources, Cape Town is regularly voted as one of the top holiday destinations in the world. SA beautiful sceneries, wildlife variety, impressive coastlines, beautiful penguin beaches, coral reefs, whale watching, and other natural beauties have all contributed to the development of SA as an important tourist destination. However, the country faces some environmental challenges such as air and water pollution, land degradation, solid waste pollution and deforestation. In the Western Cape Province of SA, drought conditions have an enormous impact and need to be carefully managed by companies. SA climate is between 22°S and 35°S, and it's located between the Atlantic Ocean and the Indian ocean. It has a wider variety of climates than most other countries in sub-Saharan Africa, and it has lower average temperatures than other countries within this range of latitude, like Australia. Winter temperatures may reach the freezing point at high altitude.

#### **8.3.7 Legal**

SA encourages Foreign Direct Investment in every sector of the economy. Nevertheless, there are a few restrictions on foreign shareholders in the mining industry, insurance, defense, broadcasting, and telecommunications, as well as banking. In SA, employees receive fundamental protection, and it is a country strong in Trade Unions. The EEA (Employment Equity Act 1998) in place, aims to achieve equality in the workplace by promoting equal opportunity and fair treatment in employment (Kleitman, 2020). SA's import tariffs generally range from 0-45% with a few exceptions and SA has adhered to the Harmonized Tariff System, and tariffs and import surcharges are assessed on the customs value (f.o.b.). Regarding Taxation, since 2001, the tax system changed to "residence-based" wherein taxpayers living in SA are taxed on their income irrespective of its source. Nonresidents are only subject to domestic taxes. SA's government revenues come mainly from VAT (value added tax), income tax, and corporation tax. Another factor to add to is that in SA the legal system and judicial



system works better than in other SADC countries, and it is extremely easy and fast to open up a company in SA.

### **8.3.8 Construction Market in South Africa**

The SA construction industry is a driver of socio-economic development and a main employment creator. The GDP annual growth rate averaged 2.45 percent from 1994 until 2021, achieving a high of 19.10 percent in the second quarter of 2021 and a record low of -16.80 percent in the second quarter of 2020 (Department of Statistics, 2022). This industry has experienced a rough year in 2020 due to coronavirus pandemic. The amount of documented building plans passed at current prices improved by 43,6% (R29 969,0 million) from January to November 2021 compared with January to November 2020. Increases were noted for residential buildings 52,0% or R18 642,9 million, additions and alterations 47,2% or R8 891,1 million and non-residential buildings 17,3% or R2 435,0 million (Department of Statistics of South Africa, 2021).

In SA there are around 58 major construction companies, which include major JSE-listed players such as Murray & Roberts, Wilson Bayly Holmes-Ovcon, or Raubex, Concor and so on. Apart from construction relating to the health sector, or urgent repairs, this industry was not seen as an essential service prior to March 2020 lockdown. Due to this, projects have slowly resumed with the phased reopening of the economy. The impact of Covid-19 pandemic on major building companies has varied, as many operate in other countries. Because of the impact of the lockdown, demand for general building services will continue severely limited over the short term and maybe the medium term.

### **8.3.9 Analyzing the competition**

In SA there are around 58 major construction companies, which include major JSE-listed players such as Murray & Roberts, Wilson Bayly Holmes-Ovcon, or Raubex, Concor and so on. However, for the purpose of this project, I will only consider in the following table, the ten (12) major companies in the country.

**Table 5: Building and Construction competition in South Africa**

<p><b>1. WBHO Construction (Pty) Ltd</b> - listed on the Johannesburg Securities Exchange, has an annual turnover of US \$669m. Their secret is said to be core of dedicated, hands-on management professionals with decades of experience in major projects in SA and outside SA.</p>	<p><b>2. Raubex</b> - focus on infrastructure development in Africa. Some of its projects are Akasia Road Surfacing, Aliwal Dolorite Quarry, B&amp;E International, Canyon Rock Quarries, Conspec, Milling Techniks, National Asphalt, Queens town Quarry, Space Construction, SPH Kundalila, ThabaBosiu Construction and Zamori Construction.</p>
<p><b>3. Concor</b> - formerly Murray &amp; Roberts Construction is a diversified infrastructure and services construction company, mainly in infrastructure, building, mining, and property development sectors. Projects include South African landscape, Bloukrans Bridge, Huguenot Tunnel, Hugo's River Viaduct, Reservoir for the Ingula Power Station, the Carlton Centre, ABSA Towers, Melrose Arch, the Gautrain and Menlyn Shopping Centre. Murray &amp; Roberts is a multinational engineering, procurement, and project management company in 2000, Murray &amp; Roberts had a turnover of R3.5 billion and employed 40,000 people globally.</p>	<p><b>4. Stefanutti Stocks (Pty) Ltd</b> - South Africa's leading construction companies with a capacity to deliver a range of projects of any scale to a multitude of clients in diverse markets, it has more than 12.000 workers, also manages infrastructure development projects, effectively removing the interface risk from the clients' domain.</p>
<p><b>5. Motheo Construction</b> - South Africa's leading, predominantly black female-owned construction company. Motheo Construction, a leading provider of Social Housing in the country has grown organically by re-investing its earnings to fund the company's growth. The company currently has a annual turnover of US \$409m.</p>	<p><b>6. WK CONSTRUCTION</b>- independent construction and engineering companies with a proven record in quality project delivery of pipeline construction, trench less technology construction, township roads and infrastructure development, general roads and earthworks, concrete structures, crushing and screening operations, as involved in various projects including, the Western Aqueduct Project, the largest pipeline project in SA.</p>
<p><b>7. Lubbe Construction</b> - one of the biggest integrated construction development and management, infrastructure and property development company and has made a great contribution to infrastructure development in SA from construction of low-cost and affordable housing, turn-key development projects and civil construction.</p>	<p><b>8. CSV Construction</b>- is a Civil and Building construction company with around 500 staff members, specialize in wastewater treatment works, bulk earthworks, concrete structures, bulk supply pipelines, demolition work, hospitals and medical treatment facilities, retail stores, hostels and student accommodation, hydro plants, education centers and schools, substations, solar plants, wind farms, biogas plants, shopping malls and many more.</p>
<p><b>9.Group five</b> -focused on sub-Saharan Africa in infrastructure, resources, energy and real estate sectors, project development, construction, investment, operations and maintenance and the manufacturing and supply of construction items. Also operate in Europe. They have more than 8000 employees and operating experience in 28 countries.</p>	<p><b>10.Aveng</b> -operating through subsidiaries; McConnell Dowell, Aveng Grinaker-LTA, Aveng Steel, Aveng Manufacturing, Aveng Moolmans and Aveng Capital Partners. Aveng Capital Partners is the company's investment and financing arm. Aveng Grinaker-LTA provides services on construction and engineering, as McConnell Dowell provides construction, engineering, and maintenance services. Aveng Steel is the steel supplier to domestic and export markets, construction products are manufactured and sold by Aveng Manufacturing.</p>
<p><b>11. Lafarge Africa Building Materials (Pty) Ltd</b> deals in the supply and distribution of building materials: cement, concrete, and bricks. Today, the company has several subsidiaries: Lafarge Cement South Africa (Pty) Ltd and Lafarge Cement Nigeria Limited; Lafarge Cement Ghana Limited; Lafarge Uganda Limited; and Lafarge Zambia Limited.</p>	<p><b>12. Basil Read Construction South Africa</b> -works on infrastructure, commercial property development, and asset management. Has grown internationally. More recently, they have partnered with various state-owned enterprises to develop infrastructure and sustainable energy projects across the African continent. They have a revenue of 370 million USD, has 5 000 people in 40 countries.</p>

*Source: Construction Review online journal, 2022*

#### **8.3.10. Customer's Behavior**

Knowing that the most important customer of this industry in SA is the government, it is crucial to understand that there are many factors 'leading the customer behavior at play. For government construction projects, government budgets need to be approved and assigned and tenders need to be in place, to make sure the money involved will be well spent with a company that will be the most reliable in terms of durability, time keeping, as well as pricing. In addition to that, in the construction of a certain project, lots of vetting companies are involved – such as the company that designs the plan, the architects, also the project management company that can be different from the constructor, also the auditing company, the certification and inspection companies that make sure these projects are well executed and up to standards, and so on. Adding to this the impact of Covid-19 pandemic crisis has had several effects on the country's political decisions which in turn have impacted the countries 'economy and will have a direct effect on the amount of outgoing investment. However, so far, due to lockdown many of the construction plans and projects have restarted again and it seems that companies and the government itself is making up for lost time in years 2020 and 2021.

#### **8.4 COMPETITIVE ANALYSIS**

To be able to analyze PROGEST's best attributes and areas of improvement, as well as identify market opportunities and threats, a competitive analysis is conducted, which in practical terms is a SWOT analysis.

**Table 6 – SWOT Analysis of Progest entering into South African Market**

<p><b>Strengths</b></p> <p>Progest has a strong team of experts with great capacity to work under pressure in environments that are constantly evolving and changing</p> <p>Great work quality submitted in previous projects - showcase</p> <p>Rapid response to tenders or client's requests</p> <p>Strategy is focused on trust and loyalty to their customers</p> <p>Very close relationship with their clients -Builds trust long term relationships</p> <p>Won several awards in Angola</p> <p>Multitasking team of experts that work the extra mile -Can work on complex situations, under difficult conditions</p>	<p><b>Weaknesses</b></p> <p>Small structure compared to other companies in SA</p> <p>No brand awareness in SA, which reflects on the need to spend some resources within this new market</p> <p>Reliant on the success of its networking and contacts in Governmental Institutions</p> <p>Vulnerable in Price Variations in market</p> <p>Dependent of client's contracts within those new countries</p> <p>Depends on the work of lobbying and intermediaries</p> <p>Needs to spend time legally opening the business in SA, employ local representatives and engage to outlook for a strong local partner for joint venture</p>
<p><b>Opportunities</b></p> <p>SADC countries – economic policies and taxes are favorable for development (Small taxation)</p> <p>South African can be reached by Road from Angola and there is no need for visas within the SADC region enabling fast problem solving - Geographic proximity - same time Zone</p> <p>Similar culture – as it is Africa. Citizens share the same traditional values</p> <p>South Africa continues with a big economic growth, and government needs in terms of cities constructions and developments are the same as Angola</p>	<p><b>Threats</b></p> <p>Covid-19 current political and economic effects on the South African Budget for 2020</p> <p>Closing of borders due to global pandemic</p> <p>Changes in the president and/or political party can alter policies or country's vision of the future</p> <p>Fluctuation of Rands currency</p> <p>Increase in Prices of Raw Materials</p> <p>Government building and construction Plans can be on hold due to current global economic situation</p> <p>There are nearby countries that are politically unstable: Mozambique, RDC, and Zimbabwe. Future desertification and Global warming can be a future threat due to falling financial investment within the region.</p>

*Source: the author, 2021*

## 8.5 STRATEGY FOR THE SOUTH AFRICAN MARKET

### 8.5.1 Entry Mode

In order to define a strategy for the SA market, we must define the best way to enter the country according to the literature review. Progest has headquarters in Angola – Luanda, however, to start investment in SA it needs to start planning in advance. Progest needs to be sustainable, meaning that the company must not spend big amounts of resources unless well planned to lower the risk. However, since Progest possesses a strong structure and has vast experience in this field the entry mode that is advisable would be to find a strong local partner in SA to expand its operations in that country and it is therefore advisable to enter into a **Joint Venture** with an established company in the region so that some network can be made in the region and proper expansion can be undertaken for

the business by taking on new projects (Tshikhudo, 2016). A JV brings many advantages to Progest, as it could sustain its business to grow faster, due to the local partner that already is implemented in that market and already has access to the SA market and has a name and reputation and contacts, therefore enlarging Progest's audience and presenting Progest to all of the right ways to do things in South Africa, presenting to legal identities, existing clients and existing construction subcontractors and vendors, therefore increasing productivity, and would help generate profits faster.

### **8.5.2 Market Segmentation**

The market segmentation strategy is important for Progest to decide on the target market in which it should be pursuing in SA and the various segments to consider are Demographic, Social, Economic and Geographic.

**8.5.2.1. Demographic:** Progest should be targeting people who are from the working class between the ages of 23 years to 50 years as they are most like to make investments in residential or office premises which would give more work opportunities for Progest.

**8.5.2.2. Social:** Progest should be targeting customers who are looking to build their own residential properties in the region of South Africa and thereby this would help the business to generate ample revenue from operations (Skeepers & Mbohwa, 2015).

**8.5.2.3. Economic:** Progest should be targeting high class and middle-class people as well so that the construction portfolio which the Progest maintains has something to offer to every class of customers. However, it is important to focus on the latest developments and government development interests.

**8.5.2.4. Geographic:** Progest should be looking to target the region of Simola Golf And Country Estate, Knysna which is a residential hub for customers and this could help generate appropriate revenue from operations (Global Construction - Current Construction Projects, South Africa. 2022).

### **8.5.3. Targeting Strategy to Government and Public Sector**

Progest would be targeting public sectors where it can take part in development of projects. The aim of Progest would be to enter into a joint venture agreement wherein it can enter into Joint Venture with a company or other companies so that public projects can developed, and construction activities can be supported further. Some of the popular projects which are being developed in South Africa like Space Infrastructure Hub for National Development and Project Thobela can help the business gain recognition in the market. For the purpose of getting contracts for public projects, registration needs to be done on Central Supplier Database (CSD) from where tenders are provided for

companies (Mosenogi, 2016). The Progest needs to demonstrate that it has ample resources and expertise to carry out the requirements of the project effectively. In addition to this, Progest should also be looking to develop residential properties which can support the flow of operations and enhance its the reputation in the SA market.

#### **8.5.4 Marketing Mix**

The Marketing mix is important for Progest in terms of planning the marketing strategies of the business and ensuring that the operations will be well supported.

**Products** or services of Progest, are services offered related to public work construction operations, management of big construction developments, residential properties, public services and so on. Progest would also focus on developing projects and properties that are safe for the customers and this will help to create a brand name in the market. Special attention in construction needs to be given to timeously delivery of projects in the right calendar. The time aspect aggregates real value to the service (product). Progest in Angola has some credit to its name and the management would be looking to utilize its brand name to attract customers and showcase some of the main projects which they developed or supported to develop (Sibiya, Aigbavboa & Thwala, 2015). An important aspect to mention on the product is the high standards to execute complex problems, manage complex constructions such as dams, roads, airports and so on, and how reliable and trustworthy Progest is in delivering high standards deliverables.

As for the **Price**, even though in Angola the Pricing strategy of Progest is Skimming due to its high-quality services and differentiated services, it is advised a different strategy to SA, the Price Penetration strategy, we advise Progest to be looking to cover the costs and make a small margin of profits from the operations so that more growth can be achieved in the future period for the business. The business would be charging contract fees based on degree of completion and therefore customers have option to settle their dues by the time the whole project or property is completed. Due to current economical world crisis, companies continue to reduce costs, so it is important as an entering strategy to keep the margins lower to be able to give a more competitive price compared to the competition.

Relating to **Place**, Progest should be open to any projects both in Rural and urban areas, however, special attention is advised in metropolitan business development hubs, in special the region of Simola Golf and Country Estate, Knysna and some of the residing areas, as it is important to be on the outlook for areas where customers are recently attracted and there is proper infrastructure present in terms of roads, hospitals and markets (Nagar & Siyongwana, 2019). The business should also be

looking to participate and acquire government tenders for developing public properties which would add to the reputation of the business through the local partner Joint venture.

As for **Promotion**, of B2C, to residential customers, Progest should be undertaking promotional activities which will bring visibility of the business in the market and create a positive image of the company in the market. It would use advertisement in terms of social media such as Instagram, Facebook, tweeter, television channels such as SABC with local influencers so that appropriate information regarding Progest's project developments and other services are clear for customers.

For **Promotion** to the B2B promotions to Government projects, it is important that together with the local partner, the Joint venture, Progest participates in Construction fairs such as Interbuild African, AfriBuild (the next one 20<sup>th</sup> September 2022), The African Construction Expo and the Energy Efficiency World Africa to showcase completed projects in Angola and capability of execution to both locally as internationally (to attract foreign investment into South Africa) and for B2B it is also important to promote the company through South African Annual job Fair, UCT and Stellenbosch University fairs and so on.

The **Process** refers to the activities and operations which the business would look to follow for conducting its day-to-day activities. Progest would be relying on tender contracts from the government for public projects and for construction of residential property, and part of Process is important to mention how important it would be to enter a Joint Ventures with a local partner for achieving growth in the operations (Golbahram & Chetty, 2018).

The **Physical evidence** for the construction business is very important as the customers are also influenced by the outcome and result of the projects completed successfully and in-time as well as the way that professionals make customers feel, and for this to happen successfully Progest needs to build a South African Website or have the current Angolan one translated into English and Afrikaans with the South Africa office address and contacts in it. It is important also to have main offices in major Urban cities such as Johannesburg, Cape Town, and Durban.

The **People** involved in Progest's operations and the high level of expertise of the people who are involved in the operations will determine the success level of the business as quality is determined from such operations. The success of the Joint Venture also depends on the professionalism, expertise and ability of communication and bonding of Progest's engineers, managers and staff deployed or employed in SA to conduct operations.

## 9. FINANCIAL ANALYSIS

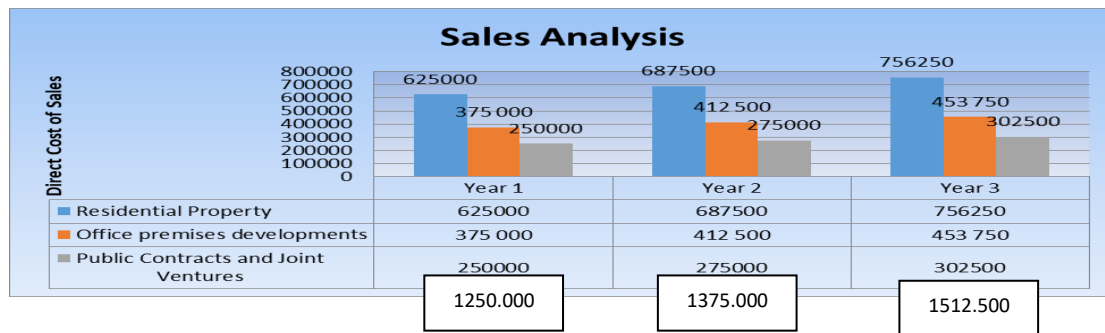
### 9.1 Growth and Sales

**Table 7: Forecasts of Revenue Growth**

Revenue Growth			
Particulars	Year 1	Year 2	Year 3
Residential Property	625.000	687.500	756.250
Public Contracts and Joint Ventures	250.000	275.000	302.500
Direct cost of sales	500.000	550.000	605.000
Operating Profit	750.000	825.000	907.500

Source: The author, 2022

**Table 8: Sales analysis simulation**



Source: The author, 2022

The above tables show sales simulations and sales revenue that Progest could possibly generate over a three-year period. At first it is expected that Progest generates maximum revenue from residential property as those are smaller projects and easier to attain. Yet even when running conservative simulations one can perceive that total sales goes from 1250.000 Rands in year 1, then going up to 1375.000 Rands in year 2 and then higher to 1512.500 Rands in Year 3. However, Progest's long term and goal is to enhance revenues from Government projects and public contracts so that overall growth can be achieved in the business operations. For further references, one can go to Annex tables to see full financial sales simulations.



## 9.2 Financial Statements

**Table 9: Profit and Loss Forecast**

Profit and Loss Forecast			
Year	1	2	3
Revenue	1,250,000	1,375,000	1,512,500
Cost of sales	500,000	550,000	605,000
Gross profit	750,000	825,000	907,500
Expenses/			
Premises (rent, rates)	55,000	57,750	60,638
Wages and salaries	325,000	341,250	358,313
General expenses	5,000	5,250	5,513
Accountant Fees	750	788	827
Payroll Tax	32,500	34,125	35,831
Utilities	150,000	157,500	165,375
Sales and Marketing	30,000	31,500	33,075
Postage & Telephone	20,000	21,000	22,050
Repairs and Maintenance	10,000	10,500	11,025
Preliminary expenses	than8,500	8,925	9,371
Lease Payments	10,000	10,500	11,025
Total expenses/overheads	646,750	668,588	702,017
Profit before tax	103,250	156,413	205,483
Tax @ 30%	30,975	46,924	61,645
Before tax net margin	8%	11%	14%
Profit after tax	72,275	109,489	143,838
Transfer to reserves	72,275	109,489	143,838
Particulars	Year 1	Year 2	Year 3
Return on Investment	9.64%	21.90%	26.15%

Source: The author, 2022

The above P&L is again a simulation, case showing that if Progest decides to enter the SA market, it most likely increases the capacity to generate more revenue and help the company growth in terms of revenue. I have simulated conservative slowly growing revenues from year one to year three, with a cost of sales of 500.000 Rands and growing and have considered several expenses that Progest will more certainly incur in SA, such as rent of main offices, salaries and other services fees such as accounting and marketing, taxes and so on than have also simulated calculation of profit before and after tax. Although with conservative figures, one can notice the ROI at 9,64% in year 1, 21.90% in year 2 and 26,15% in year 3. This is considered positive.

**Table 10: Balance Sheet**

Balance Sheet			
Assets	FY-1	FY-2	FY-3
Current Assets			
Cash	\$20,000	\$20,000	\$20,000
Accounts receivable	\$1,250,000	\$1,375,000	\$1,512,500
Total current assets	\$1,270,000	\$1,395,000	\$1,532,500
Fixed (Long-Term) Assets			
Vehicles	\$100,000	\$400,000	\$350,000
Furniture	\$500,000	\$64,000	\$51,200
Equipment	\$250,000	\$160,000	\$128,000
(Less accumulated depreciation)	\$120,000	\$106,000	\$94,800
Total fixed assets	\$730,000	\$518,000	\$434,400
Total Assets	\$2,000,000	\$1,913,000	\$1,966,900
Liabilities and Owner's Equity			
Current Liabilities			
Accounts payable	\$251,475	\$234,349	\$342,091
Accrued Rent	\$55,000	\$57,750	\$60,638
Bank Charges Payable	\$10,000	\$10,000	\$10,000
Short-term loans	\$10,000	\$10,000	\$15,000
Income taxes payable	\$30,975	\$46,924	\$61,645
Accrued salaries and wages	\$325,000	\$341,250	\$358,313
General Expenses	\$5,000	\$5,250	\$5,513
Lease Payment	\$10,000	\$10,500	\$11,025
Current portion of long-term debt	\$158,000	\$178,000	\$210,000
Total current liabilities	\$855,450	\$894,023	\$1,074,223
Long-Term Liabilities			
Long-term debt	\$500,000	\$500,000	\$250,000
Less: Loan Repayment		\$250,000	\$250,000
Total long-term liabilities	\$500,000	\$250,000	\$0
Owner's Equity			
Owner's investment	\$500,000	\$550,000	\$605,000
Net Profits	\$72,275	\$109,489	\$143,838
Reserve and Surplus	\$72,275	\$109,489	\$143,838
Total owner's equity	\$644,550	\$768,978	\$892,676
Total Liabilities and Owner's Equity	\$2,000,000	\$1,913,000	\$1,966,900
Common Financial Ratios			
	Year 1	Year 2	Year 3
Debt Ratio (Total Liabilities / Total Assets)	0.68	0.60	0.55
Current Ratio (Current Assets / Current Liabilities)	1.48	1.56	1.43
Working Capital (Current Assets - Current Liabilities)	414,550	500,977	458,277
Assets-to-Equity Ratio (Total Assets / Owner's Equity)	3.10	2.49	2.20
Debt-to-Equity Ratio (Total Liabilities / Owner's Equity)	2.10	1.49	1.20

Source: The author, 2022

## 10.PROJECT TIMELINE

To be able to successfully implement a strategic plan it is suggested to follow a chronogram of activities or project timeline to better help Progest in executing the strategy throughout time. The beginning of this international expansion plan began with the execution of this viability study, which is part of the market research. The first two years will be crucial to the success of Progest in SA.

**Table 11: Project Timeline of Activities**

<i><b>Activities</b></i>	<i><b>Time frame</b></i>	<i><b>Priority</b></i>
Contact Cabinet of Lawyers in South Africa	<i>1 month</i>	<i>High</i>
Transfer a Angolan Manager to SA to be responsible for all issues: Lawyer, documents, logo registration, office set up and legal issues, construction fairs, and other necessary market studies	<i>6 months</i>	<i>High</i>
Search for Possible Local partners in the same field for the Joint Venture	<i>2 months</i>	<i>high</i>
Entering a Joint Venture	<i>3 months</i>	<i>high</i>
Registration into Government Portal and other construction portals	<i>1 week</i>	<i>High</i>
Tender Participation	<i>6 months</i>	<i>Medium</i>
Setting up a network with the local promoters	<i>6 months</i>	<i>Medium</i>

Source: The author, 2022

## **11. CONCLUSIONS AND LIMITATIONS OF THE PROJECT**

As explained in the beginning of this project, due to Angolan market economic stagnation, Progest felt that it was important to expand abroad to ensure their growth outside Angola. So, my objective was to develop a project which would consist of an expansion plan that could be of value for the company assessment of future growth. For this I started to look at Progest as a company and its characteristics, as well as Progest's preferable criteria, then as their preference was within the SADC region, I have analyzed the economic statistic of each of the SADC to decide which would be better suited for Progest investment. At the end, the market chosen was South Africa since it has scored higher than every other market besides Mauritius which I have decided to leave aside due to unfeasible geographical distance. The next step was to examine the market of SA using the PESTEL analysis method, then, it was created the adequate plan to place Progest's services within SA, as well as the Marketing-Mix dimensions, the Financial Analysis of the plan, and the Implementation Plan of this project. In conclusion, this project was able to attain the initial objectives, and to show its viability. The main project limitations were data scarcity, and this started to show already in the Market Selection chapter. However, the biggest difficulty I came across regarding this issue was in the Strategy for the SA Market chapter. Specially data relating to construction market competition, as well as operational costs, which have also affected the Financial Analysis chapter. Lastly, the other issue regarding the non-utilization of the most accurate data was the limitation on using Progest's data as I did not have Progest's financial information. So, financial are estimates of the reality, that had to be modified but adjusted, and due to these reasons, the presented values are not 100% according to reality. However, above analysis appropriately shows that the business expansion project is viable as it would lead to expansion of operations and would also enhance the revenue of the business, furthermore, the market scenario is appropriate and the Joint venture as an entry mode would help the management to achieve more success in business operations. In addition to this, there are numerous projects coming up which would further suggest that the business would have ample opportunity to expand its operations further.

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## 13. ANNEXES

### ANNEX 1: Progest Angola main company Logo



*Source: Progest, 2021*

### ANNEX 2: Progest Service Companies



*Source: Progest, 2021*

### ANNEX 3: Progest competition within Angola

#	Membro Associado
01	PROGEST
02	SOAPRO S.A
03	AFRICONSULT
04	GB CONSULTORES
05	TPF ANGOLA
06	COBA
07	SINTEC
08	A400
09	PROSIS
10	DAR Angola
11	GWIC Angola, S.A.
12	Arvest - Projectos, S.A.
13	Soleng
14	Zutari Angola,Lda
15	Rodrisol Consultoria e Projectos, Lda
16	Habiquatro
17	EngConsult
18	Consultar, Lda
19	Agrimiral-Projesctos

*Source: the author, 2021*



## ANNEX 4: Southern African Development Countries Map



Source: SADC webpage, 2022

## ANNEX 5 and 6: Economic and macro indicators comparison tables

SADC Member Countries	Population (Millions (2021))	Industries	Data Analysis of GDP				2019				
			Real GDP (2019)	GDP Growth (% 2017)	Agriculture	Industry	Services	Inflation rate (average %)	Exports 2020	Imports 2020	Labour Force (millions)
Congo (DRC)	105.044	mining (copper, cobalt, gold, diamonds, coltan, zinc, tin, tungsten), mineral processing, consumer products (textiles, plastics, footwear, cigarettes), metal products, processed foods and beverages, timber, cement, commercial ship repair	\$95.297 billion	3.40%	19.70%	43.80%	36.70%	41.50%	\$13.93 billion	\$14.56 billion (2020)	20.602 million
Angola		33.643	petroleum/diamonds, iron ore, phosphates, oil/gas, tobacco, uranium, gold, cement, basic metal products, fish processing, food processing, brewing, tobacco, sugar, textiles, ship repair	\$203.71 billion	-2.50%	10.20%	61.40%	28.40%	17.2%	\$2.1 billion	\$15.12 billion (2020)
Namibia	2.673	mineral processing, dairy products, poultry, beverages, mining (diamonds, lead, zinc, tin, silver, tungsten, uranium, copper)	\$24.04 billion	1.6%	6.70%	26.30%	67.00%	3.70%	\$3.56 billion	\$4.54 billion (2020)	996,800 thousand
South Africa	56.978	mining (world largest producer of platinum, gold, chromium), automobile assembly, mechanical engineering, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair	\$730.913 billion	0.06%	2.80%	29.70%	67.50%	4.10%	\$93.01 billion	\$77.86 billion (2020)	14.887 million
Botswana	2.350	diamonds, copper, nickel, salt, soda ash, poultry, coal, iron ore, silver, beef processing, textiles	\$40.928 billion	2.4%	1.80%	27.50%	70.60%	2.70%	\$6.16 billion	\$7.44 billion (2019)	1.177 million
Zambia	19.077	copper mining and processing, mineral mining, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture	\$61.985 billion	3.40%	7.50%	35.30%	57.00%	9.10%	\$8.55 billion	\$5.92 billion (2020)	6,998 million
Zimbabwe	14.829	mining (coal, gold, platinum, copper, nickel, tin, diamonds, clay, natural gas, mica and non-metallic ores), wheat, wood products, cement, chemicals, fertilizer, clothing and footwear, foodstuffs, beverages	\$41.533 billion	3.70%	12.00%	22.20%	65.80%	24.1,70%	\$4.22 billion	\$7.215 billion (2018)	7,907 million
Malawi	20.308	tobacco, tea, sugar, apparel products, cement, consumer goods	\$19.741 billion	4.00%	28.80%	15.40%	56.00%	9.30%	\$1.16 billion	\$3.2 billion (2019)	7 million
Tanzania	62.092	agriculture processing (sugar, beer, cigarettes, seafoods), mining (diamonds, gold, and iron), salt, soda ash, cement, oil refining, shoes	\$149.785 billion	6.98%	23.40%	26.80%	47.80%	3.40%	\$9.88 billion	\$10.36 billion (2019)	24.89 million
Mozambique	30.888	wood and wood products, fertilizer, aluminum, petroleum products, chemicals (fertilizer, soap, paints), textiles, cement, glass, asbestos, tobacco, food, beverages	\$36.97 billion	3.11%	23.90%	19.30%	56.80%	2.70%	\$4.35 billion	\$6.38 billion (2020)	12.9 million
Lesotho	2.177	food, beverages, textiles, apparel assembly, handicrafts, construction, tourism	\$5.747 billion	1.80%	5.80%	39.20%	54.90%	5.30%	\$900 million	\$1.96 billion (2020)	930,800 thousand
Eswatini	1.11	soft drink concentrates, coal, forestry, sugar processing, textiles, and apparel	\$9.898 billion	1.80%	6.50%	45.00%	48.60%	6.20%	\$1.81 billion	\$1.7 billion (2020)	427,900 thousand
Madagascar	27.534	meat processing, seafood, soap, beer, leather, sugar, textiles, glassware, cement, automobile assembly/plant, paper, petroleum, tourism	\$44.410 billion	4.20%	24.00%	19.50%	56.40%	5.80%	\$4.09 billion	\$4.7 billion (2019)	13.4 million
Mauritius	1.27	mining, food processing (largely sugar milling), textiles, clothing, mining, chemicals, metal products, transport equipment, non-metallic machinery, tourism	\$26.947 billion	3.50%	4.00%	21.80%	74.10%	0.40%	\$5.17 billion	\$7.41 billion (2019)	554,000 thousand
Comoros	864,335 thou	fishing, tourism, perfume distillation	\$2.603 billion	2.70%	47,70%	11.80%	40.50%	1.00%	\$13.93 billion	\$29.0 million (2019)	278,500 thousand
Seychelles	96,387thous	fishing, tourism, beverages	\$2.852 billion	5.30%	2.5	13.8	83.7	1.80%	\$1.09 billion	\$1.35 billion (2020)	51,000 thousand

Source: The world Bank Group 2020

Statistics												
SADC Member Countries	Labour force by Industry			Unemployment rate (2016)	Budget (2017)			Public Debt	Industrial Production Growth Rate	Exchange rates (local to the USD)	Crude oil Production	Natural gas Production
	Agriculture	Industry	Industry & Services		Expenditures	Health Expenditure (2018)	Education Expenditure of GDP					
Congo (DRC)	N/A	N/A	N/A	N/A	5,009 billion	3.3%	1.5% (2019)	18.1% of GDP (2017 est.)	1.6% (2017 est.)	1,546.8 CDF per US dollar (2017 est.)	17,000 bbl/day	0 cu m
Angola	85%	15%	15% (2003)	6,60%	45.44 billions (2017)	2.6%	1.8% (2019)	65% of GDP (2017 est.)	2.5% (2017 est.)	172.6 AOA per US dollar (2017 est.)	1,593 million bbl/day (2018)	3,115 billion cu m (2017)
Namibia	31%	14%	54%	34% (2016)	5 billion	8%	9.4% (2020)	41.3% of GDP (2017 est.)	-0.4% (2017 est.)	13.67 NAD per USD (2017 est.)	0 bbl/day	0 cu m
South Africa	4,60%	23,50%	71,90%	28,53% (2019)	108,3 billion	8.3%	6,8% (2020)	53% of GDP (2017 est.)	1.2% (2017 est.)	14,9575 ZAR per USD (2020 est.)	1,600 bbl/day	906.1 million cu m
Botswana	N/A	N/A	N/A	20%	5,478 billion	5.9%	6,9% (2019)	14% of GDP (2017 est.)	-4.2% (2017 est.)	10,90512 BWP Pulas per USD (2020 est.)	0 bbl/day	0 cu m
Zambia				15% (2008)	6,357 billion	4.9%	4,5% (2019)	63.1% of GDP (2017 est.)	4.7% (2017 est.)	21,065 ZMK per USD (2020 est.)	0 bbl/day	0 cu m
Zimbabwe	67,50%	7,30%	25,20%	11,3% (2014)	5,5 billion	4.7%	3,6% (2018)	82.3% of GDP (2017 est.)	0.3% (2017 est.)	82,3138 ZWD per USD (2020 est.)	0 bbl/day	0 cu m
Malawi	11%	36%	53%	20,4% (2013)	1,567 billion	9.3%	2,9% (2019)	58.2% of GDP (2017 est.)	1.2% (2017 est.)	762,4951 MWK per USD (2020 est.)	0 bbl/day	0 cu m
Tanzania	66,90%	6,40%	26,60%	0,99% (2019)	2,374 billion	3.6%	3,1% (2020)	37% of GDP (2017 est.)	12% (2017 est.)	2,319 TZS per USD (2020 est.)	0 bbl/day	3,115 billion cu m
Mozambique	74,40%	3,90%	54%	24,5% (2017)	4,054 billion	8.2%	6,2% (2019)	102.1% of GDP (2017 est.)	4.9% (2017 est.)	74,12M2M per USD (2020 est.)	0 bbl/day	6,003 billion cu m
Lesotho	86%	VALOR	14%	28,10%	1,255 billion	9.3%	7,4% (2020)	33.7% of GDP (2017 est.)	12.5% (2017 est.)	14,48 LSL per USD (2017 est.)	0 bbl/day	0 cu m
Eswatini	10,70%	20,50%	58,90%	28% (2014)	1,639 billion	6.5%	5,3% (2019)	28.4% of GDP (2017 est.)	5.6% (2017 est.)	14,44 emalangen per USD (2017 est.)	0 bbl/day	0 cu m
Madagascar	N/A	N/A	N/A	1,8% (2017)	2,136 billion	4.8%	2,9% (2019)	36% of GDP (2017 est.)	5.2% (2017 est.)	3,116.1 MGA per USD (2017 est.)	0 bbl/day	0 cu m
Mauritius	8%	29,80%	62,20%	6,65% (2019)	3,038 billion	5.8%	4,6% (2020)	64% of GDP (2017 est.)	3.2% (2017 est.)	39,65 MUR per USD (2020 est.)	0 bbl/day	0 cu m
Comoros	80%	20%	20%	6,50%	207,3 million	4.6%	2,5% (2019)	32.4% of GDP (2017 est.)	1% (2017 est.)	458,2KMF per US Dollar (2017 est.)	0 bbl/day	0 cu m
Seychelles	3%	23%	74%	3% (2017)	600,7 million	5.1%	3,9% (2019)	63.6% of GDP (2017 est.)	2.3% (2017 est.)	13,64 SCR per USD (2017 est.)	0 bbl/day	0 cu m

Source: The world Bank Group 2020

## ANNEX 7: SADC Doing Business Index Score

Countries	Ease of Doing Business Index scores	Rank Within the SubSaharan group	Starting a business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investor	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Congo (DRC)	183	44	7	31	36	34	31	42	41	47	43	38
Angola	177	40	27	21	23	37	46	26	15	38	48	38
Namibia	104	9	37	9	4	42	13	9	11	20	5	23
South Africa	84	4	26	12	10	12	13	2	5	24	14	4
Botswana	87	6	34	2	18	6	13	5	6	3	27	7
Zambia	85	5	20	6	12	32	1	5	2	26	24	6
Zimbabwe	140	21	38	28	31	13	9	11	24	29	39	29
Malawi	109	10	30	24	34	7	4	8	21	18	30	27
Tanzania (URT)	141	22	36	33	6	31	9	12	31	42	7	18
Mozambique	138	20	42	5	8	26	39	26	18	6	38	9
Lesotho	122	15	14	38	24	17	19	26	16	2	13	22
Eswatini	121	14	31	11	14	11	19	32	7	1	41	19
Madagascar	161	31	13	44	45	36	22	23	20	21	26	28
Mauritius	13	1	2	1	1	2	9	3	1	4	1	1
Comoros	160	30	33	13	16	16	22	32	33	13	44	38
Seychelles	100	8	28	16	9	4	28	24	3	8	22	5

Source: The world Bank Group 2020

## ANNEX 8: Financial Simulations

Capital Expenditure				
Particulars	Amt \$			
<b>Equipment</b>				
Kitchen Equipment	\$	125 000,00		
Security Equipment and Alarm Systems	\$	25 000,00		
Administration and Office Equipment	\$	50 000,00		
Cutlery and Dishware	\$	50 000,00		
<b>Vehicles</b>				
Trucks	\$	40 000,00		
Cars	\$	60 000,00		
<b>Furniture</b>				
<b>TOTAL Costs</b>	\$	850 000,00		

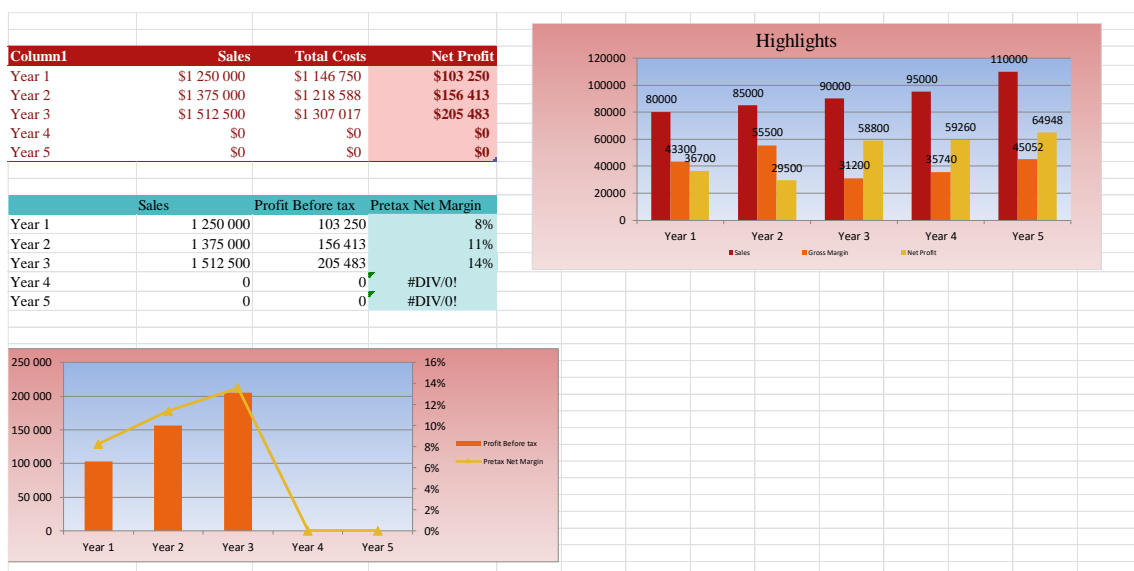
4) PROFIT AND LOSS FORECAST				
Year	Preop	1	2	3
<b>Revenue</b>	0	\$ 1 250 000,00	\$ 1 375 000,00	\$ 1 512 500,00
		\$ -	\$ -	\$ -
<b>Cost of sales</b>	0	\$ 500 000,00	\$ 550 000,00	\$ 605 000,00
<b>Gross profit</b>	0	\$ 750 000,00	\$ 825 000,00	\$ 907 500,00
<b>Expenses/overheads</b>				
Premises (rent, rates)	\$	55 000,00	\$ 57 750,00	\$ 60 637,50
Wages and salaries	\$	325 000,00	\$ 341 250,00	\$ 358 312,50
General expenses	\$	5 000,00	\$ 5 250,00	\$ 5 512,50
Accountant Fees	\$	750,00	\$ 787,50	\$ 826,88
Payroll Tax	\$	32 500,00	\$ 34 125,00	\$ 35 831,25
Utilities	\$	150 000,00	\$ 157 500,00	\$ 165 375,00
Sales and Marketing	\$	30 000,00	\$ 31 500,00	\$ 33 075,00
Postage & Telephone	\$	20 000,00	\$ 21 000,00	\$ 22 050,00
Repairs and Maintenance	\$	10 000,00	\$ 10 500,00	\$ 11 025,00
Preliminary expenses	\$	8 500,00	\$ 8 925,00	\$ 9 371,25
Lease Payments	\$	10 000,00	\$ 10 500,00	\$ 11 025,00
<b>Total expenses/overheads</b>	\$	646 750,00	\$ 668 587,50	\$ 702 016,88
<b>Profit before tax</b>	\$	103 250,00	\$ 156 412,50	\$ 205 483,13
Tax @ 30%	\$	30 975,00	\$ 46 923,75	\$ 61 644,94
<b>Profit after tax</b>	\$	72 275,00	\$ 109 488,75	\$ 143 838,19
Transfer to reserves	\$	72 275,00	\$ 109 488,75	\$ 143 838,19

Breakeven Point (sales)			
Particulars	Year 1	Year 2	Year 3
Total Fixed Costs	\$ 646 750,00	\$ 668 587,50	\$ 702 016,88
Contribution Margin	60%	60%	60%
Breakeven point	\$1 077 916,67	\$1 114 312,50	\$1 170 028,13

Source: the author, 2022

## ANNEX 9: Financial Highlights Simulations



Source: the author, 2022

## ANNEX 10: Common Start-Up requirement costs simulation

Start-up Requirements		
<b>Start-up Expenses</b>		
<i>Fixed Costs</i>	Particulars	Amount (\$)
	Premises	\$55 000
	Salaries	\$325 000
	Interest on loan 8%	\$50 000
	Accountant Fees	\$750
	Payroll Tax	\$32 500
	Retainer contracts	\$150 000
	Sales and Marketing	\$30 000
	Postage & Telephone	\$20 000
	Brouchers	\$10 000
	Logo Designs	\$5 000
	Market survey	\$2 500
	Preliminary expenses	\$8 500
	Lease payments	\$10 000
	<b>Total Fixed Costs</b>	<b>\$699 250</b>
<i>Average Monthly Costs</i>		
	Rent	\$4 583
	Lease payments	\$833
	Interest on loan 3%	\$4 167
	Postage & Telephone	\$1 667
	Repairs and Maintainance	\$833
	Salaries / Wages	\$27 083
	Total Average Monthly Costs	\$39 167
	x Number of Months:	12
	<b>Total Monthly Costs</b>	<b>\$470 000</b>
	<b>Total Startup Expenses</b>	<b>\$1 169 250</b>
<b>Start-up Assets</b>		
<i>Owner Funding</i>		
	Owners Fund	\$500 000
	<b>Total Owner Funding</b>	<b>\$500 000</b>
<i>Loans</i>		
	Loan	\$500 000
	Other	
	<b>Total Loans</b>	<b>\$500 000</b>
	<b>Total Start up Funds</b>	<b>\$1 000 000</b>
<i>Assets</i>		
	Equipments	\$500 000
	Mirrors and Lightenings	\$100 000
	Furniture and Fittings	\$250 000
	<b>Total Fixed Assets</b>	<b>\$850 000</b>
	<b>Total Start-up Assets</b>	<b>\$1 850 000</b>

Source: the author, 2022

## ANNEX 11: Balance sheet simulation

Balance Sheet			
	FY-1	FY-2	FY-3
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$20 000	\$20 000	\$20 000
Accounts receivable	\$1 250 000	\$1 375 000	\$1 512 500
<b>Total current assets</b>	<b>\$1 270 000</b>	<b>\$1 395 000</b>	<b>\$1 532 500</b>
<b>Fixed (Long-Term) Assets</b>			
Vehicles	\$100 000	\$400 000	\$350 000
Furniture	\$500 000	\$64 000	\$51 200
Equipment	\$250 000	\$160 000	\$128 000
(Less accumulated depreciation)	\$120 000	\$106 000	\$94 800
<b>Total fixed assets</b>	<b>\$730 000</b>	<b>\$518 000</b>	<b>\$434 400</b>
<b>Total Assets</b>	<b>\$2 000 000</b>	<b>\$1 913 000</b>	<b>\$1 966 900</b>
<b>Liabilities and Owner's Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$251 475	\$234 349	\$342 091
Accrued Rent	\$55 000	\$57 750	\$60 638
Bank Charges Payable	\$10 000	\$10 000	\$10 000
Short-term loans	\$10 000	\$10 000	\$15 000
Income taxes payable	\$30 975	\$46 924	\$61 645
Accrued salaries and wages	\$325 000	\$341 250	\$358 313
General Expenses	\$5 000	\$5 250	\$5 513
Lease Payment	\$10 000	\$10 500	\$11 025
Current portion of long-term debt	\$158 000	\$178 000	\$210 000
<b>Total current liabilities</b>	<b>\$855 450</b>	<b>\$894 023</b>	<b>\$1 074 223</b>
<b>Long-Term Liabilities</b>			
Long-term debt	\$500 000	\$500 000	\$250 000
Less: Loan Repayment		\$250 000	\$250 000
<b>Total long-term liabilities</b>	<b>\$500 000</b>	<b>\$250 000</b>	<b>\$0</b>
<b>Owner's Equity</b>			
Owner's investment	\$500 000	\$550 000	\$605 000
Net Profits	\$72 275	\$109 489	\$143 838
Reserve and Surplus	\$72 275	\$109 489	\$143 838
<b>Total owner's equity</b>	<b>\$644 550</b>	<b>\$768 978</b>	<b>\$892 676</b>
<b>Total Liabilities and Owner's Equity</b>	<b>\$2 000 000</b>	<b>\$1 913 000</b>	<b>\$1 966 900</b>
<b>Common Financial Ratios</b>			
	Year 1	Year 2	Year 3
<b>Debt Ratio</b> (Total Liabilities / Total Assets)	<b>0,68</b>	<b>0,60</b>	<b>0,55</b>
<b>Current Ratio</b> (Current Assets / Current Liabilities)	<b>1,48</b>	<b>1,56</b>	<b>1,43</b>
<b>Working Capital</b> (Current Assets - Current Liabilities)	<b>414 550</b>	<b>500 977</b>	<b>458 277</b>
<b>Assets-to-Equity Ratio</b> (Total Assets / Owner's Equity)	<b>3,10</b>	<b>2,49</b>	<b>2,20</b>
<b>Debt-to-Equity Ratio</b> (Total Liabilities / Owner's Equity)	<b>2,10</b>	<b>1,49</b>	<b>1,20</b>

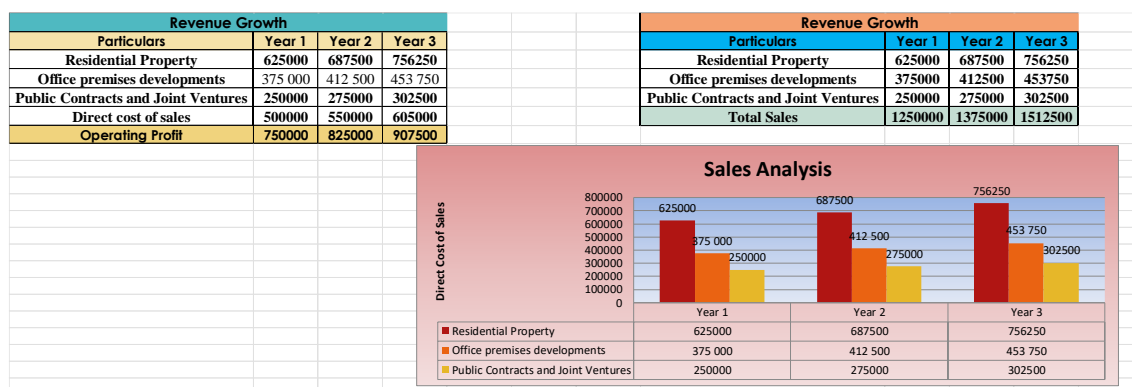
Source: the author, 2022

## ANNEX 12: Sales Forecast simulation

Sales Forecast													
	January	February	March	April	May	June	July	August	September	October	November	December	Year 1
<b>Particulars</b>													<b>Total Units Sold</b>
Sales	104167	104167	104167	104167	104167	104167	104167	104167	104167	104167	104167	104167	1250000
COGS	41667	41667	41667	41667	41667	41667	41667	41667	41667	41667	41667	41667	500000
<b>Gross Profit</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>62500</b>	<b>750000</b>
	January	February	March	April	May	June	July	August	September	October	November	December	Year 2
<b>Particulars</b>													<b>Total Units Sold</b>
Sales	114583	114583	114583	114583	114583	114583	114583	114583	114583	114583	114583	114583	1375000
Cost of Goods sold	45833	45833	45833	45833	45833	45833	45833	45833	45833	45833	45833	45833	550000
<b>Gross Profit</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>68750</b>	<b>825000</b>
	January	February	March	April	May	June	July	August	September	October	November	December	Year 3
<b>Particulars</b>													<b>Total Units Sold</b>
Sales	126042	126042	126042	126042	126042	126042	126042	126042	126042	126042	126042	126042	1512500
Cost of Goods sold	50417	50417	50417	50417	50417	50417	50417	50417	50417	50417	50417	50417	605000
<b>Gross Profit</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>75625</b>	<b>907500</b>
Particulars	Year 1	Year 2	Year 3										
<b>Total Sales</b>													
Residential Property	625000	687500	756250										
Office premises developments	375000	412500	453750										
Public Contracts and Joint Ventures	250000	275000	302500										
<b>Total Revenue</b>	<b>1250000</b>	<b>1375000</b>	<b>1512500</b>										
Direct cost of sales	500 000	550 000	605 000										
Residential Property	250000	275000	302500										
Office premises developments	150000	165000	181500										
Public Contracts and Joint Ventures	100000	110000	121000										
<b>Gross Earnings</b>	<b>750000</b>	<b>825000</b>	<b>907500</b>										

Source: the author, 2022

## ANNEX 13: Sales Chart simulation



Source: the author, 2022

## ANNEXE 14: A few Progest projects as example



Source: Progest Website, 2021