

https://dspace.org/

Critical success factors determining the effective expansion of South African financial services firms into sub-Sahara Africa

Munzara, Finhai

2018
https://hdl.handle.net/10539/30665

Downloaded from a DSpace repository. https://dspace.org/

Critical success factors determining the effective expansion of South African financial services firms into sub-Sahara Africa

A research proposal submitted to the Faculty of Commerce Law and Management in partial fulfilment of the requirements for the degree of Master in Business Administration (MBA) at the University of the Witwatersrand

Finhai Munzara

Student number: 1405229

***Tel: +27 (0)72 626 3189* | Email: finhai.munzara@gmail.com**

Supervisor: Douglas Taylor

February 2018

ABSTRACT

For over a decade, sub-Sahara Africa (ex. SA) has been identified as a region of rapid economic growth potential. Recognising this, several South African companies have attempted to take advantage of the opportunities on the rest of the continent but have returned mixed results.

Focusing on financial services, this research aimed to identify common themes and success factors that influence an effective expansion strategy into the rest of the continent.

Research data was gathered through a qualitive approach. Using a semi-structured, open-ended questionnaire, nine senior executives and business leaders of prominent firms were interviewed.

Several key findings from the research were noted. Firstly, while the literature suggested that companies ought to adapt their business models and customise products, this was not conclusively supported by the data in the case of financial services, where standardisation has its merits. Second, though most participants agreed that partnerships where important, there were notable differences in the approach to partnerships. Third, instead of diversifying as much as possible regionally, most respondents supported expanding only into key and relevant markets. Lastly, most participants agreed that to win on the continent firms should focus on rolling out their firm specific advantages and developing economies of scale, which cannot be easily replicated by the local competition.

Various key messages emerged from the study. As a starting point, executives should be clear about their goal on the continent. They should seek to establish partnerships with allies that share one's goal and ensure that the partnerships are appropriately designed to align interests. The temptation to spread resources in the quest to be in as many geographies as possible should be avoided. Recognition should be given that local competitors are often formidable rivals, so focus on core competencies and avoid too much adaptation and trying to be everything to all. Finally, firms should be patient and take a long-term investment horizon.

DECLARATION

I, Finhai Hilary Munzara, declare that this research proposal is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA) at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Finhai Hilary Munzara

Signed at …….....

On the …….. day of …… 2018

DEDICATION

I would like to dedicate this research paper to my wife Thandiwe Moyana-Munzara and our first-born son, Asante Anashe Munzara. Thank you for providing me with a reason to keep striving and for the loving words of encouragement. Your support throughout the MBA programme will forever be cherished.

I would also like to dedicate this research to the rest my family. I thank you for your understanding and for forgiving me for all the missed Saturday family gatherings. Thank you for your patience.

ACKNOWLEDGEMENTS

Firstly, I would like to thank my supervisor Douglas (Doug) Taylor for the invaluable guidance that has enabled me to complete my research. It has been a long road but the feedback that Doug provided assisted me greatly and is highly appreciated.

I would also like to acknowledge Professor Anthony Stacey for the knowledge he passed on in terms of research methods and conducting a robust study, as well as for the support during the research process. I thank Prof. Stacey for his patience and flexibility.

Further, I would like to acknowledge that this study was guided by the University of the Witwatersrand research template, whose style was the basis of the structure of the research. I also acknowledge Nyika (2013) and Cosani (2011) for further inspiration for the research style, which undoubtedly contributed to the research report structure that was ultimately implemented in this paper.

Last but certainly not least, I would like to acknowledge the respondents in this study. Their participation provided me with some valuable insights and without it, completion of this research would not have been possible.

TABLE OF CONTENTS

ABSTRACT ii

DEDICATION IV
ACKNOWLEDGEMENTS V
ABBREVIATIONS IX

CHAPTER 1. INTRODUCTION 1

1.1 PURPOSE OF THE STUDY 1
1.2 CONTEXT OF THE STUDY 1
1.3 PROBLEM STATEMENT 3
1.4 SIGNIFICANCE OF THE STUDY 3
1.5 DELIMITATIONS OF THE STUDY 4
1.6 DEFINITION OF TERMS 5
1.7 ASSUMPTIONS 6

CHAPTER 2. LITERATURE REVIEW 7

2.1 INTRODUCTION 7
2.2 MULTI-NATIONAL EXPANSION STRATEGIES 8
2.3 EXPANSION INTO SUB-SAHARA AFRICA MARKETS 21
2.4 SUB-SAHARA AFRICA FINANCIAL SERVICES ENVIRONMENT 25
2.5 CONCLUSION OF LITERATURE REVIEW 29

CHAPTER 3. RESEARCH METHODOLOGY 32

3.1 RESEARCH METHODOLOGY / PARADIGM 32
3.2 RESEARCH DESIGN 35
3.3 POPULATION AND SAMPLE 36
3.4 THE RESEARCH INSTRUMENT 38
3.5 PROCEDURE FOR DATA COLLECTION 39
3.6 RESEARCH PARTICIPANTS AND SCHEDULE OF INTERVIEW 40

3.7 DATA ANALYSIS AND INTERPRETATION 42
3.8 LIMITATIONS OF THE STUDY 45
3.9 VALIDITY AND RELIABILITY 46

CHAPTER 4. PRESENTATION OF RESULTS 48

4.1 INTRODUCTION 48
4.2 RESULTS OF PROPOSITION 1: ADAPT THE BUSINESS MODEL AND CUSTOMISE PRODUCTS TO ENSURE OFFERING THAT FITS THE LOCAL CONTEXT AND IS DRIVEN BY THE CUSTOMERS' NEEDS 48
4.3 RESULT OF PROPOSITION 2: PARTNER WITH LOCALS AND EMPOWER LOCAL MANAGEMENT WITH DECISION MAKING RIGHTS TO PROMOTE CULTURAL FIT, WHILST MAINTAINING A CENTRALISED RESORTING SYSTEM TO ENHANCE GOVERNANCE AND CONTROL RISK 50
4.4 RESULTS OF PROPOSITION 3: DIVERSIFY THE BUSINESS BY FORMING A PORTFOLIO OF BUSINESSES AS MANY MARKETS AS POSSIBLE 53
4.5 RESULTS OF PROPOSITION 4: FOCUS ON CORE FIRM SPECIFIC ADVANTAGES AND ECONOMIES OF SCALE THAT CANNOT BE EASILY REPLICATED BY LOCAL COMPETITION 55
4.6 SUMMARY OF THE RESULTS 57

CHAPTER 5. DISCUSSION OF THE RESULTS 59

5.1 INTRODUCTION 59
5.2 PROFILE OF PARTICIPANTS 59
5.3 DISCUSSION OF RESULTS OF PROPOSITION 1 60
5.4 DISCUSSION OF RESULTS FOR PROPOSITION 2 64
5.5 DISCUSSION OF RESULTS OF PROPOSITION 3 74
5.6 DISCUSSION OF RESULTS OF PROPOSITION 4 78
5.7 CONCLUSION 81

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS 83

6.1 INTRODUCTION 83
6.2 CONCLUSIONS OF THE STUDY 83
6.3 RECOMMENDATIONS 85
6.4 SUGGESTIONS FOR FURTHER RESEARCH 90

6.5 ETHICAL CONSIDERATIONS 91

REFERENCES 92

APPENDIX A: LETTER TO PARTICIPANTS 98

APPENDIX B: RESEARCH INSTRUMENT 99

ABBREVIATIONS

AfDB	African Development Bank
BRICS	Brazil, Russia, India, China Chief
CEO	Executive Officer
E&Y	Ernst & Young
EMM	Emerging Multinationals
FDI	Foreign Direct Investment
FI	Financial Institution
JSE	Johannesburg Stock Exchange
IMF	International Monetary Fund
GDP	Gross Domestic Product
MNC	Multinational Company/(ies)
MNE	Multinational Entity/(ies)
PwC	PriceWaterhouseCoopers
SA	South Africa
SSA	Sub-Sahara Africa
Telco	Telecommunications company/(ies)
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organisation

CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to identify the common themes and determine the critical success factors that influence the effective implementation of an expansion strategy into the rest of sub-Sahara Africa by South African banking and insurance firms. After a review of available literature, the study established these factors through conducting face to face interviews with business leaders of financial services firms that have expanded outside of South Africa's borders into the rest of the continent.

1.2 Context of the study

Africa in general and sub-Sahara Africa (excluding South Africa) in particular, has been identified as a region of rapid economic growth potential. Described by many, including Marrow (2014) as "the last frontier" the global storyline, as also noted by others, has shifted from Africa being a "hopeless continent" (Economist, 2000) to a region of great promise as encapsulated by the "Africa rising" (Economist, 2011) cover story.

Globally, companies are encouraged to take advantage of the growth prospects in Africa, pointing to an improved investment climate. Poised to benefit from the "demographic dividend" (Bloom, Canning & Sevilla, 2003), Africa is benefitting from a growing young population, rising middle class and rapid urbanisation (Bloom, Canning & Sevilla, 2003).

For the past decade, economic growth in sub-Sahara Africa has averaged over 5%, according to the International Monetary Fund, compared to expected global growth of 3.4%

in 2016 (including China's 6.6% growth rate). Although it is acknowledged that growth has slowed in sub-Sahara Africa, largely due to weak global commodity prices (Richardson, 2016), the "Africa rising" narrative remains compelling. With South African economic growth "near-standstill in 2016 and recovering to almost 1 percent in 2017, insufficient to keep pace with population growth" (IMF), expansion into the rest of the continent, remains topical amongst South African corporates, including those in the banking and insurance industries. This is supported by Chironga et al (2018) who note that the global banking industry has faced sluggish returns while "Africa's banking sector provides a refreshing contrast", with growth averaging nearly twice the global average (p.6).

The results of previous growth forays across sub-Sahara Africa have been mixed. Relative success stories in the South Africa banking and insurance sectors include Standard Bank Group, one of the county's largest banks with operations in 20 counties in Africa (including South Africa), as well as insurance firm Sanlam, which has successfully implementing a growth strategy into 11 sub-Sahara Africa countries (Camarate, Hoijtink & Puttergill, 2015). On the other hand, British bank, Barclays Plc, which had substantial presence in South Africa through the acquisition of ABSA, announced its intention to exit Africa in 2015 (Clayton, Christensen, Ojomo, & Van Bever, 2017), citing insufficient risk adjusted returns. Between 2016 and December 2017, Barclays Plc. subsequently reduced their shareholding in Barclays Africa Group (ABSA) from 62.3% to 14.9%, according to the company's website.

The research reviewed several studies on the factors that determine the success of multinational companies that expand globally, as well as across emerging markets. Various academic journals on companies who have expanded into sub-Sahara Africa were studied and the key themes and success determinants noted.

Although the opportunities in the rest of Africa are well documented, as well as the mixed

results, it is not explicitly clear what the specific determinants of the varied outcomes are. As noted by Camarate et al (2015), companies often “destroy value instead of benefiting from growth opportunities” (p.4). This study aimed to establish what the key success factors are, to deliver an effective sub-Sahara Africa expansion strategy in the banking and insurance industry.

1.3 Problem statement

1.3.1 *Main problem*

The purpose of this study is to determine the critical success factors that influence the delivery of an effective expansion strategy into sub-Sahara Africa by SA financial services firms, and therefore which areas executives should focus their African strategies on.

1.4 Significance of the study

In a commonly referenced report, Roxburgh et al (2010) from the McKinsey Global Institute, predict that four sectors in Africa, consumer, resources, agriculture and infrastructure; “would amount to a US$2.6 trillion business opportunity by 2020” (p.7). These African growth prospects for business have been supported by later reports by the United Nations Economic Commission for Africa that highlighted the “sea of opportunities” in the title of their paper. The rising middle class that would require various products and services, including those offered by financial services providers (Roxburgh et al, 2010).

Wyngaardt (2015) wrote of how South Africa was the ideal launchpad for expansion in Africa. The existing literature however, does little to empirically explain the differences between those South African companies that have expanded across Africa and have

succeeded, to those that have had limited success.

Through a largely qualitative process based on live open-ended interviews with financial services business leaders and managers who conduct business in sub- Sahara Africa (SSA), this study aimed to establish whether there are some common themes that emerge to unearth key success factors that the successful companies have utilised in their expansion strategies. The study looked to establish whether there are lessons that can be drawn from the success stories and ultimately to assess whether these learnings can be replicated by other business leaders in the financial services sector, in the design, implementation and optimisation of their sub-Sahara Africa strategies.

The study therefore, sought to provide guidance to executives and senior management of South African financial institutions, such as banks and insurance companies that have ambitions to expand their businesses into the rest of the continent, as well as those that have already made the foray into frontier Africa but are not currently experiencing the desired outcomes. Multinational financial services firms that may be considering expanding their global operations into Africa, using South Africa as a launchpad into the rest of the continent may also benefit. Regional private equity investment firms that are focused on financial services and who have or are developing a pan African investment theme may find use in the study. Lastly, the study looked to contribute to the academic body of knowledge, not only through presenting respondents' insights but also by suggesting areas of further research.

1.5 Delimitations of the study

The study includes:

- Large South African financial services companies in the banking and insurance

industries that are either listed or are subsidiaries of those listed on the Johannesburg Stock Exchange (JSE);
- Banking and insurance companies that have expanded their operations and/or set up subsidiaries or branches in sub-Sahara Africa.

The study excludes:

- South African companies that have not expanded beyond the Southern Africa region. For example, those that have only established operations in Botswana or Namibia and not further afield were not considered;
- Companies that have not physically established a presence into the rest of sub-Sahara Africa, even if some of their products are offered across sub-Sahara Africa through other arrangements;
- Companies that are not involved in either banking or insurance. Asset managers or private equity funds for example, were excluded from the study except as shareholders in banking and insurance firms.

1.6 Definition of terms

In this study, the following terms are used extensively and bear the associated meaning for the purposes of this report.

“Africa strategy” refers to individual South Africa corporates’ expansion strategies into sub-Sahara Africa, as commonly used in the South African business environment.

“Frontier Africa”, “Rest of Africa”, “Sub-Sahara Africa (SSA)” refers to all African countries other than those in North Africa, as well as South Africa.

“Multinational Corporation (MNC)” refers to companies that have established operations outside of their home markets (Rugman & Verbeke, 2004).

“Emerging market multinationals (EMM)” refers to multinational corporations that originate from developing countries or emerging markets (Aybar & Ficici, 2009)

1.7 Assumptions

In this study, the following assumptions were made:

- It was assumed that respondents will answer questions reliably, therefore producing substantially similar responses on all occasions (Bell, 2014);
- The study assumed that responses made by the selected sample can be generalised to the broader population of South African banking and insurance companies;
- Further, the study assumed that there were no significant differences in management capabilities of companies that have succeeded in expanding across Africa compared to that of the corporates experienced limited success. As the companies that were examined are listed on the Johannesburg Stock Exchange, it may be reasonable to assume that the management of such corporates are substantially as competent as each other. Any differences in performance of various Africa Strategies is not therefore explained by differences in managements’ competence;
- Lastly, the research assumed that the financial services companies studied have an Africa strategy or policy in place.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

The following chapter is a review of existing recent literature on the expansion of multinational and regional companies into sub-Sahara Africa (SSA) in general, as well as the financial services sector in particular. The chapter explored the challenges and opportunities revealed by the available literature, as well as identified the key success factors discussed. The literature review sourced various books, journals, studies and articles, along with other publicly available information, for example from corporate websites and professional bodies, such as the AfDB, IMF, PwC and McKinsey & Company. The purpose of this literature review was to establish the current works around the main problem of this paper that has been identified in Chapter 1. In particular, this chapter explored the available literature to determine the critical success factors that influence the delivery of an effective expansion strategy into sub-Sahara Africa by South African financial services firms.

Firstly, the chapter reviewed literature on multi-national expansion strategies, offering a background of MNCs, common motives that drive their geographical expansion, global strategies employed, both globally and in emerging markets. A summary of key factors that influence the success of MNCs was presented.

The chapter went on to review works on the expansion into sub-Sahara African markets, examining the political, economic and business landscape in SSA, as well as the key success factors for expansion into SSA. Next, the SSA financial services environment was reviewed through the literature, focusing on the banking and insurance landscapes in SSA. Finally, a conclusion of the literature review was presented, along with some key findings

from the literature review.

In this chapter, as will be the case in the rest of the paper, sub-Sahara Africa (SSA) refers to Africa excluding North Africa and South Africa. The SSA grouping may also be referred to in this paper as frontier Africa. Reference in this paper was made to an Africa strategy, which refers to South Africa corporates' expansion strategies into sub-Sahara Africa, as commonly used in the South African business environment.

Multinational corporations (MNC) are companies that have established operations outside of their home markets (Rugman & Verbeke, 2004) and Emerging market multinationals (EMM) refer to multinational corporations that originate from developing countries or emerging markets (Aybar & Ficici, 2009).

2.2 Multi-national expansion strategies

2.2.1 Background to multinational corporations

Post-World War II, economic power became more dispersed (Rugman & Verbeke, 2004). In what Ohmae (1985) described as the "Triad", economic power became more evenly spread between the United States (previously dominant FDI provider), the European Union and Japan (Rugman & Verbeke, 2004). Multinational companies from the triad, dominated most of the industrial innovations and comprised of the three largest markets globally, for distribution of new products (Rugman & Verbeke, 2004). Multinational corporations from these three regions continue to dominate global investment today, although MNCs from emerging economies, such as Brazil, Russia, India and China (BRICs) have intensified (Carmody & Kragelund, 2016). Other notable EMMs originate from South Korea and Indonesia (Klein & Wocke, 2007). South Africa has also joined the fray, transitioning its

economy from “self-sufficiency to globalisation” (p.320), increasing its outbound FDI stock from US$ 15 billion in the 1990s to US$ 32 billion by 2000 (Klein & Wocke, 2007, p.320).

In Africa, as is the case in many other emerging markets, the strategies employed by MNCs were historically hegemonic in nature, where counties were dominated by stronger ruling powers, mostly from the triad (Carmody & Kragelund, 2016). Acknowledging the growing importance of emerging market multinationals, Carmody & Kragelund (2016) suggest that the current period could be witnessing a “hegemonic transition” from the US to China. Further, the pair assert that China is replacing Europe’s trading partner dominance in Africa. Carmody & Kragelund (2016) however note that the approach to investment of Chinese MNCs in Africa is somewhat different. In contrast to previously dominant multinationals originating from the US, Europe and Japan, Chinese firms tend to tailor their investment strategies depending on the context. Chinese MNCs seek to account for the “histories and geographies of the particular countries that they are engaging with to ensure recourse, market and investment access” (Carmody & Kragelund, p. 4). Citing Dunning (2003), this is echoed by Klein & Wocke (2007), who note that Chinese outbound investment differed due to the “role of government in shaping the country's outward investment, the importance of “pull” rather than “push” factors, and the relative unimportance of cost minimization as a driver” (p.321).

2.2.2 Common motives for multinational expansion

According to Contractor, Kundu & Hsu (2003), the general assumption is that expansion into multiple regions is beneficial to firms. Citing Kogut (1985), the writers highlight that through global expansion, firms can “capture economies of scale, or geographic scope” (p.5) and benefit from less “saturated foreign markets” (Contractor et al 2003, Dunning 1993).

Leveraging off the works of previous authors, Contractor et al (2003) highlight that the advantages of expansion into other jurisdictions accrue to firms by spreading the centralised overheads, such as research and development (R&D) costs, across numerous countries and therefore sharing the burden; by accessing cheaper resources compared to the home country, for example cheaper labour; by achieving better learnings through "international experience" (p.6); by leveraging global perspective to better identify rivals and profit opportunities; and finally, by exploiting "better cross-subsidisation, price discrimination, and arbitrage potential" (p.6).

Building on the work of Dunning (2003), Franco, Rentocchini & Marzetti (2008) put forward four broad aims that could motivate international firms to invest in other jurisdictions. The authors call these categories resource seeking; market seeking; efficiency seeking; and strategic asset seeking behaviours (Rentocchini et al). In the resource seeking category, MNCs expand to acquire or secure resources that they may not have access to in their home market. Market seeking motives involve an MNC looking to exploit an additional market, which may offer additional scale. Efficiency seeking aims to take advantage of differentiated costs of input factors and/ or economies of scale. Finally, in the strategic asset seeking category, "the purpose of the investment is to acquire and complement a new technological base rather that exploiting the existing assets" (Rentocchini et al, p. 9).

To understand motives and comparative advantages of multinational banking institutions, Grubel (2014) points out that multinational banks, at relatively low marginal cost, can roll out management, marketing and business expertise that has been developed in their home markets into additional geographies (p.351). Supporting the assertions of previously mentioned authors, expanding abroad therefore can be beneficial from an economies of scale perspective. In addition, multinational banking institutions may expand into other geographies to better service their domestic multinational companies, whom themselves have expanded abroad (Grubel, 2014). According to the authors, this phenomenon also

explains “the relative dominance of US and British multinational banks” (Grubel, 2014, p.353), given the dominance of US and British industrial companies that have expanded internationally.

The table that follows presents a summary of some of the identified common themes that motivate corporations to expand into different jurisdictions.

Table 1: Motives for multinational expansion outside of their home market

Benefit	Example	Authors
Economies of scale; or Efficiency seeking	R&D costs spread across more geographies	Contractor et al (2003) Rentocchini et al (2008) Grubel (2014)
Arbitrage; or Efficiency seeking	Take advantage of differentiated costs of input factors, such as accessing cheaper labourmarkets	Rentocchini et al (2008)
Improved learnings for the organisation	Where appropriate multinationals can build on experiences in one region to inform strategies in another, benefiting from a global perspective	Contractor et al (2003) Grubel (2014)
Market seeking	Access to additional markets for the firm's products	Rentocchini et al (2008)
Resource seeking	Secure resources that may be inaccessible the home market, for example oil in the gulf states	Rentocchini et al (2008)
Strategic asset seeking	Acquiring new technologies	Rentocchini et al (2008)

Source: Researcher summary, 2017

2.2.3 Multinational corporation's global strategies

In the last few decades, multinationals have focused on forming a global strategy to take advantage of arbitrage opportunities across difference regions, as well as synergies that may exist within the firm's activities (Franklin 2010, Ghemawat 2005). A successful international business strategy, involves "effectively and efficiently matching a multinational's internal strengths with the opportunities and challenges found across national borders" (Verbeke, 2013, p. 4).

Ghoshal (1987) offers three broad goals that multinationals must aim to achieve to develop a competitive advantage. Firstly, a firm must seek to be efficient in the activities in which it is currently involved in. Second, it must aim to manage the risks involved in the activities that it currently carries out, and finally, the multinationals must become a "learning organisation" (Easterby-Smith, 1990, p.24), developing "internal learning capabilities to be able to innovate and adapt" (Ghoshal, 1987, p. 427).

Ghoshal (1987) goes on to offer guidance on how to achieve these benefits through three sets of strategies. One is to exploit country differences in input and output markets (arbitrage). The second is to seek the benefit of economies of scale. The third is to "exploit synergies or economies of scope" (p.427).

These are presented along with some examples in Ghoshal's (1987) global strategy framework, which is reproduced in Table 2 below.

Table 2: Global strategy: an organising framework

Strategic objectives	**Sources of competitive advantages**		
	National differences	**Scales economies**	**Scope economies**
Achieving efficiency	Benefits from differences in factor costs	Expanding and exploiting potential economies of scale in each activity	Sharing of investments and costs across products, markets and businesses
Managing risks	Managing market or policy changes that affect comparative advantages	Balancing scale with operational flexibility	Portfolio diversification of risk and creation of additional options
Innovation learning & adaptation	Learning from societal differences in organisational and managerial	Learning from experience – cost reduction and innovation	Shared learning across organisational components in Different products
	Processes and systems		Markets or businesses

Source: Ghoshal, S. (1987). Global strategy: An organizing framework. *Strategic management journal*, *8*(5), 425-440.

Ghemawat (2007) argues that the global strategies should be able to manage the idiosyncrasies across borders. In his triple A (AAA) triangle, he offers three discrete types of expansion strategies; adaptation, aggregation and arbitrage (p. 3). Adaptation he explains, involves establishing local presence and achieving “relevance though national focus” (p.4). In this case, firms increase their market shares in international geographies by “maximising a firm’s local relevance” (p.2) through customising their products and processes to adapt to local realities and therefore addressing local needs. Aggregation creates regional or global hubs with the view to exploit economies of scale. Unlike adaptation where products and services are differentiated, with aggregation the product and service offering is standardised (Ghemawat, 2007). Lastly, Ghemawat describes arbitrage as an international business strategy that tries to take advantage of the differences across borders. A good example of this would be an American firm setting up factories in parts of Asia to take advantage of relatively lower labour costs in that region.

What is worth noting in the AAA framework are the inherent tensions between the three distinct strategies. Managers may prefer to pursue all these as each of the three distinct strategies have their own benefits, but this is discouraged by the author. Firms must prioritise and be willing to deal with trade-offs (Ghemawat, p.5). This is consistent with Ghoshal (1987) who also notes that there are “inherent contradictions between the different strategic objectives and between the different sources of competitive advantage” (p. 437).

2.2.4 Multinational corporation strategies in emerging markets

Research on the performance of multinational companies that have ventured into emerging market has shown varying outcomes (Banalieva & Sarathy, 2011). Noting that emerging markets are quite different, the pair suggest that firms should build a contingency theory framework, linking business goals to the context in which the firms operate. In

contingency theory, firms aim to align or adapt “their organisational goals with the conditions in their external environments to achieve strategic fit” (Banalieva & Sarathy, 2011, p.9, Lawrence & Lorsch 1967). This theory is supported by a similar proposition that “conditions within an industry, to a large extent, determine firm strategy and performance” (Peng, Wang & Jiang 2008, Porter 1980). A contingency theory framework, it is suggested, may lead to improved outcomes for emerging market multinationals.

Studying multinational strategies in developing counties since the mid-1800s, Jones (2010) proposes that international business strategies are determined by examining the trade-off between risk and reward through three lenses. These include firstly the geopolitical environment in both the home and host countries. Second, the market size, market structure and resources available in the host country are also considered. Lastly, firms examine the level of competition from local companies within the host country (p.1). The success therefore of the various multinationals hinged on how prolific they were in matching their internal capabilities in response to the risks and rewards available (Jones, 2010). Looking at how MNCs have responded over time, Table 3 below presents a summary of MNC strategies in developing counties in three eras since 1850. The eras include the period of the initial globalisation (1850-1929), followed by de-globalisation (1929-1978) and the 2nd globalisation drive in the period from 1978 to date (Jones, 2010).

Table 3: MNC strategies in developing counties in three eras of globalization

Opportunity/ Risk	**1st globalisation 1850-1929**	**De-globalisation 1929-1978**	**2nd globalisation 1978-date**
Political economy	Highly receptive, international law & imperialism support Western firms	Expropriation; import substitution; exchange controls	Liberalisation, but sovereign & assertive governments
Markets & resources	Low income, cultural differences vast natural resources	Limited convergence, foreign ownership restrictions	Globalisation, tribalisation, low cost labour
Competition	Limited	State owned companies, limited private enterprise	Growing private sector
Strategies	**Co-opt local elites and partners, seek home country support, address logistical challenges**	**Divest, forced negotiations, joint ventures and local participation**	**Access low labour costs, adapt to local markets and politics**

Source: Jones, G. G. (2010). Multinational strategies and developing countries in historical perspective.

In what Jones (2010) described as the first era of globalisation (1850-1929), successful MNCs were able bring in local elites as partners, established strong support from their home countries and could use technology to overcome logistical challenges. In the period that followed (1929-1978), “the spread of nationalistic, anti-foreign governments” (Jones, 20, p.14) drastically reduced MNC investments. The winners during this period of de-globalisation were the international firms that could wind back or swiftly divest. Standard Chartered Bank, which divested from its franchises in Africa, Asia and Latin America during this time is an example of this (Jones, p. 17). Other successful strategies during this second era involved forming joint ventures (JVs) with locals, as well as encourage local participation. Unilever for example sold stakes in some of its Indian operations during the later fifties and early sixties, albeit under duress, and appointed a local Chairman (Jones, 2010). Unilever also “pursued localisation of management vigorously” (Jones, 2010, p.19). According the Jones, the localisation of management, explains the success in terms of “scale and scope” (p.19) that was achieved by Unilever during this period.

The second period of globalisation (c. 1978-current), was characterised by market liberalisation, although the local governments were more assertive in their transactions (Jones, 2010). This sentiment is highlighted by Carmody & Kragelund (2016) quoting a WTO delegate from Africa who states, “we have learnt to ask why, we have learnt to ask how, and we have learnt to say ‘No.’” (p.6).

According to Jones (2010), the successful MNEs are those that are best able to use their internal capabilities to access low cost local labour, as well as adapt to local markets and political environments. An example is Kenyan telco Safaricom, which successfully rolled out mobile banking product MPESA to improve access to financial services in East Africa. Safaricom is controlled by British telecommunication company Vodafone, through its shareholding in South African telco, Vodacom. Another example presented by Jones (2010) is Unilever, which reduced the size of its sachets to access lower income

customers.

The pull strategy (Klein & Wocke, 2007) involves adapting the firm's business model and responding to the needs of the local consumers and is consistent with the second period of globalisation as noted in the works by Jones (2010). In contrast, the push approach (Klein & Wocke, 2007) can be likened to Ghemawat's (2007) aggregation model where "solutions are imposed on markets and consumers" (Klein & Wocke, 2007, p.132). According to Klein & Wocke (2007), "the fundamental advantage of the pull over the push is that the market is assured as the pull actually responds to an existing need" (p.132). As pointed out by Clayton et al (2017) this is supported by earlier works of Prahalad & Hart (2002) who argued for adaptation to tap into the "fortune at the bottom of the pyramid" (p.1).

Khanna, Palepu & Sinha (2005) note that while management of multinational corporations, particularly in the triad (US, Europe and Japan) recognise the importance of high growth economies in formulating their globalisation strategies, they appear to struggle to develop strategies that are successful in emerging markets. In what they call "institutional voids" (p.4), Khanna et al (2005) list "the lack of specialised intermediaries, regulatory systems, and contract enforcing mechanisms" (p.4) as some of the challenges that MNCs face. Taking certain "soft infrastructure" such as market research, logistical support and assistance in the recruitment of skilled labour for granted, multinationals often design and implement poor strategies for developing economies (Khanna et al, 2005).

The challenges that these fast-growing regions present has culminated in underinvestment in emerging markets, with the US for example only investing a combined 2.5% of domestic investments in Brazil, Russia, India and China by 2002, according to an agency of the U.S. Department of Commerce, and as noted by Khanna et al (2005). Three strategic alternatives are proposed to overcome identified challenges. The first is through "adapting

to the voids in product and input markets" all the while, retaining their "core business propositions" (Khanna et al, 2005, p.15). Second, the authors put forward that multinationals may be able to "change the context" (p.16), noting that Japan's Suzuki's entrance into the Indian market in the early 1980s caused local suppliers to improve the quality of their products to be able to fill the large orders of "high-quality components" (Khanna et al, 2005, p.16). The same, they note, happened in Brazil after the big four audit firms (Deloitte, E&Y, KPMG & PwC) entered the market, triggering an overall improvement in reporting standards in that country. Finally, should it prove to be too costly to adapt a firm's model or change the context in which it operates, the writers note the third alternative of simply staying away (Khanna et al, 2005).

Bhattacharya & Michael (2008) propose six strategies that local companies use to compete against their global counterparts. These may be considered by multinationals in emerging markets to be more competitive.

The pair advance that like the pull strategy put forward by Klein & Wocke (2007) or Banalieva & Sarathy's (2011) contingency theory framework, local players develop customised offerings based on a "deep understanding of customer needs" (p.26). In addition, locals build business models that specifically address identified challenges, rather than "complain about insurmountable problems" (p.27), which is an approach supported by Khanna et al's (2005) view of changing the context. The in-country operators according to Bhattacharya & Michael (2008) also leverage new technologies to minimise operational costs; take advantage of lower labour costs like Ghemawat's (2014) arbitrage model, and avoid unnecessary automation; expand rapidly to fend off the competition by taking advantage of quickly acquired economies of scale, which is also noted by Ghoshal (1987) as one of the sources of competitive advantage; and identify and invest in a robust management team in order to maintain growth (p.26-27). To win, it is put forward, multinationals must emulate the strategies that local companies use, as well as leverage

off their global expertise to develop other strategies that the in-country players would find difficult to replicate (Bhattacharya & Michael, 2008).

2.3 Expansion into sub-Sahara Africa markets

2.3.1 Political, economic and business landscape in SSA

Due to improved economic prospects on the continent, driven amongst other things by better governance and attractive demographics, the African business environment can be described at promising (Bloom et al, 2003). Over the past decade and a half, multinational and regional companies have devised strategies to take advantage of the "sea of opportunities" (UNECA, 2014) on the continent. Foreign direct investment has increased by 5% annually to a total of US$50 billion over the past 15 years, and research suggests that a "growing middle class is emerging" (p.1). This growing middle class is expected to be able to demand and afford various products, including banking, insurance and other financial services products (Burgess, Scoville, Lyon & Ogundele, 2016).

Poised to benefit from the "demographic dividend" (Bloom et al, 2003), Africa is benefitting from a growing young population, rising middle class and rapid urbanisation. For the past decade, economic growth in sub-Sahara Africa has averaged over 5%, according to the IMF, compared to estimated global growth of 3.4% in 2016 (including China's 6.6% growth rate). In 2017, the economies of sub-Sahara Africa are expected to grow between 4.2% and 5% according the Burgess et al (2016).

Although a recent decline in commodity prices, including oil, has put strain on many economies on the continent (Richardson, 2016), and has led to exchange rate volatilities (Camarate et al, 2015), amongst others, the long-term prospects of doing business in Africa remain intact. As noted by PwC (2015), in addition to the demographics, the

continent is also well endowed with natural resources that include “600 million hectares of uncultivated arable land, 40% of the worlds gold, 90% of global platinum, 8% of the oil, 26% of liquid natural gas and other resources” (p. 5).

2.3.2 Key success factors for expansion into SSA

To take advantage of the growth prospects in SSA, Camarate et al (2015) call for a “capabilities-driven strategy” (p.8). The capabilities driven strategy, the authors propose, begins with a firm’s strengths, avoiding spreading too thin, focuses on the areas in which the firm has distinct advantages and then complements these with local context (p.6). The strategy appears to combine aggregation and adaptation in terms of Ghemawat’s AAA strategic framework.

Camarate et al (2015) point out that after the selection of the appropriate market to be entered, important elements to a successful expansion strategy would include developing local talent or human capital, noting that “capabilities are put in action by people on the ground” (p.16). The authors caution that an over reliance on expatriate staff is neither sustainable from a cost perspective, neither is this viewed positively by most Africa states. Hiring and developing locals, could also be viewed as a business advantage in terms of establishing the right cultural fit (Arino, 2015). Citing a Kenya Commercial Bank (KCB) executive, Arino (2015) notes that although Kenya and Tanzania are both in East Africa and are similar in terms of geographical proximity and language, Kenyans are considered aggressive or “bull-dozing” (p.77) over others when compared to Tanzanians. This according to Arino, informed KCB’s strategy to employ Tanzanians in the front office of all their Tanzania operations. This way, any “misunderstandings that can get in the way of business” (p.77) can be avoided.

In addition to hiring locals and in line with “thinking locally” (Arino, 2015, p.77) partnering

with locals (through mergers, JVs or supply contracts) is highlighted as a fast, capital efficient and risk mitigating mode of developing an appreciation of local environments (Camarate et al, 2015). Moreover, control policies and processes must be carefully designed to balance local entrepreneurship and initiative; and the need to ensure that costly violations are avoided (Camarate et al, 2015). According to the authors, “much of Standard Bank’s success on the continent can be attributed to its ability to strike a balance between regional compliance and risk oversight with full local accountability to empower decision makers” (Camarate et al, 2015, p.18). Although policies and capabilities are established globally, local management can design country tailored strategies to suit the host countries’ specifics. This has not always been flawless as evidenced by the fine levelled against the same institution in Tanzania, where Standard Bank agreed to pay US$32.6 million in fines for alleged bribery by officials of the local unit, according reports by the Guardian (2015).

To reduce the risk associated with the volatility of performance of SSA economies in general, Camarate et al (2015) are proponents of developing a “portfolio of businesses across a variety of markets” (p.18). This diversification can be a key risk mitigant that can add to the success of a well-executed strategy. In line with risk mitigation, Arino (2015) proposes a focus on social responsibility and impact (CSR), including job creation and community development. The argument made is that a focus on CSR provides firms with sufficient good-will to operate successfully in the host countries.

In describing the expansion strategy of South African insurance firm Sanlam into the rest of Africa, Camarate et al (2015) report that the firm had to adapt its business model that had successfully serviced the more affluent individuals in South Africa. Although the firm had developed strong proprietary technical capabilities, the firm did not believe that their business model in its current form, would succeed on the rest of the continent. Sanlam therefore acquired African Life Insurance Company, which provided access to the mass

market in Botswana, Kenya, Ghana, Zambia, and Tanzania, through a low-cost model (Camarate et al, 2015). Overlaying the firm's technical knowhow, the combination allowed the company's expansion into 11 other investments in SSA countries, as well as two in Asia, according to the writers. According the case study, the CEO of Sanlam Emerging Markets (SEM) maintains that future expansions into new markets will continue to include flexibility and appreciation of the local context (p.7). This sentiment is shared by Arino (2015), who highlights that "copy-and-paste strategies" (p.75) seldom work in SSA. Taking an existing business model that works in the home market and superimposing it on another will not likely yield the desired results (Arino, 2015).

A similar combined approach is adopted by a South African retailer, Pick N Pay that aim to expand into markets where their "distinctive operational capabilities" (p.7) can be deployed with limited adaptation (Camarate et al, 2015). Where necessary, the firm would however keep an open mind with regards to adapting to local realities, according to the authors.

Reinforcing the advantages of a "capabilities driven strategy" (Camarate et al, 2015, p.8), what the authors point out is that both companies mentioned above aimed to differentiate themselves from the local competitors though leveraging their key strengths that were developed in South Africa. In the words of Camarate et al (2015) "Both Sanlam and Pick N Pay set out to distinguish themselves in each country they entered. They chose to grow where the sophisticated technical capabilities and management processes they had developed in South Africa were in demand and would differentiate them from local players" (p.7).

The African growth promise however, has not always delivered and the Africa rising (Economist, 2011) narrative has been challenged in recent times. As noted by Clayton et al (2017) the prosperity promise has become a dream that is "perpetually around the

corner" (p.1). Non-believers have pointed to challenges that remain including corruption; poor infrastructure; poor skills; and an overestimation of the size and accessibility of Africa's middle class (Clayton et al, 2017).

These challenges have led to repeated failures by some multinationals to realise the promised profits, a reality that has led to some MNEs exiting or substantially reducing the size of their operations (Clayton et al, 2017). As pointed out by the authors, in 2015 Barclays for example, announced its intention to exit the continent, subsequently selling the bulk of their stake 62.3% shareholding according to the Barclays Africa Group website. Other MNEs such as Nestle, Coca Cola and Cadbury have also reduced the scale and scope of their operations according to Clayton et al (2017).

Camarate et al (2015) describe the massive write downs reported in Africa, describing other failed forays into the continent by MNCs. The cause of these failures echoes the challenges already presented, including fraud and corruption; and "sudden factory shutdowns" (p.6), a result of poor infrastructure. Additionally, economic and currency fluctuations are noted (Camarate et al, 2015), which could lead to massive right downs in real currency terms.

2.4 Sub-Sahara Africa financial services environment

In this section, the paper explored the literature that describes the financial services environment in SSA, focusing on the banking and insurance sectors.

2.4.1 Banking landscape

As part of the World Bank structural adjustment programmes (SAP) in the 1980s and 90s, there has been an increase in liberalisation of the banking sector in Africa with many

countries implementing a host of “financial sector reforms” that have led to an easing of “entry and exit restrictions, interest and capital controls, as well as the overhaul of supervisory and regulatory frameworks in the banking sector” (Nyantakyi & Sy, 2015, p.1). Today, the banking sector in Africa is comprised of large multinational banks, such as Barclays, Standard Chartered Bank, HSBC and others. Competing with these global multinationals are is a combination of African regional banks such as Bank of Africa (activities in 14 countries), Ecobank, which operates in 36 African counties primarily in Western and Central Africa (Nyantakyi & Sy, 2015), as well as Access Bank (countries), Afriland First Bank, United Bank of Africa (UBA) all originating from West Africa. In East Africa, the regional champions include amongst others, Equity Bank, Diamond Trust Bank and Kenya Commercial Bank (KCB). From Southern Africa, the South African banks dominate, with Standard Bank amongst the largest banks in Africa both in terms of assets and geographical footprint (presence in 20 African countries, according to the bank’s website).

Despite the presence of international and regional champions, as well as strong growth prospects, the development of the financial services sector still falls behind global peers in terms of penetration (Beck, Cull, Berger, Molyneux & Wilson, 2014). This is also noted by Francis (2013), who highlights that “despite extensive reforms in the financial sector in Sub Saharan Africa, with a view of improving access to financial services to private agencies, financial depth in the sub-region has remained very low” (p.1). Indeed, the financial depth and penetration of banking in sub-Sahara Africa remains amongst the lowest in the world (Nyantakyi & Sy, 2015). The percentage of private or domestic credit as a percentage of GDP is commonly used to “capture claims on the private sector by deposit taking institutions relative to economic activity” with a higher measure indicative of a deeper banking sector (Nyantakyi & Sy, 2015, p.2). As can be seen in Table 4 below, SSAs measure of 24.3% compares poorly relative to developed markets (134.3%), Latin America (54%), and is lower than the low-income country average of 26.5% (26.8% excluding

Africa), (Nyantakyi & Sy, 2015). In addition, banking penetration is low in Africa with “less than a quarter of sub-Saharan Africa’s adults with access to formal bank accounts” (Nyantakyi & Sy, 2015, p.3).

Table 4: Depth of financial development in Africa

Region/Sub-Region		Domestic Credit to Private Sector	Liquid Liabilities as % of GDP	Bank deposit as a % of GDP
Africa		36.3	54.4	45.5
of which	Sub-Saharan Africa	24.4	35.3	29.7
	North Africa	48.1	73.4	61.4
	East Africa	21.0	30.4	26.4
	West Africa	20.3	35.5	27.2
	West Africa without Nigeria	20.3	35.7	27.0
	Southern Africa	43.1	45.1	44.4
	Southern Africa without South Africa	31.8	45.7	42.6
Latin America & Caribbean		45.5	54.0	48.9
High income: OECD		134.3	114.4	100.4
Low income group including Africa		26.8	44.5	36.6
Low income group excluding Africa		28.5	38.9	31.8

Source: Nyantakyi, E., B. & Sy, M. (2015). The Banking System in Africa: main facts and challenges. Africa Economic Brief, vol 6. African Development Bank

The financial sector reforms and low banking penetration have added to the attractiveness of the SSA banking sector, which “has benefited from the growing presence and participation of foreign and pan Africa banks across the continent” (Nyantakyi & Sy, 2015, p.4). Indeed, according to Chironga et al (2018)

> Africa’s banking markets are among the most exciting in the world. The continent’s overall banking market is the second-fastest-growing and second-most profitable of any global region, and a hotbed of innovation (p.3).

South African banks have clamoured to either deepen their presence or enter the SSA market. The big four banks in SA, Barclays Africa Group (BAG), First Rand, Nedbank and Standard Bank have each made pronouncements in the media about their expansion strategies into SSA.

Each of the Africa strategies have been relatively diverse. BAG has major subsidiaries in at least 13 countries, following a much-publicised acquisition of ABSA by Barclays Plc in 2005. A decade later, Barclays Plc announced its intention to exit Africa, including South Africa, which would leave ABSA with the current SSA footprint. First Rand, “Africa’s biggest bank by market value” (Bonorchis, 2016) is reported to have recently announced its intention to acquire banking interests in SSA countries, including Nigeria (Bonorchis, 2016). Nedbank according to its website, formed an alliance with Ecobank Transnational Incorporated (ETI) in 2008 and currently holds 20% in the bank giving it presence in 36 countries, participating in SSA through its influential shareholding in the conduit. Standard Bank claims the largest direct footprint amongst the SA bank, with presence in 20 countries, most of which operate under the Stanbic brand.

2.4.2 Sub-Sahara Africa insurance market

The African insurance industry in general, as well as mergers & acquisitions in the sector are still at their infancy (Burgess et al, 2016). Although there are some global insurers and re-insurers active in sub-Sahara Africa, such as AXA, Prudential and Swiss Re, in general “international insurers have little or no presence in Africa” (Burgess et al, 2016, p.1), which may begin to explain the relatively insignificant share of the global insurance sector of 1.5% (US$ 70 billion in premiums), and low penetration which averages of 2.9% including South Africa and 0.9% when SA is excluded (Burgess et al, 2016). According to the authors, SA is the “most developed insurance market on the continent, with a penetration rate of 14.1%” (p.2).

The positive growth trends on the continent, as well as relatively nascent market has presented an opportunity for global and regional players. Indeed, as proposed by the Dr. Schanz, Alms & Company (2016), “Africa’s largest opportunity is certainly its low insurance penetration, which in some countries is less than 1%” (p.5). According the Burgess et al (2016), at least 86 M&A transactions where concluded between 2014 and 2016. These transactions involved local sub-Sahara Africa targets with approximately 50% of the transactions involving South African insurers as the acquirer (Burgess et al, 2016). Other dominate insurance markets are Kenya and Nigeria, who together with SA, account for most of sub-Sahara Africa’s M&A activity (Burgess et al, 2016).

The most notable SA players with presence in SSA include Momentum (MMI), Old Mutual and Sanlam. In a presentation of MMI’s Africa strategy, Kruger (2015), the then CEO of MMI Holdings noted that, “success in Africa requires lateral thinking with the growth of mobile telephony opening considerable opportunities for diversification, not only in terms of product and service offerings, but also as an alternative distribution channel” (p.2). This is echoed by Khan (2015), CEO of MMI International, who in the same presentation highlighted that “Africa’s willingness to adopt new technologies – in some cases at a quicker pace than in South Africa – offers exciting opportunities for product delivery” (p.5).

2.5 Conclusion of Literature Review

The literature review explored available literature to determine the critical success factors that influence the delivery of an effective expansion strategy into sub-Sahara Africa by South African financial services firms.

Firstly, multi-national expansion strategies were studied, offering a summary of key factors that influence their success in implementing global and emerging market strategies.

Studies on the expansion into sub-Sahara African markets was examined, highlighting the macroeconomic and business landscape in SSA, as well as the key success factors for expansion into SSA. Finally, the SSA banking and insurance environment was reviewed, focusing on South African banking and insurance firms that have presence or are expanding into SSA.

Following the review of the literature the research propositions in the following paragraphs aimed to reveal the key elements of success in implementing an Africa strategy.

2.5.1 Research propositions

After reviewing the literature of multinational strategies, including those implemented in emerging markets, the table below offers various propositions to address the main problem of this research. The table aims to leverage off the previously presented literature to summarise the key factors that influence the success of South African financial services companies that expand into SSA. The table also presents the authors that inspire the stated propositions for ease of reference.

Table 5: Proposed factors that influence the success of SA banking and insurance firms that expand into SSA

Proposition	Authors
Proposition 1: Adapt the business model and/or customise products to ensure offering that fits the local context and is driven by the customers' needs	Carmody & Kragelund (2016), Ghemawat (2007), Klein & Wocke (2007), Jones (2010), Banalieva & Sarathy (2011), Lawrence & Lorsch (1967), Peng et al (2008), Porter (1980).
Proposition 2: Partner with locals and empower local management with decision making rights to promote cultural fit whilst maintaining a centralised reporting system to enhance corporate governance and control risk	Arino (2015), Camarate et al (2015)
Proposition 3: Diversify by forming a portfolio of businesses across various markets	Camarate et al (2015), Ghoshal (1987)
Proposition 4: Focus on core firm specific advantages and economies of scale that cannot be easily replicated by local competition	Camarate et all (2015)

CHAPTER 3. RESEARCH METHODOLOGY

The purpose of this research was to identify the common themes and determine the key factors that influence the successful implementation of an expansion strategy into sub-Sahara Africa by South African banking and insurance firms. To achieve this, the researcher used the qualitative rather than the quantitative methodology. In addition, as noted in the acknowledgements, the researcher drew from Nyika (2013) and Cosani (2011) for research style.

3.1 Research methodology / paradigm

There are two distinct research paradigms that are often used in academic research, qualitative and quantitative. Blaxter, Hughes & Tight (2006) note that “there has been widespread debate about the relative merits” (p.64) of each method.

Citing Punch (2005), Blaxter et al (2006) propose that the quantitative research methodology differs from qualitative, chiefly in the form of data. Quantitative involves the collection of data “in the form numbers” (p.64), whilst the latter does. Each methodology has its advantages or strengths and its disadvantages or weaknesses (Bell, 2014). To take advantage of strengths whilst mitigating the effects of weaknesses, some research uses mixed method, combining qualitative and quantitative techniques by “collecting and analysing both forms of data” (Creswell, 2003, p.15). The table below has been reproduced from Baxter & Hughes and presents the differences principal of the quantitative and qualitative methods.

Table 6: Differences between qualitative and quantitative research

Qualitative	**Quantitative**
Concerned with understanding behaviour from participants' own frames of reference	Seeks the facts/causes of social phenomena
Uncontrolled observation	Controlled measurement
Subjective	Objective
Close to the data: the 'insider' perspective	Removed from the data: the 'outsider' perspective
Grounded, discovery oriented, exploratory, expansionist, descriptive, inductive	Ungrounded, verification oriented, reductionist, hypothetical, deductive
Process-oriented	Outcome-oriented
Valid: real, rich, deep data	Reliable: hard and replicable data
Ungeneralisable: single case studies	Generalizable: multiple case studies

Source: Blaxter, H. (2006) and Loraine Blaxter, Christina Hughes, Malcolm Tight (2006), How to research. *Open University Press.*

Creswell (2003) proposes three frameworks to determine the appropriate method of research. These elements include the “philosophical assumptions on what constitutes knowledge claims; strategies of enquiry; and data collection, analysis and writing” (p.3).

Knowledge claims refer to the starting assumptions about what and how the researcher will learn (p.4) and may be “postpositive”, “socially constructed”; “participatory”; or “pragmatic” in nature (p.8-10). Strategies of enquiry may be more associated with quantitative methods (experiments, surveys) or qualitative methods such as ethnographies, which studies a cultural group in their natural habitat over a period of time; grounded theory where a theory is developed that is grounded in the perspectives of the research participants; case studies; phenomenological research, “in which the ‘essence’ of human experiences concerning a phenomenon, as described by the participants” (p.15) in the studies; and narrative research, where the researcher enquires about the narrative of an individual from those who may know or have interacted with them (Creswell, 2003). Finally, the type of research paradigm may be influenced by the proposed data collection methodology. Quantitative research is more associated with closed-ended questions with a numeric focus, whilst qualitative may involve open-ended questions, where participants can express their views freely (Creswell, 2003).

The use of the qualitative paradigm was adopted for this research. It was envisaged that like the qualitative approach, the research based its knowledge claims primarily on participant’s experiences, or “constructivist perspectives” (p.18). Strategies of enquiry included narratives or grounded theory, whilst the data was collected using an open-ended or “emerging data with the primary intent of developing themes from the data” (p.18).

Furthermore, the research is likely to be subjective in nature and from an “insider’s perspective” (Blaxter et al, 2006, p.64). A qualitative methodology was therefore believed to be the most appropriate for the research.

3.2 Research Design

The research was conducted through interviews. As highlighted by Bell (2014) “one major advantage of the interview is its adaptability, as a skilful interviewer can follow up ideas, probe responses and investigate motives and feelings, which a questionnaire can never do” (p.157). Interviews can also capture additional information that may not be captured in a questionnaire as they can highlight other nuances such as tone, expressions, hesitation, etcetera (Bell, 2014). The negatives are that a researcher is likely only able to interview a small number of people due to the amount of time it takes to conduct interviews (Bell, 2014). In addition, they are also open to bias due to the subjective nature of the qualitative process (Bell, 2014).

The type of interviews conducted for the research were semi-structured one-on-one interviews. The choice of a semi-structured interview enabled the research to “tick or circle responses on a previously prepared schedule” (Bell, 2014, p.159). This assisted in the process of recording the responses.

In addition, semi-structured interviews have the advantage of being more open than “tightly structured” (Blaxter et al, 2006, p.172) ones and thus encouraged participants to express their own opinions or perspectives, allowing the researcher to elicit more information. Blaxter et al (2006) note that a semi-structured approach serves as a middle ground to the two interview technique extremes. At one pole, a completely open-ended interview. Referred to as an “unstructured, naturalistic, autobiographical, in-depths, narrative or non-directive interview” (p.172) these take the form of a conversation, with the researcher simply facilitating a lengthy discussion of the subject matter. On the other end, a structured interview may require answers to specific questionnaires, with very little variation from the script (Blaxter et al, 2006).

Given that the intended research sought to establish what the success factors are for financial services firms that expand into sub-Sahara Africa, the methodology of a semi-structured interview benefited from the experiences, views and nuances of practitioners. The inherent flexibility of the open-ended questions likely provided the participants with freedom to share their perspectives in a more naturalistic manner, something a questionnaire may not provide, and likely captured additional nuances in the responses (Blaxter et al, 2006). The semi-structured nature also provided the structure that may in part address at least one of the shortcomings of an unstructured interview, namely the time-consuming nature of the purely narrative approach.

3.3 Population and sample

3.3.1 Population

The population addressed in the research is South African banking and insurance companies that have expanded their businesses into sub–Sahara Africa. These included well known financial institutions that form part of the JSE, including banking institutions such as Barclays Africa Group, Standard Bank, and Nedbank and insurance companies such as Old Mutual and Sanlam.

3.3.2 Sample and sampling method

It is noted that it would not be possible to interview all the subjects of interest. Consideration therefore must be given to the sampling method. Various sampling methods that could have been used, included “probability sampling”, such as “simple random sampling, systematic, stratified, cluster or stage sampling” (Blaxter et al, 2006. p.163). Non- probability sampling includes convenience sampling, where the researcher selects

those that are most convenient; voluntary or self-selected sampling; purposive sampling, where the most relevant or interesting groups are chosen; quota sampling, which refers to convenience sampling in certain clusters of the population; dimensional sampling; dimensional sampling, a method that includes quota sampling on multiple dimension; and snowball sampling, which builds a sample based on referrals by other participants (Blaxter et al, 2006, p.163).

A non-probability sampling technique was used for the study, with focus on both purposive and convenience sampling. The sample included executives or managers of South Africa financial services institutions that have expanded into sub-Sahara Africa, as well as fund managers that invest in such companies, thereby representing the shareholder group. Participants were selected based on their experiences in either participating or overseeing the expansion of their organisations into SSA. For convenience, preferred respondents to the study included those qualifying individuals based in the Gauteng province of South Africa.

Participants in the study were approached for face-to-face interviews directly by the researcher in the cases where a direct relationship existed. In other cases, referrals through an established network were also activated. The table below, presents the profiles of individuals that formed the sample for the research. The style of the table was adapted from a similar approach used by Nyika (2013) and Cosani (2011).

Table 7: Profile of proposed respondents

Description of respondent type	Number to be sampled
Executives and Managers of banking and/or insurance companies with SSA presence	7
Analysts/ Fund Managers who invest in publicly listed banking and insurance companies to represent the shareholder view	1
Management consultants who advise banking and insurance companies that expand into SSA	1
Proposed total number of interviews	**9**

Adapted from Nyika (2013 and Cosani (2011)

3.4 The research instrument

The research, was in the form of a semi-structured interview which was conducted with the aid of an open questionnaire. Each of the interviews were held in person, although an option for a telephonic interview was provided. Permission was sought from the intended participant to record the interview through audio. As noted by (Blaxter et al, 2006, p.172), digital recordings have their advantages and disadvantages. On the upside, not only do they offer a verbatim account of the interaction, they also enable the researcher to focus on the “interview process” as well as the respondent (easier to pick up nuances) during the interview. The disadvantage, the authors warn, is that recordings may lead to anxiety by the participant who may be less forthcoming with information under such conditions. Most of the respondents were comfortable with a digital recording of the interview.

A list of thematic questions or topics for discussion were provided to the respondents beforehand, together with a letter formally introducing the researcher to the participant. The introductory letter provided a summary of the topic and purpose of the research. Appendix A provides the introductory letter given to respondents, while Appendix B provided the actual research instrument that was used.

3.5 Procedure for data collection

Data was gathered by using the research instrument provided in Appendix B as a guide to conducting semi-structured interview with the proposed participants. Where the researcher had a direct contact to the proposed participants, respondents were contacted directly by the researcher through email communication. The wording presented in Appendix A was used in the email.

Where the researcher was linked to a proposed respondent through an existing network, an introduction to the participant was solicited, which was followed by the introductory letter in Appendix A. To grow the network and consistent with the snowball sampling technique (Blaxter et al, 2006), participants were asked to refer any colleagues or other suitable participants.

Once the participants had confirmed their willingness and ability to participate in the study, a formal meeting request was sent out. The request detailed the date, time and location of the meeting.

In addition, the set of open-ended questions in Appendix B was provided to the participants ahead of the meeting as part of the meeting request. To avoid ambushing the respondents at the time of the interview, permission to record the interview through audio was requested

ahead of the interview. Where respondents were not comfortable with an audio record of the interview, this was respected, and the researcher relied on hand-written notes to detail the interaction.

3.6 Research participants and schedule of interview

The following respondents participated in the study. In each case, face to face interviews were conducted. The participants also made it clear that the views expressed were their own and should not be viewed as the opinion of the companies by which they are employed.

Table 8: Respondents and interview schedule

Name	**Institution and title**
Andrew Hall	Head of Global Markets: Standard Bank, Corporate & Investment Bank
Luvuyo Masinda CA (SA)	CFO: Standard Bank, Corporate & Investment Bank
Joseph Mate CA (SA), MBA (Wits)	Deal Structuring Specialist Consultant, Trade and Development Bank (former PTA bank) - previously Leveraged Finance VP with Barclays Africa Group

Mutsa Chironga MPA (Harvard Kennedy School), BA (Cambridge)	Partner: McKinsey & Company
Nothando Ndebele MBA (Said Business School, Oxford), BA (Harvard)	Managing Director, Head of SSA Financial Institutions Group coverage, Barclays Africa Group
Brian Mushonga Fellow, Actuarial Science (Institute of Actuaries)	Portfolio Executive, Africa Rainbow Capital - former insurance research analyst at Credit Suisse
Brian Kennedy AMP (Harvard), MBA (Wits), M.Sc. (Eng.) (Wits)	Group Managing Executive, Nedbank Corporate & Investment Bank
Margaret Dawes CA (SA), BSc Biology, University of London	Chief Executive Officer, Rest of Africa, Sanlam Emerging Markets
Karen Naidoo MBA, LLB, BProc (Wits)	Old Mutual Emerging Markets

3.7 Data analysis and interpretation

Given the open-ended nature of the interview process, the amount of data that was collected varied from participant to participant. The nature of an unstructured interview however is always likely to generate a great deal of data in each of the cases. The interview guide in Appendix B was designed to encourage open-ended conversation in the first instance, as well as to steer the conversation to elicit views on this research's propositions in the second.

The propositions in this research have been inspired by various literature on the successful strategies of multinational companies, both globally and into emerging markets. The research used qualitative content analysis (Hsieh & Shannon, 2005) to analyse and interpret the data. As noted by Hsieh & Shannon (2005), "qualitative content analysis is one of numerous research methods used to analyse text data" (p.1278). It is defined by the authors as

> a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005, p.1278)

Attention in the analysis was given to the language, emphasis, or type of communication that was used by the respondents, as well as the "contextual meaning of the text" (p.1278) that was gathered through the open-ended interview process, as proposed by Hsieh & Shannon (2005).

Using the "triangulation" (Bell, 2014, p.281) technique, once the data from the interview process was collated, the answers, perceptions and views of the respondents were compared against the propositions of the research to establish the validity of the

propositions. In the case where interviewees' answers were interpreted as fitting the propositions, these cases were noted, together with how many times they appear.

Where other perspectives emerged from the research that do not form part of the propositions that have been put forward in this paper, these were also noted. Using this triangulation method "accounts were collected from different perspectives" (Bell, 2014, p.281), and care was taken by the researcher to "critically examine any mismatches to make sense of them" (p.281). The researcher therefore aimed to gain further insights into any instances where the participant's responses did not fit the propositions. The table below, which shows a hypothetical summary of the content analysis was used to summarise the responses from the interview process.

Table 9: Hypothetical example of the content analysis

	Respondent 1	**Respondent 2**	**Respondent 3**	**……..**	**Respondent n**	**Number of proposition occurrences**
Proposition 1	Agree	Disagree	Agree		Agree	3
Proposition 2	Agree	Agree	Agree		Disagree	3
Proposition 3	Agree	Agree	Agree		Agree	4
Proposition 4	Disagree	Disagree	Agree		Agree	2
Additional Propositions	Note alternative views	Note alternative views	Note alternative views		Note alternative views	

3.8 Limitations of the study

It is acknowledged by the researcher that the study likely encountered various limitations. These include the following:

- Subjectivity: The subjective nature of the research driven by the naturalistic approach as noted (Bell 2014, Blaxter et al 2005);

- Selection bias: A non-probability sampling technique was proposed for the study, with focus on both purposive and convenience sampling. The purposive sampling may have been biased by the researchers own access and view of appropriate respondents, whilst the convenience sampling likely limits the participants to those easily accessible. Both methods therefore limit the randomness of the research which may have led to biased outcomes (Blaxter et al, 2005);

- Small sample size: As noted by Bell (2014) one of the negatives of the naturalistic approach is that a researcher is likely only able to interview a small number of people due to the amount of time it takes to conduct interviews;

- Reduced scope for generalisations: The researcher studied banking and insurance institutions that are listed on the JSE, which are therefore by definition, large institutions. There may be limited scope to form generalisations about the success factor that influence all financial services firms in SA who expand into SSA (Nyika, 2013);

- Research instrument bias: the research instrument (Appendix B) provides questions that sought to offer guidance for discussion points, which were based on the propositions of this study. This may have influenced the framing of responses that were given by the participants, who may or may not have adequately elaborated on some of the questions;

- Interview prowess may influence results: the used method would have been highly dependent on the skill of the interviewer. A skilled interviewer may be able to elicit detailed and forthright responses, which a less adept researcher may not be able to. The results therefore, would have been highly dependent on the skill of the researcher and the rapport that they managed to establish with the participant (Bell, 2014).

3.9 Validity and reliability

Citing Patton (2002), Golafshani (2003) highlights that "validity and reliability are two factors which any qualitative researcher should be concerned about while conducting a study, analysing results and judging the quality of the study" (p.601). To achieve reliability, a study must produce similar results on all occasions (Bell, 2014) and thus be "trustworthy" (2003, p.601). The respondents in the study therefore, would be expected to answer the proposed interview questions in a substantially similar way on all occasions.

As noted by Bell (2014), for the research to be valid, particularly because of its qualitative nature, it should be designed in a manner that produces "credible conclusions" (Sapsford & Jupp, 1996). According to Golafshani (2003), citing Joppe (2000), "validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are" (p.1). The research instrument therefore, must be designed in a manner that elicits responses that meet the validity criteria. It is noted at this point, that "a reliable study is not necessarily also valid….it could produce similar responses on all occasions, but not be measuring what it is supposed to measure" (Bell, 2014, p.118).

3.9.1 External validity

External validity refers to the ability of the study to reach results that can be generalised to address the "larger population" (Kalof, Dan & Dietz, 2008, p.157). The convenience sampling of the conducted research can be limiting to the external validity of the study

and thus its ability to be generalised. The propositions offered in the study and the subsequent research instrument provided in Appendix B however was derived from various literature related to the subject matter. The literature proposes success factors for multinationals in general, as well as those offered as influencing their success in emerging markets, including Africa. Like Nyika (2013) it is therefore believed that the literature review-based propositions would enhance the external validity of the research, leading to the ability of the researcher to form generalisations.

3.9.2 Internal validity

According to Kalof et al (2008), internal validity "means that the study is drawing appropriate conclusions from the data as hand" (p.156). The purposive sampling method used aimed to address the convenience sampling shortcoming highlighted above. The researcher interviewed industry executives, market participants and other industry experts with significant knowledge and a focus on financial services, particularly in banking and insurance that operate in SSA. Their experiences, views and perceptions are believed to enhance the internal validity of the study, leading to conclusions that are appropriate.

3.9.3 Reliability

According the Kalof et al (2008), "reliability is concerned with consistency" (p.156) of the findings. If reliable, similar findings would be exposed every time that the research is repeated (Kalof et al, 2008). In the context of the proposed research, this would imply that participants would have answered the same questions in the same way, as the answers truly reflected their own perceptions and views. To enhance reliability, the researcher designed the wording in the questions to include prompts of opinions, such as 'in your view', 'in your experience' and so forth. In addition, as part of the interview, the researcher aimed to enhance reliability of the respondent by asking the same question in various ways as proposed by Kalof et al (2008) who note that "multiple observations can be combined into an overall measure that is more reliable than any single question would be by itself" (p.156).

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

In this chapter, the results of each of the interviews are presented. The answers by each of the respondents to the guiding questions that were asked as part of the interview process and guided by the research instrument in Appendix B were captured and summarised below. The answers were then grouped under the appropriate proposition.

4.2 **Results of proposition 1:** Adapt the business model and customise products to ensure offering that fits the local context and is driven by the customers' needs

Table 10: Summary of results of proposition 1

	Agreement/ disagreement	**Additional comments/ alternative views or opinions**
Respondent 1	Somewhat agree	Companies can adjust how they deliver their business model but it's important to hold on to core strengths/ model
Respondent 2	Somewhat agree	Companies can adjust how they deliver their business model but it's important to hold on to core strengths/ model
Respondent 3	Agree	None

Respondent 4	Disagree	Much of the success of international banks that operate in Africa can be attributed to a standardised approach. SA institutions should implement a similar approach to differentiate themselves from the local competition
Respondent 5	Disagree	Focus on what is available in an institution's armoury that is relevant in certain markets. Roll this out in a standardised way
Respondent 6	Agree	None
Respondent 7	Agree	None
Respondent 8	Agree	None
Respondent 9	Somewhat Agree	Maintain flexibility around product offering, pricing and emphasis

The table above summarises the responses to Proposition 1. Four of the respondents agreed with the proposition. Three of the participants somewhat agreed with the proposition but offered additional considerations that must be made. Finally, two of the respondents disagreed with the notion and offered that instead, SA financial services firms need to differentiate themselves from the competition. To do this, the FIs should look through their offering, pick what they are competent in that would be relevant to a SSA market, and roll this out in a standardised fashion. One of the respondents attributed the success of some multinational financial services firms to this approach.

From the results, it is not clear that financial services institutions should seek to adapt the

business model and customise products to ensure an offering that fits the local context. In conclusion, the results of Proposition 1 are inconclusive. Only half of the respondents agreed with the proposition and the rest either partly agreed (with alternative views) or outright disagreed.

4.3 **Result of proposition 2:** Partner with locals and empower local management with decision making rights to promote cultural fit, whilst maintaining a centralised resorting system to enhance governance and control risk

Table 11: Summary of results of proposition 2

	Local partnerships	**Local management**	**Additional comments/ alternative views or opinions**
Respondent 1	Agree	Agree	Critical to ensure that partners are aligned and are clear on growth objectives
Respondent 2	Agree	Agree	Consider the regulatory costs of partnerships
Respondent 3	Agree	Agree	Emphasis on local team empowerment. Strong HQ could add unnecessary ‘red tape’ – local teams should be equipped with real decision-making rights on types of products and distribution

Respondent 4	Agree	Agree	Majority ownership key. Centre should design and disseminate clear policy and procedures that should be followed with clear consequences to non-adherence. After this, make genuine attempt to localise
Respondent 5	Agree	Agree	Prefer majority ownership. Ensure that more time rather than capital is spent on developing and strengthening partnerships. Develop centres of excellence at HQ that are rolled out to subsidiaries
Respondent 6	Agree	Agree	Much success can be attributed to strong partnerships. Senior client and regulatory facing roles should be filled with locals
Respondent 7	Agree	Agree	Partnerships key to understanding local nuances. Local knowledge however should not be assumed and should be tested before committing. Prefer minority at first to expand in capital light manner

Respondent 8	Agree	Agree	Consider alternative forms of mutually beneficial partnerships, not just focus of shareholding. Local team should take lead of product naming, roll out and should serve as a sense check for product design
Respondent 9	Agree	Agree	Prefer majority shareholding and federal model in terms of management. Suggest local chairperson representing group (independent board member)

To conclude, table 10 above presents the results of Proposition 2. Based on the results of the interview process, the research supports the literature review and the proposition that has emerged from the review. Whilst adding various nuances, remarks and alternative perspectives, the respondents overwhelmingly agreed with Proposition 2.

The participants all agreed that partnerships were important and that the involvement of local management teams, particularly in the client and regulatory facing roles was essential. According to the participants it is important to be perceived as local. There were however some variations on the emphasis that should be placed on the various forms of partnerships. Most of the respondent advocated establishing a majority shareholding to ensure that institutions can drive strategy, whilst one preferred minority holdings at first. Even more, one of the respondents proposed looking at partnerships more as mutually beneficial arrangements, and not necessarily as ownership or shareholding models.

4.4 **Results of Proposition 3:** Diversify the business by forming a portfolio of businesses as many markets as possible

Table 12: Summary of results of proposition 3

	Agreement/ disagreement	**Additional comments/ alternative views or opinions**
Respondent 1	Disagree	Geographic coverage should instead be linked to what institution is trying to achieve philosophically. If aim is to be pan African then be in as many regions. If aim to be in lucrative markets then stick to those
Respondent 2	Agree	Diversification not only reduces risk of everything going wrong at once, it also improved service offering to client as institution can service clients in more regions. It is acknowledged that it comes with a cost
Respondent 3	Somewhat agree	Need to consider capital costs associated with expansion, particularly capital charges that Basel 3 regulated SA banks face
Respondent 4	Disagree	Institutions should aim to be in the markets that are relevant in terms of size and scope

Respondent 5	Disagree	Focus on banking dollars and not flags. Expand to markets only if there is a real prospect of making suitable returns
Respondent 6	Disagree	Rather use a “hub and spoke” strategy by establishing presence in regional centres and servicing neighbouring countries from there
Respondent 7	Agree	Institutions should aim to expand into as many regions as quickly as possible
Respondent 8	Disagree	Firms should not expand for expansion sake but rather be clear about what they are trying to achieve in each territory that they enter
Respondent 9	Disagree	Firms are not likely to gain merit from applying a scattershot approach. Consider expanding incrementally

The table above shows the results from Proposition 3, as well as some additional comments and perspectives. The majority (six) of the respondents disagreed with the proposition. Only two of the participants shared the view that companies ought to establish themselves in as many regions as possible as a form of diversifying risk. One participant somewhat agreed but pointed out that expansion comes with costs, both explicit and implicit (regulatory capital provisions that are required). This ought to be considered carefully when expanding.

In conclusion, based on the results, the research does not support the proposition. Most

of the respondents disagreed and where there was agreement, this often came with caveats, other considerations and limited conviction. It is therefore concluded that while the literature review proposes regional diversification, the proposition may not apply to the financial services industry. Regulatory risks and costs to comply seem, in the opinion of the respondents, to outweigh the benefits outlined by Camarate et al (2015) and Ghoshal (1987).

4.5 **Results of proposition 4:** Focus on core firm specific advantages and economies of scale that cannot be easily replicated by local competition

Table 13: Summary of results of proposition 4

	Agreement/ disagreement	**Additional comments/ alternative views or opinions**
Respondent 1	Agree	Key attribute to success of many banking institutions' SSA strategy according to the respondent
Respondent 2	Agree	SA banks particularly strong in credit and risk management. This has set them apart from local competitors in SSA
Respondent 3	Agree	FIs need to be clear on their strengths and need to focus on these to win on the continent
Respondent 4	Agree	Local FIs are formidable competitors and SA banks should not fall into the trap of playing their game. SA institutions need to lean on their core strengths that can't be offered by the competition

Respondent 5	Agree	Core competencies should be pushed out across the platform to differentiate from the competition
Respondent 6	Agree	Success of some SA institutions can be attributed to this specific approach
Respondent 7	Agree	FIs should focus on what they are most competent in to achieve success on the continent
Respondent 8	Agree	SA firms particularly strong in technical build of products and risk management models. These strengths must be the basis of competing in the rest of SSA
Respondent 9	Agree	There are areas of competence that can and should ne standardised and rolled out at scale

The table above shows the results of proposition 4. The respondents overwhelmingly agreed that to achieve success in the rest of SSA, firms must focus on their core firm specific advantages and economies of scale that cannot be easily replicated by local competition. In conclusion, based on the results, the research supports the proposition. All the respondents agreed with the views put forward and added some examples and opinions to support their assessment. It is therefore concluded that the proposition is valid.

4.6 Summary of the results

To conclude this chapter, the following table presents a summary of the results. Each of the four propositions is listed in the table as well as whether each of the respondents agreed or disagreed with each of the propositions. Finally, the number of respondents who agreed with the proposition is noted and a conclusion provided.

As presented in the table, the research shows that Propositions 2 and 4 were found to be valid, with all the respondents agreeing with the findings of the literature review. Proposition 3 was found to be invalid for financial services companies, whist the research around Proposition 1 was inconclusive.

Table 14: Summary of results of propositions 1 to 4

	Respondent 1	**Respondent 2**	**Respondent 3**	**Respondent 4**	**Respondents 5**
Proposition 1	Somewhat Agree	Somewhat Agree	Agree	Disagree	Disagree
Proposition 2	Agree	Agree	Agree	Agree	Agree
Proposition 3	Disagree	Agree	Somewhat Agree	Disagree	Disagree
Proposition 4	Agree	Agree	Agree	Agree	Agree

	Respondent 6	Respondent 7	Respondent 8	Respondent 9	No. of respondents that agree with proposition	Conclusion
Proposition 1	Agree	Agree	Agree	Somewhat Agree	4 of 8	Research was **inconclusive**
Proposition 2	Agree	Agree	Agree	Agree	9 of 9	Research **supports** proposition
Proposition 3	Disagree	Agree	Disagree	Disagree	2 of 9	Research **does not** support proposition for FIs
Proposition 4	Agree	Agree	Agree	Agree	9 of 9	Research **supports** proposition

CHAPTER 5. DISCUSSION OF THE RESULTS

5.1 Introduction

In the literature review, it was noted that some of the motivations for expansion into different regions include achieving economies of scale or efficiency seeking (Contractor et al, 2003), Rentocchini et al (2008), (Grubel, 2014); arbitrage seeking (Rentocchini et al, 2008), improved learnings for the organisation (Contractor et al, 2003), (Grubel, 2014); as well as market seeking and resource seeking (Rentocchini et al, 2008). Some of these assertions formed the basis of the propositions in this paper.

This chapter provides some background and demographic profile of the respondents in the research. Each research proposition formulated in Chapter 3 was recapped for the convenience of the reader. These were then discussed in more detail, based on the responses provided by each of the participants in this research. Where common themes were identified, these were highlighted by the author.

The chapter also discusses and explains the results of the research, drawing parallels between the respondents' views and the literature review where they were found. Alternative views were also presented where these were evident. Finally, the results were summarised and reaffirmed.

5.2 Profile of participants

In conducting the research, the participants were picked for their experience in sub-Sahara Africa. These included individuals who are executives and managers of banking and/or insurance companies with significant presence in SSA. To augment the management and executive views, a management consultant who advises banking and insurance companies in their SSA expansion strategies was interviewed. Lastly, an insurance analyst participated in the study.

All the individuals were senior management or executive level at their institution and included: Head of Global Markets at Standard Bank Corporate and Investment Bank (CIB); Head of Client Coverage at Standard Bank CIB (previously CFO of CIB); Managing Director & Head of SSA Financial Institutions Group Coverage at Barclays Africa Group (ABSA); Executive at Nedbank CIB; Deal Structuring Specialist Consultant at Trade and Development Bank (previously VP, Leveraged Finance with Barclays Africa Group); CEO of Rest of Africa at Sanlam Emerging Markets; Partner at McKinsey & Company specialising in banks in Africa; Head of Specialised Clients at Old Mutual Emerging Markets; and a Fellow (Institute of Actuarial Sciences) and Portfolio Executive at Africa Rainbow Capital (formerly insurance research analyst at Credit Suisse).

For the benefit of those who preferred that their opinions remain anonymous, the report refers to the participants as respondents 1, respondent 2, respondent 3, and so forth. In addition, the above participants are not listed in any order, but are done so randomly. Respondent 1 therefore does not necessarily refer to the participant first listed. The interviewer believed that this approach may be acceptable as the goal of the research was to determine whether the research sample supported or disagreed with the various propositions put forward and not to highlight which participant responded in a certain manner. It is therefore believed that the approach achieved the aims of the research, while providing the relative anonymity that some of the respondents desired.

5.3 Discussion of results of proposition 1

Consistent with the findings of Carmody & Kragelund (2016), Ghemawat (2007), Klein & Wocke (2007), Jones (2010), Banalieva & Sarathy (2011), Lawrence & Lorsch (1967), Peng et al (2008) and Porter (1980), the first proposition in the study put forward that companies expanding onto the rest of the continent should adapt their business model and customise products to ensure offering that fits the local context and is driven by the customers' needs.
Respondent 3 supports the proposition. The participant stated that he believed in "African

solutions to African problems". In Respondent's opinion, in building a clear and focused rest of Africa strategy it would be important that African subsidiaries adapt a "localised approach" to doing business. So, rather than replicate a Johannesburg in Nairobi, instead companies should look to build a Kenya hub that is independent in decision making and process. Respondent 3 acknowledged that this approach would take time and significant investment in people and infrastructure, however in their opinion it is critical to being able to compete with local financial institutions, particularly in highly competitive markets like Kenya and Nigeria.

While Respondent 6 believed that in the insurance industry, actuarial policies, risk models, actuarial valuation and governance should all be standardised; they supported making some adaptations in the offering to suit the clientele and local dynamics. In majority Muslim countries for example, where the dead should be buried as soon as possible and in some cases within 24 hours of death (Sultan, p.4), a funeral cover offering would need to be different to that which is offered in countries where the deceased are only buried after many weeks of even months of death. The respondent noted other nuances that were important to understand and incorporate in a successful expansion strategy. In countries such as Ghana for example, where discussing one's ultimate death is considered a taboo topic, it would not be wise to use the word 'funeral' in any product offering. In other countries, they pointed out, trade unions were a strong part of the working population. In these regions, it would be wise to offer certain products through the trade unions or trade union representatives. Respondent 6 added that sometimes adaptation was necessary to suit the realities on the ground, particularly around the available supporting infrastructure. For example, the participant pointed out that although one of SSA's key attractiveness and potential growth drivers is the rapid urbanisation, as noted by Bloom, Canning & Sevilla (2003), not all those who move in the cities have identity documents or a permanent place of residence. Attempting to sell insurance products to these individuals may therefore be challenging. Offering a similar solution as Kruger (2015), adapting and forming distribution models that leverage relationships with mobile phone operators for example, may therefore be important is such markets. In addition, the respondent pointed out in some markets, distributing insurance through banks in what is commonly called bancassurance, is more valuable than other markets.

Respondent 7 like Arino (2015), noted that SSA is a non-homogenous market and has very wide and distinct idiosyncrasies. Adaptation they believe is therefore key, in line with Proposition 1. Respondent 8 agreed. They noted that whilst business models may be easily adaptable, they were not necessarily exportable. Like the other respondents, they noted that Africa comprises of 54 distinct countries, most with their own particularities. Some of these, the respondent highlighted, include differences in regulation; not only the rules but also the regulatory environment that needed to be navigated. While one region may have a collaborative relationship with regulators and industry bodies, others may have a more supervisory or top down environment where the regulators decide on regulations without consultation of the various industry participants. Other key differences may emanate from differentiated delivery channels. In some regions, direct marketing may be an option whilst other markets are controlled by insurance brokers for example. One therefore needs to maintain flexibility in the delivery as well as pricing of the offering.

Moreover, Respondent 8 pointed out that, in some markets collection of premiums may differ significantly. The responded noted for example that companies could offer a product where clients pay for the product annually but in another market, insurance policies may be on a month to month basis, completely changing the risk profile and therefore economics of the offering. Still on collection, the participant highlighted that some markets are cash driven, where customers will pay for insurance products in cash, which is virtually non-existent in the home market. Whilst it is important to maintain the quality and integrity of an offering the participant concluded, it is important for the offering to look and feel like it is local. Adaptations should therefore be made to explore alternative distribution channels, collection methods and marketing/ branding.

Respondent 1 and 2 somewhat, but not fully agreed with the previous findings. They agreed that one would often need to adapt to one’s environment as SSA is vast and often different. The respondents however cautioned that in banking, while it’s important to adapt it is also crucial that companies do not to lose their competence. To keep the balance, Respondent 1

proposed that the product names, marketing, pricing and distribution can be adapted to accommodate the environment and local nuances but the core product design should be maintained.

Respondent 5 recognised that companies may need to tailor their products in some instances, but also offered an alternative view. The right approach according to the respondent, was to begin by defining the focus clientele and how best to serve their needs. If the client focus is retail in nature, then there would probably be more need to adapt ones offering as local nuances would likely be important. If the target market is corporate clients however, then the respondent proposes that local nuances would be less important and the focus should be on FIs understanding how best to use their existing platforms to meet corporate client needs. The participant offered that corporates often need to make cross border payments for example, through some sort of foreign currency platform. In this case, the capabilities that SA banks already have can be rolled out in a standardised way to meet these needs. There would therefore be little reason for adaptation in the participant's opinion.

Respondent 9 began by stating that "one size doesn't fit all". They argued however that there were areas that needed to be standardised in their opinion to achieve scale. Some of these included product architecture, administration, governance and risk management systems. From a product perspective though, the participant offered that a flexible approach was important and that one "should not be arrogant" in thinking that a product that sells in SA will sell elsewhere. They also highlighted that in their experience, different types of products were successful in different jurisdictions. In some regions the respondent noted, child education products were more popular, while in others funeral policies worked well. In some geographies, they continued "people are funny about funerals so savings products rather than death benefit policies do well". The respondent therefore agreed that a degree of flexibility and adaptation was important, but only in terms of product pricing, emphasis and offering. This view seems to resonate with Khanna et al (2005) who argue that companies ought to "adapt to the voids in product and input markets while maintaining their core business propositions" (p.15).

Respondent 4 disagreed with the importance of adaptation in the financial services industry and instead supported standardisation. The respondent highlighted that in their opinion, banking and insurance was different from consumer goods where firms may need to make adaptations such as decreasing pack sizes, as noted by Jones (2010) describing Unilever's strategy in lower income markets. In financial services, the participant argues, there is a high degree of standardisation and financial services firms can largely apply the same model across geographies. The respondent conceded that companies can look to tailor things like marketing, pricing or client segmentation, but the fundamental product set they insisted, was the same. These similarities would include the client coverage model, for example "one relationship manager to five clients". Respondent 4 also suggested that in their opinion, much of the success of global banks that operate in Africa such as Citibank, HSBC, Santander and Standard Chartered Bank could be attributed to a high degree of standardisation of platforms, branch formats, as well as distribution and coverage models. What was key, in the opinion of the respondent, was for financial services firms to identify which products they had in their armoury that would be relevant in the market of interest. This approach, in their view, would enable firms to avoid "reinventing the wheel" each time they entered a new geography, as doing so would increase complication and have implications for IT systems that would increase costs.

Given the various views, proposition 1 was found to be inconclusive. Only half of the respondents agreed with the proposition but most of these had limited conviction. The rest either partly agreed or completely disagreed, offering an alternative view.

5.4 Discussion of results for proposition 2

The second proposition in the research put forward that in expanding onto and across the continent financial services companies should consider partnering with locals and empowering local management with decision making rights to promote cultural fit, whilst maintaining a centralised resorting system to enhance governance and control risk.

This proposition was formulated after reviewing the findings of Arino (2015) and Camarate et al (2015). Chironga et al (2018) also noted that “African banking still has the second-highest cost of risk in the world, not least because of a paucity of credit bureaus, combined with immature risk management practices in many banks” (p.4).

5.4.1 Partnerships

In the opinion of Respondent 1 and Respondent 2, while there was some value from partnering with locals, it was important to ensure that the aims are fully aligned. The respondent highlighted for example that situations can arise where the group’s strategy to redeploy capital and continue to grow may be at odds of other shareholders who may prefer a dividend payment to meet their personal needs. What is important therefore according to the respondents, is ensuring that any partnership’s vision is shared, constantly reinforced and aligned with all the stakeholders.

Respondent 3 had a limited opinion on the need for partnering with local players but strongly supported local management teams. Respondent 4 advocated for majority owned operations such as Standard Bank and Barclays instead of partnerships such as Nedbank and Ecobank. In this partnership, Nedbank owns a circa 20% shareholding in Ecobank in an attempted to get access to 36 SSA countries in a capital light manner.

The challenge, according to Respondent 4, is that minority shareholding partnerships only work when things are going well but when things go wrong, there is very little one can do to influence different outcomes. The participant further clarified however that once majority was established, in their opinion, although local shareholding may be useful, there was little evidence to show that it leads to superior performance. Taking Barclays Africa Group as an example, where in some regions the bank owned 100% (no local shareholding) and in others less than 100% but more than 50% (so majority), there was little evidence of better performance in one over the other. In the respondent’s view, the appropriate shareholding

should be driven by how much the financial services company knows about a specific region. The weaker the knowledge, relationships and networks are in a new territory, the more that company needs local partners. The respondent further noted that in their opinion, most governments and regulators will look at how a company is contributing to the country in general and do not only look at shareholding to measure how much local impact that firm has.

Respondent 5 agreed that partnerships were important and argued for spending a disproportionate amount of time and focus to ensure that due care has been taken in choosing the right local partner. The participant highlighted that in their opinion, as is the view of Camarate et al (2015), Sanlam had done well in establishing good partnerships on the continent. According to the respondent, Sanlam's local partners are highly incentivised and there is clarity of how and when they can exit, should they wish. This stakeholder alignment and clarity, the respondent believes, has worked well for the insurance underwriter.

Further, the participant put forward (similar to respondent 1 and 2) that where partnerships have struggled, most of the failure can be attributed to non-aligned interests and goals that were not clearly set at the beginning. The respondent highlighted that companies planning to establish partnerships should be aware that some, particularly family owned banks, are not always operated with a profit motive. In some cases, these family owned banks are run to provide cheap loans to other family business interests. Firms should therefore be wary of partnering with family controlled FIs, and where related parties exist, the conflicts of interest should be examined carefully.

In terms of the kind of partnership, looking and minority versus majority, Respondent 5 noted the different views of FIs. Some, like Nedbank prefer to start with a minority shareholding to understand the lay of the land, while others prefer outright majority. The respondent did not have a strong opinion on what has worked. They warned however, like Respondent 4, that the problem with not having a majority shareholding is that it makes it increasingly difficult to drive change, should this be required. Unlike Respondent 4 however, the participant felt that it is important that FIs maintain a shareholding of less than 100% so that local partners have

some ‘skin in the game’. They also noted that buying 100% could result in a company purchasing ‘lemons’. To illustrate this point, the respondent provided the example of Atlas Mara’s purchase of 100% of BancABC. In this case, London listed Atlas Mara purchased a regional banking firm, BancABC, but the acquisition has been marred with problems, resulting in Atlas Mara losing the bulk of its market value.

Respondent 6 believed that it is increasingly important to be local. They highlighted that partnering with locals is key and can be attributed, in their opinion, to much of the success of some SA companies in their SSA strategies. They further believed, like many of the respondents that one should strive to have a majority shareholding to avoid being a “hostage to another’s fortune”.

In addition, like Respondent 5, the respondent did not believe that growing by acquisition was ideal as, in their view, it is not always clear what “skeletons are in the closet”. To support this view, they noted that in some cases in the insurance industry, particularly those with a strong broker market, premiums are often collected by the broker but not immediately passed on to the underwriter. This leads to a situation where the underwriter is exposed to the insured risk without having received the income. This also leads to underestimation of liabilities of the insurance target, in the event of a purchase. To conclude, the respondent warned that in building partnerships, FIs should avoid “throwing money at the problem”. Like previous respondents, they believed that it is much more importance to invest time compared to capital. In their opinion, FIs should avoid overpaying for assets in a race to simply establish presence on the ground. They also highlighted that it was important to have local partners with some sort of shareholding to make sure that the interests are aligned.

Agreeing with the proposition, Respondent 7 asserts that local knowledge is essential and therefore partnering with locals is important in any expansion outside of the home market. The respondent supports a risk mitigated expansion strategy, starting slowly with a minority stake. They also point out that on a practical level, a majority position in an FI would require one to ensure that adequate controls are in place to avoid Anti Money Laundering (AML)

requirements for example and compliance throughout the group would need to be attested to. A majority shareholding could therefore pose a large risk to the group.

Respondent 9 noted that partnerships are a “double edged sword” and in their opinion, one of the most important things to get right when expanding into SSA was picking the right partner. The respondent offered that one should look for partners that “can help with something”. This could be regulatory networks, establishing banking partners, opening new markets, etcetera. In addition, the respondent put forward that they preferred a majority position rather than minority. It was also important, according to the participant, to introduce the different partners to each other to increase transparency and enable the various partners to share thoughts and other insights, as well as grow their networks across borders.

Respondent 8 believed that as a starting point, SA companies need to ensure that they are not arrogant when entering new markets. The respondent agreed that partnerships were important but proposed a measured and methodical approach, mapping stakeholders and establishing clarity about what one wants to achieve. They also noted that partnerships can take many difference forms, not just shareholding, whether minority or majority. The participant pointed out that some partnerships may simply be about establishing a mutually beneficial arrangement. According to the respondent, Hollard Insurance for example initially partnered with MTN in Ghana for the distribution of insurance products in a mutually beneficial arrangement. This is consistent with Brand South Africa (2011) which shows that although no shareholding exchanged hands, both Hollard and MTN brought their strengths to bear and could establish a successful partnership. Also, worth noting is that the partnership did not include companies that operated in the same industry. One is in insurance (Hollard) whilst the other is a telco (MTN). These types of partnerships were also noted by Chironga et al, who pointed out that some banks were “harnessing Africa’s widespread mobile-phone coverage to create low-price offerings and innovative distribution models” (p6). These developments, the authors proposed, could deliver substantial growth in banking revenue going forward.

Finally, the respondent put forward that partners built solely on shareholding may exaggerate

the acquiring company's influence. They pointed out that even though one has a controlling stake such as a 51% shareholding, one must not assume that they are indeed in control. Local minority partners may have influence in other ways, such as through their relationship with regulators. This make it even more important, in the respondent's view, to establish a strong working relationship with the local partners, built on an alignment of interest, respect and trust.

5.4.2 Local management and decision rights

Respondents 1 and 2 shared a similar view and agreed with Arino (2015) and Camarate et al (2015) that local management involvement was essential, particularly in client facing or regulatory facing roles. Consistent with the above proposition, the participant however maintained that head office should retain the roles that were commensurate with head office's responsibilities. The participant pointed out that banks in South Africa operated in a Basel 3 environment with stricter rules when compared to their SSA counterparts. As a majority shareholder of subsidiaries that operate in other Africa jurisdictions therefore, the group company would need to make attestations about the entire group, including the subsidiaries. It would then be essential that certain responsibilities, particularly around governance, compliance and risk management are centralised. These should then be communicated to in-country managers who should be held liable for any breaches.

Respondent 3 strongly agreed with the proposition and believes that local involvement was vital. In the opinion of the respondent, the "big brother sitting in Johannesburg impedes growth and innovation" as it adds a layer of red tape and breeds a "culture of mistrust". Instead, local subsidiary companies they put forward, need to be empowered to make decisions and execute the overall group strategy. The participant however concedes that the strategy must be handed down from headquarters and should be clearly communicated. Respondent 3 also noted that one of the challenges in Africa was a dearth of skills due to the nascent nature of its markets. Local teams, in their view, would therefore need some support, skills transfer and training to successfully execute on the group strategy, particularly around credit and risk management.

Respondent 4 had substantial contributions around this topic. In general, the participant believed that it was important for companies to make a genuine attempt to “localise sooner rather than later”. It was also essential they noted, to appreciate and respect that local management bring some skills that the SA management don’t have. In this regard, the respondent warned against underestimating the importance of local knowledge and networks in growing the business and as a form of risk management.

In addition, the respondent noted that in their opinion, SA corporates were viewed with some suspicion in SSA. It would therefore be key to be perceived as local in the markets that one operates in, and a local management team with real value add would go a long way in establishing this perception.

Respondent 4 also pointed out that based on their interactions, one of the complaints that local management teams have is that the head office tends to exert too much control and as a result, they are unable to successfully compete with the local firms, whose decision making is much quicker. In the respondent’s opinion however, certain decisions must be maintained at headquarters whilst others can and should be left to the subsidiary to remain competitive. In the respondent’s opinion, credit or underwriting decisions should not be run at country level and the group needs a clear set of rules and guidelines that must be followed. For example, in the participant’s view it is the responsibility of the head office to ensure that an internal credit rating of BBB means the same across all the subsidiaries, or that it is known that certain types of transactions require a certain type of security/ collateral.

Clear policy therefore, in the opinion of the participant, should be handed down from the centre and there should be clear accountability when rules are not followed. Once these “rules of engagement” have been put in place, then local teams can be left to operate within the policies and procedures with adequate non-intrusive monitoring, such as analytics run from head office.

According to Respondent 5, as much as they agree with the idea to empower local teams as much as possible, it was also essential in their opinion, for organisations to develop “centres of excellence” within the group. They note, like Respondent 3, that one of the biggest inhibitors to growth across the continent is the lack of human resources, particularly in the financial services space. They noted that due to the well-developed market in SA, there is a disproportional amount of human capital available in SA, particularly around credit and more complicated financial structures such as derivatives. The respondent notes that if one is operating in markets where such products are not pervasive, it becomes difficult to find someone in-country that can accurately assess these types of risks. It therefore becomes crucial to have the centres of excellence around credit in SA, but work to train the local teams and encourage skills transfer through secondments. Consistent with the views of most of the participants, the respondent noted regulatory and compliance as other centres of excellence that must be developed and maintained at headquarters.

In terms of appropriate roles for local management, Respondent 5 proposed that senior client engagement and relationship management roles, such as managing director/CEO positions should be filled with locals. The role should also be given appropriate decision-making rights, particularly on the retail side where product and product development should be surrendered to country level in their view. For corporates, the respondent puts forward however that local relationship managers are not essential as the key relationships for the large corporates are likely to be in SA, as these corporates are often SA companies operating on the continent. In this instance, the key becomes ensuring that local teams are aware of the importance of the client at group level and affords them the best service in-country.

Echoing previous participants, Respondent 6 believes that it is key to have local management particularly in the CEO/MD and distribution roles for at least three reasons. First, as previously highlighted, it is important to be viewed as local and therefore the face of the client facing teams should be local in the respondent’s opinion. Second, strong local senior management is likely to have better relationships with the regulators than staff that is parachuted in from headquarters. Third, as also highlighted by Camarate et al (2015), expatriate packages tend

to be substantial. Having a large expatriate staff complement will simply make the company's offering non-competitive compared to the local peers. Also in agreement with previous respondents, Respondent 6 concedes that certain functions should always be centralised, including functions such as actuarial policies, risk management modelling, actuarial valuation approach, and governance policies and procedures.

Consistent with other participants, Respondent 7 believes that local management is vital to ensure cultural fit and local knowledge of any nuances. The respondent however cautions that when entering new territories, this local knowledge amongst the local management teams should not be assumed but should be tested beforehand. In line with the proportion, the participant believes that any policies and procedures, asset and liability committees, credit policies and tiering of client risk profiles should be centralised to head office. Once designed, head office only needs to ensure that subsidiaries are operating within the framework. All other decisions should be left to local management.

Respondent 9 offered that the group should design an overarching strategy that should be pushed down to all its subsidiaries. Once agreed, the respondent supported a "federal model" where local management could run their operations with on-going communication to the group, but little interference. In the respondent's view, local management was therefore critical and they should be given that space to deliver on the agreed upon strategy and business plan. In the respondent's opinion, local teams should know that if they "deliver, they will be left alone". They also highlighted that they believed that it was important to have a local chairperson of the board. This individual, according to the participant should be picked by the group as their representative and should not be part of the management team (independent board member).

In the opinion of Respondent 8, in the financial services industry, it is important for in country/ local management teams to take the lead in the rolling out products. In markets like Kenya for example, products must look and feel local to gain acceptance in the market. Consistent with the theme of being 'seen to be local' that other respondents have highlighted, Respondent 8

pointed out that naming rights and conventions are therefore also important, both at product level and corporate level. Giving an example, the respondent proposed that some of the acceptance of Old Mutual in Kenya, is due to the strong brand that UAP had prior to the investment by Old Mutual. By maintaining the UAP name post investment, the company continues to be viewed as a local offering, but with a foreign underpin through Old Mutual. The participant therefore advises that companies should not be "precious about their names" and should take guidance from local management teams to deliver an offering that is likely to gain acceptance in the market. The respondent further noted that in-country management also acts as a sense check or back stop with regards to innovation, providing relevant advice of the likely traction that a new product offering would receive.

Moreover, the respondent noted that locals often act as ambassadors of the company. In the respondent's opinion, surrendering appropriate decision-making rights also serve as a useful risk management measure, particularly around regulation. The participant blamed a failure to localise quickly enough for the large fine of circa R70 billion proffered on MTN Nigeria according to Moneyweb (2015). MTN had delayed a listing of its local Nigerian subsidiary on the local stock exchange and therefore failed to provide adequate local participation in that country, according to the respondent.

Reinforcing the view that local management teams were important, the respondent put forward that Old Mutual Zimbabwe operations were one of the best performers in the Old Mutual stable. This, the participant proposed can be attributed to the local listing of the subsidiary, as well as a management team comprised of mostly locals who know the market well. Pointing to these operations, Respondent 8 emphasised that SA institutions should stop thinking of simply exporting their products and know-how to the rest of SSA but should also start to import some of the learnings and products that have worked elsewhere. This is consistent with the improved learnings motivation for multinational expansion strategies highlighted by Contractor et al (2003) and Grubel (2014). This, according to the participant, not only makes business sense in the instances where products developed in other regions are applicable in SA, but also strengthens the mutual respect that is important in building and

maintaining lasting partnerships on the continent.

In conclusion, Respondents 1-9 all recognised the importance of establishing partnerships but varied on the type of partnerships that were appropriate. Some advocated for majority shareholding to maintain control, whilst others preferred a more measured approach to partnerships. Even more, one respondent supported thinking out of the box when constructing mutually beneficial arrangements, refusing to remain stuck in a shareholding mindset. In addition, all the respondents agreed that local management was essential as financial services instructions needed to be viewed as local, particularly amongst senior client and regulation facing roles. Most of the respondents however recognised that while pricing and distribution can be surrendered to in-country teams, it was importance to maintain decisions around the essential control functions at head office. These could include policy, procedures, risk management and technical build of the product suite. Based on these discussions, it is concluded therefore that the proposition in valid.

5.5 Discussion of results of proposition 3

After reviewing the works of Camarate et al (2015) and Ghoshal (1987), the third proposition in the research put forward that in expanding into SSA, South African financial services companies should diversify by forming a portfolio of businesses across various markets.

Respondent 1 neither agreed nor disagreed with Proposition 3 and rather offered an alternative approach. The participant proposed that the geographies that companies enter should be linked to what the company is trying to achieve in terms of philosophy. Some banks believe that they are South African banks that have presence in Africa, whilst others see themselves as pan African. If the former is the philosophy, the respondent proposes focusing on the key markets where the best returns can be made. If, however, the latter is the vision, then it becomes increasingly important to establish presence in as many markets as possible, particularly those that existing clients already operate in. This would be key, according to the

respondent, not only for the diversification that the various markets bring but to be able to truly service key clients in as many jurisdictions as possible.

Respondent 2 agreed with the proposition and believed that being in many regions is important for the existing client base that may need the same level of service across their existing platform in many regions. “Planting flags” therefore becomes important but not merely for diversification but in terms of providing end to end client service. Respondent 2 however noted that given the regulation around the amount of capital that banks need to hold, being in multiple regions comes with significant capital costs. Interestingly, the respondent highlighted that some banks, to minimise these capital costs, actively manage the growth of their local loan books to avoid the amount of capital that would be required at group level.

The sentiment was shared by Respondent 3 who argued for the efficient use of capital and country risk framework approaches to picking geographies. Generally, the participant states, financial institutions are in the business of deploying capital. Given Basel regulations, this should be done in the most efficient way possible to protect stock and bond holders. The respondent noted that the reality is that African markets are volatile and not liquid, thus one must tread carefully, and invest significant time and resources developing a group “house view” on each country based on detailed research into macro, micro and political factors. This analysis, in the respondent’s view, should inform the amount that can deployed to each country and should be the framework used for any expansion into a new region.

Respondent 4 disagrees with the proposition and states that they are “more in the mind space of being in the markets that matter”. In the respondent’s opinion, Ecobank for example (and Nedbank by extension) has not been rewarded in terms of returns or share price performance for being in close to 40 markets. The respondent went on the note that while Ecobank was in 36 countries in total, the smallest 20 of the 36 were probably not and unlikely to ever be viable. According to the respondent, SA banks, Standard Bank and Barclays Africa Group had broadly got it right as they are in a reasonably leading position (at least 10% market share) in most markets that they operate in. An alternative approach offered by the participant was for

financial institutions, instead of trying to achieve presence everywhere, to focus on relevant trade corridors such as Southern Africa Development Community (SADC), East Africa Community (EAC) or ECOWAS and establish a regional presence to serve those markets through a regional hub. This view is supported by Chironga et al (2018) who put forward that geography is important as “65 percent of African banks’ profitability (measured by return on equity) and 94 percent of revenue growth, is attributable to their geographic footprint” (p.3).

Respondent 5 also disagreed with the proposition and was in the same camp as Respondent 4. In the participant’s opinion, “one banks dollars and not flags” so one must aim to be in countries where there is sufficient scale, “if you can’t make money don’t be there”. Consistent with the observations on Ecobank above, Respondent 5 does not believe that shareholders will reward management teams simply for a vast footprint. That said, the respondent acknowledged that it would be difficult for an aspiring pan African financial institution to call itself such and not be in some key jurisdictions in South, East, West and North Africa.

This would mean, according the participant that one would aim to find a model that works in Nigeria to establish a West African presence and Kenya to cover East Africa. According to the respondent, FIs should also start developing plans for francophone West African region, as well as the Maghreb region.

In line with the regional approach, Respondent 6 believes in a “hub-and-spoke strategy”. Using this approach, the respondent proposes that when expanding onto the continent, financial services companies should begin with the three hubs (Kenya, Nigeria, Ivory Coast) and “get these right”. Once done, these hubs provide the operational base to service the neighbouring countries.

Unlike most of the participants, Respondent 7 agreed with the proposition. The respondent believed that companies should get into as many regions as quickly as possible. Like some of the respondents, the participant however noted that the challenge of spreading across multiple regions was the inconsistent regulatory standards. In banking for example, SA has

already transitioned to Basel 3 whilst banks in SSA have not. This, the respondent acknowledged and consistent with Respondents 1 and 2, creates capital costs and compliance risks at the group level.

Respondent 8 advocated for expansive regional growth if possible. The respondent however offered an alternative, proposing that companies should not expand for expansion sake, but should be clear about what they are trying to achieve by entering different regions. Like Respondent 1, Respondent 8 believed that the decision of whether to enter a territory should be based primarily on what the company is trying to achieve in each region and as a group (vision). In addition, in the participant's opinion, companies should only enter regions where their political, business and regulatory networks are strong, and knowing that expansion comes with costs, as highlighted by most of the respondents in the study.

Respondent 9 put forward that there was merit, in their view of doing things incrementally, "revising the strategy as you go". They noted that instead of diversifying across many regions for diversification sake, they preferred dividing SSA into regions and like other respondents, establishing a hub in each of the regions. They didn't believe in a "scattershot" approach to geographical expansion they concluded and therefore disagreed with the proposition.

In conclusion, the third proposition that offered that SA financial services firms should diversify across SSA by forming a portfolio of businesses across various markets. Based on the results, the research does not support the proposition. Most of the respondents disagreed, citing the increased capital costs and compliance risk for financial institutions. Where there was agreement, this often came with some caveats and alternative considerations. It is therefore concluded that the proposition is invalid for SA financial services institutions as regulatory and capital costs appear to outweigh the returns available from smaller markets.

5.6 Discussion of results of proposition 4

According to Proposition 4, when South African financial services companies expand into the rest of sub-Sahara Africa, these companies should focus on core firm specific advantages and economies of scale that cannot be easily replicated by local competition.

According to Camarate et al (2015), focusing on what a company is good at ensures that they remain relevant and can not only enter new markets with a distinct offering, but defend their position as competitors would struggle to copy their firm specific advantages. Further the authors highlighted this approach as a major contributor to what they view as Sanlam's success on the continent.

Sharing this view, Respondent 1 stated that this was one of the key attributes, in their opinion to the relative success that Standard Bank has enjoyed on the continent. The bank the respondent proposed, has a strong foreign currency platform in SA and this remains one of its core competencies. Rolling this out across the continent, particularly to an existing client base that operates in various regions has been a significant component of their competitiveness in SSA. Leveraging their platform across cash management, trade finance and clearing has also contributed largely to ensuring that Standard Bank remains relevant on the continent according to the respondent.

Respondent 2 agreed and added that one of the core competencies that SA banks have in general was a strong capacity in developing credit and risk management models. SA banks were also advanced in global markets activities, such as foreign currency trading and investment banking, including project finance. Focusing on these aspects, according to the respondent, helped SA banks distinguish themselves from the local competition in various regions.

Respondent 3 added that in their opinion and as a starting point, to ensure success SA financial institutions looking to "go north" needed to have a very clear idea of what they were

trying to achieve. According to the respondent, this means that they would need to understand the key markets in the region, understand what the key economic drivers of those markets are and determine whether there is a clear fit between their existing business and the markets that they intend to pursue.

The respondent therefore agreed with the proposition but went further, purporting that companies should design their strategy to match the economic opportunity and the existing competencies of their organisation. Also using Standard Bank as an example, Respondent 3 put forward that in 2010 the bank changed their strategy from being an Emerging Markets bank to an African focused one. According to the respondent, Standard Bank felt that they had a deep understanding of the markets and sectors that were the foundations of the continents growth - power, natural resources and infrastructure. Thus, in the respondent's opinion, the bank felt an Africa focused strategy better suited their core strengths. The participant put forward that one of the manifestations of this was for Standard Bank to adopt a one corporate and investment bank strategy, which meant that on a basic level, a client in Uganda (for example), was viewed the same in any other Standard Bank region. Clients therefore stopped looking at Standard Bank as an SA bank, but rather a bank that could meet their local, regional and international needs providing an end to end service offering that cannot easily be replicated by the competition.

Respondent 4 agreed with the various participants and highlighted that local banks in Kenya, Nigeria, Ghana, Zambia, etcetera. are "worthy opponents" to SA banks. In this environment the respondent put forward, SA banks needed to ensure that they were clear about their basis for competition in the markets in which they choose to enter. Giving examples, the participant noted that SA banks were strong in international trade finance; servicing regional and international corporates; risk management; transaction management; and investment banking. Respondent 4 put forward therefore that if the financial services institutions were unclear about sticking to their strengths and allowing themselves to get sucked into competing where the local banks are strong (cost, branch network, bottom of the pyramid offerings), then SA banks would risk sliding backwards. Sticking to the core strengths therefore, according to

the respondent would be key.

Respondent 5 proposed that one of the things that SA banks should be able to do well is to provide a “one face offering” in terms of banking multinationals, SA outbound corporates and regional players. For all these clients, there should be the same product offering and the same level of service, whether they are in Botswana or in Mozambique. In the respondent’s view, whether an institution’s core strength is in payments, collections, foreign currency or, advisory, the platform should be the same and pushing through the bank’s core competencies to the key clients should be the focus and basis of differentiation.

In line with Camarate et al (2015) and others, Respondent 6 offered that Sanlam was one of the success stories in terms of expanding onto the continent. According to the respondent, much of this success can be attributed to strong technical skills and a standardised actuarial approach to risk and governance (with central oversight). The respondent adds that these cannot be replicated easily and like other core competencies, should form the basis of developing and maintaining a competitive advantage.

Consistent with the other participants in the study, Respondent 7 stated that “one should simply focus on what one is good at and can replicate on the continent”. The respondent also highlighted SA banks’ general competence in asset and liability management, risk management and credit policy design. These the respondent proposed, should be leveraged across the continent and rolled out to subsidiaries to boost competitiveness.

Resonating with other contributors, Respondent 8 highlighted that Old Mutual and Sanlam have “strong technical build of products and risk models” that are developed at head office. While the respondent notes that these often need to be tested with local management to ensure that they can be adapted to any country specific nuances, these form the basis of the insurance companies’ offering in other regions. The result from the approach is a product that caters for local idiosyncrasies but that is technically robust and not easily replicable.

Responded 9 agreed with the others, noting that platforms, reporting, product architecture, risk modelling, training, etcetera can all be standardised and pushed out at scale to retain core competencies and improve efficiencies. This way, financial institutions would be able to fend off the competition in their opinion.

In closing, it is concluded that Proposition 4 is supported by the research and is thus valid. The respondents that participated in the study overwhelmingly agreed that SA FIs should focus on their core firm specific advantages and economies of scale to provide an offering that cannot be easily replicated by the local competition.

5.7 Conclusion

After offering some background of the participants in the study, this chapter expanded on the results of the research that were presented in Chapter 4. Each proposition was discussed in its own paragraph, noting the opinions of each respondents in the study. Where there was agreement with the propositions, this was noted. Any disagreements or alternative views offered by the respondents were also highlighted.

Resting on various works and consistent with the findings of Carmody & Kragelund, Ghemawat, Klein & Wocke, Jones, Banalieva & Sarathy, Lawrence & Lorsch, Peng et al, and Porter, Proposition 1 put forward that companies ought to adapt their business models and customise products to ensure an offering that fits the local context and is driven by customers' needs. After noting the views of the participants, the results of Proposition 1 were found to be inconclusive. Only half of the respondents agreed with the proposition and the rest either partly agreed or outright disagreed.

After reviewing the works of Arino (2015) and Camarate et al (2015), Proposition 2 offered that to be successful on the rest of the continent, FIs should partner with locals and empower local management with decision making rights to promote cultural fit whilst maintaining a centralised reporting system to enhance corporate governance and control risk. All the

respondents agreed that building partnerships was vital to winning in SSA. There were however notable differences in the approach to partnerships with some preferring majority shareholding to have better control and others proposing a slow, steady start, establishing a minority shareholding and building it up as the relationship strengthened. Others proffered that perceived control, through majority shareholding did not necessarily translate to real control and in fact, what was key was building meaningful, interest aligned relationships. Further, all the respondents agreed that a local management was important and the participants were generally aligned in relation to surrendering responsibilities around pricing, packaging and distribution of products; and retaining control of functions around policies, procedures, regulation, risk management and compliance.

Proposition 3 suggested that financial services companies should diversify by forming a portfolio of businesses across as many markets as possible (Camarate et al, 2015; Ghoshal, 1987). Based on the observed results, the research did not support this proposition. Most of the respondents disagreed entirely and offered strong views on why simply planting flags in various regions was not a good strategy. In cases where some of the respondents agreed with the proposition, this often came heavily caveated. It was therefore concluded that the proposition was invalid for SA financial services institutions.

Grounded in the literature and the views of Camarate et al (2015), Proposition 4 was developed and offered that SA financial services companies seeking to win on the continent should focus on core firm specific advantages and economies of scale that cannot be easily replicated by the local competition. The respondents overwhelmingly agreed with the proposition and in some cases, noted this as the single most important attribute that has led to the success of some FIs that have made the foray into SSA. It was therefore concluded that the proposition was valid.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

This chapter begins by offering a conclusion of the study, where the findings of the research were summarised with reference to the context of the study that was presented in the beginning of the paper. Any differences between the literature review and the respondents' views were highlighted.

Based on the outcome of the interview process, the chapter offered some recommendations to the stakeholders that were identified in Chapter 1. Finally, suggestions for further research were made, based on the additional insights and alternative views that were proposed by the participants in the study.

6.2 Conclusions of the study

In Chapter 1 of the paper, it was noted that sub-Sahara Africa has been identified as a region of rapid economic growth potential. This has led to companies aiming to take advantage of the growth prospects in Africa that are driven by a growing young population, rising middle class and rapid urbanisation (Bloom, Canning & Sevilla, 2003). It was also highlighted that Chironga et al (2018) noted that banking in Africa has shown almost twice the growth observed globally.

Noting the mixed results of forays into SSA, and the relevance to SA financial services institutions, the study sought to establish what the key success factors are, to deliver an effective sub-Sahara Africa expansion strategy in the banking and insurance sectors. The researcher took on this task by reviewing various literature on the topic and conducted qualitative research through semi-structured interviews with executives and management of South African FIs that have expanded onto the rest of the continent.

Based on the recommendations of Arino (2015) and Camarate et al (2015), it was found that to win in SSA, FIs should partner with locals and empower local management with decision making rights to promote cultural fit, whilst maintaining a centralised reporting system to enhance corporate governance and control risk. Although this notion found overwhelming support from the respondents, the nature and scope of the partnerships varied substantially with some preferring majority, others minority and even more, others purporting that shareholding was not important and the key was rather to think beyond shareholding and forming mutually beneficial arrangements that suited each stakeholders' needs. These could include distribution partnerships such as those noted by Chironga et al who noted that there were a "number of exciting innovations through bank-telco partnerships" (p.6) on the continent. Further, the research found that while it was important to surrender responsibilities around pricing, packaging and distribution; retaining control of functions around policies, procedures, regulation, risk management and compliance was essential.

Another key determinant of success, it was found, was for SA financial services companies to focus on core firm specific advantages or competencies, which should be rolled out to promote scale. Doing this ensured that competitors found it difficult to replicate one's offering and would ensure strong performance relative to local peers. Agreeing with Camarate et al (2015), this was noted by some of the respondents to be the single most important attribute, in their opinion, to the success of some FIs on the continent.

Leaning on the findings of Carmody & Kragelund, Ghemawat, Klein & Wocke, Jones, Banalieva & Sarathy, Lawrence & Lorsch, Peng et al, and Porter, it was put forward that companies ought to adapt their business models and customise products to ensure an offering that fits the local context. Whilst half of the respondents supported this view, the results of this notion were found to be inconclusive as others disagreed or offered an alternative view. Some noted that although it was necessary to adapt to the different environment as SSA is vast, institutions should be careful to maintain the product offering that they were particularly competent in. To do this, they put forward that the design of the core product or offering, such as coverage models should be maintained. Offering strong alternate views, some respondents

supported standardisation, proposing that the right approach was to identify what offering in an institutions tool-kit was relevant to the proposed environments and then rolling these out in a standardised fashion. This approach it was hypothesised, would ensure competency in delivery of one's products and would negate the increased costs associated with adapting systems, such as IT to suit a range of product adaptations.

It was supposed that financial services companies should diversify by forming a portfolio of businesses across as many geographies as possible. The research concluded that this was invalid for financial institutions as the respondents put forward that simply establishing a large presence in various regions was not a good use of capital. The tightening regulatory environment was noted as a key barrier to diversification as additional capital would need to be held at group level to support additional subsidiaries. Moreover, it was proposed by the respondents that it was much more important to focus on the key markets where one could be relevant in terms of offering and subsequent market positioning relative to the competition. South African FIs should therefore, according to the research, stick to the markets that matter, using these as hubs to service the neighbouring countries opportunistically.

6.3 Recommendations

As noted in Chapter 1, this study sought to provide guidance to executives and senior management teams of SA financial institutions that aim to expand their businesses into the rest of the continent, as well as those that have already done so with sub-optimal results. Multinational financial services firms that may be considering using SA as a launchpad into the rest of the continent were also identified as potential benefactors. In addition, it was envisaged that regional financial services focused private equity managers who have or are developing a pan African investment theme may also find use of the study.

Below, some recommendations and suggestions are made for the benefit of each of the above stakeholders. These recommendations have been inspired by both the literature review and the outcome of the qualitative research process. As these can be viewed as the key take-aways from the study, the recommendations have been presented in bullet format with sub-

headings to guide the reader and assist in framing the suggestions.

Investment philosophy

- Be clear on what the required goal is when expanding on the continent. This may involve a more philosophical goal such as to be truly pan African, which would require establishing a presence in the key markets. Instead the goal could be to take a more pragmatic approach, such as expanding into the most profitable markets where one could win given the landscape and firm specific competencies. Ghoshal (1987) for example offered a goal-oriented approach for the expansion strategy for multinationals. The emphasis on clear goals was also strongly supported by Respondent 1, 2 , 5 and 8. Respondents stated that decisions on geographic coverage for example, must be linked to what the institution in trying to achieve on a philosophical level. The participants also highlighted that where partnerships (a key component of success) have struggled, most of the flaw has been around non-aligned goals that were not clearly articulated at the on-set.

- Be patient and take a long-term investment horizon, spending the appropriate amount of time developing and building the chosen business model, remembering that some of the more successful players have achieved their relative success over many years following investment. This emerged out of most of the conversations with the respondents. Participants highlighted a need to be patient and noted that returns in the continent have and can be cyclical. One therefore shouldn't, according to the respondents, run at the first sign of trouble. Some participants also noted that relatively successful firms, in their opinions, such as Standard Bank and Sanlam, have achieved their gains over a long period of time, as did multinationals such as Barclays. Respondent 5 went further in stating that in their view, more time than capital is required for success on the continent.

Partnerships

- Seek to establish partnerships with allies that share one's goal or vision and ensure that the partnership is appropriately designed to align interests. While all the respondents agreed that partnerships were important, there were various views what kind of partnerships were appropriate. What was clear however from most of the respondents, was that one where all parties were aligned in both philosophy and practicalities was important. Respondent 8 also noted, that even when a company has a controlling stake in a partnership, this does not always translate into practical control. What is therefore more important than shareholding, according to the participant, is an alignment of goals and interests.

- When establishing new partnerships, consider introducing prospective partners to existing ones in other regions to provide a platform for information sharing and to reinforce the partnership philosophy. The research established that some of the companies actively ensure that their local partners and management teams get an opportunity to meet, mingle and exchange ideas with each other. This is done through formal workshops, usually held in South Africa, but informal platforms are also encouraged to ensure that the philosophy of the group is shared and reinforced amongst the various stakeholders.

- Aim to establish a control position, whether through majority shareholding or otherwise, to be able to steer one's destiny and to make changes should things begin to go wrong. Whilst some respondents preferred a minority shareholding at first to ensure a capital light expansion strategy, most of the participants stated that in their opinions, minority positions only worked when things were going well. In case things do not go as planned, most advocated for control, the easiest of which being a majority shareholding. This would ensure that the head office was able to make changes when the performance of the local entities required it.

- Focus efforts on designing a robust policy and procedures framework that covers

elements such as risk management, regulation and compliance. Once established, this framework should be communicated clearly to in-country partners and managers, including any consequences for non-adherence. This was an overwhelming theme across the respondents.

- Ensure senior client and regulatory facing roles are filled with locals as it is essential to be perceived as local and ensure adherence to policy and risk management frameworks through non-intrusive monitoring.

- Be open to other forms of mutually beneficial partnerships, such as distribution arrangements to achieve the set goals. This was supported strongly by Respondent 8 who believed that partnerships can take various forms and the emphasis should be on what the firm in trying to achieve.

Presence

- Avoid the temptation of spreading resources too thin in the quest to be in as many geographies as possible and rather focus on those regions where core competencies will thrive to establish a market leading, differentiated offering. Highlighting the importance of footprint, Chironga el al (2018) stated that c. 65% of profitably of African banks was attributable to geography. This sentiment was shared amongst most of the respondents, but they cautioned that simply planting flags in as many regions as possible was not the recommended approach. Companies, according to the respondents, should focus their efforts on being relevant in relevant markets.

Offering

- Recognise the local financial services companies in SSA make formidable rivals so focus on core competencies and avoid trying to be *everything to everyone* as this is likely to play into the local competitors' hands.
- Limit adaptation to pricing and delivery channels (distribution) and avoid too much variation of core products – rather match products that are available in the company's armoury to those regions where these products are relevant and can be rolled out at scale. At least half the respondents noted that it was important for SA firms to avoid being arrogant when entering a market. Local firms are well established, adapted and nimble. Focus for a new entrant therefore should be on leveraging existing competencies that the local firms may not have, with limited adaptation.

6.4 Suggestions for further research

As noted by the University of the Witwatersrand research template, “good research often creates more, new questions than it answers, opening doors and facilitating further research efforts on the part of others”. An aspiration to contribute to the academic body of knowledge was also noted in Chapter 1 of the study.

After going through the research process, some insights provoked additional questions in the researcher’s mind. These questions or ideas form the basis of suggestions for further research around expanding across sub-Sahara Africa. It is hoped that they indeed assist in facilitating further studies and include the following:

1. What is the appropriate investment horizon that should be applied to new investments into sub-Sahara Africa

2. What are the alternative forms of partnerships that can be used to expand into the rest of the continent and to what extent could these provide a more effective entry to market

3. What are the regulatory considerations that financial services firms should build into an expansion strategy across the continent

4. To what extent do acquiring firms or parent companies import learnings and know- how from the acquired companies into their home markets

5. To what extent do family controlled or closely held conglomerate companies cross subsidise each other to the detriment of the external, third party shareholders

6. How big is the addressable market in the rest of Africa for banking and insurance products

6.5 Ethical considerations

Informed consent

The research was conducted through face-to-face semi-structured interviews. Proposed participants were contacted directly by the researcher telephonically or through email. The proposed respondents were informed about the purpose of the research and that they had no obligation to participate. Once the participants had confirmed their willingness and ability to participate in the study, a formal meeting request was sent out. The request detailed the date, time and location of the meeting. Ahead of the meeting, the questions in Appendix B were provided to the participants. This was done to reasonably ensure that the respondents were clear about the nature of the study.

Use of research

Through Appendix A and verbally, it was highlighted to the respondents that the intention of the interview was not to gather any proprietary of confidential information about their organisation, but rather to gain from the participant's insights, experiences and observations.

Confidentiality and privacy

Prior to the meeting, permission to record the interview through audio was requested. Where respondents were not comfortable with an audio record of the interview, this was respected, and the researcher relied on hand-written notes to detail the interaction. For the benefit of those who preferred that their opinions remained anonymous, the study referred to the participants as respondents 1, respondent 2, respondent 3, and so forth. In addition, the above participant opinions in this study were listed randomly.

References and acknowledgements

The researcher declares that this study is their own work, except as referenced or acknowledged. Additionally, this study has not been submitted by the researcher before for any other degree or examination at any university.

REFERENCES

Africa rising (2011). The Economist, 3 December, cover page, retrieved 20 July, 2016, from http://www.economist.com/node/21541015

Aybar, B., & Ficici, A. (2009). Cross-border acquisitions and firm value: An analysis of emerging-market multinationals. Journal of International Business Studies, 40(8), 1317-1338.

Banalieva, A. P. E. R., & Sarathy, R. (2011). A contingency theory of internationalization. Management International Review, 51(5), 593-634.

Beck, T. H. L., Cull, R., Berger, A., Molyneux, P., & Wilson, J. (2014). Banking in Africa. Oxford Handbooks in Finance.

Bell, J. (2014). Doing Your Research Project: A guide for first-time researchers. McGraw-Hill Education (UK).

Bhattacharya, A. K., & Michael, D. C. (2008). How local companies keep multinationals at bay. Harvard Business Review, 86(3), 20-33.

Blaxter, L. Hughes, C. & Tight, M. (2006). How to research. Open University Press.

Bonorchis, R. Firstrand considers Nigerian acquisitions as valuations ease. Bloomberg, 5 October, 2016, retrieved 20 December 2016 from, https://www.bloomberg.com/news/articles/2016-10-04/firstrand-considering-acquisitions-in-nigeria-as-valuations-ease

Burgess, P., Scoville, J., Lyon, B. & Ogundele, S. (2016). Africa Insurance M&A: Global Insurers' Next Frontier. Debevoise & Plimpton

Camarate, J., Hoijtink, P., Puttergill, M. (2015). Creating value in Africa: using and enhancing your capabilities to succeed across the continent. PriceWaterhouseCoopers

Carmody, P., & Kragelund, P. (2016). Who is in charge? State power and agency in Sino-African Relations. Cornell International Law Journal, 49(1).

Chironga. M., Cunha, L., De Granids, H. & Koyoro, M. (2018). Roaring to life: growth and innovation in Africa retail banking. McKinsey & Company. https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/African%20retail%20bankings%20next%20growth%20frontier/Roaring-to-life-growth-and-innovation-in-African-retail-banking-web-final.ashx

Clayton, M., Christensen, Ojomo, E. & Van Bever, D. (2017), Africa's new generation of innovators: how some entrepreneurs have succeeded in creating new markets where many global giants have failed. Harvard Business Review

Contractor, F. J., Kundu, S. K., & Hsu, C. C. (2003). A three-stage theory of international expansion: The link between multinationality and performance in the service sector. Journal of international business studies, 34(1), 5-18.

Cosani, M., C. (2011). CEO perceptions of the principle factors affecting their reputation in South Africa, Master of Business Administration research report, University of the Witwatersrand, Johannesburg.

Creswell, J. W. (2003). Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications.

Demirgüç-Kunt, A., & Klapper, L. F. (2012). Measuring financial inclusion: The global findex database. World Bank Policy Research Working Paper, (6025).

Easterby-Smith, M. (1990). Creating a learning organisation. Personnel Review, 19(5), 24-28.

Francis, M. E. (2013). Determinants of commercial bank profitability in Sub-Saharan Africa. International journal of economics and finance, 5(9), 134.

Franco, C., Rentocchini, F., & Marzetti, G. V. (2008). Why do firms invest abroad? An analysis of the motives underlying Foreign Direct Investments.

Franklin, O., & Nell, P. C. (2010). Multinational corporations & regional strategy (Doctoral dissertation, Master Thesis, Copenhagen Business School, Copenhagen, South Africa).

Frontier markets in Africa: misperceptions in a sea of opportunities (2014). United Nations Economic Commission for Africa, 4 August, retrieved 14 July, 2016, from http://www.uneca.org/publications/frontier-markets-africa

Ghoshal, S. (1987). Global strategy: An organizing framework. Strategic management journal, 8(5), 425-440.

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. The qualitative report, 8(4), 597-606.

Grubel, H. G. (2014). A theory of multinational banking. PSL Quarterly Review, 30(123).

Hopeless Africa (2000). The Economist, 11 May, retrieved 20 July, 2016, from http://www.economist.com/node/333429

Hsieh, H. F., & Shannon, S. E. (2005). Three approaches to qualitative content analysis. Qualitative health research, 15(9), 1277-1288.

IMF cuts global growth forecasts on Brexit, Warns of risks to outlook (2016). International Monetary Fund, 19 July, retrieved 20 July, 2016, from https://www.imf.org/en/News/Articles/2016/07/18/18/11/NA07192016-IMF-Cuts-Global-Growth-Forecasts-on-Brexit-Warns-of-Risks-to-Outlook

Jones, G. G. (2010). Multinational strategies and developing countries in historical perspective.

Joppe, M. (2000). The Research Process.

Jupp, V., & Sapsford, R. (1996). Data collection and analysis.

Kalof, L., Dan, A., & Dietz, T. (2008). Essentials of social research. McGraw-Hill Education (UK).

Khanna, T., Palepu, K. G., & Sinha, J. (2005). Strategies that fit emerging markets. Harvard business review, 83(6), 4-19.

Klein, S., & Wöcke, A. (2007). Emerging global contenders: the South African experience. Journal of International Management, 13(3), 319-337.

Kogut, B. (1993). Designing global strategies: Profiting from operational

flexibility. Readings in International Business, The MIT Press, Cambridge, MA, 195-213.

Marrow, B. (2014, 20 May). Africa: the last frontier, Yale Economic Review, retrieved 14 July, 2016, from http://www.yaleeconomicreview.org/archives/222

MTN, Hollard pioneer mobile insurance, 25 March 2011. Brand South Africa, retrieved 20 November 2017, from https://www.brandsouthafrica.com/investments-immigration/business/trends/newbusiness/minsurance-250311

Nyantakyi, E., B. & Sy, M. (2015). The Banking System in Africa: main facts and challenges. Africa Economic Brief, vol 6. African Development Bank

Nyika, N. (2013). Factor influencing the entry mode chose of South African retailers expanding into Africa, Master of Business Administration research report, University of the Witwatersrand, Johannesburg.

Ohmae, K. (1991). Triad Power-The Coming Shape of Global Competition. 1985.-. The Borderless World: Power and Strategy in the Interlinked Economy.

Overview of MMI in Africa and beyond, 11 June 2015. MMI Holdings, retrieved 11 December 2016, from http://www.mmiholdings.co.za/wps/wcm/connect/mmiholdings-za/074fd3cf-4b62-4854-a7b7-9cada06d6c34/overview-of-mmi-in-africa.pdf?MOD=AJPERES

Patton, M. Q. (2002). Qualitative evaluation and research methods. SAGE Publications, inc.

Peng, M. W., Wang, D. Y., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. Journal of international business studies, 39(5), 920-936.

Porter, M. E. (1980). Industry structure and competitive strategy: Keys to profitability. Financial Analysts Journal, 30-41.

Punch, K. F. (2005). The analysis of qualitative data. Introduction to Social Research, Quantitative and Qualitative Approaches, 2nd Edition, by Keith F Punch, 197-216.

Richardson, C. J. (2016). Economic success in sub-Saharan Africa: a new measure of economic complexity. African Journal of Business and Economic Research, 11(2-3), 9-32.

Roxburgh, C., Dorr, N., Leke, A., Tazi-Riffi, A., van Wmelen, A., Lun, S. Chironga, M., Alatovik, T., Atkin, C., Terfous, N., Zeino-Mahmalat, T. (2010). Lions on the move: the progress and potential of African economies. McKinsey Global Institute.

Rugman, A. M., & Verbeke, A. (2004). A perspective on regional and global strategies of multinational enterprises. Journal of international business studies, 35(1), 3-18.

Schanz, Alms & Company (2016). Africa insurance barometer, 1 May 2016, retrieved 14 January 2017, from http://www.african-insurance.org/documents/Both%20Books.pdf

South Africa: Concluding Statement of an IMF Staff Visit (2016), International Monetary Fund, 13 December 2016, retrieved 19 January 2017, from http://www.imf.org/en/News/Articles/2016/12/13/MS121316-South-Africa-Concluding-Statement-of-an-IMF-Staff-Visit

Standard Bank to pay $32.6m over Tanzania bribery scandal. The Guardian (2015, 30 November, 2015), retrieved 19 January 2017, from https://www.theguardian.com/business/2015/nov/30/standard-bank-fine-defer-prosecution-tanzania-bribery-scandal

State of the Nation: South Africa, 2003-2004

Sutlan, M. I. A guide to Muslim funerals. Retrieved 28 March 2018, from https://www.mfs.asn.au/uploads/1/3/7/8/13783065/a_guide_to_muslim_funerals.pdf

Van Wyngaardt, M. (2015, 16 September). S Africa ideal launchpad for expansion in Africa. Engineering News, retrieved 23 July, 2016, from http://www.engineeringnews.co.za/article/s-africa-ideal-launchpad-for-expansion-in-africa-2015-09-16

Verbeke, A. (2013). International business strategy. Cambridge University Press.

APPENDIX A: LETTER TO PARTICIPANTS

Dear Participant

I am currently studying for a Master in Business Administration (MBA) with the University of the Witwatersrand's Wits Business School (WBS). In partial fulfilment of the MBA, I am conducting academic research on the critical success factors for the effective expansion of South African (SA) financial services institutions into the rest of sub-Sahara Africa (SSA).

As part of the research, I am conducting interviews with executives and senior managers of SA financial services companies that have exported their businesses into the rest of SSA. In this regard, I would be grateful to have you as a participant in the study.

As it is important to gain your insights and perspectives on the topic, the interview will be semi-structured in nature, based on open-ended questions or discussion points. These have been provided below. It is intended that the interview will last 45 to 60 minutes.

If possible, a face-to-face interview at a location convenient to you will be preferred. If not possible, a telephonic interview would be a second option.

It is important to highlight that the intention of the interview is not to gather any proprietary of confidential information about your organisation, but rather to gain from your experiences and observations. At completion it is hoped that the study may contribute to the academic body of knowledge on formulating an effective strategy for the rest of SSA. I thank you for your time and hope to meet you soon.

Kind regards,

Finhai Munzara, Wits Business School | **Mobile**: 072 626 3189 | **Email**: finhai.munzara@gmail.com

APPENDIX B: RESEARCH INSTRUMENT

Introduction

The following presents a guide to the proposed interview. The contemplated interview will be conducted in a discussion format and participants are encouraged to elaborate on their responses, based on their experiences, perspectives, insights and beliefs.

Participants information

Respondent:

Company:

Current Position:

Business Experience (years): Contact details:

Interview Guide

Part 1: General discussion points

- What do you consider, based on your experience, some of the key factors that determine success when expanding into the rest of sub-Sahara Africa (SSA)?

- In your opinion, what are some of the major mistakes that corporations make when expanding into SSA?

Part 2: Proposition guided discussion points

- Some multinationals build on core competencies, which they export to benefit from economies of scale. What do you consider your company's firm specific advantages?

- Related to the above, how do you build scale and maintain core competencies given the non-homogenous markets that SSA represent?

- In your opinion, is it more important to focus on building scale by sticking to a tried and tested business model or adapting the business model to suit local realities?

- How easy is it to customise your offering to suit local demand and to what extent does your company customise its products or service offerings?

- Some importance has been placed on forming partnerships when expanding into SSA. What is your view on the importance of partnering with locals and what is the form of partnership that would be appropriate in your opinion?

- Poor infrastructure (service providers, supply chains) have been cited as some of the challenges in SSA. How does your company deal with this issue?

- Has your company exploited any differences in cost structures across borders? If so, which ones and how important is this to your business model?

- What proportion of your staff are locals versus expatriate staff and are there any roles that you target to be filled by local staff as part of your business model?

- How does the organisation, in your view ensure operational and regulatory integrity when operating in multiple regions, often in far-away jurisdictions?

- Do you have a centralised or decentralised reporting model and are there any functions that are centralised at HQ?

- How much decision-making rights are, in your opinion appropriate for local teams?

- Do you believe that it's important to focus on certain regions or to diversify across as many regions as possible?

- Do you have any CSR programs for the multiple jurisdictions and are these customised for each region?