Service quality perceptions and foreign direct investment inflows to Uganda

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Theory asserts that for a service to be considered quality, recipient’s expectations must have been adequately met or even exceeded by the service experience. Despite the Government of Uganda (GOU) officials’ efforts to create a good investment climate with a view of attracting more Foreign Direct Investment (FDI clients) inflows to Uganda, the reality is that such expectations are not often met thus leading to a service quality gap 5 among FDI clients. The purpose of this paper is to investigate a potential disparity between actual service experience and clients’ service quality expectations (Gap 5) among FDI clients in Uganda and how this impacts FDI inflows to the Ugandan economy. To investigate FDI clients’ Gap 5, the Modified Gaps Model was useful. An appropriate sample of FDI clients were used in the positivistic survey. The sample comprised 215 FDI clients. A double-column research instrument was used to source FDI clients’ perceptions of investment service quality in this study. Interval data were involved in measuring the variables in the study. The pilot tests indicated that the instrument had good internal consistency with all Cronbach’s alpha reliability coefficients greater than 0.8 for both expected and actual service perceptions. The coefficients reflected that the instrument was good for data collection. For the phenomenological part, two focus groups each comprising between six and ten participants was assembled for FDI clients. Structural equations modeling (SEM) was used to test the theory through confirmatory factor analysis (CFA) and goodness-of-fit tests. The CFA established that the hypothetical model used did not meet the required minimum specifications. The goodness-of-fit tests established that the researchers’ model did not fit its sub-sample data. The paired samples t-test indicated that Gap 5 existed among FDI clients in Uganda. Qualitative findings too indicated that gap 5 existed among the DFI clients. Strategies were identified and recommendations made to GOU officials for possible adoption with a view of mitigating gap 5 among FDI clients and enhance FDI inflows to the Ugandan economy. The paper provided GOU investment officials with knowledge on service quality perceptions of their FDI clients and the strategies to close clients’ Gap 5.

Key words: Service, expected, experienced, designed, quality.

INTRODUCTION

The Government of Uganda (GOU) has been commended for its predictable macroeconomic stability, fully liberalised economy, market access, strong natural base, trainable labour and security of investments, to list only examples of strategies used to attract foreign direct investment (FDI) inflows to Uganda (Brief Guide to Investing in Uganda, 2011). To attract more FDI inflows to Uganda, the aforementioned strategic initiatives have been developed and repackaged to enhance FDI inflow objectives. GOU has continuously revised a range of laws and regulations to create greater government accountability, open markets, and develop infrastructure to create a more attractive investment environment for FDI inflows. The aforementioned strategies together with abundant natural resources provide good opportunities for foreign investors to invest in Uganda (Brief Guide to Investing in Uganda, 2011; Musila and Sigue 2006; Clinton 2009). Evidence exists that the aforementioned strategies have reaped more FDI inflows. For example, as Figure 1 shows, foreign investors have continued to set up investment projects in Uganda as can be seen by the FDI inflow trends from US$82 million in 2000 to

Business analysts believe Uganda has the potential for larger amounts of FDI inflows, but emphasise that GOU must address challenges related to the country’s weak physical and non-physical infrastructure, largely uneducated workforce with a literacy rate of 69% (2006), political interference in private sector, high levels of corruption, to list only examples. Despite improvements in mobile telephone services credited to strong private sector investment with 14.6 million subscriber base and penetration rate of 47 per one hundred by June 2011 (www.ucc.go.ug), electricity and road network urgently need expansion and renovation to respectively meet the extant FDI demands for power and transport services. With an installed total capacity of just 300 megawatts (MW), Uganda's electricity network reaches only 20% of the population, and load shedding all over the country is common. The dilapidated road infrastructure has led to increases in transportation costs thus leaving the entire country, which is land locked, vulnerable to bottlenecks and disruptions (Brief Guide to Investing in Uganda 2011). The aforementioned reflect weaknesses in Sector destinations that pose impediments to FDI inflows to Uganda.

Literature review shows that foreign investors’ FDI decisions have been motivated by three traditional economic determinants differentiated as resource-seeking FDI, Market-seeking FDI and efficiency-seeking FDI (Nunnenkamp, 2002). However, another potential determinant of decisions on FDI sectors of destination is the level of quality of service offered by GOU (policy makers) to the different foreign investors (FDI clients) to the Ugandan economy. This implies that the traditional determinants of FDI inflows notwithstanding, perceptions of quality of investment services are another potential determinant of decisions on FDI Sectors of destination in the Ugandan economy. To appropriately capture service quality perceptions of FDI clients, they were traced to their business premises in Uganda and asked to evaluate the quality of service they expected and received from GOU officials. The data so captured was expected to reveal any disparity between their expected and actual service experience mindsets, if any. To adequately investigate the potential impact of service quality perceptions on DFI inflows to the different Sector destinations of the Ugandan economy, the modified Gaps model of service quality by Kang and James (2004) was a useful starting point. The modified Gaps model captures service outcome aspects through the technical dimension. Kang and James (2004) modified model focuses on technical and functional dimensions and states that a service organisation's image acts as a filter in the perception of service quality. In this research, Kang and James’ service quality model was adopted with seven dimensions to evaluate service quality perceptions that influence FDI inflows to Uganda. The study also investigated the relative importance of the seven dimensions of service quality as potential determinants of decisions on Sector destinations as regards resource-seeking FDI, market-seeking FDI, and efficiency-seeking FDI in the Ugandan economy. Because quality of investment services is perceived differently in different Sector destinations and for the different traditional determinants, the SERVQUAL scales as modified by
Kang and James (2004) were used to capture perceptual data on functional, technical, and image perspectives of service quality in the Ugandan investment environment.

A REVIEW OF DOMINANT SERVICE QUALITY MODELS

A quick review of the four other prominent models indicates that “The Perceived Service Quality (PSQ) model” by Gronroos (1984) focused on “total perceived service quality” and emphasized the importance of understanding what customers or clients were really looking for and what they evaluated when they came face-to-face with the service. Given that the PSQ was developed from existing theory and tested on corporate executives, the model cannot be a reflection of what customers are essentially looking for as it reflected a researcher’s inside-out perspective on service quality-a third-person perspective, hence the point of departure. “The Gap Analysis Model” by Parasuraman, et al. (1985) that premised on the fact that service quality is dependent on the size and direction of the gap between expected service and perceived (actual) service (Q = P-E) initially (1985) identified 10 dimensions of service quality that were later (1988) refined reduced to five to produce the SERVQUAL instrument has been criticised as regards its contextual, dimensional and empirical correctness (Asubonteng et al., 1996; Babakus and Boller 1992). Critics generally agree that quality is a performance-based construct and is more accurately measured with perceptions (actual service) as the reference points rather than expectations (Bouldings et al., 1993; Carman, 1990; Cronin and Taylor, 1994; Teas, 1993). This study took into account Carman’s (1990) concerns and measured service quality based on perceptions (actual service) as reference points. “The Dynamic Process model” by Bouldings et al. (1993) asserts that whereas both the PSQ model and the Gap Analysis Model measure service quality relative to expectations yet customers’ definition of quality is subjective and varied the model considers service quality to be performance based and takes perceptions, rather than expectations, as the reference points of service quality. Bouldings et al. (1993) however, also assume service quality is perceived with respect to Parasuraman et al. (1988) five dimensions. The point of departure was the use of seven dimensions of service quality in this study. “The P-C-P model” by Philip and Hazlett (1997) that focuses on “attributes service quality” reflects pivotal attributes (P), core attributes (C), and peripheral attributes (P). The pivotal attributes represent the GOU officials’ promised designed service output; the core attributes represent the people, processes and organisational structure employed; and the peripheral attributes represent the incidental frills to ensure roundness of service encounter. The point of departure is that the model adopts an “inside-out-mindset” in which GOU officials focus on service quality issues they think are important to clients even if they are not. This study focused on “outside-in-mindset” that base on perceived (actual) service as a reference point for customer’s evaluation of service quality. The modified SERVQUAL model by Kang and James (2004) blends the European and American conceptualisations of service quality. The modification also takes into account the seven dimensions of service quality (Kang and James, 2004) which include the Parasuraman et al. (1988) functional five dimensions and the technical and image quality as proposed by Gronroos (1984). The modified SERVQUAL model included more scales than the 24 identified by Parasuraman et al. (1988) and service quality was evaluated on the basis of perceived service as reference points of service quality.

Problem statement

Because the investigation required the intervention of FDI clients as regards the impact of service quality perceptions on their decisions on Sector destinations, the problem statement can be phrased thus: a potential disparity may arise between FDI clients’ experienced (actual) service quality from GOU officials and their pre-encounter expectations of the service (Gap 5) with a potential influence on FDI inflows to different Sector destinations of Ugandan economy. The question is which variables impacted FDI clients’ service quality to influence their investment decisions and FDI inflow to Uganda? Because GOU officials aimed at creating a favourable investment climate that enhances FDI inflows, the need to close Gap 5 was imperative. The question was which service quality strategies may be crafted based on the findings to close the Gap and improve FDI inflows to the different Sector destinations in the Ugandan economy? Given that seven service quality dimensions were used to measure quality of investment service in each of the Sector destinations, the need to establish the relative importance of each dimension in influencing FDI inflow decisions was imperative.

Hypothetical model depicting FDI clients’ Gap 5

As depicted in Figure 2, gap 5 reflects a potential disparity between actual service experienced and the service FDI clients expected (that is Q-P-E) in the Uganda investment environment to conform to perceptions as reference points. Figure 2 also indicates that FDI clients’ service quality (dependent variable) is influenced by seven independent variables namely “advice from other FDI clients, GOU office setting, FDI needs, relationship with GOU officials, FDI awareness levels, GOU awareness of FDI needs, and past...
experience with GOU". The impact of each independent variable on the dependent variable was investigated to establish whether a disparity existed between the FDI clients' perceived service quality compared to what they expected in the investment climate of Uganda.

HYPOTHESES

Based on the hypothetical model in Figure 2, two sets of hypotheses were formulated to guide the investigations in this research. First set of hypotheses comprised H1.1 through to H1.7; and the second set comprised H2.0 and H2.A. These sets of hypotheses were all tested.

RESEARCH QUESTION

Based on the seminal contribution by Parasuraman et al. (1985) on service quality perceptions, as modified by Kang and James (2004), clients' Gap 5 shows that a potential discrepancy can exist between their perceptions and expectations of the quality of the service. Pizam and Ellis (1999) further state that service quality (Q) is measured by subtracting the clients' expectation scores (E) from clients' perceptions (P) i.e. Q=P-E. For this reason, providers of services need to continuously assess whether the quality of the service they offer matches clients' expectations. Corrective steps should be taken should there be a disparity between perceived and expected quality of the service (Johnson and Sirikit, 2002). As embodied in the hypothetical model in Figure 2, this research addresses one research question, namely: Are the FDI clients in the investment environment in Uganda receiving quality investment services they expected?

RESEARCH OBJECTIVES

To address the research question and test the hypotheses, a number of research objectives were
eminent, viz:

(i) To develop an appropriate research instrument for primary data sourcing from FDI clients.
(ii) To analyse primary data, test the hypotheses as stated and present findings on potential service quality disparity among FDI clients in Uganda.
(iii) To analyse and recommend possible strategic actions GOU officials can implement to close Gap 5 and enhance FDI inflows to Uganda.

RESEARCH DESIGN AND METHODOLOGY

The study adopted a cross-sectional research design. Given the hypothetical model and the operationalisation thereof, the positivistic approach was supplemented by the phenomenological approach (Collis and Hussey, 2009, 2003; Santos, 2006). Because this research required the use of more than one method of data collection and analysis, the design adopted methodological triangulation to meet this requirement (Collis and Hussey, 2009).

Further, as means of enhancing the design of this research, three basic sets of criteria which have been widely used to evaluate a well-designed research project were used namely reliability, validity and generalisability (Cooper and Schindler, 2006; Kothari, 2005; Sekaran, 2003). The approaches and strategies described enabled the model to be empirically tested with a view of confirming service quality theory with regard to Gap 5 among FDI clients in Uganda. Structural equation modeling was used through confirmatory factor analyses and goodness-of-fit tests.

Research type

Literature sources indicate two basic types of research namely conceptual and empirical (Kothari, 2005; Viviers, 2007). Conceptual studies deal with philosophical and conceptual analyses as well as theory building and do not require new (primary) data. Empirical studies on the other hand require both new (primary) and existing (secondary) data for lay and scientific knowledge (Cooper and Schindler, 2006).

Given that this research was based on both primary and secondary data to provide conclusions capable of being verified by observation or experience, it was an empirical study. The research was also analytical and/or explanatory as in addition to mere description of the phenomenon analysed and explained why or how the phenomenon being studied was happening (Blumberg et al., 2005; Collis and Hussey, 2009). The analysis involved empirical tests of the hypotheses on service quality perceptions of FDI clients as units of analysis in the investment environment of Uganda.

METHODS OF DATA COLLECTION

Given that methodological triangulation was used in this research, both quantitative and qualitative primary were collected (Collis and Hussey, 2009) from FDI clients in the Uganda investment environment.

Population, sampling procedure and sample size

Given that the unit of analysis was an individual FDI client and that most studies on FDI in Uganda have been based on either the number of projects or amounts of money involved (http://www.ugandainvest.go.ug), the population for this study included all FDI clients operating in the four Divisions of Kampala City, where the majority of FDI projects are actually located. One sampling frame of FDI clients was used. Two sampling methods were used, namely, area sampling as the probability sampling method, and judgemental sampling as the non-probability sampling. The former was used in collecting quantitative data and the later qualitative data guided by the interview guides. The minimum sample size was a function of the number of statements on the instrument times five (Veal 2005). Given that FDI clients’ instrument had 56 statements; the minimum sample size for this sub-sample was 280. Interval data were collected to measure variables in this study. For the phenomenological part, post-survey focus group interviews were conducted for FDI clients. The purpose of focus group interviews was to test the effectiveness of the survey to validate the study findings.

Quantitative data collection

The research instrument that gathered data to measure variables pertaining to potential disparity between FDI clients’ perceived and expected service quality was constructed along the seven (7) dimensions of service quality. The statements were linked to a seven-point Likert-type interval scale anchored by “strongly disagree (1)” and “strongly agree (7)” (Kang and James, 2004). Individual FDI clients were the units of analysis. Qualitative data collection: As motivated for quantitative data collection, FDI clients served as units of analysis. Different post-survey focus groups were interviewed during the collection of qualitative data. The use of focus group interviews as a method of qualitative data collection is widely reported (Cooper and Schindler, 2006; Hair et al., 2003; Krueger, 2002).

Reliability and validity of the measurement instruments

Reliability as a reference to absence of differences in the
results if the research were repeated was performed for
the instrument (Collis and Hussey, 2009; Blumberg et al.,
2005; Collis and Hussey, 2003; Kothari, 2005). The pilot
test indicated that the instrument had good internal
consistency with all Cronbach’s alpha reliability
coefficients over 0.8 for both expected and actual service
perceptions. Validity as reference to the extent to which
the research findings accurately reflect the phenomenon
under study was performed too (Collis and Hussey,
2009). Structural equations modeling (SEM) was used to
test the theory through confirmatory factor analysis (CFA)
and goodness-of-fit tests. The CFA established whether
the model met the required minimum specifications. For a
well specified model, each of the independent variables
needed to have a minimum of three statements (scale
items) with factor loadings (pattern coefficients) of ≥ 0.70
to be considered for further analysis. Given that each
independent variable in this research had seven scale
items, the factors required collectively to have at least
three of the seven scale items to reflect good model
estimation. Failure to meet this minimum condition
implied poor specification and estimation of the
parameters in the observed data and such a scale item is
not used to determine a variable to include in the
empirical model. The goodness-of-fit test established
whether the researcher’s model fitted the sample data.
The goodness-of-fit test determined if the model being
tested should be accepted or rejected. However, the
overall test does not establish that particular paths within
the model are significant. It is important to note that only
when the model is accepted can the researcher proceed
to interpret the path coefficients in the model because
‘significant’ paths coefficients in poorly fit models are not
meaningful. Goodness-of-fit test was performed for FDI
clients’ hypothetical model in Figure 2. In this research,
multiple linear regression analyses were performed to
firstly, assess whether the identified seven independent
variables impacted service quality rendered to FDI clients
in Uganda. The paired samples t-test indicated that FDI
clients’ Gap 5 was existent in the investment environment
of Uganda. Qualitative findings used to supplement
quantitative results on Gap 5 among FDI clients in
Uganda. Strategies were identified and recommendations
made for possible adoption by GOU officials with a view
to closing Gap 5 and enhance FDI inflows to Uganda.

EMPIRICAL RESULTS

Confirmatory factor analysis (CFA) of FDI clients’
expected service quality

The confirmatory factor matrix for FDI clients expected
service quality based on the minimum factor loading
value of ≥0.7 for a scale item to be included in a pattern
of coefficients as depicted in Table 1. The factor loadings
represent the correlation coefficients between the
variables (rows) and factors (columns). The challenge is
to interpret the factor loadings worth considering for
inclusion in the pattern coefficients. Hair et al. (2003)
provide a rule of thumb for interpreting factor loadings.
Factor loading greater than 0.3 are considered to meet
just the minimum level; loading of near 0.4 are
considered more important; and loadings of ≥0.5 are
considered practically significant. For considering the
validity of the measurement instrument when doing
confirmatory factor analysis (CFA), literature sources
indicate that scale items must score values ≥0.7 to be
included in the pattern of coefficients (Stoelting, 2006).
Therefore, the larger the absolute size of the pattern
coefficients, the more important the factor loading when
interpreting the confirmatory factor matrix. By
convention, a factor needs to have one or more loadings
for inclusion in the regression analysis. Given the CFA
approach in this research, a factor needs to have three or
more loadings for inclusion in the regression analysis.
Table 1 show that all factors had the minimum pattern
coefficient of 3 or more scale items. However, although
five factors received all the seven scale items with factor
loadings ≥0.7, factors “clients’ awareness” and “past
experience” received six scale items with loadings ≥0.7.
Lower loadings were recorded on the “empathy”
dimension implying that FDI clients experienced poor
empathetic treatment by GOU officials in the Uganda
investment environment. Based on the aforementioned,
all the factors were included in the regression analysis for
determining the explained variance in FDI clients’
expected service quality in the Uganda investment
environment. The values for Cronbach’s alpha
coefficients in Table 1 indicate that they are all greater
than 0.9 which reflects good internal consistency of the
scale items in FDI clients’ research instrument that
sourced data to assess their expectations of investment
service quality from GOU officials.

The Cronbach’s alphas indicate that the construct
validity of the scales was good. Table 1 also shows that
Eigen values were >1, indicating the variance the
independent variables exerted on the dependent variable.
The Table further indicates that except for “GOU officials’
ofice setting” and “FDI clients’ needs” with
variances explained in the dependent variable of 60.9 and
61.8% respectively, all the other five independent variables
had variances explained in the dependent variable ranging
between 55.4 and 59.8%. It should be noted that by
convention, independent variables require to explain 50%
or more of the variance in the dependent variable to be
included in the specified model. Table 1 show that all the
independent variables explained more than 50 percent of
the variance in the dependent variable. The result shows
that the variance in the dependent variable (FDI clients’
service quality-expectations only) was adequately
explained by the seven independent variables. Except for
“clients’ awareness” and their “past experience”
independent variables that had two scale items scoring
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Loadings ≥0.7 were considered significant. Source: Primary data.
Table 2. Confirmatory factor analysis (FDI clients’ Actual Service Quality).

<table>
<thead>
<tr>
<th>Item</th>
<th>Other Clients’ advice</th>
<th>GOU’ Office setting</th>
<th>Clients’ needs</th>
<th>Client-GOU relationship</th>
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<tr>
<td>g7b</td>
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<td></td>
<td>0.71</td>
</tr>
</tbody>
</table>

Eigenvalues 3.4 3.6 3.8 3.6 3.3 3.4 3.6
Variance explained 49.0 51.1 53.7 51.9 47.8 54.7 51.7
Cronbach’s alphas 0.97 0.97 0.97 0.97 0.97 0.97 0.97

Loadings ≥ 0.7 were considered significant. Source: Primary data.

less than the threshold value ≥ 0.7 loadings for inclusion in the pattern coefficients, all scale items in the remaining independent variables scored more than 0.7 factor loadings and were all included in the pattern coefficients. Except for the service quality dimension “empathy”, the loadings indicated that FDI clients had high expectations in terms of service reliability, responsiveness, assurance, tangibles, technical and image quality dimensions. The fact that except for two scale items that did not obtain significant factor loadings, the significant factor loadings in all the rest of the scale items indicated good model specification with regard to FDI clients’ expectations of service quality. The results confirmed the researcher’s hypothetical model (Figure 2) on expectations scores. This means that the hypothetical model (Figure 2) was confirmed by means of confirmatory factor analysis on the FDI clients’ expectations scores only.

Confirmatory factor analysis (CFA) of FDI clients’ actual service quality:

The same procedure was followed for the confirmatory factor analysis pertaining to FDI clients’ actual service quality experiences. Table 2 shows the CFA matrix for FDI clients’ actual service with factor loadings (pattern coefficients) that represent the correlation coefficients between the variables (rows) and factors (columns). Contrary to FDI clients’ expectations scores, some independent variables had only three scale items with the
Table 3. Regressions analysis (FDI clients’ actual service quality).

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.570</td>
<td>0.525</td>
<td>0.502</td>
<td>1.11079</td>
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</table>

FDI clients’ Regression coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (constant)</td>
<td>24</td>
<td>0.280</td>
<td>0.135</td>
<td>88.244</td>
</tr>
<tr>
<td>Advice from other FDI clients</td>
<td>0.665</td>
<td>0.365</td>
<td>0.135</td>
<td>1.823</td>
</tr>
<tr>
<td>Office setting influences</td>
<td>-0.175</td>
<td>0.382</td>
<td>-0.036</td>
<td>-0.458</td>
</tr>
<tr>
<td>FDI clients’ needs influence</td>
<td>0.055</td>
<td>0.424</td>
<td>0.011</td>
<td>0.133</td>
</tr>
<tr>
<td>Relationship with GOU officials</td>
<td>0.667</td>
<td>0.433</td>
<td>0.136</td>
<td>1.829</td>
</tr>
<tr>
<td>FDI awareness levels of service</td>
<td>0.651</td>
<td>0.381</td>
<td>0.279</td>
<td>1.811</td>
</tr>
<tr>
<td>GOU officials’ awareness of FDI clients’ needs</td>
<td>0.663</td>
<td>0.361</td>
<td>0.134</td>
<td>1.831</td>
</tr>
<tr>
<td>FDI past experience with GOU officials’ service</td>
<td>1.396</td>
<td>0.382</td>
<td>0.284</td>
<td>3.657</td>
</tr>
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</table>

*** = <0.01 * = <0.1. Source: Primary data.

required factor loading value threshold of ≥0.7. From Table 2, it is clear that independent variables received pattern coefficients ≥0.7 as follows: “advice from other clients” and “FDI client awareness” had three items with loadings; the variable “FDI client-GOU relationship” had four item with loadings; the variable “GOU office settings” got five item loadings; variable “past experience” had six item loadings; and variables “clients needs” and “GOU awareness” had seven item loadings. The results indicated that all the seven independent variables received the three minimum requirements of three scale items with loadings ≥0.7 to be included in the regression analysis. The factor loadings for FDI clients’ actual service quality also indicated that clients valued “responsiveness, tangibles and technical quality” dimensions in their actual service experiences with GOU officials. The item loadings for the independent variable “clients’ awareness” indicated FDI clients noticed service quality dimensions “assurance” and “technical quality” and “image” in their actual service experiences with GOU officials. Although all the seven independent variables scored ≥3 item loadings thus meeting the minimum requirement for inclusion in the regression analysis, the dimension “technical quality” appeared in all the factor pattern coefficients for each independent variable reflecting the importance FDI clients attached to the receipt of the service they anticipated.

It should be noted that given the good Cronbach’s alphas, the variance explained in the dependent variable by each factor ranged between 47.8 and 54.7%. The highest variance explained was obtained by the variable “GOU awareness” of FDI clients (54.7%) and the lowest variance explained was by “clients awareness” (47.8%). According to secondary sources, variance explained in the dependent variable should be ≥50 percent. In this respect, independent variables “other clients’ advice” and “clients’ awareness” did not explain the required minimum of 50% and cannot therefore be used in strategy formulation to close FDI clients’ Gap 5. Eigen values ≥1 that accounted for the proportion of the explained variance have been indicated in Table 2. The Table also shows the Cronbach’s Alpha coefficient scores of ≥0.9 reflecting good internal consistency of the scale items in the FDI clients’ instrument. As reflected in the CFA for actual service quality, certain service quality dimensions were not understood or appreciated by FDI clients in evaluating quality of service in the Ugandan investment environment.

In conclusion, although there were good FDI clients’ “expectations” scores on all the independent variables with item loadings ≥0.7, some independent variables on the contrary received only three item loadings ≥0.7 for actual service quality. Two independent variables explained less than 50 percent of the variance in the dependent variable-actual service quality. The results both on the expectations and actual service scores indicated good model specification. As stated, this implies that FDI clients’ hypothetical model in Figure 2 was confirmed as well specified.

Multiple regressions (FDI clients)

Because perceptions were taken as reference points in this study, “actual service” scores which reflected the true service experiences of FDI clients received from GOU officials, actual service scores were used in the regression rather than the “expected service” scores. Empirical evidence is available to motivate why “actual service experience” scales are the most applicable to assess clients’ “service quality” (Cronin and Taylor, 1994; Babakus and Boller, 1992; Boulding et al., 1993). Based on the aforementioned, only the “actual service experience” scale scores were used in the multiple regression analysis as a reflection of the service FDI clients actually experienced from GOU officials. Table 3
shows how the hypotheses in respect to FDI clients' "actual service" were tested.

Testing of hypotheses

H1.1: "Advice" from other FDI clients influences "service quality" of FDI client

A statistically significant positive relationship between "advice" from other FDI clients and "service quality" perceptions of FDI clients was found (p<0.1). H1.1 is therefore not rejected. Therefore, the null hypothesis is rejected. This implies that there is sufficient evidence at the 90 percent level of significance to support the alternative (directional) hypothesis.

H1.2: GOU "office setting" influences "service quality" of FDI clients

No statistically significant relationship was found between GOU "office settings" and "service quality" perceptions of FDI clients (P>0.1). H1.2 is rejected. Therefore, the null hypothesis is not rejected. This then means that there is insufficient evidence to support the alternative (directional) hypothesis.

H1.3: "FDI clients' needs" influence their "service quality":

No statistically significant relationship was found between "FDI clients' needs" and "service quality" (p>0.1). H1.3 is rejected. Therefore, the null hypothesis is not rejected. This then means that there is insufficient evidence to support the alternative (directional) hypothesis.

H1.4: "Relationship with GOU officials" influences "service quality" of FDI clients

A statistically significant positive relationship between "relationships with GOU officials" and "service quality" perceptions of FDI clients (p<0.1) was found. H1.4 is not rejected. Therefore, the null hypothesis is rejected. There is sufficient evidence at the 90% level of significance to support the alternative hypothesis.

H1.5: "FDI awareness" levels of service influences their "service quality"

A statistically significant positive relationship between "FDI awareness levels" of service and "service quality" (p<0.1) was found. H1.5 is not rejected. Therefore, the null hypothesis is rejected. This then means that there is sufficient evidence at the 90 percent level of significance to support the alternative hypothesis.

H1.6: "GOU officials awareness of FDI clients' needs" influence "service quality" of FDI clients

A statistically significant positive relationship was found between "GOU officials' awareness of FDI clients' needs" and "service quality" perceptions of FDI clients. H1.6 is not rejected. Therefore, the null hypothesis is rejected. There is thus sufficient evidence at the 90 percent level of significance to support the alternative hypothesis.

H1.7: "FDI clients' past experience with GOU officials' service" influence "service quality" of FDI clients

A statistically significant positive relationship between "FDI clients' past experience with GOU officials' service" influence "service quality" perceptions of FDI clients was found (p<0.01). H1.7 is not rejected. Therefore, the null hypothesis is rejected. There is thus sufficient evidence at the 99 percent level of significance to support the alternative hypothesis.

From Table 3, it is clear that the adjusted $R^2$ value for FDI clients' "actual service" model value of 0.502 reflects the model's goodness of fit for the population. The adjusted R-square implied that the FDI clients' sample reflected 50 percent representation of the population of all FDI clients in the Ugandan investment environment. The Table also shows that the t-values reflecting the statistical significance of each of the regression coefficients were significant for five independent variables that had statistically significant relationships with the dependent variable. The standardized Beta coefficients that show the relative contribution of each independent variable to the explanatory power of the equation were not used in the discussion as they are relevant to situations when the variables are measured on different scales. Given that the independent variables were measured on the same scale, the Beta coefficients were not discussed.

Empirical model of FDI clients’ service quality perceptions

The regression scores used in the empirical model in Figure 3 were based on the actual service scores. The solid lines signify significant relationships while the dash lines signify relationships that were not significant. The empirical model shows that two of the seven independent variables did not have statistically significant relationships with the dependent variable namely office setting (0.647) and FDI clients’ needs (0.895) depicted in dashed lines.
The Figure also shows that the most significant relationship (0.000) was exhibited by FDI clients’ “past experience”.

Independent variables that showed statistically significant relationships included “advice from other FDI clients” (0.70), “relationships with GOU officials” (0.068); “FDI client awareness levels” (0.065), “GOU officials’ awareness of FDI clients’ needs” (0.069), “FDI clients’ past experience” (0.000). Further, it is clear from the empirical model that FDI clients’ Sector destination decisions were majorly influenced by the statistically significant relationships. This implies that GOU officials need to put more emphasis on the significant relationships in designing services that would meet expectations of FDI clients and improve FDI inflows to Uganda. Further, the empirical model shows that FDI clients were not impressed by office settings perhaps because they originate from better office settings. The
Table 4. Paired Samples t-test between FDI clients expected and actual service.

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>Sig. (2-tailed)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Upper</td>
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<tr>
<td>Pair 1 hb-ha</td>
<td>-4.40930</td>
<td>5.76891</td>
<td>0.39344</td>
<td>-5.18481</td>
<td>-3.63380</td>
</tr>
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<td>214</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. (2-tailed)</td>
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</tbody>
</table>

Paired samples statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1 hb</td>
<td>24.7395</td>
<td>215</td>
<td>4.91964</td>
<td>0.33552</td>
</tr>
<tr>
<td>Ha</td>
<td>29.1488</td>
<td>215</td>
<td>5.58671</td>
<td>0.38191</td>
</tr>
</tbody>
</table>

Significance level ≤0.05; Source: Primary data.

Table 5. Relative importance of service quality dimensions to FDI clients.

<table>
<thead>
<tr>
<th>Service quality dimension</th>
<th>FDI clients’ views</th>
<th>Frequency</th>
<th>Percent</th>
<th>Dimension ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>Agree</td>
<td>130</td>
<td>61</td>
<td>1</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Agree</td>
<td>111</td>
<td>51</td>
<td>4</td>
</tr>
<tr>
<td>Assurance</td>
<td>Agree</td>
<td>108</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>Empathy</td>
<td>Agree</td>
<td>119</td>
<td>55</td>
<td>3</td>
</tr>
<tr>
<td>Technical quality</td>
<td>Agree</td>
<td>101</td>
<td>47</td>
<td>7</td>
</tr>
<tr>
<td>Image quality</td>
<td>Agree</td>
<td>106</td>
<td>49</td>
<td>6</td>
</tr>
<tr>
<td>Tangibles</td>
<td>Agree</td>
<td>123</td>
<td>57</td>
<td>2</td>
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</table>

Source: Primary data.

model also shows that individual needs did not have statistically significant relationships implying that a standard service would be adequate to influence FDI clients’ decisions on FDI inflows to specific Sector destinations in Uganda.

Paired samples t-test

The paired samples t-test involved testing the second set of hypotheses in respect to the potential disparity between FDI clients’ perceptions and expectations of quality service in the Ugandan investment environment. Perceptions (actual experiences) were taken as reference points. The null hypothesis thus was:

**H2.0: There are no disparities between FDI clients’ “perceptions” and pre-encounter “expectations” quality investment services**

A statistically significant relationship between FDI clients’ “perceived” and “expected” service quality was found (p<0.005). H2.0 was rejected. Therefore, the alternative was not rejected. This then implies that there was sufficient evidence at the 99% level of significance to support the alternative hypothesis. To confirm whether a disparity existed between “perceptions” and “expectations” of service quality to FDI clients in the Ugandan investment environment, a paired samples t-test was performed. Equal variances were assumed for this t-test due to pooled estimates of variance of scores from the same sample of respondents for the two service quality perceptions. The paired samples statistics indicated that the means were 29.1488 (actual service) and 24.7395 (expected service) with a mean difference of -4.40930 (hb-ha) with a significance of 0.000. The difference implied that FDI clients’ perceptions (actual service quality) were lower than their expectations, hence the negative mean difference. Table 4 depicts the statistics aforementioned.

Relative importance of service quality dimensions to FDI clients

The frequencies in Table 5 indicate that 130 FDI clients (61%) believed that service reliability was the most important dimension for evaluating investment services from GOU officials. The Table also indicates that 123 clients (57%) believed that tangibles accompanying investment services were the second most important
dimension for evaluating investment service from GOU officials in the Uganda investment environment. The third in importance was service empathy and the fourth responsiveness. The Table further shows that image quality and technical quality did not matter much and were ranked the 6th and 7th respectively. The poor performance of the image dimension could be due to better images in points of origin of the different FDI clients. The least importance of technical quality exhibited by FDI clients could to the credence characteristics of service offerings that were difficult to evaluate.

Empirical results from qualitative data

Informal methods of quantifying qualitative data (Collis and Hussey, 2009) were adopted for qualitative data analysis in this study. The frequencies of responses were grouped according to the disparity reflected by FDI clients' mindset. As Table 6 shows, two broad mindset groupings emerged namely no disparity mindset and the disparity mindset. Further examination revealed that the no disparity mindset had two levels namely desired service level and adequate service level. Similarly, the disparity mindset had two levels namely service delight level and frustrating service level. It should be stated that each response was traced to its focus group interview, interview question and participant's number in the group. For instance, FG1.1.1 (1) referred to focus group 1, interview question 1, participant 1, and response (1). The four service levels as depicted in Table 6 reflect contrasting categories of FDI clients' disparity and no disparity mindsets. The two broad mindsets depict FDI clients' disparities between perceptions of the quality of service they expected (Gap 5) in the Uganda investment environment.

Conclusions

Qualitative findings indicated that the FDI clients’ Gap 5 existed between their perceptions and expectations of quality investment services in the Uganda investment environment. Qualitative findings indicated that a no disparity could in fact imply that an FDI client's perceptions reflect meeting their expectations at either desired or adequate service quality levels. Qualitative findings also indicated that a disparity reflected either a frustrating service or a service delight. The qualitative findings truly enhanced the validity of the study findings. The aforementioned imply that in comparing perceptions and expectations of clients, a researcher can come up with four mindsets as depicted in Table 6.

Strategies GOU officials may adopt to close Gap 5

Firstly, given the high level of affluence and incomes associated with most FDI clients coming to invest in Uganda, a “no frills” investment service strategy may be crafted with emphasis on meeting basic service quality expectations for those FDI clients who may not be bothered by receiving just adequate services. This strategy closes Gap 5 as long as clients whose basic expectations are adequately met. The strategy reflects a synchronisation of clients’ expectations and their low perceived added value. The requirement would be for GOU officials to design an adequate added value service that offers just the basic investment services i.e. offer no extras. The danger with this service mindset is the possibility for GOU officials to mistakenly offer a “no frills” service to an FDI client who in fact expected a superior service. Secondly, a superior level perfect match service strategy may be crafted to deliver a desired added value. Although it reflects absence of any Gap, the strategy depicts a higher level of service experience. The strategy reflects a synchronisation between FDI clients’ expectations and GOU officials’ designed service at a higher level. GOU officials need however to use a broad differentiation strategy to ensure a vivid variation between negative and positive synchronisations when no Gaps exist. The differentiation may be marketing-based promotional messages that target specific FDI Sector destinations thus aiding decision making processes by FDI clients. GOU officials may also build innovative capabilities to offer unique services through increased investments in Research and Development (R&D) with a view of improving their expertise in designing quality FDI services. Lastly, GOU officials may also choose to niche some specific investment services for those few FDI clients interested in high capital projects like petroleum exploration contracts. In this case the services may be unique for FDI clients interested in those specific Sector destinations. Although several conditions are necessary for the success of this strategic option, any FDI clients' niche should be large enough to be economic for GOU.
officials. This policy may be used to deliver the desired service quality or service delight to those who belong to a specific niche of Sector destination. It is important to realise that services are essentially intangible and that any service strategies take into consideration the human factor both as a tangible and an intangible composite factor that impacts any service co-production process. Issues of packaging and delivering an appropriate core service should be key for all GOU officials. Back-up and peripheral elements of the service should never be ignored. The aforementioned service strategies are by no means exhaustive.

Future research

Given that both quantitative and qualitative analyses indicated that Gap 5 existed, future research can be directed on other Gaps to find if they could be responsible for poor service to FDI clients. A study including other sectors and other service quality Gaps may also be done in the context of service quality in the Uganda investment environment.

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