An exploratory study of capability building among African multinational enterprises

AN EXPLORATORY STUDY OF CAPABILITY BUILDING AMONG AFRICAN MULTINATIONAL ENTERPRISES

By

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DECLARATION

I hereby certify that this thesis is my original work. It has neither been previously accepted for the award of any degree nor being concurrently submitted for any other Degree.

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ABSTRACT

This study explored the fundamental question of the capabilities that African multinational enterprises build, especially before undertaking cross-border asset seeking endeavours and how the MNEs build such capabilities. Using multiple case study design, I obtained the data for the study from a combination of archival and interview data obtained from eight African MNEs which originate from four African countries, including South Africa, Nigeria, Togo, and Zimbabwe. The informants were 48 senior executives, including corporate executives, regional managers, and the Chairmen, of the selected MNEs. The data was analysed using the recommended guideline for building theory from case study approach, covering within and cross case analysis processes.

The findings reveal that African MNEs develop scalable advantages in the areas of product, people, and processes (PPP). In addition to uncovering the capabilities that the MNEs build, my most fundamental contribution is a process theory of how African MNEs enhance their scalable advantages by undertaking three interrelated activities, namely skilling, transcending, and consolidating. Also, another central contribution of the study is a framework of how African MNEs integrate internally developed and externally acquired capabilities through a combination of transcending and spanning processes. Based on the foregoing findings, I propose that emerging markets firms that develop scalable (product, process, and people) advantages would be able to engage in cross-border value creation by combining internal and external capabilities.

The study contributes to the growing literature on emerging markets multinational enterprises (EM MNEs') capability development. More specifically, the study contributes to EM MNEs-focused frameworks, notably Mathews' LLL framework, by explaining the capabilities that EM MNEs possess prior to engaging in linkage, leverage, and learning activities. Also, within the wider IB literature, the study contributes to the categorization of the O sub-paradigm of Dunning's OLI paradigm, by showing the link between static and dynamic advantages. Finally, the implications of the present study to research, practice and policy were discussed.

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INTRODUCTION

1.1 Background of the Study

Multinational enterprises (MNEs), as the name suggests, primarily establish and coordinate business operations across borders, sometimes spanning the same or different continents. In the context of this study, we define an MNE as any enterprise that has established value creation activities in two or more countries, whereby the operations in the different jurisdictions exist interdependently or independently, as the case may be (Hennart, 1986), but coordinated, usually from the parent office, in order to achieve corporate goals (Hymer, 1960, 1976; Hennart 1982). Traditionally, international business (IB) scholars (e.g., Hymer 1960, 1976; Caves, 1971; Aliber, 1970) acknowledge the centrality of relevant capabilities or assets to multinational business activities. They argue that MNEs build uncommon assets through their internal organisational hierarchies which are commonly referred to as hierarchical capitalism (Dunning, 2001). The traditional MNE theories trace the origin of multinational operations to the conscious efforts by the firms that have accumulated unique capabilities within their home countries to deploy the capabilities across borders to take advantage of existing opportunities. In other words, they view MNEs as vehicles consciously created by firms to exploit firm-specific assets (FSAs) beyond their home country's national borders. Furthermore, the possession and cross-border exploitation of such uncommon assets were considered the preserve of firms from selected advanced regions, including North America and Western Europe (Guillen & Garcia-Canal, 2009). Hence, multinational business operations were traditionally seen as phenomena that are associated mainly with developed nations.

Several traditional MNE theories, including the OLI paradigm (Dunning 2001), the Internalization theory (Buckley & Casson, 1976, 1981), and monopolistic theory (Hymer, 1960, 1976), offer valuable insights into how the possession of proprietary resources enables MNEs' internationalization behaviour. The dominant view of Hymer's (1960, 1976) monopolistic theory is that firms accumulate uncommon assets in their home country which give them competitive edge over domestic players in target host markets. They argue that MNEs use the proprietary assets at their disposal to offset whatever limitation they might face in the host country, particularly the challenges which are consequences of being foreign - 'liability of foreignness' (Hymer, 1960). He further suggests that the possession of the proprietary assets enables MNEs to compete on equal grounds with domestic firms.

Furthermore, the central argument of the original Dunning's (1977, 2001) ownership, location, and internalization (OLI) paradigm is that MNEs can invest in foreign markets, especially through FDI, when three important conditions are met. First, they possess certain proprietary assets (Ownership-specific advantages). Second, there is the availability of host markets with the requisite location-specific complementary assets needed for the efficient exploitation of the proprietary assets (Location-specific advantages). Third, market failure situations in the host country necessitates the use of internal market mechanisms, that is, bringing all value-creation activities under common ownership and control instead of using external market mechanisms (Internalization advantages). It is suggested that internalizing markets fosters smooth operations, controls the cost, and protects the investors' intellectual property from possible exploitation by third parties.

Moreover, the internalisation theorists (e.g., Buckley & Casson, 1976, 1981; Rugman, 1981, Hennart, 1982) focused mainly on the transaction costs' implication of coordinating business operations across borders. They argued that firms will undertake FDI when it is considered more financially rewarding to set-up, own and control their production facilities across borders. This will enable the investing firms to exploit their existing assets through internal mechanisms instead of through licensing or other avenues that involve engagement of external businesses. It is suggested that firms are more likely to internalize their value creation activities due to imperfections in the market for the intermediate assets such as technology, knowledge, brands, among others. The internalization theorists believe that firms make optimum profits under internal mechanisms rather than market mechanisms.

However, Hennart (1986:803) observed that the cost of intermediate products markets is a necessary but not sufficient rationale for engaging in cross-border internalization because "internalization also has its costs." He argues that the extent the internalizing firm can benefit from the internalization of the markets would depend on the firm’s ability to orchestrate an efficient organisational structure that supports reduction of relevant internal costs. He therefore suggests that MNEs’ decision to internalize cross-border operations or otherwise should be based on the outcome of a detailed analysis of the cost and benefits of using market mechanisms compared with the benefits and costs of using internal mechanisms, including some overlooked costs such as employee shirking and loss of valuable trade secrets as a result of high employee turnover in foreign subsidiaries. The analysis will, among other things, determine the level of control the headquarters will maintain in given subsidiaries. For instance, it will help management to decide on the degree of interdependence or autonomy to maintain between the headquarters and specific subsidiary operations.

Contrary to the traditional view of MNEs as originating solely from the West, recent developments in the FDI world, especially within the past two to three decades, have shown that firms from the emerging markets, including Asia, the Middle East, Central and Eastern Europe, Latin America and Africa (Hoskisson et al., 2000), which were generally not associated with multinational operations, are increasingly undertaking outward foreign direct investments (OFDI), just like their Western counterparts (see, e.g., Hoskisson et al., 2013; Luo & Tung, 2007; Xu & Meyer, 2013; Li & Hoon, 2016; Luo & Zang, 2016; UNCTAD, 2015; Ibeh et al., 2012; Ibeh et al., 2018; Wright et al., 2005; Heenan & Keegan, 1979; Lall, 1983). This group of MNEs which originate from the emerging markets are commonly referred to as emerging market multinational enterprises (EM MNEs). Evidence has shown that these EM MNEs are not only undertaking foreign direct investment (FDI) in developing countries, but are also investing in developed countries and even competing against traditional MNEs for global relevance in some sectors (Klein & Wocke, 2007; Mathews, 2006; Luo & Tung, 2007; Wright et al., 2005). Following the increasing internationalization activities, especially the assets seeking behaviour of these EM MNEs, and his evolving knowledge of MNEs activities, Dunning (1995) acknowledged that MNEs, in addition to the internally developed assets, can also obtain assets from external sources through engagement in some form of alliances such as M&As and/or strategic alliances with independent businesses. This recognition heralded a shift from hierarchical capitalism to alliance capitalism.

Although, the extant theoretical views offer immense help towards a better understanding of the origins of MNEs, especially with regards to the connection between the possession of assets and MNEs' cross-border value creation activities, some fundamental issues remain regarding the origin of EM MNEs. First, being mainly focused on behaviour of established MNEs from advanced countries, the traditional MNE theories essentially suggest that firms undertake cross-border investment operations mainly as a platform for the exploitation of accumulated proprietary advantages in foreign markets. Second, studies (e.g., Johansson & Vahlne, 1977) suggest that MNEs' cross-border expansion activities follow an incremental pattern, beginning from the most psychically close markets and then to the more psychically distant markets, usually in direct proportion to the level of their knowledge of foreign markets' operations. This, in one sense, implies that MNEs from, say, less advanced economies, will begin their cross-border investment journey by investing, first in other comparable economies, maybe within their regional markets and, overtime, as they gain more internationalization experience, extend investments to more advanced economies and vice versa. The incremental cross-border expansion also implies that MNEs will employ less risky entry strategies such as exporting at the outset of their cross-border investment operations and then upgrade to more risky forms of foreign engagements such as foreign direct investment (FDI) with further increase in their knowledge of international investment operations. This, according to the proponents, enables the foreign investors to reduce the risk of investing in unfamiliar environments (Johanson & Vahlne, 1977).

However, critics (e.g., Mathews, 2002, 2006; Cuervo-Cazurra, 2012; Luo & Tung, 2007) have contended that the nature as well as the cross-border expansion behaviour of EM MNEs is generally different from those of the Traditional MNEs. First, it has been observed that the EM MNEs lack proprietary assets and may specifically undertake strategic assets-seeking FDI activities as a springboard to obtain such deficient assets (Luo & Tung, 2007). Second, evidence has shown that one of the cardinal differences between traditional MNEs and EM MNEs is that EM MNEs exhibit both radical and incremental internationalization behaviours by simultaneously investing in both unfamiliar and familiar markets, even without prior experience of cross-border investment operations (Ibeh et al., 2018; Boojihawon & Acholonu, 2013, Wright et al., 2005). The foregoing shortcomings reveal the inadequacies of traditional MNE theories to sufficiently explain the behaviour of EM MNEs (Cuervo-Cazurra, 2012).

1.2 Statement of the Problem

The emergence of EM MNEs is generally seen as an unprecedented phenomenon which defies traditional assumptions and explanations for the emergence of multinational enterprises. This is not only because EM MNEs originate from countries or regions that are generally not associated with outward FDI investment activities, but, more importantly, because they are typically less endowed with proprietary or strategic resources which extant theoretical perspectives view as sufficient conditions for undertaking cross-border value creation activities (e.g., Buckley & Casson, 1976; Dunning, 1977; Hymer 1960, 1976). Therefore, EM MNEs' cross-border expansion remains a source of scholarly debate among IB scholars. Accordingly, a growing number of scholarly attempts have been made to improve understanding of how EM MNEs are able to undertake cross-border investment operations. One of the most interesting questions has centred around what capabilities EM MNEs possess and how they build such capabilities (e.g. Holburn & Zelner, 2010; Chang 1995; Elango & Pattnaik 2007; Luo et al., 2011; Becker-Ritterspach & Bruche, 2012; Klein & Wocke, 2007; Carney et al., 2016).

The most influential view has been the Linkage, Leverage and Learning (LLL) framework developed by Mathews (2006a). Mathews postulates that EM MNEs build capability through identifying firms that possess relevant proprietary assets and consciously joining operations with such firms via strategies such as mergers, acquisitions, alliances and so on (Linkage). The expanding resource-seeking firms typically take advantage of the target partners' resources to enhance their value-creation capabilities (Leverage), and, over time, acquire such assets to bridge perceived knowledge gap (Learning). However, although the LLL framework offers vital insights into the processes through which EM MNEs obtain proprietary assets, critics (e.g., Li, 2007) have highlighted some issues.

First, it has been observed that Mathew's analysis focused mainly on explaining the process through which EM MNEs obtain proprietary assets from external, particularly cross-border sources (Dunning, 2006) but without explaining the capabilities that the EM MNEs possessed before embarking on such cross-border asset-seeking FDI (Narula, 2006). Scholars have argued that MNEs typically develop firm-specific assets (FSAs) within their home country prior to engaging in any form of cross-border assets acquisition or alliance (Dunning, 2001; Dunning and Lundan, 2008), and that they primarily enter into collaborative business relationships such as mergers and acquisitions in order to leverage alliance partners' assets to enhance the efficiency of existing assets (Graebner & Eisenhardt, 2004; Dunning & Lundan, 2008, Narula, 2006). The existing assets, it is suggested, influence the extent to which resource acquiring firms can absorb external knowledge, i.e. their absorptive capacity (Cohen & Levinthal, 1990). In other words, firms, including EM MNEs, require assets to be able to absorb assets; a phenomenon Eisenhardt and Schoonhoven (1996, p.137) described as "the most fundamental irony of alliancing."

Second, reflecting its dominant focus on asset acquisition or leveraging from partners based mainly in advanced economies, the LLL framework does not adequately explain how EM MNEs build capability for and through regional expansion (Cuervo-Cazurra, 2012; Boojihawon & Acholonu, 2013; Wright et al., 2005). As previous research shows, most EM MNEs internationalize mainly within their home region (Li, 2007; Rugman & Verbeke 2004; Oh & Rugman, 2014; Wolf & Egelhoff, 2012) with the exception of India firms which do not enter into certain regional markets due to prevailing political rivalries between different host and home countries within the region (see., e.g., Buckley & Munjal, 2017; Buckley et al., 2017). The regional internalization behaviour is particularly the case among emerging African MNEs, a phenomenon commonly referred to as Africa-to-Africa internationalization (see, e.g., Boso et al., 2016; Adeleye & Boso, 2016). Third, although the LLL framework explains the mechanism through which EM MNEs obtain proprietary assets, not much is known about how they integrate such externally acquired assets with existing assets. Overall, although previous studies have offered important insights into the pivotal influence of assets on MNEs' expansion, more empirical research is required regarding the capabilities that EM MNEs' possess and how they build such capabilities.

1.3 Aims and Objectives of the Study

The overarching aim of the present study is to improve understanding of the capabilities that underpin EM MNEs' cross-border value creation activities, using African MNEs as case subjects. The specific research objectives are to:

1) explore the capabilities that African MNEs build.

2) explore the mechanisms through which African MNEs build their capabilities.

3) investigate how African MNEs integrate externally acquired and internally developed assets; and

4) examine how the capabilities enable African MNEs to undertake cross-border value creation activities.

1.4 Significance of the Study

The present study offers both practical and theoretical contributions. From the practical perspective, the study has the potential to influence trade and investments policy making in emerging markets, within the African region and beyond. More specifically, the findings could guide policy makers to design policies that promote continuing capabilities' development among EM MNEs. They provide necessary support for existing as well as prospective EM MNEs to better understand pertinent capabilities for cross-border value creation operations, including how such capabilities might be effectively developed. From a theoretical perspective, the present study contributes to further development of existing IB theories, including the theories of the MNE, as well as the literature on EM MNEs' capability building. The foregoing was achieved, first, by addressing the identified research gap regarding enhancement of understanding of the capabilities that EM MNEs develop which enable them to undertake multinational operations and, more importantly, the mechanisms through which the firms build such capabilities. This responds to recent calls for research into how emerging market businesses build capabilities (e.g., Meyer & Peng, 2016).

Second, by explaining how EM MNEs integrate externally acquired and internally developed capabilities, the study advances EM MNEs'-focused IB frameworks (e.g., Mathews, 2006) which argue that EM MNEs combine external and internal resources. This responds to calls for further investigation into how EM MNEs integrate proprietary assets acquired from cross-border assets seeking investments with their in-house resources (Xu & Meyer, 2013), especially considering the differences in background, contexts and structures of the EM MNEs and the traditional MNEs (Wright et al., 2005; Luo & Tung, 2007; Mathews, 2006). To the best my knowledge, no other study has investigated the mechanisms through which EM MNEs integrate acquired assets with existing resources, especially by taking into consideration the resources obtained from both strategic alliances as well as M&As.

Third, reports suggest that, within the past two decades, the aggregate contributions of African firms to global trade and investment figures have increased noticeably (Ibeh et al., 2018; UNCTAD, 2018) although they generally do not benefit from direct government support or control (Amighini et al., 2010; Ramamutari, 2012), which is widely associated with the internationalization of Chinese MNEs (see, e.g., Buckley et al. 2007; Buckley et al. 2008; Hong et al. 2015; Li 2007; Luo et al., 2010; Wang et al., 2012). This makes African MNEs interesting cases for the analysis and understanding of EM MNEs' capabilities development. Also, compared to other emerging markets' MNEs, notably from China and India, the activities of African MNEs, remain largely unexplored and undocumented (Boso et al., 2018). Therefore, the present study contributes to addressing the gap in the knowledge of the behaviour of African MNEs as well as the nature of African business environment, especially among strategic management and IB scholars (e.g. Walsh, 2015; Zoogah & Peng 2015).

1.5 Organisation of the Study

The present study is organized as follows: Chapter 1 introduces the project, explaining its background, research problem, aims and objectives, as well as significance. Chapter 2 reviews the extant literature on MNE theories, including the traditional and more recent theories pertaining to EM MNEs. Chapter 3 reviews additionally relevant literature, focusing mainly on the classification of O advantages into static and dynamic advantages. Chapter 4 presents the study's context, including the distinctive characteristics of the African business environment and how such characteristics influence IB activities. Chapter 5 discusses the study's methodology, covering topics such as research design, philosophical underpinning, case selection, data collection, data analysis, reliability and validity, and ethical considerations. Chapters 6, 7 and 8 are present and analyse the study’s empirical findings, respectively dealing with the capabilities that African MNEs develop, the how they build their capabilities, and the mechanisms through which African MNEs integrate internally developed and externally acquired assets. Finally, Chapter 9 discusses the findings of the study and offers appropriate conclusions and recommendations.

Chapter Two:

REVIEW OF EXTANT THEORIES OF THE MNEs

2.1 Introduction

Multinational enterprises (MNEs) are viewed as objects of both practical and theoretical relevance. From the practical perspective, MNEs are widely, but not universally, seen as agents of institutional change (Cantwell et al., 2010) which drive the economic growth and development of their home and host countries. Evidence, for example, suggests their contribution to employment creation and to energising host economies through supporting the growth of small and medium scale enterprises (SMEs). The latter is achieved through providing a market for SMEs' skills and products and offering a platform for shared value creation activities, via backward integration or other forms of contractual arrangements. Owing to the strategic roles that MNEs play in national economic development, several countries, including home and host governments, consciously institute measures to support local businesses to undertake cross-border investment activities and/or attract foreign direct investments (FDI). Significantly, scholars (e.g., Acquaah, 2008) have cited the need to create a platform to incentivise or protect the interest of MNEs among the cardinal motivations for nations entering into economic integration agreements with other countries. The above-noted policy interest seems warranted given that, compared to domestically focused firms, MNEs often face more complex and dynamic environmental forces as they strive to coordinate value-creation activities across diverse home and host markets.

Several theoretical contributions have been made to improve understanding of the behaviour of MNEs, including their origin, motivation, market selection and entry mode (Rugman et al., 2011). This chapter reviews some traditional MNE theories, including Hymer's (1960, 1976) monopolistic theory, Vernon's (1966) product lifecycle concept, internalization theory (Buckley & Casson, 1976), Johanson and Vahlne's (1977) incremental internationalization model and Dunning's (1977) OLI paradigm. New MNE frameworks such as Mathew's (2006) LLL framework are also covered. These existing theoretical explanations provide valuable insights into why and the circumstances under which MNEs undertake FDI, that is, establish value-creation activities in host countries instead of merely undertaking portfolio investments (Dunning & Rugman, 1985). The review focuses mainly on the core arguments of the theories with a view to understanding the extent to which they, individually or collectively, explain capability building and internationalization behaviour among EM MNEs. Table 2.1, below, summarises the major proponents and central arguments of the key MNE theories reviewed in the present study.

2.2 Traditional Theories of the MNEs

Hymer's (1960, 1976) monopolistic theory offers invaluable insights into the behaviour of modern MNEs. Scholars (e.g., Dunning & Rugman, 1985) observe that beginning from the late 1960s, the thinking about how and why MNEs are formed changed from a country perspective to firm-specific focus. This development is generally attributed to Hymer's (1960) PhD research project, which was later published in 1977 (e.g. Guilen and Garcia-Canal, 2009). In addressing the question of why foreign investors can survive competitive pressures in host markets, Hymer suggests that the firms possess uncommon capabilities which are superior to the assets owned by domestic players in host markets. Specifically, he argues that MNEs develop Bain-type advantages in their home country, including "scale economies, knowledge advantages, distribution networks, product diversification, and credit advantages" (Dunning & Rugman, 1985, p. 229). He further asserts that because of the uniqueness of such advantages, in terms of scale, efficiency and costs, it is usually not very easy for prospective competitors to enter into the product markets, hence the asset owners enjoy monopoly power, especially in the short run.

Hymer suggests that under structurally imperfect market situations in host markets, MNEs will transfer their firm-specific assets (FSAs) across borders and establish their own value-creation facilities in host markets instead of engaging market intermediaries. Furthermore, he suggests that when deployed in the host market, the assets will enable the MNEs to overcome the obvious disadvantages they face as foreign investors compared to local investors. He refers to these disadvantages, which may include lack of or limited knowledge of the local market, institutions, and government policies, as 'liability of foreignness' (LOF) (Hymer 1977; Zaheer, 1995; Guilen and Garcia-Canal, 2009). Hymer further argues that possessing superior FSAs over domestic competitors will practically allow the investing MNEs to operate on a level playing field in the host market. Following Hymer's lead, the unit of analysis of MNE-focused studies shifted from the country to the MNE as an entity (Rugman et al., 2011). As Dunning and Rugman (1985, p.228) observe, "Hymer's great insight was in focusing attention upon the MNE as the institution for international production, rather than international exchange." This insight, among other things, highlighted the relevance of internalization of intermediate products such as knowledge or technology across borders by MNEs. Hymer suggests that by using in-house production facilities to exploit the existing FSAs, MNEs are able to maintain control of the use of the assets, reduce the risk of such assets being stolen by competitors, enhance and prolong the returns derivable from the exploitation of such assets and also maintain the monopolistic power accruable from such uncommon assets. Hymer's analysis fully highlights the import of structural market failures in host markets in MNEs' decision to engage in FDI.

However, although Hymer's analysis provides undeniable insights into the origin of MNEs, particularly highlighting the possession and relevance of firm-specific advantages (FSAs) to MNEs' foreign expansion process (Rugman, 1981), critics have observed some shortcomings. First, it is argued that Hymer's analysis overlooks the transactional consequences of common control of intermediate product use both at the international and home production levels (Dunning, 1981). In other words, Hymer's analysis does not "explicitly or implicitly consider that hierarchical organisation structures can replace imperfect markets for reasons of efficiency" (Dunning & Rugman, 1985, p.230). Second, critics argue that Hymer also neglected the effect of institutional distance between home and host countries in his account of how FSAs could be deployed across borders. In other words, he downplayed the influence of differences in macro-environmental factors such as differences in government regulations, economic and social characteristics between home and host countries on the behaviour of firms (Dunning and Rugman, 1985). Hence, it is suggested that Hymer's analysis over-emphasised the power of firm-specific ownership advantages in dealing with differing macro-environmental forces prevalent in host markets (Dunning & Rugman, 1985). Third, it is also suggested that Hymer's analysis sidesteps the import of location of MNEs' activities, thereby neglecting the relationship between location-specific factors and ownership-specific factors in the internationalization process of MNEs (Dunning & Rugman, 1985).

Fourth, Buckley and Casson (1976) suggest that Hymer's analysis failed to explain how MNEs build their FSAs. They subsequently suggest that MNEs build FSAs through a three-stage process, the first of which entails accumulating advantages through targeted investments in research and development (R&D) activities aimed at generating specific advantages in relevant business activities such as brand management skills, marketing expertise, managerial skill and technological fields (Hirsch 1976), among others. Secondly, MNEs are said to develop organisational systems that foster the institutionalization of the advantages created (Dunning & Lundan, 2008). Put differently, they design systems to ensure that the advantages are embedded in teams or organisational units and not in individual employees, thus forestalling the loss of such advantages and enhancing their sustainability, viability, and contribution to the MNE's competitive position. The third step in MNEs' development of FSA reportedly involves designing a cost-effective intra-firm information network to enable the efficient transmission of the advantages and embedding these within organisational teams or units where they are needed for necessary action. The intra-firm transmission network will also enable the protection of the advantages from exploitation by external parties. Despite, the above noted shortcomings, Hymer is still viewed as the father of modern MNEs and his analysis remains the basis for further theoretical development in the field of IB (Rugman et al., 2011).

Another theoretical view advanced to explain the behaviour of MNEs is Vernon's (1966, 1979) product lifecycle concept (PLC). Vernon conceptualized MNEs as mainly Western entities, but which exhibits some dynamism and is influenced by the availability and cost of necessary complementary assets in their choice of country of operations PLC model, Vernon's PLC model explained the emergence of MNEs using the cyclical pattern of developments and diffusion of new products. It is reported that, during the 1950s to 1960s, following the late 19th century industrial revolution, some countries around North America and other Western European countries, including the United Kingdom, developed competitive advantages in specific aspects of business such as managerial expertise and technology which culminated in the development of superior brands of certain products (Guillén and García, 2009). These country-specific competitive advantages were embedded in domestic firms. The firms subsequently sought markets and established subsidiaries in other regions, including Canada and other Western markets to exploit these advantages. Vernon suggests that as the diffusion of new technologies continues from the developed to the less developed regions of the world, MNEs' managers, especially the subsidiary managers, tend to make some innovative adaptations to serve the needs of new set of customers. These adaptations coupled with the resource advantages of the less developed countries, e.g. cheaper cost of unskilled labour, will result in a drastic reduction in total production costs.

Over time, it will become cheaper and more economical for the MNEs to expand their production capacity within less advanced economies and serve other markets, especially the more advanced, less cost-efficient countries, including the MNEs' country of origin, through imports. Consequently, the management will stop production in their home country plants and then rely on imports from their subsidiaries located in less developed economies. The latter process in which the technology moves from subsidiaries in less developed economies to the originating home economy is referred to as reverse innovation (Rugman et al., 2011). In a nutshell, Vernon views traditional MNEs mainly as vehicles for facilitating the dissemination and exploitation of country-level competitive advantages, usually from the developed to less developed economies, and principally portrays less developed economic contexts as recipients of Western MNEs' FDI activities. However, recent analysis of sources and composition of global investment activities shows that firms from the developing economies are increasingly engaging in multinational operations, and that these new MNEs take a different approach to exploiting innovation compared to traditional Western MNEs. According to Cuervo-Cazurra (2012), MNEs from developing economies tend to exploit their innovations simultaneously in both developed and less developed markets with enough market potential. There is also evidence that developing economy MNEs tend to continue exploiting their innovation at home even after transferring such technology to other nations, because of earlier noted production cost advantages.

The internalization theory offers an additional perspective to the explanation of the origin and behaviour of MNEs. Drawing on Hymer (1960), the internalization theorists (e.g., Buckley & Casson, 1976) explain the origin of MNEs as traceable to firms' conscious decision to establish their own internal networks across borders in order to exploit their FSAs. They argue that by internalizing their intermediate product markets, MNEs can protect their IPs from possible expropriation by third parties in foreign markets, especially in an imperfect market situation. They support Hymer's (1960) assertion that firms build FSAs in their domestic market. However, their analysis focused on the modalities through which the firms exploit FSAs across borders, which in their view give rise to multinational operations. In a bid to redress Hymer's neglect of transaction costs or efficiency gains from common control of firms' cross-border value-creation activities, the internalization theorists suggest that MNEs set up foreign subsidiaries instead of using market mechanisms in order to maintain control over and exploit their FSAs. They argue that using own networks instead of engaging intermediaries in host markets, among other things, enhances the firms' operational scale, yields cost advantages via organisational centralization and minimises the prospect of existing assets being stolen by external entities (Rugman, 1981).

The internalization theory posits that firms internationalize by setting up their own subsidiaries or internalizing acquired entities in host markets, thereby maintaining control over the use of their FSAs in the host market and by so doing, increase the returns on the FSAs. It has been observed that what is typically internalized is the markets for intangible assets such as technology, production knowhow, and brands (Rugman et al., 2011). Hence, the best internationalization approach - exporting, licensing, alliances, greenfield investment, or acquisition – is essentially the approach that offers the most opportunity to optimise return and protect intellectual property. However, critics have argued that the internalization theory does not recognize the impact of natural and other constraints by home and host country governments, which could affect the exploitation of FSAs across borders (Rugman et al. 2011). Also, in his analysis of developing economy MNEs, Cuervo-Cazurra, (2012) observed that these MNEs usually develop their idiosyncratic method of securing innovations, through avenues such as trade secrets and so on, because they originate from backgrounds where there are no reliable public IP protection mechanisms. Hence, developing economy MNEs have a different perception of how to control the cost of operations and protect their IP (Cuervo-Cazurra, 2012). This suggests that internalization of FSAs across borders to ensure the protection of IP may not be a sufficient condition for explaining the rise of developing economy MNEs.

Another notable effort to explain the internationalization of MNEs was made by Johanson and Vahlne (1977) from Uppsala University, Sweden, hence the widespread reference to their model as the Uppsala Model of Internationalization. The Uppsala model focuses on explaining mechanisms through which MNEs internationalize and the determining factors. Contrary to Hymer's (1960) assumption that MNEs' development of FSAs is a sufficient condition for overcoming the liabilities of foreignness within host markets - considered an exaggeration of FSAs' market power (Dunning & Rugman, 1985) -, Johanson and Vahlne (1977) acknowledged the existence of some distinctive differences between different markets, especially the complexity of macro-environmental forces in host and home countries, which could enormously impact the activities of foreign firms. They described these differences between home and host markets as psychic distance, acknowledged their import on firms' cross-border operations, and proposed a stepwise approach to internationalization. That is, that MNEs will first internationalise using the least risky entry strategy involving the least resource commitment and subsequently progress to approaches requiring more resource commitment as their understanding of their host markets improves.

These theorists suggest that given alternative options, MNEs will adopt internationalization approaches or market entry modes that expose them to the least potential risk. Subsequently, they will graduate to riskier entry modes as their knowledge of foreign markets increases. Also, MNEs will initially enter more proximate markets, usually markets with similar characteristics and, often, geographical proximity to their home country before expanding, over time, into markets that exhibit less similarity with their home country. The Uppsala model, thus, suggests that MNEs' internationalization decisions regarding entry mode and destination depend on their past internationalization experiences and their level of knowledge of target host markets. Therefore, MNEs' cross-border expansion journey will progress incrementally from exporting, usually through the engagement of independent representatives in host markets, to licensing or franchise arrangements, to international joint ventures and alliances with domestic operators and finally to making FDI by establishing fully owned and managed subsidiaries. Second, the incremental internationalization approach suggests that MNEs will also start their internationalization journey from the most familiar external markets and then graduate to the more unfamiliar markets in proportion to their increase in knowledge of the host markets and internationalization experience. This approach primarily helps them to eliminate avoidable investment risks (Rugman et al., 2011).

However, an analysis of the EM MNEs revealed that they try to strike a balance between the cost and benefits of adopting different internationalization approaches and entering different markets (Cuervo-Cazurra 2012). Cuervo-Cazurra further observed that the EM MNEs may, on the one hand, choose to enter into other developing countries which has minimal risk due to the similarities in psychic distance (Johanson and Vahlne 1977) but less profitable because the customers generally have lower disposable income. On the other hand, they may enter more advanced markets which poses higher risk due to wider psychic distance (Johanson and Vahlne 1977) but may be more financially rewarding because the customers generally have higher disposable income. Contrary to the position of the Uppsala model (Johanson and Vahlne 1977) that MNEs internationalize in incremental manner, subsequent studies have shown that EM MNEs may sometimes follow a radical internationalization approach (Boojiwon & Acholonu, 2012; Ibeh et al., 2018; Wright et al., 2005; Cuervo-Cazurra, 2012) and therefore put into question the validity of the incremental internationalization process of the Uppsala model.

Dunning's (1977) Eclectic or OLI Paradigm and the subsequent extensions (e.g., Dunning 1981, 1995, 2000, 2001, 2006) provide another theoretical explanation for the origin and behaviour of MNEs. In the original model, Dunning (1977) sought to explain the origin, level, pattern, and growth of firms' offshore production activities (Eden & Dai, 2010). That is, to explain why firms that originate from one jurisdiction, say one country or region, can establish physical production facilities in foreign jurisdictions and compete favourably with domestic players. To develop the OLI paradigm, he brought together different theoretical frameworks, including Hymer's (1960) FSAs model and Buckley and Casson's (1976) insights on the internalization of intermediate product markets, hence his model is commonly called eclectic paradigm (Rugman et al., 2011; Dunning 2010). Dunning suggests that firms which undertake international production and survive competitive pressures in host markets must possess three key advantages over domestic players including ownership-specific (O), location-specific (L) and internalization (I) advantages. First, he supports Hymer's (1960) position that MNEs develop specific advantages in certain areas of business in their home country. He referred to the possession of these uncommon advantages by the MNEs as ownership (O) advantages. The ownership-specific (O) advantages generally refer to the benefits that firms enjoy by virtue of having exclusive possession of or access to certain assets which can be deployed to produce future income such as uncommon brands, technological knowhow, managerial skills, marketing expertise, entrepreneurial skills, and organisational systems.

He suggests that for the O advantages, which Hymer (1960) referred to as monopolistic advantages, to qualify as sufficient conditions for undertaking foreign production instead of producing at home, the benefits accruable from their exploitation across home-country national borders must be reasonable enough to compensate for both the extra costs of establishing and controlling offshore value-creation activities in addition to covering the normal costs that local firms incur in doing business within the host market. Location-specific (L) advantages refers to benefits that firms derive when they have access to and can undertake production activities in foreign markets which possess sufficient economically and structurally immovable complementary assets that can only be utilized within the boundaries of the host market. Given the foregoing locational scenario, MNEs will choose to establish their production facilities in such host market by combining the immovable complementary assets with existing transferable ownership advantages. The location-specific advantages include natural endowments as well as favourable legal, political, institutional, and regulatory frameworks that are available in host markets. The internalization (I) advantages refer to the benefits that firms derive when they make use of internal units or organisational hierarchies to exploit existing assets across borders instead of engaging host market-based intermediaries. The internalization of intermediate product market depends on the existence or otherwise of market failures within the host market.

Dunning (1995) observed that in practical terms, every economy almost always exhibits either structural or endemic or natural market failures. On the one hand, Dunning suggests that structural market failure indicates the prevalence of deficient institutional frameworks, including prohibitive policy instruments, which are aimed at setting a limitation on the participation of foreign firms in specific sectors of the host market. On the other hand, he suggests that endemic or natural market failure occurs when there is lack of requisite complementary assets' providers within the host market. It is suggested that under situations of either structural or endemic market failures in a given country, firms will most likely resort to creating their own internal mechanisms to exploit assets instead of making use market mechanisms (see, e.g., Buckley & Casson 1976, 1985, 1998; Teece 1981, 1986; Hennart 1982, 2009; Anderson & Gatignon 1986, for detailed discussions of types of market failures). It has been observed that the reason why single activity firms choose to internalize intermediate products' markets thereby becoming diversified firms "is partly to avoid or circumvent such market imperfections and partly to recoup the gains of a unified governance of interrelated activities" (Dunning, 1995, p.4). In a nutshell, "the OLI paradigm explains outward foreign direct investment (FDI). It suggests that MNEs develop competitive O advantages at home and then transfer these abroad to specific countries (depending on L advantages) through FDI, which allows the MNE to internalize the O advantages" (Rugman, 2010). Therefore, the relevance and alignment of the O, L or I advantage will vary directly with firms' context, including their respective sectors (the industry characteristics) and countries or regions (the geographical characteristics). Hence, the nature of ownership advantages of, for instance, Korean MNEs will be different from Canadian MNEs (Dunning 2001).

However, although the OLI paradigm has made invaluable contributions to improving understanding of the origin and behavioural patterns of MNEs, scholars have questioned its general applicability (e.g. Rugman 2010; Itaki 1991; Buckley and Casson, 1985). The critics argue that the O advantage should be grouped together with the I advantage. Specifically, Itaki (1991) suggests that since only advantages that are internalized can be a source of sustainable competitive advantage, especially in the host market, it will be illogical to separate O from I advantages. They also argued that the ability to realise I advantages in the host markets depends on the viability of the L advantages, especially the availability of viable IP protection mechanisms. Buckley and Casson (1985) suggest that O advantages are necessary but not sufficient conditions for FDI.

Recently, Verbeke and Yuan (2010) observed that Dunning's OLI paradigm conspicuously sidesteps the invaluable role of managers in the coordination of the three OLI variables to foster cross-border FDI. They suggest that MNEs' managers play critical roles at all the stages of MNEs' cross-border investment activities. First, they argue that managers coordinate development of O advantages. Second, they decide the most efficient means of exploiting the O advantages across borders, that is, whether the firm should internalize the O advantages or use external markets. In other words, the management coordinates the sourcing and use of necessary complementary resources needed to exploit the O advantages, to realize I advantages. Third, they observe that managers also decide the most appropriate location with requisite L advantages for profitable exploitation of existing O advantages. In the light of the foregoing, they suggest managers' recombination capability as the highest-order O advantage. Notwithstanding the foregoing shortcomings, it has been argued that Dunning's OLI paradigm is the most comprehensive framework for explaining MNEs internationalization process (Rugman et al., 2011).

The foregoing reviews reveal, among other things, that the common view of traditional MNE theories is that MNEs originate from resource abundant regions or countries such as North America or Western Europe including Britain and undertake cross-border expansion to exploit such assets usually in markets which possess complementary assets and where the existing firm-specific assets are either non-existent or in short supply, especially within the short-run in order to justify the MNEs' efforts (Guillén and García, 2009). The traditional theories originated from studies which were focused on the activities of Western MNEs, hence their fundamental assumptions and provisions are consistent with the nature and general characteristics of Western

MNEs. The latter point is supported by Vernon's PC theory Mark 1, which suggests that the acquisition of firm's ownership advantages is attributable to Western firms' efforts to respond to general changes in market conditions including changes in resources availability and costs as well as changes in wants and expectations of their sophisticated consumers (Vernon, 1966). Following similar line of thinking, Pavitt (1971: p. 81) specifically asserted that "If the production of science and technology is not an exclusively American phenomenon, it is nonetheless almost exclusively concentrated within the industrially advanced countries, and equally exclusively related to their own requirements. As we have seen, most commercially successful industrial R&D is geared to ever more sophisticated and rich markets".

2.3 Theories Explaining EM MNEs' Behaviours

Given the emergence and increasing global visibility of MNEs from the emerging markets, including Africa, Middle East, Asia, Latin America, and Eastern Europe (Hoskisson et al., 2000; UNCTAD, 2015), scholars (e.g. Deng 2012; Luo & Tung, 2007; Mathews 2006a; Meyer & Thaijongrak, 2013; Cuervo-Cazurra, 2012) have begun to question the efficacy of the traditional theories of MNEs to explain the behaviour of these new category of MNEs which are generally referred to as emerging markets multinational enterprises (EM MNEs). For instance, although Dunning's OLI paradigm suggests that the primary motivator of firms' cross-border investment activities is their intention to exploit existing ownership advantages across border, yet evidence from recent studies focused on the EM MNEs (e.g., Mathews, 2002, 2006a; Cuervo-Cazurra, 2012; Bonaglia et al., 2007; Ping, 2003) has shown that the EM MNEs generally possess little or no O advantages in comparison with Western MNEs and may actually undertake cross-border expansion majorly in search of strategic resources including more favourable institutional frameworks in order to upgrade their competitive position. In other words, the new MNEs from the developing countries may see internationalization as a springboard to build their capacity and achieve global competitiveness (Luo & Tung, 2007). In this sense, the OLI paradigm is seen as necessary but insufficient for explaining the behaviour of EM MNEs.

Accordingly, in the light of the foregoing limitations of extant MNE theories, especially with respect to the explanation of the origin of the internationalization activities of EM MNEs, some scholarly efforts have been made to improve understanding of the emergence and motivations of these EM MNEs (e.g. Holburn & Zelner, 2010; Chang 1995; Elango & Pattnaik 2007; Luo & Tung, 2007; Luo et al., 2011; Becker-Ritterspach & Bruche, 2012; Klein & Wocke, 2007; Carney et al., 2016). The findings from these studies suggest that on the one hand, in consonance with extant literature (e.g., Hymer, 1960, 1976; Dunning, 1977), EM MNEs develop specific competences at home and internationalize to exploit them. For instance, Carney et al. (2016) suggest that EM MNEs build institutional capabilities in their home country and transfer these to host countries to cope with and survive institutional complexities prevalent in host countries. In the same vein, Holburn & Zelner (2016) concluded that EM MNEs develop political capabilities for managing policy risk posed by changing and adapting to complex policies of the host countries. However, although these studies highlight the capabilities that EM MNEs develop which are in line with the peculiarities of their contexts of origin, it remains unknown how the foregoing capabilities empower EM MNEs' internationalization behaviour. In other words, it is not known how for instance, the development of institutional capabilities by a South African MNE will enable internationalization of such MNEs to developed and developing markets (Wright, et al., 2005), especially given that MNEs' FSAs are only generally exploitable in their natural state within psychically proximate contexts (Rugman & Verbeke, 2004).

On the other hand, another stream of literature traces the emergence of EM MNEs, among other things, to their engagement in cross-border strategic assets seeking FDI (Luo & Tung, 2007). One of the most prominent views in this regard has been Mathew's (2006a) LLL framework. Mathews' (2006) linkage, leverage and learning (LLL) framework suggests that, given the weak resources position of EM MNEs, they undertake cross-border expansion by consciously establishing relationships with external firms which possess requisite strategic assets through avenues such as partnerships, mergers and acquisitions and so on. He referred to the establishment of such connections with external firms as linkage (L). Furthermore, it is noteworthy that the essence of establishing the linkage is mainly to augment the competitive posture of the focal firms by drawing from the strengths of their partners. The act of taking advantage of the strategic resources including knowledge, skills, available within the alliance relationship is referred to as leverage (L). Subsequently, as the focal firm continues to work together with the external firms in the network, they will naturally acquire the skills, knowledge as well as other resources which the other parties brought to the relationship. The process of upgrading their knowledge base by taking advantage of the knowledge possessed by network partners is called learning (L). In a nutshell, the LLL framework suggests that EM MNEs undertake cross-border expansion and enhance their competitive position by linking operations with resource-rich external firms, leveraging the strategic complementary resources and, in the process, improve their knowledge through organizational learning. Hence, contrary to the central argument of OLI paradigm that MNEs build resources in their home country and then internationalize in order to exploit such resources, the main thrust of the LLL framework is that EM MNEs internationalize in order to explore resources from more resource-endowed firms abroad.

However, although LLL framework has provided a behind the scenes insight into how MNEs, especially the EM MNEs, obtain the resources they lack from their more resources-endowed counterparts (Munjal, 2014), critics have raised some issues. First, in a heated debate, Narula (2006) observed that all the insights expounded in Mathew's LLL framework had already been covered in subsequent versions of the OLI paradigm. He therefore argued that the acclaimed contributions of the LLL framework is not new. However, contrary to Narula's opinion, Dunning (2006) acknowledged that the LLL framework made a complementary contribution to the OLI paradigm by showing the practical steps through which EM MNEs obtain assets from external sources. Subsequently, in his response to the foregoing commentaries, Mathews (2006b) accepted Dunning's position but dismissed Narula's view.

Second, the framework has been criticised for the obvious neglect of the in-house resources that the EM MNEs possess prior to undertaking the strategic assets seeking FDI, including an account of how the MNEs protect such existing resources from being taken advantage of by their alliance partners (Li, 2007). Scholars argue that it is such in-house resources that facilitate internalization of acquired assets (Dunning & Lundan, 2008; Graebner & Eisenhardt, 2004; Dunning, 1977; Cohen & Levinthal, 1990). For instance, Dunning (2001, p.175) observed thus: "I still prefer to think of O advantages as any kind of income-generating assets that allow firms to engage in foreign production, I readily acknowledge that these may arise as a direct consequence of cross-border market-replacing activities. But even where this is the case, I believe that a firm's ability to benefit from such activities must be related to the assets which it possesses prior to the act of internalization." In the same vein, Dunning and Lundan (2008, p.115) observe that in-house assets are usually the "outcome of past decisions and endogenous to the firm."

Table 2.1:

Key Theories of the MNEs Reviewed

Theory	Proponents	Focus	Central Argument(s)	FDI Motive
Monopolistic Theory	Hymer (1960, 1976); Caves, 1971; Teece (1981, 1984); Johnson (1970); Horst (1972)	TMNEs	Suggest that MNEs develop uncommon firm-specific advantages (FSAs) in their home countries and internationalize to exploit the existing assets	Exploitation
Product cycle theory	Vernon (1966, 1974)	TMNEs	Supports that the foundation of MNEs is the development of specific capabilities usually in the home country. However, he suggests that the internationalization behaviour and the emergence of MNEs follows a cyclical pattern in response to availability of complementary assets in host markets	Exploitation
Internalization theory	Buckley & Casson (1976, 1985); Hennart (1982, 1989); Rugman (1982, 1996)	TMNEs	Suggests that MNEs emerges due to the need to achieve transactional efficiencies by using internal mechanisms to serve markets across borders. This is usually made possible when there is failure of intermediate product markets in host countries	Exploitation
Incremental Internationalization theory	Johanson & Vahlne (1977)	TMNEs	Focused on the internationalization processes of MNEs. Suggest that MNEs incrementally, beginning from psychically proximate markets to more distant destinations. Also, the theory suggest that start the internationalization experience from less risky entry modes such as exporting and upgrade to FDI with increase in internationalization experience	Exploitation

Note: TMNEs represent traditional multinational enterprises while EM MNEs represent emerging markets multinational enterprises

Table 2.1:

(Continued)

Theory	Proponents	Focus	Central Argument(s)	FDI Motive
OLI Paradigm	Dunning (1977, 1981, 1995, 2000, 2001, 2006); Verbeke & Yuan (2010); Stevens, 1974; Cuervo & Low (2003); Li et al., (2005).	TMNEs	Traces the emergence of MNEs to the co-existence of three advantages, namely, ownership-specific, location-specific and internalization advantages. Dunning subsequently acknowledged that firms can also obtain their ownership advantages by purposely establishing resource-sharing relationships with resource-endowed external firms.	Exploitation/ Exploration
LLL Framework	Mathews (2006)	EM MNES	Suggests that emerging markets MNEs obtain proprietary assets by consciously joining operations with more established MNEs through formal processes such as M&As or strategic alliances (Linkage), take advantage of the superior resources or knowledge of the partners (Leverage) and then bridge the knowledge gap in the process (Learning).	Exploration

Note: TMNEs represent traditional multinational enterprises while EM MNEs represent emerging markets multinational enterprises.

Therefore, what remains largely unexplored is what constitute the in-house resources that EM MNEs possess and how the EM MNEs build them as well as the mechanisms through which the EM MNEs integrate the externally obtained resources with the internally developed or existing in-house resources. Third, it has also been argued that the framework muddled up the linkage and leverage activities that create the platform for knowledge acquisition through learning (Li, 2007). Li observed that the LLL framework did not clearly show the boundaries of linkage and leverage as two distinct strategic activities that influence the focal firm's ability to enhance their knowledge base.

2.4 Summary

Taken together, the foregoing review of extant literature suggests the following: 1) EM MNEs develop capabilities at home which enable them to engage in cross-border investment activities just like their Western counterparts, but fails to explain what capabilities the EM MNEs develop, especially in the light of their documented internationalization behaviour. 2) The EM MNEs obtain strategic assets by engaging in strategic assets seeking FDI activities, but existing studies fail to explain what constitutes the in-house resources of these EM MNEs prior to their international adventures as well as how the EM MNEs integrate externally acquired and internally developed resources. Thus, although, previous studies have improved understanding of the behaviour of EM MNEs, some fundamental issues remain. First, it is largely unknown what capabilities EM MNEs develop and how they develop such capabilities. Second, it is not sufficiently explored how EM MNEs integrate external and internal resources. The present study addressed these gaps in the literature by tackling the following research questions. 1) What capabilities do EM MNEs build? 2) How do they build the capabilities? And 3) how do EM MNEs integrate externally acquired and internally developed assets?

Chapter Three:

THEORETICAL BACKGROUND OF THE STUDY

3.1 Introduction

From a resource-based viewpoint, the competitiveness of every business, whether domestic or international, generally rests on their extent of possession or acquisition of necessary resources or capabilities, including tangible assets such as plants and machineries and intangible assets such as efficiency in organizational processes, specialized knowledge, among others (Winter, 2003; Wermerfelt, 1984; Barney, 1991; Penrose, 1959). Consequently, capabilities and resources feature prominently in the strategic management (see Wermerfelt, 1984; Barney 1991) as well as international business (IB) research (see, e.g., Kindleberger, 1969; Hymer, 1960; Buckley & Casson, 1976; Dunning & Lundan, 2008). Early contributions to the subject of capability development, especially, within the strategic management field, emphasized the relevance of building distinctive organizational capabilities in order to enhance organizational performance (Selznick 1957; Penrose 1959; Day 1994; Leonard-Barton, 1992). However, building such goal-directed and instrumental capabilities is easier said than done. As Pisano (2006, p.1125) aptly observed, "one of the most important, interesting, and yet vexing management challenges concerns investments in building appropriate organizational capabilities."

This capability building challenge will be more prominent in the case of nascent enterprises which by reason of their size and experience characteristically lack the necessary muscle to acquire or build relevant resources, including "finding investors, employees, associates, or customers" (Zott & Huy, 2007, p.70). In the case of MNEs, the capability development challenge will stem majorly from the fact that they must build requisite competences for establishing and controlling of business operations in multiple jurisdictions. This will be most daunting because the different markets, often, comprise uniquely complex and dynamic environmental forces. This means MNEs will have to develop capabilities that will enable them to, first, undertake cross-border investments in multiple environments and second, deal with distinctive internal and external environmental issues both in the home and host markets. Several theoretical perspectives within the IB literature offer valuable insights into how the possession of capabilities influences MNEs' cross-border expansion (Rugman et al., 2011). Combining insights from IB, strategic management and organisational theories, Dunning (1995) classified MNEs' assets into static and dynamic O advantages. Following this classification, as Table 3.1 below illustrates, relevant and specific theoretical perspectives which offer insights into as well as support understanding of the capability development of MNEs in line with the overarching purpose of this study were discussed in this section.

3.2 Static O advantages

As earlier observed, several theoretical perspectives have been put forward by IB and management scholars to improve understanding of how the possession of assets influences the internationalization behaviour including their decision on relevant strategic options. Dunning (2000, pp.170-171) identifies these theories to include "Vernon's (1966, 1974) product cycle theory, Industrial organisational theories (e.g., Hymer, 1960; Caves, 1971, 1974; Dunning, 1993; Teece, 1981), Multinationality, Organisational and risk diversification theory (e.g., Rugman, 1979; Kogut & Kulatilaka, 1994), Internalization theory (e.g., Buckley & Casson, 1976; Casson, 1998, 1995; Hennart, 1989), capital imperfection theory (Aliber, 1971) and Follow my leader, tit for tat theory (Knickerbocker, 1973; Graham, 1975)." The different theories have divergent views on the origin of MNEs, especially in terms of what constitute MNEs' advantages and their respective sources. However, there is a consensus that MNEs possess advantages over other firms and that the actions or behaviour of these MNEs at every point in time is determined by their possession or otherwise of these advantages. Hence, Dunning (2000) labelled these categories of advantages as static advantages because they "are viewed as income generating resources and capabilities possessed by a firm at a given moment of time." For the present study, we focused our review on two main IB theories, namely, Hymer's (1960) monopolistic theory and Dunning's (1977) OLI paradigm. This is because they offer greater insights into the origin and categorization of the so-called static O advantages.

Hymer's (1960, 1976) monopolistic theory occupies a preeminent position within the IB literature, especially with respect to discussions of how possession of assets influences firms' cross-border investments. Hymer (1960) suggests that firms undertake FDI because they possess some uncommon advantages which domestic firms in host markets lack and are unable to develop. It is argued that these advantages have the ability to create entry barriers for prospective competitors who do not possess the same or equivalent capabilities thereby creating monopoly situations for the investing firm, hence the label monopolistic theory (Dunning, 2000). In their analysis of Hymer's contribution to the development of theory of the FDI, Dunning and Rugman (1985, p.229) argue that Hymer had a blanket view of all O advantages as monopolistic advantages which firms achieve by taking advantage of inherent imperfections in the market structure of immediate environment thereby creating entry barriers to prospective competitors and maximum profits for the investing firm. They further observe that the O advantages which, in the thinking of Hymer, make MNEs unassailable by competitors include "scale economies, knowledge advantages, distribution networks, product diversification and credit advantage" (p.299). Hymer further asserts that the monopolistic advantages enable the foreign firms compete effectively with domestic firms in the host market for two basic reasons.

First, he argues that the possession of superior advantages compensates for the inherent benefits that domestic firms enjoy over their foreign or investing counterparts, including their possession of better knowledge of the structure and operations of the domestic market such as the knowledge of the nature, wants and needs of domestic consumers; the legal and institutional frameworks, as well as the local business customs. Second, he argues that the foreign firms' superior assets also compensate for the higher costs of operations usually incurred by foreign firms as a result of coordinating subsidiaries' operations from the home office such as higher travelling, communication, and time costs as well as the costs of unavoidable mistakes and delays in decision making usually observed when there is a gap between the points and time of firms' business decision making and execution (Buckley & Casson, 1976; Kindleberger, 1969). In other words, the possession of uncommon advantages will even out the advantages that local firms enjoy over the foreign firms, what Hymer referred to as "liabilities of foreignness" (Zaheer, 1995; Guilen and Garcia-Canal, 2009), thereby placing both the foreign and domestic firms on a level playing ground.

Hymer's hypothesis is based on assumption of two limitations inherent in servicing foreign markets: First, Hymer assumes that certain factors such as government policies will make it difficult, more expensive, or even impossible for foreign firms to service foreign markets through exportation of homemade products. Second, he suggests that domestic firms lack and are unable to acquire the necessary technology, skills, and so on needed for producing products that can compete favourably with those of the foreign firms. Hence, the foreign firms will stand a greater chance of making more profit by producing in the host market. Hymer suggests that FDI investments entails more than financial investments but involves a complete package of both financial and non-financial resources. Hymer argued that the firm-specific advantages (FSAs) possessed by foreign firms must be specific to the focal firm hence the expression, 'ownership advantages' (Dunning & Lundan, 2008). In other words, the FSAs must be exclusive to the originating firm and not common to all firms. Kindleberger (1969) identified the firm-specific advantages of traditional MNEs to include 'product differentiation skills, special marketing skills, patented or uncommon technology, access to special capital, team-based managerial skills, operational economies and economies based on integration with suppliers – vertical integration.'

Hymer's monopolistic theory has been validated by numerous subsequent studies (e.g., Johnson 1970; Caves 1971, 1974, 1982; Horst 1972; Magee 1977; Aharoni, 1993; Lall 1980; Erramilli et al., 1997; Pugel 1981; Lall and Siddharthan 1982). These studies examined the characteristics of firm-specific assets and how they influence MNEs' cross-border expansion activities. For instance, Johnson (1970) suggests that MNEs' essential firm-specific advantages are intra-MNE transferable without additional costs to the firm hence he referred to them as public goods. This implies that MNEs' core advantages, such as uncommon knowledge or skills, are freely transferable between MNEs' headquarters and subsidiaries and could be easily used with complementary products whether at home or in host market domains. Caves (1971) identified product differentiation skills as a core asset of traditional MNEs. He therefore suggests that possession of product differentiation skills enables MNEs to undertake geographical diversification of their product portfolio either horizontally (exploiting same product in multiple countries or regions) or through conglomerate diversification (exploiting many products within the same markets). Horst (1972) found technological and marketing capabilities to be the most important assets for firms' foreign expansion. He argues that the possession of uncommon technological and marketing capabilities enables MNEs to undertake the establishment and control of cross-border investment activities. The findings of the foregoing empirical studies support Hymer's (1960) monopolistic theory claim that possession of given advantages arms MNEs with competitive strength against domestic firms and influences MNEs internationalization behaviour.

However, despite the undeniable contribution of Hymer's theory to IB development, particularly, his pioneering role in highlighting the importance of firm-specific advantages (FSAs) to MNEs' foreign expansion (Rugman, 1981); critics (e.g., Buckley and Casson, 1976) have observed some shortcomings. The first criticism is that Hymer's analysis downplayed the influence of host country's macro-environmental forces such as government regulations, economic and social characteristics on MNEs' internationalization behaviour (Dunning and Rugman, 1985). The second criticism is that Hymer failed to consider the processes through which MNEs build or generate the firm-specific assets. The third criticism according to the critics is that Hymer's theory is benefits biased while practically little or no consideration was given to the effects of the costs of producing the advantages. Hence, the critics suggest that Hymer over-estimated the benefits accruable from the deployment of the investing firm's FSAs. Finally, the critics argue that Hymer's theory failed to show how the possession of these capabilities influences foreign market entry decisions of the MNEs, particularly, the location of FDI investments.

Dunning's (1977, 1981, 1995, 2000, 2001, 2006) OLI paradigm provides a second theoretical view. Dunning suggests that firms which undertake international production and survive competitive pressures within host markets must possess three key advantages over domestic players including ownership-specific (O), location-specific (L) and internalization (I) advantages. The present study is mainly focused on exploring MNEs' capability development prior to internationalization hence within the context of the OLI paradigm; we focused on O advantages. The ownership-specific (O) advantages generally refer to the benefits that firms enjoy by virtue of having exclusive possession of or access to certain assets which can be deployed to produce future income such as uncommon brands, technological knowhow, managerial skills, marketing expertise, entrepreneurial skills, and organisational systems. In the now seminal paper on the determinants of firms' international production, Dunning (1977) identified three different descriptions of the O advantages, including, "(a) those that stem from the exclusive privileged possession of or access to particular income generating assets, (b) those that are normally enjoyed by a branch plant compared with a de novo firm, and (c) those that are a consequence of geographical diversification or multinational per se" (Dunning, 1988, p.3).

Eden and Dai (2010) suggest that in situations where the multiple plants, as in the case of category b above, are all situated within the boundaries of domestic market, the implication will be that the first two categories (that is a and b above) of O advantages can be said to collectively address the fundamental question of why firms are able to invest abroad because they are both focused on the capabilities that firms develop in their home countries prior to undertaking any form of outward cross-border investment operations. This assertion is therefore a testimony to the fact that O advantages of MNEs are largely developed from home country's country-specific advantages (CSAs) including the home country's factor endowments, institutions, and government policies (Franko, 1976; Pavitt, 1987). Eden and Dai further argue that the third category of O advantage, that is the category C above, is developed overtime as the MNEs begin to engage in cross-border expansion and as they grow in the learning curve and efficiency of coordinating operations in multiple jurisdictions (Dunning, 1981).

Given unprecedented changes in global economic landscape, coupled with progression in Dunning's own knowledge of MNEs' behaviours over time, Dunning subsequently made four notable modifications to his fundamental description and categorization of O advantages (Eden & Dai, 2010; Verbeke & Yuan, 2010). This is in addition to the original classification discussed above. Two out of the four recent changes relate to the static view of O advantages and will be presented in this section while the other two relate to the dynamic dimension of O advantages and will be discussed in the next section. First, in response to criticisms and constructive issues raised by other IB scholars, notably, Buckley and Casson (1976, 1985) and Casson (1987), especially with respect to non-recognition of the transaction cost benefits of internalization of dispersed activities of the MNE, Dunning (1983) reclassified the O advantages into two. He renamed the first category as asset advantages (Oa), while he grouped the second and third dimensions of his original O advantage categorization together and labelled them as transactional advantages (Ot). The latter classification is generally seen as an attempt by Dunning to incorporate transaction costs view into the OLI umbrella (Eden & Dai, 2010). Dunning (1988, p.3) described Oa as the advantages which "arise from the proprietary ownership of specific assets by MNEs vis-à-vis those possessed by other enterprises usually due to structural imperfect market situations." On the other hand, Ot refers to "the capacity of MNE hierarchies vis-à-vis external markets to capture the transactional benefits (or lessen the transactional costs) arising from the common governance of a network of these assets, located in different countries." He notes further that MNEs' transactional advantages are usually a function of prevailing transactional imperfect market situations. Dunning

(1988) further asserts that the common view in the literature is that most successful MNEs are those that can build and exploit both asset (Oa) and transactional (Ot) ownership advantages.

The last notable revision of the OLI paradigm was the attempt to incorporate insights from institutional theory into the paradigm (Eden & Dai 2010). Recognizing the influence of institutional factors in not only the determination but also on the outcomes of MNEs' activities as well as the strategic importance of understanding and appropriately responding to cross-border institutional differences to MNEs' long-run competitiveness (e.g., North, 1990, 2005; Ghemawatt, 2001), Dunning and Lundan (2008a, 2008b, 2010) broadened the OLI paradigm to include views from institutional theory. It has been noted that the contextual variables have implications for the descriptions and explanation of all the OLI variables, but the most prominent challenge is the identification of O advantages within the institutional theory. Consequently, Dunning and Lundan introduced the concept of "institutional ownership advantages (Oi)." In the words of Cantwell, Dunning & Lundan (2010, p7), "Institutional ownership advantages (Oi) … incorporates the firm-specific norms and values guiding decision-making, as well as an imprint of the institutional environment (L attributes) of the home country. Such institutional advantages can be transferred (intentionally or unintentionally) alongside other ownership advantages of host countries and may influence their institutional development."

In a nutshell, Oi refers to advantages that MNEs enjoy over foreign firms which basically stem from the combination of their firm-specific attributes with relevant home-country regulations and incentives which enable them to develop necessary capabilities to undertake cross-border investments. As a result of the introduction of Oi, the O advantage of the OLI paradigm is therefore regarded as a composite factor comprising of Oa (assets ownership), Ot (transactional ownership) and Oi (institutional ownership) advantages (Verbeke & Yuan, 2010; Eden & Dai, 2010). However, critics have argued that the classification of home country institutional and tangible resources such as cultural and legal environment and labour and natural resources as sub-components of the O advantages has further compounded the possibility of distinguishing the O from the L advantages (Rugman, 2010). Contrarily, Rugman suggests that Oi should be classified as part of L advantages and not O advantages.

The outcomes of several studies have proven to be consistent with the argument of the O sub-paradigm of Dunning's OLI paradigm (Stevens, 1974; Cuervo & Low, 2003; Brouthers et al., 1999; Li et al., 2005; Caves 1982, 1996; Hill et al., 1990). For instance, in his study of the determinants of firms' foreign investments, Stevens (1974) concludes that profit maximization remains one of the cardinal motives for foreign investments just like domestic investments. Hence, he argues that MNEs will adopt internationalization behaviours including entry modes and locations that will foster most efficient and profitable exploitation of existing resources. Also, in his study on multinational enterprises and economic analysis, Caves (1982, 1996) described an MNE as a multi-plant firm whose activities are spread across national borders. He argues that given the ownership of relevant assets, MNEs establish specific activities in locations where they can obtain the cheapest cost and thereafter coordinate all the activities to ensure the efficiency of operations. He suggests that in the face of market imperfections, MNEs could use diversification strategies including vertical or horizontal integration to enter foreign markets and then internalize the markets to enhance general efficiency in exploitation of existing FSAs. However, scholars have shown strong reservation towards Dunning's OLI paradigm, especially with regards to the prominence accorded to the O advantage sub-paradigm (e.g. Rugman, 2010; Itaki 1991; Buckley and Casson, 1985). It is suggested that the O advantages should instead be grouped under I advantage sub-paradigm (Itaki, 1991). Recent research has observed that the OLI paradigm both in its original and extended form downplays the role of MNEs' managers in fostering the MNEs' operations. Therefore, the authors suggest the recognition and inclusion of managers' recombination capability as the highest order of the O advantages (Verbeke & Yuan, 2010).

3.3 Dynamic O advantages

According to Dunning (2001, p.182-183), "recent technological advances, more intensive inter-firm competition, the opening up of new markets and the increasing mobility of some kinds of firm-specific assets, have, then, led to new motives for foreign production not only as a means of exploiting the existing O-specific advantages of the investing firms, but also as a vehicle for augmenting these advantages." These developments have resulted in a shift from traditional emphasis on hierarchical capitalism to a focus on alliance capitalism (Dunning, 1995). Dunning defined dynamic O advantages as those advantages "which offer firms the ability to sustain and increase its income generating assets over time" (Dunning, 2000, p.169). Dunning (2000) suggests that while, on the one hand, market seeking and resource seeking FDI are usually aimed at the exploitation of firms' existing resources and therefore tend to reflect static O advantages, efficiency-seeking and strategic asset-seeking FDIs are mainly focused on assets exploration and therefore emphasize dynamic O advantages. Consequently, there has been a shift in understanding of the origin of firms' competitive advantages.

Contrary to the traditional view that firms' competitive advantage lies in their ability to orchestrate necessary organisational structures and internally develop proprietary assets from within the organisational hierarchies, especially through recourse to vertical integration of the stages of production (hierarchical capitalism), scholars are emphasizing firms' ability to locate, access and combine strategic assets developed by external firms which replicates existing in-house resources (alliance capitalism) (Dunning, 2000). The foregoing shows the two possible ways through which firms can gain the control of their operations. While the former, suggests a situation whereby firms coordinate and assumes control of all the stages of operations so as to enhance the coordination of production and distribution activities, especially with regards to the quality, timing and costs of resource inputs (Markusen, 2002), the latter exemplifies a horizontal integration situation which entails joining operations with existing firms usually those that are operating at the same level with the focal firm such as competitors in the same product market. Evidence has shown that the adoption of horizontal integration as a corporate growth option enable the integrating firms to achieve faster spread of the firm's physical presence as well as enhanced availability of the firm's products and services (Markusen & Venables, 2000).

Dunning (2000) suggests that the asset augmenting or upgrading view of international production is underpinned by insights from some established economics and strategic management theories including the resource based view (e.g., Wernerfelt, 1984, 1995; Conner, 1991; Montgomery, 1995; Conner & Prahalad, 1996), evolutionary theory (e.g., Nelson & Winter, 1982; Nelson, 1991; Cantwell 1989, 1994; Teece et al., 1997) and organisational theories (e.g., Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989; Porter, 1991; Bartlett & Ghoshal, 1993; Doz & Santoz, 1997; Doz et al., 1997). First, the resource-based view emphasizes the centrality of resources or capabilities to firms' behaviour.

Table 3.1:

Key Theories Explaining Dynamic and Static O Advantages

Theory/Proponents	Central Argument	Examples	Type	Source
Resource Based Theory: Barney (1991); Wernerfelt (1984, 1995); Conner (1991); Conner & Prahalad (1996)	Emphasizes the centrality of assets in firms' operations, including firms' strategic choices. Also, classifies assets in terms rareness, valuable, non-substitutability, and non-imitability. Suggest that FDI is primarily aimed at augmenting existing resources.	Na	Dynamic	Alliances/ Hierarchical
Evolutionary Theory: Nelson & Winter (1982); Teece et al. (1997); Cantwell (1994); Nelson (1991)	Emphasizes the relevance of combining external and internal resources to remain competitive in the face of changing environmental forces	Absorptive capacities, Transformational capabilities, Strategic management dynamic capabilities	Dynamic	Alliances/ Hierarchical
Organisational Management Theories: Doz et al. (1997); Prahalad & Doz (1987); Bartlett & Ghoshal (1989); Bartlett & Ghoshal (1993)	These theories amplify the central roles played by managers in the development, acquisition, and deployment of organisational resources.	management re-combinative capabilities	Dynamic	Alliances/ Hierarchical
Monopolistic Theory: Hymer (1960, 1976); Caves (1971); Teece (1981, 1984); Johnson (1970); Horst (1972).	Suggest that MNEs develop uncommon firm-specific advantages (FSAs) in their home countries and internationalize to exploit the existing assets	scale economies, knowledge advantages, distribution networks product diversification, and credit advantages, technological and marketing capabilities	Static	Hierarchical/ Internal
OLI Paradigm: Dunning (1977, 1981, 1995, 2000, 2001, 2006); Verbeke & Yuan (2010); Stevens, (1974); Cuervo & Low, (2003); Li et al., (2005)	Traces the emergence of MNEs to the co-existence of three advantages, namely, ownership-specific, location-specific and internalization advantages.	uncommon brands, technological know-how, managerial skills, marketing expertise, entrepreneurial skills, organisational systems	Static	Hierarchical/ Internal

Table 3.1 above summarises the key literature underpinning the classification of O advantages into static and dynamic capabilities.

They argue that the possession or otherwise of relevant resources or capabilities determines firms' behaviour including their relative dispositions towards different available strategic options. Scholars (e.g., Barney, 1991, 2001; Barney et al., 2001; Mahoney & Pandian, 1992) suggest that for given resources to generate sustainable competitive advantage for firms' operations, whether domestic or international, such resources must possess four distinct qualities.

First, it suggested that the resources must be able to support the firms' goal of exploiting existing business opportunities whether locally or across borders (Valuable). Second, such resources must not be common or easily accessible to competitors both existing and/or potential (Rare). Third, it must be difficult or impossible for competitors to replicate or duplicate such resources (Non-imitable). Fourth, there must be no viable substitutes for such resources (Non-substitutable). In other words, the sustainable competitive advantage generating resources must be valuable, rare, non-imitable and non-substitutable, the so-called VRIS characteristics of competitive firm resources (Barney et al., 2001). However, it has been observed that for resource-based insights to successfully explain dynamic O specific advantages of MNEs; there is need for the managers to re-examine the content and relevance of existing resources and capabilities of the firms. This could be in terms of the ability of the management to "sustain and/or upgrade these advantages derivable from the resources and harness and influence the quality and price of complementary assets, as well as efficiently coordinate these with their own innovating competencies" (Dunning, 2000, p.173).

Second, the evolutionary theory emphasizes "the process or path by which the specific O advantages of firms evolve and are accumulated over time." Unlike the internalization theory, the evolution theory suggests that firms survive by innovatively combining internally created resources with externally acquired ones. Dunning further suggest that the evolution theory is dynamic in nature. Evolutionary theorists believe that different firms develop distinctive competencies hence they focus on explaining how firms build assets and develop their learning capacities in the long run as well as how the impact of the whole process on the execution of immediate and distant goals (Dunning, 2000). Third, the organisational theory emphasizes "the harnessing, leveraging, processing and deployment of knowledge-based assets as a core competence" (Dunning, 2000, p.173). Whereas the resource-based view and evolutionary theory focused attention on the characteristics of the resources, the organisational theories emphasize the ability of the firms' management to gather and recombine internal and external resources to enhance the return on assets. The central view of the foregoing theories is that firms' asset base can be enhanced not only through internal mechanisms but also by relying on cooperative relationships as a valuable source of resources.

Furthermore, alliance capitalism concept highlights the synergistic effects that investing firms enjoy for engaging market- based networks to obtain relevant complementary assets or knowledge instead of relying entirely on their own internal mechanisms. This may also include relational assets (R assets) (Dunning, 2002) which firms enjoy by creating and maintaining cordial relationships with relevant publics, particularly the social environment. Accordingly, to Dunning incorporated resources or knowledge obtainable from external sources by investing firms through the establishment of inter-firm relationships, such as strategic partnerships and/or alliances, into the fundamental description and classification of O advantage sub-paradigm of the OLI paradigm. Hence, the recognition and inclusion of some Oa advantages such as the benefits obtainable from establishing and maintaining cooperative relationships such as productive linkages with suppliers (Dunning, 1995, 2000). Dunning suggests that the alliance capitalism will also influence firms' transactional ownership advantages (Ot). He acknowledges that firms enjoy transactional benefits when they maintain profitable relationships, say, with their suppliers. This is because such productive profitable linkages have the potential to generate improvements in firm's operational efficiencies by enabling the individual alliance partners to focus and commit all their resources on their core operations while depending on others for provision of the non-core activities. It is observed that the size as well as the influence of such alliance related Ot advantages will depend on the net effect of the transactional benefits and costs of maintaining the partnership (Verbeke & Yuan, 2010). The latter including the potential for loosing IP and the possibility of weakening internal R&D activities and by extension the difficulty of producing radical products.

The dynamic nature of the O advantages has been exemplified through the application of the eclectic paradigm to explain country's international investment position using Dunning's (1973) investment development path (IDP) concept (see, e.g., Dunning, 1981, 1988, Dunning & Narula, 1996; Dunning et al., 2001). Dunning (1981, p.2) defines "a country's international investment position as the sum of the direct investment by its own enterprises outside its national boundaries minus the direct investment of foreign owned enterprises within its boundaries." The IDP concept suggests that as countries pass through different developmental stages, the prevailing environmental situations, including institutional characteristics per time, will generate corresponding OLI configurations which will directly impact both the inflow of FDI from foreign investors and the ability of domestic firms to undertake cross-border expansion activities (Dunning, 2001). Regarding the influence of changes in home characteristics on the level of inward FDI flow, Dunning (2001, p.9) suggest that, "depending on the extent to which the country is able to create a satisfactory legal system, commercial infrastructure and business culture, and to provide the business sector with the transport and communication facilities and human resources they need; and depending on government policy towards inward investment… its locational attraction will increase."

The implication is that improvement in the conditions of the domestic business environment will enhance its attractiveness to foreign investors, especially firms from developed nations which are relatively more resource endowed and often times have more experience in manufacturing and may have had prior knowledge of the market through imports. This category of firms will be attracted to establish their production activities within the focal jurisdiction. From the outward FDI perspective, it is suggested that as the L advantages of countries continue to improve, such as general improvement in indigenous technological infrastructure, the indigenous firms will be encouraged to invest in the development of their own O advantages which will enable them to compete with the foreign firms that are also operating within the local market and overtime they will begin to engage in exportation of their products to other countries and ultimately begin to undertake outward FDI. It is suggested that the growth of Japanese outward FDI and, more recently, that of several other emerging markets, such as South Korea, Singapore, Taiwan and Mexico "is entirely consistent with a reconfiguration of the OLI advantages of indigenous firms brought about by the development process" (Dunning 2001, p. 181) which foster increased cooperative and competitive pressures from foreign firms operating within the domestic market.

Dunning (2000) observed that within the last two decades, the cross-border investment activities of MNEs around the globe have been increasingly underpinned by a combination of exploitation and exploration of O advantages. Although, studies have argued that O advantages, especially technologically related assets are the exclusive preserve of Western world, particularly American firms (Pavitt, 1971), there is ample evidence that EM MNEs are also increasingly engaging simultaneously assets exploitation and exploration FDI in multiple markets, including regional, multiple regions and globally (Wright et al., 2005). Recent developments in global trade and investments flows clearly suggest that EM MNEs are also developing capabilities internally since as Dunning (2001) suggests, MNEs' O advantages fundamentally consist of assets that they possess prior to establishing any form of resource-sharing relationship, especially across borders. Accordingly, scholars have begun to question the applicability and generalizability of traditional MNEs theories to the explanation of the EM MNEs behaviour.

Accordingly, numerous scholarly efforts have been made to improve understanding of how these nascent MNEs from emerging markets develop capabilities to undertake multinational operations. One school of thought argues that EM MNEs obtain strategic resources by establishing cooperative relationships with Western MNEs (Luo & Tung, 2007; Mathews, 2002; 2006a). More specifically, extending Dunning's (1995, 2000) view that MNEs augment resources by undertaking strategic asset seeking FDI, Mathew (2006a) provided a framework for understanding how EM MNEs obtain proprietary assets. Mathews' (2006a) Linkage, Leverage and Learn (LLL) framework suggests that EM MNEs obtain proprietary assets by identifying firms that possess relevant assets and consciously join operations with them through avenues such as mergers and acquisitions or other forms of strategic alliance arrangements (Linkage). He suggests that EM MNEs will subsequently take advantage of the resources possessed by the external firms to enhance their value-creation capabilities (Leverage). Subsequently, the EM MNE will upgrade their knowledgebase by acquiring strategic assets from the business partners (Learning). The LLL framework offers valuable insight into strategic assets seeking FDI activities of EM MNEs. However, critics argue that the LLL framework failed to clearly identify what capabilities the EM MNEs possess prior to undertaking strategic assets seeking FDI (Li, 2007; Dunning, 2001) because it is existing assets, which are majorly the outcome of historical investments and therefore endogenous to the firm (Dunning & Lundan, 2008), that facilitate internalization of acquired assets (Dunning & Lundan, 2008; Graebner & Eisenhardt, 2004; Dunning, 1977). Therefore, what remains unknown is the assets that EM MNEs possess prior to internationalization and how EM MNEs integrate the externally acquired assets (dynamic O advantages) with internally developed or firms' existing stock of assets (static O advantages).

Furthermore, subsequent studies have tried to fill this gap by examining the capabilities that EM MNEs build (e.g. Holburn & Zelner, 2010; Elango & Pattnaik 2007; Luo et al., 2011; Becker-Ritterspach & Bruche, 2012; Klein & Wocke, 2007; Carney et al., 2016). In line with extant MNE theories, these studies found that EM MNEs develop certain competencies at home and then seek for market opportunities to exploit such competences across borders. For instance, Carney et al. (2016) suggest that EM MNEs build institutional capabilities in their home country and transfer these to host countries to cope with and survive institutional complexities of host countries. However, given that O advantages are "income generating assets that allow firms to engage in foreign production" (Dunning, 2001, p. 175), it can be argued that institutional capabilities are necessary but not sufficient conditions for production. Also, given available evidence that EM MNEs invest in multiple environments, including developed and developing markets (Wright et al., 2005), it may be almost impossible to transfer institutional capabilities built in, say, a developed country to a developing country and vice versa. In the same vein, Holburn & Zelner (2016) concluded that EM MNEs develop political capabilities for managing policy risks posed by changing and complex policies of the host countries. However, it is doubtful that political capabilities developed in one jurisdiction, for instance in an developing country context with relatively less developed political systems, could be transferable to other contexts, particularly more politically advanced contexts, that are not comparable to the home country context.

Furthermore, studies have suggested that EM MNEs enhance their capability by drawing from the resources of their parent business groups or networks (e.g., Elango & Pattnaik, 2007; Becker-Ritterspach & Bruche, 2012). This is often the case when the focal firm is a business segment in a diversified corporate entity. Strategic management theorists (e.g., Rumelt, 1974; Christensen and Montgomery, 1981; Rumelt, 1982) recognise diversification strategy as one of the most common growth strategies. Previous studies classify diversification strategies into related and unrelated diversification strategies (see, e.g., Rumelt, 1974; Palepu, 1985; Jones & Hills, 1988; Kochhar et al., 1998). A firm is said to be pursuing a related diversification strategy if they venture into a new business segment that shares common technical or marketing requirements or aimed at the same target markets as the existing business segments. On the other hand, the diversification strategy is said to be unrelated if the new business is different from existing businesses in terms of the technical or marketing requirements or it is aimed at different market segments.

In the same vein, diversification strategies can be classified into product and international or geographical diversification. The former is when the firm undertakes the expansion into new lines of products, whether related or unrelated. The latter refers to firms' expansion into new geographical locations, usually across the firm's home country national borders (e.g., Kim et al., 1989). Product diversification is sub-classified into concentric, horizontal, and conglomerate diversification. Concentric diversification refers to firms' expansion into new products that share the same technical and marketing requirements with existing products and usually aimed existing markets. Horizontal diversification refers to firms' expansion into products that are unrelated to the existing products in terms of their technical or marketing requirements but may be aimed at the same markets. Conglomerate diversification refers to firms' expansion into products that are unrelated to their existing products in terms of the technical and marketing requirements and which may be aimed at different market segments.

The central argument of previous studies is that expansion into related business segments positively influence firms' performance and vice versa (e.g., Christensen & Montgomery, 1981; Palepu, 1985). In the same vein, other studies (e.g., Rugman, 1979; Wolf, 1975; Severn & Laurence, 1974) found a direct correlation between the number of geographical expansion and firms' performance and vice versa. Although, there is consensus in previous findings that the adoption of diversification strategies positively influences the group's corporate performance, several subsequent studies have found diversification strategies to be negatively correlated with firm-level or strategic business unit (SBU) level performance (see, e.g., Lichtenberg, 1992; Maksimovic & Phillips, 2001). The studies suggest that the inverse relationship could due to the lack of adequate managerial attention to all the business segments, especially the existing business segments, as a result of the increase in the number of segments demanding the managers' attention (Chen 2017). However, what remain largely unexplored are the capabilities that respective business segments within the group build and why only some product lines or business segments are internationalized while others remain domestically focused. Insight from the resource-based view literature suggests that the observed differences in growth of different of different business segments, including cross-border expansion may be accounted for by the inherent differences in capabilities built or possessed by the respective business segments. The emphasis on the capabilities developed internally by different business segments within a business group is due to the observation that assets that are accessible from business networks or groups have been found to be at best complementary rather than substitutes to internally developed capabilities (Dunning, 1995).

In the light of the foregoing, the mechanism through which these EM MNEs, particularly African MNEs, integrate internally developed assets with those obtained from external sources have remained largely unaddressed and therefore requires rigorous empirical research (Inkpen et al., 2000; Wright et al., 2005). First, compared to Western MNEs, EM MNEs and particularly African MNEs have been known to engage in both acquisitions and strategic alliances hence they face a distinctively dual challenge of integrating resources obtained from both strategic alliances and acquisitions (Gomes et al., 2013), especially at the earlier stages of their internationalization (Buckley et al., 2016). Scholars have observed that although firm-level variables, such as organisational cultures and identities (Rosenweig, 1993) may be relevant, focusing on the integration of specific resources rather than the sources may yield significant improvement on the efficiency of integration (Harrison et al., 2001). Second, although scholars (e.g., Awate et al., 2015; Pereira et al., 2019) have observed that EM MNEs integrate internal and external assets in serving their markets, there is no empirical research documenting the distinct actions that executives undertake to simultaneously integrate current resources with those obtained from both strategic alliances and acquisitions. This suggests that integration of externally acquired resources with existing resources is a very challenging task (Chatterjee et al., 1992; Datta, 1991; Vermeulen & Barkema, 2001; Tuch & O'Sullivan, 2007), especially where such resources are obtained from across national borders (Child et al., 2001; Shimizu et al., 2004; De Beule & Sels, 2016). Therefore, filling this gap is the third major objective of the present study.

3.4 Summary

Taken together, extant theories on MNEs' capabilities building suggest that MNEs develop static and dynamic ownership advantages. The former has been linked to the creation of monopoly power which motivates MNEs to undertake market and resource seeking FDI in a bid to exploit the existing resources across borders. The latter, on the other hand, acknowledges that different firms, especially those originating from different geographical areas, produce distinctive resources and therefore emphasizes that firms could upgrade their asset base by combining internally developed and externally acquired resources. It is argued therefore that firms could obtain these advantages by establishing cooperative relationships with external resource owners. Although, these theoretical positions have been well received within the IB field, some issues remain unaddressed.

Firstly, previous studies have focused on explaining the factors that enable firms to undertake FDI. Hence, little or no attention has been paid to the process through which MNEs develop their ownership advantages. Dunning (2001, p.176) acknowledged this as follows, “let me now reiterate the propositions of the eclectic paradigm. The subject to be explained is the extent and pattern of international production.” A notable attempt to fill this gap was Buckley and Casson’s (1976) three-stage process of FSAs’ development. Buckley and Casson suggest that MNEs build FSAs through a three-stage process, including (1) investments in research and development (R&D) (2) institutionalization of the advantages (3) designing a cost-effective intra-firm information network. However, Buckley and Casson’s framework offers valuable but limited insight into how EM MNEs’ develop FSAs because it sidesteps the significance of augmenting internal resources with external resources, a practice that has been cited as an essential part of EM MNEs’ capability development.

Secondly, although it has been acknowledged that MNEs can also augment capabilities from external sources and subsequent studies have provided framework for understanding how EM MNEs obtain strategic resources from off-shore sources (Mathews, 2006), it remains largely unexplored how the EM MNEs combine the internally developed and externally acquired capabilities. Thirdly, the extant theories were focused on understanding the behaviour of Western MNEs; hence the existing theoretical views may be inadequate for the explanation of the behaviours of EM MNEs. Fourth, there is no documented account of the distinctive actions that EM MNEs take in developing their internationalization capabilities. As a result, first, it is not known what capabilities EM MNEs build and how. Second, it is not known how EM MNEs integrate internally developed and externally acquired resources. We address these research gaps in the present study by answering the following research questions:

(1) What capabilities do African MNEs build?

(2) How do African MNEs develop the capabilities?

(3) *How do African MNEs integrate internally developed and externally acquired resources?*

Chapter Four:

CONTEXTUAL BACKGROUND OF THE STUDY

4.1 Introduction

There is documented evidence that Western MNEs and EM MNEs are different in significant ways (see. e.g., Guillén and García, 2009). Cuervo-Cazurra (2012) suggests that, compared to Western MNEs, one of the main distinguishing features of EM MNEs is the unconventional nature of the contexts from where they originate. He further suggests that to be able to build new theories or develop existing ones based on these EM MNEs, scholars must specifically state the distinguishing attributes of their originating contexts and how such attributes will possibly affect the internationalization experience of these new MNEs and, by extension, enrich existing IB theories. The point here is that the conditions or characteristics of the contexts from where a given firm emerges, including the prevailing legal, socio-cultural, and economic situations, among other important macro-environmental factors, play formidable roles in orchestrating the range of activities involved in firm's internationalization. These could act as either incentives or inhibitors to firms' inward or outward FDI endeavours (Cuervo-Cazurra, 2012).

Hiskosson et al. (2000) suggest that emerging markets, including Africa (McKinsey Global Institute, 2010, 2012; Mellahi & Mol, 2015), are characterised by a combination of adoption of economic liberalization policies and high rate of economic growth. Also, studies have observed that emerging market contexts are characterised by weak institutional frameworks, which make them relatively more liable to the debilitating effects of social and economic issues such as the scourge of bribery and corruption (Hiskosson et al., 2000). Although the emerging markets share some common attributes, yet they maintain some fundamental differences (skMichalopoulos & Papaioannou, 2015; Hyden, 2006; Collier & Gunning, 1999) which make them individually capable of generating distinct insights to enrich IB theories (Boso et al., 2018).

Therefore, although, scholars have called attention to EM MNEs' capabilities development in general (e.g., Meyer & Peng 2016), it is believed that African MNEs hold the greatest promise for the analysis and understanding of EM MNEs' capability building for several reasons. First, they offer the most interesting context to study how EM MNEs build capabilities without recourse to direct government support or control (Amighini et al., 2010; Ramamutari, 2012), which is generally associated with EM MNEs' internationalization, especially Chinese MNEs (see, e.g., Wang et al., 2012; Luo et al., 2010; Hong et al. 2015; Li 2007; Buckley et al. 2007; Buckley et al. 2008). Second, compared to other emerging markets' firms, the activities of African MNEs, remain largely unexplored and undocumented (Boso et al., 2018; Hoskisson, 2000). Hence, scholars have called for increased research focus on the African context to improve understanding of the activities of African businesses (Zoogah et al., 2015; Michalopoulos & Papaioannou, 2015). This section is therefore aimed at explicating the distinguishing nature of the African business context which is the setting for the present study.

4.2 The distinguishing characteristics of the African context

4.2.1 The African Investment Climate

One of the distinguishing characteristics of the African context is the prevailing investment climate of the region. Studies (e.g., Klein & Wocke, 2007, Ibeh, 2015, Boso et al., 2016; Adeleye et al., 2016) have shown that African firms are not left behind in the uncommon wave of outward foreign direct investments (OFDI) from the so-called emerging markets (Hoskisson et al., 2000). Reports suggest that, within the past few decades, the aggregate contributions of African firms to global trade and investment figures, which is measured by the level of outward foreign direct investment (OFDI) flows from Africa, have increased noticeably (UNCTAD, 2015) although their contribution lags behind those from other emerging markets, notably China and India (Ibeh, et al., 2018). For instance, available statistics show that the total figure of OFDI from Africa increased astronomically by more than 1000% within the last two decades. In absolute terms, the contribution of African firms moved from \$39.9 billion in 2000 to \$213.5 billion in 2014 and to US\$365 billion in 2017 (UNCTAD, 2018). It is also worthy of note that within the same period, the global ranking of African firms has jumped many steps up the ladder. For example, in 2013, ten African MNEs were ranked among the top 100 non-financial transnational corporations (TNCs) from emerging markets. This is in addition to the forty African firms identified by the Boston Consulting Group (BCG) in 2010 as Challengers in the global arena (Ibeh, 2015). One of the most interesting points to note about the rising of African MNEs is the spread of the source African countries from where the investments originate. It has been observed that in addition to the investments by firms from the industrialized South Africa, firms from other African countries such as Angola, Nigeria, Egypt, Zimbabwe and Togo, among others, have also been increasingly engaging in OFDI (Ibeh et al., 2018a; Ibeh et al., 2018b).

The foregoing clearly shows that there is a general improvement in the business climate across Africa and in individual African countries. The developments can be attributed to conscious efforts being made at different levels of governance, including national, supranational, and continental levels, to establish as well as enforce business reforms within the Sub-Saharan Africa. For instance, according to the African Development Bank (AFDB), in 2017, 37 countries out of a total of 48 Sub-Saharan African countries introduced about 80 business climate reforms. This figure represents a 14 percent increase over the number of reforms introduced in 2016 (AFDB, 2019). It has been observed, more specifically, that "between 2018 and 2019, there were 107 reforms across 40 countries in Sub-Saharan Africa, which has registered the largest number of reforms among regions since 2012" (AFDB, 2019, P.115). Consequently, AFDB (2017) predicts that Africa's GDP will hit US$29 trillion mark by 2050. This growth is predicated on an average GDP growth rate of 3.4% and 4.3% in 2017 and 2018, respectively (Boso et al., 2018). UNCTAD (2018) expects this rate of growth to be sustained in the short run and to improve in the foreseeable future due to two major developments.

First, one notable stimulus for the positive investment outlook and, by extension, the expected increase in investment flows within the African region is the establishment of the African Continental Free Trade Area (AfCFTA) agreement. The AfCFTA agreement was brokered by the African Union (AU) with the aim of integrating the economies of the 54 AU member states in order to create a single market which is estimated to consist about 1.2 billion people, with a vibrant and growing middle class, and a combined GDP in excess of US$3.4 trillion (Tralac, 2018). The AfCFTA agreement which has been adjudged the single largest free trade area in the world since the creation of the World Trade Organisation, in terms of numbers of participating countries (Tralac, 2020), has subsequently been endorsed by all member states except Eritrea. At present, the AfCFTA agreement has entered the operational stage, that is, it has come into force beginning from 30 May 2019 following the deposition of ratifications by 24 member countries (Tralac, 2020).

The United Nations Economic Commission for Africa (UNECA) suggest that the AfCFTA agreement upon implementation has the potential to boost trade among AU member states by

52.3 percent. This is because the agreement will foster free movement of goods, services, and capital within the region through the elimination or reduction of tariff and non-tariff barriers (Tralac, 2019). In the same vein, AFDB (2019) suggests that the AfCFTA agreement will enhance the overall competitiveness of the African region through enhancement of regional cooperation for the creation of public goods such as common rail, roads, energy, peace and security and telecommunications among other things. This is because “a borderless Africa is the foundation of a competitive continental market that could serve as a global business center. It would allow agricultural and industrial production across national boundaries and therefore offer economies of scale to investors, while creating much bigger markets and providing new opportunities for small firms and large” (AFDB, 2019, P.78).

Second, another development that is turning the tide of the investment climate of the African region is the anticipated population explosion within the region. Financial Times (2020) reports that the population of Sub-Saharan Africa will double within the next three decades with an increase of about 1billion people. It has been predicted that Africa will ultimately become the most populous region in the world rising above the populations of central and south Asia. The UN Populations Division predicts that by 2050, the population of Africa alone will account for half of the world’s population (UN Population Index, 2020). The report suggests that this unprecedented increase in population will be particularly due to the content’s young demography with the associated potential for high fertility rates. Consequently, African region’s population is predicted to continue to grow in an increasing rate towards the end of the century. This increase will be in sharp contrast to the expected general decline in the population of other regions of the world. For instance, the report specifically suggests that the population of Nigeria, which had already experienced a big leap growing from 95 million in 1990 to 201 million in 2018, will double again to more than 400 million by 2050. This implies that, by the turn of the century, Nigeria will become the third most populous country in the world, overtaking the United States (UN Population Division, 2020).

It is therefore implicit in the foregoing discussion of the present as well as the anticipated growth trajectories of the African business environment that the region holds remarkably high potential for business growth. Hence, Chironga et al. (2011, p.2) conclude that “Africa is the next growth market”. There is evidence that firms are already expanding their investments within the Africa region and repositioning to take advantage of the huge current and anticipated opportunities.

UNCTAD (2019) observes that while FDI flows to other regions of the world were declining in 2018, the FDI flows to Africa rose to $46 billion, representing an 11 per cent increase compared to the consecutive declines recorded in the two preceding years, 2016 and 2017. The figure is predicted to rise further in the coming year because "the expected acceleration of economic growth in Africa, progress towards the implementation of the AfCFTA and the possibility of some large greenfield investment projects announced in 2018 materializing could drive higher FDI flows to the continent in 2019" (UNCTAD, 2019, P.9). This section therefore highlights the uniqueness of the African region in terms of not only its position as a desirable future FDI destination for foreign firms but also, more importantly, as a context that is developing the requisite potentials to support the growth and possible regional expansion of domestic businesses. This implies that there is high probability that African MNEs' involvement in OFDI would continue to grow at an increasing rate, all things being equal.

4.2.2 Co-existence of the Formal and Informal Market Structures

Another distinguishing characteristic of the African context is the uniqueness of its market structure. The common view of existing studies is that one of the most distinguishing features of the African region is the co-existence of formal and informal market structures which is commonly referred to as the duality paradigm (e.g., Herbst, 2000; Mamdani, 1996; Collier, 2007; Collier & Gunning, 1999). This position has been variously corroborated by all the articles published in a special symposium on Africa by the Academy of Management Perspectives, volume 29, issue 1 (see, Michalopoulos and Papaioannou, 2015; Zoogah et al., 2015; Walsh, 2015) and recently by contributors to a special issue on Africa by the Academy of International Business Insights, Volume 18, number 4 (Boso et al., 2018; Ibeh et al., 2018b; Daniel et al., 2018). For instance, reacting to the categorization of lack of strong formal institutions within the African context as an indication of the existence of institutional voids (Khanna & Palepu, 2005), Daniel et al (2018) observed thus: "This description ignores the reality that institutions across Africa have evolved from a distinct history that accentuates the relevance of informal institutions in a manner that may be uniquely different from other regions…" The duality paradigm entails a situation in which opposing macro-environmental factors, such as formal and informal political, legal, and economic institutions, co-exist and simultaneously influence business decisions in each jurisdiction. Put differently, duality paradigm typifies a situation whereby the co-existence of, say, national and ethnic or tribal institutions is regarded as the norm in a given society. They may co-exist harmoniously at one time and in disharmony at other times (Herbst, 2000m).

However, it should be noted that the duality paradigm is not peculiar to African countries, because there is evidence of varying degrees of co-existence of both formal and informal sectors in other countries, including developed nations (Scheinder, 2005). Scheinder shows that the level of duality in every country whether developed, emerging or less developed could be explained based on where each country falls on a continuum with formal and informal economies co-existing in opposite directions. On the one hand, developed countries have more of their businesses organised within the formal economy due to the high level of institutional developments, while limited amount of businesses take place within the informal economies. On the other hand, a greater percentage of economic activities in emerging markets are undertaken within the informal economy (see Godfrey, 2011; Webb et al., 2009). However, it has been argued that among all the emerging markets countries, the domination of informal economy is most prominent in the African region (Scheneider, 2005). This means that a greater percentage of economic activities take place within the informal sector in the African region contrary to the situation in other regions. It is estimated that an average of 42% of African economic activities take place within the informal sectors; ranging from about 28% in South Africa to about 60% in other major African economies such as Nigeria, Ghana, Tanzania and Zimbabwe (Boso et al., 2018; AFDB, 2017).

This concept is believed to be rooted in Lewis's (1954) "dual economy model." In a study aimed at explaining the factors influencing economic growth in less developed countries, Lewis argued that one common characteristic of less developed countries is that both formal and informal economies operate simultaneously within the less developed economies. Lewis observed that the formal economies exist in urban areas, while the informal economies hold sway in rural areas. An informal economy has been defined as "the set of illegal yet legitimate (to some large groups) activities through which actors recognize and exploit opportunities" (Webb *et al.*, 2009). There are diverging views about what constitute informal economic activities as well as informal institutions. Whereas some regard informal economy businesses as businesses which may be seen as legitimate, but they are usually associated with the use of illicit production and distribution strategies (Khavul & Bruton, 2009; Portes & Haller, 2005), others argue that informal economies are legitimate and employ licit means of producing and distributing goods and services, but normally focused on market niches with unique needs and attributes. For instance, in her study of the impact of rural trade on the performance of structural adjustment programme in Uganda, Meagher (1990) found that informal economic activities have always been a part of a typical African society. She argues that it deals on legitimate trade and involves normal exchange process.

On the other hand, a formal economy could be defined as a set of economic activities that derive their legality and legitimacy from the formal laws and regulations of the land. In the spirit of Lewis (1954), the formal sector is associated with all the activities that are undertaken in the production and delivery of goods and services within the economy which take place within locations that are designated as 'urban' areas. The formal sector is usually associated with civilization and the application of modern processes and labour-saving equipment in the conduct of business activities such as the use of machines as well as facilitation roles of banks (Collier & Gunning 1999; Collier, 2007). Michalopoulos & Papaioannou (2015) argue that the formal sector shares many features of Western societies unlike the informal sectors.

However, while supporting the co-existence of formal and informal sectors in developing economies, (Hart, 1973) found that the two sectors – formal and informal and an additional sector which he termed criminal sector co-exist both in rural and urban areas contrary to Lewis's position. Hart's (1973) position has been supported in most recent studies including Gong, et al., (2004). Furthermore, some authors argue that the duality paradigm within the African context is a by-product of the colonial experience of African countries. This school of thought suggests that the duality paradigm is a direct result of indirect rule system, whereby the European colonial masters headed the formal government at the centre while the local heads popularly called warrant chiefs were put in charge of local affairs (see Mamdani 1996). Others maintain that the duality paradigm in Africa predates colonialism (e.g. Tuner, 2004). Scholars have noted that the size of informal sector tends to be inversely related to the level of economic development of a country or region. It is therefore not surprising that African economies tend to accommodate significant percentage of economic activities within the informal sector (see, Easterly, 2001; Godfrey, 2011; Collier & Gunning, 1999).

4.2.3 Ethnic Alignment of the Social Environment

Furthermore, another distinctive feature of the African context is prominence of ethnic orientation over national orientation. Collier (2007) and Walsh (2015) observe that, Africa has more than one thousand (1000) ethnic groups, with more than one thousand five hundred (1500) languages and located in fifty-four (54) countries. Based on these records, Africa is seen as the most ethnically and linguistically fragmented region of the world (Walsh, 2015). The ethnic orientation of Africans means that they tend to show more allegiance to their immediate local communities or ethnic origin than they are towards their countries as an entity, compared to their counterparts from Europe, Asia, and US, who naturally have national orientation. One of the consequences of the high level of ethnic and language divisions, among African societies is that they find it difficult to pursue or maintain a common goal as a country, hence there is high level of parochialism among African countries (Michalopoulos & Papaioannou, 2015) with each ethnic group putting their respective ethnic interests above national interest (Alesina et al., 2003; Collier & Gunning,1999).

Expectedly such division along ethnic lines results in inter-ethnic group suspicions, competition, hatred, struggle for the national resources, and political power, tribalism, and nepotism, among other things. These situations will almost always create inequalities among the ethnic groups in terms of access to political (e.g. Michalopoulos & Papaioannou, 2013; Eifert et al., 2010; Frank & Rainer, 2012), and economic (Gennaioli & Rainer, 2007; Michalopoulos & Papaioannou, 2013) power. This is the root cause of the perpetual inter-ethnic conflicts among African countries (Michalopoulos & Papaioannou, 2015), as well as the general underdevelopment of the African region (Collier, 2007; Dia, 1996). The ethnic orientation of African context affects what goods and/or services can be produced or distributed effectively within specific ethnic contexts in Africa. Therefore, it will have implications for international business be influencing strategic decisions of the foreign investor in terms the specific locations within the host markets as well as the post entry decisions, including corporate social responsibility (CSR) decisions.

4.2.4 Parity between National and Ethnic Institutions in Africa

A fourth notable distinguishing characteristic of the African context is the parity between formal government and traditional institutions within the region. The ethnic orientation of African contexts accentuates the relevance and powers of ethnic institutions thereby making it strategically important for formal governments, whether at the national, state, or regional levels, to exist side-by-side with ethnic institutions. Usually, the formal governments will locate the capital city at a central place from where they coordinate the formal institutions of government including legal, economic, and all other issues in accordance with the formal constitution of the land. In many African countries, scholars have observed that the full enforcement of formal laws and other programmes is usually restricted to the federal and/or state capital cities and their environs (Michalopoulos and Papaioannou, 2015). On the other hand, the governance of the rest of the country, especially areas that are far from the capital, is left in the hands of the ethnic leaders, such as the warrant Chiefs or Kings (Mamdani 1996). The presence of the federal governments is usually limited in the rural areas, hence there are usually governed by informal and traditional institutions (Englebert, 2009), especially on issues relating to land allocations (Michalopoulos and Papaioannou, 2015; Herbst 2000). We believe that co-existence of the formal and ethnic institutions of government in Africa has come to stay because these traditional leaders as well as their offices are perceived by politicians as representatives of ethnic 'gods', hence it is seen as an abomination to go against them. In many African countries, political office aspirants cannot win an election without the 'blessings' of these traditional rulers and often, such 'blessings' can only be obtained after the candidates have pledged their allegiance to the 'throne'.

4.3 Summary

Therefore, in the light of the foregoing discussions, it can be deduced that Africa is a distinct context where: First, formal and informal institutions co-exist with distinct powers and responsibilities. Second, diverse, and often very distinct languages are recognized and encouraged to co-exist to reflect the fundamental diversities and structure of African societies. Third, national and ethnic orientations co-exist, but ethnic orientation supersedes national orientation. Fourth, ethnic institutions fundamentally co-exist with national institutions, often, with distinctly assigned responsibilities and powers. It is believed that the above distinctive features of the African context could provide very insightful contributions to enrich IB theories. Based on this premise, the present study aims to complement existing knowledge by focusing on the activities of African MNEs, especially those operating within the African context. This will contribute to bridging the knowledge gap between African contexts and other emerging market contexts. It is interesting to note that the contextual richness of other emerging market regions, such as Middle East, South and Central America, and Central and Eastern Europe have received proportionate scholarly attention and evidence show that the contexts offer uncommon insights which have enhanced further development of the IB literature (e.g., Jaklic et al., 2018; Mellahi et al., 2011). Therefore, exploring the uniqueness of the African business context would partly be a validation of as well as adherence to Hoskinsson et al.'s (2000) observation that environments such as Africa and the Middle East are distinct and therefore inappropriate for testing or validation of the findings from studies that were focused on other environments. Rather, policy makers, investors and so on, are encouraged to always consider the distinctive characteristics of the African context when making Africa-focused decisions (Herbst, 2000) because to do otherwise would amount to sidestepping the most salient features of the African context (Michalopoulos and Papaioannou, 2015) which is key to developing logical and strong theories (Cuervo-Cazurra, 2012).

Chapter Five:

RESEARCH METHODOLOGY

5.1 Research Design

Research design has been defined as the template that guides the execution of a given research project to achieve predetermined research objectives and find solutions to given research problems (Nachmias and Nachmias, 1996). The design encompasses the overall plan that guides the researcher through the entire stages of the investigation, including specifying sources of data and developing relevant data collection instruments, collecting the data, analysing the data and interpreting as well as reporting of observations (Yin, 2009, 2012). The present studied examined how EM MNEs, particularly African MNEs develop capabilities that enable them to undertake multinational operations. Given the dearth of empirical and theoretical explanations of EM MNEs' capabilities development activities, including the explanation of the capabilities that EM MNEs build as well as how they build such capabilities and the nature of the research questions, the present study adopted embedded multiple case study design (Eisenhardt, 1989; Yin, 1984, 1994, 2009, 2014; Gray, 2014). This implies an inductive theory building approach (Eisenhardt, 1989; Martins & Eisenhardt, 2010), particularly using a positivist approach which has become one of the generally acceptable philosophical paradigms for theorizing from case study research (see Table 5.1 below). Scholars have found case study approach to be most suited for addressing 'how' and 'why' research questions (e.g., Miles & Huberman, 1984; Gray, 2014; Yin, 1994, 2003, 2009, 2012; Edmondson and McManus, 2007). As Eisenhardt (1989, p. 535) puts it, "case studies case can be used to accomplish various aims: to provide description, test theory or generate theory."

The increasing acceptability of multiple case study approach among management and international business scholars in general and its adoption in the present study, is attributable to several reasons. First, it is suggested that using multiple cases in a given study results in more generalizable, robust and parsimonious theory (Eisenhardt & Graebner, 2007) than studying a single case, which basically reveals the existence or otherwise of the given phenomenon under investigation (Sieggelkow 2007). Second, multiple case study research fosters replication logic. Yin (1984, 2003) observes that employing multiple cases instead of a single case enhances the strength of the findings by creating a platform where the individual cases are treated as separate experiments and their respective outcomes help to validate or invalidate emerging outcomes from the others cases. Using the replication logic thus suggests that only constructs or concepts that replicate across all the cases would become validated. Third, multiple case studies with an embedded design – that is using several units of analysis (including the MNE, subsidiaries) – is thought to improve the chances of arriving at a rich and accurate theory (Yin, 2003, 2009). Fourth, the case study approach has been beneficially employed in previous studies to investigate aspects of the internationalization activities of EM MNEs (e.g., Barlett & Ghoshal, 2000; Ibeh et al., 2018a; Salas-Porrass, 1998; Sim & Panadian, 2003).

5.2 Philosophical Underpinning

Burrell and Morgan (1979) suggest that one of the fundamental determinants of study design is the researcher's assumptions about the nature of the social science. Scholars (e.g., Burrell & Morgan, 1979; Guba & Lincoln, 1994; Crotty, 1998) identify three interrelated assumptions about social sciences which form the bedrock of the execution of every empirical study. These concern the nature of reality (Ontology), the assumptions concerning how the reality can be uncovered (epistemology) and the assumptions concerning the specific approach to be used in undertaking the study (methodology). Ontological assumptions relate to the researcher's thinking about the nature of the phenomenon under investigation. While some consider phenomenon under investigation to be real, others view reality to exist in abstract form and in the researchers' mind. Epistemological assumptions, commonly characterised as objectivity and subjectivity. pertain to the researcher's view about how reality can be uncovered.

Thus, if a given researcher thinks that the reality being investigated is real and exists outside of his/her consciousness, such researchers are likely to adopt objective procedures. On the other hand, if the researcher thinks that the reality under investigation exists only within his or other peoples' mind, such a researcher will most likely favour subjective approaches. Regarding the specific methodology for studying the phenomenon of interest, this will be influenced by the researcher's ontological assumption of the nature of reality as well as their epistemological assumption about how such reality could be investigated. Burrell and Morgan (1979) suggest that the researcher could either use nomothetic (quantitative) or ideographic (qualitative) methodologies.

Table 5.1:

Comparing four methods of theorising from case studies

Dimension	Inductive Theory building	Natural Experiment	Interpretive sense-making	Contextualized explanation
Philosophical orientation	Positivist (empiricist)	Positivist (falsification)	Interpretive/ constructionist	Critical realist
Nature of research process	Objective search for generalities	Objective search for causes	Subjective search for meaning	Subjective search for causes
Case study outcome	Explanation in the form of testable propositions	Explanation in the form of cause-effect linkages	Understanding of actors' subjective experiences	Explanation in the form of causal mechanisms
Strength of case study	Induction	Internal validity	Thick description	Causes-of-effects explanation
Attitude to generalization	Generalization to population	Generalization to theory (analytic generalization)	"Particularization" not generalization	Contingent and limited generalizations
Nature of causality	Regularity model: proposing association between events (weak form of causality)	Specifying cause- effect relationships (strong form of causality)	Too simplistic and deterministic a concept	Specifying causal mechanisms and the contextual conditions under which the work (strong form of causality)
Role of context	Contextual description a first step only	Causal relationships are isolated from the context of the case	contextual description necessary for understanding	Context integrated into explanation
Main advocate	Eisenhardt	Yin	Stake	Ragin/Bhaskar

Source: Welch et al., (2011), Theorising from case studies: Towards a pluralist future for international business research, Journal of International Business Studies: 42(5), pp. 740-762

The researcher will most likely adopt the former under conditions of real ontology and objective epistemology but employ ideographic methodologies if the applicable ontological and epistemological assumptions are abstract and subjective, respectively.

Historically, social scientists generally emphasized the acquisition of knowledge through quantitative methodologies using deductive approach (Guba & Lincoln, 1994). Deduction or deductive approach refers to the process of generating knowledge from established theories. It is a theory testing approach involving a movement from theories or hypotheses to cases. The emphasis on the deduction as a major approach for knowledge creation could be attributed to the attempt by pioneering social scientists to emulate the natural sciences to enhance the validity, reliability, and acceptability of their research. This scientific approach to social science research is referred to as positivism and the proponents are referred to as positivist theorists.

However, in a subsequent extension of the fundamental assumptions to research, Burrell and Morgan (1993) suggested that research design could also be influenced by the researcher's assumption about the nature of society. Hence, they argued that the context of a given study is as important as the nature of the phenomenon being studied. They suggest two basic assumptions about the nature of society, namely, sociology of regulation and the sociology of radical change. The sociology of regulation relates to questions about how the society maintains a state of equilibrium and cohesion. The sociology of radical change, on the other hand, refers to quest to explain the structural conflicts and contradictions that characterize modern societies. Subsequently, Burrell and Morgan (1993) combined the two basic assumptions of social science (objective versus subjective) and the two basic assumptions of society (sociology of radical change versus sociology of regulation)to advance four paradigms or philosophies for studying social phenomena, namely functionalist, interpretive, radical humanist and radical structuralist – see Figure 5.1 below.

These paradigms opened alternative approaches for understanding social phenomena, including organisations. The interpretive paradigm seeks to understand the social world from subjectivist perspective; hence, the interpretivists emphasize understanding the social world from the viewpoint of the experiences of those directly involved with the phenomenon of interest. The radical humanist, like the interpretivist, seeks to understand the social world from the subjectivist perspective, hence emphasizes understanding the phenomenon of interest from perspective of actors. However, unlike the interpretivists who merely try to make sense or understand social phenomenon as it is, the radical humanist seeks for ways of changing the status quo in addition to understanding the phenomenon as it is. The radical structuralists, on their own part, try to understand the social world from an objectivist perspective, hence emphasize the use of scientific approaches to knowledge generation. However, beyond the generation of scientific insight into the phenomenon of interest, radical structuralists also emphasize change and emancipation of the subject of interest. They generally tend to emphasize realist ontology and objective epistemology.

The functionalists share the objectivist epistemological inclination as well as the realist ontological belief of the radical realist. Hence, the functionalists emphasize understanding the social world from the objectivist standpoint. Burrell and Morgan (1993) observe that the functionalist paradigm seeks to provide explanation for the situation of the social world from the realist, objectivist, deterministic and nomothetic perspectives. In other words, the functionalists adopt positivist approach to knowledge creation, including the use of quantitative methodologies such as quantitative techniques of data analysis and theory testing, which often entail deductive approach to scientific inquiry. The present study is situated within the functionalist paradigm. The fundamental objective of the present study is to provide an empirical explanation of the capabilities that enable EM MNEs, particularly African MNEs to undertake multinational operations. First, in line with the realist ontology, it is assumed that the MNEs build real capabilities and not abstract once.

Second, the research design is inductive theory building approach using multiple cases. Multiple case studies promote replication logic, which enhances objective search for common concepts among cases. Although, qualitative data analysis techniques are employed, the inductive theory building procedure follows a definite replicable procedure which enhances the scientific and positivist nature of the approach. This indicated positivist paradigm is recognized as one of the approaches for theorizing from case study research. Table 5.1 above summarizes the major characteristics of the positivist paradigm as an approach for theorizing from case study research (see Welch et al., 2011 for a detailed discussion of the various approaches). It is noteworthy that although the present study adopted the positivist paradigm to theorizing from case study research, it combined the realist ontology assumption of the existence of real capabilities with subjective epistemology of employing qualitative methodologies.

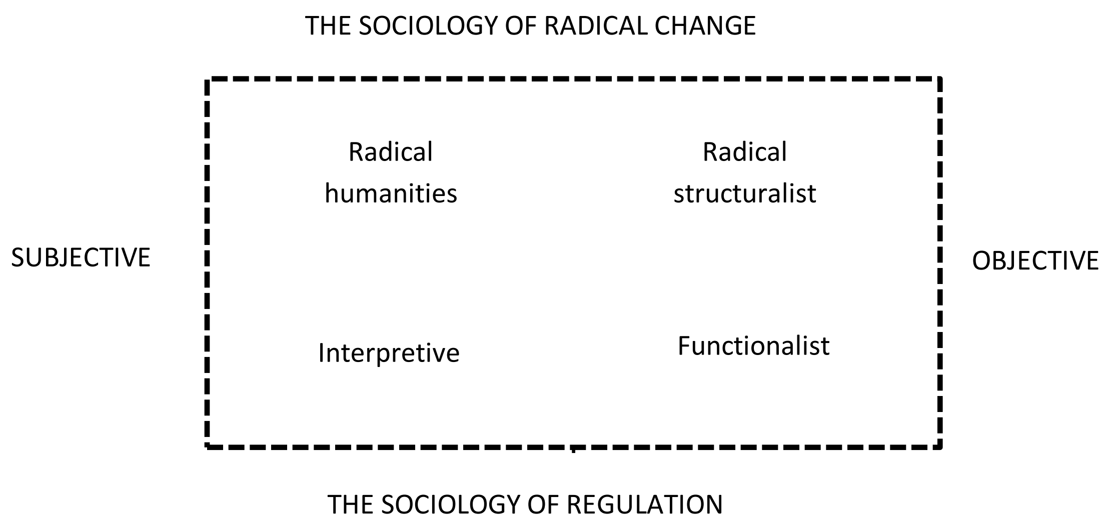

Fig. 5.1: Four paradigms for the analysis of social theory

Source: Burrell and Morgan (1993), Sociological paradigms and organisational analysis: elements of the sociology, Ashgate Publishing: Vermont, pp. 21-37.

This is contrary to the generally accepted position of realist ontology and objective epistemology of the positivism. The use of qualitative methods of data analysis in the positivist sense is in consonance with Guba and Lincoln's (1994, p. 105) assertion that, "from our perspective, both qualitative and quantitative methods may be used appropriately with any research paradigm…"

However, it has been argued that inductive approach to research, which emphasizes building universal truths such as theories or hypotheses from observations such as case studies, will almost always result in illogical conclusions. This is because, "no matter how numerous; for any conclusion drawn in this way may always turn out to be false: no matter how many instances of white swans we may have observed, this does not justify the conclusion that all swans are white, it takes only one false case to disprove the theory" (Popper, 1934 cited in Delanty, 2003). Popper further argues that such conclusions cannot be verified. He, therefore, suggests the substitution of falsification for verification (Crotty, 1998).

5.3 Selection of Cases

In this section, we discussed the research setting as well as the selection of the specific cases for the study. Yin (2009: 13) defined case study as, "an empirical inquiry that, first investigates a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident." In the light of the foregoing definition, the setting of the present study is selected African firms that have established value adding business activities in multiple jurisdictions, i.e. African MNEs. African MNEs are defined in context of the present study as firms that are of African origin which have established value-creation activities beyond their national borders. The selected MNEs were those that met some predetermined criteria. First, they are owned by Africans and incorporated in Africa. Second, they are listed in an African stock exchange market. Third, they are headquartered in an African country. Fourth and more importantly, to ensure that only firms that are truly multinationals were studied, I focused on only firms that have established cross-border value-creation activities in at least two countries, that is, in addition to their countries of incorporation.

Furthermore, although there is no consensus about the optimum number of cases to be included in a given case study research (see, e.g., Perry, 1998), Eisenhardt (1989) suggests that to enhance the efficiency of the research process, researchers adopting multiple case study approach should use between four to ten (4 -10) cases. She cautioned that choosing fewer than four or more than ten cases may have negative consequences capable of undermining the overall outcome of the study. Moreover, subsequent studies suggest that, unlike quantitative studies, the decision on the number of cases to be included in a given multiple case study does not depend on the representativeness of the cases to the whole population (Stake, 1994), but on the potential for obtaining rich and relevant data that will enable theoretical replication (Yin, 1994). Accordingly, eight African MNEs were selected for the present study. Table 5.2 below summarises the salient features of the MNEs investigated in the present study in relation to previous studies (e.g., Martins and Eisenhardt, 2010).

Theoretical sampling technique was employed in selecting the actual cases for the study. This "means that cases were selected because they were particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner 2007, p27), thereby making the study outcome “transparently observable” (Pettigrew, 1990: pp. 275). To enhance theoretical replication of emerging concepts (Yin, 1994), MNEs with contrasting characteristics in terms of age or date of incorporation (ranging from 1894 to 1993); size, represented by the number of employees (ranging from 5100 to over 27000 employees); as well as sector and country of origin were combined. Conscious effort was also made to combine MNEs that possess varying levels of foreign markets’ presence and experiences, namely, intra-regional (within the African region) actors and multiple regional (within the African region and beyond) actors. It has been argued that the combination of cases with divergent characteristics in a multiple case study generally results in more robust and generalizable findings (Eisenhardt & Graebner, 2007; Martin & Eisenhardt, 2010; Yin, 1994; Creswell, 2003).

5.4 Data Collection

It has been observed that case study research may involve using different types and sources of data, including qualitative data only, quantitative data only or a combination of both (Yin 1981, 2003, 2009, 2012). The present study relied on the first category; hence, the data were collected from two major sources, namely, interviews and archival data. The latter included data from the MNEs’ websites, company publications, press releases, and online videos (e.g. Martin & Eisenhardt 2010). Primary data for the study were generated through semi-structured interviews (Martin & Eisenhardt, 2007). Hence, in designing the interview protocol, I included some leading questions which were drawn from insights from previous studies. However, it is noteworthy that the questions were mainly open-ended questions used primarily to initiate conversations with informants. The leading questions were followed by other relevant complementary questions that became necessary based on emerging insights from informants’ responses. The unit of analysis is the MNE as a corporate organisation. Therefore, the informants included the CEOs, Chairmen and Regional managers of the studied MNEs purposively selected from the MNEs’ headquarters and subsidiaries. These categories of informants were purposely chosen as they were deemed to possess first-hand knowledge of the processes and mechanisms through which the focal MNEs built as well as deployed the capabilities that fostered their multinational engagements (Koriat & Golden-Smith 2000; Eisenhardt & Graebner 2007).

Table 5.2:

Overview of Eight MNEs investigated

Firm	Sector	Date of incorporation	Estimated Revenue	Approx. No. of Employees	Scope of operations	Number of Subsidiaries	Country of Origin	Headquarters
A	Retailing	1979	$1.8billion	130000	Intra-regional	15	South Africa	South Africa
B	Banking	1985	$1.8billion	15930	Intra-regional	36	Togo	Togo
C	Banking	1894	$542.5million	7616	Multiple	11	Nigeria	Nigeria
D	Telecoms	1994	$10.7billion	27000	Multiple	35	South Africa	South Africa
E	Banking	1948	$536.7million	20000	Multiple	21	Nigeria	Nigeria
F	Manufacturing	1978	$2.5billion	6000	Intra-regional	18	Nigeria	Nigeria
G	Telecoms	1993	$831.6million	5100	Multiple	18	Zimbabwe	South Africa
H	Banking	1990	$1.4billion	7070	Multiple	6	Nigeria	Nigeria

Note: the generic names – Firms A to H – are dummies used in the present study to represent the cases in fulfilment of the anonymity pledge.

For instance, at the subsidiary levels, the regional managers deal directly with the head office regarding knowledge transfers and deployment of necessary capabilities. In other words, the regional managers are custodians of knowledge and assets received from the headquarters and instrumental to the creation of subsidiary initiatives and complementary assets which enhances utilization of existing assets and the creation of new ones. Hence, they were considered appropriately placed to provide information regarding the deployment as well as development of assets at the subsidiary level.

A total of 6 informants selected from the headquarters and subsidiaries were interviewed per case, adding up to 48 interviewees overall, which falls within the standard range (Perry, 1998). Table 5.3 below summarizes the nature and characteristics of informants interviewed from all the selected MNEs. At the headquarters, I focused on examining the capability development activities of the MNEs. This included exploring the processes through which the MNEs developed internal capabilities as well as how they integrated acquired assets, including those obtained from strategic alliances, with internally developed resources. The latter include assets developed by the MNEs' subsidiaries. Similarly, at the subsidiary's level, I focused on confirming the capabilities that the subsidiaries received from headquarters which enabled them to serve host market customers and compete effectively against domestic players. The collection of data from different levels of the organisation, including subsidiaries, reflects my adoption of the embedded case study approach (Yin, 1984, 2003).

Prior to the main data collection exercise, eight pilot interviews were conducted. The informants were selected from four MNEs in Nigeria. Among other benefits, the pilot data collection provided preliminary insights into the 'capability building' processes of the MNEs. Conscious efforts were made to make the pilot study as close to the main fieldwork as possible, hence the pilot study informants were individuals who had significant experience of the capability building processes of their firms, specifically senior corporate executives and regional managers. The pilot study also offered a real-life platform to test potential questions included in the interview protocol. This provided helpful feedback regarding how informants perceived and understood the potential questions, enabled necessary revisions, and ensured that the right questions were asked, and relevant data obtained during the data collection phase.

Furthermore, during the main data collection activity measures were put in place to control the flow of the interview sessions. These included setting clear boundaries of the interviews and deciding to stick to the main subjects of the discussion as well as taking conscious steps to ensure adherence to the promise of anonymity and protection of the informants and MNEs' identities. First, permissions were sought and obtained from the informants to tape-record the interview sessions to make the interactions smoother, easy to recall and more rewarding (Koriat & Goldensmith 2000; Golden, 1992). To achieve this, the respondents were shown documentary evidence of the present study's ethics approval, which clearly indicated a commitment to adhere to data protection laws. This helped to reassure the interviewees, hence they exhibited great openness during the interview sessions (Martin & Eisenhardt, 2007). Second, the informants were invited to decide the most appropriate time of the interviews and the duration of each session was primarily dependent on the length of time each informant was willing to give. In all, the interview sessions lasted between one and two hours each and were all conducted within the comfort of the informants' offices. Third, drawing on prior interview experience, some probe questions purposely inserted in the interview protocol were intermittently introduced (Yin, 1994; Perry, 1998). However, effort was made to minimise introducing personal judgements into the interview interactions and avoid sacrificing the openness of the interview process on the altar of excessive probe questions (Eisenhardt 1989; Glaser & Strauss 1967).

In order to obtain sufficient and relevant information from the informants regarding the capabilities they build, how they build it and how the possession of such capabilities influenced their internationalization behaviour, the structure of the main interview sessions was divided into three. First, each session started with some background questions that focused on respondents' specific role in the firm. Here, issues around the industry and the MNEs' cross-border operations and performance were discussed. Second, issues majorly centred on the capability building activities of the firms were raised. Open-ended questions were used to explore the study's three main objectives, including the capabilities the MNEs possess and the mechanisms through which they build the capabilities. To ascertain the relevance of the developed capabilities for the MNEs' internationalization, further questions were asked regarding how the capabilities influenced the MNEs' engagement in cross-border operations. Third, each interview session was concluded with specific questions about how the MNEs' management integrate externally acquired capabilities with internally developed ones, including those developed at the subsidiary level. The latter questions were aimed at eliciting relevant responses regarding the mechanisms through which EM MNEs integrate externally acquired and internally built capabilities.

The questions regarding the MNEs' capabilities development processes as well as those concerning the integration of external and internal assets were mainly directed at the executives at the headquarters. This is given extant literature evidence that the firm-specific assets of MNEs are typically developed in their home countries usually prior to internationalization, and their engagement in any form of cross-border knowledge or assets acquisition endeavours (Dunning, 2000; Dunning & Lundan, 2008). Hence, the head offices tend to serve as the coordinating point for all the operations of a given MNE, including capabilities and assets developed within the home country and those acquired from external sources, especially the non-location bound, offshore-sourced, assets. On the other hand, the regional managers were asked questions aimed at understanding the role of the internally developed assets in the internationalization activities of the MNEs and how the subsidiary managers integrate received assets with local initiatives or complementary host-country assets.

In all the interview sessions, the "court-room questioning" approach was maintained and interactions were mainly focused on the actual capability building and/or integration activities that took place and how they were done in practical terms (Huber & Power, 1985). The transcription of the recorded interview data commenced within 24 hours of each interview to enhance recall as well as quality and accuracy of data (Koriat & Golden-smith, 2000). At the end of the transcription, 85 pages, or about seventy thousand (70000) words, were obtained. As mentioned earlier, the interview data were complemented with secondary data on the MNEs' capabilities development and internationalization activities from published sources, including MNEs' websites, press releases and annual reports. It is believed that the triangulation of data from both primary and secondary sources produce stronger theories than could be achieved based only on either data type (Anand et al., 2007; Yin, 2003, 2009, 2012). The data collection exercise, including the pilot study and the main fieldwork, was conducted between June 2018 to March 2019.

5.5 Validity and Reliability

High quality research design directly affects the quality of research findings, hence the importance of the former in social science research, particularly case study research (Gray, 2014). Scholars undertaking case study research address the issue of quality by focusing on the reliability and validity of the research design since case studies mainly rely on data from limited samples and specific contexts (Gray 2014). Below, the specific actions taken in the present study to enhance validity and reliability (Parkhe 1993) are discussed.

Reliability assesses the likelihood that replicating a given study will produce same or similar results. Therefore, a research design that has the quality of being replicated with exact or similar outcomes is judged reliable and vice versa. Yin (2009) suggests that reliable case study research could be achieved by designing and consciously following a verifiable procedure in the conduct of case studies. He suggests that reliability could be enhanced by creating and following what he calls case study protocols and maintaining a case study database. A case study protocol is a document that contains the research questions to be addressed, the relevant data needed, a detailed plan of the data sources, how the data will be collected, and how the study findings will be reported. The protocol serves as a guide for possible replication of a given study by future researchers. Gray (2014) suggests that a good protocol pays attention not only to the specific activities undertaken from the beginning to the end of a given piece of research, but also to the significance of the study to future researchers. In the light of the foregoing, the research protocol designed for the present study included a clear specification of the research questions, sources of data, data collection techniques, including the probing interview questions, and the data analysis process. The protocol, and other important steps, have ensured that the present study can be replicated by future researchers aiming to contribute to EM MNEs capability building.

Table 5.3:

Sources of Interview Data

Firm	Data Source	Category of Informants	Details	Total
A	Interview	Corporate executives, Regional managers	3CEs, 3RMs	6
B	Interview	Chairman, Corporate executives, Regional managers	1C, 3CEs, 2RMs	6
C	Interview	Corporate executives, Regional managers	2CEs, 4RMs	6
D	Interview	Chairman, Corporate executives, Regional managers	1C, 2CEs, 3RMs	6
E	Interview	Corporate executives, Regionals managers	3CEs, 3RMs	6
F	Interview	Corporate executives, Regionals managers	3CEs, 3RMs	6
G	Interview	Chairman, Corporate executives, Regional managers	1C, 3CEs, 2RMs	6
H	Interview	Chairman Corporate executives, Regional managers	1C, 3CEs, 2RMs	6
Grand Total				48

Note: the generic names – Firms A to H – are dummies used in the present study to represent the cases in fulfilment of the anonymity pledge to the informants.

The details column shows the combination of informants – Chairmen (C), Corporate Executives (CEs) and Regional Managers (RMs) – interviewed in each case.

Validity is another tool for measuring the quality of the research design. The validity of a research design generally refers to the ability of the given design to generate logical answers to the predetermined research questions and objectives. This depends on how well or otherwise the study instruments measure the intended phenomenon and produce the right data to enable the researcher to address the relevant questions. Generally, scholars undertake three different validity tests, including construct, internal, and external validity (Yin, 2009).

Construct validity refers to the quality of the key study variables measured in terms of their effectiveness to elicit necessary data for answering the research questions (Gibbert et al., 2008). It is, in other words, the degree to which the main constructs in a given study are able to provide answers to the central questions that the researcher seeks to address (Denzin & Lincoln, 1994). Yin (2009) argues that establishing the construct validity of a case study research design is a difficult task due to the challenge of appropriately defining the constructs. Given this difficulty, Yin suggest, among other things, that researchers should operationally define the study variables, choose appropriate measuring instruments, and obtain data from multiple sources. Effective definition of the study variables entails, *inter alia*, consciously controlling the contextual environment of the cases via using case study protocols (Yin, 1994; Cooper & Emory, 1995). Yin (2009) also suggests that construct validity could be enhanced by using prior propositions, obtaining data from multiple sources or data collection methods, including interviews, archival documents. Based on the foregoing guidance, the present study's construct validity was enhanced by using, or triangulating, data from multiple sources, including interviews and archival data. Prior propositions were, however, not used because the present study adopted embedded multiple case study design with emphasis on ultimately "developing constructs, measures and testable theoretical propositions" (Eisenhardt & Graebner, 2007, p.25).

Internal validity measures the quality of the research design in terms of its ability to provide relevant evidence regarding the behaviour explored by the study variables (Yin 2009; Gray, 2014). It is most pronounced in causal or explanatory studies which usually seeks to establish "how" or "why" of a given phenomenon and less prominent in descriptive and exploratory studies. Gray (2014) suggests that there are two notable challenges associated with establishing the internal validity of a case study design, specifically that of establishing the relationship between the study variables and drawing inference from data collected from limited number of cases to larger populations. Yin (2009) suggests that internal validity in case study design could be enhanced through pattern matching, explanation building, exploring substitute accounts and using logic models. Gibbert et al. (2008) similarly suggest three measures, including formulating research framework that clearly specifies the expected relationship between the study variables, undertaking pattern matching, and analysing the study outcomes against previous research findings or expected outcomes (Denzin and Lincoln, 1994; Eisenhardt, 1989). In the light of the foregoing, the internal validity of the present study was ensured by comparing the emerging findings with the results from previous relevant studies at the latter chapters of this thesis. This enhanced understanding of the extent to which the emerging concepts and themes explain EM MNEs' capability building (Yin, 2009; Gibbert et al., 2008).

External validity examines the applicability of the findings of a given study to other social phenomena such as organisations excluded from the study. It addresses the issue of generalizability, which continues to divide case study researchers. While some (e.g., Schofield, 2000; Gomm et al., 2000) argue in favour of generalizing the outcome of case study research, others (e.g., Lieberson, 2000) argue against, and suggest that it will be illogical since the study subjects or number of cases are almost always not representative of the entire population (Stake, 1994). To resolve this impasse, Yin (2009) suggests that case study researchers could make analytical generalization rather than statistical generalizations, which means generalizing pertinent findings, including newly developed concepts or refinements to theoretical framework to other theories, instead of ; generalizing the study outcomes to the total population. This author further suggests that a reasonable ground for generalizing from the outcome of case study research will be to use replication logic by employing multiple case study design (Yin, 2009). Dooley (2002) similarly suggests strengthening external validity by relating case study findings to previous results. Influenced by the above guidance, the present study investigated eight African MNEs, which offered a good platform for cross-analysing and validating emerging concepts as well as facilitating replication logic (Yin, 1984, 1994, 2003, 2009).

5.6 Data Analysis

Following advised guidelines for undertaking inductive theory building case research (Eisenhardt, 1989; Martin & Eisenhardt, 2010; Yin, 2003), the present study employed within case and cross-case analysis techniques, guided mainly by the research questions but without the use of prior propositions. Having obtained and prepared the data from the different sources, individual case narratives were written up for each of the eight cases. This involved aggregating all data pertaining to each case into one document and producing a single working document for each. These write-ups helped to achieve the triangulation of all the available data for the study. Also following the guidance, within-case and cross-case analyses were undertaken (e.g., Miles and Huberman, 1994; Patton, 1990; Eisenhardt, 1989).

The within-case analysis entailed consciously examining data obtained for each case subject in the light of the research questions. The case-specific data were read repeatedly to strengthen familiarity with the materials as well as understanding of the concepts emerging from each case (Eisenhardt, 1989). Focusing on the individual case write ups without reference to data from other cases facilitated early identification of concepts or constructs that stand out from each case (Eisenhardt, 1989).

The cross-case analysis involved two phases, the first of which entailed ascertaining, using replication logic, whether the concepts identified from the individual cases are shared with other cases. Concepts found to have replicated across all cases were validated and seen as potential source of stronger theory (Eisenhardt, 1989). At the second phase of cross-case analysis, emerging concepts from pairs of cases reflecting certain shared characteristics were examined as they were theoretically sampled, or purposefully selected, to foster theoretical replication (Yin, 2003; 2009). For instance, emerging concepts from cases belonging to the same country, age range, and sector, specifically banking, were cross-examined. Examining these cases in pairs enabled the identification of consistent patterns which could not be attributed to their shared attributes (Eisenhardt, 1989). It should be noted, however, that cases from certain sectors (e.g. manufacturing and retailing) or countries (e.g. Zimbabwe and Togo) could not be considered in pairs owing to the lack of access or limited availability of comparable MNEs in these sectors and countries.

The main themes, concepts or even relationships emerging from the present study were subsequently cross-examined in the light of existing theories and related literature. This process, including iteratively moving between the data, extant theories and the emerging concepts until a saturation point was reached, assisted the refinement of the emerging concepts' definitions and measures (Eisenhardt, 1989; Gilbert, 2005). The supporting extant literature offered a basis for verifying study's internal validity, theoretical generalizability, and development of propositions. Closer attention was also paid to literature that challenge the emerging theories as such tensions offered an opportunity to probe deeper and uncover new insights that may have been overlooked (Eisenhardt, 1989). Appropriate tables were employed to refine the emerging constructs, their operational dimensions, and theoretical relationships (Miles and Huberman, 1994), and qualitative data in were further drawn upon to explain why particular relationships hold or otherwise (Eisenhardt 1989).

It must be noted, however, that the case study approach has some limitations (Perry, 1998). Some scholars consider case studies to be riskier than surveys, but cheaper and easier to conduct (Parkhe, 1993). The associated risk and resource commitment tend to be higher when the study setting is outside the researcher's home country, thereby requiring preliminary effort to understand the history, culture and language of the host country before the main study would commence (Wright et al., 1988; Mendenhall et al., 1993). As Parkhe (1993) noted, the logistics involved in undertaking case study research across borders may limit its use. This thankfully did not apply to the present study as the researcher was familiar with the African context and had prior experience of undertaking research in African environments.

5.7 Ethical Considerations

It is important for researchers to pay close attention to research ethics (Cooper & Emory, 1995) especially whilst adopting qualitative methods. This is given that such methods, including in-depth interviewing tend to be highly personal and interactive, take the researcher into the real world in which people live and work, and are typically more intrusive than surveys, tests, and other quantitative approaches (Patton, 2002). Cooper & Emory (1995) defined ethics as behavioural patterns that are considered appropriate within a given social setting and determines what actions are viewed as right or wrong and upon which human relationships are established. According to the authors, ethical considerations in research is primarily aimed at safeguarding all participants involved in the research from any form of harm, whether physical, emotional or other form of negative unintended consequences, as a result of their involvement in the research process. Ethical behaviour in research, among other things, include making conscious effort to keep nondisclosure agreements such as upholding informants' confidentiality and anonymity, reporting the results as they are, maintaining high level of honesty, and honouring legal responsibilities (Cooper & Emory, 1995). This implies that any behaviour exhibited by researchers, consciously or consciously, which is contrary to the foregoing would be judged unethical behaviour in research.

Cooper and Emory (1995) suggest that what constitutes ethical behaviour in research is based on specific codes and regulations that guide the behaviours of different participants in a research project. This especially applies to the inter-personal relationships among the participants, including the relationship between the researcher and research assistants, informants, clients and so on. For example, a researcher acceding to a client's demand or request to alter the study results amounts to a breach of ethical standards (Cooper & Emory, 1995), so is any behaviour or act that causes the informants to suffer any other form of harm, including physical, emotional discomfort or even security concerns due to loss of privacy (Cooper & Emory, 1995). The latter can be avoided by maintain the confidentiality of informants except in situations where they specifically request that their identities be revealed (Patton, 2002; Lincoln & Guba, 1985). To facilitate high ethical standards in research, Cooper and Emory (1995) suggest that before the commencement of the interview sessions, the interviewers should ab initio provide as much information as are necessary to enable the respondents understand the importance of the study and clearly explain to them how their anonymity and other sensitive issues, including rights and safety will be guaranteed, protected and the measures to be taken to enforce them.

Thereafter, the interviewer should ensure that the interviewee has given his or her informed consent before proceeding with the interview. According to the US Department of Health and Human Services' (HHS) Institutional Review Boards (IRB), complete informed consent has four characteristics. First, the respondent must be competent to give consent. Second, consent must be voluntary, free from coercion, force, among other things. Third, respondents must be adequately informed to be able to decide. Fourth, respondents should know the possible risks or outcomes associated with the research (Cooper & Emory, 1995). Lincoln & Guba, (1985) and Patton (2002) similarly suggest that the interviewee should be fully informed, that is, given all necessary and available information, including the purpose, benefits and risks associated with the study before the commencement of the interview. However, it is acknowledged that the researcher may withhold information about the benefit or purpose of the study if there is a reason to think that having such information would lead to bias on the part of the informant (Cooper & Emory, 1995). In such circumstances, it is suggested that the researcher must endeavour to explain the withheld information as soon as the interview is over (Patton, 2002; Miles et al., 2014).

The foregoing guidance, and Birkbeck College's guideline for ethical behaviour in research, informed the ethical procedures adopted in the present case study research. Steps taken included preparing an information sheet that outlined the purpose, benefits and risks associated with the study; discussing the content of information sheet with my PhD supervisor; and submitted it to the Management Departments' Ethics Review Committee for verification and approval. The approved ethical guideline informed the preparation of the final research protocol, including interview questions and data analysis protocols.

5.8 Summary

This chapter examined the methodology employed in undertaking the present study. The study adopted an inductive theory building approach (Eisenhardt, 1989; Martins & Eisenhardt, 2010) using embedded multiple case study design (Eisenhardt, 1989; Yin, 1984, 1994, 2009, 2014; Gray, 2014) with key prior research questions. The core philosophical underpinning of the theory building approach has been positivism, including real ontology and objective epistemology. This is based on the fundamental belief that there are specific and identifiable capabilities which can support firms to be able to undertake cross-border value creation activities. This is because it has been argued that not all resources possessed by firms could support engagement in international operations by the firms (Buckley et al., 2016). The data for the study was collected from a combination of archival sources and interviews with 48 senior executives, including regional managers, corporate executives, and Chairmen selected from eight African MNEs. The investigated firms were drawn from four sectors, including banking, manufacturing, retailing and telecommunications as well as four African countries, including South Africa, Nigeria, Togo, and Zimbabwe. The data analysis was conducted using within-case and cross-case approach based on existing guideline and practice of inductive theory building case research (Eisenhardt, 1989; Martin & Eisenhardt, 2010; Yin, 2003).

Chapter Six

FINDINGS: THE CAPABILITIES THAT AFRICAN MNEs BUILD

6.1 Introduction

The MNEs investigated in this study are eight (8) African firms, here referred to as Firms A – H. These firms have, over the years, built capabilities to take advantage of available opportunities, especially within the African context and have successfully established value creation activities in multiple markets both within and beyond the African region. Table 5.2 above summarizes the characteristics of the investigated African MNEs. As shown in the table, the firms were drawn from multiple African countries, including Nigeria, South Africa, Togo and Zimbabwe and multiple sectors, including retailing, banking, telecommunications, and manufacturing sectors. The firms were also different in terms of age, capitalisation, and staff strength. The range of the age of the firms was about a hundred years with the youngest incorporated in 1994 while the oldest was incorporated in 1894. In terms of revenue or capital base, the most capitalised firm had ten billion, six hundred million dollars ($10.6 billion) while the least capitalised had five hundred and thirty-six million dollars ($536 million). In terms of workforce, the largest firm had one hundred and thirty thousand (130 000) employees whereas the smallest employed five thousand one hundred (5100) employees. The section below presents the emerging theoretical framework obtained from the analysis of the data for the study. First, in the present chapter, described the emerging framework regarding the capabilities that are developed by African firms. In the subsequent chapters, described how the firms developed the capabilities, including how they integrated internal and external resources.

6.2 Scalable Product Advantages: Identifying and providing solutions to transnational needs

The data show that the MNEs provided solutions to problems that were not adequately satisfied by current providers within their home countries. It is observed that such problems or issues were, often, either already fully addressed or in some instances currently been addressed by other firms in other regions of the world. Hence, practically speaking, the firms bridged the gap in the provision of specific goods or services that enhance the living standards or the economic fortunes of their home markets. The data further show that the specific good or service that these firms provided for the satisfaction of the identified needs depended on the peculiar characteristics of the firms, such as their size, age, resource strengths and sector. Table 6.1 below summarises our data and findings on product advantages and presents illustrative informant quotes. A notable example of firms that identified and filled a basic societal need that had transnational demand is Firm G which revolutionised the telecommunications sector in Zimbabwe. Prior to the establishment of the firm, the African region generally had exceptionally low tele densities. The data revealed that as of 1993, most Africans were neither aware of nor have access to telecommunications services. “At best, telecommunications services were seen as a mark of social status and those that do have access to such services were regarded as privileged people”, said one corporate executive. So, the firm basically saw the need for a more effective and liberalized communications system and responded accordingly. As the Chairman of Firm G observed:

> And for me it was really we were just trying to respond to a need. For me, the revolution of telecommunication in Africa, when we look back now, that is just over twenty years ago, 75% of the African people have a telephone now.

The data revealed that although telecommunication pre-existed the focal firm’s operations, it was grossly undersubscribed by the market. It was observed that the low level of adoption of telecommunications services in Zimbabwe was attributed to the fact that the Zimbabwean government at the time had monopoly of the telecommunication sector and therefore controlled the subscription as well as consumption of telecommunication services. The data reveal that the government saw telecommunication facilities as security enablers and therefore monopolized the services citing security concerns. Hence, private operators were not allowed to obtain licenses to run telecommunication services companies. The Chairman noted thus: “…at a time when most of the telecommunication industry in Africa and most of the world was being run by governments… They said you cannot run telephone. This is about the state and our ability to monitor and control people…” One of the corporate executives also recounted his experience as an employee of the government’s telecommunications regulatory agency. He observed that the government used to practically monitor and set limits to how much call an individual customer could make, including the destination of such calls. In the words of the corporate executive:

> You know when I worked as a telephone engineer, can you imagine we used to take out adverts that government used to send to people to say to them you talk too much on the phone. They used to say, ‘you jaba jaba too much’ to customers.

In the light of the foregoing, the need for improved telecommunication services was apparent. Consequently, in 1993, the management of the firm approached the government of their home country for a license to enable them to provide the much-needed telecommunications services to the populace. The Chairman explained that their decision to take that bold step irrespective of the subsisting government restrictions on private sector participation in the telecommunication sector was influenced by the effect of a global revolution in telecommunication services which was increasingly changing the behaviour of both individuals and businesses in other regions of the world, especially in advanced countries. The Chairman noted thus: “So, I was watching what was happening globally, and I thought, well, I can just go over and persuade the government to give me a licence. So, I went to the government in Zimbabwe and said this is a great new technology would you give me a licence so I can provide service to the people?” This request, the Chairman noted, “was greeted with a very serious resistance from the regulators”. However, the management stood their ground and fought the government in a long legal battle in court. Ultimately, the firm prevailed and got the license.

> And they almost locked me up as a national security threat. And they said… we will not allow you to do it. So, I then sued them, which had never been done… to the constitutional court to challenge the premise of why you should have a monopoly in the telecommunication industry. Court ruled that the monopoly was illegal. Then I was a persona non grata (Chairman Firm G).

Consequently, the firm established telecommunications operations and started providing telecommunications services, including mobile telephone and data services. The traditional public telecommunications service which was in place prior to the establishment of the focal firm’s telephone operations was designed to offer mainly fixed telephone services, hence telecommunication services were delivered to given customers through designated wire connections. This system allowed customers to make limited calls and from designated places usually through a landline thereby allowing the government to effectively monitor the usage of telecommunication services by the customers. However, upon resumption of the telecommunications services, the firm introduced mobile communications services by localizing the global system for mobile communications (GSM) innovation which was already being increasingly adopted in other parts of the world at the time. The GSM provides mobile communications services to customers, usually through mobile telephones. It offers customers the privilege of accessing telecommunication services from anywhere within the coverage of the service provider's network services, hence customers could enjoy telecommunications services such as making and receiving calls as they travel around the country. Subsequently, as customers began to patronize and access mobile communications services from this firm, the penetration of telecommunications services within the domestic market increased astronomically. Expectedly, the success and performance of this firm started influencing conversations around telecommunications regulations in other African countries, which also had extremely low tele densities due to governments' monopoly power over telecommunications services provisions. As a result, several African governments began to liberalize their telecommunications industries thereby allowing the participation of private businesses in the sector. Expectedly, the firm immediately found opportunities in other African countries where they could replicate the telecommunication solutions which they have provided successfully in their home country. Therefore, the firm immediately began to expand into other African countries, most times on the request of the governments of the host countries. As the Chairman observed, "And, of-course, shortly afterwards I ended up in Nigeria, courtesy of President Obasanjo. And we went there to get the revolution going." Today, most Africans are enjoying telecommunication services just like the rest of the world.

> The tele density of Africa has now move from 0.7% to 75% 20 years later, since we started and Zimbabwe has a tele density of 120%, which means some people have more than one telephone. Obviously, a lot of us got involved; you know it became one great phenomenon (Corporate Executive, Firm G).

Also, the case of Firm B, which has metamorphosed into a pan African Bank, is another notable example. Prior to the establishment of the bank, the African continent, particularly the West African sub-region was grossly underbanked. The data revealed that the poor banking situation of the African context was a function of two major factors, namely the unwillingness of foreign banks to invest within the African context due to prevailing institutional voids and the inability of local investors to establish banks due to lack of requisite capabilities. One of the corporate executives observed that "the African market was not particularly attractive to Western banks" for several reasons. First, the level of income was generally low, and the market potential may not be enough to sustain full banking operations by foreign banks. Second, Africa has been noted to be a unique context not only because of the co-existence of formal and informal institutions but, more importantly, due to the prominence of the latter. Third, most African countries were either under military rule or the governments were directly involved in the ownership and management of essential services in the country. As a result, foreign firms which were more resource-endowed feared investing in Africa due to fear of expropriation of their assets by the African governments. Hence, there was need for home grown solutions to Africa's banking needs. As one corporate executive observed, "we recognized the high level of unbanked population, especially within the West African sub-region and we felt that it offered a potential that could keep us in business for a very long time." Subsequently, a group of businessmen from some Western African countries came together and formed the bank to provide banking services to the teeming West African unbanked population. As one of the corporate executives of Firm B noted:

> Now what gave rise to the idea of establishing our bank is that as at the time we set up, there was no African owned bank. There was no bank in Africa that was established and run by Africans to serve the interest of the African market. So, that was really the driving force and so you have a couple of businessmen from Nigeria, Togo, and a couple of other West African Countries come together to mute the idea of setting up a bank that will cater to banking needs of the public in the region.

The promoters subsequently established the bank as a holding company which serves as a platform for obtaining banking licenses and providing banking services in the countries within the targeted region. As one regional manager observed, "we are basically a holding company that attracts investments from interested parties and then invest that into buying banking licenses in various countries and setting up banking operations in those countries." The bank started their operations in Togo where they found the most suitable physical space and regulatory framework for the establishment of their headquarters. Accordingly, from there, they began to tap into the huge potentials of the West African sub-region. However, although the bank was originally established to cater for the interest of the West African region, the managers shortly found that other regions of Africa were also in dire need of banking services. Consequently, they reviewed the focus of their operations from West Africa to the continental market. Subsequently, they began to expand into other regions in addition to their operations within the West African region. One of the corporate executives observed thus: “obviously by the time we had planted the flag in various West African countries, it made sense to launch out into Africa that’s why the African drive for a footprint across the continent came into being.” It was observed that the bank became very successful in their intra-African expansions because, being a home grown bank; they had a good understanding of the characteristics of the African context, including the nature of the markets, institutions and other things. More importantly, it was observed that the bank enjoyed relatively warm reception in most African countries because they were able to sale themselves well as an African bank that is set up by Africans and for the purpose of filling the banking needs of Africans.

> So, the narrative helped us gain access into various economies and off-course the story was look, this is not a Western bank setting up branches in Africa, but this is an African bank, you know we are setting this up to solve our own problems by ourselves (Corporate Executive, Firm B).

Furthermore, the case of Firm F which has revolutionized the cement industry in Africa is also highly illustrative. Prior to the establishment of the firm, the supply of cement was very minimal and very much behind the demand, especially as the economy of the African continent began to grow following the adoption and implementation of market liberalization policies by different African countries. For instance, the Chairman of the firm gave a clue of the situation in cement production in Nigeria prior to their establishment of their cement production plants. In his words: “the entire production of Nigeria was just less than 2million tonnes in 2003.” He went on to suggest that “For the most populous country in Africa with the population of over 170 million, annual production of about 2 million tonnes was really insignificant to say the least.” To meet this need for cement in Nigeria, the firm entered the cement business. Owing to the amount of resources available to them at the time, they started as a trading company buying a few trucks of cement daily and reselling them within the domestic market. Then, they gradually increased the scope of the business and started importing in bulk. Eventually, following the introduction of a backward integration policy by the Nigeria government, the firm restructured the focus of their operations and began to produce the products locally. As the Chairman observed:

> At inception in 1978, we were largely importers and distributors of cement and other commodities. Shortly, we moved upscale becoming a bulk trader. From 1997, we began the push into redesigning the business by making it an industrialized conglomerate. We moved from the downstream commodity operation into an upstream business by taking advantage of backward integration policy introduced by Obasanjo government. We went from trading into manufacturing (Chairman Firm F).

The data revealed that as the firm continued to expand their production capacities and serving the local markets, they realized that there was huge market potential for cement in other African countries. So, due to poor location production capacities observed in most other African countries, the firm began to establish cement production factories in other African countries to meet the identified needs for cement in those countries. As a corporate executive observed, “we just realised that the Nigerian situation is a true reflection of the state of affairs in the cement sector in most other African countries.” Another corporate executive acknowledged the huge market potential of the African context as follows:

> I mean Africa is full of business potentials and I think what we did was to harness the opportunities inherent in the continent. There have been quite a lot. We started from trading. Now what we have done is to change to manufacturing which is an exceedingly difficult area especially from this part of the world due to the lack of power (Corporate Executive, Firm F).

It was further observed that the company has continued to respond to the untapped market potential for cement in Africa by expanding their scale of operations as a group and investing in many African countries. Therefore, as a strategic choice, the firms tend to focus mainly on the satisfaction of the African demand. The Chairman observed thus: “for now, we are actually trying to focus mainly on sub-Saharan Africa. We might go beyond that afterwards but for now, we have quite a lot that we are doing and for us to be focused, I think it is by far better the way that we have planned to go about our business.” Consequently, it was observed that the firm now has physical operations in more than eighteen (18) African countries where they are producing and distributing cement to customers. For instance, a regional manager acknowledged the overall improvement in the supply of cement over time, especially in Nigeria. He has said, “Nigeria has moved from the position of producing less than 2 million tonnes of cement in 1978 when we started, to producing about 28.5 million tonnes. This figure will soon change as we are in the process of adding additional 9 million tonnes. This implies that before the end of the year, the total production of cement in Nigeria will be at about 37 million tonnes.” A key insight, so far, is that the MNEs identified existing needs within their home countries and reach out to meet such needs by providing innovative solutions to the needs. More importantly, it was observed that such needs were found to be common in many other African countries, hence by providing solution in one country, the MNEs found that they can provide such solutions in other countries. Therefore, given the existence of similar needs in many African countries and given also the psychic closeness between the different African countries, the firms were motivated to increase their scale of operations thereby replicate the solutions they developed within their home markets in other regional markets.

However, the data shows that these firms did not expand the production capacities for solutions to problems that were either peculiar to a given country or which do not have sustainable market potentials beyond the domestic market. For instance, it was observed that Firm F had many lines of businesses, including textiles, banking, sugar, noodles, salt, and construction among others, but did not scale the production capacities of these lines beyond the level of the domestic demand, unlike the cement business. One of the corporate executives observed that the cement business is the only business that they internationalized while the rest were either focused on the domestic market or entirely liquidated, overtime. He suggested that the reason for scaling the cement business and not others, among other things, is that the cement business has huge market potentials beyond their home country national border. In his words, “There were a lot of businesses that we have dropped along the line. The only business that we take outside Nigeria and replicate what we are doing in Nigeria is to do cement. That we understand the business in and out and there is a lot of room for growth and we are really looking forward to taking advantage of the African markets.” The Chairman also made similar observation:

Table 6.1:
Scalable Product Advantages of African MNEs

Firm	Sector	Value Proposition	Scope of Issue Addressed	Informants' Representative Quotes
A	Retailing	Built modern shopping complexes in many African countries to provide varieties of products at affordable prices	Continental	"Provide low prices and one-stop-shopping experience to our customers" (Corporate Executive Firm A) "Beyond our low prices, we make shopping as quick as possible because we recognize the value of time" (Regional Manager Firm A)
B	Banking	Incorporated the bank to take care of the peculiar banking need of the Western African sub-region	Regional	"The focus really is sub-Saharan Africa and that still remains the scope of our operations" (Corporate Executive) "Africa is the next big place and we are here already. So, let’s take that first move advantage and make sure that we dig our roots and extract the value" (Regional Manager Firm B)
C	Banking	Developed systems to provide one of the safest banking solutions in West Africa	Regional	"We are leveraging on technology to drive optimised and cost effective service delivery" (Corporate Executives) "We systems are designed to enhance transaction efficiency risk management as well as innovation and creativity across the group" (Regional Manager Firm C)
D	Telecommunications	We provide a new digital world to change the way Africans live, work and play.	Continental	"We believe everyone deserves the benefits of a modern connected life and that's what we offer our customers" (Regional Manager 1 Firm D) "We also offer enterprise solutions to corporate and public sector customers" (Regional Manager 2 Firm D).

Table 6.1: (Continued)

Firm	Sector	Value Proposition	Scope of Issue Addressed	Informants' Representative Quotes
E	Banking	On a quest to build the most diversified, strongest domestic and African bank brand	Regional	"We are the channel through which funds move in and out of Africa" (Corporate Executive Firm E). "We provide banking solutions and we have done that successfully in one jurisdiction so that gives you an encouragement to want to launch out" (Regional Manager Firm E)
F	Manufacturing	Powers Africa's infrastructural development by providing high quality cement that meets builders' expectations	Continental	"We began at the downstream, trading, but quickly built capabilities and moved to the upstream" (Corporate Executive Firm F). "We understand the cement business in and out and there is a lot of room for growth and we are really looking forward to taking advantage of the African markets" (Chairman Firm F).
G	Telecommunication	We change the face of Africa's telecommunication industry by providing mobile phone networks and internet services	Continental	"It could take officially fourteen years to get a telephone in most African countries. The average tele density was. 07%. So, it's literarily impossible for anyone to have a telephone line" (Corporate Executive Firm G). "It is for me the revolution of the telecommunication in Africa" (Chairman Firm G)

Table 6.1: (Continued)

Firm	Sector	Value Proposition	Scope of Issue Addressed	Informants' Representative Quotes
H	Banking	We provide memorable banking experience for our customers and all stakeholders through superior performance	Regional	"We've been doing similar kinds of strategizing and predicting consumer needs almost from the very beginning, most tangibly in our push to digitize our bank and all of its systems" (Chairman Firm H). "There were no credit or debit cards, and in fact the use of cheques for purchasing petrol was unacceptable (Corporate Executive Firm H).

> We made our money through dealing in different types of food businesses. Going forward now we have cement. If you look at it, cement is the only business that we have taken outside Nigeria because it is the one that is big, and not only it's big in Nigeria, but the demand is even bigger around the continent.

In the same vein, it is observed that prior to entering the telecommunication services, Firm G had been in business for a reasonable amount of time. The firm started initially as a construction company. Although, the firm was doing well in the construction business and well known within the domestic market at that time, there was no intention whatsoever by the management to internationalize their operations. The management remained mainly domestically focused despite their successes. It was observed that the major reason why the management did not consider cross-border expansion of the construction business was because there was little or no market potential beyond the local market. The Chairman clearly stated thus:

> Well, by the time we decided to set up the telecommunication services in Zimbabwe in 1993, we had been in business for about 6 to 7 years. We had a well-established business because we started in 1986 and we had built up a successful construction business

In contrast, the data revealed that shortly after the company began to provide telecommunications services in their home country, they were very eager to expand into other countries because the telecommunication business presented higher potential for scale beyond the domestic market. "At present we are not only providing telecommunications services in many African countries, but we have also established physical presences in multiple markets beyond the African region", said a corporate executive. Also, reacting to the question of how they began their internationalization journey, the Chairman said:

> Off-course, shortly afterwards we ended up in Nigeria, courtesy of President Obasanjo. We went there to get the revolution going. So, it was a great revolution, 25 years on, 75% of Africans own a phone.

Why did the provision of solutions to problems in one country by these firms lead to the creation of multinational operations? First, a key insight is that most African countries exhibit similar characteristics. Although, there are some inherent differences among African countries, especially in terms of culture, yet the data show that most African countries share some common characteristics. For instance, evidence has shown that most African countries share similar stories in terms of colonialism experiences (Boso et al., 2018), political instabilities, institutional voids, and economic developmental challenges (Hoskisson et al., 2000). More importantly, most African countries face similar challenges, especially with regards to the poor provision of basic amenities and infrastructures such as power, healthcare facilities, telecommunications services, and financial services, among others. Also, in addition to the similarities, the social environment of most African countries shared similar demographics, including the age and sex compositions of the population as well as the level of income. The latter including the shared similarities in terms of the disposable and per capital incomes of the populace.

The implication of the similarities of the market was that there was high possibility that the markets would respond in similar and predictable way to the same products or services. One of the corporate executives acknowledged that "the regional markets responded relatively in similar manner to our offerings" (Corporate executive Firm F). Thus, the similarities of the social environments enhanced the managers' decision to embark on the expansion of their scale of operations. According to one of the corporate executives from Firm G, "Zimbabwe at the time had one of the highest tele densities in Africa, which means Zimbabwe had the highest number of people that owned telephone. The average tele density in Zimbabwe was 1.4% while the average for the rest of Africa was 0.7%." The implication of the foregoing, especially for the present study, is that the MNEs found ready markets across borders, especially within the African region, for solutions they were providing to existing needs in their home countries. Therefore, in each of the cases, it was observed that as soon as the MNEs were able to provide solutions to a given problem in their home countries, such solutions, more often than not, had regional demands and they were able to scale their operations to take advantage of such unmet needs across borders.

> So, the objective is to cut across the continent, like we always pride ourselves that we want to be the bank for Africa, that is, pan African bank. So, we do not just come in into Nigeria, but we have a continental outlook, so it's like we want to be a channel through which funds move in and out of Africa. So,

> for you to create that kind of flow, you need to have strong presence in Africa (Chairman Firm E)

Second, another key insight is that these MNEs expanded into their host African-regional markets through FDI even without prior internationalization experience. The data show that the MNEs replicated the solutions they were providing in their home countries by establishing value-creation facilities in host regional markets. Our data show that these MNEs adopted FDI entry mode due to structural market failures, specifically government barriers. The Chairman of Firm E stated thus: "It is not only difficult to move goods, services and personnel around African national borders, it is also even more difficult to move around the finances that will lubricate the transactions." This difficulty in accessing the intra-African market has been cited as one of the major causes of the underdevelopment of the African region (Boso et al., 2018). It has been observed that compared to other regions, African countries engage in little or no intra-regional trade. Recently, African leaders have sought to resolve the intra-regional movement and trade difficulties through the establishment of the African Continental Free Trade Area (AfCFTA) agreement which has been endorsed by 54 African countries and expected to come into force by early 2022 (Tralac, 2019). Responding to the question of why they had to serve regional markets through FDI instead of other less risky and cheaper options such as exportation, the Chairman of Firm G succinctly observed thus:

> I started asking myself, how do we get into the rest of Africa? And You must bear in mind that we do not do much intra trade between us Africans – about 14% compared to Asia which has up to 48 to 50% intra trade. So, it was not common for Africans to begin to look for opportunities within Africa as Africans. We were more exotic. People were more used to seeing Germans, and Italians pitched up. When Nigerians and Zimbabweans pitched up, our own people thought that we are crooks. Or they will tell you, what is wrong with your own country? So, it was difficult in a sense and I did not realise how difficult it could be for us to go out to other African countries and look for opportunities. And we also did not have access to capital because our capital does not move. So, we cannot invest from one country to another except you are South Africans. So, you might have the capacity in one country

> to do something but when you arrive at another place if that capacity does not exist, you literarily must start again.

6.3 Scalable People Advantages: Organizing for solution provision

Furthermore, the data indicate that the ability of the MNEs to meet the identified needs of the market depended on having a formidable organisational structure and team spirit. We find that the growth and successes achieved by these cases started when there was a conscious effort by the management to assemble a team of individuals with complementary skills and knowledge to come together to pursue common organisational goals. A notable example is Firm E whose success story started when a group of likeminded bankers came together to establish a bank. This group saw an opportunity in a failed bank and decided to take it over, believing that they could turn it around. Responding to a question on the origin of Firm E, the Chairman explained thus: "First, we assembled a strong team. So, it means that if you want to win, one of the first things that you must do is to put together a team. And that was what we did getting the key members of this organisation together." Subsequently, the team resolved to take over the distressed bank and they approached relevant decision makers. They finally got the approval to take over the bank.

> A group of us in 1997, decided to acquire a distress bank, a bank that was totally closed to customers and we turned around the virtues. In our history as a country, that was the first time that sane human beings decided that instead of floating a new bank, they will rather pick one that is distressed and attempt to turn it around (Chairman Firm E).

The chairman explained that after taking over the bank, "we realized the enormity of the task ahead of them given the nature of the bank we had acquired." They organized series of brainstorming sessions and strategic meetings to decide on the steps they must take to achieve their aim of changing the fortunes of the bank. At each meeting, they reviewed objectives of the firm and strategies for achieving them. The latter including the specific actions to be taken in achieving the objectives. In some cases, they had to allocate responsibilities to individual team members for the delivery of specific targets and set deadlines. The Chairman recounted his experience at one of the strategic retreats as follows:

> So, having assembled the right team, we went to a place called Ogelle. So, I call it Ogelle phase. Ogelle is somewhere outside of Lagos. And that was in 1997. And we had an elaborate 3-day retreat. At this retreat, we developed a three-tier strategic intent. The first was to turnaround the bank since it was distressed. The second intent being to make the bank a leading commercial bank in Nigeria and the third-tier intent was to turn this bank into a pan-African bank with presence in global financial centres. And we left Ogelle with the resolve to perform.

As illustrated in the foregoing quote, it is observed that the management made most of their strategic decisions as a team, either in meetings or retreats. This helped to build trust and strengthen their union. They established and consistently maintained the practice of always returning to their meeting point whenever they have achieved or close to achieving previous objectives or when they want to set new targets for themselves. As one corporate executive observed, “By 2004, we were in the league of top 5 banks in the industry. We said, well, even though we had said in 10years’s time we will become one of the top three, nothing stops us from becoming one of top three in year 6. So, we decided to organise a retreat, as we do annually.”

The case of the rising of Firm H is also notable. Although, the firm was incorporated by an individual who then became the pioneer CEO and at present the Chairman, the first assignment the then CEO did was to form a team of senior management who became the highest decision making body in the firm. The senior management team had a culture of meeting every morning to review the previous day’s activities as well as plan the activities for the present day. Responding to the question of how they built the firm, the Chairman said, “As soon as we received our banking license and registered it at the government registry, we promptly called each member of the senior staff of my bank, whom we had appointed four weeks earlier, and told them to commence work during that month.” This senior management was, among other things, saddled with the responsibility of deciding on the appropriate rewards and sanctions for different staff behaviours. The Chairman recounted an incident where the senior management sanctioned a member that approved a loan without obtaining necessary authorizations. In his words:

> On one occasion, a senior manager offered some unauthorized loans to a customer without obtaining the appropriate approval. Within twenty-four

> hours after the huge loan appeared on the computer system, the senior management committee moved to take immediate and severe disciplinary action against the guilty party (Chairman Firm H).

Also, the senior management was directly involved with every strategic decision of the company. It was observed that the firm also had the culture of holding annual meeting of the senior management to discuss major strategic decisions. They had an annual strategic meeting which was held at specific time of the year to assess how the actual performance of operations within the year measures with the year's budgeted or expected performance. A corporate executive observed that, "in this firm, we've been doing similar kinds of strategizing and predicting consumer needs almost from the very beginning, most tangibly in our push to digitize our bank and all of its systems. We had annual planning meetings to pinpoint where it would be best and most appropriate to focus on change." Over time, as the management continued to think of how to take their brand to the next level, they introduced senior management retreats as a platform for dealing with major strategic issues.

> The first week of 2005, for example, we had a strategy session to expand our marketing goal, as well as to increase the revenue for that financial year. We held a kind of think tank for a new slogan, and ultimately agreed on "Surpassing Customer Expectations." Throughout the bank, every staff had the slogan affixed to their doors or displayed on their desks or hanging from their walls. The effect was that the real meaning of the words permeated employees' minds and became second nature. The intention behind the marketing words was internalized in every one of my workers (Chairman Firm H).

Following the success of the maiden senior management retreat, it was then regularized as an annual platform for making very strategic decisions. Hence, it was observed that by the next year the senior managers met again. As the Chairman observed, "In 2006, we met again to determine where we might now focus in the wake of such success in 'Surpassing Customer Expectation'… Our business slogan for the next year became 'Surpassing Superior Performance.'" A key insight from the foregoing is that the MNEs formed a team of people who possessed complementary skills and knowledge. This group was then regarded as the top management team and were also responsible for making every strategic decision of the firm, including decision on what opportunities to explore or how to go about maximizing value from such endeavours.

However, it was observed that decisions made by the MNEs' heads alone as individuals failed to yield the desired results. For instance, the Chairman of Firm F noted that the company had failed in many other corporate endeavours. He specifically attributed these failures to his quest to fulfil personal dreams by enforcing the pursuit of product lines which they clearly did not have the right skills set in the upper echelon to execute. In the Chairman's words, "there were a lot of businesses that we have dropped along the line, for example, we were in banking and we had two banks and we decided to drop them because we are not professional bankers." To forestall a reoccurrence of failures, the firm decided to put in place what they called "an investment decision making rule" (Corporate executive Firm F). The rule clearly specified the modalities for deciding on what business opportunities the firm could be committed to. The determining factor was the fit between the opportunity and the top management's skills set. Responding to the question of how they decided on what opportunities were viable for commitment of resources, while building the firm, the Chairman said:

> We have an investment decision making rule. What we set as a rule in our company is that any business that the top 10 of us in the company cannot wake in the middle of the night and explain the process from A to Z, we don't have any business in being in the business.

Another notable example is Firm G which was started by an individual who operated as the sole decision maker for a long time. The firm had been doing well as a construction company operating only as a domestic player. However, when the firm got the license to run a telecommunication services company which required more capital investment, the then CEO went to the bank for a loan. It is observed that the Chairman really had confidence that the banks will grant his request because he was very well known within the local environment. Surprisingly, the Chairman said, "the bank looked at the composition of the management and directors, including their skills and knowledge and concluded that the management structure of the firm was not balanced enough to qualify for the loan." So, the Chairman was forced to re-examine the composition of the management team and to co-opt people with complementary skills and knowledge, including human resources specialists, finance and accounting specialists, marketing specialists, among others. Consequently, as the Chairman observed, “being an engineer, I had to engage a partner who was a finance specialist to man the issues relating to raising and disbursement of funds.” This partner came in and without stressed, facilitated the raising of the needed funds.

> I have been running the business; I had been in business for 6 years. I had been very influential in that space, won many awards. So, I thought I knew how to raise money, so I went to the bank and I said I need money for a telephone company. We were turned down. So, I went to find somebody I knew could do it. And I said ok come and let us join forces and I will make you negotiate with them for weeks you can have 10 percent of the company if you can raise this for me. He raised the money and got his 10% (Chairman Firm G).

Why would having a decision-making unit that consists of a group of people with complementary skills and knowledge result in the creation of a multinational enterprise? One of the key insights is that it increases the possibility of coming up with a more practicable plan. It enhances the chances of implementing the plans since the major people that will oversee the implementation were also involved in the design. For example, Firm E enjoyed great success by organising retreats and specifically assigning the responsibilities of strategy implementation to key personnel. This ensured accountability and total commitment of key staff to the realization of predetermined goals. The Chairman of Firm E observed thus:

> One of the beauties of assembling key players in the organisation to formulate or outline a corporate strategy is that it gets maximum or near maximum buy-in because everyone is fully mobilized, and they understand where you are headed and why

Most importantly, it was observed that working as a team, instead of as individuals, increases the possibility of expanding the business beyond the limits of the skills and knowledge of any person. The firm with a balanced set of relevant skills can expand the scope of operations. This implies that the complementary knowledge of the team members will become a strong foundation upon which the management can pursue expansion objectives and expand the firm’s scale of operations. The case of Firm G is highly illustrative here. The knowledge, skills and experience of the CEO alone could not qualify them for the loan that they needed to expand the telecommunication services. They had to employ an additional skill of a professional financial manager to be able to qualify for the bank loan. Therefore, forming a team of people with complementary skills and knowledge fosters the expansion of the business. Asked why he had to relinquish a whole 10 percent ownership stake of the firm to his partner, the Chairman said:

> Your network must be a network of people who help you do what you cannot do. The people in your company must be people who will help you do what you cannot do. If I can do what you can do, I do not need you. The higher talent must come in to complete what you cannot do" (Chairman Firm G)

6.4 Scalable Process Advantages: Delivering the value proposition

Furthermore, related to the foregoing findings that the MNEs' value creation and delivery activities were run by teams of experts rather than individuals, the data revealed that the MNEs possessed consciously designed organisational structures through which they achieved their predetermined goals and objectives. The evidence showed that the MNEs divided their overall organisational task into sub-functions and they had designated personnel in charge of specific units. The formal organisational structures therefore underpinned as well as facilitated the logistics activities involved in the production and distribution of customer value proposition. First, the organisational structures specified and facilitated intra-firm relationships, including the transfers of resources, communications, and lines of reporting within respective units and among the different units of the organisation. Second, it also enhanced interactions either between different units of the firms and/or different firms and their relevant task environments such as suppliers, customers, and regulatory agencies. The interactions included physical interactions such as exchange of reports between different levels of the organisation or virtual interaction which is the interaction of systems across different units or geographical locations within the organisation. Table 6.2 below summarises our findings about the people and processes advantage of the firms including some data evidence drawn from informants' interactions.

Table 6.2:

Scalable People and Process Advantages developed by African MNEs

Firm	Sector	Description	Representative Informant Quotes
A	Retailing	Developed an explicit template for coordinating the logistics of sourcing, bundling, and distributing low cost food and other commodities.	“So, once you can be responsive, and for you to be responsive off- course you need to invest in technology, you need to invest in your people” (Corporate Executive Firm A). “There is already a template for work, there is a working culture. There is a system for work, we just jell into it and that is it” (Regional Manager Firm A)
B	Banking	A group of West African businessmen came together and incorporated the bank and designed a system that allows then to run the bank as transnational corporation.	"We have to develop capabilities around People and process; off-course in our industry, operational risk is what kills businesses. Operational risk is the failure of people, failure of process and failure of technology” (Regional Manager Firm B).
C	Banking	The bank was originally established as a subsidiary of the parent office in England. So, the organisational structure and corporate governance was designed to enhance cross-border activities	"So, any investment, or in any establishment, people are the ones that will drive it" (Corporate Executive Firm C). “So, for me, ‘people’ is key. People is very key, technology very key. You know I will say the Process is very key people is at the centre of these three. The common factor to these three is the people” (Regional Manager Firm C).
D	Telecommunications	Developed a system that fosters that delivery of telecommunication services in multiple jurisdictions while also supporting a level of control from the head office.	"First, we assembled a very strong team" (Corporate Executive Firm D). "We deal on services, so for us success depends on having a pool competent people and the best systems to coordinate and deliver the best service experience to the customers" (Regional Manager Firm D).

Table 6.2:

(Continued)

Firm	Sector	Description	Representative Informant Quotes
E	Banking	Designed an appropriate mix of people and system that enables the creation of pan African operations with strong control of all subsidiary activities from the head office	“So, in terms of the capability, you know we have our systems, our staff, our people. These are what we actually use to produce the best in town banking solutions to the customers" (Corporate Executive 1 Firm E). “Ok, I will say our key strength is service because in this industry the key is to have the right set of people that can actually serve the customers very well and we are proud of it. So, we do everything to blow up, especially when we found out that in some other countries things are not like that” (Corporate Executive 2 Firm E).
F	Manufacturing	Develop the process of managing and coordinating the production of the product in different African countries. This includes a system of coordinating the transactional relationships with local suppliers.	"We dominate our sector using resources, process quality and excellence in execution. By dominating, we take over territories" (Corporate Executive Firm F). "What we set as a rule in our company is that any business that the top 10 of us in the company cannot wake in the middle of the night and explain the process from A to Z, we don’t have business in being in the business" (Chairman Firm F).
G	Telecommunication	Designed the system of managing the operations of the multiple subsidiaries while also utilizing available resources to diversify the portfolio.	"You know, from our observations, one of the key things we saw particularly in the Zimbabwe case was if senior management is not sold into it, you are not going to get it done" (Chairman Firm G). "When you have a vision, we still need people like you to build it” (Chairman Firm G).

Table 6.2:

(Continued)

Firm	Sector	Description	Representative Informant Quotes
H	Banking	Developed a system of given customers the best banking experience, especially through the deployment of IT.	"Our strapline has always been people, technology and service" (Corporate Executive Firm H). "I was so proud of those pioneer senior managers – they were so dedicated and diligent, sometimes they acted as if their personal futures depended on the survival of the bank" (Chairman Firm H).

A good example is Firm H which basically came to limelight through the digitization of their value delivery processes. Prior to the establishment of Firm H, reports suggest that there were other bank brands operating within the banking industry in Firm H's home country. Although, some of these banks were seemingly big, with a good number of branches, it is observed that these firms were mainly conducting the service delivery activities mechanically and without the help of any electronic medium, especially interconnected platforms. This means, for instance, to circulate necessary information regarding business operations, managers had to write and physically convey documents such as memos and letters to the receiving units of the organisations. Also, every relationship with customers was conducted physically hence customers had to travel far distances to access available but limited banking services offered by the organisations. The Chairman of Firm H recollected "how the first customer of the bank walked through the door … and was given the account opening form to fill and the tellers opened a file for him." He went on to give a brief description of situation of the banking sector by the time they started operations:

> When we first opened our doors in 1990, there were no ATMs in Nigeria, no credit or debit cards, no digital networks at all. We knew that to attract a growing pool of customers and to be sustainable in the ensuing years, we had to digitize our business. Most Nigerians had no idea what the internet was (Chairman Firm H).

Shortly after commencement of business, the management began to give serious thoughts to the need to digitise their operations to be able to serve customers more efficiently. The Chairman recounted how his quest for digitisation of the service delivery processes was influenced by several factors, including his personal experience in his previous employment and the rate of bank failures in Nigeria at the time. The Chairman observed that the latter gave him personal cause for concern, so he began to probe deeper searching for clues as to why many banks in Nigeria were winding up and those that survived were merely getting by. He opined that the fear of failure mixed with the desire to achieve sustainable success in the banking industry underpinned his quest for answers to the general poor performance of Nigerian banks. In his words, "I remember very well reading in Bill Gates' book, 'Business at the Speed of Thought' that any company that did not embrace technology and innovation would not survive." Through a combination of perseverance and hard work the bank ultimately digitised their operations and as the Chairman observed, "this really changed our value delivery experience." According to one of the corporate executives, "the digitization really affected the foundations of our business models, including how we conducted our internal inventory transfers and internal organisational communications and most importantly it brought a paradigm shift in our customer service delivery."

> With our bank now digitized, the technology had to be implemented very quickly. I was able to ensure that every staff member had a personal computer or a handheld device. All processes of the bank were converted to digital forms and computerized, making it easier to transact with customers, transmit transactions, retrieve data, and make reports to regulators. Word quickly spread that a customer could go into one of our branches to make a transaction, such as a deposit, then drive to his local branch and find the new balance already reflected (Chairman Firm H).

Another good example is Firm G which was restructured following the inability of the Chairman who was the then CEO to raise needed funds. Prior to this period, they had a structure whereby the CEO was directly involved and, to a large extent, the sole decision maker in every strategic decision, ranging from production to the distribution of products. However, upon forming the team of top management, they redesigned the value delivery structures, including communication and reporting channels. Subsequently, the organisational activities were sub-divided into different functional units such as marketing, finance and accounting, human resources among others and each unit was now being headed and run by designated experienced people. The result was that everyone was only expected to handle issues relating to their units and together there achieved organisational goals. Reacting to the question of how he is able to run a firm with subsidiaries in multiple regions, the Chairman said there are some of the subsidiaries of the firm which he has never visited but they are running very smoothly and efficiently. The Chairman stated thus:

> We established a subsidiary in Uganda a couple of years ago, right. Three years. I have not been there. I trust the guy that is running it and his colleagues. That gives them time on what they are doing there and gives us time. So, that is where our conversation about time should take us. You are here, have never been there. Until I go there, I have no idea what is going on there because there is a young man on my staff who is doing his job. Then, at the end of the day, I need to focus only on those things which require me and strangely enough, there are very few. So, I got time.

In addition to creation of clear organisational structures which are being manned by designated executives, data suggest that the internal activities of this firm were also being powered by information technology infrastructure. As one corporate executive observed, "the employment of IT facilities not only facilitate the implementation of value creation and delivery activities but also enable us to do so more efficiently." He suggested that by deploying IT facilities, it becomes very easy to monitor activities going on in distant environments. Hence, the adoption of IT facilities is very instrumental to the ability of the management to control the overall activities of the group.

> So, what we try to do is to build around the systems. So, you have your systems of report and structures within which you are reporting. And so, we know how to pick up that something is not quite right here. This needs to be looked at. That is, you must be investing in IT systems that ensure smooth flow of information (Chairman Firm G).

However, data show that most of these MNEs could not grow nor expand the business prior to their creation of formal organisational structures. The case of Firm G is highly instructive here. It was observed that at the earlier stage of the firms' incorporation, the CEO was the sole decision maker and personally handled all operations. Although, he is an engineer by profession, he was making all strategic decisions, including the engineering, management and financial decisions, the latter including decisions regarding the acquisition, allocation, and appropriation of funds.

However, this lack of formal corporate governance structures inhibited their expansion plans as banks refused to grant their application for credit facilities. The Chairman observed the necessity of getting other professionals involved and dividing organisational functions such that different top executives will focus on their specific areas of strength. In his words:

> It's exactly what I did when I was trying to grow my company. I needed someone to run my finance because I am an engineer. I said to this financier; do you want to start your own bank? Just join me, we can do it together. He came in and took over the finance unit. So, you have got to reach out to other entrepreneurs. The co-founder has now become a cool title. If you are running solo, you will always be beating by the team. So, you reach out to others.

In the same vein, the case of Firm F is also instructive. Although, they were a multiple product company, dealing in diverse commodities, including salt, sugar, banking, constructions among others, it was observed that they could not expand all their lines beyond their home country and instead some of the product lines were dropped because they CEO was the sole decision maker, including on issues in which he wasn't very proficient. Given these series of failure experiences, the owner CEO engaged other top management members. They were able to formulate a structure and focused on the line that they had the necessary complementary skills and knowledge to expand. Hence, the Chairman noted thus: "we set as a rule in our company that any business that the top 10 of us in the company cannot wake up in the middle of the night and explain the process from A to Z, we don't have any business being in the business."

Why would the creation of formal structures result in the expansion of businesses? First, a key insight from our data is that a formal structure enables management to effectively coordinate larger number of people and by implication bigger organisations. This is possible because the management must focus on only the issues that they necessarily have to be involved with while other personnel handle the responsibilities which may be handled at lower levels. Second, a related insight is that having a formal organisational structure enhances the possibility of expanding the business as the structures could be replicated, especially with the help of information technology. For instance, Firm H's growth and subsequent expansion is traceable to their designing and digitization of internally interconnected service delivery mechanisms which resulted in a more efficient operation than the competition. As the Chairman of Firm H noted:

> The deployment of computers in our operations gave my bank a tremendous edge - enabling my bank to make a quantum leap. Now that we had both the hardware and the banking software, we no longer experienced the kind of operational problems other banks had. As a result, we were soon outstripping them in efficiency and, consequently, in customer numbers… and propelled us far ahead of our competition.

6.5 Summary

Overall, data regarding the capabilities that African MNEs build suggest that these firms develop three interrelated advantages. First, we find that African MNEs provide solutions to strategic needs. We call the solutions products. We define the product as anything that can satisfy an identified need. We observed that the African MNEs consciously expanded their scale of operations in the provision of their products for two reasons. On the one hand, the African MNEs focused on needs that were common among many regions of Africa and in some cases, which were grossly under supplied within the African continent. For instance, from the outset, Firm B was set up to meet the needs of the West African region hence from inception the operations were designed to be multinational in nature, covering 16 ECOWAS countries. On the other hand, the African MNEs focused on the core needs that such products satisfied instead of the means of satisfying the need. For instance, although Firm F started with importation and processing of their products, overtime, they upgraded to the production of same product. Thus, we observe that the products offered by the investigated African MNEs were scalable.

Furthermore, findings revealed that the African MNEs were able to meet the identified needs because they operated as teams and not as individual entrepreneurs. We refer to this as people. It is observed that the MNEs consciously put together a group of people with complementary skills and knowledge as the key decision-making body of the firms. We find that having the team enabled the firms on the one hand to build bigger businesses through the combination of skills and knowledge as well as by fostering the possibility of obtaining external resources.

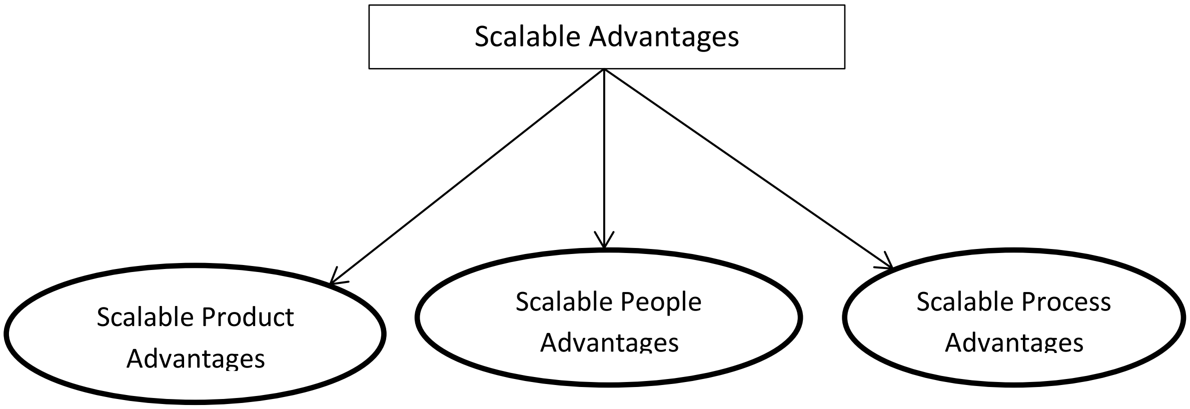

Fig. 6.1: African MNEs' Capabilities

For instance, the Chairman of Firm G narrated how they were only able to access necessary loan facilities after they modified the composition and structure of their management team. On the other hand, it was observed that working as a team fostered the continued existence of the firms thereby increasing the confidence of prospective investors in the firms. Like the issue of people, we observed that the African MNEs divided the value delivery activities into clearly defined interconnected and interrelated activities which we referred to as process. Results show that the establishment of formal value delivery processes enabled the management to coordinate the activities without necessarily being present at every place at all time. This enable them to establish and run multiple plants, whether within the same country or across national boundaries. Our findings reveal that the MNEs enhanced their processes through the adoption of IT facilities. For instance, Firm H was able to outstrip the competition through the digitization of their service delivery processes. Hence, the processes were scalable. Therefore, it is found that African MNEs developed scalable (products, people, and processes) advantages as figure 6.1 above illustrates.

However, we observed that these advantages were not mutually exclusive. This means they are complementary advantages. For instance, although they were many unbanked households and organisations in many regions and countries of Africa, Firm F could not succeed in the banking sector. The Chairman of Firm F attributed their failure to the lack of necessary team with the requisite banking skills and knowledge. This subsequently led the firm to institute a policy that they will not go into any venture that the top ten members of the management team do not known very well. The Chairman of Firm G noted the interdependence of the advantages as follows:

> Process is central to our ability to create scale and it’s the biggest challenge we face in Africa because we are all great entrepreneurs but for you to rise to the level where you are running an Amazon, a Facebook, or a Unilever, as a global company, you need to build process. So, it's about having competent people around you working inside processes…

In the light of the foregoing, we propose thus:

Proposition 1: *Firms that provide solution to transnational needs are more likely to build scalable product advantages than firms which do not.*

Proposition 2: *Firms that emphasize a policy of top management team with complementary skills and knowledge are more likely to build scalable people advantages than firms which do not*

Proposition 3: *Firms which divide their value creation activities into interconnected set of activities are more likely to build scalable process advantages than firms which do not.*

Proposition 4: *Firms which simultaneously build scalable products, processes and people advantages are more likely to undertake multinational operations than firms which do not.*

Chapter Seven

FINDINGS: HOW AFRICAN MNEs BUILD CAPABILITIES

7.1 Introduction

The preceding chapter examined the capabilities that African MNEs develop. In the present chapter, I present the findings of the present study regarding the mechanisms through which the investigated MNEs developed their scalable product, people, and process advantages. The findings show that the MNEs consciously develop their capabilities by engaging in three distinct but interrelated activities, namely, skilling, transcending and consolidating behaviours. The mechanisms through which the firms developed the identified capabilities are discussed below, drawing evidence from some direct informants' quotes.

7.2 Skilling for Scaling: How African MNEs enhance their people advantage

The data indicate that one of the ways the firms developed their capabilities for multinational operations was through continual enhancement of their skills set which is referred to as skilling. It was observed that the MNEs built the scale of relevant skills and knowledge through engagement in three interrelated human resources activities, namely strategic hiring, training, and motivating. Below we discussed each of these activities followed by propositions.

Strategic hiring: First, the data show that the MNEs consciously employ people with relevant skills and knowledge that complement as well as improve the quality, value as well as the effectiveness of existing human resources. Table 7.1 below summarises the findings of the present skilling activities of African MNEs and provides informants' quotes. A notable example is firm H. The data show that the firm had a policy of recruiting only people who were high achievers judging from the previous endeavours. These included not only people who were the best students in their degree results but also those that have already distinguished themselves and become exceptional in their own rights such as people who had acquired relevant transferable entrepreneurial or technical skills. The Chairman of firm H noted this as follows:

> We created a policy that only the top students in their classes could work for us, and we advertised and recruited accordingly. For that reason, we had brilliant accountants, lawyers, economists, and customer-service employees. In the latter case, a professional and polished appearance was important, but first they had to have top grades and be brilliant communicators.

The data shows that the top executives got personally involved in staff recruitment matters to ensure strict adherence to the provisions. It was observed that the Chairman who was then the CEO spearheaded the employment of new members of staff. The CEO assumed the responsibility of organising interviews and personally identifying and selecting the candidates that possess relevant characteristics and skills, especially those that were being hired for strategic positions such as key accounts' representatives. The Chairman referred to the strategic role he and other top executives played in ensuring that only suitably qualified candidates were recruited into strategic positions as follows:

> In the early years, I always made it a priority to personally interview the new professional staff, no matter how many they were. I sought to identify that extra spark that would drive their passion for embracing our culture. This is because they would be on the frontline to drive the bank's network of clients.

The adherence to the employment policies as well as the top management's commitment to sourcing of the very best skills and talents enabled the firm to attract and recruit only people who have the right aptitudes to learning and the right attitude to achieving set goals. The policy on the one hand helped the management to eliminate people that do not possess desirable knowledge and skills while ensuring that only the right candidates were employed. Consequently, working for the firm became a thing of pride and a way of proofing that a given candidate was a bright person. Hence, the firm had a pool of bright minds, especially academic highflyers. One corporate executive noted thus: "because of our hiring practices, more and more high achievers wanted to work for us. Our staff had the largest number of chartered accountants of any organisation in Nigeria - including the government."

Another exemplary case is firm G. The data reveal that the firm's employment policies emphasized recruitment of people who are either entrepreneurs or exhibit entrepreneurial characteristics, including but not limited to the desire to establish and manage their own business, ability to take risk in the pursuit of set goals, and a strong desire to embrace change and uncertainties as opportunities. The Chairman of the firm regarded entrepreneurs as the most important set of employees of any organisation. In his words, "look let me tell you one very important thing, the entrepreneur, the most important person that you have to recruit into your business; the most important people that you have to recruit into your business are co-entrepreneurs" (Chairman Firm G). It is suggested that entrepreneurs are particularly important for the realization of organisational vision. The data show that entrepreneurs will help the business to reach their predetermined goals, among other things. This finding is contrary to the belief that hiring entrepreneurs will increase staff turnover due to the tendency of staff to seek to become their own bosses and impact negatively on the firm's future. Some of the informants observed this as follows:

> When we have a vision, we still need people like you to build it. One of the things I realised as we built this platform was that you need to hire entrepreneurs which were a surprise because you think that entrepreneurs are there to start new businesses… Everybody must be an entrepreneur (Corporate Executive Firm G).

> The group of people that I had, that I selected from within our own organisation were entrepreneurs. Every single one of those guys had at one time expressed to me a desire to have their own businesses (Chairman Firm G).

Therefore, the employment processes and procedures and clearly spelt out and followed to the letter. It was observed that personal attributes of given applicants such as loyalty or ethnicity play little or role in employment considerations. The data show that in recruiting new employees, the management does not care whether a candidate will be loyal or otherwise to them personally and where the candidates originate from. All that matter is the ability of candidates to contribute positively to the achievement of organisational goals. The Chairman observed thus:

> Listen as a policy, we do not recruit for loyalty. We do not get to interview, and someone says are you going to be loyal to me? Will you be loyal to me? You only do that in politics, ok. We do not say, are you from my tribe? Before

> I give you this job, I want to know what tribe you are. We do not recruit like that. We recruit the best people, ok who are passionate.

Identifying and recruiting entrepreneurs is not as simple as recruiting non entrepreneurs. This is because the entrepreneurs are always busy with whatever their hands find to do and may not always respond to job adverts like others. Hence, to recruit the entrepreneurs, managers must clearly specify the relevant yardsticks for differentiating entrepreneurs from others and consciously reach out to recruit and employ them. The Chairman observed that he had to specifically be on the lookout for people that exhibit specific characteristics and then reach out to employ them. He gave an example of how he identified and recruited one of the key staff of the organisation by reading her blog post. The Chairman observed thus:

> I am constantly looking across rooms, newspapers, and articles, in search of people that are producing and reporting innovative and entrepreneurial outputs. For instance, the young lady who runs Eco cars Zimbabwe she was a student who wrote a blog, I think she was studying some master's or what? She wrote a blog, I read her blog and I called the head of HR our organisation and I said I want her working for our company within the next sixty days because I am looking for skills. We scale with skills.

In the same vein, Firm E's example illustrates the strategic importance of recruiting the best candidates for specific roles. The data revealed that employment processes and activities are coordinated and manned by the highest level of management. It was observed that the CEO personally oversees recruitment activities due to the need to ensure that those selected for given roles and the best and meet desired predetermined characteristics. Responding to the question of how the organisation maintains a healthy balance of human resources and talents that support their operations, the Chairman observed that he personal fill the role and responsibility of recruitment. The Chairman suggested that he decided to do this despite his tight schedule because he recognizes that the success or failure as well as the continued existence of the firm depended on the quality of skills and talent that they continually inject into the organisation at regular intervals. He further observed that the high premium that he places on the human resources made him to employ a human resource expert whose role was mainly to advise him on recruitment issues, especially on how to maintain a fit between different roles and available skills at the point of recruitment.

> I paid a lot of attention to recruitment at the time. I strongly believe that human capital is very key for success. As you see what is going on in this organisation, the first time I ever had someone to work with me was on HR. When I decided to hire a technical adviser, I hired an HR specialist because HR or people management is particularly important for success in business. So, I paid attention to recruitment. I made sure that almost everyone I worked with, almost every officer of the bank, I was involved in taking the officer. We made sure that we got the right people. So, HR is extremely important. As a CEO then running the branches we were running, I knew at least 90% of our core staff (Chairman Firm E).

However, we observe that firms that failed to maintain consistent employment policies, that is, those that either did not consciously recruit necessary combination of skills or did not take extra care to maintain congruence between existing talents and new skills could not enhance nor sustain people advantages. For instance, prior to the commencement of telecommunication service provision by firm G, the Chairman observed that the traditional government parastatals could not achieve desired growth potentials because most of the people at the helm of affairs did not have the necessary skills to trigger such growth although they had in their employment people with relevant skills and attitude to make it happen. This was indeed a clear case of putting new wine in old wine skin.

> I started off as a civil servant in telecommunication industry at a time when most of the telecommunication industry in Africa and most of the world was being run by governments. So, we used to call them Plain Old Telephone Companies (POTs). So, I was a POTs engineer and that is about the … as that got because we did not do very much (Chairman Firm G).

In the same vein, our data show that firm F could not grow at the most desirable rate due to lack of requisite skills and talents. It was found that one of the most constraining factors to the growth prospects of the firm was their inability to access and recruit people with necessary complementary skills. Hence, the firm had to grow rather at a decreasing rate depending on the availability of necessary skills. The Chairman observed thus:

> Like what I keep saying, the more we expand, after a while, we pause and consolidate. You know when we are expanding; it is difficult to do all at the same time. You expand the business; you expand the human capital. There are things that we must delay now because finding experienced engineers is one of the most difficult things for us to do.

The data show that the management of the firm had to devise a means of producing their own skills acquisition programmes both for existing and particularly for prospective employees in order to be able to produce necessary skills and talents internally. This strategy has helped to reduce the critical situation of lack of skills and has also facilitated the growth of the firm. One corporate executive noted this as follows, "what we are doing now is actually to establish our in-house Academy, you know, it's under construction now but the students started since last year. We want to start training our own human resources and use them."

Why would the hiring of people with necessary complementary skills lead to the enhancement and sustenance of the people advantage of MNEs? First, as the data shows, one key insight is that it takes continuous and timely injection of relevant skills to develop the existing in-house human resources to the point of supporting cross-border investment activities. One of the corporate of executives from firm C highlighted this when recounting the importance of relevant skills to cross-border expansions. The corporate executive observed that, "to be able to move into foreign locations, we begin the process by building capacity. This involves ensuring that we have ready people." Having ready people according to him entailed not only having a pool of extra talents but also having people with complementary skills and knowledge to be able to support cross-border value-creation activities. Second, we found that recruiting relevant talents facilitated the realization of the going concern potentials and prospects of the firm. This implies that hiring relevant complementary skills enabled the sustenance of the life of the firm and by implication perpetuates its existence. The Chairman of Firm G specifically cautioned that, "A business that has no entrepreneurs that work within the business is going to die." In a nutshell, the foregoing suggests that one of the ways the MNEs developed the scale of their people advantage was through constant and conscious injection of relevant skills and talents.

Table 7.1:
Skilling activities of African MNEs

	Strategic Hiring		Training		Motivating	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
A	Consciously hired employees who either have customer service experience or are well spoken.	We do not always have locals being able to do the job so do not just employ anybody on the street (Corporate Executive Firm A).	Trained new staff on how to sell products using a point-of-sales system and on-line.	We also make sure that we capture and meet the training needs of every new employee (Regional Manager Firm A).	The management built interpersonal relationships which goes beyond the official transactional relationships.	My staff became my friends, but they also realized I was empowering them when I sponsor them to conferences and leadership courses
B	Established a personal training institute for the development of necessary talents to power expansion plans	Finding experienced people is a difficult thing for us to do. So, we are developing our in-house capacity development programmes (Regional Manager Firm B).	Provided necessary trainings to enable the employees to deliver assigned responsibilities.	Where there are deficiencies in terms of knowledge maybe around systems, we spend time to train them (Corporate Executive Firm B) We provide trainings for present and future needs of the employees Corporate Executive Firm B).	Provided job-related incentives in addition to the pecuniary incentives to encourage the employees to perform at their best.	Experience has taught me that incentives mean more to career-minded people than money (Chairman).

Table 7.1
(Continued)

	Strategic Hiring		**Training**		**Motivating**	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
C	Identified and developed necessary capabilities for coordinating cross-border as well as multi-plant operations.	To be able to move into foreign locations, we begin the process by building capacity (Corporate Executive).	Developed template for bringing every new or incoming employee on-board the organisation.	We are always deliberate in our trainings because the new employees do not always have all the relevant skills to do the job (Corporate Executive).	Provide mainly pecuniary or financial incentives to elicit the desired behaviour from the employees.	We have a well-earned reputation for recognizing and rewarding our staff generously (Corporate Executive).
D	Guided by an employment policy of hiring only candidates that possess minimum qualifications and years of experience in a related job.	For us now what we contend with is capacity, so we must be very deliberate in our hiring (Corporate Executive). We employ people who are technically sound (Regional Manager).	Provided relevant training to new employees depending on the areas or geographies that such employees are meant to function.	For us, training is key and always precedes every cross-border expansion (Corporate Executive). We provide 6 to 8 weeks training on understanding people, understanding how you relate with people, etc before every FDI (Regional manager).	Ensured that employment policies meant best practice to ensure that staffs are treated the best possible way.	We maintain HR policies of international standard. If the people are not treated well, it will also backfire (Regional Manager).

Table 7.1
(Continued)

	Strategic Hiring		**Training**		**Motivating**	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
E	Involved top management in execution of recruitment activities in or order to ensure that only applicants with predetermined characteristics are employed.	I paid a lot of attention at the time to recruitment (Chairman). I made sure that almost every officer of the bank, I was involved in taking the officer (Chairman).	Designed trainings to teach every employee the way specific activities are undertaken within the organisation.	That is why we now need to deal with the issue of capacity in our trainings (Corporate Executive)	Provide mainly pecuniary or financial incentives to elicit the desired behaviour from the employees. Also, discouraged certain behaviours through negative sanctions	We measured performance and we rewarded based on the outcome of the measurement (Chairman). We also sanctioned based on the outcome of the measurement (Corporate Executive).
F	Involved top management in execution of recruitment activities in or order to ensure that only applicants with predetermined characteristics are employed	We made sure that we got the right people (Chairman). You know when we are expanding; it is difficult to do all at the same time. You expand the business; you expand the human capital (Regional Manager).	Established a personal training institute for the development of necessary talents to power expansion plans.	We invest in developing local talent that we need to run our business (Corporate Executive). We have an In-house academy which we are now turning it into a university for the development of local capacity (Chairman).	Provided job-related incentives in addition to the pecuniary incentives to encourage the employees to perform at their best.	I was able to ensure that every staff member had a personal computer or a handheld device (Chairman).

Table 7.1
(Continued)

	Strategic Hiring		Training		Motivating	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
G	Guided by an employment policy of hiring only candidates that possess minimum qualifications and years of experience in a related job. Applicants with positive entrepreneurial posture was particularly favoured	There are things that we must delay now because it is difficult to find experienced engineers (Corporate Executive). We do not recruit for loyalty... We recruit the best people, ok who are passionate (Chairman). The entrepreneur is most important person you can recruit (Chairman).	Designed trainings to teach every employee the way specific activities are undertaken within the organisation.	Our winning strategy is no secret at all. We have always been anchored on the high premium it places on our people, especially our employees (Chairman).	Provided job-related incentives in addition to the pecuniary incentives to encourage the employees to perform at their best.	Building big businesses is about people. Finding good people and good people function at their best when there are trusted and when they can trust (Chairman). I knew that employees who were well treated and felt valued would pass along that treatment to the customers (Corporate Executive).
H	Guided by an employment policy of hiring only candidates that possess minimum qualifications and years of experience in a related job. The policy emphasized the recruitment of applicants who top in their class.	We took on new employees as it became necessary (Chairman)	Designed trainings to teach every employee the way specific activities are undertaken within the organisation.	We realized that we needed to train all our new staff. Every week-end we organised some form of training program or seminar on the premises for all the staff (Chairman).	Elicited the most desired behaviour from the employees using a combination both pecuniary and non-pecuniary incentives.	It was also our practice from the beginning to devise ways to recognize and reward hard-working and exceptional staff members (Chairman). In those early years, we would publish the names of employees of the month on the bulletin boards (Corporate Executive).

Training: The data show that following the recruitment of new employees, different firms organised activities to enable the new employees understand their roles from the firms' perspective. It was observed that different firms have their peculiar ways of conducting value creation and delivery activities. It was found that the management almost always organise such activities purposely to teach new employees the acceptable behaviour within the organisation. Table 8 above illustrates the training activities of the firms including the extracted informants' quotes. A good example is firm B. The data show that the firm has a unique way of getting new staff on-board the organisation's way of conducting business activities. It was observed that the type, duration, and depth of such activities depend on the specific role occupied by employees. This implies that depending on the present knowledge or the level of experience and skill of the individual employees, there will be exposed to proportionate level of training to equip them with the necessary information and skills to be able to carry out the assigned responsibilities in line with the way it is done with in the focal firm. Hence, data show that technically oriented trainings were organised for employees who were employed to fill technical roles and vice versa. The essence as the data reveal was to enable the employees to perform at the utmost potentials.

> There is a definite process of helping various cadres of incoming staff to imbibe the culture and our way of doing things. And off-course even from the technical point of view as well where there are deficiencies in terms of knowledge around maybe systems, the systems here are probably different, we spend time to train them on that so that they become confident and conversant with using the tools that we have which might be different from what they were used to (Regional Manager, Firm B).

The data further show that the management made efforts to ascertain when the training will be most relevant to each new employee. The findings show that there are two major stages at which training will be necessary in the life of the employees. The first is the training needed to be able to carry out the immediate responsibility while the second is the training needed for further development and growth on the job. On the one hand, the former demands exposure to information and skills necessary for the effective execution of the immediate assigned roles. On the other hand, the latter relates to trainings that are designed for the purpose of preparing the employee for higher roles and responsibilities in the future. It was observed that the firm consciously try to design their training packages to satisfy both the workers immediate and future training needs and individual employees receive such trainings as at when due. One of the corporate executives observed thus:

> Another thing is that we also make sure that we capture their training needs and those training needs are dimensioned across whether there are immediate training needs to help them get through their present task, or there are training needs that we can possibly assist them acquire that knowledge maybe later down in the year (Corporate Executive Firm B).

Another notable case is Firm C. The data show that the firm believes strongly in their organisational culture, including their peculiar ways of achieving set goals. This implies that all organisational operations are executed through a predetermined procedure and all employees are expected to adhere to it. It was observed that irrespective of the skills or knowledge possessed by a given employee, the management consciously puts every new staff member through training on the firm's way of doing things. This is a deliberate effort to ensure uniformity in the implementation and achievement of goals. It was found that where given skills or knowledge is residual within the organisation, that is, in situations where the firm obtains such knowledge from external sources, especially where there is an existing understanding between the focal firm and the source of the knowledge that such knowledge should not be domesticated, management ensures that every new employee is consciously made to undertake the necessary training courses directly from the source of the knowledge. The essence, according to one Corporate Executive of the firm, is to ensure that "we not only have ready and well prepared human resources but also to ensure that we have people who can deliver needed results the way we do it." One of the informants observed as follows:

> For us now what we contend with is capacity, we do not always have the locals being capable of doing what you want them to do. That is where you now need to deal with in your trainings, deliberate in your capacity building, deliberate in staff exchange. All these things come in to play before you go into business in other locations (Corporate Executive Firm C).

Furthermore, it was observed that the where the capacity is needed to gain access and survive in a particular market, the capacity building activities are usually designed to equip new or existing staff with the necessary skills to be able to operate in such market. The data shows that the firm consciously builds relevant capabilities in terms of preparing selected staff on how to overcome foreseeable barriers across borders. This usually includes building capacity to overcome issues such as language barrier, consumer behaviour as well as the local regulations in target markets. It was observed that management almost always consciously built capacity for operating in each of the markets in which they operate. One of the corporate executives observed this:

> For instance, if we are going into a Francophone country, what we do here is that we move you out you do a 6-week or 8-week orientation on understanding people, understanding how you relate with people, understanding their local nuances, understanding their local customs. We always put this in place.

However, it was observed that firms which do not train their employees could not realize the benefits of recruiting such employees. A good example is firm H. The data show that irrespective of the firm's emphasis on and strict adherence to the employment of applicants with high academic grades, the management could not use them in the original state, hence they had to subject them to further in-house training programmes. The Chairman of Firm H observed thus:

> We took on new employees as it became necessary, and we realized that they would all have to be trained. Every weekend we organised some form of training program or seminar on the premises for all the staff.

Why would training employees result to the enhancement of the people advantage of the firms? One insight is that without consciously creating the platform whereby new employees are taught how the focal firm conducts its value creation activities, it will be difficult to realize the potentials inherent in the new employees. In other words, there will be no synergy between existing and newly recruited human resources. Therefore, training programmes, among other things, helped to bring the new employees to the level of the existing staff in terms of the corporate cultures, values and beliefs. As one of the corporate executives from Firm B observed, the training represented "a platform to help various cadres of incoming staff to imbibe that culture and our way of doing things." A more important insight is that the trainings increased the pool of available human resources thereby removing possible limitations to cross-border expansions due to non-availability of requisite skills and knowledge. One of the corporate executives from Firm C identified lack of employees who possess requisite skills and knowledge to effectively executive predetermined objectives, as a major bottleneck in their quest to undertake foreign expansion activities. In his words, “for us now what we contend with is capacity, we don’t always have the locals being capable of doing what you want them to do.” Therefore, increasing the pool of employees who are well conversant with how plans are executed within the focal firm will enable the firm to be able to pursue expansion agendas without restrictions. The Chairman of Firm E observed the relevance of training to the implementation of expansion plans as follows:

> Next was human resources requirement. The resources we needed to fire the expansion because for you to expand, you need a lot of human resources. So, we even massively over recruited and even got some people trained in French and so on, in readiness for the expansion (Chairman Firm E).

Motivating: The data show that in addition to employing people who possess either high ability to learn or positive attitude towards learning and goal attainment as well as exposing them to relevant skills and techniques for accomplishing set targets, especially in line with the focal organisation’s culture and policies, the firms consciously created and implemented activities to enhance the commitment and loyalty of the employees towards the achievement of their assigned responsibilities and the wellbeing of the entire organisation. It was observed that such corporate activities were designed by management to incentivise the employees to put in their best on their jobs or duties. Table 7.1 above illustrates the activities used by the firms to motivate their employees so as to enhance their productivity and commitment to the firm. One notable example is Firm H. The data show that incentivising the staff towards the aspiration for the achievement higher goals has been a known corporate culture in firm H from inception. As one of the corporate executives observed, “It was also our practice from the beginning to devise ways to recognize and reward hard-working and exceptional staff members. I knew that employees who were well treated and felt valued would pass along that treatment to our clients.” The aim of given the extra recognition and reward to deserving employees was to encourage such staff to repeat such behaviours in the future while also encouraging others to emulate such behaviours. It was observed that the ultimate goal according to the informant was to enhance the quality of services that the employees render to the customers because, “we realize that happy employees will happily serve the customers and that will translate to happy customers which in turn results to repeat purchase behaviour and good word of mouth” (Corporate executive Firm H). Responding to the question of how they retain and elicit the unparalleled commitment of talented employees, the Chairman of Firm H suggested thus:

> My experience as a CEO is that a little public recognition and appreciation of good employee performance always goes a long way. In those early years, we would publish the names of employees of the month on the bulletin boards to announce to all staff that these workers were outstanding. A letter was then sent to each one, signed by me, detailing his or her specific achievement. In later years, we created a significantly more elaborate annual award ceremony, but the principle remained the same.

This implies that the firm used a combination of officially recognizing an appreciating staff that performed well to encourage such staff to continue to strive to perform beyond expectations. This entails using every possible means, such as corporate bulleting publications of outstanding employees’ performance and recognitions at awards ceremonies, to, on the one hand, let the individual know that the management appreciates and encourages such efforts. On the other hand, such open recognition and appreciation of given behaviour or performance also enable other members of staff to know the set of behaviours that the management appreciates and expects from employees. This often spurs other employees to work harder to receive such awards.

Another notable example of firms that had the culture of using diverse incentives to influence staff behaviour is Firm E. The data show that the management consciously devised means of building good rapport and personal relationship with all the employees, especially those who are showing some sign of high effectiveness and efficiency at their jobs. It was observed that the management introduced several programmes, including mentoring, leadership courses, conference sponsorships and attending to their personal events such as wedding and childbirth celebrations, among other things. The essence of these programmes, according to one of the corporate executives, was “to enhance the value of employees through the improvement of their personal skills and knowledge beyond the immediate skills needed for the discharge of their immediate responsibilities.” It was observed that most of the young employees were seeing the then CEO as their role model and were really aspiring to achieve great success on the job. So, to encourage them to develop relevant skills, the management introduced the mentoring programme, which was personally handled by the CEO, to create a platform for interactions between the CEO and the staff. The data revealed that the mentoring programme had a positive and direct effect on the level of commitment, aspiration as well as loyalty of the staff to the organisation. The data show further that other incentives such as sponsorship of staff for leadership courses and conferences were also highly instrumental to gaining the confidence of the staff on the firm thereby eliciting the best and desirable behaviours on the job. The Chairman of the firm observed these efforts as follows:

> I made it my habit to seek to empower people who worked for me by mentoring them, attending their social gathering, and empathizing with them in their family matters. They became my friends, but they also realized I was empowering them when I sent them for training and had them attend various conferences, not just to be better employees but to learn to think like a boss themselves. When they came back, I help them with speeches and created leadership opportunities for them.

The data also show that apart from the foregoing incentives, the firm had a culture of recognizing and rewarding excellent work performance. This also contributed to boosting the staff morale and enhanced their productivity. One of the corporate executives observed that this award and recognition contributed to the positive public image and identity enjoy by the firm. In the corporate executive's words, "we have a well-earned reputation for recognizing and rewarding our staff generously, because we know that these two incentives mean more to career-minded people than money."

However, it was found that firms which do not consciously give their employees good reasons to strive to do much more than they are paid for run the risk of either losing the key talents or not realising the fullest potentials of such staff. A good example is Firm H. It was observed that the firm lost a couple of their pioneer employees to competing firms which had a better incentive package. Hence, the CEO learnt that, often, talented employees are not motivated by pecuniary benefits but by the job content and level of challenges encountered on the job itself. The Chairman acknowledged this as follows:

> From my personal experience as a CEO, I learnt that a little public recognition and appreciation of good employee performance always goes a long way to not only enhance their commitment but also increases the chances of retaining the good talents, more often than not.

In the same vein, firm G also present another good case of the benefits of recognizing and rewarding high performing staff to the overall behaviour, including the performance of the staff. The Chairman of the firm observed that creating such atmosphere is at the core of building a large-scale business. In his words, "building big businesses is about people. Finding good people and good people function at their best when there are trusted and when they can trust."

Why would recognizing and rewarding exceptional employee performance lead to the enhancement of the people advantage of the firms? A notable insight is that recognition and rewards generate uncommon commitment and loyalty of the staff to the firm. One good example is Firm H. The data reveal that the success of the firm depended on the behaviour of their staff and the behaviour was a direct function of the influence of the yearly award ceremonies organised by the firm to recognize well performing employees. The Chairman of Firm H observed thus:

> The unparalleled commitment and acumen of my staff is directly related to the fact that virtually every staff member, upon hearing about the yearly extravaganzas and seeing the awards, was motivated to strive to earn one of the prizes.

Another notable insight is that recognizing and rewarding highflying employees results in the growth and expansion of the firm. The data show that there is a direct correlation between employee total commitment to their duties and the growth and development of the firm. A good example is Firm E. It was observed that the firm were able to turnaround a liquidated firm and built it to the highest growing bank at the time due to the undisputable commitment of the pioneer staff. It was found that as the management continued to formulate different milestones and plans for salvaging the fortunes of the distressed entity, they were able to the secure and enforce the commitment of the rest of the staff by establishing a means of measuring the performance of individual employees and rewarding their performance accordingly. The Chairman observed the importance of recognizing and rewarding performance as follows:

> We developed specific key success indicators for measuring performance and we rewarded the performance of specific employees based on the outcome of the measurement. And we also sanctioned based on the outcome of the measurement. So, we did all of that and I think to a large extent, this helped us to drive and achieve the turnaround of STB at the time.

The findings on the mechanisms through which African MNEs build the talents that support their multinational operations suggest that the firms engage in three interrelated activities. First, it was found that as a matter of employment policies and practice, the firms consciously identify and recruit employees that have demonstrated high ability to learn or possess observable entrepreneurial attributes such as risk taking or goal accomplishments. We referred to this as Strategic hiring. On the one hand, the entrepreneurial posture of the applicants is measured by either outright evidence of previous involvement in starting and running of a business or by specific applicants' indication of a strong intention to start their own business, perhaps as a long term plan. On the other hand, it was observed that the firms ascertained the applicants' aptitude by examining their performance in previous learning situations such as their performance in school. Second, findings reveal that following the employment of every new employee, the firms consciously design activities to enhance the skills and knowledge of the employees, especially necessary skills to enable the employees execute assigned responsibilities through the way such tasks are done in the focal firm. We referred to this as Training. One of the corporate executives from Firm C observed thus: "We employ people who are technically sound, apart from training and getting them adapted to the culture of the organisation." Third, it was found that the firms consciously design activities to recognize and reward employees who prove to be exceptional in the discharge of their duties and achievement of uncommon results.

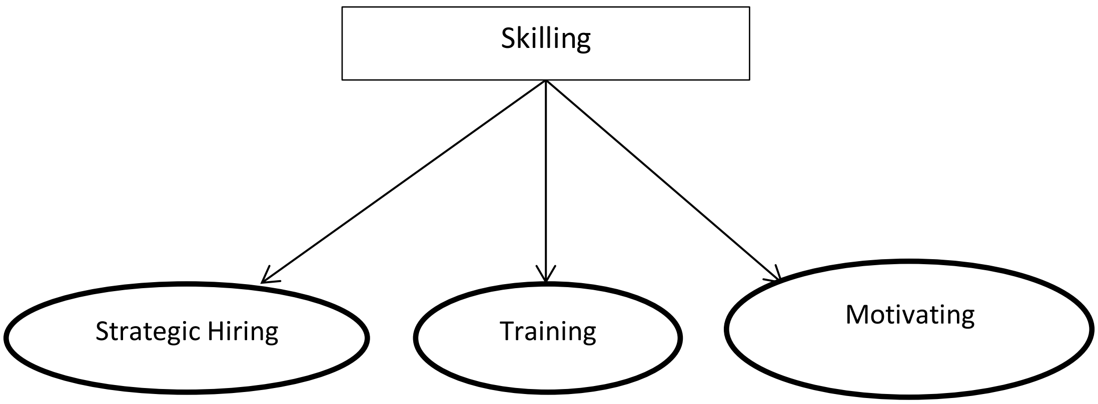

Fig. 7.1: Skilling Strategies

We referred to this as Motivating. It was observed that the firms used diverse strategies to motivate their employees to higher goal accomplishments, including but not limited to public praises, award ceremonies as well as other forms of pecuniary incentives. In a nutshell, African MNEs enhanced their people advantage by strategically hiring, training and motivating employees as figure 7.1 illustrates. The foregoing can be formally stated as follows:

Proposition 5*: Firms that proactively engage in strategic hiring, training and motivating employees are more likely to build people advantages than those which do not.*

7.3 Transcending: How African MNEs obtain externally developed capabilities

The data show that while developing capabilities, the investigated African MNEs consciously engaged in accessing and leveraging of skills and knowledge that are developed or possessed by external firms, usually more established MNEs. We referred to this act of absorbing such standardized knowledge into the operations of the focal MNEs as Transcending. It was found that the firms generally leveraged external knowledge through three major knowledge acquisition activities including engaging in alliance relationships with resource-rich external firms, consulting either key employees of more established firms or independent consultants whose major stock-in-trade is to advice businesses on how to achieve effectiveness and efficiency in the conduct of specific business functions and achievement of targeted outcomes and/or through poaching employees of more established firms who possess relevant skills and knowledge. The data reveal that through the engagement in the transcending activities the firms were able to obtain and develop relevant skills and knowledge, particularly regarding the management and coordination of large-scale organisational activities. In this section, we discuss how the MNEs enhanced their capabilities through engagement in transcending activities, namely alliancing, consulting, and poaching.

Alliancing: It was observed that one the fundamental ways through which the African MNEs sought for and obtained proprietary knowledge was by engaging in formal knowledge sharing relationships with more established firms who have practically demonstrated the possession of relevant knowledge and skills which is evidenced in their performance within their sectors of operation. Table 9 below illustrates how establishing knowledge sharing relationships with external firms enhanced the MNEs' development of process advantages together with some informant quotes. One notable example of a firm that learned how to coordinate organisational activities more efficiently through alliance formation is Firm E. The data show that the firm established a strategic alliance with Nigerian Breweries is the market leader in the brewery sector in Nigeria with export activities in 10 West African countries. It was observed that while searching for how to develop the scale of the business, the management identified that Nigerian Breweries has developed some capabilities in the areas of cost optimization and marketing communications which are given them competitive advantage over their competitors. The management of Firm E subsequently approached Nigeria Breweries and established an alliance relationship which created a platform for the firm to obtain marketing and communication as well as cost optimization knowledge and subsequently established their own cost optimization unit thereby by institutionalize the knowledge acquired. The Chairman of the firm observed thus:

> So, at some point, I sent a team to Nigerian Breweries to find out how Nigerian Breweries, which has cost optimization team or something like that, do it. It was based on you that I ended up setting a cost optimization team in our company. So, we study local brands and off-course, you cannot talk about local brands without mentioning Nigerian Breweries. We also sent people to Nigerian Breweries to learn about marketing and communication strategies.

It is noteworthy that while Nigerian Breweries was operating in the manufacturing sector the focal firm was operating in the services sector. However, the Chairman defended their alliance with Nigerian Breweries with the argument that the principles of success are the same and do not respect sectors. “The difference is that NB deals on tangible products while we deal on intangible products.” Moreover, the Chairman also observed that they had difficulty in forming knowledge sharing alliance with firms within their sector because most of the more resource-endowed counterparts were conscious of protecting their IP from being stolen.

Another notable example is Firm H. The data show that as the firm sought for mechanisms to improve their technical and managerial efficiency, particularly how to protect their systems from external attack, they found a US company which possessed relevant software and hardware for achieving the purpose. As the corporate executives observed, “We wanted to be proactive, so we began to look for software our bank could use that would see the bank into the New Year unscathed. We found a brilliantly designed program that had recently been developed by Phoenix International in Orlando, Florida.” Subsequently, the firm signed a contract for alliance relationship with Phoenix which served as a platform for the firm to obtain relevant knowledge about the functions and operations of the systems. The firm sent some of their key engineers to Phoenix to learn from the experts how to operate the systems. Eventually, the firm obtained the needed knowledge from Phoenix. The Chairman explained the alliance with Phoenix as thus:

> Our first step required that I take about a dozen of my software and hardware engineers to Florida with me to meet with the company that had developed the software… When they analysed the Phoenix software, they decided to carry out a user- acceptance test on the program… My team had to stay in Orlando with the software manufacturers for an additional three weeks to run the tests. Ultimately, with the bugs worked out, we had the product we needed. Based on our contract, the Orlando team came to Lagos to install and implement the software.

In the same vein, Firm B also obtained fundamental knowledge and skills on efficient business management through alliance relationships. The data show that upon incorporation, the firm got into a strategic alliance agreement with City Bank which subsequently sent their management experts to train the pioneer staff of the focal firm on the winning strategies and tactics for managing high performing firms. One of the informants observed this as follows: "We entered into a strategic alliance with City bank at a time and city bank gave us our first batch of management executives to help us set up and run the bank" Over time, the firm developed strong managerial expertise by duplicating the knowledge obtained from the City Bank team while also acquiring further knowledge from external sources through avenues such as M&As.

> Over time, we developed our own capacities. We have been self-sustaining from a talent development and talent acquisition standpoint (Corporate Executive Firm B).

However, it was observed that establishing a strategic alliance with more established resource-endowed firms is easier said than done. The data show that MNEs needed to possess certain advantages such as government-related, size or reputation advantages to be able to establish formal knowledge sharing alliance relationships. The experience of Firm H is highly instructive. The data show that given their strong quest to digitize the bank's operations, shortly after incorporation, the founding management team approached a US internet services provider to establish an alliance that will provide a platform for collaborations between the focal firm and the US firm on the digitization of business operations. Although, the US counterparts accepted the proposal, the arrangement could not hold as planned because the focal firm did not have the requisite size, especially in terms of staff strength to absorb the knowledge through a pure alliance arrangement.

> In 1997, we wanted to improve our technical competence and efficiency. We approached Sprint Global One - a subsidiary of Sprint Corporation USA - to help us out. They were pleased to sign a contract with us for just such collaboration. However, because our company was so small and our operation still in its infancy, Sprint decided to send one of their junior officers, by name, Timothy, to help us set up our wireless services (Chairman Firm H).

Contrarily, it was observed that Firm B was able to enter a strategic alliance relationship with City Bank from inception because the bank's establishment enjoyed a strong support of the Economic Community of West African States (ECOWAS) Commission.

> So, a couple of businessmen from Nigeria, Togo, and a couple of other West African Countries come together to mute the idea of setting up a bank … We

> entered a strategic alliance with City bank at a time and City bank gave us our first batch of management executives to help set up and run the bank.... ECOWAS, off-course, was an interested party so a lot of support was given (Corporate Executive Firm B).

Therefore, although the firm did not have the requisite size to consummate a strategic alliance relationship, the support from the ECOWAS commission provided the needed advantage thereby making the alliance with City Bank possible at the inception of the firm.

Why would engaging in strategic alliance enhance the development of process advantages? A key insight is that formal knowledge sharing, or transfer arrangements enable the transfer of tacit knowledge from the knowledge producer to the other party. It is observed that strategic alliance is often the surest platform for obtaining knowledge-based assets. This includes effective corporate governance as well as other internal organisational practices. The Chairman of Firm E observed that, "Companies that are built to last are companies that have strong governance fundamentals. So, we even study established local brands and come back to adopt some of the things we studied in that area." Therefore, alliance relationships provide a good platform for acquiring such corporate governance principles and managerial practices which are usually tacit in nature.

Consulting: The data show that the MNEs also developed capabilities on the management and coordination of organisational resources by seeking advice from independent firms or individuals whose major stock in trade is to advice businesses or prospective business owners on how to manage and improve business performance. Table 7.2 below summarizes the findings regarding how consulting enhanced the MNEs' development of process advantages together with representative informants' quotes. A typical example of a firm that develop the capability for efficient management of organisational resources and internal inventory transfers through the instrumentality of employing the services of consultants is Firm F. It was observed that the firm started its business in 1978 as trading company. By 1995, they had become successful and were thinking of how to take the business to the next level. The management was really in a dilemma for two reasons as shown in the informant quote below. First, the firm had reached the highest level of trading, in terms of volume that the law allowed for importation and trading businesses. Second, they were obviously scared and did not want to consider industrialization because they had been watching closely within the manufacturing sector in Nigeria the increasing rate of failure of trading firms that attempted to industrialize their businesses.

> We needed consultants' advice because we got to a point where we could not reinvest our money in the trading business. You know there was just a limited amount that you could bring into Nigeria and we were only trading them in Nigeria, so we decided that ok we have actually reached the end of the road the only way for us is to industrialize. So, we can now deploy more of our capital into industrialization. But then we were scared because we have seen a lot of companies that tried industrialization and they failed (Chairman Firm F).

Given this helpless situation, in 1997 the management organised a retreat first to understand why firms cannot succeed in industrialization and second to find the way out. So, they invited consultants from Accenture. This is evidenced in the following quotes:

> In 1997, we invited Accenture which is now the business and technology services unit of Arthur Andersen. We held a retreat for two days to find answers to this mystery of failure of industrialization efforts by local businesses in Nigeria (Corporate Executive, Firm F).

> We had this retreat led by Accenture and two things came out, which are lack of electricity – power and inconsistency in government policies (Chairman, Firm F).

The above quote indicates that the firm engaged the services consultants who identified lack of power and instability in government in policies as the primary reasons why firms that invested in local production facilities in the past were unsuccessful and failed completely. As the quotes below show, following the findings and advice of these consultants, the management of the firm decided that if they must pursue industrialization as their strategic option, then they must first deal with the issue of power supply which is a controllable factor and then find possible ways of influencing government policies, which is largely an uncontrollable factor. This gave rise to the firm's investment in independent power plants to achieve self-sufficiency in power supply. It is observed that the investment in power production and satisfaction of own power needs is one of the competitive strengths of the firm, given that the general power supply within the country remains unstable and unreliable.

> So, what we decided to do was to say ok, fine, can we sort out the electricity first? And try to see how we can mitigate the inconsistencies in government policies. That one we really do not have control so the only option we have is to remain friendly with any government that is coming to power (Corporate Executive, Firm F).

> So, we decided to try manufacturing. Nobody really wants to go into the manufacturing sector because of the problem of power and power because without power you cannot do anything. So, we decided that we will still try, and we looked at the mistakes that others have made, and we decided that we are going to do things differently (Chairman, Firm F).

Subsequently, having decided to proceed with the industrialization and having also identified the likely challenges they might face and taken decision on how to mitigate such challenges. The findings reveal that the firm sought further guidance on how to go about the industrialization. It was observed that they sought further consultancy advice from people who are heads of some of best performing industrial firms within the Nigerian market. They organised another retreat and invited these local industrial captains. The data show that following the insight gained from the interaction with these local consultants, the firm learned how to coordinate industrial operations and were able to establish and manage the firm as an industrial organization thereafter. The Chairman observed thus:

> As we were thinking of how to utilize the money, we called on the then CEO of Nigerian Breweries, Festus Odimegwu, he came and he told us that there are a lot of opportunities in Nigeria and we have not even scratched the surface. He suggested how we could organise for the opportunities available. We listened to him and we called another guy and we listened to him also. Then we tried to modify our operations in line with their suggestions.

Another notable example is firm G. The data show that the firm is well known for their recourse to ‘best practice.’ It is observed that the firm employed the services of consultants in designing and implementation of all the functional areas of their business, including laying out how the different units relate with one another. The management believes that it will be cost-effective to find out how previous firms did or are undertaking specific activities and replicating them instead of trying to reinvent the wheel. By so doing, they can design their processes and organisational structures in the best they are designed and recommended by the experts in the field. As evidenced in the quote below, the firm employed the services of recruitment consultants for recruitment problems, accounting and finance consultants for accounting and finance problems and so on.

> You know, one of the things we learned is called best practice. We simply understand that most of the questions we are asking, somebody long ago asked and long ago addressed. So, when we are talking of a recruitment question, one of the things we do is to talk to a recruitment expert. We just talk to people who are HR managers and so forth.

However, some of the MNEs found the use of consultants not extremely rewarding. First, there was some evidence of disconnect between the consultant’s advice and the peculiarities of the characteristics of the African contexts. It was observed that some of the consultants’ advice focused more on the global trends such the increasing emphasis on the adoption of e-commerce in most business transactions and therefore failed to establish a fit between their suggestions and the immediate situations of the MNEs. For instance, the Chairman of Firm E recounted how consultants nearly discouraged them from “rolling out rapidly across the country in terms of brick and mortar … telling us that brick and mortar era was over.” Contrary to the advice of consultants, it was observed that establishment of the brick and mortar branches provided a platform upon which the firm laid the foundation for their winning strategy.

> Not only did we do that, we also embraced technology where at the time it was the biggest bank in the country that had branches that were networked. So, we did all of that to be able to sell to the customers at the time (Chairman Firm E).

In the light of the foregoing, one of the informants argued, “I think it is a big stereotype to say that when you get reputable consultants because most of those consultants have worked with all these more established firms, they can solve all your problems” (Corporate Executive Firm E). This implies that as much as consultants can be useful, what is more important is getting consultants which have a good understanding of the peculiar needs or characteristics of the business such as the peculiarities of the business context. Referencing the above experience, the Chairman advised thus:

> The key is being able to get suitable consultants. Sometimes, you may get one and not get value for your money at the end of the day. They may tell you they are going to do it, they will gather resources, but they will not be able to deliver.

Second, there is also concern for intellectual property (IP) protection. The data show that, especially at the early stages of development, some of MNEs refused to employ the services of consultants for fear of losing valuable trade secrets or information to the competitors, especially at the early stages of growth which is the level of growth at which most of the emerging markets multinationals, including the African MNEs, are operating (Buckley et al., 2016). A notable example in this regard is Firm F. The data show that why the firm was building their first factory, they did not employ the services of consultants because they feared competitors getting to know about the project through the consultants. It was observed that their fear was anchored on the fact there is prevalence of institutional void so the management did have confidence in the existing institutional framework to guarantee the execution of such contractual arrangements between the consultants and the firm.

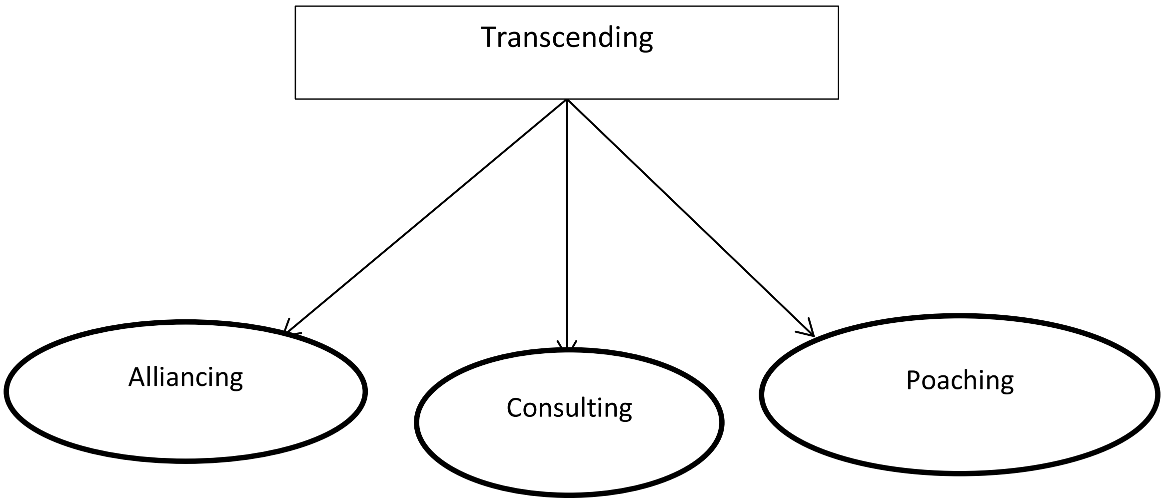

Fig. 7.2: Transcending Strategies

As evidenced in the following quote, the firm had to rely on trials and error and as a result, they suffered huge financial, emotional and time loss.

> So, when we started Obajana, we had a big massive cost overrun for various reasons. First, we intentionally did not use consultants so there was no feasibility study on Obajana. At that time, we were a bit scared, we didn't trust anybody, so we didn't want the news to get to anybody to go and tell Lafarge that we were building a cement factory. You see how Lafarge was trying to exterminate us so the best thing for us was to lie low and pretend as if we were nobody because if we come out, they will cut us off. So, we decided not to do any feasibility study at all. We just went to the bank and asked if we are to build this thing what do we do (Chairman Firm F).

Why would the use of consultants result in the enhancement of the process advantage of the MNEs? A key insight is that consulting offers knowledge seeking firms the opportunity to obtain strategic knowledge that are possessed by more established firms without necessarily signing a formal memorandum with the knowledge possessor. This is most relevant in a situation where the knowledge seeking firm is still at the early stages of development and therefore lack the requisite scale and reputation necessary for the establishment of formal alliance agreements. The case of

Firm F is highly instructive here. The data show that the firm was able to obtain needed knowledge about how to manage and coordinate manufacturing operations by consulting the CEO of Nigerian Breweries who has become knowledgeable in the manufacturing activities without necessarily entering into a formal alliance relationship with Nigeria Breweries. Also, consulting will enhance the development of process advantage when the knowledge sought is location-bound and therefore difficult or impossible to obtain, especially due to structural barriers such government policies. This is usually most prominent where the firm is seeking to learn from domestic players about how to coordinate business activity in a regulated economy.

Poaching: The data show that some of the MNEs developed their process advantage by attracting key employees of more established firms and subsequently taken advantage of the knowledge and skills that such employees had developed in their previous organisations and roles to build the operations of the present organisation. Table 7.2 above illustrates how the MNEs employed poaching to enhance their process advantages including some direct informants' quotes. A typical example is Firm G. The findings suggest that the management sought, identified, and attracted people who were employees of other organisations, particularly those that are experienced or presently occupying relevant positions in more established firms. It was observed that these categories of employees were attracted and made to replicate on the focal firm what they were doing in the previous roles. The quote below illustrates how the firm attracted an exceptionally talented and successful banker to help man the financial or accounting challenges facing the firm.

> So, I went to find somebody I knew could do it. I got a very smart banker. And I said ok, 'do you want to start your own bank? Come and work for me I will make you negotiate with the banks for loan for weeks you can have 10 percent of the company if you can raise this for me. He raised the money and got his 10% (Chairman Firm G).

Table 7.2:
Transcending Activities of African MNEs

	Alliancing		**Consulting**		**Poaching**	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
A	Developed mutually beneficial relationships with alliance partners, especially local SMEs who serve as major suppliers of most of the supermarket goods.	The success of the Group is closely tied with the success of our suppliers and the value our relationships create (Firm Website). We support SMEs through procurement, providing access to our distribution network, knowledge sharing, logistical support and more (Firm Website).	Employed the services of consultants for staff recruitment and training. Also, made use of consultants in designing layout of the internal Inventory transfers	Get to the practitioners who will help you put questions on how to will recruit among other things (Corporate Executive).	Relied exclusively on the acquisition of relevant talents and knowledge by acquiring the firms that possess such talents.	The management emphasized M&As and the use of consultants over the use of key individuals.
B	Obtained knowledge on the efficient coordination of large organisational processes from their alliance with a more established counterpart.	We entered a strategic alliance with Citi Bank at the time and they gave us the first batch of management executives to help us set up and run the bank (Corporate Executive).	Employed the services of consultants in designing the expansion plans of the bank.	It even helps your technology and systems; particularly it helps you to automate your processes (Corporate Executive).	Identified and attracted key source persons from competitors thereby obtaining strategic Knowledge.	But when you are starting out in business, what are you going to do? you can attract highly skilled workers (Chairman).

Table 7.2:
(Continued)

	Alliancing		Consulting		Poaching	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
C	Obtained knowledge on the efficient coordination of large organisational processes from their alliance with a more established counterpart.	When you are dealing with a superior organisation, for instance, it is something that brings improvement to your processes and your policies (Corporate Executive). We consciously send personnel to our joint venture partners to learn new processes (Regional managers).	Employed the services of consultants in designing the expansion plans of the bank.	Establishing any form of business relationship with more resource-endowed firms fosters process enhancements (Regional Executive).	Identified and attracted key source persons from competitors thereby obtaining strategic knowledge	But in this part of the world where people are hoarding information, we rely mostly on the acquisition of talents from more established firms (Corporate Executive). We rely on social-media and personal contacts and referrals (Corporate Executive).
D	Enhanced innovation capability from co-creation with resource-rich partners.	Partners with Rocket Internet, a world-leading internet incubator, to enhance internet in Africa (Firm Website). Partners with KaiOS Technologies, China Mobile and UNISOC to launch Africa's First 3G Smart Feature Phone (Firm Website).	Employed the services of consultants at strategic points to design the efficient delivery of telecoms services.	Using consultants is a bridge between the knowledge rich and the knowledge deficient firms (Corporate Executive).	Identified and attracted key source persons from competitors thereby obtaining strategic knowledge	You must look for people constantly around you to help you do what you cannot do (Corporate Executive).

Table 7.2:
(Continued)

	Alliancing		Consulting		Poaching	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
E	Obtained knowledge on the efficient coordination of large organisational processes from their alliance with a more established counterpart.	So, at some point, I sent a team to Nigerian Breweries to learn how they design and implement their cost optimization operations (Chairman). We also sent people here to learn about marketing and communication strategies (Chairman).	Employed knowledge local consultants for the design of strategic functions especially consultants from non-competitive sectors.	We got reputable consultants, most of who have worked with all these more established firms; they helped us design our processes (Corporate Executive).	Identified and attracted key source persons from competitors thereby obtaining strategic knowledge	The higher talent must come in to complete what you cannot do (Regional manager). So, that is how we try to recruit the higher talent (Corporate Executive).
F	Obtained knowledge on the efficient coordination of large organisational processes from their alliance with a more established counterpart.	We study companies that have strong governance fundamentals and adapt it (Chairman).	Employed the services of consultants to understand the causes of business failure and to understand how to design manufacturing operations.	In 1995 we had a retreat and invited Arthur Anderson which is now Accenture (Chairman). As we were thinking of how to utilize the money, we called on the then CEO of Nigerian Breweries, Festus Odimegwu (Chairman).	Identified and attracted key source persons from competitors thereby obtaining strategic knowledge.	You would have to use other currency which might include making them partners or shareholders in the business (Chairman).

Table 7.2:
(Continued)

	Alliancing		Consulting		Poaching	
Firm	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Description	Representative Informant Quotes
G	Obtained knowledge on the efficient coordination of organisational processes from their alliance with a more established counterpart.	We sent a team to Kenya to learn the MPESA model and that helped us to develop our Eco Cash mobile money platform (Chairman).	Employed the services of consultants to understand and implement the current best practices in key organisational functions.	You know, one of the things you must learn is called best practice. Most of the questions you are asking, somebody long ago asked and long ago addressed (Chairman). So, one of the things we do is to talk to experts (Corporate Executive).	Identified and attracted key source persons from competitors especially those that are entrepreneurial or possess special skills thereby obtaining strategic knowledge.	He raised the money and got his 10% stake of the business (Chairman). I went to find somebody I knew could do it. And I said ok come and work for me I will make you negotiate with the bankers (Chairman).
H	Obtained knowledge on the efficient coordination of organisational processes from their alliance with a more established counterpart.	We approached Sprint Global One – a subsidiary of Sprint Corporation USA - to help us out. They were pleased to sign a contract with us… (Chairman). We found a brilliantly designed program… by Phoenix International in Orlando, Florida. We signed a contract with them (Chairman)	Employed the services of consultants to learn how to digitize organisational processes.	I had read in the news that a company in Basingstoke, a small town in England, had a gadget that would transmit data on a 2.4 megahertz. I travelled to Basingstoke to see this device for myself (Chairman).	Identified and attracted key source persons from competitors thereby obtaining strategic knowledge	Sprint decided to send one of their junior officers - Timothy Lancaster - to help us set up our wireless services. (Chairman).

The data reveal that the firm was able to attract these highly experience employees with what the Chairman called “unconventional currencies”. It was observed that the firm attracted these employees by offering them some reasonable stake in the focal firm, so they were willing to abandon their well-paying and stable employment for the focal firm. As the Chairman of Firm G observed thus:

> You would have to use other currency which might include making them a partner in the business, making them a shareholder in the business. So, that is how we try to recruit the higher talent.

This will entail looking mainly for entrepreneurial and highly skilled employees from more established firms who may be more interested in becoming part owner of an enterprise than occupying high positions in more establish firms and earning just salaries. This implies, “looking sideward instead of looking upwards to the more established firms” (Corporate executive Firm G). The Chairman of Firm G also referred to the relevance attracting key stills in the following quote:

> In building any of my businesses, I never went out looking for some big player. I never went to look for Vodafone, or MTN or any of these guys. I was always about reaching out to the people around me that I needed to help me build my businesses.

Another notable example is Firm C. The data show that the firm built their value-creation and delivery processes by attracting employees who were working for other organisations, usually more resource-endowed firms. Table 7.2 above summaries the mechanisms through the firm developed process advantages including some illustrative informant quotes. It was observed that the firm developed the organisational processes that supported their expansion efforts primarily by pulling key employees from more established firms within the industry. As evidenced in the informant quotes below, the management identified some key personnel that are working for the competitors and made them offer of ownership stakes and brought them to introduce the desired changes. The data show that the poached employees were made up of a combination of known and unknown people. The former includes friends of some management executives while the latter includes social-media acquaintances or distant networks. In his study on the strength of weak ties, Granovetter (1973) observed that close acquaintances (strong ties) from the organisations’ social network generally results to the realization of routine ideas due to the similarities and shared values between the actors.

On the other hand, distant acquaintances (weak ties) generally provide a source of novel ideas to the organisation which often extends the knowledge base of the firm thereby enabling the management to aspire to higher levels of achievement. Scholars generally believe that that maintaining weak ties could be critically important to the firm owing to the importance of innovative ideas to firm’s performance (e.g., Granovetter, 1973; Wang et al., 2017;) except where the depth of the knowledge of the ties is of essence such as in cases of job referrals (Greenberg & Fernandez, 2016) or the fast spread of social vices through social media where actors could exchange ideas without full understanding of one another (Patacchini & Zenou, 2008). However, Burt (1992) suggests that strong ties serve as a link between the focal actor and the weak ties and therefore emphasized the indispensability of the strong ties in the system. It is suggested that successful organisations are those that can combine both strong and weak ties in their skills set (Ruef, 2002).

> So, we consciously approach relevant employees in our competing banks and incentivize them with rewards that are more than money. Some of these people we identified on snapchat, call them up, and try to initiate discussions that ultimately prepare the ground for possible discussions about joining our firm. I can say it has been rewarding on both sides (Corporate Executive 1 Firm C).

> We employed some of our key staff from superior organisations and they brought significant improvement to our processes and policies. It even helps our technology, for instance, we used to do some of our processes manually or semi-automated, we discovered that in Citi Bank all these systems are automated so we approached some of their key guys and offered them some mouth-watering packages. They are here today, and the result is part of the changes you are seeing today (Corporate Executive 2 Firm C).

However, it is observed that there was evidence of disunity within the managerial cadre due to ethnocentrism. The data show that the incoming executives found most of the practices of the firm not good enough and therefore consciously refused to adapt to the culture of the firm. This is because the executives that were coming from more established firms felt they were superior to others either because the management had to incentivize them with ownership promises or simply because they believed that the organisational practices of their previous organisation which was more established were superior to that of the focal firm. The data show that the cultural differences between the existing executives and those that were poached from more established firms affected the existing team spirit of the top management and often make it difficult to implement the insights that the new executives bring to the table. It was observed that often when the firm poached key employees, especially with ownership stake incentive, some existing management staff had to resign "instead of taken orders or being told to do things in a different way by some newcomers" (Corporate executive). The data show that the management had to invest heavily in trainings and orientation programmes to get the new executives to understand and appreciate the culture of the firm. As some of the informants observed:

> It is always helpful and good to source for key talents that will bring in new perspectives and insights into the organisational processes. But it has its own price. We lost some of our best and brightest guys because of personality clash and cultural differences (Regional manager, Firm C).

> Recruiting highly experienced staff from more established organisations is not all roses. There always must be some form of Pareto optimality. When we get people with higher experience or qualifications, often it affects the position of existing staff. It all depends on what objective we want to achieve and what options available to us (Corporate executive, Firm C).

Another challenge of poaching is that it makes key business operations vulnerable and the future of the firm very bleak. It is observed that building specific strategic operations such as the value-creation and delivery processes of the firm around key individuals increases the chances of losing such talent to higher bidders, especially when the actual performance of the business does not align with the budgeted outcome. This scenario is disturbing and will likely occur if such knowledge has not been institutionalized. The case of Firm B is highly illustrative. The data show that at the early stages of the firm, the management acquired a very strategic talent from the Nedbank on the basis of partnership but the partner later pulled out of the deal when things did not turn out as projected after the second year of operation.

> We once pulled a key player from one the major banks in South Africa to help us redesign our organisational process to foster growth. The guy later left us claiming the business did not show much potential for sustainability. But God help us, and we moved quickly to save the situation.

Why would poaching enhance the MNEs' development of process advantage by? A key insight is poaching facilitates the access to higher talents, especially at the early stages of the firm's development when it may ordinarily be difficult for the firm to attract high skills. The reason among other things is because such higher talents will be unwilling to work for a firm that will not enhance his or her resume. Also, the new firm may not be able to compete with the more established firm in terms of salaries and other condition of service. Therefore, Poaching, especially with the extra incentives that go with it offer a viable alternative for attracting the high talents for new firms. A good example is Firm G. The data show that the pioneer CEO and Chairman used poaching strategy to attract a senior financial expert who assisted the firm to raise the funds that facilitated their expansion and subsequent cross-border operations. This is evidenced in the following quote.

> It's exactly what we did when we were building our enterprise. At some point we needed someone to run our finance unit. We finally found someone who accepted to join us with 10% stock ownership stake. He became our Chief Finance Officer (CFO). We did it together. So, you have got to reach out to other entrepreneurs. So, we had to reach out to others (Corporate Executive Firm G).

Also, poaching enables and facilitates access to strategic knowledge by firms operating in complex and uncertain contexts. The data show that it is usually exceedingly difficult for African firms to establish strategic alliance relationships due to institutional voids. Hence, given the shortcomings of employing the services of consultants, poaching often serves as the only alternative source of strategic knowledge because it offers access to direct contact with individuals who have acquired and practically applied such strategic knowledge in more established firms. One of the corporate executives from Firm C observed thus: “In this part of the world where people are hoarding information due to lack of IP protection mechanism, we only rely on what specific individuals who work in specific firms could do for us.”

The foregoing findings on the transcending activities of the MNEs show that the firms obtained knowledge-based strategic assets which enhance their value-creation and delivery processes using three strategies. First, it was found that the firms formally enter knowledge transfer arrangements with more established resource-endowed local or Western firms. The process of obtaining strategic knowledge resources by engaging in formal contracts with external entities is referred to as Alliancing. It was observed that the African MNEs enter strategic alliance relationships at the later stages of their development except where they are affiliated to the government and therefore enjoyed some level of government support. However, it was observed that the ability of the firms to obtain resources through alliancing is affected by the institutional condition of the African context. Second, findings reveal that the MNEs also gained access to strategic knowledge resources by making use of either independent consultants or through personal consultations with senior executives of more established resource-endowed firm. We refer to the process of obtaining the strategic knowledge assets by formally seeking of such knowledge from independent advisers as consulting. It was observed that consulting was more suitable for the firms’ knowledge acquisition at the early stages of their development, especially given situations whereby the firm is neither linked to nor directly supported by the government.

However, it was observed that although consulting offered a useful platform for the acquisition of knowledge, especially given the fact that majority of the consultancy personnel had worked for a more established firm, the knowledge obtained from consulting appeared to be more generic in nature and often difficult to implement by the African MNEs without having someone given direct guidance at the implementation stage. Third, the findings show that the African MNEs also obtained knowledge by seeking and attracting key personnel of more established firms. The process of consciously identifying, approaching, and attracting key knowledge custodian in more established firms is referred as Poaching. It was found that the MNEs poached key players from more established competitors by offering them some non-pecuniary benefits such as ownership stake in the focal firm. It was observed that these key executives are embodiments of knowledge and usually transfer such knowledge and contribute in some meaningful ways towards the growth and development of the firm. However, it was observed that poaching more often than not result in ethnocentric behaviour from the poached executive due to the tendency of such employees to feel they are better than the existing executives or the corporate culture of their previous firms are better than that of the focal firms hence they tend to do things in accordance with the culture of their previous firms and often try to changes the established corporate culture of the focal firm. The data show that this may result to loss of some existing management staff and therefore usually creates a Pareto optimal talent situation. The foregoing therefore suggests that African MNEs obtain strategic knowledge, which is usually tacit in nature, through either alliancing, consulting and/or poaching or some combination of the different strategies as illustrated in figure 7.2 above. In formal terms, it is proposed thus:

Proposition 6(a): *Firms which proactively engage in alliancing, consulting or poaching with strategic resource-endowed entities are more likely to develop their stock of strategic knowledge-based assets than those which do not.*

Proposition 6(b): *Firms which proactively accumulate requisite strategic knowledge-based assets are more likely to build process advantages than those which do not.*

7.4: Consolidating: How African MNEs enhanced their market positions

The data show that the MNEs consciously sought for ways of enhancing their market positions in their respective sectors, first, within their home markets and overtime, in proximate markets where their offerings could find sustainable market potentials to support further expansion activities. This entailed making constant and continuous efforts to improve customers' experiences through continuous enhancement of the quality, availability, accessibility, and general performance of their offerings, especially in relation to substitute offerings. This process by which the firms strengthened their ability to sense and fill customers' needs thereby enhancing their market position is referred as Consolidating. It is therefore noteworthy that consolidating in the context of the present study mainly describes the process through which the investigated firms enhanced their strength and deepen their roots within the domestic market. This is contrary to its generic meaning of combining disparate elements into a unified whole. Table 7.3 below summarized the findings of the study regarding the consolidating activities of the MNEs, including some direct informant quotes. It was observed the MNEs specifically consolidated their value-creation abilities as well as their market positions by engaging in three distinct but interrelated activities, namely orchestrating uncommon or innovative ways of creating value for the customers, consciously seeking for avenues to enhance the size of operations of the firm within the existing product market and/or out rightly changing the current product portfolio or market focus of the firm. Below we discussed the consolidation strategies employed by the investigated MNEs.

Innovating: The data show that one of the fundamental mechanisms through which the firms achieved their growth and subsequent expansion is the maintenance of continuous efforts in the production of uncommon solutions to the common problems of their target markets. As illustrated by the informant quotes in Table 7.3 below, it is observed that one of the ways firms created innovation was by adopting existing technologies, more importantly by employing such technologies to improve service delivery or production efficiency, especially where such technologies are being adopted at the moment. Some of the informants highlighted the increasing emphasis on innovation creation by African MNEs in the following quotes:

> In Africa we have managed to leapfrog traditional technologies and we have seen far greater adaptability to technological change than in some developed markets (Chairman Firm G).
>
> Across Africa, entrepreneurs are developing and materializing innovative solutions to deal with so many challenges and overcome issues of infrastructure, financing, energy, and materials (Corporate Executive Firm B).

One notable example of firms that firmly established their market position and achieved exceptional growth by emphasizing innovation creation is Firm E. The data show that by taking over the distressed bank that metamorphosed into the MNE, the founding team also took over the liabilities of the distressed bank to their current stakeholders such as settlement of deposits made by the existing customers. It was observed that the management were able to successfully settle all the debts through obvious display of ingenuity.

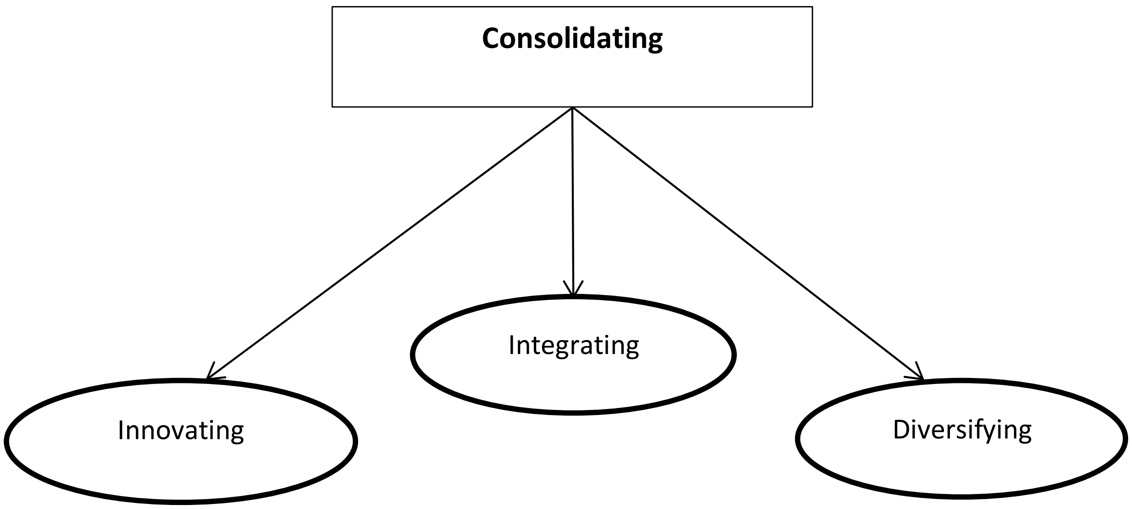

Fig. 7.3: Consolidating Strategies

It was found that the management called the depositors to a meeting and provided innovative solutions on how to repay the deposit without necessarily having to borrow or use current savings. The data show that on the one hand, the management converted some of the debts into equity by creating debt instruments thereby automatically making the former depositors or customers ready shareholders and depositors of the new bank. On the other hand, the management of the firm developed a convenient repayment plan which allowed them time to repay some parts of the debt from future earnings instead of borrowing.

Table 7.3:
Consolidating: African MNEs' Innovating Activities

Firm/Sector	Description	Example	Representative Informants' Quotes
Firm A, Retailing	Designed innovative ways of buying, sorting, and selling assorted products in such a way that meets the one-stop shopping need of customers thereby efficiently bridging the gap between the producers of substitute and complementary products and their consumers.	Adoption of intra and extranet IT facilities in managing internal inventory controlling activities as well as the use of Point of Sales (POS) Systems in retailing.	The group grows with innovative expansion strategies (Company Website) Our group's growth is set - focusing on innovative ways of winning middle-to-lower income market (Regional Manager). Introduces the first plastic shopping bag in South Africa that is produced from 100% recycled material (Corporate Executive)
Firm B, Banking	Achieved success in banking by innovatively turning the peculiar characteristics of the African region and its people into unique banking products that meet the banking needs of Africans	Localisation of existing IT architecture, innovative geographical expansion, Doing common things in uncommon ways	Innovation does not necessarily have to be something that has to do with fintech or ICT or so on you can even sell food in a remarkably interesting and appealing way, for example. We may be providing same services as others, but we definitely do it through the most uncommon ways (Corporate Executives). We have, we have tactically and strategically located ourselves outside Africa but for very defined purposes and not just full banking franchise (Regional Manager). I think when you are innovative; the optic even from cross-border perspective can be strong (Corporate Executive).

Table 7.3:
(Continued)

Firm/Sector	Description	Example	Representative Informants' Quotes
Firm C, Banking	Achieved the success through reinvention of their operational modalities. Wins and maintains customers confidence by embracing more efficient banking practices and programmes without losing their effectiveness	Transformed the services delivery processes through the adoption of IT facilities. Also, grew through innovative mobilization of resources from the bottom of the pyramid by using innovative expansion practices.	Now, for expansion, off-course we are in a dynamic world, so we must become and remain innovative to survive (Corporate Executive 1). For us innovation implies developing ways of changing whatever our business in line with environmental changes (Corporate Executive 2). So, we continually and continuously seek for process or new ways of doing things. Even the customers their tastes are changing daily so if we do not meet up that pace of changes we can go into extinction (Regional manager).
Firm D, Telecommunications	Provided innovative solutions of Africans' telecommunication needs through the leapfrogging of traditional technologies.	Adoption of IT facilities in solving individual, business, and societal problems.	We have grown rapidly by investing in advanced communication infrastructure (Company Website). We rolled out South Africa's first GSM payphones, which can carry both voice and data (Regional Manager). We launched prepaid solution PayAsYouGo, so that even unbanked South Africans can reap the benefits of having their own cell phone (Corporate Executive) We are the first operator in Africa to offer General Packet Radio Services (GPRS) (Company Website).

Table 7.3:
(Continued)

Firm/Sector	Description	Example	Representative Informants' Quotes
Firm E, Banking	Transformed a failed bank into one of the most successful multinational bank brands in Africa through the introduction of innovative savings cultures targeted particularly at the lowest income earners.	Introduced an innovative incentive to boost saving culture, adoption of IT facilities in banking services	We became the fastest growing bank in Nigeria using a simple strategy aimed at boosting the savings culture of Nigerians (Chairman). We told ourselves, this is a distressed bank and to attract or regain customers' confidence we needed to do things in a certain (uncommon) way (Chairman). At a point in time, our bank was known as the fastest growing bank in Nigeria (Corporate Executive). When we did our first transaction which is the turnaround of Crystal bank to STB. We really did not put in any money. We used our brains (Corporate Executive).
Firm F, Manufacturing	Built a small-scale cement trading business into the largest manufacturing conglomerate Africa through the adoption of innovative strategies in the production and distribution of the products.	Innovative management of resources, adoption of IT facilities	Our evolutionary process also saw enormous strategic vision. This is part of the accumulation of capabilities and building moats which make it harder for our competitors (Corporate Executive). We accumulated innovative capabilities in terms of making use of state-of-the-art production machineries and use them to transition from the downstream to the upstream operations of our business (Chairman).

Table 7.3:
(Continued)

Firm/Sector	Description	Example	Representative Informants' Quotes
Firm G, Telecommunications	Designed innovative solutions to customer and societal problems, such as agricultural and healthcare issues, using their telecommunication platform	The introduction mobile money, The design of green kiosks, solar lanterns, phone power stations localization of existing IT facilities, Adaptation of telecommunication platform	Getting people to accept mobile money rather than just mobile phone was the most counterintuitive thing we have ever had because you are talking to people who do not have money or a truly little money. And they also had no bank account (Chairman). So, we challenged our team to look at how they could redesign our distribution strategies (Chairman). So, we designed a solar charging system (Chairman). So, our strategy was to go in, do not build the new tag shops. Select people with existing tag shops and give them a new tag shop which is powered by solar, which is our billboard… So, we no longer put up huge billboards (Chairman).
Firm H, Banking	Employed the use of computers and IT facilities to enhance managerial and service delivery processes.	Digitization of service delivery processes. Adoption of IT facilities	We knew that to attract a growing pool of customers and to be sustainable in the ensuing years, we had to digitize our business (Chairman). In the 1990s, few, if any, banks had no knowledge of how computers worked, or how to deploy them in banking. That gave me a tremendous edge - enabling my bank to make a quantum leap (Chairman).

The innovative settlement of the inherited debts by the firm's management is evidenced in the quote below:

> When we did our first transaction, which is the turnaround of Crystal bank to STB. We really did not put in any money. We used our brains. We did what is called financial intermediation and we created instruments to enable us to achieve this. We asked the depositors; do you want to convert to equity in this institution? Some said yes and some said no. I said to those that said no, how about I give you a promissory note and pay you in three years? … I will discount it and pay you 80% of the face value in three years' time? And almost all of them said yes. Because remember that NDIC insured deposit is 50000, so it's either you accept my offer, or you will receive the NDIC value.

Following the settlement of the debts, the management was again faced with another major challenge which had to do with how to win the confidence of customers given the bank's distress history and image. Being faced with this negative image and identity challenge, "We told ourselves, this is a distressed bank and to attract or regain customers' confidence we needed to do things in an uncommon way." Subsequently, the firm introduced an innovative way of positively influencing the saving culture of prospects, especially those at 'the bottom of the pyramid' (Prahalad, 2010). The management identified the factors that influences people's propensity to save their income, including the individuals' attitude to risk taking as well as quality of the customer services offered by services providers. It was observed that the management introduced an innovative savings strategy and "we made customer service the main focus of our strategy so that we can give our customers who interface with us as an institution the best service" (Corporate executive Firm E). Therefore, as evidenced in the quote below, through a combination of innovative savings culture and customer service, "what we called ease of use of customers" (Chairman Firm E), the management turned around the fortune of the bank and changed the status from a distressed bank to the fastest growing bank in Nigeria at the time. Consequently, the firm embarked on an aggressive expansion strategy and established multiple branches within the domestic market within a short period of time as the rate of patronage continued to increase.

> We became the fastest growing bank in Nigeria using a simple strategy aimed at boosting the savings culture of Nigerians. The philosophy then was ok; if

> you earn a dollar, let us encourage you to save 20 cents with us. We realised that the factors that will make you to save 20 cents out of 1-dollar income is, 1) the capital you are ready to risk, and, 2) the service is good. So, that if service is good and you think you are risking 2% of all your earning, overtime, you will grow confidence and now begin to save and invest more. So, that was what we did and within a short period of time, the confidence level grew, and people were now patronizing us more and we grew very fast and became the fastest growing bank in Nigeria. Within a short period of time, we opened 100 branches.

The growth of Firm G is another interesting case of innovation-empowered growth. The data show that the firm aggressively grew their domestic market share by using their telecommunication architecture to proffer innovative solutions to the prevailing economic, institutional, and infrastructural challenges within their home country. Table 7.3 above illustrates the findings regarding the innovation creation activities of the firm, including some informant quotes. It was observed that the firm's home country was embroiled in long period of political crisis in the late 1990s. As the informant quotes below illustrate, the government's management of the situation finally led to the Central Bank's total loss of control of money supply within the economy and ultimately the situation resulted in a multiple currency regime at the time. One of the direct consequences of this was hyperinflation and lack of bank of notes, especially within the rural areas. As some informants observed:

> As you know there was a major political and economic crisis in Zimbabwe in the late 90s which went on for almost a decade. And the result of that was that the country hyperinflated. And as it faced international sanctions, inflation hit at one stage at estimated almost 100billion per cent (Chairman, Firm G).

> So, it was an exceedingly difficult situation and in order to end that hyperinflation what the country did was to abandon its own currency. And so, they introduced the use of the US dollar mostly, but they also accept the South African Rand. They accept the Chinese Yuan and they accept the Swiss Franc. It's called multiple currency regimes (Corporate Executive 1 Firm G).

> One of the issues as well was that the Central bank no longer controls over denominations. So, there is total absence of the central bank in the introduction of money into the economy. So, then what then is going to happen is liquidity, particularly bank notes almost disappeared from the rural areas (Corporate Executive 2 Firm G).

Expectedly, the data show that the chaotic economic situation had a direct and negative impact on the general condition of production, distribution, and consumption activities within the domestic market. Most importantly, it was observed that the liquidity situation affected the ability of consumers, especially those residing in rural areas, to purchase necessary supplies due to the difficulty in accessing bank notes. Consequently, using their existing telecommunications networks architectures, the firm created the mobile money platform called EcoCash to satisfy customers' dire need for an effective and efficient means of sending and receiving money to and from their relations. The data show that the introduction of the EcoCash resulted in a noticeable increase in the firm's sales performance for two major reasons. First, it was found that following the launch of EcoCash, there was a positive shift in the purchase behaviour of the existing customers. The data indicate that most of the existing subscribers had to consciously regularize their accounts with the focal firm by upgrading to categories of services that ensures consistent and uninterrupted access to the firm's services, including voice call and data services thereby keeping their phone lines perpetually active. Second, findings revealed that the creation of the EcoCash platform also attracted new set of prospective customers, including some people who had to swift from other service providers. It was observed that these new customers also had to sign up to the firm's telephone services purposely so they can take advantage of the mobile money services thereby increasing the firm's market share. Therefore, the mobile money innovation was largely successful because it provided the customers an alternative to banking services thereby ameliorating the challenges of dealing with the stringent conditions of opening bank accounts, dealing with multiple currencies and particularly the prevailing difficulties that surrounded access to bank notes within the domestic market. The Chairman observed the increase in sales growth following the introduction of EcoCash as thus:

> We as of now are processing transactions valued at about 400million dollars a month which this year, we will process transactions just over 5.2billion

> dollars. And we are growing that transaction base at the rate of 7% a month. So, we expect on the current trajectory that we will be carrying almost all transactions ... In terms of actual registered users on our platform; we have 3.5 million active customers registered and using the platform on a day-to-day basis. On top of that, we have 1.2 million customers who have savings account.

Furthermore, as the management of the firm continued think of avenues through which they can enhance and sustain their sales growth and market share within the domestic market, it was observed that “one of the major issues as the penetration levels are being increased is power for our subscribers to charge up their phones” (Chairman Firm G). The Chairman noted further that power was a general issue among African countries, “whether you are in Kinshasa or Harare, Nairobi or Lagos, power is a big issue.” The findings revealed that the erratic situation of power supply within the domestic market was negatively affecting customers’ demand for and usage of the firm’s telecommunication services. This is because customers needed power to be able to charge the phones without which it will be impossible for the customers to enjoy the services or have the intended experience. The Chairman observed thus: “we found some really shocking outcomes about the challenges that the poor has in actually getting their phones charged. Our efforts appeared to be geared towards keeping the network powered up. We forgot about the consumer.” Consequently, the firm produced solar-powered devises that meets the customers’ need for lighting and charging facility. First the firm created what they called solar lantern which basically fulfils the charging and lighting purposes. The creation of the solar power innovation is further evidenced in the following informant quotes:

> We said we really want to get the customers to increase their charging of their phones. So, we had our team redesign a normal solar lantern so that it could become a charger for our phones. Just a simple solar lantern redesigned as a self-phone charger. Our most successful lantern is the one that has two chargers for a self- phone (Chairman, Firm G).

By providing the customers with the facilities to support constant charging the firm was able to mitigate the negative impact of the poor supply of power within the domestic market. Consequently, the customers started making more regular use of their phones and in turn the data show that this has positively influenced the level of customers' patronage of the firm's telecommunication services and, by extension, increase in sales growth and market shares.

> We are now selling more of these lanterns than we sell self-phones. And our study shows that our output among the solar lantern users went up by 20% because again if you think about it, as we reach this penetration of 70%, and beyond (Chairman, Firm G).

Although the introduction of the solar lantern positively influenced the firm's sales performance, the data show that the performance fell short of the expected outcome. Findings reveal that some customers who bought the lanterns were subscribing to competitors' telecommunication services while some of the existing customers of the focal firm were easily switching to competing services providers. The implication is that it became difficult to monitor or boost sales performance using the lantern technology. Consequently, the firm redesigned the solar lantern and incorporated a function that linked the billing or payment for the lantern use to the customers' existing sim card or account with the firm. They firm named the new solar powered lantern Home Power Station. Describing the innovation, one of the corporate executives said, "One of our major initiatives on solar is something that we call the home power station. It has four USB ports; it has a solar panel with some batteries that are put inside it" As the Chairman noted:

> The solar power lantern is not the invention by itself. The real invention is in here we have a sim card and the sim card links to our prepared platform. So, what a customer does is to install this unit in a village home, it comes with some light, and all the lights are wireless, that's the first time anybody has used that kind of concept which is wireless bulb which has an embedded battery inside the light.

The data show that one of the most distinctive features of the new home power station is ability to link the sim card in the system with an existing sim card thereby making it possible for one to link the utility bill arising from the consumption of home power system, say the amount consumed by parents, to an existing account. It was observed that the major aim was to enable the active subscribers who are living in the urban areas to be able to assist their parents or other relations who may be living in the rural areas where there is usually little or no presence of power infrastructures to enable the residents in those areas to be able to charge or power their communication facilities as well as enjoy electric power at home, especially at night. It was observed that the firm's marketing strategies and programmes for the home power station focused on reaching the rural areas through majorly the informal economy channels. Webb et al. (2009) defined an informal economy as "the set of illegal yet legitimate (to some large groups) activities through which actors recognize and exploit opportunities." Two schools of thought have emerged with respect to the legality of informal economic activities and by extension, informal institutions. One group sees informal economic activities as legal transactions which are aimed at satisfying a given market segment. However, this school observes that the strategies for executing the value creation activities could be regarded as illicit (Khavul & Bruton, 2009; Portes & Haller, 2005). Another group maintain that the informal economic activities and the value creation strategies employed are legitimate and licit, respectively. They argue that what distinguishes informal economic activities from the so-called formal economic activities is that informal economic activities are usually focused on market niches with unique needs and attributes which are often situated in rural areas. For instance, Meagher (1990) found informal economic activities as part and parcel of a typical African society. She therefore concluded that such economic activities generally engage in legitimate trade which is usually undertaken through normal exchange process. The marketing strategies employed by the firm for this product is evidenced in the following quotes:

> So, we designed a solar charging system, and we chose that we would go into the communities because one of the symbols of growth in Africa is the informal sector (Corporate Executive, Firm G).

> But the key to the sim card is it connects to our prepared platform, so a customer marries that sim card to their own sim card, which allows me to install this in my grandmother's village, while deducting 5 cents a day from my prepared telephone bill (Chairman, Firm G).

So, by inserting the sim card feature into the home power station innovation, the firm was able to forestall customer switching to competing networks, avoid the emergence of grey markets while also expanding the patronage and reach of their telecommunication services, especially into the unserved rural areas. One of the interesting aspects of the technology is the innovation around the billing systems.

> using our self-phone platform, you are able to pick up 5 to 6 dollars for a month from those customers but essentially you are able to meet the needs of the people that actually require these things but can't afford it but have a son or grandson like me in the city who has a guilt strip because 5 or 6 cents a day for my mother as oppose to the fact that I am paying 5 or 6 dollars a day to make a phone call. So, it all revolves around deducting (Corporate Executive, Firm G).

In the same vein, Firm D is a classic example of firms whose growth, expansion and subsequent involvement in cross-border operations are traceable to their engagement in innovation creation. Table 7.3 above illustrates the innovation activities of the firms, including some informant quotes. The data show that the firm's journey to the international arena is traceable to their aggressive and unrelenting pursuit of innovative solutions to consumers, business and societal problems using the instrumentality of their telecommunication services platform. For instance, regarding innovations that were aimed at influencing people's lives, it was observed that the firm "the rolled out South Africa's first GSM payphones, which can carry both voice and data" (Corporate Executive Firm D), thereby influencing the nature of communication between individuals and groups within the local market. Also, the firm "launched prepaid solution PayAsYouGo, so that even unbanked South Africans can reap the benefits of having their own cell phone." Therefore, providing payasyougo solutions to telecommunication billing and payment systems, the firm enhanced the accessibility of telecommunications services to people at different economic levels. Furthermore, the firm "pioneers instant messaging to South Africa, enabling groups to chat simultaneously in real time" (Company website Firm D) thereby enhance group cohesion and community life.

Regarding the innovations aimed at business enterprises, it was observed that the firm "launched its M-Business to deliver dedicated connectivity solutions and services to the corporate sector" (Corporate Executive Firm D) This innovation fostered business-to-business as well as business-to-customer relationships which ultimately enhanced business performance within the local market. Regarding the innovation aimed at the society at large, for instance, it was observed that the firm "developed telemetric app for vehicle tracking and theft recovery via GSM" which facilitated the government’s fight against crime and criminal behaviours using the telecommunication infrastructures. This supported the creation of a safer environment within which businesses and individuals thrived. Therefore, the firm fostered their growth within the domestic market by creating innovations that “changed the way the people live, work and play” (Regional Manager Firm D). One of the corporate executives put it succinctly as thus:

> We have grown rapidly by investing in advanced communication infrastructure and by harnessing talent of our people

The emergence of Firm H is another remarkably interesting case of firms whose growth and expansion are traceable to innovation creation. Table 7.3 illustrates how the firm triggered their growth through the consistent adoption of innovative approaches to value creation and delivery, including some representative informants’ quotes. The data show that prior to the establishment of the firm, there was little or no adoption of information and communication technology (ICT) facilities, especially the internet, in the conduct of banking operations within the Nigerian banking sector. The Chairman of the firm observed the prevailing state of ICT adoption in the banking sector at the inception of the bank as follows:

> When we first opened our doors in 1990, there were no ATMs in Nigeria, no credit or debit cards, no digital networks at all. We knew that to attract a growing pool of customers and to be sustainable in the ensuing years, we had to digitize our business. Most Nigerians had no idea what the internet was.

According to the Firm H Chairman’s account, it was obvious to the management that adoption of ICT facilities and digitization of the services delivery processes offered one of the surest ways of achieving sustainable competitive advantages over the more established incumbents. This is true for firms in all climes, “I remember very well reading in Bill Gates' book, Business at the Speed of Thought that any company that did not embrace technology and innovation would not survive” (Chairman). Therefore, realizing the importance of the innovation adoption to the long-term success of the firm, the management was spurred to action to do everything possible to digitize the operations, “so, while the sheer mass of the work and organisation it would take to bring the internet to Nigeria was overwhelming, I was more than prepared to take it on.” Ultimately, the firm succeeded in digitizing their processes by adopting the use of computers as well as interconnecting the entire systems such that transactions done in one system located in one environment could be accessed from another system located in another locality. The digitization of the firm in turn gave rise to the unprecedented growth the firm. Hence, the firm obtained a competitive advantage over the incumbents which had been in the industry long before the focal firm was incorporated.

> In the 1990s, few, if any, banks had knowledge of how computers worked, or how to deploy them in banking. That gave me a tremendous edge - enabling my bank to make a quantum leap. Now that we had both the hardware and the banking software, we no longer experienced the kind of operational problems other banks had. As a result, we were soon outstripping them in efficiency and, consequently, in customer numbers (Chairman, Firm H).

Consequently, the management of the firm soon started to realize the need to establish more branches within the domestic environment. Hence, the increasing rate of customer patronage because of the adoption of ICT facilities prepared the ground for the bank to establish multiple branches. One of the corporate executives observed, “We realized we needed to branch out to different towns and cities in the country. We drew up a strategic plan for opening as many branches as we could, within a noticeably short space of time. We decided that each state in Nigeria must have a branch.” As the firm grew within the domestic, they also developed the knowledge of managing dispersed operations and subsequently, they began to undertake cross-border operations.

However, it was observed that firms that failed to innovate could not grow and in some extreme cases they were forced out of their respective industries the innovative businesses. The case of Firm C is highly illustrative. The data show that the firm was incorporated in Nigeria in 1894. It was observed that because the firm was one of the first banking institutions to be established in the country, at inception, it enjoyed a sellers’ market situation, hence customers were coming on their own to patronize their services with little or no efforts from the firm a practice that is generally referred to within the banking parlance as armed-chair banking. It was observed that given this situation, the firm made little or no efforts to create innovation. The resultant effect was that the firm could not grow rapidly within the domestic and by extension; it could not undertake cross-border operations. This situation continued until other more innovative players entered into the sector and the firm was forced to embrace innovation creation, including the adoption of IT facilities in their operation, when they were faced with existential threats by these crops of new innovation-driven players such as Firm H.

Why would the creation of innovation enhance the consolidation of the African MNEs' domestic market positions and ultimately foster their cross-border expansion? A key insight is that businesses naturally thrive under certain circumstances, including efficient institutional frameworks, availability of skilled manpower and availability of requisite infrastructures. To succeed within the African environment which is generally known to lack the necessary factors that enhance business operations and facilitate business performance, firms must strive to pursue their activities using uncommon ways. In other words, the success of the firms largely depended on their ability to find uncommon means of using available strengths to ameliorate their weaknesses in order to deal with external threats thereby enhancing the possibilities of realising available opportunities with the environment.

> In Africa sometimes it seems like we do not have enough of anything. We do not have enough schools, we do not have enough teachers, we don't have doctors, we don't have enough food, and we don't have enough whatever. But not having enough does not mean we have nothing. We have enough to get going. The key lies in making innovative use of that which we have (Chairman Firm G).

The findings in this section suggest that the MNEs facilitated the high growth rate of the operations which enhanced their market positions and ultimately resulted in the establishment of cross-border activities by consciously seeking for uncommon ways of carrying out common activities. This is referred to as innovating. It was observed that the firms approached innovation activities not only through the adoption of ICT facilities in the conduct of their business operations but also through the initiation of uncommon ways of conducting common activities. It was found that a combination of the two innovating approaches enable the firms to gain competitive advantage over their counterparts which did not engage in innovation activities. This finding is diagrammatically presented in figure 7.3 above. Therefore, the foregoing findings can be formerly presented in the following proposition:

Proposition 7(a): *Firms that proactively engage in innovating, either through the digitization of their business processes or by doing common things in uncommon ways, are more likely achieve higher business growth than those which do not.*

Proposition 7(b): *Firms that achieve higher business growth either through the digitization of business processes or by doing common things in uncommon ways, are more likely to consolidate their market positions than those which do not*

Integrating: The data show that the investigated MNEs also consolidated their market positions within their respective domestic markets through the synchronization of operations by bringing all the stages of the value creation and delivery processes under a common ownership and control which we referred to as integrating. It was observed that the firms expanded their organisational boundaries either by consciously joining their operations with the operations of other independent firms in the same line of business through avenues such as M&As or through investment in the ownership and control of all the stages of their value creation, including the establishment of own material supplies, production and distribution networks. Below, we discuss how the firms consolidated their market positions through integrating.

Horizontal Integrating: The evidence shows that one of the ways through which the MNEs expanded the boundaries of their operations was through the acquisition of independent firms that are competing for the same target markets in their respective sectors. Table 7.4 below illustrates the integrating activities of the firms, including some representative informant quotes. It was observed that the firms consciously identified, profiled, and acquired competing firms that possessed desirable assets or that possess certain characteristics that could enable the focal firm to achieve predetermined objectives more efficiently. A notable example of firms that consolidated their market positions through the acquisition of the operations of their competitors is Firm A. It was observed from the quote below that acquisition was one of the firm's strategic options to foster growth.

> Our group's vision is set - focusing on the middle-to-lower income market and supplement internal growth with acquisition of promising supermarket or groups of supermarkets (Company website Firm A).

Accordingly, the firm grew consistently, both in terms of number of employees and number of stores, through the acquisition of stores that appeared strategic to the firm's growth strategy. The data show that by 1986, the firm operated a total number of 33 stores within the local market. Subsequently, in 1990, the firm acquired another supermarket chain called Grand Bazaars. As a result of this singular transaction, the total number of the stores of the firm increased to 71 and the total number of employees grew to 600. Furthermore, in 1991, the firm consolidated their leadership position in the retail sector with the acquisition of another retail giant called National Checkers. This was one of the most significant transactions of the firm which gave the firm country-wide representation. Consequently, the firm grew to 241 stores and over twenty thousand employees. The relevance of this acquisition to the growth of the firm is evidenced in the quote below:

> The Group grows with the acquisition of the national Checkers chain of supermarkets which operated 169 stores with 16500 staff members for R55 million. Overnight, Shoprite increased its footprint almost fourfold to 241 outlets and a staff compliment of almost 22600 (Corporate Executive, Firm A).

Shortly afterwards, the firm undertook a further growth of the scope of their operations by extending into smaller downward retail operations. It was observed that in 1995, the firm acquired a holding firm called Sentra which mainly acted as a buying centre for a good number of small retail owners. Thus, the firm established its presence within the smaller competitors that operated from the flanks thereby strengthening its competitive positions at the smaller retailing operations level.

> During that same year, we acquired a central buying organisation then known as Sentra, which acted as a buying group for 550 owner-manager supermarket members and so entered into the franchising field, enabling it to compete in smaller, convenience-oriented markets

The data show that the firm further enhanced their market position by acquiring and transforming another major retail giant named "OK Bazaars Group from SAB in the legendary "R1 deal". This strategic expansion moves added 157 super - and hyper-sized supermarkets and 146 furniture stores to the Group, whilst saving 146091 jobs" (Company Website Firm A). Through the instrumentality of these series of increasing acquisitions, it was observed that the firm was able to develop the requisite knowledge and resources to undertake on cross-border investment activities.

> Given the achievement of country-wide representation, expansion plans for the rest of the continent was put into action and the Group was able to open its first store in Central Africa and Lusaka, Zambia in 1995 (Regional Manager, Firm A).

Another notable example of firms that achieve growth and expansion through the acquisition of independent firms is Firm E. Table 10 illustrative the integrating activities of the firm, including some representative informant quotes. The data show that the firm achieved rapid organic growth and increased their market penetration within the domestic market because of the introduction of some innovative strategies. Although, the firm grew remarkably even to the point of "establishing 100 branches within the domestic market" yet the firm could not meet their full growth expectations, particularly, "we had the vision of expanding financial inclusion beyond Nigeria and facilitating intra-Africa transactions" (Chairman Firm E). Subsequently, the firm moved to acquire one of biggest banks in Nigeria in what is now known as a landmark acquisition. This transaction was remarkable for several reasons, including the fact that it was one of the cases of a smaller firm acquiring a bigger firm. The consummation of this transaction, which resulted in the combination of the resources of the integrating firms, enhanced the capability of the focal firm execute bigger transactions and ultimately fostered the ability of the firm to embark on the predetermined cross-border expansion drive, especially the establishment and provision of banking services in previously underbanked economies within the African continent. The import of acquisition to the growth and expansion, particularly the cross-border investment of the firm, is evidenced in the following informant quotes:

> Then we moved to acquire the third largest bank in Nigeria and created the huge pan-African bank that exists today. We are one of the most diversified banks in Africa with operations in 19 African countries as well as in the UK, France, and US. It was not just the largest merger in Nigeria; it was the biggest

> merger in financial services in sub-Saharan Africa till date (Corporate Executive, Firm E).

> So, when I started as a CEO, it was difficult to do a 10million dollars transaction. So, we needed scale. We made this move and there was also consolidation of the banking sector in Nigeria. So, creating this size of bank gave us a lot of capacity to do transactions. Today, we can single-handedly do a 300million dollars transaction and we can syndicate billions of dollars transaction for customers. That did not happen before. So, creating size, that is, scale was key in making some of these transformational changes (Chairman, Firm E).

In the same vein, the case of Firm B is also highly illustrative of how African MNEs grew by through the acquisition of existing enterprises. Table 10 summaries the integration activities of the firm, including some representative informant quotes. The data shows that the continued growth and expansion of the firm is founded on a specialized function called Business Process Re-engineering (BPR) or Continuous Improvement. It was observed that the firm originally did not have such function in their operations but discovered another firm called Oceanic Bank which had a unit that was specifically designed to fulfil the BPR role. The focal firm acquired Oceanic Bank and as result, the firm inherited the BPR function, among other things. The firm has subsequently made the BPR function one of their core functions and the pioneer team acquired from Oceanic had gone on to train and develop other personnel within the BPR unit. "So, BPR team is now a function of former Oceanic and our previous staff and they are working together," said one of the corporate executives. Over time, the BPR function has become a key competitive advantage of the firm. One of the corporate executives explained the creation of BPR function in the following quotes:

> When we acquired Oceanic, we did not have a business process reengineering or continuous improvement function. Oceanic bank did. What we did was seeing the value in that function, we incorporated the staff as well as that function into ours and therefore a new function was created in our operations called business process reengineering (BPR) (Corporate Executive, Firm E).

The data show that the BPR unit has been instrumental to the achievement of the firm's sustainable and steady growth through the initiation of relevant and continuous changes in the firm's processes and business model. It was observed that the unit spearheaded the transformation of the firm's organisational processes from analogue to digital. The unit also monitors the dynamics of the changes in technology and market structures within the industry and continuously improves the strategic fit between the firm's operations, especially in terms of the fit between firms' systems and technology and the business environment.

> The BPR unit is tackling some of the high profile, you know, the most difficult assignments that has to do with improving our processes, automating those standard operating manuals either when those become not fit for purpose or need to be updated to meet with market realities out there (Corporate Executive, Firm E).

However, the data show that some of the MNEs grew exclusively organic without integrating with existing firms. It was observed that these MNEs chose organic growth strategy for several reasons including the lack of suitable acquisition targets within the domestic market and the challenges of integrating the acquired firm with the existing operations of the acquiring firm. First, some of the firms did not engage in acquisition of existing firms not by design but by default. For instance, the data show that Firm F could not find a suitable or available target to acquire while growing within the Nigerian market. Hence, "we could not find any acquisition target within the domestic market in Nigeria even after the government's privatization of the sector" (Chairman Firm F). The data show that the firm was one of the first firms to successful build a manufacturing plant, especially within the cement and industrial products sector in Nigeria. It was observed that prior to the industrialization of the firm; the existing operations were mainly owned and managed by the government. The management of public enterprise was bedevilled with bureaucratic bottlenecks and had little or no leverage to initiate neither innovative changes nor expansion agenda. As a result, the public enterprises could not grow. Second, others grew organically due to their desire to maintain a perfectly uniform organisational climate that is devoid of the cultural, social, and operational discrepancies that are generally associated with the integration of firms from diverse backgrounds and with differing characteristics. A notable case in this category is Firm H. The data show that the management of the firm made it a standing policy that they will always pursue organic growth in order to ensure maintenance of a uniform model in terms of the culture, values and value creation and delivery process, among other things. This, "created a kind of web connection and unification between each of our branches," said the Chairman. As one corporate executive observed, "Implementing same interior and architectural place-branding policy was a game changer for us. It was another factor that made our name in the banking industry." The Chairman explained the firm's expansion policy in the following quote:

> The process of setting up a branch involved one of two strategies – either finding the land and putting up a new building that would fit the structure of our bank model, or renting an existing building and modifying it to fit the same model. But all in all, we decided we will not acquire an existing brand.

Why would the acquisition of existing firms in the same product market result in the consolidation of firms' market position? A key insight is that growth and/or expansion through the acquisition of existing organisations facilitates rapid growth and establishment of the acquiring firm. This is because the acquiring firm upon consummation of acquisition deal automatically takes over the existing assets, including the existing customers, infrastructure, skills, and talents possessed by the acquired organisation. Hence, it means that through the acquisition of an existing enterprise, the acquiring firm can increase their customer-base and branch network in direct proportion to the size of customers and spread possessed by the acquired entity. The case of Firm A is highly illustrative here. The data shows that the acquisition of the retail brand National Checkers alone added 169 stores and 16500 employees to the assets of Firm A and increased the total number of stores owned by the firm to 241 overnight. It was observed that this singular transaction fostered the national coverage of the firm and invariably propelled the firm's growth and geographical expansion.

Another insight is that acquisition enables the acquiring firm to obtain assets that may be difficult to build or replicate, especially in the short run. It is observed that certain assets that offer strategic competitive advantage to firms are usually developed over time and may be nearly impossible to replicate or build overnight. Therefore, by acquiring an existing firm that possess such uncommon assets, the acquiring firm can obtain such assets quicker thereby competing with incumbents who may have spent many years in the development of such assets. A good example of firms that acquired an uncommon asset while acquiring an existing business is Firm B. The data show that the firm developed a BPR unit which has become the anchored of the growth and expansion of the firm through the acquisition of Oceanic bank. The development of an uncommon function such as the BPR could have taken many years if the firm decided to build it organically and that would have adversely affected the realization of the growth potentials of the firm. Also, the data show that the major reason why Firm D acquired Visafone was to obtain the spectrum that was possessed by Visafone. It is observed that spectrum is a very scarce commodity and the lack of good spectrums had affected the very existence of most telecommunication firms. Therefore, the acquisition of Visafone not only enhanced the efficiency of Firm D but also fostered its continued existence. The relevance of the acquisition of Visafone in relation to the obtaining of their spectrum is noted in the informant quote below:

> We acquired Visafone to obtain their Spectrum. Operators know that Spectrum is a very scarce commodity - it is the artery that pumps their calls - and hence their revenues - across their networks. Many operators had gone bust through overzealous bidding for additional spectrum (Regional Manager, Firm D).

Vertical Integrating: The data shows that the investigated MNEs also consolidated their market positions by consciously expanding their operations through investment in ownership and control of the different stages that are undertaken in the production and distribution of their offerings which were formerly operated by independent firms. Table 7.4 below summarize the vertical integration activities of the firms, including some representative informant quotes. It was observed that the firms consciously assumed the responsibility of managing and/or controlling all the operations involved in the creation of value for as well as attraction of value from the target markets, including ownership or controlling of raw materials supply function, internal inventory transfer operations or the transformation of raw materials into finished products and distribution of the final goods or services. The latter including undertaking the after sales services functions. This not only enhanced smooth implementation of the value-creation and delivery operations but also fostered the efficiency of the entire process. A notable example of firms that consolidated their market positions by investing in the ownership and control of their production and distribution activities is Firm F.

Table 7.4:
Consolidating: African MNEs' Integration Activities

	Vertical Integrating		**Horizontal Integrating**		
Firm/sector	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Emphasis
Firm A, Retailing	The firm emphasized specialization and co-creation with suppliers and other relevant intermediaries. Therefore, fostered relationship with independent suppliers.	Not applicable	The firm aggressively pursued market penetration strategies through the acquisition of existing businesses thereby growing rapidly in terms of market share and market coverage	The group grow with new acquisitions and innovative expansion strategies (Company website). Grand Bazaars was acquired in the same year and the Group then operated 71 Stores with just over 6000 staff members (Corporate Executive). The Group grows with the acquisition of the national Checkers chain of supermarkets which operated 169 stores with 16500 staff members for R55 million. Overnight, Shoprite increased (Regional Manager).	Horizontal Integration
Firm B, Banking	The firm invested and internalized strategic activities while also fostering relationship with independent suppliers where necessary.	Established an IT Service Management System called e-process which supports their data management and other core banking applications	Developed key capabilities through the acquisition of existing firms thereby taken advantage of such capabilities to grow their market share and overall position	When we acquired Oceanic, they had a business reengineering (BR) or continuous improvement unit, but we did not. We incorporated that function into our operations and therefore a new function in Eco bank was created, business process was added to our existing structure (Corporate Executive)	Horizontal/ Vertical Integration

Table 7.4:
(Continued)

	Vertical Integrating		**Horizontal Integrating**		
Firm/sector	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Emphasis
Firm C, Banking	The firm emphasized specialization and co-creation with suppliers and other relevant intermediaries. Therefore, fostered relationship with independent suppliers.	Not applicable	The firm enhanced their market position through the acquisition of existing firms and has recently advanced regional expansion agenda through the same process.	In 1912, the bank acquired its first competitor, the Bank of Nigeria (previously called Anglo-African Bank) … (Company website). In 1966, the bank established a merger and acquisition arrangement with the Standard Bank UK … (Company website).	Horizontal Integration
Firm D, Telecommunication	The firm also strength their internal value-creation activities through the acquisition and internalization of suppliers' activities.	We acquired South Africa's biggest service provider in M-Tel, creating the blueprint for network owned service provision (Company Website). We acquired first-tier ISP Citec to enhance data services offering to the business sector (Corporate Executive).	The firm expanded the portfolio of their operations as well as developed into further markets through the acquisition of existing businesses	In 2015, we acquired multimedia and telecoms company Smart Village as it starts rolling out fibre-to-the home across South Africa (Company website).	Horizontal/Vertical Integration

Table 7.4:
(Continued)

	Vertical Integrating		**Horizontal Integrating**		
Firm/sector	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Emphasis
Firm E, Banking	The firm emphasized specialization and co-creation with suppliers and other relevant intermediaries. Therefore, fostered relationship with independent suppliers.	Not applicable	The firm developed the capabilities for large scale operations by acquiring existing firms with requisite capabilities.	At a time, we were the fastest growing banking in Nigeria. Within a short period of time, we opened 100 branches. Then we moved to acquire the third largest bank in Nigeria … (Chairman).	Horizontal Integration
Firm F, Manufacturing	The firm grew internally by strengthening the value creation and internal R&D activities. The management internalized the vital supply related operations in key operations of the business.	The greatest thing that we have hooked on is that Obasanjo said that look importers of cement should go and do a backward integration, produce cement locally (Chairman). Now we just did a backward integration because we already have the capacity, the customer base, (Corporate Executive).	The firm grew organic partly due to lack of relevant acquisition target, especially at the initial stages of the firm's development	Not applicable	Vertical Integration

Table 7.4:
(Continued)

	Vertical Integrating		**Horizontal Integrating**		
Firm/sector	Description	Representative Informant Quotes	Description	Representative Informant Quotes	Emphasis
Firm G, Telecommunication	The firm established and internalized key complementary activities which fostered the growth and development of the core product.	Built-out of network infrastructure investment in fibre network and other infrastructure (Company website). Cape to Cairo 60000km fibre network completed (Chairman).	The firm also enhanced the reach and market coverage of their operations through the acquisition of external firms that possess relevant assets	Developed fully integrated Quad play platform through the acquisition of Neotel Telecommunications (Company website).	Vertical/Horizontal Integration
Firm H, Banking	The firm established relevant complementary resources - oriented services thereby propelling the growth and expansion of their core operations.	I founded an internet service company in 1995 (Chairman). At the same time, I was thinking very aggressively about the need to set up a data infrastructure company. That same year, I formed a network and ICT-services company which I named Cyberspace (Chairman).	The firm has basically grown organically therefore does not have record of acquisition of an existing business. This was mainly in compliance to company growth policies.	Not applicable	Vertical Integration

The data show that the firm started business as a cement trader, buying locally from major wholesalers. By the late 1980s the firm, "moved upscale becoming a bulk trader" (Chairman Firm F) importing bulk cement from oversea producers. Consequently, the firm built two terminals in Port Harcourt and Lagos where the imported large consignments were first received in bulk and subsequently broken down in smaller bags in the firm's private label. It was observed that as the firm continued importation of the products, they gradually began to invest in building a formidable distribution network, including investing heavily on delivery trucks and warehouse facilities among other things. One corporate executive of Firm F observed thus:

> We deepened capabilities by building a strong transportation network. As conglomerate that makes items, building a strong transportation business is a key part of the Group. So, we invested heavily in that space.

By the late 1990s, in a bid to boost cement production and supply within the domestic market thereby reduce expenditure on cement importation and conserve foreign exchange, the federate government of Nigeria introduced a backward integration policy and provided relevant tax incentives to encourage both existing and/or prospective firms in the cement industry to establish physical cement production facilities within the domestic market. The policy was particularly meant to encourage domestic players to consciously expand their operations by bringing all the stages of cement supply chain, including raw materials processing, production, and distribution activities, under common management and control. This implies that for firms that were originally focusing on selected and limited functions, say distribution function as in the case of the focal firm, the policy meant that they should invest in and, more importantly, synchronize the management and control of the other functions or stages in the supply chain such as raw materials supply and production functions, with the existing distribution operations. As the representative informants' quotes below indicate, the focal firm redesigned their operations from focusing mainly on the downstream cement trading to incorporating upstream cement manufacturing operations within their portfolio in compliance to the government's backward integration policy.

> We were importing before. We had an import terminal in Lagos and Port Harcourt but because of government regulation and because government gave incentives to people who will make Nigeria self-sufficient in cement. So,

> what we did, we say ok fine let us go and build the plant (Corporate Executive, Firm F).

> The greatest thing that we have hooked on is that the government of President Obasanjo said that look importers of Cement should go and do a backward integration and produce cement locally. We have everything and that is what we did. We have been producing for several years now (Chairman, Firm F).

Consequently, the firm established both cement manufacturing factories to facilitate local production of the products, as well as a clinker production facility. The clinker is the basic raw material used in cement production. So, the clinker production outlet basically sources, extracts, and processes limestone, red sand, and clay to produce the clinker and in turn, the clinker subsequently becomes input in the cement production. The data show that by establishing the clinker, that is, raw material supply and the production factories, the firm was able to synchronize the entire stages of cement production under their management and control given that "we already have the capacity, the customer base, we have the logistics, and we have the distribution infrastructure" (Corporate Executive, Firm F).

> What we did was to produce from locally available raw materials. We have, you know, limestone, and then we have red sand, you know, and then we have the clay. These three things will be what you use to produce clinker. The raw material is not an issue (Chairman, Firm F).

> We focus on a lot of value-added activities where we want to use local raw materials to turn them into something rather than importing because we believe we need to use local raw materials in order to conserve foreign reserve (Corporate Executive, Firm F).

The data show that by expanding their operational boundaries through conscious and targeted investments in the ownership and coordination of all the stages of cement supply, the firm has grown tremendously. They have established multiple physical production facilities both within the domestic market in Nigeria and across borders in about 16 African countries. The Chairman of the firm observed the performance of the firm following their combination of all the separate activities as thus:

> I mean you can see in Nigeria 10 to 12 years ago, the total cement production in Nigeria was about less than 2million tonnes. And today Nigeria is 28.5million tonnes. And we are adding additional 9million tonnes from our factory alone. So, by July this year, Nigeria will be at about 37million tonnes.

Another notable case is Firm H. The data show that the firm consciously synchronized and coordinated all the relevant stages of banking operations by establishing data and internet Services Company, in addition to the core banking operations. It was observed that "When we first opened our doors in 1990, there were no ATMs in Nigeria, no credit or debit cards, no digital networks at all", said the Chairman of the firm. This implies that, at inception, the firm found itself operating within a context where there were neither digital businesses nor infrastructures to support such businesses. Therefore, being found in this situation, and recognizing the centrality of digitization to the success and sustainability of their future operations as well as the importance of internet facilities in the digitization process, the management established their own internet servicing company. The data shows that the internet company was fundamentally meant to enhance the operations and performance of the focal firm through the provision of reliable internet and data services that will enhance the core banking operations of the firms. The establishment of and relevance of the data and Internet Company was evidenced in the following representative informant quotes:

> We knew that to attract a growing pool of customers and to be sustainable in the ensuing years, we had to digitize our business… With that goal in mind, we founded an internet service company in 1995 (Corporate Executive, Firm H).

> At the same time, I was thinking very aggressively about the need to set up a data infrastructure company. That same year, I formed a network and ICT-services company which I named Cyberspace... Cyberspace obtained a license from the Nigerian Communications Commission to be known as an internet service provider, one of the very first in the country (Chairman, Firm H).

Therefore, with the establishment of Cyberspace, the firm was able to coordinate the data and internet services provision to be in sync with the data and internet services requirements for their core banking operations. The common ownership and coordination of the data services company and the fundamental banking operations helped to boost the overall operations and performance of the bank. This is because it not only enabled the management to gain and maintain total control of the core banking processes and operations such financial intermediation, and investment activities but also provided a platform for the management to be directly in control of ensuring timely provision of necessary data and internet services needed to boost the operations of the entire system. The data show that through the instrumentality of the synchronization of the entire chain of activities, the firm was able to achieve unprecedented growth, outpace more established incumbents and expanded rapidly, both within their domestic home-country environment.

> Now that we had both the hardware and the banking software, we no longer experienced the kind of operational problems other banks had. As a result, we were soon outstripping them in efficiency and, consequently, in customer numbers. That gave us a tremendous edge - enabling my bank to make a quantum leap (Chairman, Firm H).

In the same vein, Firm D also exemplifies firms that achieved growth and expansion by consciously orchestrating common ownership and control of the different stages involved in their value creation and delivery operations. Table 10 summarises the vertical integration activities of the firm, including some representative informant quotes. The data show that at the early stages of the development, the management engaged independent services providers for the supply of relevant services, including the superstructures and data services that supported the operations of the firm. The services obtained from these external firms were enough to ensure the firm's survival at the time. Over time, as the focal firm continued to aspire for higher growth and expansion, the realization of their goals was hindered by some endemic market failures (Dunning, 1995; Hennart, 1982, 2009; Teece, 1986). This is because at a certain level of plant capacity, the focal firm's input demands exceeded the installed capacity of the existing services providers or suppliers. The endemic market failure implies a product market situation whereby existing intermediate products market within a given context becomes inadequate for the fulfilment of the services needs within that jurisdiction. This situation therefore necessitated the firm's internalization of their intermediate product supply to harmonize and maintain the desired level of production runs. Consequently, “We acquired South Africa's biggest service provider M-Tel, creating the blueprint for network owned service provision and we also acquired services provider Transtel Cellular” said the one regional manager. Shortly afterwards, the management drew up a strategic plan involving penetration of the business sector. Then, “We acquired first-tier ISP Citec to enhance data services offering to the business sector” (Corporate Executive Firm D). Subsequently, by taken over ownership and internalizing the operations of these services providers, the focal firm was able to synchronize the operations of the services firms with their core telecommunications operations. It was observed that the combination of the different stages of the firm’s operations under the same management and control unleashed great growth performance which subsequently resulted in the expansion of the focal firm.

However, the data show that some of the investigated MNEs preferred to focus on their activities in the value creation channel instead of pursuing the strategic option of bringing all the stages involved in the production and delivery of value under common management and control. It was observed that these firms chose to engage independent firms to undertake specific tasks in the value chain instead of relying on internal mechanisms for several reasons, including the need to reap the benefits of specialization, the concern for the additional burden on existing resources as well as the cost of integrating the additional functions of the other stages with the core operations of the firm. First, the data show that some of the MNEs found it more beneficial to concentrate on the specific function in the value creation process in which they have the requisite skills and knowledge to undertake while outsourcing other stages of the value creation process to engaging external firms who are specialized in such areas. A good example is Firm A. It was observed that the firm focused on the core activities of distribution of the products, including sourcing, sorting, and retailing products to customers while consciously engaging independent firms for the supply of the products. It was observed that in some cases, the firm supports the suppliers to improve their capacity to deliver efficient services without necessarily combining the operations of these suppliers under a common ownership and control. One of the regional managers of the firm observed thus:

> Our success as a Group is closely tied to the success of our suppliers and the value our relationships create. As a Group, we strive towards efficiency

> across our value chain, and we share our knowledge and resources with our suppliers for mutual benefit.

Furthermore, the data show that some of the firms saw supporting the wellbeing of the suppliers as a sustainability strategy. It was observed that some of the MNEs view their relationship with the suppliers as a platform for mutual co-creation of value instead of mainly from the transactional perspective. The case of Firm E is highly illustrative here. It was found that the firm consciously supports local businesses through the establishment of warehousing, access to ready markets as well as access to credit facilities. This helps to increase the operations of the local businesses and in turn enhance their capacity to render necessary support services to bigger businesses within the domestic market.

> Our model creates platforms that help reduce post-harvest losses through warehousing, help give them access to multiple and competing buyers in more markets help provide farmers access to credits and financial products. Thus, making them bankable and helping to give manufacturers a reliable supply of raw materials and quality assurance… This not only helps to create jobs and build local capacities; it also helps to insulate their businesses from breaks in their supply chain caused by external actions (Chairman, Firm E).

Second, the data show that some of the MNEs preferred to engage independent firms instead of bringing the additional functions under a common control due to the additional burden such new functions will create on the existing human and material resources, especially in the short run. It was observed that the success of each of the stages of the firms' value creation and delivery activities depend on the level of commit of relevant resources. Hence, for the firms to bring all the stages of their operations under a common management and control, it means that some of the resources that cannot be duplicated such as the top management roles will have to be shared between the former functions and the additional functions of undertaken the other stages of the value creation and delivery process. A notable example in this regard is Firm H. It was observed that following the establishment of the data and internet company, the then CEO had to get involved in the promotion of internet services at the national level in order to ensure continued support of government for the services. This implies that CEO had to modify his schedule of activities to be able to accommodate the demands of running the data firm. The bottom line is that some of the previous responsibilities of the CEO prior to the establishment of the internet and data firm had to suffer or delegated. This is in addition to the pecuniary cost on the firm's resources.

> As the internet company became functional in 1995. A few years later, I became the first president of the Nigerian Internet Group. We worked in conjunction with several organisations both in Nigeria and abroad, including the Nigerian Communications Commission, the National Data Bank, the Administrative Staff College, the United States Information Service, and the British Council (Chairman, Firm H).

Third, the data show that another reason why some of the firms preferred the engagement of independent firms to combining all the stages under a common ownership and control is the challenges associated with integrating the culture, processes and systems of the previously separate firms. One of the informants from Firm C categorically referred to this challenge. It was observed that the smooth running of the focal firm post integration will depend on how well or otherwise the operations, including the organisational culture, systems and processes of the different firms that were previously in charge of the different stages of value creation and delivery processes are combined. The informant argued that, "Because human beings are involved, you can hardly obtain a perfect system. Hence, there are bound to be disruptions to the normal courses of action" (Corporate Executive). The effect of the combination on the performance of the firms is evidenced in the following quotes:

> So, there is no where you can even succeed without integrating not only the people, the process, the culture, the policy, the structure, and the technology which is even critical (Corporate Executive, Firm C).

> Integrating those guys out there into your way of reasoning or vice versa or you are adopting or adapting their way of reasoning … So, it is quite complex. So, most times it takes time for you to break even because of these situations, these challenges will affect your performances (Regional Manager, Firm C).

Why would the combination of all the stages in the value creation and delivery of the firms result in the consolidation of the firms' market position? A key insight is that the synchronization of the all the stages of the firms' value creation and delivery process under a common ownership, management and control is the surest way of avoiding the negative impacts of the generally acknowledged weak institutional framework of the emerging market context (Khanna & Palepu, 1997, 2010; Cuervo-Cazurra, 2008) on business performance. Previous studies suggest that the performance within the emerging markets depend to a large extent on the condition of the prevailing institutional framework while the performance of firm from the advanced countries depends more on the internal activities of firms. It has been observed that institutions set out 'the rules of the game' that guide the relationship between entities, including businesses, within a given geographical location (North, 1990). Therefore, when there is prevalence of 'institutional void' (Khanna & Palepu, 1997) it will be risky for firms to engage or coordinate knowledge transfer or supply arrangements with external firms. Hence, combining all the stages of the firms' value creations and delivery activities will enhance the firms' performance and by extension, their market position. Another insight is that the combination of all the stages involved in the creation and delivery of firms' offerings enable the firm to maintain an even and smooth production and delivery activities. The implication is that when all the stages are brought under a common ownership and control, the management will be able to plan and execute expansion of all the stages in accordance with the changes in the other stages. For instance, the management can pursue corresponding expansion of the raw materials and distribution networks following an expansion of the production plant to smoothen out the operations of the new production plant and vice versa. Therefore, the synchronization of all the stages of value creation and delivery which guarantees continuous and consistent operations of firms' activities will lead to an increase in the firms' performance and market positions.

The findings in this section suggest that the investigated MNEs consciously increased the size of their operations either by bringing all the stages involved in their value creation and delivery activities under a common ownership and control or by joining their operations with the operations of external firms which are at similar level of operations through avenues such as M&As or other forms of alliancing. The two strategies are commonly referred to as integrating. However, while the former strategy is referred to as vertical integration, the latter is referred to as horizontal integration. It was observed that through vertical integration, the firms synchronized all the stages of their value creation activities, including the raw material supply, raw material transformation to finished products as well as the distribution operations.

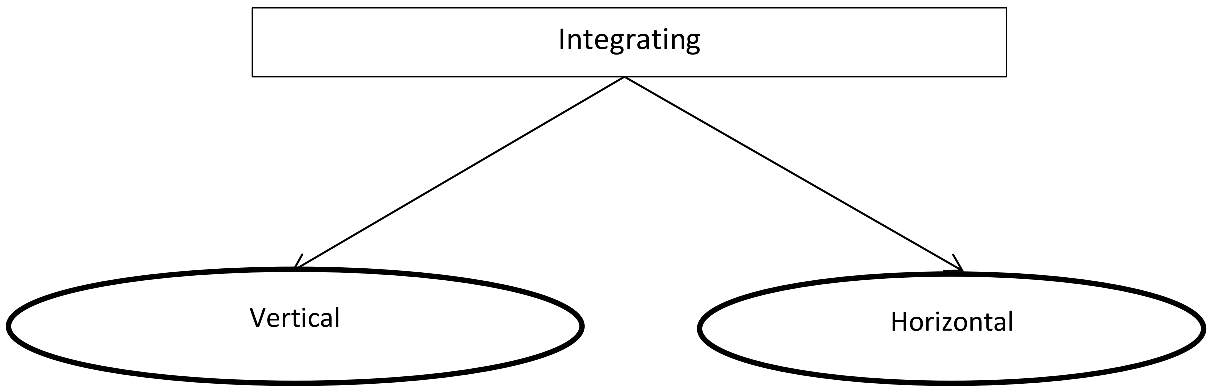

Fig. 7.4: Integrating Strategies

In the same vein, through horizontal integration the firms identified competitors that possessed some desirable, particularly complementary resources or capabilities, acquired and integrated operations in order to bridge the resources gap.

It was observed that through the integration strategies, the firms were able to enhance the size of their operations which enable them to consolidate their market positions locally and subsequently engaged in cross-border expansion. This outcome is presented diagrammatically in figure 7.4 above. The foregoing insights can be summarized formerly as thus:

Proposition 8(a): *Firms that proactively integrate their value creation and delivery activities, either vertically or horizontally are more likely to enhance their potential for further growth than firms which do not.*

Proposition 8(b): *Firms that proactively enhance their growth potentials through engagement in either vertical or horizontal integration are more likely to consolidate their market positions than firms which do not.*

Diversifying: The data show that the investigated MNEs also consolidated their market positions through the expansion of their operational and functional boundaries beyond their current product market or geographical concentration. This is seen as an especially important strategic option for building businesses. As the Chairman of Firm F observed, “If you have the means, there is nothing really like diversification in growing your business.” It was observed that the investigated firms strategically expanded their operations into sectors or geographical locations that bridged the gap between the domestic markets’ actual and expected infrastructural or intermediate market state of affairs, especially sectors that involved the provision of products that directly support the firms’ core products or operations. First, the firms strategically expanded into unrelated sectors which products or operations supported the production and/or distribution of their core products, or market positions in general. Second, the firms expanded the fundamental structure of their business operations by designing a business model that facilitates the co-creation of specific commercial and social values for the firm and the domestic environment respectively, thereby enhancing the quality as well as the market potential of their market-base. Third, the firms innovatively established cross-border presence that enhanced both the corporate identity and the stakeholders’ confidence thereby increase the firms’ visibility as well as access to strategic knowledge and resources, respectively. This process is generically referred to as diversification. Below we discuss the different dimensions of diversification employed by the firms, focusing on explaining how the strategies influenced the consolidation of the firms’ market positions.

Product Diversifying: In line with previous studies (Chang & Wang, 2007; Oki, 2013; Kim et al., 1989), the data shows that the investigated firms expanded the scope of their business operations by establishing new strategic business units (SBUs) that produced new products which are usually fundamentally different from the core products in terms of the customer needs served, production technologies or marketing requirements. Table 7.5 below illustrates the findings of the study regarding the consolidation of the firms’ market positions through product diversification, including some representative informant quotes. It was observed that, often, the firms ventured into new businesses or products that directly or indirectly enhanced the performance of the core products. Hence, the establishment of the new SBUs were found to play overly critical roles in building the core products. It was found that on one hand, the new products served as inputs at certain stages of the core product’s supply chain, especially in situations where there was no reliable alternative source of getting such strategic input within the current core product market.

On the other hand, it was observed that the firms mainly developed such new products purposely as a platform for generating necessary funds for acquiring the resources needed to build the core products. A notable example of firms that enhanced performance of their core products by venturing into an unrelated but strategically relevant line of business is Firm F. The data shows that one of the bedrocks of the growth and expansion of the firm's cement production which is their core business is the subsequent establishment of the gas production line. The data shows that the firm established the gas production business in response to the need for regular gas supply to power their newly built cement factory. As the Chairman of the firm observed:

> We were faced with so many issues. The first issue was the issue of gas. There was no gas in the area. So, we had to run a 90km gas pipeline which we built as part of the project.

It was observed that the initial plan of the firm was to establish the gas plant as part of the cement factory to ensure a stable supply that will satisfy the firm's own requirements. The management realized that gas supply was a major issue both for the implementation of government infrastructural development programmes and for other industrial business operations. One of the corporate executives of Firm F observed the situations thus: "What we have done as part of our contribution to Nigeria, we have looked at it and said yes even today Nigeria has over 10000 megawatts of power, but the biggest issue is gas." Therefore, given the absence of a reliable alternative source of gas supply, the firm subsequently expanded the gas business as a separate SBU so as to be able to produce in commercial quantities such that they will be able to contribute to meeting the domestic need for gas and earning revenues while also satisfying their corporate gas needs.

> We have built two pipelines of 36inch of east/west with sizes of about 550km. It is buried under the sea, you know, and it evacuates about 3 billion feet of gas. At the time, the total supply of gas is 1 billion average and we contributed by taking the supply to 4 billion, hence we contributed additional 3 billion (Chairman Firm F).

It was observed that establishment of the gas plant, among other things, has enhanced the growth and expansion of the firm's cement production by providing a reliable and timely source of gas supply for the machineries in the cement factory. This has in turn fostered smooth operations of the cement production and engendered further expansion of the cement business as well as expansion into other unrelated businesses that critically require regular supply of gas for survival such as petrochemical, oil refinery and fertilizer production businesses. These further expansions therefore result in a multi-product business group and the co-existence of the businesses within the group impacts directly or indirectly on the performance of the core product through avenues such as generation of foreign exchange. This supports the findings that suggest that EM MNEs develop capabilities by drawing resources from their parent group (see, e.g., Elango & Pattnaik, 2007; Becker-Ritterspach & Bruche, 2012). Ultimately the regular supply of gas coupled with the increase in the scale of operations has resulted in reduction in the total the cost of production and an increase in the profitability and competitiveness of the firm's core business, especially in comparison with substitute products. The quote below illustrates the influence of the establishment of the gas supply business on the performance of both the core business as well as other businesses.

> That is the ankle project, but this means that even if we do not have anybody, this can make us not to look for gas supply from third parties. It will help us to break-even by enhancing the performance of our production operations because it means we will have enough gas that we need to power the petrochemical, refinery and the fertilizer plants (Chairman, Firm F).

Another notable example is the case of Firm G. The data show that the firm's growth and expansion depended on their expansion into the production of solar powered lanterns that doubled as both a source of lighting and charging facility. It was observed the firm started the production of the lanterns in response to the difficulties that the customers were experiencing with charging their phones due to poor power supply within the domestic market. As the Chairman of the firm observed, "One of the major issues as the penetration levels are being increased, is power for our subscribers to charge up their phones," especially the "poor people that live in the rural areas". The findings reveal that to solve the customers' problem with phone charging, the firm subsequently expanded into the solar lantern business as new and additional SBU and started supplying the lanterns to the domestic market.

> We said we really want to get the customers to increase their charging of their phones. So, we had our team redesign a normal solar lantern so that it could

> become a charger for our phones, just a simple solar lantern, redesigned as a self-phone charger (Chairman, Firm G).

The results show that the firm's establishment of the lantern business has positively enhanced customers' subscription of the telecommunication and services and products which is the firm's core product. This is due to the mitigation of the challenges with the charging of the phones through the production and supply of the solar lanterns which provides an alternative source of power supply for the customers. The evidence shows that the availability and accessibility of the solar lantern is directly related to the increase in customers' patronage and by extension the market penetration of the firms' products and services. One of the corporate executives specifically acknowledged that, "Our most successful lantern is the one that has two chargers for a self- phone." Furthermore, the Chairman of Firm G observed thus:

> We are now selling more of these lanterns more than we sell self-phones. And our study shows that our subscriptions among the solar lantern users went up by 20% because again if you think about it, as we reach this penetration of 70%, and beyond, whether you are in Kinshasa or Harare, Nairobi or Lagos, power is a big issue.

The data further show that the firm has continued to expand the solar lantern business as a distinct SBU. The evidence below shows that the solar lanterns are now being sold not only in all the markets where the firm's telecommunication subsidiaries are located, but also in other markets where there is prevalence of irregular and uncertain power supply. The Chairman observed this in the following quote:

> Our lantern now is selling into some forty countries. And I am pleased to say this morning that we made a big shipment to Philippines because this is now an immensely popular product.

In the same vein, evidence shows that Firm E resolved their power supply challenges through expansion into the power sector. The Chairman observed that the firm's primary motivator to expanding their in-house supply to a commercial business segment was due to the need to contribute to meeting the power need of Nigerians while also meeting the firm's own corporate need for regular power supply. In his words, "recognising that over half of the Nigerian population of 170 million lack access to power of any kind and we as a country only generate 10% of the 40000MW of electricity that we need to meet our basic domestic consumption need, we decided to establish a power generation business unit" Consequently, the firm expanded their power generation and distribution operations by investing in the power sector through the acquisition of a power plant.

Through the enhancement of the power business the firm was able to not only make themselves self-sufficient in power supply but also generate surplus power that could be sold to other customers thereby contributing to mitigating the poor power situation within the local market. The Chairman recounted the firm's experience within the power sector as follows:

> So, we acquired a plant that was producing only 160MW of its 1000MW installed capacity under the federal government's control and doubled the output within 4months of taken over in November 2014. This our power investment now operates at 610MWs every day.

The data show that the growth and expansion of the firm is linked to the availability of steady power supply due to the complementary operations of the power supply SBU.

However, the data further revealed that some of the firms such as firms A, B and C did not diversify their product portfolio but have continued to focus on a single line of business. A typical example is Firm A whose stock in trade has remained retailing from inception. This is to avoid "losing the focus on the core product by sharing the limited human and material resources on multiple product lines," said one regional manager. As one of the informants observed, "This is based on strategic intent and has nothing whatsoever to do with availability of resources or the lack thereof." The informant argues further that the firm is "mainly focused on building the largest retail chain in the African continent that provides one-stop-shopping experience to our teeming customers" (Corporate executive Firm A).

In the same vein, it was observed that Firm C is a mono product firm that concentrates only on the provision of banking services. The data shows that in the past, the firm had tried to venture into other businesses such oil and gas exploration and power generation but realized that efforts by the top management to build the new businesses was indirectly affecting the performance of the core banking business.

Table 7.5:
Consolidating: African MNEs' Product Diversifying Activities

Firm/sector	Description	Nature	Representative Informant Quote
Firm A, Retailing	The firm added new line of business which shares common technical and commercial requirements with the core business operations.	Concentric	In 2009, the group acquired Transpharm, a pharmaceutical whole company thereby entering the whole market (Company website Firm A).
Firm B, Banking	The firm added new line of business which shares common technical and commercial requirements with the core business operations.	Concentric	In 1998, we established a development corporation which is as SBU established to focus on investment and capital market operations (Company website Firm B).
Firm C, Banking	The firm added new line of business which shares common technical and commercial requirements with the core business operations.	Concentric	We are a diversified financial services group (Company website Firm C). We pursue business line extension across strategic business units (Company website Firm C).
Firm D, Telecommunications	The firm added new line of business which shares common technical and commercial requirements with the core business operations.	Concentric	We developed telemetric app for vehicle tracking and theft recovery via GSM (Company website Firm D). Established mobile money services to contribute to financial inclusion (Company website Firm D).
Firm E, Banking	The firm added new lines of business which differ from the core business in terms of the technical and commercial requirements but generally, supports the success and growth of the core line of business.	Horizontal	We recognised that over half of the Nigerian population of 170 million lack access to power of any kind. So, one of our subsidiaries acquired a power plant ... (Chairman Firm E).

Table 7.5
(Continued)

Firm/sector	Description	Nature	Representative Informant Quote
Firm F, Manufacturing	The firm added new lines of business which differ from the core business in terms of the technical and commercial requirements but generally supports the success and growth of the core line of business.	Horizontal	The refinery will produce all petroleum products including Kerosene, Aviation fuel, PMS, and diesel. All these products we will be exporting … (Chairman Firm F). From most of our factories which means the fertilizer, the refinery, and the petrochemical and the Cement, we will be exporting anywhere between 8 to 10billion dollars' worth of inflow of foreign exchange. So, our vision is that by So, our vision is that by the year 2018 ... we will no longer buy one single dollar from the CBN (Chairman Firm F).
Firm G, Telecommunications	The firm added new lines of business which differ from the core business in terms of the technical and commercial requirements but generally supports the success and growth of the core line of business. They also expanded into a line of business that was related to the core line of business.	Horizontal/ concentric	In 2013, the firm acquired Steward Bank (Company website). In 2014, the firm established an insurance brokerage company named Ecosure which focused on renewable energy sector (Company website Firm G). The firm also expanded into mobile money services using their telecommunication Platform (Company Website Firm G).

Table 7.5:
(Continued)

Firm/sector	Description	Nature	Representative Informant Quote
Firm H, Banking	The firm added new lines of business which differ from the core business in terms of the technical and commercial requirements but generally supports the success and growth of the core line of business.	Horizontal	That same year, I formed a network and ICT-services company which I named Cyberspace (Company website Firm H).

Subsequently, “the management decided to divest our majority stakes in the other businesses in other to focus all resources and attention on the core business,” said one of the corporate executives. Hence, the data suggest that the firm maintains strong strategic alliances with and finances the operations of some independent firms in the oil and gas and power sectors without directly getting involved with the day-to-day running of the affairs of the investments in those sectors. As one of the corporate executives observed, “Our decision to focus on only the banking business is to avoid possible cannibalization of the main business by the new business, especially with respect to executive commitment.”

Why would the diversification of the product portfolio enhance the consolidation of the firms’ market positions? A key insight is that addition of more SBUs increases the size of the firm as a corporate organisation. This implies an increase in the scale of operations, especially the decisions that are made at the corporate level. Therefore, the different SBUs, particularly the core product will enjoy economies of scale because of the increase in the scale of operations following the increase in the number of SBUs. A notable example is Firm G. The data show that the scale of the firm’s operations has increase with the addition of the solar lantern line. It was observed that not only did the subscription for the firm’s telecommunication services increased with the firm’s expansion into the solar lantern production, but also the firm has expanded into more markets. Therefore, as the scale of operations increased, the core product benefited in terms of reduction in average cost of serving individual customers and markets. This invariably enhanced the firm’s competitiveness in relation to their mono product competitors. A more fundamental insight is that the core product draws strength from the existence of the group's wider network resources to foster its growth and expansion. A good example is Firm F. The data show that the firm has been relying on the foreign exchange earned from the export of other products such as gas, petrochemical and refined petroleum products, within the wider group to advance the further cross-border expansion operations of their cement business.

Structural Diversifying: The data shows that the firms also built their market positions and subsequent expansion activities through a conscious effort to build a viable customer base through a simultaneous pursuit of economic and social objectives. Table 7.6 below illustrates the findings of the study regarding the consolidation of the firms' market positions through structural diversification, including some representative informant quotes. The evidence below shows that the firms took advantage of prevailing infrastructural deficiencies within the home markets by consciously making structural changes that enabled the expansion of their operational boundaries into products that had dual effects of mitigating the effect of the poor infrastructural situations on the firms' ability to create value while also enhancing the customers' wellbeing and in turn their ability and willingness to obtain and enjoy the value created by these firms.

> Africa's challenges may appear daunting to most, but to those with the right entrepreneurial vision, challenges always provide opportunities. Poor infrastructure? The entrepreneur sees that as a chance to leverage structural improvements as a core component of a burgeoning brand identity. Inadequate supply of electricity? The entrepreneur identifies such a deficiency as a blank slate on which a new electricity supply can be built (Chairman Firm H).

The data show that the firms designed their structures in order to accommodate the provision of their own infrastructures such as power, road and water among other necessary infrastructures in order to facilitate the smooth running of their operations as well as the well-being of the customers in particular and the business' immediate environments in general. The process of designing organisational structures that supports the co-creation of economic and social values is referred to as structural diversification. Table 7.6 summaries the findings of the study regarding the structural diversification of the firms, including the representative informant quotes. A notable example of firms whose growth and expansion are traceable to their structural diversification is Firm F. The data shows that given the unstable and unreliable state of power supply in Nigeria at the time the firm started building production factories, the firm had to redesign their operational structures and created an in-house power generation unit that was solely responsible generation of power for its own factories and offices. The Chairman of the firm observed this as follows:

> There was no power, and we had to build 135 megawatts of power because at that time you do all these things. That is why we now invested in 135MWs plant, 3units of 45MWs each.

The most interesting aspect of the firm's provision of own power as part of their normal organisational activities is that the firm had to consciously ensure that the power supply need of the host community is taken care of alongside the firm's need. One of the corporate executives observed that, "You know the hardest part of business, especially our type of business, once we arrive somewhere, the whole community, especially the immediate community will let go of their responsibility and they will put on us in terms of roads, in terms of power, in terms of education, water including empowerment you know making money and whatever." It was therefore observed that the firm consciously designated a unit that is in charge of providing their own infrastructures, including power and as a matter of company policy; the firm almost always put the provision of the host communities' deficient infrastructures into consideration while making their personal arrangements. The data shows that this has become one of the strategies that the firm employs in order to ensure a healthy customer base beginning from the immediate host communities while also maintaining cordial relationship that facilitate the protection of lives and properties of the firm's personnel and equipment as the case may be and ultimately results in uninterrupted operations of the firm's activities. It was observed that this combination of the firm's economic and social objectives has become the hallmark of the firm's competitive edge over domestic firms in most of their host markets. This is underscored by the quote below:

> You know for example, apart from in South Africa and Ethiopia, we are also power producers, but we do not sell power, we consume and cater for the need of the host communities. And now it turns out to be that our power cost is just

> about 1% of the power cost of the national grip and that is the reason why we are much more profitable than any company in Africa (Chairman Firm F).

Another notable example is Firm G. The data shows that the firm built a very efficient distribution network by designing a distribution that combines the firm's need for wide coverage and reach with the societal need for environment that is wholesome for human health. It was observed that the firm redesigned their distribution strategy and consciously emphasized the use of local small businesses in reaching their customers. This strategy was adopted because "If you walk into an African city today, it's plastered with billboards from telecommunication adverts. So, we say, look is there a way that you can reduce the number of billboards? Accordingly, the management decided to integrate the small business owners as a part of their distribution network. As one of the corporate executives observed, "There are very integrated into our distribution. We are no longer building stores; they are our stores. We bring them in, we train them as entrepreneurs." The data shows that the firm designed solar powered shops, "which is what we call green kiosks and gave them to the selected small business operators who are strategically located at various locations" (Chairman Firm G). As the quote below illustrates, the green kiosks therefore served different purposes, including as an advertisement material to the firm, a platform for doing business with regular power supply to the small businesses and a means of enhancing environmental conditions by curbing the spate of littered billboards on the streets.

> And one thing that you will always see is a little kiosk (tag shop). So, our strategy was to go in, do not build the new tag shops. Select people with existing tag shops and give them a new tag shop which is powered by solar, which is our billboard. So, they have panels on them. So, we no longer put up huge billboards. These became our billboards in the town ships (Corporate executive, Firm G).

The data shows that the incorporation of the concern for the environment in the design of the firm's distribution activities had resulted in noticeable improvement in not only the firm's bottom-line, but also on the performance of the small businesses. This is because "they sell our products, but they continue to sell milk, sugar and everything else. And we train them as entrepreneurs because we have people that go out and teach them bookkeeping" (Corporate executive Firm G). In the same vein, there has also been remarkable improvement on the condition of the local environment as well as the relationship between the firm and the local markets. The Chairman of the firm observed thus:

> Now, here is an interesting figure, in Zimbabwe we have put in about 600 of these green kiosks as we call them. The average income that the kiosk owners had before we came in was about 50 dollars a week. The average income now is just over 3500 dollars. Some of our kiosks are generating 30000 dollars a week and I am talking about US dollars.

Furthermore, the case of Firm H is also highly illustrative. The data shows that the firm enhanced their operations and improved their market position by simultaneously meeting their power and road infrastructural needs while also accommodating interest of domestic market in the design of both the power generation and road construction businesses. For instance, the Chairman of Firm H observed that thus:

> To achieve 100 percent reliability for our computer operation, we built our own source of electricity. We installed three giant generators at our main office, creating a daisy- chain of emergency support - the first generator would be backed up by the second generator, which would be backed up by the third generator - with only the fourth backup being the National Power Electricity Authority itself.

The data revealed that the firm put the needs of the immediate communities in consideration in redesigning the structures that ensured the provision of the infrastructures as a part of the firm's normal activities. This enabled the firm to build strong relationships with their local environment which formed the basis of strengthening the firm's customer base, from the host communities' perspective. For instance, the data show that while pursuing market penetration goals, "we had to fix the roads that lead to our branches by ourselves," said the Chairman of Firm H. It was observed that the building of the roads was part of the efforts of the firm to ensure that the customers do not have to damage their vehicles in trying to reach their bank to do business while also contributing to ensuring cleaner air and environment that supports the long-term wellbeing of the customers. As the Chairman of Firm H observed:

> We were proud of our efforts for several reasons – they were good for business, they were good for our customers, and they were good for the air.

The data shows that in the process of building these infrastructures which meets both the customers' and firm's needs, the firm was able to solidify their customer base because "we became a very likeable corporate citizen" as one corporate executive observed. The evidence below shows that the firm was endeared to their social environment, including the local environment and as a result, the state government honoured the firm in recognition of their contribution to the mitigation of the power and road problems of local and the state. As the Chairman of Firm H observed:

> It seemed everyone was pleased. As a result, the state government invited me to an appreciation ceremony and presented me with a certificate of concession … We would ensure that the road remain in good repair, and a source of happiness both to drivers, and to the community at large.

However, the data shows that while the simultaneous fulfilment of the firm's and societal infrastructural needs proved generally beneficial towards the enhancement of the market positions of the investigated MNEs, some of the informants have called for caution in the adoption of this strategy. Specifically, the Chairman of Firm F observed that provision of own and societal infrastructures could involve very large capital outlay which will have a serious negative impact on the firm's bottom-line if not well factored into the cost/benefit analysis that usually precedes and informs the firm's decision as to whether or not they should enter into a given market. The Chairman therefore called for greater care in making decision regarding the provision of own and societal infrastructure as a strategic option. In the words of the Chairman of Firm F:

> You know that is why sometimes the money that you must spend that has nothing to do with the business will be quite a lot. So, you will have really put your numbers right otherwise you might end up short-changing yourself.

Table 7.6:
Consolidating: African MNEs' Structural and Strategic Geographical Diversifying Activities

	Structural			Strategic Geographical		
Firm	Description	Nature	Representative Informant Quotes	Description	Nature	Representative Informant Quotes
Firm A	Established and maintains strong CSR activities but not linked to the firm's core operations	CSR	CSR activities not integrated into the internal structures of the firm.	The firm is listed in multiple markets within the southern African region, including, Namibia, Zambia and South Africa.	Cross-listing	We opened a secondary listing on the Lusaka Stock Exchange (LuSE) with 2.7 million shares at 4200 Kwacha per share ... (Company website). In 2002, we launched a secondary listing on the Namibian Stock Exchange (Company website).
Firm B	The firm established a human capital development institute which serves the dual purposes of producing requisite skilled labor for the firm and contributing to the improvement in the quality of manpower within the domestic market.	Co-creation of economic and social values.	Established a training institution for the training and development of programmes and institutional standards aimed at developing a human capital base that will make tangible contributions to the firm as well as the society… (Company website).	The firm established representative offices in strategic markets to enhance their corporate of image	Out-posting	We have tactically and strategically located ourselves outside Africa but for very defined purposes and not just full banking franchise (Corporate Executive).

Table 7.6:
(Continued)

	Structural			Strategic Geographic		
Firm	Description	Nature	Representative Informant Quotes	Description	Nature	Representative Informant Quotes
Firm C	The firm built own infrastructures, including the power supply and road infrastructure and then uses them to solve existing societal problems.	Co-creation of economic and social values.	The bank is at the forefront of financing power projects and has provided over $220 million to part finance the acquisition of both generating and distribution companies… (Company website).	The firm established representative offices in strategic markets to enhance their corporate of image	Out-posting	We are present in the United Kingdom and France through our subsidiaries and with branches in London and Paris; and in Beijing with our representative offices there (Company website).
Firm D	The firm co-creates value with the intermediaries by consciously integrating them into their value creation processes.	Co-creation of economic and social values.	We support inclusive societies and transforms enterprises by offering digital solutions that create greater socio-economic and environmental value (Company website).	The firm is listed in multiple markets within the sub-Saharan Africa, including Ghana Nigeria and Johannesburg.	Cross-listing	Listed in multiple Stock Exchange markets but mainly within the African sub-region.

Table 7.6:
(Continued)

	Structural			Strategic Geographic		
Firm	Description	Nature	Representative Informant Quotes	Description	Nature	Representative Informant Quotes
Firm E	The firm built own infrastructures, including the power supply and road infrastructure and then uses them to solve existing societal problems.	Co-creation of economic and social values.	This had a formidable impact on my understanding of how business, even in pursuit of profit, can simultaneously deliver a meaningful social return as well (Chairman).	The firm established Representative offices in strategic markets to enhance their corporate of image	Out-posting	Established representative offices in New York, London, and Paris (Corporate Executive).
Firm F	The firm built own infrastructures, including the power supply and road infrastructure and then uses them to solve existing societal problems.	Co-creation of economic and social values.	And what we are trying as part of our contribution to Nigeria, we have looked at it and said yes even today Nigeria has over 10000MWs of power, but the biggest issue is gas… this can make us not go look for gas supply from third parties. It will help us to break-even by enhancing the performance of our operations (Chairman).	The firm strategically listed its Stock in more advanced markets to enhance the corporate image which will positively affect the confidence of potential investors and markets emanating from those markets.	Cross-listing	Our own is just to make sure that we create a world class company and that is the reason why we are going to London to list. It is not purely because we are looking for money (Chairman).

Table 7.6: (Continued)

	Structural			Strategic Geographic		
Firm	Description	Nature	Representative Informant Quotes	Description	Nature	Representative Informant Quotes
Firm G	The firm developed solar-powered kiosks called green kiosks and used it to address environment issues such as littering of advert billboards within the domestic markets.	Co-creation of economic and social values.	If you walk into an African city today, it is plastered with billboards from adverts… So, our strategy was to select people with existing tag shops and give them a new tag shop which is powered by solar, which is our billboard… So, we no longer put up huge billboards. These became our billboards (Chairman).	The firm strategically listed its Stock in more advanced markets to enhance the corporate image which will positively affect the confidence of potential investors and markets emanating from those markets.	Out-posting	We changed the landscape of telephony in Africa from our little one room office in London (Chairman)
Firm H	The firm built own infrastructures, including the power supply and road infrastructure and then uses them to solve existing societal problems.	Co-creation of economic and social values.	To achieve 100 percent reliability for our computer operation, we built our own source of electricity (Chairman).	The firm strategically listed its Stock and established physical presence in more advanced markets to enhance the corporate image which will positively affect the confidence of potential investors and markets emanating from those markets.	Cross-listing/ Out-posting.	We are listed in London Stock Exchange and have branches in London, Paris and Dubai (Chairman).

Why would the provision of the firms' critical infrastructure and those of the host community result in the consolidation of the firms' market position? A key insight is that designing an organisational structure that supports the simultaneous provision of business as well as societal infrastructures results in the creation of a peaceful atmosphere, especially within the firms' immediate environment. This atmosphere is very necessary for the maintenance of security of lives and property of the firm and ultimately results in continued and uninterrupted operations of the firms' activities, especially when the firm is making a "long-term investment in a particular environment or community," said the Chairman of Firm E.

Another insight is that satisfying both the firms' and communities infrastructural needs creates reciprocal relationships whereby the members of the domestic environment not only become a formidable set of loyal and committed customers but also more often than transforms the domestic environment into a pull of advocates who will be willing to advance the awareness of the firms and their products. As one of the informants observed, "This had a formidable impact on my understanding of how business, even in pursuit of profit, can simultaneously deliver a meaningful social return as well" (Corporate executive Firm E).

In the same vein, the Chairman specifically observed thus:

> We know that Megawatts on the screen means more electricity for homes, and it means more electricity for hospitals, it means more electricity for businesses and equally as important, it means more electricity to enable homework to be done at night by our kids thereby increasing the pull of those who are not only happy and willing to buy our products but also those who can afford our products and services.

This implies that firms' management should, "Never view a lack of resources or an inadequate infrastructure as an impediment. On the contrary, having the opportunity to instigate infrastructural change is a great boon, with the dual outcome of priming the business pump and ensuring a supportive and happy consumer base" (Chairman Firm H).

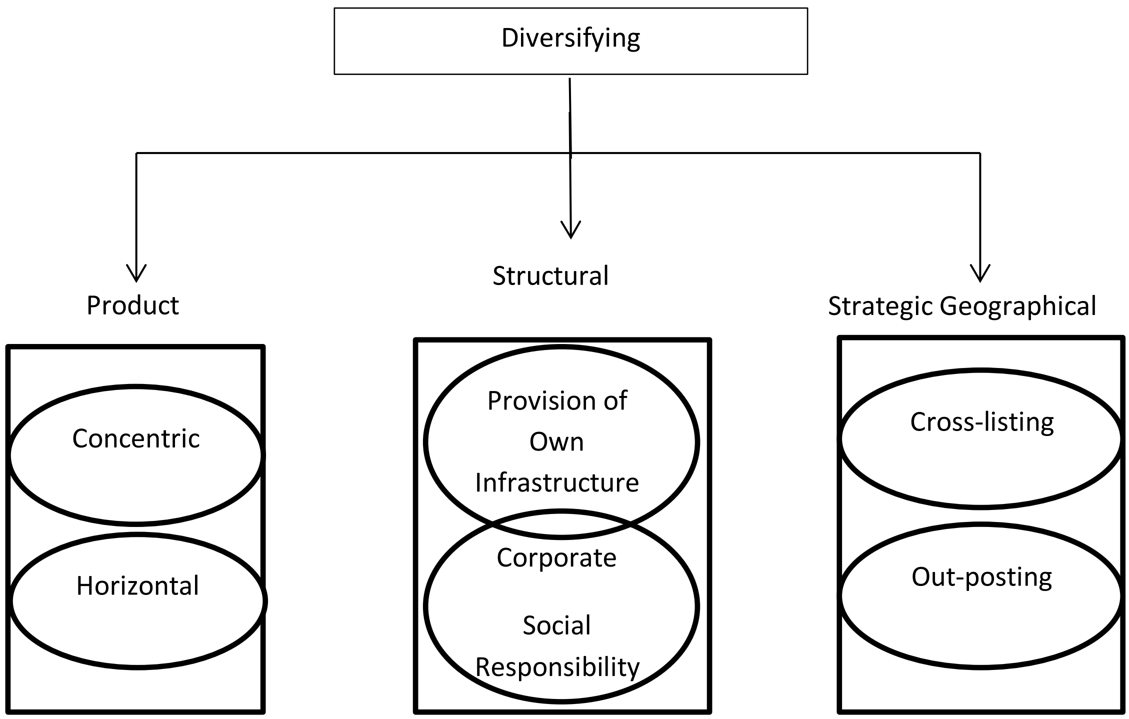

Fig. 7.5: Diversifying Strategies

Strategic Geographical Diversifying: The data shows that the investigated MNEs also fostered their growth and expansion by consciously establishing foothold in some strategic external markets, including advanced and emerging markets such as UK and China, respectively. Table 7.6 above illustrates the findings of the study regarding the consolidation of the firms' market positions through strategic geographical diversification, including some representative informant quotes. It was observed that establishing a link with the external markets influenced the firms' operations in two major ways. First, it was observed that establishing foothold, particularly in an advanced market, enhanced the firms' corporate identity or image at the international arena which in turn boosted the confidence of the firms' existing and prospective customers.

Second, the data show that the enhanced customers' perception fostered the firms' access to some location-bound resources in those markets which may not be easily obtainable without operating in those markets. We referred to this as Strategic Geographical Diversification. The data shows that the firms achieved strategic geographical diversification either through a secondary listing their stocks in foreign stock exchange markets or by merely establishing a physical sales branch offices in selected external markets and sometimes through a combination of both but without necessarily establishing normal production operations in those jurisdictions. Below we discussed how these strategic geographical diversification strategies enhanced the firms' market position and subsequent expansion.

Cross-listing: The data shows that some of the MNEs consciously undertook a secondary listing of their business stock in a foreign stock exchange market, particularly in the Western economies (Areneke & Kimani, 2019). Areneke and Kimani suggest that cross-listing is another form of isomorphic behaviour of MNEs which enables the MNEs to contribute toward the improvement in domestic institutions by transferring the governance standards developed in the course of cross-listing in advanced economies. It was observed that through the fulfilment of the cross-listing conditions, the MNEs' enhanced their corporate identity thereby boost their customers' confidence in the sustainability of their existence and operations. A good example of firms that enhanced their image and built customers' confidence through cross-listing is Firm F. The data shows that the firm has been successful and has established subsidiaries in many African markets. However, it was observed that the firm had to undertake a cross-listing in London stock exchange for the singular purpose of enhancing their corporate identity internationally which in turn will enhance the customers' confidence as well as strength their customer base at home and within the African region. As the Chairman of the firm observed:

> We were not too much in a hurry to list because we were not planning to go out there and raise money. Our own is just to make sure that we create a world class company and that is the reason why we went to London to list. It is not purely because we were looking for money.

This is because cross-listing, especially in an advanced market involves meeting some very stringent conditions and usually the regulatory institutions in the advanced markets ensure that such demands are fully met by prospective firms before they can list. Therefore, to be successfully listed in an advanced market, among other things clearly indicates that the focal firm has met all the stringent conditions which implies that such firms must have attained certain level of standardization of operations. The evidence below shows that the firm had to painstakingly fulfil all the conditions for listing on the London Stock Exchange, including changing the board, improving on the skills set of board members among other conditions.

> We listed in London after addressing all the governance issues. We really did not have any issues because we took time to make all the necessary changes in terms of changing of the board, the skills set of the board, and who represents who? You know there are quite a lot of items that we have already met the criteria, but we wanted to do more so that we are sure when we get there, we will be able to list (Chairman, Firm F).

Consequently, the firm won the respect and confidence of international partners as well as their current and prospect customers. As one of the corporate executives said, “This has taken us to the next level. It has opened the international doors for future collaborations with some international partners and helped to strengthen the confidence of our customers.”

In the same vein, Firm H is another classic example of firms that improved their corporate image enhanced the confidence of their customers through cross-listing in London Stock Exchange. The evidence shows that the firm’s management had to modify their operational modalities to be able to list as well as establish a subsidiary in London.

> We are not only listed in London but also the first new-generation Nigerian bank to meet the stringent requirement to be granted a UK banking license. Banking is not a carbon-copy cut and paste business: the strategy we adopted that drove our success in Nigeria will not work in one of the world’s most developed financial markets. So, we had to make necessary improvements (Chairman, Firm H).

Out-posting: The data show that the firms also enhanced their corporate image through the establishment of physical offices such as sales branches or representative offices. It was observed that the establishment of these offices, especially in developed economies using their registered business names influenced the public perception of the firms positively. The findings reveal that establishing and maintaining the foreign offices enhance the positioning, perception and customer’s confidence, especially prospective customers who are resident in those foreign countries. The evidence shows that particularly Africans that are living in those markets found the firms as credible channels for making investment back home. A good example is Firm B. The data shows that the firm established representative offices in strategic advanced markets such as London and Paris as well as in certain emerging markets such as Dubai and China.

> So, what we have done is we have presence, measured presence, in certain countries. We have a presence in London, we have a presence in Dubai, we have a presence in Paris, and we have a presence in China.

It was observed the firm did not maintain full banking operations in these markets but tactically and intentionally selected them not only as a means of establishing its brand name at the international arena but also as platforms for accessing specific resources which they not be able to access easily without being located in such markets. As one of the corporate executives observed, "We have representative offices in these places and each of them serves specific purposes so you will not see us acquire full banking licenses in those locations, but those locations are out posts that enable some of our businesses to run." The data show that the firm established the Chinese office for trade-related reasons; the Paris office was established to enable the firm's currency trading operations while the London office was specifically established to enable the firm to mobilize necessary capital for supporting the firm's Africa-to-Africa expansion strategy. The following representative informants' quotes clearly explained the essence of opening each of the representative offices:

> I mean, for example, China outpost clearly is trade focused, ok, ahm the one in Paris help us enable trading currencies and things like that. London is really one of the biggest if not the biggest financial centre in the world today so there is a lot of originating capacities there in terms of mobilizing capital, and you know harvesting capital and seeing how that can be used for certain business imperatives and economic imperatives here in Africa (Corporate Executive 1, Firm B).

> We have, we have tactically and strategically located ourselves outside Africa but for very defined purposes and not just full banking franchise (Corporate Executive 2, Firm B).

Another notable example is Firm E. The data show that the firm established a representative office in Paris as a mere sales branch that facilitates interactions with potential customers that reside within France. As one of the corporate executives put it, “What we have in France office is just an outpost, which is actually a sort of liaison office. So, you have some few guys there that you can talk to, so it is not a full-fledged bank. It’s just for business relations.” The evidence further shows that the firm also maintains presentative offices in London and New York. It was observed that the London and New York offices are beginning to be equipped over time to support necessary but limited customers’ demand. The essence of these offices is fundamentally to improve the image of the firm which will foster the confidence of Africans living in the diaspora to desire to do business with the firm.

> If you are a Nigerian and you are there and you want to do any business transactions, they will just facilitate it by linking you up with people in New York or London. They are not the ones that will handle the trade so they will just link you up or facilitate the trade. So, it is just a liaison office. So, in Nigeria we can be saying we are in France, we are in this and that country, most times we just have representatives in those countries (Corporate Executive).

However, some of the informants suggested that establishing the representative offices does not always augur well with the firms’ corporate performance due to the extra costs of maintaining the external offices in such highly expensive environments, especially at the early stages of developments, especially without engaging in full production activities there.

Why would the establishment of a foothold in strategic markets result in the establishment of the firms’ market position? A key insight is that by establishing links with more advanced markets; the firms automatically become platforms for channelling resources that flow from those markets into the African market. For instance, diaspora remittances have been cited as one of the sources of foreign funds into the African region (Tralac, 2019). Therefore, the firms act as a link for channelling such resources based on their location in those strategic markets. Also, often, when external firms want to establish or do business within a given market, they almost always liaise with domestic operators to reduce the risks involved in such cross-border business investments. For instance, a Chinese firm that want to do business Nigeria will need to channel the necessary funds from their local bankers in China to a domestic bank in Nigeria. Therefore, by establishing a representative office in China, the firms become highly likely choice as business partners that the Chinese banks and other foreign investors that want enter the Nigeria market through indirect mode. Second, another useful insight is that experience that the firms gain by establishing representative offices in these strategic markets, will become a springboard for undertaking future cross-border expansion activities, especially in the advanced markets. Third, the most fundamental insight is that establishing a link in strategic markets, especially listing in advanced markets, serves as an isomorphic behaviour thereby generally fostering the corporate image of the firms (Areneke & Kimani, 2019). The positive impact on the firms' corporate image not only enhance collaborations with international partners but more fundamentally, it enhances the identity and image of the firms within the domestic market base thereby enhancing the firms' market position within the home-country domestic market and ultimately influences the firms' growth performance.

The findings in this section suggest that the MNEs enhanced their market positions by consciously expanding the boundaries of their operations beyond their current product or market. This is referred to as diversifying. It was found that the firms diversified their portfolios using three dimensions. First, it was observed that the firms extended their current product market mainly through expansion into new and unrelated products which were meant to support the existing product with either by being used as a part of the inputs in the core product thereby helping to smoothen the production and delivery of the core product or being used as to generate necessary funds that will help in supporting the expansion of the core product. This diversifying dimension is focused on the core product and therefore referred to product diversification. Second, the findings suggest that the firms also consciously undertook steps to enhance the customer base, especially within their immediate community of operations. It was found that the firms consciously combined the provision of their own infrastructure with those of their immediate environment. This strategy had the dual effect of enhancing the firms' commercial activities while also fostering their relationships with the social environment thereby enhancing their customer base. This strategy involved a modification of the organisational structures of the firm therefore has been referred to as structural diversification. Third, findings reveal that the firms consciously enhanced their corporate image and identity through the establishment of link or foothold in given strategic markets. This strategy is referred to as strategic geographical diversification. It was found that the firms strategically diversified the geography of their operations either by listing their business in the external strategic market which is referred to as cross-listing or through the establishment of a representative office in the strategic market which is referred to as out-posting. Findings revealed that through either cross-listing or out-posting or a combination of the two approaches, the firms enhance their general image and identity particularly within their target market and attract increased external patronage. The findings are diagrammatically presented in figure 7.5 above. The foregoing discussion is summarized formerly as follows:

Proposition 9: *Firms which proactively engage in product, structural or strategic geographical diversifying of their portfolios are more likely to consolidate their market positions than firms which do not.*

Proposition 10: *Firms which proactively consolidate their market positions through innovating, integrating or diversifying strategies or a combination of the strategies are more likely to undertake cross-border value creation activities than firms which do not.*

7.5 Summary

In this chapter, I presented the findings of the study regarding the mechanisms through which the investigated MNEs enhanced their scalable advantages. First, the findings reveal that the MNEs enhanced their scalable product advantages by engaging consolidating strategies. More specifically, the firms consolidated their market positions through a combination of innovation creation, integration, and diversification activities. Second, it was found that the firms enhanced their scalable people advantage through the skilling process which fundamentally involved a combination of strategic hiring of employees, exposing of new employees to customized trainings and applying diverse motivating strategies to enhance the commitment and loyalty of the employees to the firm. Third, the findings reveal that the firms enhanced their scalable process advantages through the transcending process. It was observed that the firms enhanced their managerial and coordinating expertise of the existing capabilities by engaging in three interrelated activities, namely poaching, consulting, and alliancing. It is noteworthy that while strategic hiring encompassed the creative approaches which underpinned the EM MNEs' identification and recruitment of employees with relevant skills and talent as a vital part of the skilling process, poaching in the context of this study primarily refers to the tactical ways through which the investigated firms innovatively attracted people that possess higher managerial and coordinating knowledge.

Chapter Eight

Findings: How African MNEs Integrate internally built and Externally Acquired Assets

8.1 Introduction

The data show that the investigated MNEs combined resources obtained from external sources with existing resources to deliver their value propositions and meet growth expectations. As illustrated in Table 8.1 and figure 8.1 below, the integration of the MNEs' internal and external resources revolve around two major domains namely, transcending and spanning. The former represents the strategies through which the MNEs enhance their absorptive capabilities by obtaining the knowledge on how to manage or organize large scale operations from more established firms through three strategies namely alliancing, consulting, and poaching. These transcending strategies are the antecedents to the main resource integration operations. The latter on the other hand has to do with the specific actions and steps through which the MNEs combine the internal and external resources. The transcending strategies have already been discussed in previous chapters hence, the present chapter focused mainly on the discussion of the spanning process and strategies.

The data revealed that the MNEs maintained centralized control of their operations, including the activities of acquired firms. This implies that the MNEs made concerted efforts to integrate the resources obtained from acquired entities with existing in-house resources with little or no room for autonomy or distribution of powers between the acquiring and acquired entities. One of the informants observed that, "At the early stages of the firm, you want to hold control firmly at the centre before you begin to share responsibility with the subsidiary management" (Corporate executive Firm C). The findings revealed that the MNEs' spanning operations involved three interrelated phases, including taking stock of and evaluating all available resources: building an interface between the acquired and existing resources and finally synchronizing the resource utilization activities. These activities involved varying depths and length of time depending on each firms' peculiar circumstances, including the firms' resources position prior to the acquisition, the firms' integration experience, the nature of the acquired resources compared to the existing resources among other important considerations. The spanning framework is discussed in the next section.

8.2 The Spanning Framework

Cross-profiling: The data shows that following the acquisition of external resources, whether human or material, the MNEs began the process of integrating the acquired resources with existing resources by examining the characteristics of the acquired resources in the light of existing resources and their respective potential in fostering the achievement of the firms' objectives. It was observed that the management consciously evaluated the nature of the acquired resources in terms of how well or otherwise they can support the achievement of the firms' objectives in comparison with existing resources. The essence of the evaluation process was to enable the management to decide on the exact resource, or combination, that will be selected and deployed to achieve predetermined objectives. A notable example is Firm B's integration of resources obtained from the acquisition of Oceanic bank. It was observed that the first thing the management did was to compare the acquired resources with existing resources to identify and select the resource that offer the higher value. As one corporate executive observed, "Our concept of value is anchored on the fact that this is the best and probably acquiring this entity was also an opportunity for us to get those better products, processes and services." For instance, regarding the human resources, the data revealed that, "from a functional perspective, what was clear was that the acquisition resulted in the duplication of staff who fulfil same functions," said one corporate executive. This is because the acquisition was between two former competitors which had similar roles and organisational structures. As evidenced in the quotes below, the management identified and compared the corresponding talents at different levels of management from both the acquired and acquiring firms in terms of skills and knowledge, years of experience, responsibilities handled and the pay scales. Consequently, the managers were able to select the better talent for each position whether from the acquired or acquiring institution to fill designated roles.

> So, what we did was that we matched and contrasted maybe the staff seniority cadre between the two banks and we arrived at the best judgment of what one cadre is called in one bank using certain parameters like the pay attached, the

> years of experience required to arrive at that grade and responsibilities and matched that with what we have here. That is the first thing from a career level perspective (Corporate executive 1, Firm B).

> Given this situation, what we did was that we actually did a profiling of every member of staff who had a mirror functionary on the other side and irrespective of which side one came from, we chose the individual with the best profile for that position, irrespective of whether that person was from the acquired or acquiring entity. Yes, it is on record, we did that (Corporate executive 2, Firm B).

The data shows that in filling specific roles, the managers made conscious efforts to foster post-merger employee commitment by striking a balance between the expectations of the employees and those of the organisation. For instance, it was observed that where there were differences between the pays of similar roles and levels in the two firms, the managers chose the higher pay scale for that position in the integrated firm. This implies that while the managers were emphasizing selection and retention of the better talents for each role, they also ensured that they offered commensurate better conditions of service to the higher talents selected. As one of the corporate executives of Firm B observed:

> We made sure that where there was a difference in pay between both sides, for a career level, we adopted the remuneration for whichever side was higher. So, if a manager here earns 1 naira and a manager there earns 80kobo, we then adopted one naira as the remuneration for a manager. What that essentially meant was that from a remuneration perspective, nobody was short-changed, and from a functional perspective, in relation to the quality of the employees that were finally adopted to run that function for the merged entity, we were not robbed of quality.

Another interesting case is the integration of the assets of Standard Trust Bank (STB) with Firm E following the merger and acquisition of the latter by the former. The data show that the managers evaluated the respective resources that each of the firms possessed prior to the merger and acquisition. For instance, in terms of the operating systems, it was observed that while the acquired entity was running on Bank Master, the acquiring firm was operating on Finacle. The evidence showed that the management had to compare the two systems in the light of their respective suitability in supporting large scale multiple branch operations, including the support of cross-border operations. As some of the informants put it:

> In terms of systems, we evaluate the system and look at what is best for the business. So, if we know like for a multinational like us, we usually prefer to consolidate our financial activities in one application which will be able to serve the entire subsidiaries (Chairman, Firm E).

> The process of integrating the two systems is, first to decide which system you want to use eventually. That is the first thing. The acquired entity was running on Bank Master while the acquiring firm was operating on Finacle, at the time. So, we compared the two systems and decided to go for the system that was robust enough to meet both our short, medium- and long-term objectives (Corporate Executive, Firm E).

In the same vein, the managers also compared the service delivery processes of the two firms to ascertain and select the process that best supported the achievement of their objectives. Although, the integration of processes also begins with evaluation of the prevailing resources positions of the two firms, it was observed that management placed emphasis is on the availability of requisite skills to manage the post-integration process of the firms. Hence, it is suggested that the process of integrating the organisational processes of the firms was preceded by further training activities that to prepare relevant staff with the requisite skills and knowledge for manning the new process. One of the corporate executives observed this as follows:

> So, for processes, for example, you already have your processes that are working for you. So, what you need do is to evaluate them and see whether they fit into that jurisdiction. So, once you can click on those check points, you can now in phases bring in your processes. So, there will be a lot of change management to be able to manage people because it is the people that will manage those processes (Corporate executive, Firm E).

Interfacing: The data shows that sequel to the MNEs' evaluation and selection of the relevant acquired or existing resources to fill given roles in the merged organisation, they designed a sort of gateway that facilitates the integration of the acquired resources, including material or human, with the MNEs' current resources. As Table 8.1 illustrates, the gateway enables the gradual integration of resources without disruption of the normal function of the system. A good example is Firm B. For instance, the data shows that following the acquisition of the Oceanic Bank which was running on an entirely different banking application compared the firms' existing application, there was need to create a way of consolidating the transactions into one system in order to meet customers' expectation of seamless banking services between different branches. As one corporate executive observed:

> When we acquired Oceanic bank, although all the branches were bearing our trade mark and name, those that were legacy Oceanic had banking applications that were different from our existing applications but customers walking into any of our branches at the time will expect that if they pay money into one branch, we can withdraw it from the other (Corporate executive, Firm B).

The data shows that the managers designed a system which enabled the transfer of transaction information from one application to the other. It was observed that this mediating system facilitated the integration of the two unrelated banking applications without disrupting the normal operations of the banks. The following representative quotes illustrate the relevance of the gateway system to the integration process:

> So, what we did was that in the interim we let our core banking application and that which was running in the acquired bank to continue running and then we created an application of solution or an interface that communicated to both applications (Corporate executive 1, Firm B).

> So, we set up an interface solution that could pull transactions from one core banking application, like a gateway, process and post it on the core banking application of the other and we continue doing that until we had complete harmony (Corporate executive 2, Firm B).

Furthermore, the data shows that the firms generally appoint a supervisor from among the acquired human resources who act as an intermediary between the management and the acquired staff. This implies that during the integration process, the management appoints or makes use of the existing managers of the acquired entity as interface between the parent organisation and the acquired entity. Therefore, these leaders facilitate the integration process by "maintaining the normal operations of the acquired firm, including overseeing the achievement of predetermined goals, while also helping the management to gain better understanding of the acquired entity, especially by providing insight into knowledge that is tacit in nature" (Chairman Firm B). This finding is in line with Graebner (2004) who found that acquired leaders are instrumental to the creation of both expected and serendipitous value in the integration of technology firms thereby fostering the realization of both integration and autonomy advantages of the acquired and acquiring firms. However, it is noteworthy that the intermediate role of the acquired leaders or those acting in that capacity is temporary because the fundamental goal of the integration process in the present study is to centralize the control of operations. As one of the informants observed, "Ultimately, the aim was to harmonize the two systems and achieve seamless service delivery, right" (Corporate executive Firm B). This supports previous studies that found that African MNEs favour "control-availing absorption-type integration approach" (Ibeh and Makhmadshoev, 2018).

Another notable example is Firm E. For instance, the data shows that the management built an interface system to facilitate the integration of resources obtained from the landmark merger and acquisition between the focal firm and STB. It was observed that in the course of integrating the acquired resources, the management allowed the two firms to continue to run on their existing applications in order to maintain continuous operations and avoid the possibility of sending the wrong signals to customers thereby giving the competitors a foothold. As one of the corporate executives of Firm E observed:

> So, while we were doing that, we were unable to deliver some services, right. We were still running on the existing applications while the acquired firm was also allowed to carry on business as usual.

Therefore, to facilitate the co-existing of the two applications while also forestalling any possible short-term damage to customer satisfaction and relationship, the management set up a platform that enabled the transfer of transaction information from one system to another. It was observed that the intermediate system was designed to take transactions conducted in one system to the other system such that customers could pay money in a branch operating in one system and the details of such a transaction will be automatically transferred to another branch that is running on another system. Overtime, the management's goal was to synchronize the operations of the two systems into one. The Chairman of Firm E observed thus:

> In the interim we created some work arounds. We decided that we will hold the two separate systems, so we set up a work around in-between, you know, like a settlement between the two systems. This was considered appropriate by management because of our quest to maintain interrupted services to the customers.

On-boarding: The data shows that having decided on the particular resources that will be used to the run the merged organisation post integration and subsequently designed an interface between the existing resources, the MNEs synchronized the resources in order to realize the benefits for undertaking the acquisition exercise. It was observed that the MNEs had a clearly defined means of integrating the acquired resources prior to undertaking the acquisition. As one informant observed, "There is definitely a clear on-boarding process" (Regional manager, Firm B). Findings show that the on-boarding stage "is where policies that are set at the centre help in ensuring a uniform set of practices across the various affiliates" (Corporate executive Firm B). The policies enabled the MNEs to integrate both material and human resources. A notable example is Firm B's on-boarding of resources obtained from the acquisition of Oceanic Bank. The data shows that one of the major issues that the firm faced during integration was the decision regarding the integration of the acquired human resources. The difficulty associated with the integration of human resources is usually more pronounced because of the inherent organisational cultural differences between the acquired and acquiring institutions and by extension, the cultural differences between the acquired and the existing employees.

Table 8.1:
The Spanning Processes of Internally built and externally acquired resources

	Cross-profiling		Interfacing		On-boarding	
Firm	Description	Representative Informant Quote	Description	Representative Informant Quote	Description	Representative Informant Quote
Firm A	The managers compared the existing and acquired resources considering the organisations' need, objectives, and policies	We compared the acquired resources with the existing ones to see which one better fits our demand	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm to maintain operations while integrating	So if we acquire an existing entity, and they have organisational structure that is different from ours, because there could be some nuances adopted by certain competitors that we acquire that is slightly different from ours, we will smoothen that out (Corporate executive).	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	Now, as a group we have an organisational structure that is commonly rolled out across our branches and subsidiaries in different countries (Regional manager). There is an on-boarding process to help various cadres of incoming staff to imbibe that culture and our way of doing things (Corporate executive).

Table 8.1:
(Continued)

	Cross-profiling		Interfacing		On-boarding	
Firm	Description	Representative Informant Quote	Description	Representative Informant Quote	Description	Representative Informant Quote
Firm B	The managers compared and contrasted the existing and acquired resources considering the organisations' need, objectives, and policies	We did a profiling of every member of staff who had a mirror functionary on the other side (Corporate Executive 1). So, what we did was that we matched and contrasted maybe the staff seniority cadre between the two banks (Regional Manager).	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm.	Then we created an application of solution that will speak to both applications (Corporate Executive).	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	We have an on-boarding process with diverse length of time, depending on the respective levels of the acquired staff (Corporate executive). And we spend that on-boarding process really inculcating and training those kinds of values (Regional manager).
Firm C	The managers compared the existing and acquired resources considering the organisations' need, objectives, and policies	You want to decide if you want them to run on the technology they are having, or you want to centralize which is a massive project (Corporate Executive).	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm to maintain operations while integrating	The executives we inherited from our first acquisition were very instrumental to our integration of acquired resources (Company website).	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	You have your culture whereby you are integrating those guys out there into your way of reasoning or vice versa or you are adopting or adapting their way of reasoning. Sometimes we will say we want to do business as usual (BAU) (Corporate Executive).

Table 8.1:
(Continued)

	Cross-profiling		Interfacing		On-boarding	
Firm	Description	Representative Informant Quote	Description	Representative Informant Quote	Description	Representative Informant Quote
Firm D	The managers compared the existing and acquired resources considering the organisations' need, objectives, and policies	We can adopt features of products from the other entity maybe that seemed to deliver a more attractive proposition (Regional Manager).	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm to maintain operations while integrating	But in this part of the world where people are hoarding information, we only rely on what managers who work the companies have learnt when we acquired them.	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	The culture is universally adopted so that there is consistency in what are the best behaviours because if you have proliferation of culture, the organisation will scatter (Regional Manager).
Firm E	The managers compared the existing and acquired resources considering the organisations' need, objectives, and policies	The process of integrating the two systems is actually; first to decide which system you want to use eventually (Chairman).	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm to maintain operations while integrating	We decided to that we will hold two separate systems, so set up a work around in-between, you know, like a settlement between the two systems (Corporate Executive).	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	We already have core values, including humility, empathy, integrity, and resilience, which guides our behaviours within the organisation and which also, help us to integrate the acquired resources (Corporate Executive).

Table 8.1:
(Continued)

	Cross-profiling		Interfacing		On-boarding	
Firm	Description	Representative Informant Quote	Description	Representative Informant Quote	Description	Representative Informant Quote
Firm F	Relied on organic growth as matter of firm policy to achieve even growth and expansion	The cross-profiling is not applicable to this case	Relied on organic growth as matter of firm policy to achieve even growth and expansion	The interfacing is not applicable to this case	Relied on organic growth as matter of firm policy to achieve even growth and expansion	The on boarding is not applicable to this case
Firm G	The managers compared the existing and acquired resources considering the organisations' need, objectives, and policies	Bear in mind that our products are universal as far as the entire group is concerned (Chairman).	The management designed a gateway that facilitated the transfer of resources from the acquired firms into the acquiring firm to maintain operations while integrating	So, if there is going to be a tweak because of an acquisition, we must ascertain the effect of such modification on the existing products (Corporate executive).	The management synchronized the acquired and acquiring resources into a unified workforce and system which served the merged the entity	So, like I was saying, there is an on-boarding process especially for the people and during that on-boarding process, we spend time to inculcate not only the way that we go about things from a process perspective, but even from a cultural perspective (Chairman). We then looked at how we can take on those features and roll them out universally as well (Corporate executive).

Table 8.1:
(Continued)

	Cross-profiling		**Interfacing**		**On-boarding**	
Firm	Description	Representative Informant Quote	Description	Representative Informant Quote	Description	Representative Informant Quote
Firm H	Depended mainly on internal growth to due to lack of suitable acquisition target within the home and regional market	The cross-profiling is not applicable to this case	Depended mainly on internal growth to due to lack of suitable acquisition target within the home and regional market	The interfacing is not applicable to this case	Depended mainly on internal growth to due to lack of suitable acquisition target within the home and regional market	The on-boarding is not applicable to this case

Every organisation has their unique way of pursuing their production and delivery of their value propositions to their target markets. It was observed therefore that integrating employees from different organisational cultural backgrounds posed a formidable challenge in the integration process. One of the informants highlighted the importance of culture to the integration process as follows:

> Really regarding integrating entities that we have either merged with or acquired, it is straightforward but there are various dimensions we will look at that from. The first is culture which is overly critical. The culture of the organisation joining us compared with ours, right (Corporate executive, Firm B).

The data shows that the management relied on their existing shared values. It was observed that the firm had institutionalized policies that are formulated to guide their general operations, including their relationship with relevant stakeholders. The policies included a set of cultural values which include "accountability, customer centricity, excellence, integrity and transparency. Those are the five key pillars of our cultural values and that's what we always try to reflect in everything we do," said one corporate executive. It was observed that the management of the firm designed training and other organisational activities to ensure that acquired human resources imbibe these values during integration. The data shows that the firm designs and inculcates these values through the enforcement of unique organisational practices and activities, including commercial and non-commercial events. As the evidence below shows, the firm gives premium to values such as work-life-balance and compliance to high ethical standards. Therefore, the management designs organisational operations, including induction training activities, to support the adherence and enforcement of such cultures among employees.

> In some banks within this geography, work life balance is not something that is given premium. You work until the job is done, even if it means leaving the office at mid-night. But here if you are in a branch, the branch shuts down at 6pm. They literally put the generators off. If you sit with me any longer for the next one hour, at exactly 7 o'clock, these lights will go off. That implies go home and rest, go home and see your family and come back the next day.

> So, that deliberate intension to communicate the fact that work life balance is important is something we treasure a lot (Corporate executive, Firm B).

> The fact is that quite frankly you will not be punished for walking away from a deal if that is not right, that is, if that deal does not meet the full compliance standard. We deliberately set our own compliance standards to be higher than the regulatory standards as a rule of the thumb. So, a situation where in some other climes people are actually punished for not sealing those deals no matter what, over here, you are encouraged to walk away from that deal if that deal does not meet our proper test for what a compliant transaction should be (Regional manager, Firm B).

Furthermore, regarding the integration of material resources such as systems, the data shows that the firm integrated acquired and existing resources by migrating data from both the acquired and/or existing applications onto a common application. The common server could be either the existing server, one that belong to the acquired entity or an entirely neutral one. It was observed that combining the data on one server enabled the firm to centralize key banking operations which made it possible for them to provide customers with uniform services irrespective of location. As one of the corporate executives of Firm B observed:

> When we acquired Oceanic, they had their own core banking application which was different from our existing application. We integrated the two systems. What we did was simply to get their banking application and migrate it onto a common application and setting up our own core banking application in that franchise and migrate the data onto that as well. This common application ensured seamless flow and easy on-boarding of data

The data shows that the integration process might include training and development programmes designed to enhance the technical knowledge and skills of the acquired employees, especially where their residual technical knowledge obtain from their previous organisation is different from the knowledge or skills required to operate the chosen or existing systems in the focal firm. As the evidence shows, given the foregoing situation, the data show that the management organized training sessions for the acquired staff as part of the integration process.

> And off-course even from the technical point of view as well where there are deficiencies in terms of knowledge around maybe systems, the systems here are probably different, we spend time to train them on that so that they become confident and conversant with using the tools that we have which might be different from what they were used to (Corporate executive, Firm B).

Another remarkably interesting case is the integration of original Firm E's resources following the conclusion of merger and acquisition with former STB. The data shows that the firm integrated their human and material resources previously possessed by the integrating parties in order to form the present Firm E. Regarding the practical integration of their human resources, the data show that the management designed programmes to enable the acquired employees to understand how the firm carry out business activities as well as behaviours that are generally acceptable and otherwise in the firm. It was observed that the firm already had an institutionalized set of cultural values, including humility, empathy, integrity, and resilience. The findings revealed that the management used the existing organisational cultural values as guides for designing instructional and training programmes. Therefore, through the training and induction programmes the acquired employees were taught these cultural values thereby bridging the gap in terms of cultural backgrounds between the acquired and existing employees and by so doing, making the acquired employees to act and think like their counterparts from the acquiring firm. As the Chairman of Firm E observed:

> We already have core values, including humility, empathy, integrity, and resilience, which guides our behaviours within the organisation and which also, help us to integrate the acquired resources, especially their cultures, the people and all that.

Also, regarding the integration of the systems, the data show that the firm centralized all the data from both the acquired and acquiring firms onto a preselected server. It was observed that the data migration was done in phases and lasted over period of 18 to 24 months. As the evidence below shows, the centralization of the firm's data in one server enable uniformity and increased efficiency of service delivery.

> So, once we concluded that we were going to use Finacle, we subsequently migrated data from the Bank Master to the Finacle and we did that in phases. So, once we migrated our data on that system, which took us about 18 months or 24 months to achieve, right. Then once we were on the same server, we were now able to deploy our services universally because; operating on the same server enables seamless transactions.

In the same vein, Firm D's integration of acquired resources, especially the integration of human resources emphasizes the MNEs' quest to foster common cultural practices among the employees. The data show that the management purposely tried to ensure that all staff, especially the acquired employees comply with the established organisational culture. One of the informants observed thus: "Our culture must be applicable to all and staff must abide by them" (Corporate executive Firm D). Consequently, the management designs induction programmes, usually in the form of trainings, seminars, and workshops, for the acquired staff. The data revealed that the induction programmes are basically tailored to help the acquired employees to embrace the firm's peculiar way of conducting business activities. As the evidence in the quotes below show, through the instrumentality of the induction programmes, the behaviour of the acquired staff is changed in conformity with the norms of the firm's organisational culture.

> So, we usually put the newly acquired employees through training. We have a programme designed to take them through from ground up, that is, from the basics to the most critical issues which we call 'MY FIRM-D'. Usually, the first phase of the training is centred on the things you cannot do, you cannot tolerate. So, with time those people will gradually adapt to our culture (Regional Manager, Firm D).

> So, everywhere you go within the group, it is expected that the culture should be the same. So, once you join, by training, inductions, programmes, you know, people get to learn our culture (Corporate Executive, Firm D).

However, although acquisition and integration of existing resources have been found to be a very important avenue for enhancing firms' capability, especially the emerging market MNEs which are characteristically resources-disadvantage compared to their counterparts from the advanced economies (see, e.g., Luo & Tung, 2007; Mathews, 2006), the findings from the present study suggest that the integration of the acquired resources could be complex, challenging and generally expensive. For instance, one of the corporate executives from Firm E observed that "the integration of people could be complex and might prove much of a problem compared with the integration systems." The greatest challenge arose from the decision to design a standard measure for integrating acquired and existing staff. The issue of standardization is complex considering the relative working experience, pay scales and responsibilities accomplished which are generally used as yardsticks for ascertaining the suitability of given employees to specific roles in the merged organisation. As one of the corporate executives observed:

> Then you also need to be incredibly careful about how you manage standardization of your, say, staff arrangements. You may be coming from a particular jurisdiction and feel that people that should handle role should be at a level, whereas where you are going it is at another level. So, if you just come in and standardize, it will affect the emotions of people and employee productivity (Corporate executive, Firm E).

Therefore, the data show that the MNEs must depend on the established cultural values to avoid unnecessary arbitrary decisions during integration, especially in relation to the integration of acquired staff. The evidence suggests that teaching the acquired employees to embrace strict compliance with the established cultural values will not only enhance effective managerial controls but also reduces the possibility of having other industrial issues that may arise from the existence of informal groups within the organisation. One of the informants observed thus:

> Without recourse to such existing values, you may have issues around people, you know. People might be forming groups within the organisation. The implication of this is that you could be running an organisation and at the same time, you will be having "they" and "us" within the organisation (Corporate Executive, Firm E).

Furthermore, the data shows that integration of internal and external resources could be expensive, both in terms of the actual capital outlay and time taken. One of the informants observed that, "all these things are capital intensive that has implication on the balance sheet of the bank, especially within the short to medium term framework, depending on how you are capitalizing your operations" (Regional Manager, Firm E).

Why would the integration of externally acquired and internally built resources enhance firms' capability? A key insight is that the complementing internal resources with external resources are at the core of the survival of emerging market firms. Therefore, the data shows that the integration of such internal and external resources is what gives meaning to the acquisition. One of the corporate executives observed thus:

> So, there is no where you can even succeed without integrating not only the people, the process, the culture, the policy, the structure, and the technology, which is even critical, you know.

8.3 Summary:

In summary, the findings from the integration of the MNEs' externally acquired and internally built assets suggest that the firms undertake the integration process in three stages. First, they take stock of the total available resources, including the acquired and existing ones. This stock taking process will enable the management to identify resources that are replicated, or otherwise, because of the acquisition. The latter is usually the case if the firm had undertaken the acquisition to obtain some unique assets owned by the acquired entity. In that case the management adopts and make such function a firm-wide operation. This is usually the case where the asset is non-location bound in nature (Rugman & Verbeke, 2004). As one corporate executive observed, "if certain products from the other entity seemed to deliver a more attractive proposition, what we did was that we then looked at how we can take on those features and roll them out universally as well" (Corporate executive, Firm B). The former instance usually occurs when firms acquire their competitors in the same product market. This was observed to be the most common scenario in the present study.

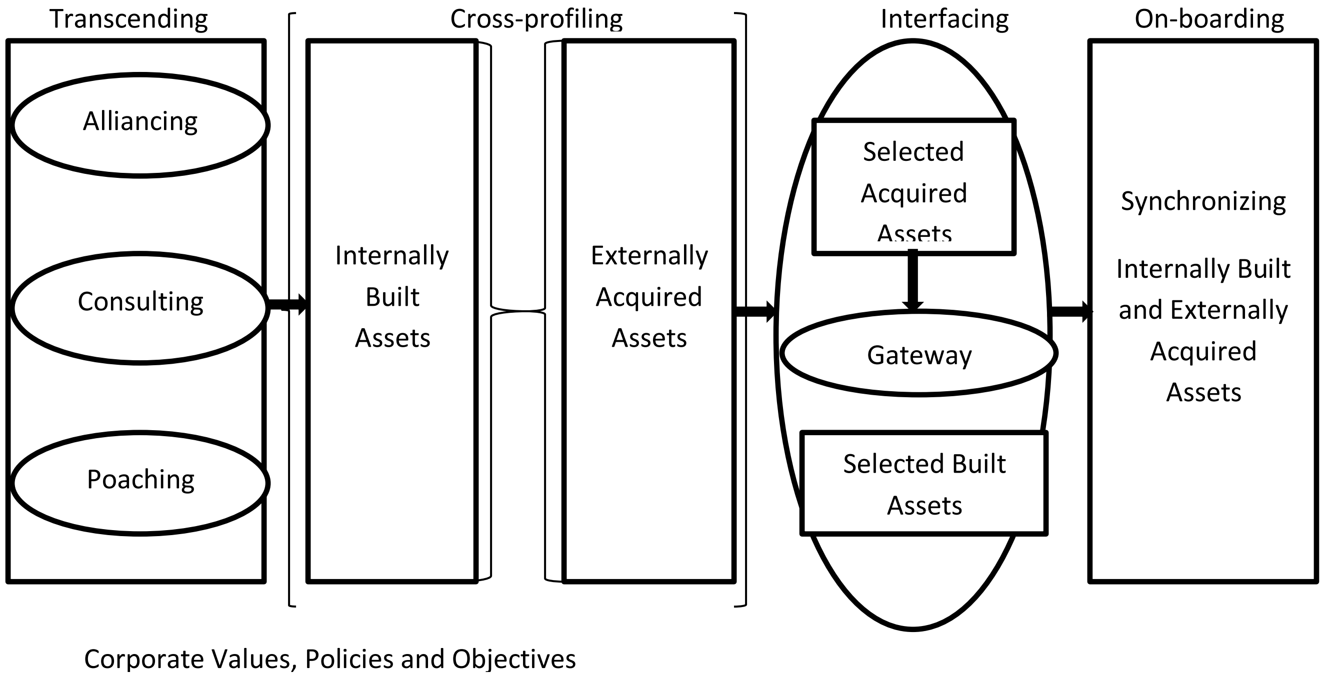

Figure 8.1: The Spanning Process

In such situations, there will be replication of assets since the competitors basically strive to employ similar strategies and resources in serving the same market. Therefore, the management evaluated the nature of the acquired assets in relation to the existing ones and subsequently decided on the most suitable asset or combination to deploy into the operation of the firm. In the present study, the process of evaluating the acquired and existing assets in the light of the firms' policies, objectives and needs is referred to as **cross-profiling**.

Second, the firms created a gateway facility or entity which served as interface between the existing assets and the acquired resources which the firms have chosen to integrate. The nature of the interface depended on whether the resource was a material or human resource. Regarding the integration of material resources such as operating systems, the firms built an intermediate facility which facilitated the transfer of data between the two systems and enabled them to continue to serve customers during the integration process. On the other hand, regarding the integration of acquired human resources, the firms used either existing acquired managers or appointed someone from among the acquired employees to act as the leader of the acquired staff during the integration.

The leader played dual roles as a representative of both the acquired and acquiring entities during the integration. It was found that in the course of the integration, the leader was responsible for the protection of the interest of the acquired staff by liaising with the management while also coordinating the activities of the acquired entity to ensure the maintenance of normal operations of the acquired entity, respectively. The process of developing a gateway between the acquired and acquiring entities in the integration process is referred to as **interfacing**.

Third, the MNEs ultimately synchronized the acquired resources with the existing resources thereby arriving at a new set of resources that were deployed for the achievement of the goals and objectives of the merged firm. It was found that the management established unique cultural values which guided them in designing programmes and events that were used in the integration of human resources. The cultural values enabled the newly acquired employees to know how and why the firms do the things that they do. In the same vein, the management combined all the relevant data from both acquired and acquiring entities onto a chosen server that the management has selected to power the operations of the merged entity. This, as one corporate executive observed, enabled the firms to be able to "deploy tailor-made products around all our subsidiaries." The process of embedding the resources of the acquired entity, that is bringing on-board the acquired resources whether material or human into the operations of the acquiring firm is referred as **On-boarding.** The foregoing findings could be summarized in the following proposition:

Proposition 11: *Firms that simultaneously undertake cross-profiling, interfacing, and on-boarding of acquired and existing resources are more likely to effectively integrate internally developed and externally acquired resources than those which do not.*

Chapter Nine
Discussion of Findings

9.1 Introduction

Prior studies (e.g., Mathews, 2006; Luo & Tung, 2006; Klein & Wocke, 2007; Ibeh et al., 2018a) have acknowledged the emergence of significant internationalization behaviour among EM MNEs. These studies suggest that the EM MNEs draw their capabilities by exploring resources from more resource-endowed firms, especially Western MNEs, through avenues such as M&As and/ alliances. However, some fundamental issues remain largely unexplored. First, it remains unknown what capabilities the EM MNEs develop and possess prior to undertaking the resource or strategic asset seeking FDI (Meyer & Peng, 2016). Second, there is also lack of knowledge regarding the mechanisms through which the EM MNEs develop such capabilities. Third, given the consensus that these firms engage in asset exploration, it remains unknown how they integrate the externally acquired assets together with their internally built or existing in-house resources. The present study addresses these existing gaps by exploring the capabilities development activities of African MNEs. The findings reveal that the African MNEs develop three scalable advantages namely scalable product, process, and people advantages.

It was found that the firms enhance their advantages through engagement in three interrelated activities namely skilling, transcending and consolidating (STC) activities. Furthermore, findings show that the firms integrate internally developed and externally acquired resources through a combination of transcending and spanning process. Consequently, the present study makes three key contributions. First, it extends the literature on emerging market MNEs' capabilities development by identifying the capabilities that African MNEs develop to enable their engagement in cross-border value-creation activities. Second, it advances a process theory of African MNEs' capabilities development. Third, the study also further enriches MNE theories by providing a theoretical framework for explaining the process through which African MNEs integrate internally built and external acquired capabilities. The findings of the study have implications for existing theoretical perspectives, notably Mathews' (2006) LLL framework as well as general IB and/or MNEs' theories such as the OLI paradigm (Dunning, 2001; Cantwell and Narula, 2001).

9.2 African MNEs' Capabilities Development and Theoretical Implications

The first contribution of the present study is the explanation of the distinct advantages that African MNEs build which empower their cross-border value creation activities. There is widespread support in prior research for the view that emerging market' MNEs, including African MNEs, obtain proprietary assets by engaging in strategic asset seeking or resources–seeking FDI operations (e.g., Mathews, 2006; Luo & Tung, 2006). The present study contributes to the literature on EMNEs' capabilities development by identifying the core capabilities that African MNEs build. The findings show that African MNEs build and leverage three interrelated scalable advantages, namely product, people, and process (PPP) advantages. First, the findings reveal that the firms develop scalable product advantages by focusing on the production of products that meet societal needs in core sectors of the economy. It was found that in developing such essential solutions, more often than not, the firms leveraged favourable government policies or incentives such as tax waiver and privatization policies which were specifically meant to encourage or enhance local value creation in the focal sectors of the economy so as to build local capacity in such sectors. Furthermore, it was found that the solutions developed in one country easily became relevant and have high market potentials in other African countries due to the psychic closeness and common attributes of most African countries such as the parity in underdevelopment of key sectors of the economies.

Therefore, given the regional appeal of the firms' products, the firms expanded their scale of production of the products both within the domestic markets and across borders to not only satisfy local needs but also meet regional demands. Second, it was found that African MNEs build scalable process advantage. Given the high demand potential for the firms' products, they designed internal organisational structures that can support large scale operations, including multi-plant or multinational operations, by clearly dividing their core organisational functions into distinct but interrelated activities that could foster further changes in the business model overtime. Third, the findings reveal that African MNEs develop scalable people advantage. In line with the creation of formal structures, the findings reveal that the firms, as a matter of organisational policy, also consciously established a management team of people with complementary skills and talents to oversee management and decision-making activities. It was observed that the team of people with requisite complementary skills and knowledge supported the growth and expansion by effectively manning both the product and process functions. Therefore, it is argued that African firms which simultaneously develop scalable product, process and people advantages are more likely to engage in cross-border value-creation. This finding answers the first research question of the study.

The foregoing findings have implications for existing emerging markets-focused theoretical perspectives, particularly those that emphasize the prominence of strategic asset seeking behaviour of the emerging market MNEs such as Mathews (2006) and Luo and Tung (2006). For instance, Mathews' (2006) LLL framework argues that emerging market MNEs obtain capabilities by linking their operations with more resource-endowed counterparts, leverage the superior resource advantages of the partners to enhance their value-creation capacities and ultimately bridge the knowledge gap by learning from the partners. Although, this framework provided insight into how EM MNEs obtain strategic resources, it has been criticized for its failure to recognize the assets that the MNEs possess prior to undertaking the external resource acquisition exercise (Li, 2007). The present study builds on the previous studies by suggesting that African MNEs develop scalable advantages internally which not only enable them to access external resources, but also help them to internalize such externally acquired resources. This contribution is consistent with the arguments of previous studies that firms, including EM MNEs, not only require assets to acquire assets (Eisenhardt & Schoonhoven, 1996), but also require assets in order to absorb the externally acquired assets (Cohen and Levinthal, 1990). This finding therefore suggests that while African MNEs obtain strategic resources from external sources, they develop necessary scalable advantages internally. Hence, while previous EM MNEs-focused studies improved understanding of the sources and mechanisms through which emerging market firms obtain strategic resources, the present study offers insight into the nature of the capabilities that the MNEs possess prior to undertaking strategic asset seeking FDI, which in the thinking of some IB scholars (e.g., Dunning, 2001; Dunning & Lundan, 2008) constitute the actual firm-specific advantages of MNEs.

The findings also have implication for traditional MNEs theories, particularly Dunning's (1977) OLI paradigm. First, the present study supports Dunning (1977) and Hymer (1960, 1976) argument that MNEs develop capabilities internally which enable them to undertake cross-border operations, by explaining that the firms build scalable advantages internally. Second the findings also support Dunning (2001) argument that some institutionally related incentives (Oi) constitute part of MNEs' O advantages, by highlighting how government policies and incentives enabled the investigated firms to develop their product advantages. Third, in his revision of the nature of O advantages, Dunning (1995, 2001) classified O advantages into static and dynamic O advantages. This classification reflects Dunning's recognition that firms increasingly depend on the dynamic processes of obtaining resources through engagement in alliance relationships with external partners; this pattern, in his view, applied especially to EM MNEs and, less so, to traditional MNEs, which favoured hierarchical processes of capabilities development.

However, although Dunning's classification highlighted the dynamic nature of obtaining relevant resource from external sources, its binary structure seemed to discount the capabilities that EM MNE possess prior to undertaking resource seeking FDI activities and rather implicitly suggests that the dynamic O advantage is the only source of resources available to EM MNEs and therefore failed to account for the O advantages that EM MNEs build. The present study enhances this classification by emphasizing that EM MNEs build scalable advantages prior to obtaining the dynamic O advantages from external sources. The findings show the relationship between the static and dynamic O advantages. As shown on Figure 9.1 below, the EM MNEs upgrade their internally developed scalable advantages by accessing dynamic O advantages from external sources. Then, overtime, through institutionalization of the externally acquired knowledge, investment in internal capabilities' development activities and engagement in further assets-exploration activities such as M&As and alliances, the EM MNEs develop requisite capabilities for engaging in cross-border value creation activities. Hence, the findings of the present study provide clearer insight into the link between assets exploitation (static O advantages) and assets exploration (dynamic O advantages) from the EM MNEs' perspective. Distinct from previous theories which focused on how Western MNEs deploy internally created assets to undertake cross-border investment operations, the present study has primarily focused on illuminating the capabilities that African MNEs build and how. Fourth, the study further contributes to the OLI paradigm by suggesting scalable PPP advantages as non-traditional O advantages which EM MNEs develop internally prior to undertaking internationalization activities. Fifth, in the same vein, this finding resolves the prevailing "chicken and egg puzzle" regarding the relationship between the development of FSAs and internationalization by EM MNEs which was recently highlighted by Buckley et al. (2016a: 988). The finding clearly shows that EM MNEs develop PPP O advantages prior to internationalization.

Table 9.1:
Comparing the O advantages' perspectives of the OLI Paradigm, LLL Framework and the Present Study

Criterion/Dimension	OLI	LLL	PPP
Focus	Western MNEs	EM MNEs	African MNEs
Nature of in-house Resources	Ownership advantages (Proprietary assets)	Not specified	Scalable advantages
Process of developing the capabilities	Beyond the scope of the framework	Linkage with external firms through Strategic assets-seeking FDI.	Combination of internal and external resources
Process of integrating internal and external resources	Not part of OLI framework	Beyond the scope of the framework	a combination of transcending and spanning strategies
How to obtain Specialized knowledge	Knowledge developed in-house through organisation hierarchies.	knowledge acquired through linkage and leverage activities	Knowledge obtained through alliancing, consulting and/or poaching
Relevance of Assets in MNEs' Cross-border value-creation	Assets exploitation	Assets exploration	A combination of exploration and exploitation.

9.3 Process Theory of African MNEs' Capabilities Development

A second core contribution of the present study is a theoretical framework of African MNEs' capabilities development. Although extant theories, particularly Hymer's (1960, 1976) Monopolistic theory and Dunning's (1977) OLI Paradigm, especially the O sub-paradigm, are widely respected for their pioneering and landmark insight into the relevance of assets to FDI or activity, internalization theorists (e.g., Buckley & Casson, 1976) fault these monopolistic theorists' analysis for failing to show the mechanisms through which MNEs develop their firm-specific advantages (FSAs). The present study contributes to this literature by explaining the specific actions that EM MNEs, particularly African MNEs, undertake in developing capabilities, especially through the processes of integrating internal assets development efforts with external assets exploration endeavours.

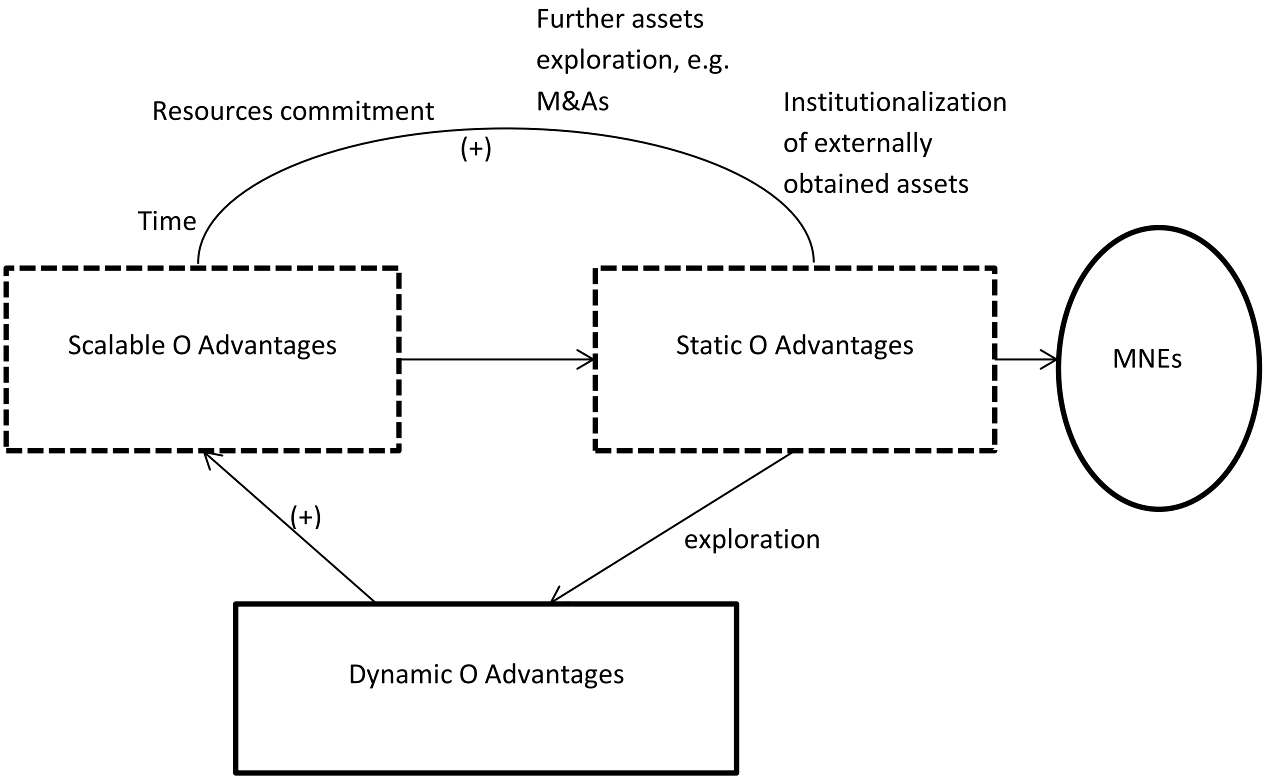

Fig. 9.1: Relationship between Scalable, Static and Dynamic O advantages

The findings show that African MNEs' capabilities development processes revolve around the firms' activities in three key domains, namely skilling (i.e., building a pool of human resources with necessary skills and knowledge), transcending (i.e., developing relevant organisational and managerial skills) and consolidating (enhancing the firms' position and potential for growth and expansion). Together these activities create capabilities to support firms' engagement in large scale operations, including multi-plant or multinational operations. These activities were found to be complementary and interdependent but not mutually exclusive.

The findings suggest that at the heart of the MNEs' capabilities development process are concerted efforts to develop the required human resources. The MNEs consciously engaged in activities that enabled them to attract, develop and maintain a pool of requisite skills, knowledge and talents which are required to support large scale operations, a process which the present study refers to as skilling. The findings show that the skilling activities of the MNEs depended on three human resources-related operations, namely, strategic hiring, training, and motivation activities. First, it was observed that the management consciously hired applicants who are knowledgeable in general business operations such as those with prior entrepreneurial experience or those who have demonstrated high level of aptitude, that is, ability to learn, which is evidenced by the applicants' prior academic accomplishments. It is suggested that firms which employ applicants who already possess necessary theoretical or practical knowledge of operations of interest are more likely to enhance their knowledgebase.

Second, the findings show that management subjected the new employees to personalized training irrespective of the employees' level of prior working experience. It is argued that employees who are given relevant goal-oriented and/or organisational-specific trainings, that is, training on firms' unique way of accomplishing tasks and/or achieving set goals, are more likely to enhance the firms' knowledge base and, by extension, their potential for achieving corporate goals and vice versa. This is because such employees who have been given goal-directed and/or firm-specific trainings are able to work in teams with others, who share similar training experience, and they are also able to comply with organisational policies and cultures in carrying out assigned responsibilities than those that do not have such personalized trainings. A key insight is that through commitment to continual recruitment and personalized training of new employees, the firms can institutionalize firm-specific knowledge which ultimately unleashes their growth potentials, including successful engagement in cross-border value-creation activities. Third, the management subsequently designed activities, including pecuniary and non-pecuniary incentives to increase the level of commitment, productivity, and loyalty of the employees. The employees were motivated by activities such as recognition, praise or sometimes with higher positions or responsibilities. These incentives gave the employees a huge sense of belonging and made them to see the success of the firm as their own success. It is suggested that firms which motivate their employees either by given them support to handle higher responsibilities or by merely giving them some pecuniary incentives were more likely to attract and retain requisite high quality manpower which is necessary for enhancement of firms' performance.

Furthermore, previous studies (e.g., Verbeke & Yuan, 2010) suggest that managers play prominent roles of recombining and coordinating all the activities involved in undertaking cross border value-creation activities. Most specifically, Verbeke and Yuan (2010) identified managers' recombination role as "higher-order O advantages" which act as the super structure upon which all other cross-border investment decisions and actions are anchored. In consonance with this stream of literature, the findings of the present study indicate that the second domain of the MNEs' capabilities development were efforts to develop their organisational and managerial efficiencies. However, while the previous studies were aimed at explaining the critical role that managers play in the coordination of all other activities that culminate in the MNEs' cross-border investment activities, the present study is focused on explaining how EM MNEs, especially the African MNEs, develop such managerial capabilities. Given the background of these firms, especially their generally acknowledged lack of requisite resources to create the capabilities internally (Child & Rodrigues, 2005; Isobe et al., 2000), it was found that the firms' develop managerial capabilities by engaging in three distinct activities namely alliancing, consulting and/or poaching.

First, findings reveal that the firms accessed higher organisational or managerial competence by establishing knowledge sharing alliance agreements with more resource-endowed external firms. The alliancing was basically a sort of staff development focused memorandum of understanding between the focal firms and external firms. This understanding created a platform for African MNEs to learn how to practically manage large operations, including management of geographically dispersed activities. The MNEs facilitated the knowledge acquisition by engaging in conscious staff exchange programmes. In some cases, the staff exchange programmes entailed that the more established firms sent some of their well-trained employees to the focal firms to work with and purposely train designated managerial staff of the nascent MNEs on managerial activities for a specific period of time. In other cases, the focal MNEs redeployed selected key employees to the more established counterpart to understudy some key personnel for a given period. This was a form of goal-directed alliance relationships which were mainly formed to create a platform to foster knowledge transfer of practical managerial or organisational knowledge from the more established firms to the focal investigated African firms. The managerial or organisational skills are usually tacit in nature. Therefore, establishing direct contact between the knowledgeable employees, that is employees of the more resource-endowed firms, and the employees of the less endowed focal firms, enhanced the knowledge acquisition process. It was therefore suggested that establishing alliances between resource deficient smaller firms and more resource-endowed larger counterparts is more likely to support the transfer of managerial and organisational skills between the two firms. However, it is noteworthy that the alliancing was mainly adopted by firms which had the support of either home country government or supranational institutions or the latter of the firms' development when they had accumulated some reasonable in-house capabilities, including growth in size.

Second, the findings suggest that the firms also obtained managerial or organisational knowledge by consulting either independent consultants or informally engaging principal officers such as the CEOs or GMs of more resource-endowed firms who possess practical knowledge of the management of large scale operations. In most cases, the firms organised some days of retreat for senior or management staff and invited the resource persons or consultants to train managers. The former was mainly favoured by firms whose principal officers have established certain level of reputation and built networks with key industry players, particularly industry leaders from different sectors while the latter was mainly favoured by firms that have acquired sufficient resources. Generally speaking, the consulting strategy was adopted where firms have built some good corporate identity, network or resources but where there is lack of institutional framework to support the formation of formal alliance relationships with external and more established firms, especially within the same sector of the market and where the firms do not have any affiliation with the government, especially in terms of ownership.

Third, the findings reveal that some firms also obtained managerial expertise by poaching key managerial staff of more established firms. The investigated firms were able to attract the high calibre of staff using some incentives such as reasonable ownership stakes in the firm. The poached managers joined the focal firms bringing their wealth of knowledge from previous trainings and working experience to develop the managerial and organisational capabilities of the MNEs. The poaching strategy was mainly favoured by firms at the early stages of their development especially in situations where there is no strong corporate governance in place. In a nut shell, the firms developed managerial and organisational competence by formally or informally interacting with more established counterparts or with persons who have practical knowledge of managerial and/or organisational responsibilities and who may have also had direct link with more established firms such as former employees. The firms subsequently institutionalized the knowledge obtained by using the personnel who had received the training, say from alliancing or consulting or those who are knowledgeable such as those poached from other firms, to train other employees, including future employees. It was observed that some of the firms adopted certain measures such as codifying the knowledge or signing a bond which will restrict those that were trained from either leaving the firm before given period of time or sharing such knowledge with third parties if the employee happens to leave the firm after the training. It was therefore suggested that firms which proactively engage in goal-directed alliancing, consulting and/or poaching are more likely to enhance their managerial and/or organisational capabilities than firms which do not.

The third step in the firms' capabilities development is consolidating which are activities that the firms undertook in order to enhance their market positions thereby create for further growth. The consolidating actions were either aimed at enhancing their product development capabilities or expanding the market-base for the offerings or availability of such products in the market. The findings show that the consolidating activities of the firms revolve around three interrelated activities, namely innovating, integrating, and diversifying. First, the consolidating process started with conscious effort of the firms to engage in innovation creation. The contextual background as well as lack of resources placed some limitations on the growth potentials of the firms. To overcome these limitations, it was found that the firms consciously engaged in innovation creation. The firms engage in innovations to overcome the limitation place on them by either the environmental or institutional forces or lack of resources to acquired necessary assets. It is noteworthy that the innovating in this context does not only refer to the creation of technological solutions or adoption information technology infrastructures but also generally refers to the application of uncommon strategies in accomplishing common tasks thereby achieving uncommon results. For instance, where the firms lacked the resources to employ good quality or experienced labour, they found a way to innovatively engage skilled or knowledgeable people by other means such as offer of ownership stake.

In the same vein, another example is when one of the firms acquired a failed bank and turned it around using innovative strategies. The application of innovating strategies enhanced the growth potential of the firms. Second, the firms built on the growth potentials by engaging in integrating strategies, including vertical and horizontal strategies. This on the one hand, entailed taking control of all the stages involved in the production and distribution of their products. On the other hand, it entailed simply acquiring or joining operations with competing firms, particularly those that possess requisite assets. The former entails growing through vertical integration while the latter relates to growth through horizontal integration. It was found that as the firms increased their asset-base or general size through the adoption of varying integrating strategies, their market power, including their market share and market positions, were also enhanced, especially within their domestic market. This growth in turn enhanced the firms' scale of operations and further unleashed their potential to achieve higher growth. It is therefore suggested that firms that proactively engage in integration activities, either vertically or horizontally, are more likely to enhance their market positions than those which do not. Third, the firms also engaged in diversification strategies.

Diversification strategy is a well-known corporate growth strategy within the Strategic management discipline (see Rumelt, 1974; Palepu, 1985; Jones & Hills, 1988; Kochhar et al., 1998). Prior studies identify two major diversification growth paths namely, 1) product diversification which involves the addition of related or unrelated product or business segments to the existing products or segments. 2) Geographical diversification which entails the expansion of the firms' production operations into new geographical markets usually with existing products (Kim et al, 1989). In line with the previous studies, the present study found that the firms enhanced their growth potential by diversifying into new business segments that are either related or unrelated to the core product. It was found that on the one hand, the firms strategically diversified into businesses that have the potential to support the continued growth of the core product, for instance by serving as direct inputs in the production and/or distribution processes of the core product or businesses that are unrelated but which has the potential to generate funds for enhancing the existing capacity of the core product. On the other hand, the firms also diversified into business segments that are unrelated but has the potential to enhance the firms' corporate power against competitive forces by acting as strategic moats that protect the firms from possible devastating competitive attacks.

This finding supports previous studies that found that EM MNEs enhance their competitive strength by drawing from the resources of their business groups or networks (see, e.g., Elango & Pattnaik, 2007; Becker-Ritterspach & Bruche, 2012). However, while the previous studies identified the relevance of business groups to EM MNEs internationalization, the present study contributes the explanation of how the different business segments interact and influence the cross-border operation of the core product. Therefore, the present study offers explanation as to why only some business segments, such as the core product, engage in foreign operations while others remain domestically focused. The findings reveal that the firms diversify into related products that share either production or marketing requirements with the core product or into unrelated segments that are aimed at serving the same target market. Apart from the observation that the firms engaged in product diversification strategies, notably concentric and horizontal diversification activities, which has been noted in previous studies as corporate growth strategies of firms, the present study found that the firms also engage in structural and strategic geographical diversification strategies which have not been recognized by previous studies.

First, a core contribution of the present study is that African firms diversify structurally by expanding into segments that enable them to simultaneously provide their own infrastructural needs such as power, access road and so on, while using the same platform to fulfil their social responsibility obligations to the immediate communities by providing them with such infrastructure. This strategy enables the firms to redress observed infrastructural gap, build cordial relationship with the immediate community to facilitate smooth operations, whilst also converting them into a formidable customer base for the firms' products. Second, another fundamental contribution of the present study is that the investigated MNEs enhance their corporate identity by strategically and innovatively establishing physical presence in foreign markets, particularly in advanced and emerging economies. The findings indicate that the strategic geographical diversification strategy positively affected the firms' image, especially within their target markets and ultimately enhanced their market positions and corporate performance.

In other words, the firms engage in geographical diversification without necessarily committing huge resources which are usually associated with cross-border expansions. It was found that the firms establish representative offices which are referred to as out-posts and/or consciously list their corporate stock in the advanced markets' stock exchange market. The latter supports previous studies which found that African MNEs legitimize their operations and enhance their corporate governance practices through engagement in cross-listing into more advanced markets (Areneke & Kimani, 2019). However, while the previous study emphasizes the Isomorphic value of cross-listing, the present study focused on the effect of cross-listing on the firms' market positions, especially its effect on the positioning of the firm and their products among their actual and potential customers. It is therefore suggested that firms that proactively diversify their product or business portfolios by engaging in product, structural and/or strategic geographical diversifications are more likely to enhance as well as protect their market positions than firms which do not. Ultimately, it is suggested that firms which consolidate their market positions by proactively engaging in innovation, integration or diversification strategies are more likely to engage in cross-border value creation activities than firms which do not.

Overall, the present study finds that African MNEs' capabilities development process revolves around the interplay between the firms' intra-organisational and inter-organisational activities which enhance the firms' ability to meet customers' needs more profitably than the competitors. First, the firms enhance their human resources assets through strategic hiring, training, and motivation of employees. Second, they enhance their managerial and organisational expertise through alliancing, consulting, and/or poaching activities. Third, the firms enhance their market positions, including their ability to provide necessary solutions and satisfaction to their markets through a combination of internal and external assets creation and exploration activities, including innovation, vertical or horizontal integration and diversification of their business portfolios. The latter includes firms' efforts to expand their business portfolio through product, structural and/or strategic geographical diversifications.

9.4 Process theory of integrating internally built and externally acquired resources

The third fundamental contribution the present study is a theoretical framework of the specific actions that African MNEs take to integrate internal and external assets. Previous studies have found that MNEs, particularly the EM MNEs combine internal and external resources (e.g., Buckley et al., 2016a; Buckley et al., 2016b; Dunning & Lundan, 2008). Specifically, Mathews' (2006) LLL framework suggest that EM MNEs' obtain resources by establishing formal linkages, such as M&As, with more resource-endowed counterparts, leveraging the superior resources of their alliance partners to enhance their value creation potentials and ultimately learning from the more advanced counterparts thereby bridge the knowledge gap. However, it remains largely unaddressed how EM MNEs integrate the externally acquired resources with the existing in-house or internally built resources. The present study complements the existing studies by explaining the definite actions through which African MNEs integrate internally built and externally acquired resources. The findings reveal that the process revolves around two main domains, namely, transcending and spanning processes. The transcending stages are the antecedents to the integration of acquired resources. It involves actions through which the firms enhanced the ability of existing resources to combine, organise and manage internal resources with external resources which are required for the achievement of set goals.

The findings show that in all the cases, the African MNEs enhanced the ability to manage and/or coordinate large scale operations by learning either directly from external firms, including consulting firms, or indirectly through engagement of individuals that have acquired practical experience of handling large scale managerial and/or organisational responsibilities usually by working for more established firms. The knowledge acquisition activities include three distinct activities such as alliancing, consulting, and poaching. Through the transcending processes, the existing resources are made to take on the characteristics of traditional MNEs thereby making it possible for the focal firms to absorb resources obtained from the more advanced MNEs. The transcending processes therefore address the question of how the nascent MNEs can absorb resources from the traditional MNEs despite the differences in backgrounds (Wright, et al., 2005). The spanning process, on the other hand, relates to the practical steps through which firms integrate their existing and acquired resources, particularly the resources obtained through M&As. The findings show that the MNEs integrated internally created and externally acquired resources through three interrelated activities namely, cross-profiling, interfacing, and on-boarding.

The first step in the spanning process is a conscious effort by the management to cross-examine all available resources, including both existing resources that are possessed by the acquiring firm as well as the resources which are obtained from the acquired entity. The cross-profiling process entails a purposeful comparison of all existing resources against possible substitutes that are possessed by the acquired entity prior to the acquisition. Here, the strength and weakness of each resource is evaluated in the light of predetermined organisational objectives and policies. The outcome of the cross-profiling process is the identification and subsequent selection of the specific resources, whether acquired or existing that will serve the best interest of the firm in specified roles. This finding is contrary to previous studies which tend to treat acquiring firms' resources as sacrosanct (see, e.g., Beckman and Haunschild, 2002) but supports studies that suggest that both internal and external resources are equally important in EM MNEs' internationalization (Lavie, 2006; Mathews, 2006) depending on the interaction between given internal and external resources

(Buckley et al., 2016). It is therefore suggested that firms which proactively cross-profile existing and acquired resources are more likely to retain resources that will best fit organisational purpose than those which do not.

Second, the management will develop a gateway which is usually designed with the potential to interact and reconcile the differences between the selected acquired and existing resources. The nature of the interface depends on whether the resource being integrated is material or human resource. The findings show that for material resources, managers designed a settlement system which is capable of understanding and/or speaking to both systems while for human resources, they appointed a leader or retained a manager from the acquired entity who functions as an interface between the acquired human resources and the acquiring firm management. The essence of the interface is to set the stage for the ultimate combination of the acquired and existing resources. It is therefore suggested that firms that proactively establish interface between acquired and existing resources are more likely to efficiently integrate acquired and existing resources than those which do not.

Third, the management ultimately bring the acquired resources on-board the mainstream resource-base of the focal firm. It was found that, like the interfacing stage, the on-boarding process depends on the nature of the type or characteristics of the resource being integrated. In on-boarding of systems, the firms synchronized the operations of the acquired and existing systems by transferring or migrating the data from the acquired and acquiring database unto a common platform which enables the firm to deliver unified services throughout the entire organisation. On the other hand, on-boarding of human resources focused on specific activities that were designed to help the acquired employees to unlearn the prior knowledge that are not in consonance with practices of the focal firms and subsequently help them to learn the focal firms' peculiar way of conducting business activities. It is therefore suggested that firms that efficiently on-boards acquired resources onto existing resources, are more likely to deliver standardized MNEs-wide products and services than those which do not.

Overall, the findings suggest that African MNEs integrate internally built and externally acquired resources through a combination of transcending and spanning activities. The former refers to the MNEs' acquisition of managerial and organisational capabilities which enable them not only to absorb external resources but also to coordinate all other activities such as resource mobilization and market selection functions which supports the firms' growth and cross-border expansion activities (Verbeke & Young, 2010). The latter on the other hand, focuses on how the MNEs practically combine existing and acquired resources through: 1) cross-profiling, which involves the cross-examination and selection of relevant existing and/or acquired resources 2) interfacing, which involves the establishment of a gateway that enables the reconciliation of the differences and intersection between the acquired and existing resources and 3) on-boarding, which involves practically synchronization of the operations of the acquired and existing resources. The entire integration process is generally influenced and shaped by the pre-existing organisational objectives and goals.

9.5 Summary

This chapter focused on the discussion of the findings of the study, particularly in the light of the study's research objectives. Regarding the capabilities that African MNEs build, results show that the investigated firms develop three key advantages, namely scalable products, people, and process advantages. This finding contributes to Mathew's (2006) LLL framework by explaining the capabilities that EMNEs possess prior to undertaking strategic asset seeking endeavours and Dunning's (1995, 2001) categorization of the O sub-paradigm of the OLI paradigm. Specifically, the study bridged the theoretical gap in the existing categorization of resources into static and dynamic advantages. Regarding the mechanisms through which African MNEs develop capabilities, findings reveal that the investigated MNEs engage in three interrelated activities, namely skilling, transcending and consolidation. First, findings show that the firms implemented the skilling function by engaging in three activities, namely, strategic hiring, training, and motivation. Second, it was found that the firms enhanced their transcending capabilities by through engagement in three interrelated activities, namely, alliancing, consulting and/or poaching. Third, the findings show that the firms consolidated their market positions through consciously engaging in a combination of internal assets creation and external assets exploration activities, including innovation creation, vertical or horizontal integration and diversification strategies. This finding on the capabilities development process complements existing insights on EMNEs' capabilities development by providing a framework for understanding the practical activities through which EMNEs develop capabilities. Furthermore, regarding the mechanisms through which African

MNEs integrate capabilities developed internally with those obtained from external sources, the results indicate that the firms, first, engage in transcending activities, including engagement in alliancing, consulting and poaching and thereafter practically combine externally sourced capabilities with existing capabilities through a process which I refer to as spanning in this study. The spanning process involve engagement in three interrelated activities, namely, cross-profiling, interfacing, and on-boarding. The latter finding contributes to the literature on EMNEs' capability's development through the explanation of the practical activities by which the investigated firms integrate internal and external capabilities.

Chapter Ten

Conclusions, Recommendations, and Implications of the Study

10.1 Introduction

The preceding chapter discussed the findings of the present study and highlighted contributions to extant MNE theories and extensions thereof. The present chapter now presents appropriate conclusions and recommendations and reflects on the implications of the study's findings for policy makers, MNEs' managers and future research in IB.

10. 2 Conclusions

The overarching purpose of the present study is to explore the capabilities building activities of African MNEs. Thus, three research questions guided this study: First, what capabilities do African MNEs build? Second, how do African MNEs develop their capabilities? and third, how do African MNEs integrate internally built and externally acquired capabilities? The findings reveal that the MNEs build three core scalable advantages that underpin both their growth within the domestic market and their subsequent cross-border expansion. First, it was found that the MNEs develop scalable product advantages by focusing on the provision of transnationally relevant solutions. Findings show that, in the course of providing solutions to problems that were affecting their domestic markets, the MNEs succeeded in developing solutions that were not only needed within the domestic market but also highly in short supply in other countries, particularly within the African region. Consequently, the firms found natural reasons to enhance their scale of operations to take advantage of the huge opportunities existing across borders, hence the solutions are referred to as scalable product advantages. Therefore, the firms' engagement in cross-border value creation activities is linked to their deploying of the solutions developed within the home countries, to solve the identified problems existing across borders.

Furthermore, the findings reveal that the firms enhanced their scalable product advantages by enhancing their market positions through consolidating strategies. First, the firms engaged in internal innovation activities by consciously designing or adopting uncommon ways of solving common customer needs. This enabled them to deliver superior customer values thereby achieving higher customer patronage and growth than the competitors. Second, the firms also engaged in integration strategies, including vertical integration and horizontal integration activities. The integration activities further enhanced the firms' potential for growth and expansion. Third, the firms also engaged in product, structural and strategic geographical diversification strategies which, not only enhanced their ability to provide necessary customer satisfactions but also, more importantly, provided an in-house strategic platform for generating necessary resources to support further expansion of the focal product.

The findings show that the firms engaged in product diversification strategies by expanding into related or unrelated product lines. Also, they engaged in structural diversification strategies by expanding into business segments that satisfies some of their basic infrastructure needs while also providing a platform for the firms to meet such infrastructure needs of the immediate communities thereby fulfil their social responsibility obligations. In the same vein, the firms engaged in strategic geographic diversification through either cross-listing or out-posting strategies. The former entails listing of the firms' stock in multiple markets, especially listing in both advanced and emerging markets while the latter refers to the mere establishment of branch or representative offices across national borders. The strategic geographical diversification strategies were found to be very formidable positioning strategies to the investigated African MNEs.

Second, the firms developed scalable people advantage by building their operations around a group of people who possess relevant complementary knowledge and skills as the core management team. It was found that the management structure of the firms had two important implications for their growth and further expansion. First, it clearly showed that the firms' survival and continued existence was not dependent on any one person hence, from the outset, it was clear that the firms were established to become a going concern thereby making the firms appealing to prospective investors and employees. Second, the multi-skills composition of the team showed that management of the enterprises was designed to benefit from the synergistic effect of the cumulative knowledge and skills of all the members of the team. This meant that no single person was going to be indispensable, but every member of the team was meant to contribute equally to the success of the firm. The most important implication of the composition of the management team is that it enhanced the chances of further improvement on the available skills by making it possible for the team to make changes to the composition of the team without any adverse effect. Hence, the structure is referred to as scalable people advantage.

Findings reveal that the MNEs enhanced their scalable people advantage by engaging in a human resources development process referred to as skilling. The skilling process involved three specific activities namely, strategic hiring, training, and motivation. First, the findings reveal that the MNEs consciously hire applicants who are job ready, that is, those who possess relevant job-related knowledge and/or skills or those who possess high potential for learning. Second, the firms then go on to equip the employees further by providing them with specialized, firm or role-specific trainings to enhance their effectiveness in manning specific roles within the firm. Third, the findings reveal that the firms offer the employees additional pecuniary and/or non-pecuniary incentives thereby enhance their productivity and loyalty to the firm.

Third, it was found that the MNEs developed scalable process advantages by dividing the core operations of the business into sets of distinct but interrelated activities which work together to achieve corporate goals. It was found that the firms divided the functions involved in their value creation and distribution processes into sub-functions in line with the skills composition of their management team. The sub-dividing of the firms' functions supported their growth and subsequent expansion for three major reasons. First, it enhanced the efficiency and productivity of the management team as the team members were assigned responsibilities based on their areas of specialization. Second, it also facilitated the automation of the processes as the firms subsequently adopted digitization of their systems, in line with the overall changes in business operations as a result of increasing changes in information technology (IT) breakthroughs and the effect of globalization. Third, the coordination of the distinct but interrelated operations which overtime involved coordination of multi-plant or multiple branch operations as the firms grew and established multiple branches within the home country as well as the subsequent digitization of the processes provided a platform for the management to have a foretaste of coordinating operations in multiple subsidiaries that are located in different nations. More importantly, the division of the operations made it possible for the management to improve on their capacity to coordinate large, and dispersed operations, hence it is referred to as scalable process advantage.

Findings reveal that the MNEs enhanced their scalable process advantages by engaging in transcending strategies, which involved either or a combination of alliancing, consulting, and/or poaching activities. It was found that the MNEs consciously enhanced their managerial or organisational capabilities by directly or indirectly exposing their existing talent to managerial knowledge that are possessed by more established firms through one or a combination of above-named activities. First, the alliancing strategy involved the process of obtaining capabilities through the establishment of a formal memorandum of understanding that fosters knowledge transfer between the firms. Second, the consulting strategy involved obtaining strategic capabilities through the engagement of the services of independent consultants or consulting members of the senior management team of more established external firms, particularly the top executives. Third, the poaching strategies involved obtaining capabilities through conscious poaching of knowledgeable and well-trained employees of more established firms.

More fundamentally, the present study provided a framework for the integration of internally developed and externally acquired capabilities. The findings reveal that the MNEs integrate externally acquired and internally built capabilities by simultaneously engaging in transcending and spanning activities. First, in the transcending phase, the firms enhance the ability of existing in-house capabilities to absorb external assets by exposing or 'inoculating' the in-house existing capabilities to superior knowledge from more established firms. The specific transcending activities include alliancing, consulting, or poaching strategies. Second, in the spanning phase, the firms engaged in three interrelated activities namely, cross-profiling, interfacing, and on-boarding. Cross-profiling involves systematic evaluation of the acquired resources in the light of the existing resources. The cross-profiling process is aimed at selecting the best capabilities that the firm will adopt after the integration. Interfacing is a mechanism that is designed to serve as a gateway to facilitate the eventual integration of the capabilities from the two sources. On-boarding is the final stage which is the practical blending of the existing and acquired capabilities onto the mainstream network of the firm. This involves all activities undertaking in getting the capabilities obtained from the two sources to begin to function together. Collectively, these activities enhanced the ability of the firms to evaluate, select, prepare, and synchronize internally built and externally acquired resources.

Overall, in the light of the foregoing and as diagrammatically illustrated by the conceptual framework below (Figure 10.1), the findings reveal that the MNEs build scalable product, people, and process advantages through engagement in three interrelated activities, including consolidating, skilling, and transcending. It was found that the MNEs consolidate their market positions through innovation creation, integration, and diversification strategies. They enhance the available skills through strategic hiring, training, and motivation of employees. Lastly, they enhance the transcending capabilities through alliancing, consulting, and poaching. It was also found that the MNEs integrate internally build and externally acquired capabilities in two phases namely transcending and spanning process. Findings suggest that the transcending phase is when the MNEs foster the absorptive capacities of existing in-house capabilities through forming alliances, consulting or poaching superior resources from more resource-endowed counterparts. In the second and spanning phase, the MNEs practical integrate the externally obtained and existing in-house capabilities through a combination of cross-profiling, interfacing, and on-boarding processes. It is therefore suggested that the simultaneous creation and development of the scalable product, people, and process advantages enable firms to engage in multinational operations.

Consequently, the present study makes three important contributions to the EM MNEs' capabilities development as well as the general IB literature. First, it identifies three advantages that serve as the pillars upon which the growth and expansion of EM MNEs, particularly African MNEs are anchored, namely, scalable product, scalable process, and scalable people advantages. These advantages fill an important gap in the explanation of the emergence and origin of EM MNEs'. Collectively, these advantages describe the capabilities that the MNEs possess prior to engaging in external resource acquisition activities and which fundamentally support and sustain the emergence of the MNEs. The study therefore complements previous studies on EM MNEs which have suggested that EM MNEs obtain resources through the formation of alliance relationships with more established firms (e.g., Mathews, 2006; Luo & Tung, 2006) which though have provided great insight into the mechanisms through EM MNEs obtain strategic or proprietary resources have been generally criticized for failure to explain the capabilities that the EM MNEs possess prior to undertaking the resource-seeking or strategic assets seeking FDI activities (e.g., Li, 2007; Dunning, 2006). In the same vein, these dimensions also provide the missing link in Dunning's (1995, 2001) classification of firm's O advantages into static and dynamic O advantages by explaining that EM MNEs build scalable advantages prior to undertaking strategic assets seeking

FDI and subsequently obtaining dynamic O advantages. Also, it is observed that the scalable advantages enable the EM MNEs to absorb the acquired dynamic O advantages into the firms' mainstream resources thereby enhancing the firms' ability to engage in future foreign expansion operations.

Second, the study identifies three dimensions, namely skilling, transcending and consolidating activities that describe the processes through which African EM MNEs develop their capabilities. These dimensions fill particularly important gap in the EM MNEs' capabilities development literature. Among other things, the concepts of skilling, transcending and consolidating collectively explain the specific steps that African MNEs take in developing their capabilities to the point of being able to undertake cross border value creation activities. More importantly, the interaction of these concepts explains how EM MNEs practically develops capabilities through a combination of internal assets exploitation and external resources explorations. Consequently, this study complements existing studies; particularly the traditional MNEs theories which though have made great contributions by suggesting that MNEs develop assets from their internal organisational hierarchies – hierarchical capitalism (e.g., Hymer, 1960, 1976; Dunning, 1977; Dunning, 2001), have been criticized for their inadequacy in explaining the definite actions through MNEs, particularly EM MNEs build such assets (Buckley & Casson, 1976). Subsequent studies suggest that EM MNEs create capabilities through the combination of resources obtained from alliances – alliance capitalism (Dunning, 1995, 2001; Mathews, 2006; Luo & Tung, 2006) and those developed internally (e.g., Buckley et al., 2016; Klein & Wocke, 2007). The present study therefore explains how EM MNEs develop the internally built assets.

Third, the study identifies two main complementary dimensions namely transcending and spanning which explain the process through which EM MNEs integrate externally acquired and internally built resources. The concepts fill an especially important gap in the EM MNEs' capabilities literature. They collectively offer explanation about the specific steps through which the EM MNEs integrate externally acquired resources, including knowledge-oriented assets obtained through strategic alliances and/or physical assets obtained through M&As and internally developed capabilities.

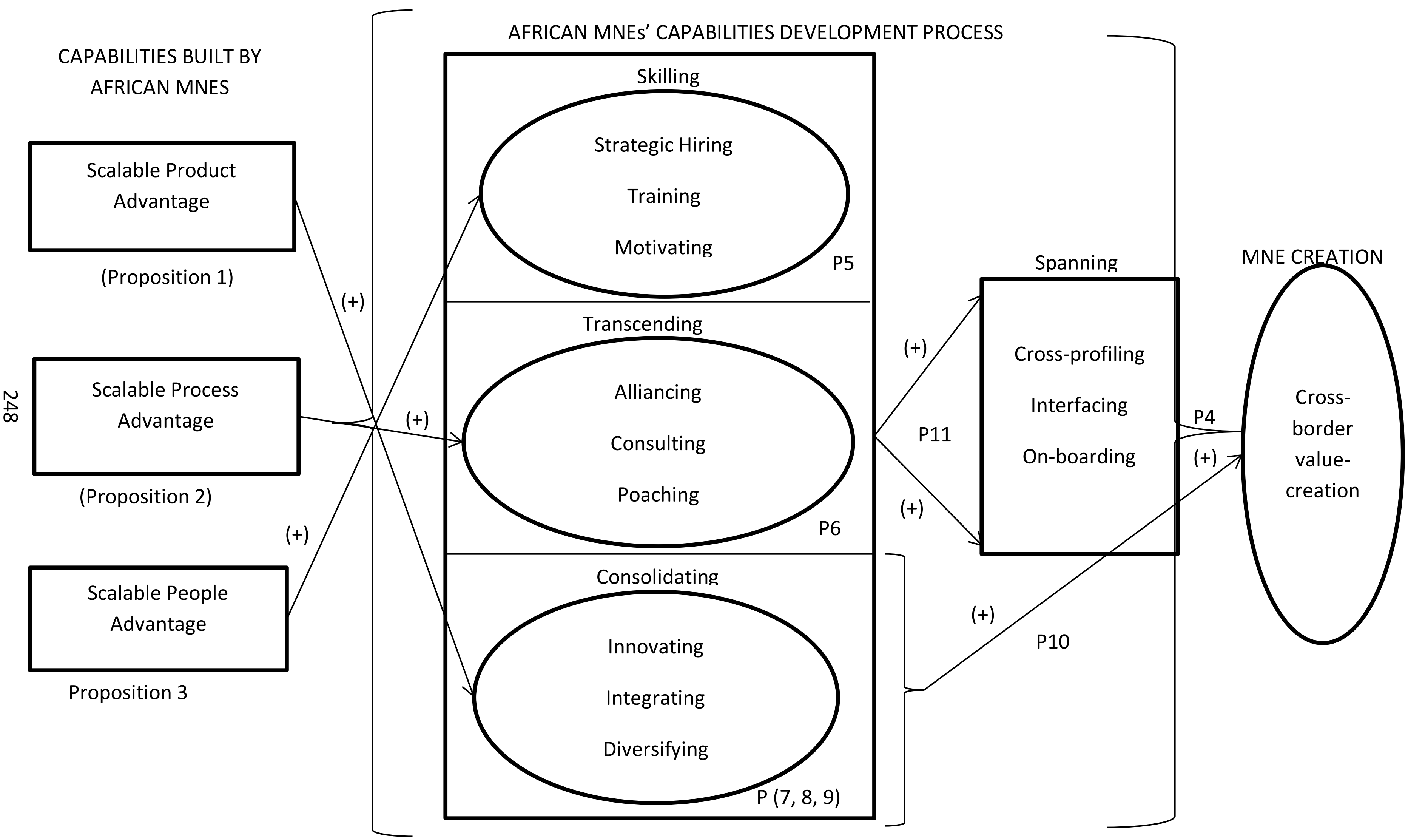

Figure 10.1: The Conceptual Framework of African MNEs' Capability Building

This finding complements studies that have found that EM MNEs obtained resources from internal and external sources, the latter including strategic alliances and M&As (Mathews, 2006; Dunning, 1995, 2001; Buckley et al., 2016) but have largely been criticized for their failure to explain how the firms integrate the external and internal resources, especially given the fundamental differences in their backgrounds (Wright et al., 2005).

Also, in addition to the contributions to the EM MNEs and general IB literature identified above, the present study has the potential to contribute to diversification literature as a corporate growth strategy within the strategic management literature. The study identifies three dimensions of diversification, including product, structural and strategic geographic diversification strategies which the MNEs engaged while developing their capabilities. While the product diversification strategy has been identified in previous studies as a corporate growth strategy, the structural and strategic geographic strategies have not been formally articulated in previous studies. There are therefore both seen as major contributions to the diversification literature. Furthermore, for each of the contributions above, corresponding propositions was developed to explain the relationship between the specific dimension and the MNEs capabilities development.

10.3 Future Research Implications

The present study raises important questions for future research on African MNEs' capabilities development. First, the fundamental insight from the present study is that African MNEs build capabilities by taken advantage of the opportunities offered by the poor state of development of key sectors across the region. Most of the firms investigated were in one way or the other the pioneers of the developments within their respective sectors across the continent. Although, the African region still lags behind the Western and some emerging market economies in terms of the development of key sectors of the economy, there is evidence that the region is also following and, in some cases, catching up with other contexts. It is very unlikely that future firms will still grow by providing solutions that no other firm is providing. Therefore, it will be interesting for future studies to investigate whether and how African firms develop scalable advantages, especially in sectors where there are already established incumbents. Second, another interesting question concerns how firms develop scalable advantages in an age of increasing nationalism. One of the important findings of the present study is that the investigated firms provided solutions to problems that most African countries shared hence they were able to establish cross border value creation activities in multiple markets.

However, there has been a general emphasis on home-grown solutions to problems around the world, including in Africa. For instance, in South Africa, there has been increasing reports of xenophobic attacks on foreigners and foreign owned businesses, especially businesses that are owned by citizens from other African countries. In the same vein, there have also been reports of border closures against goods and services from other countries within the African region. For instance, Nigeria has closed their borders to many West African countries thereby making it difficult for businesses to export products, say from Ghana to Nigeria (Tralac, 2019). These attacks clearly show the increasing support for nationalism and protectionism and a general unfavourable attitude towards globalisation (Evenett, 2019). Previous studies (e.g., Buckley & Casson, 1976; Dunning, 1977) suggest that given such structural market failures that are caused by government interventions, firms may undertake FDI by internalising intermediate product markets across borders instead of engaging market mechanisms. This strategy has been generally associated with advanced markets MNEs which are generally known to possess proprietary and strategic advantages to overcome the liabilities of foreignness (Hymer, 1960, 1976) thereby competing favourably against the domestic players. However, given that African firms lack proprietary resources and generally take advantage of the large regional market to develop scalable advantages, an interesting area of research will be to investigate how African firms develop scalable advantages in the era of nationalism and protectionism.

Third, the present study focused mainly on how African MNEs develop capabilities. The finding that the firms build scalable advantages by providing solutions to regionally oriented problems presupposes that the firms establish cross border value creation activities in order to serve the host markets with the same solutions that they have developed at home. This assumes that the regional markets share enough common features to warrant being served with similar products. However, it is beyond the scope of the present study to examine the mechanisms through which the MNEs deploy their scalable advantages across national borders to undertake cross-border production and distribution in host markets. Hence, the question of the internationalization of the scalable advantages, including the entry mode and location decisions of the African MNEs will be an interesting area of focus for future studies. Extant theories suggest that MNEs possess firm-specific advantages which they develop through the organisational hierarchies and internationalize to exploit the advantages (Hymer, 1960, 1976; Vernon, 1966; Dunning, 1977). These scholars further suggest that the MNEs draw strength from the superior assets to overcome likely challenges that may arise from the domestic host market environment. It will also be interesting to investigate how African MNEs deal with the issue of liabilities of foreignness during internationalization through the deployment of their scalable advantages.

Fourth, another pertinent question for future studies is the strategic response of the African MNEs to multiple institutional environments. The observed increasing global trend towards nationalism and protectionism is influencing emphasis towards regional economic integration. This has in turn resulted in the increasing global establishment and recourse to regional or continental trade agreements (RTA) as a platform for fostering cross-border business operations for member country firms (Aggarwal, 2008).This focus on regional markets or regionalism (Rugman & Verbeke, 2004) has been identified as one of the major characteristics of the internationalization behaviours of African MNEs, a phenomenon that has been referred to as Africa-to-Africa internationalization (Boso et al., 2016). One implication of the increasing recourse to RTAs is that is has increased the significance of regional or continental institutions as well as supranational institutions which are usually established to oversee the relationship between member countries and between the economic bloc and other regions, including the control of the sources and flow of goods and resources within the bloc. Therefore, firms are now faced with the responsibility of dealing with policies and regulations from multiple institutional environments, including host and host country institutions, regional and/or continental institutions as well as supranational institutions. Previous studies (e.g., Cantwell et al., 2010) found that MNEs activities influence and are influenced by multiple institutional forces from the host and home countries, regional and supranational institutions. However, it remains largely unexplored how EM MNEs strategically respond to the co-existence of multiple institutional environments. More so, it will be interesting to investigate how African MNEs strategically respond to these multiple institutional environments while internationalizing their scalable advantages.

10.4 Policy Implications

The African region is on the spotlight as the next great investment market (Chironga et al., 2011). Most recently, the region has generally shown positive investment outlook both for inward and outward FDI activities. On the one hand, reports suggest an increasing trend of inward FDI flows into Africa. This is particularly noteworthy given that it is happening at a time when other regions are experiencing declining investment flows (UNCTAD, 2019). On the other hand, there is also strong evidence of increasing outward FDI contributions from Africa (UNCTAD, 2015) with an average regional GDP of about 3% to 4% for 2016 and 2017 (Boso et al., 2018). AFDB (2019) predicts that the GDP of Africa will rise to $29 trillion by 2050. This prediction has been predicated on a projected investment-generation effect of both the establishment of the African Continental Free Trade Area (AfCFTA) agreement by the African Union (AFDB, 2020) and the expectation of very high population growth within the African region which has been predicted by the UN Population Division (UN Population Division, 2020). In the light of the foregoing, the present study has several important policy implications for decision making at the national, regional, and continental levels.

At the national level, the study will influence policy thinking in ways that would support the development of scalable advantages within the domestic economies thereby enhance the competitiveness of the individual nations. First, the present study will guide leaders to channel government support initiatives to sectors with requisite market potential to help local players to develop necessary scale for formidable domestic contributions and ultimately engage in multinational operations. One of the cardinal challenges of governments, particularly within Africa, has been how to appropriately distribute support programmes to stimulate domestic economic activities to create sustainable employment opportunities for the unemployed, among other important reasons. Traditionally, governments have tended to resort to rolling out blanket stimulus packages to all sectors of the economy. However, these initiatives have not been successful, hence the persistence of high unemployment rates across the African region. The present study will guide policy makers at the national level to identify strategic sectors of the economy where such support could be directed to achieve the desired outcome. The findings suggest that policy makers should prioritize firms whose stock in trade offer high potential for the development of transnationally relevant products or solutions. For instance, given the establishment of the AfCFTA agreement and the consequent need to boost competitiveness of member states by supporting domestic private enterprises, the present study suggests that leaders should emphasize supporting firms that are focused on the provision of solutions which are not only relevant within the home country but also have high market potentials across borders, especially within Africa. It is argued that supporting these category of firms will enhance the achievement of government's goal of energizing the domestic economy and ultimately result in the creation of future multinational enterprises that are capable of generating more sustainable employments both in the home and host markets.

Second, related to the issue of which sector to emphasize in the implementation of government support initiatives addressed above, is the question, 'what specific firms should the government support?' The present study will provide policy makers with the necessary frameworks for determining and selecting firms with relevant structures to underpin desired sustainable growth. There is an increasing global emphasis on building viable entrepreneurial activities within the economy as a tool to enhance job creation, reduce unemployment and subsequently expand the sources of revenue to the government, among other things. Accordingly, most African governments are increasingly introducing initiatives such as entrepreneurial support programmes or grants, to support small business owners as well as encourage prospective entrepreneurs to establish and run businesses (NEDEP, 2014). However, most of these government programmes and policies have failed to yield the desired results (Tralac, 2019). This study found that one of the key capabilities that underpin the growth and expansion of the investigated MNEs was their management structure and/or embrace of standard corporate governance principles. The present study therefore suggests that governments should prioritize businesses or prospective businesses that are run or being promoted by a group of people with complementary skills, while considering proposals for government support initiatives. It is argued that firms which are owned and controlled by a team or business proposals that are being promoted by a team are more likely to generate desired scalable people advantages to support growth and expansion needed to make reasonable contribution to the domestic private sector, support government's job creation goals and ultimately enhance the competitiveness of the country.

Third, the present study will also enable leaders at the national level to facilitate the development of strong domestic businesses by making policies that would foster resource sharing or knowledge transfer relationships within the domestic environment. This could be relationship between domestic players only or, more importantly, between domestic firms and foreign firms. It has been noted that one of the distinguishing characteristics of African firms, compared to other emerging markets firms and Western firms, is their relative deficiency, particularly in terms of ownership of strategic resources, including the managerial expertise and knowledge of how to manage and control large and multi-plant business operations (Ibeh et al., 2018). The present study found that in addition to the capabilities which the investigated firms develop internally, they obtain strategic capabilities from more resource-endowed firms, especially those that have foreign affiliations. However, it has been observed that emerging market firms, including African firms, find it more difficult to establish necessary knowledge sharing relationships with more established firms due to lack or inadequacy of institutional IP protection mechanisms within the African context, a phenomenon that has been referred to as institutional void (Khanna & Palepu, 1997, 2010). Previous studies have found institutional void to be both a major inhibitor of inward flow of FDI, particularly from Western economies, as well as a springboard for outward FDI activities to more advanced environments (Luo & Tung, 2006). The present study therefore suggests that government leaders can enhance domestic firms' access to necessary strategic knowledge by introducing policies that support IP protection in order to not only encourage the inward flow of FDI, but also consciously support the establishment of necessary business relationships to foster knowledge sharing or transfer thereby create a platform for the development of scalable process advantages by the domestic players.

At the regional level, the study has implication for regional and supranational institutions' policy making. First, the present study revealed that the MNEs developed solutions to problems that other countries within the region were also facing at the time and the process of reaching out to meet the needs existing across borders is at the core of the cross-border value creation activities of the firms. This finding reveals, among other things, the importance of access to other regional markets to the capabilities development activities of the firms. It therefore means that at the regional level, regional institutions such as African Development Bank (AFDB) and African Import and Export (Afriexim) Bank should make and enforce trade facilitating policies that support free movement of personnel, good and services in order to enable firms to pursue and take advantage of business opportunities across regional markets. This study suggest that the establishment of African Continental Free Trade Area (AfCFTA) agreement, which seeks to turn the African region into a single market, is very timely and a step in the right direction as it has the potential of unleashing the potential of most African firms that have developed scalable product, people and process advantages but lack access into certain African markets due to structural market failures within the region. It is therefore suggested that the promoters and relevant institutions charged with the responsibility of implementing the signed agreements should ensure that they put the right policies such as safeguards against dumping, home-country subsidies and other policies relating to country of origin duties among other important actions in order to forestall unlawful practices that are capable of breaching the trust among member countries and in turn, affect the foundations of the sustainability of the AfCTA agreement.

This also implies that the regional institutions should consciously try to guide against actions from member states that threatens the free flow of goods and services such as the border closure by the Nigerian government against imports from neighbouring West African countries which has ongoing for over four months now and the incessant and recurring xenophobic attacks on foreign owned businesses by the citizens of South Africa. Regional institutions such as ECOWAS and COMESA should guide against these kinds of behaviour as they have the potential to inhibit the capabilities development of promising SMEs within the regions. Second, apart from the policy implementation roles, the regional and supranational institutions are also increasingly involved in supporting promising local businesses to undertake in international operations. The findings of the present study suggest that such supports should be given to only firms that are being run by the right mix of talents and well-structured for growth with the right corporate governance practices in place. It is also suggested that such supports should be given to firms that provide solutions to problems that have transnational relevance as such firms are more likely to develop capabilities for MNEs operations.

10.5 Managerial Implications

This study also has several implications for managers of the MNEs as well as for managers of promising SMEs. First, the present study suggests that the investigated firms developed scalable product advantages by focusing on business segments that had transnational relevance. This finding therefore implies that promising SMEs that want to grow and establish cross-border operations will have to consciously identify and focus on the satisfaction of needs and by extension, the provision of products that have market potentials beyond the home market, especially within the African regional markets. This will entail consciously investing in market intelligence gathering activities such as market research, which will provide the SMEs' management with up to date information about the demand and supply situations in relevant sectors around the regional markets. This will not only enable the SMEs to develop and provide want-satisfying offerings but will also help the SMEs' management in planning and implement the cross-border operations, including making mode of entry as well as location decisions. Furthermore, the present study identifies the mechanism through which the MNEs consolidated their market positions through continuous innovation activities, and engagement in corporate growth strategies such integration and diversification activities. This study therefore has implication for how SMEs can grow and subsequently expand through engagement in different consolidation strategies, including innovation, integration, and diversification.

In the same vein, the study also has implication for the existing MNEs' management such as the management of investigated firms. The study will among other things help the firms that already have cross-border operations to sustain their growth performance by not only focusing on business segments whose products enjoy transnational appeal but also ensuring that the solutions they are providing continuously get updated in line with the changes in customers' tastes and preferences thereby remaining relevant in the market. This often will entail conscious engagement and investment in innovation creation activities that will enable the firm to maintain their market positions by consciously providing better solutions than the competition at every point in time. Second, the findings will also enable the managers to develop their scalable people advantages. For the SMEs, the findings imply that the SMEs that want to transit into MNEs should, in addition to focusing on the provision of transnational offerings, build a team of people with complementary skills which will be the core of the firm management and decision making. This will not only enhance the ability of the firm to effectively manage internal operations but also enhance the credibility of the firm's management to external prospective stakeholders such as investors, including banks, government regulators and even customers. This implies that instead of the owner-manager syndrome where the founder of SMEs want to be and do everything, they should consciously engage other people who possess complementary skills, that is, people who can do what the owner manager cannot do as partners, co-founders and/or co-owners in order to build a solid team upon which the higher growth and cross-border expansion of the firm will rest.

Furthermore, the present study shows how the MNEs developed and maintained the scale of their people advantages through the employment of different skilling strategies, including strategic hiring, training, and motivation activities. This finding has implication for the SMEs' future capacity development efforts to power as well as ensure the sustenance of their desired level of growth and expansion. In the same vein, the study has implication for existing MNEs. It suggests for the MNEs to sustain their growth trajectories, there is need for them to maintain strong corporate governance standards and a healthy balance of talents to continue to enhance the growth potentials of the firms. This will entail consciously maintaining high standards in the appointment of directors and management team, including the appointment of multinational directors (Areneke & Kimani, 2019). Third, the study highlights the relevance of establishing a system of dividing the operations of the firm into interrelated sub-activities and having designated people man the different activities. Therefore, this finding will enable, particularly SMEs' managers to understand how to create organisational processes that allow the division of labour thereby enhancing the productivity and efficiency of all personnel. The establishment of distinct organisational processes will not only enhance the span of control of respective managers but also enhance the possibility of control and monitoring of relevant operations without necessarily having to be physically present at the point of implementation.

Also, the establishment of processes sends very strong message of longevity of the SMEs to interested external prospective stakeholders, particularly investors; by showing that survival of the firm does not depend on any particular personnel but on a well-developed system of internal organisational relationships. Furthermore, the study also shows how the managerial and organisational capabilities are developed by learning directly or indirectly from more established firms through transcending strategies including alliancing, consulting, and poaching. This finding has implications for SMEs' managers by unveiling to them the practical ways through which such transcendent capabilities can be obtained, especially by showing how the SMEs can gain access to such knowledge through consulting or poaching without necessarily establishing formal knowledge transfer agreements with the knowledge source. In the same vein, this finding has implication for the existing MNEs by showing not only the relevance of obtaining strategic managerial and organisational knowledge from more established firms but also highlighting the need to institutionalized such knowledge (Buckley & Casson, 1976) through engagement in a system of training new employees using knowledgeable existing staff as well as engagement in further knowledge acquisition activities such as horizontal integration activities.

10.6 Limitations

The study described above has some limitations. The study was focused on African MNEs and within the African business context. This focus and contextual background have implications for the generalizability of the study. First, the African context is generally characterised by underdevelopment of key sectors of most African countries compared to Western economies. The state of development, particularly the level of industrialization of the African region, creates huge business opportunities for firms, especially considering the market potential of the region. The foregoing picture of the African context universally applies to the so-called emerging markets, particularly the Middle East, Latin America, Eastern Europe, and Asia. These common attributes imply that firms from other emerging markets may also develop capabilities following the same processes found in the present study. However, there is evidence that the different emerging economies also have some marked differences, especially in terms of the level of institutional development, among other things (Hoskisson et al., 2000), which make them unique settings for analysis (Boso et al., 2018). Therefore, although it is very unlikely that the capabilities development process of African firms will be markedly different from their counterparts from the other emerging markets, the generalizability of the theories presented here would be subject to further tests. Second, African MNEs which are the focused of this study are generally known be deficient in resource endowment, especially compared to their Western counterparts. This resource deficiency characteristic has been found to be a common attribute of emerging market firms. This implies that the theory presented here, particularly the fact that African MNEs combine internal and external resources might apply to firms from other emerging market countries.

However, it has been observed that African MNEs are different from their counterparts from other emerging markets, notably China, in terms of their ownership structure, particularly with regards to the level of government involvement and support. It is therefore likely that the emerging markets firms which enjoy more government support may have a different capabilities development experience compared to those that do not. For instance, the findings reveal that it may be easier for firms which enjoy government support or which is partly owned by the government to establish alliance relationships with more resource-endowed than firms which are completely privately owned and without any form of direct government support. The foregoing scenario will limit the generalizability of the findings of the present study. The validity or otherwise of this assertion therefore remains to be tested. Third, it is also possible that the dynamics in the fundamental characteristics of firms from different emerging markets might also lead to the discovery of different firm-specific advantages, particularly the institutional-related advantages which Dunning (1988) referred to as institutional O advantages (Oi). For instance, there may be other forms of capabilities developed to qualify for government support or to maintain such relationships with the government. However, given that African MNEs generally do not receive FDI-directed support, the contemplation of the existence of such capabilities is outside the boundaries of the present study and not support by the available data. It is however noteworthy that despite the above limitations, the findings of the present study have implications for future research, policy making and managerial decisions and practices.

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