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The impact of institutional factors in African emerging markets on the success of multinational enterprise strategy

Rutendo Hwindingwi

Thesis submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in fulfilment of the requirements for the degree of Philosophiae Doctor

Johannesburg, 2014

ABSTRACT

Multinational enterprises operating in the leading African emerging markets are subject to the same global demands as businesses operating in any other part of the world. These demands range from growing profitability and revenue, market growth, product innovation, and entering new markets. Repeatedly, authors on strategy have highlighted that the external environment in which a firm operates, as well as how it adapts its strategy to that environment is fundamental to its success in that market. Although the extent of the impact of global demands may differ in different local contexts, the global village of business is now largely one interdependent system.

Based on the categorisation of the Global Competitiveness Report, the dynamics of the external environment are affected by institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. Each of these pillars, play an integral role in the success of the overall country economy and in turn the success of the multinational enterprise. Past research highlights that the institutional pillar has significant effects on doing business in Africa and consists of seven key components: property rights, ethics and corruption, undue influence, government efficiency, security, corporate ethics and accountability.

The primary objective of this research was to identify the key institutional factors, which may influence the strategy of the multinational enterprise from developed economies, and to determine the extent of the impact of these factors on its performance. With reference to both current and past research on multinationals from the developed nations, like the US, UK, Germany and France, which operate in the emerging markets, a knowledge gap is prevalent in terms of how these firms operate in the leading emerging markets of Africa. To contextualise the study, four leading emerging markets in Africa were selected; these were South Africa, Nigeria, Kenya and Egypt. By using socio-economic indicator reports from global institutions like the World Bank and the World Economic Forum, the uniqueness of the dynamics of these African economies in comparison to not only the developed nations but also to other leading emerging economies like Brazil, Russia, India and China was drawn. This combination of country assessments, and literature review on both economic and organisation trade theories, laid the foundation to justify and operationalise the research process by formulating five key hypotheses.

In order to analyse the hypothesised relationships it was necessary to define the components used by multinational enterprises, which measure the success of a strategy. To achieve this, the Triple Bottom Line Reporting framework was used and incorporated measures relating to turnover and profit, corporate social investment and environmental friendliness.

The research design relied upon explanatory, descriptive and exploratory techniques in order to work towards the desired study objectives. The initial research thrust was exploratory to provide the setting or social phenomena of strategy in the leading African emerging markets. This exploratory work, which was performed predominantly through the literature review provided the background information needed to plan the explanatory part of the research. The descriptive component of the research included analysis of the biographical data and its relation to the hypotheses. The last part of the research was explanatory as it involved the analysis of the relationships and associations that exist between the dependant and independent variables. For the inferential statistical analysis, both Spearman's rank order correlation and Binary logistic regression were used.

From the results of the statistical analysis, it was deduced that of the five independent variables, the two that had the most significant association and relationship with the success strategy of the multinational enterprise were 'undue influence' and 'security'. These findings suggest that undue influence relates to the fact that an independent and transparent judiciary system is key to the success of the multinational enterprise strategy in the emerging market. The component which ranked second in terms of importance was security, which implies that there has to be a reliable and efficient law enforcement agency, such as the police, to instil investor confidence by multinationals operating in African emerging markets. The results showed that undue influence and security work are interdependent and both affect the dependant variable. Based on the findings, recommendations were made by providing a new conceptual framework that has both theoretical and commercial implications, which in turn fills the knowledge gap on multinationals from developed nation's operating in the leading African emerging markets.

The research has made a contribution to the strategy discourse in an emerging market context by highlighting the unique traits of the African emerging markets in comparison to the developed nations. The implications of the thesis translate into multinational enterprises from developed nations, recognising that the success of their strategy will depend on the consideration and understanding of different institutional structures in emerging African economies.

DECLARATION

I. Rutendo Hwindingwi, declare that this dissertation is my own work except as indicated in the references and acknowledgement. It is submitted in fulfilment of the requirements for the degree of Philosophiae Doctor at the University of the Witwatersrand. It has not previously been submitted, in its entirety or in part, for any degree or qualification at this or any other university

_____

Rutendo Hwindingwi

Signed at _____

On the _____ day of _____2014

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LIST OF ABBREVIATIONS

Abbr.	Description
EM	Emerging Markets
AEM	African Emerging Markets
DN	Developed Nations
RBT	Resource Based Theory
IT	Institute Based Theory
AT	Agency Theory
TCT	Transactional Cost Theory
EGY	Egypt
SA	South Africa
NGR	Nigeria
KEN	Kenya
USA	United States of America
UK	United Kingdom
FRA	France
GER	Germany
RUS	Russia Federation
CHN	China
IND	India
BRA	Brazil
BRIC	Brazil, Russia, India, China Nations
GDP	Gross Domestic Products
FDI	Foreign Direct Investment

CHAPTER 1: INTRODUCTION

1.0 Introduction

Multinational enterprises operating in Africa face the same global demands as businesses operating in any other part of the world. These demands range from growing profitability and revenue, market growth, product innovation, and entering new markets. Repeatedly, authors on strategy have highlighted that the external environment in which a firm operates, as well as how it adapts its strategy to that environment is fundamental to its success in that market (Arnold and Quelch, 1998; David, 2005; London and Hart, 2004; Mintzberg et al., 2009). Although the extent of the impact of global demands may differ in different local contexts, the global village of business is now largely one interdependent system. The purpose of this chapter is to introduce the problem statement and its components as the first past of the research process. This is a fundamental part of the study, the problem statement acts as the 'compass' of the research (Badenhorst, 2010, Mintzberg, 1990).

1.1 The problem background

Multinational enterprises (MNEs) from developed countries operating on the African continent are subject to the same global demands as businesses in any other part of the world (Javalgi, Dixit and Scherer, 2009; Lynch, 1994; Porter, 1990; Smit, 2010). These demands range from growing profitability and revenue, market growth, product innovation, and entering new markets, to name but a few. Although the extent of the impact of these demands may differ, the global village of business is one interdependent system (Javalgi et al., 2009; Hoskisson, Eden, Lau and Wright, 2000; Lee and Carter, 2005; Lynch, 1994; Meyer, Estrin, Bhaumik and Peng, 2009 Porter, 1990).

When looking at the success of any business, the choice of the strategy formulated to be competitive in that environment is critical (Grant, 1991; Lee and Carter, 2005; Ketels, 2006; Mintzberg, Ahlstrand and Lampel, 2009; Porter, 1998b). The selection of the correct strategy comes from the accurate matching of the external factors of an organisation with the internal factors (Arnold and Quelch, 1998; David, 2005; London and Hart, 2004; Mintzberg et al., 2009). The external factors are those that the firm has no control over, such as the political and technological environment, whereas the internal factors are those that the firm has control over, such as finance and human resources (David, 2005).

However, the economic dynamics in Africa differ from those in the developed economies (Adjei, MensaBonsu and Acquaah, 2008; Luiz and Charalambous, 2009; Roxburgh, Dorr, Leke, Tazzi-Riffi, Van Wamelen, Lund et al., 2010; Urban, 2008; Urban and Barreria, 2010), and thus require a certain level of adaptability for the MNE operating in Africa. Having come a long way in its economic history (Josiah, Burton, Gallhofer and Haslam, 2010; Vijay, 2009) Africa, to a large extent, is still plagued by significant challenges that impact the strategy of the MNE. These factors include limited resources like skilled labour and capital, inadequate infrastructure, kleptomaniac leadership and corruption, among others (Josiah et al., 2010; Luiz and Charalambous, 2009; Roxburgh et al., 2010). All of these, in one way or another provide hurdles that MNEs operating in the African emerging market (AEM) have to manage in order to remain competitive (Grant, 1991; Ketels, 2006; Porter, 1998b). To achieve its required growth and profitability, the correct competitive strategy, which takes cognisance of the environment within which the MNE is operating, should be applied.

Looking at the past decade and focusing on external factors, there has been a significant migration of growth from the traditional industrially strong countries to the EMs (Bank, 2011a; Pillania, 2009; Schwab, 2011; Smit, 2010). Current research shows that emerging economies are those that have shown significant growth, moving from an agrarian-based economy to a more industrialised one or showing a high level of diversification of the economy (Meyer et al., 2009). Based on this broad definition, the leading EMs were, until recently, Brazil, Russia, India and China, which are collectively called the BRIC countries (Atsmon, Kertesz and Vittal, 2011; Chacar and Vissa, 2005; Roxburgh et al., 2010; Tshabalala, 2011). Africa was not represented in this prestigious grouping until recently, when South Africa was introduced to form BRICS. South Africa, followed by other countries such as Egypt, and Nigeria, are the leading EMs in Africa as highlighted by organisations such as the World Bank and World Economic Forum (Are, Chabenne, Dupoux, Ivers, Michael and Morieux, 2010; Bank, 2011a; Economy, 2011; Igbokwe, 2011; Schwab, 2011).

Table 1: Emerging markets

(BMI, 2010)

EM	Year & (%) percentage growth				
	2008	**2009e**	**2010f**	**2011f**	**2012f**
Latin America Argentina, Brazil, Mexico	4.1	-2.2	2.8	3.4	3.2
Middle East Saudi Arabia, UAE	6.4	1.1	3.5	4.1	4.7

EM	Year & (%) percentage growth				
	2008	2009e	2010f	2011f	2012f
Africa South Africa, Nigeria, Egypt	5.8	1.6	4.8	5.4	5.8
Asia China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Taiwan, Thailand	6.6	5.2	6.9	6.4	7.2
Europe Russia, Turkey, Czech Republic, Hungary, Poland	4.3	-5.7	3.0	4.2	4.5

From Table 1 it can be seen that in 2010 a large part of global economic growth was going to come from the EMs (Adjei et al., 2008; Are et al., 2010; Atsmon et al., 2011; Consulting, 2009; Meyer et al., 2009) again highlighting the importance for the need to focus on the MNEs that operate in these markets. Wright et al. (2005) highlight the fact that historically when looking at MNEs, theorists were focused on doing their research through the lens of trade theories such Porter's diamond on national competitive advantage, comparative advantage, Leontif paradox, H-O theory, product cycle theory and the technology gap theory (Hill, 2005; Lee and Carter, 2005; Smit, 2010). However, over time a growing school of thought is blending organisational theory and economy theory to analyse activities of the MNE globally. By looking at the fundamentals as written by organisational theorists such as Mintzberg (Mintzberg, 1987; Mintzberg et al., 2009) and even Porter (Grant, 1991; Ketels, 2006; Porter, 1990) the process of blending organisational strategy and economic strategy research adds weight in the research of the MNE (Grant, 1991; Ketels, 2006).

Lee and Carter (2005) summed this up by saying:

> "The competitiveness of an industry is ultimately conditioned by the competitiveness of the organizations within it. An industry cannot be competitive unless the businesses that operate within it are competitive, whether they are domestic companies or foreign subsidiaries" (p. 189).

1.2 The research problem

In order to choose a successful strategic approach, MNEs from developed countries in the AEMs have to embark on strategies that will allow them to optimise on both the external and internal factors in their respective environments. The godfather of competitive strategy, when it comes to applying it across firms, industries and nations, is Michael E. Porter

(Grant, 1991; Ketels, 2006; Mintzberg et al., 2009; Porter, 1998b). Porter's ground-breaking research looked at the different external factors that are found within a country and between countries, which affect the competitiveness of firms and industries (Porter, 1990, 1998a, 1998b, 2008). Over the years, Porter's research has either been reaffirmed or criticised with regard to its contribution to the present schools of thought on strategy (Grant, 1991; Hoskisson, Hitt, Wan and Yiu, 1999; Ketels, 2006). However, such authors and the theories they propagated, had limited focus on the impact of their proposed strategies on the EMs. When looking at strategy in EMs, more recent research has shown that institutions have the greatest impact on the strategy of the firm operating in that market (Hoskisson et al., 2000; Meyer et al., 2009; Peng, Wang and Jiang, 2008; ScienceWatch, 2010; Wright, Filatotchev, Hoskisson and Peng, 2005). Institutions being the 'rules that that govern the game' such as political, legal and societal structures in the environment that affect the firm (Wernerfelt, 1984; Coase, 1998; Scott, 2001). Leaders in research on EMs have taken the different schools of thought with regard to theories on EMs and applied them to the leading EMs of the BRIC and Eastern European markets (Wright et al., 2005; Luo and Tung, 2007; Peng et al., 2008), thus highlighting the fact that there is limited application of these findings to MNEs from developed nations operating in the AEM (Adjei et al., 2008; Bruton, Ahlstrom and Obloj, 2008). Historically, the main theories underlying the institution-based perspective are the institutional theory (IT), resource based theory (RBT), transactional cost theory (TCT) and the agency theory (AT), which originated in developed nations by authors such as Coase (1998), Scott (2001) and Wernerfelt (1984), with limited reference to the AEM environment.

Even with the limited research that has been done within the AEMs there is a tendency to group the findings as generic across all the African countries (Couto, Mani, Lewin and Peeters, 2006; Javalgi et al., 2009; Luiz and Charalambous, 2009; Smimou and Karabegovic, 2010). A closer look at the demographics of the African continent will highlight that there are 53 different economies, each with a level of diversity that brings uniqueness to the continent (Bank, 2011a, 2011b). Africa has four key economic regions, each of which contain a leading EM country in the context of Africa. These leading countries, also referred to as 'hubs', are Egypt for North Africa, Kenya for East Africa, Nigeria for West Africa and South Africa for Southern Africa (Roxburgh et al., 2010). The choice of these countries will allow, through the research, a better appreciation of the key institutional factors that impact on the strategy of the MNE from Developed Nations (DN) in the AEM. Bearing in mind that MNE from DN operate and apply their strategies in a more advanced social, political and economic environment (Schwab, 2011, 2012; Schwab and Porter, 2009). This is evidenced

in each country's social, political and economic indicators when comparing the leading EMs in Africa such as South Africa (Southern Africa), Nigeria (West Africa), Egypt (North Africa) and Kenya (East Africa), with those of DN like United States of America (USA), United Kingdom (UK), France and Germany. The AEM countries are seen to be significantly smaller in economic power but showing good growth and diversification potential (Are et al., 2010; Schwab, 2011, 2012; Schwab and Porter, 2009). As a continent, Africa has a combined GDP that contributes to three percent (Bank, 2011b) of the global GDP, with a year-on-year forecasted growth of five percent (IMF, 2010; Bank, 2011a).

Therefore, with this growth in EMs and economic leaders being the BRIC countries (Atsmon et al., 2011; Khanna and Yafeh, 2007; Smimou and Karabegovic, 2010), the research pendulum has swung to focus on economic and industrial strategy in such markets (Are et al., 2010; Atsmon et al., 2011;Roxburgh et al., 2010). One of the key drivers for this research is that MNEs from the industrialised countries are not naturally familiar with these markets and have invested in research in order to penetrate them effectively (Are et al., 2010; Atsmon et al., 2011; Peng et al., 2008; Roxburgh et al., 2010; ScienceWatch, 2010). Thus, a significant opportunity exists to identify the key institutional factors that affect the success of the strategy of an MNE from a developed nation operating in the AEM.

1.3 Purpose statement

The purpose of this research is to identify and critically evaluate the key institutional factors that influence the success of strategy of the MNEs from developed nations (DN) represented by the USA, UK, France and Germany operating in the leading AEMs represented by South Africa, Nigeria, Kenya and Egypt.

1.4 Key research questions

a) What are the key institutional factors in the AEM?

Schwab (2012:4) defines the institutional environment as determined by the legal and administrative framework within which individuals, firms and governments interact to generate wealth. The components of which are as per Table 2:

Table 2: Components of the Institutional Pillar

(Schwab, 2012)

Sub-Grouping	Component
Public Institutions	Property Rights
	Ethics and Corruption
	Undue Influence
	Government Efficiency
	Security
Private Institutions	Corporate Ethics
	Accountability

Each of these components play a fundamental role in the success of the strategy the MNE in the AEM. However, the purpose of this research is to determine which the key influencers to the success of the MNE strategy are.

b) What is the impact of these key institutional factors in the AEM on the success of strategy of the MNE from a DN?

Having determined the key influencers of the institutional factors on the strategy of the MNE, the next research objective would be to determine the extent of the causal relationship that exists between the key institutional factors and the strategy of the MNE.

1.5 Significance of the study

The key significance of this study was to add to the body of knowledge of the impact of institutional factors on the success of MNE strategy in the AEM environment. By using a quantitative approach, the key institutional factors that have an impact on the MNE from a DN operating in the AEM were the focus. The contributions of this research were divided into two categories, theoretical and commercial.

1.5.1 Theoretical

The theoretical aspect is that a revised conceptual framework can be defined that will give better insight into the causal relationship between the success of the strategy of the MNE from a DN in the AEM and the institutional factors. By having a focussed approach on the four leading economies in Africa, this research will add to the knowledge gap that exists on the research of MNEs operating in Africa (Hoskisson et al., 2000; Wright et al., 2005).

1.5.2 Commercial

There is a growing investment by MNEs from the DN countries into Africa (Arnold and Quelch, 1998; Meyer et al., 2009). This insatiable search and investment by these MNEs required that there is up to date and relevant information that they can leverage on in order to have successful strategies in these AEMs. Peng et al. (2008) identified that in the EMs, institutional factors are some of the key factors that influence the business environment. However, most of their research, including that by leading authors, have been benchmarked on EMs or the BRIC countries and there is limited research on the same measurements in the AEMs. With reference to this research, MNEs operating in the AEM whether existing or new were able to determine which key institutional factors have an impact on the success of their strategy in the AEM. Having determined this, they can then tailor-make their strategies to be more effective and relevant for the AEM.

1.6 Delimitations of the study

Africa as a continent is constantly referred to as an emerging market (Atsmon, 2011; Roxburgh, 2010). However with 53 different countries making up the continent and a population now exceeding 1 billion (Bank, 2011) there are so many social political complexities that it is not justified to generalise the dynamics on the continent under one classification. In order to achieve its objectives this research will focus on four of the leading emerging economies in Africa as a representation of the AEMs, these economies being Kenya, Nigeria, South Africa and Egypt (Bank, 2011; IFC, 2012). The segment of companies that were chosen were those multinationals specifically from developed nations, in order to investigate how these MNEs are impacted by the institutional factors while operating in the AEM. Schwab (2012) lists over 30 countries as being developed nations because of their advanced economies. However, in order to have focus as well as show realistic comparisons, the MNE's that were chosen were those that had their headquarters in the DNs of USA, UK, France or Germany.

1.7 Definition of terms

African emerging market (AEM) – the *leading* African economies that are currently either factor driven or efficiency driven, i.e. in Stage 1 or 2 as defined by the GC Report (Schwab, 2010, 2011, 2012; Schwab and Porter, 2009), and are facilitating as an economy to intentionally and actively work towards being an innovation-based economy in the long term, i.e. Stage 3. They are achieving this by either rapidly transitioning from an agrarian-based economy to an industrialised one or rapidly diversifying their economy. An emerging market will have an average GDP per capita of less than $9,000 (Arnold and Quelch, 1998; Consulting, 2009; Estrin, Meyer, Wright and Foliano, 2008; Hoskisson et al., 2000; Meyer et al., 2009; Pearson, Viviers, Cuyvers and Naude, 2010).

BRICS – acronym for Brazil, Russia, India, China and South Africa (Pillania, 2009; Tshabalala, 2011).

Developed nation (DNs) – can be defined as those economies that are classified by the GC Report (Schwab, 2010, 2011, 2012; Schwab and Porter, 2009) as innovation driven economies with a GDP per capita of over $17,000. Companies in such markets compete by producing new and different goods through new technologies and/or the most sophisticated production processes or business models (Arnold and Quelch, 1998; Consulting, 2009; Estrin et al., 2008; Hoskisson et al., 2000; Meyer et al., 2009; Pearson et al., 2010).

Environmental friendliness (EF) – the contributions by a country or a company (financial and non-financial) to the institutions, policies and factors that ensure an efficient management of resources to enable prosperity for present and future generations (Schwab, 2010, 2011, 2012; Schwab and Porter, 2009).

Emerging market (EM) – economies that are currently either factor driven or efficiency driven i.e. in Stage 1 or 2 as defined by the GC Report (Schwab, 2011, 2012; Schwab and Porter, 2009) and are facilitating as an economy to intentionally and actively work towards to being an innovation based economy in the long-term i.e. Stage 3. They are achieving this by either rapidly transitioning from an agrarian-based economy to an industrialised one or rapidly diversifying the economy. An emerging market will have an average GDP per capita of less than $9,000 (Arnold and Quelch, 1998; Consulting, 2009; Estrin et al., 2008; Hoskisson et al., 2000; Meyer et al., 2009; Pearson et al., 2010).

Institutional factors – these are the 'rules of the game' that determine the legal and administrative framework within which individuals, firms, and governments interact to generate wealth. The GC Report (Schwab, 2012:87) gives the seven components of this as:

- **Property rights (PR)** – rules and regulations as managed by the public institutions pertaining to protection of property rights, intellectual property rights and financial assets. With property rights, i.e. land, being the major one in Africa;

- **Ethics and corruption (EC)** – rules and regulations as managed by public institutions in dealing with corruption in the public and private sectors of industry;

- **Undue influence (UI)** – rules and regulations as managed by the public institutions in allowing for an independent and transparent judiciary system;

- **Government efficiency (GE)** – rules and regulations as managed by the public institutions that allow for a consultative government partnership with industry so as to allow for pro-business policy-making. It also means a government that operates in an efficient and effective manner without being seen by industry as too 'bureaucratic' or having too much 'red-tape';

- **Security (SC)** – rules and regulations, as managed by the public institutions, to manage the impact of crime, terrorism and violence on the business and its environment, which are largely dependent on the reliability of the security forces, namely the police;

- **Corporate ethics (CE)** – rules and regulations as managed by the private institutions so as to allow for ethical behaviour in interactions with public officials, politicians, and other enterprises; and

- **Accountability (Acct)** – rules and regulations as managed by the private institutions to ensure local and global compliance of financial auditing and reporting standards regarding company financial performance, corporate governance by investors and boards of directors and the security of minority shareholders protected by the legal system.

Multinational enterprise (MNE) – a firm that has invested a physical presence and has established consumers in more than one country (Arnold and Quelch, 1998; Baack and Boggs, 2008; Estrin et al., 2008).

Strategy – a structured approach that an organisation or country applies in the market in order to achieve its business and economic objectives in order to be competitive (David, 2005; Grant, 1991; Ketels, 2006; Mintzberg et al., 2009; Porter, 1990, 1998a, 1998b, 2008).

Strategy success (SS) – a measurement of the success of the strategy using the components of Triple Bottom Line Accounting (TBL) being turnover, profit, CSI and EF (Economist, 2009; Hill, 2007; Schwab, 2012).

Corporate social investment (CSI) – the contributions by a company (financial and non-financial) to the institutions, policies, and factors that enable all members of society to experience the best possible health, participation, and security that maximises their potential (as society) to contribute to and benefit from the economic prosperity of the company (Schwab, 2012).

Profit (PFT) – the gross profit of a company over one financial year, total revenue less expenses (Economist, 2009; Hill, 2007; Schwab, 2012).

Turnover (TO) – the total gross revenue of a company over one financial year (Economist, 2009; Hill, 2007; Schwab, 2012).

1.8 Structure of the research study

Chapter 1 provides an introduction of the research and defines the problem statement as well as the research objectives.

Chapter 2 is the first part of the literature review and is the analysis of the social, political and economic perspectives of the EMs and developed markets.

Chapter 3 is the second part of the literature review and looks at the theoretical perspectives of the institutional factors as well as a discussion of the different schools of thought.

Chapter 4 puts together the conceptual framework of the research based on what has been derived from the literature review in Chapters 2 and 3.

Chapter 5 is the research methodology chapter that describes and justifies the research approach, and the tools applied.

Chapter 6 and 7 is the discussion and analysis of the data called using descriptive analysis namely mean, frequency and standard deviation. It will include inferential statistical analyses using Spearman's Correlation analysis and Binary Logistic Regression.

Chapter 8 is the final chapter and provides conclusions and recommendations.

1.9 Summary

In this chapter, the problem statement, purpose statement, key research questions, significance of the study, delimitations of the study, definitions and assumptions have been defined. The next chapter is the first part of the literature review, which defines EMs and AEMs.

CHAPTER 2: UNDERSTANDING EMERGING MARKETS

2.0 Introduction

In the previous chapter we clearly defined the background of the research and the specific objectives. The next crucial stage of this research is to delve more in the understanding of the key building blocks that allow one to explore the pillars of this research. Thus the purpose of this chapter is to lay the foundation for the research by discussing two key components, first, by defining the EM and its relevance to the success of strategy of the MNEs in the AEM, and second by defining the components of the institutional factors as part of the AEM environment.

2.1 What is an emerging market?

When it comes to defining EMs, mixed views exist and thus a clear-cut definition is not readily available (Bank, 2011a, 2011b). Institutes like the World Bank and the Economic Forum define EMs based on the criteria of key economic indicators such as:

- Level of income;
- Growth rate;
- Gross domestic product (GDP);
- Gross national income (GNI); and
- Stage of development (Consulting, 2009; Pearson, 2011).

Vital Wave Consulting (Consulting, 2009) provided a further breakdown of the definition of EMs by dividing them into the following three main categories:

1. **Strategic opportunity markets** are the largest and most economically attractive for a multinational corporation that is looking to grow its customer base. These markets have a population of over 40 million and strong real GDP growth. These markets also have a GNI per capita of over $2,000 per year in purchasing power parity (PPP).

2. **Niche opportunity markets** are countries with a population of less than 40 million that have average incomes of over $2,000 in PPP terms and strong real GDP growth. These markets provide multinational companies with opportunities to grow

their markets on a smaller scale, or they may be ‘gateways’ to larger nearby markets.

3. **Long-term opportunity markets** are the least attractive markets to a multinational corporation. These markets exhibit a low standard of living with a GNI per capita under $2,000 per year in PPP terms. In these countries, persistent poverty, corruption and political instability may be hampering economic growth. These countries may be viable markets in the long term given consistent political and economic reforms.

Figure 1 maps out countries of the world highlighting the three categories of EMs. The bulk of the research done by leading research bodies such as the World Economic Forum, World Bank and McKinsey and Company (Atsmon et al., 2011; Consulting, 2009; Schwab, 2011) on EMs has been done in these strategy opportunity markets, namely Brazil, Russia, India and China. This highlights again that there is still limited research done in the same regard on the African continent, albeit that South Africa and Egypt are also considered strategic opportunity markets. The BRIC group of countries have been identified as leading the trend in this forecasted growth (Pillania, 2009). An assessment of these markets is critical for MNEs as it allows them to identify and gauge the level of investment and strategic approach they should use to exploit the opportunities in such markets (Atsmon et al., 2011; Baack and Boggs, 2008).

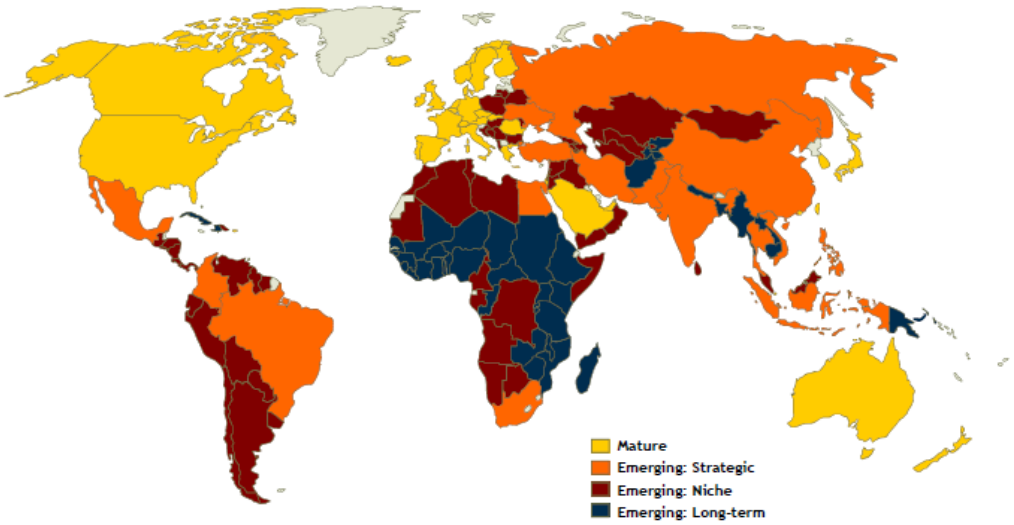


Figure 1: World market segments of emerging markets

(Consulting, 2009)

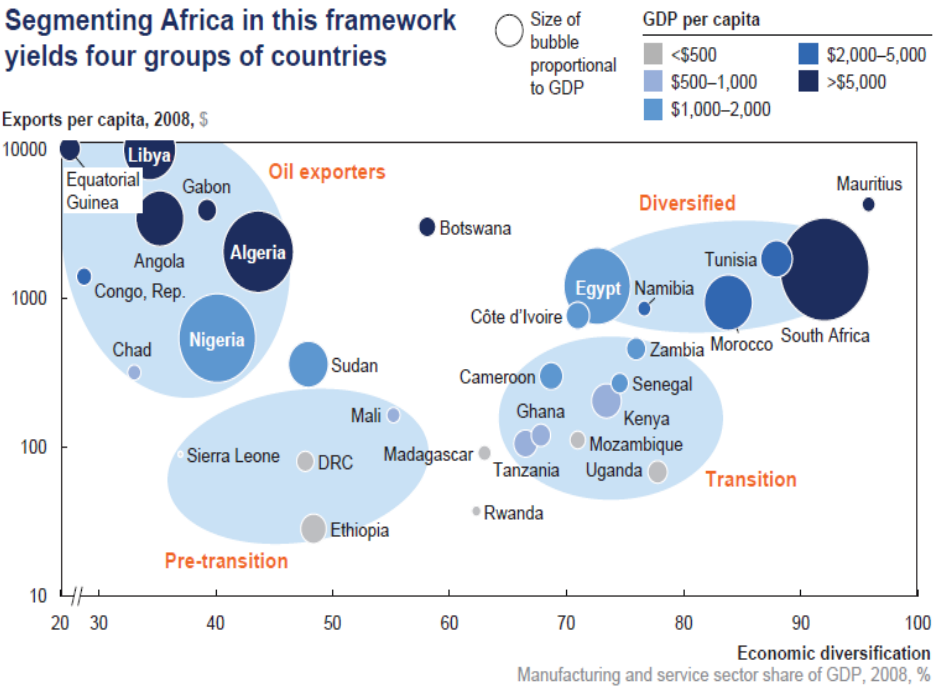
McKinsey (Atsmon et al., 2011; Roxburgh et al., 2010) provides another level of analysis when looking at defining EMs. In this report, which focusses on the EMs of Africa, it gives four main categories of EMs namely:

Diversified economies are Africa's growth engines with significant growth in the areas of manufacturing and services. Countries that fall into this category are Egypt, Morocco, South Africa and Tunisia.

Oil exporters are economies that are enhancing growth through diversification with the majority being oil exporters. Algeria, Angola and Nigeria are leaders in this category.

Transition economies are economies in which the transition from an agriculture base to industrialisation is quite rapid relative to other countries. Ghana, Kenya and Senegal fall into this category.

Pre-transition economies also a rapid transition from agriculture to industrialisation; however, the key difference is that this is off a poorer base. DRC, Ethiopia and Mali are case examples of countries that fall into such a category. Figure 2 illustrates and positions these economies further.



NOTE: We include countries whose 2008 GDP was approximately $10 billion or greater, or whose real GDP growth rate exceeded 7% over 2000–08. We exclude 22 countries that accounted for 3% of African GDP in 2008.

SOURCE: Organisation for Economic Co-operation and Development; World Bank World Development Indicators; McKinsey Global Institute

Figure 2: Comparison of economies in Africa

(Roxburgh et al., 2010)

It can thus be seen that the definition of EMs can be quite broad and accommodate different criteria. This does create a challenge when looking at defining EMs in the African market for the purposes of this research. In some cases, the African continent as a whole is referred to as an EM (Are et al., 2010; Couto et al., 2006). This in principle gives a distorted view as Africa is made up of 53 different states each with a socio-political and economic uniqueness (Vijay, 2009). It can be argued that when the average of the economic indicators of African economies, such as manufacturing, services and export indicators, are compared to the rest of the world economies, Africa as a continent can be categorised as an EM (Schwab, 2011; Schwab and Porter, 2009). However, as seen from the research done by McKinsey (Atsmon et al., 2011; Roxburgh et al., 2010) there is a lot more diversity within the 53 economies that make up the African continent and it would thus be a gross understatement to not take this into consideration when looking at the key factors that impact MNE strategy in the AEM.

2.1.1 The GCI Perspective

The Global Competitiveness Index (Schwab, 2010, 2011, 2012; Schwab and Porter, 2009), which is a global reporting index derived by the WEF, provides another perspective when defining the emerging markets in a global context. It does not refer to them as emerging markets but more as developing markets that are in transition (Schwab, 2012). With reference to Table 3, it can be seen that this global reporting index used to position economies by the World Economic Forum (WEF) has three key stages of development that it uses to position an economy (Schwab, 2011, 2012, 2013; Schwab and Porter, 2009). These three stages of development are based on 12 key pillars that make up economies, as illustrated in Figure 3.

Table 3: Stages of Economic Development

(Schwab, 2012:9)

Stages of Development					
	Stage 1: Factor Driven	Transition from stage 1 to stage 2	**Stage 2:** Efficiency-driven	Transition from stage 2 to stage 3	**Stage 3:** Innovation-driven
GDP per capita (US$) thresholds	<2000	2000-2999	3000-8999	9000-17000	>17000
Weight for basic requirements sub index	60%	40-60%	40%	20-40%	20%
Weight for efficiency enhancers sub index	35%	35-50%	50%	50%	50%
Weight for innovation and sophistication factors	5%	5-10%	10%	10-30%	30%

Stage 1 economies will be those economies that are factor driven, in other words compete on factor endowments primarily low skilled labour and natural resources. They will have GDP per capita on average of less than $2,000. The bulk of the African countries fall into this category as they are still developing into more industrialised nations. In these countries, economic productivity is driven by institutions, infrastructure development, macroeconomic environment, health and primary education. Examples of factor driven markets are countries like Nigeria and Kenya in Africa and India and Bangladesh in Asia (Schwab, 2012:10).

Stage 2 countries are those that have become more efficient in their production methods in order to become competitive globally. The GDP per capita will be $2,000-$2,999 for those in transition to stage 2 and $3,000 to $8,999 for those meeting the full criteria for stage 2. As shown in Figure 3 the economic drivers were higher education and training,

efficient goods markets, developed labour markets, developed financial markets, technology ready markets and large domestic and/or foreign markets. Examples of efficiency-enhanced countries are El Salvador and Ecuador in South America and Jordan and Macedonia in the Middle East as well as South Africa in Africa (Schwab, 2012:10).

Stage 3 countries are those that have moved into the innovation driven stage and are able to provide an environment conducive for businesses to compete with new and/or unique products, services, models, and processes. Economies at this stage are driven by being sophisticated through production by competitively producing new and different goods through new technologies as well as being innovative by embracing the most sophisticated production processes or business models. Examples of innovation driven countries are the USA in North America, France, Germany and the UK in Europe. There are currently no African countries in this stage of development (Schwab, 2012:10).

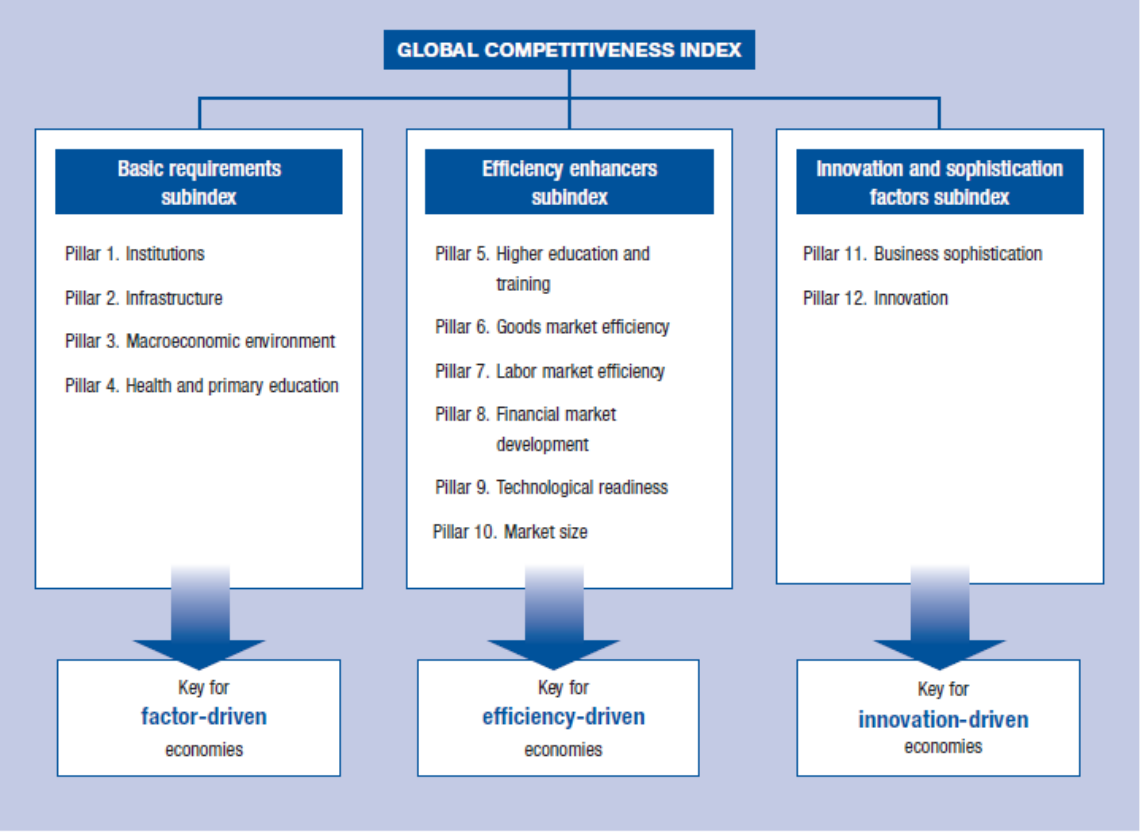


Figure 3: The Global Competitiveness Index Framework

Schwab (2012:8)

By looking at the GC Report and its categorisation it can be seen that the advanced or developed nations of the world are mainly categorised in Stage 3 and the developing nations can be categorised in Stages 1 and 2 (Are et al., 2010; Atsmon et al., 2011; Bank, 2011a, 2011b; Couto et al., 2006; Roxburgh et al., 2010).

The advantage of the defining structure that the GCI provides is that it allows the classification of the different countries based on clear, tried and tested categories that are globally accepted with data sourced from credible institutes, such as the United Nations (UN), World Health Organisation (WHO) and the International Monetary Fund.

2.1.2 Emerging Markets and Developed Nations Definitions

Based on the definitions of emerging markets as defined by Arnold and Quelch (1998), Estrin et al. (2008), Hoskisson et al. (2000), Meyer et al. (2009) and Pearson et al. (2010) as well as the GC Report (Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009) classification. The following definition has been formulated for emerging markets is in line with this research:

> ***Emerging markets (EMs)*** *are economies that are currently either factor driven or efficiency driven, i.e. in Stage 1 or 2 as defined by the GCI, and are facilitating as an economy to intentionally and actively work towards to being an innovation-based economy in the long term, i.e. Stage 3. It is achieving this by either rapidly transiting from an agrarian-based economy to an industrialised one or rapidly diversifying its economy. An emerging market will thus have an average GDP per capita of less than $9,000*.

For countries like Kenya that are still agrarian based (Stage 1) but have made significant investments in information technology so as to become more efficient as an economy and transition to Stage 2 and ultimately to Stage 3 would be classified as an emerging market (Bank, 2011; IFC, 2012). A country like South Africa is currently in Stage 2 as per the GC Report 2012 and is the leading economy in Africa has significantly diversified by developing a sophisticated financial market that will facilitate long-term growth into Stage 3 (Bank, 2011; IFC, 2012). Although this definition may appear broad, it does however allow for the different dynamics that occur in the emerging markets. It is for this reason that for the purpose of this research the African Emerging Markets, which were purposively chosen were the leading emerging markets from the four cardinal points in the continent that fell

into at least one of the categories as given by the GCI (Are, 2010; Roxburgh, 2010). Table 4 summarises this.

Table 4: Selected African Emerging Markets

(Are, 2010; Roxburgh, 2010; Schwab, 2012)

Country	Region	GCI Classification
Kenya	East Africa	Stage 1: Factor Driven
Nigeria	West Africa	Stage 1: Factor Driven
Egypt	North Africa	Transition from stage 1 to stage 2
South Africa	Southern Africa	Stage 2: Efficiency-driven

The differences between these economies are further discussed later in this chapter. To support this definition, the classification of the leading global emerging markets of the world, which are the BRICS nation's, all fall into at least one of these categories with the exception of Russia and Brazil, which are borderline as they are in transition from Stage 2 to Stage 3, but are definitely not in Stage 3. This is illustrated in Table 5.

Table 5: BRICS Countries GCI Classification

(Peng, 2012; Schwab 2012; Tshabalala, 2011)

Country	GCI Classification
India	Stage 1: Factor-driven
China	Stage 2: Efficiency-driven
South Africa	Stage 2: Efficiency-driven
Brazil	Transition from stage 2 to stage 3
Russia	Transition from stage 2 to stage 3

Having defined emerging markets, the same criteria are used to define developed nations for the purpose of this research. The developed nations are those economies that historically have been the leaders of business sophistication and innovation as defined by the GCI. This also implies that they are the original custodians of the development of the successful economic strategies that the economies in Stages 1 and 2 are working towards (Coase, 1998; Mintzberg, 1987; Porter, 1990, 1998, 2008; Wernerfelt, 1984).

> ***Developed Nations (DNs)*** *can be defined as those economies that are classified by the GCI as innovation driven economies with a GDP per capita of over $17,000 or more. Companies in such markets compete by producing new and different goods through new technologies and/or utilising the most sophisticated production processes or business models.*

Countries that have been identified as DNs and purposively chosen in this research because of their size and their impact on the African market are USA, UK, France and Germany (Dolan, 2012; EMD, 2012; Ericsson, 2012; G4S, 2012; P&G, 2012). Most DNs do not show rapid growth as they are mature markets however the sheer size of their economies based on GDP and the level of industrialisation they have achieved have a significant impact on the operations of the MNEs that they host (Bank, 2011a; IMF, 2010; Schwab, 2010, 2011, 2012, 2013).This is discussed further in this chapter.

2.2 A closer analysis of the global competitive landscape using the GCI

A significant level of research has been undertaken globally looking at the broader factors that affect the environment in which MNE firms operate (Baack and Boggs, 2008; Javalgi et al., 2009; Luiz and Charalambous, 2009; Lynch, 1994). This is crucial for MNEs that are seeking to have a successful strategy in the EMs. It is thus necessary to review such past research as it provides a foundation that can be leveraged off in working towards answering the research questions. The World Economic Forum is one such research body that produces an extensive annual Global Competitiveness Index Report (GCI) (Schwab, 2011, 2012; Schwab and Porter, 2009).

The GCI Report has been in existence for over 10 years and it gives an in-depth analysis of how conducive the environment of a country is wherein firms and industry are allowed to operate (Schwab, 2012). As mentioned previously this report identifies 12 key factors that contribute significantly to the determinants of economic competitiveness of a country. The GCI defines country competitiveness as follows:

> *"… the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to sustain growth" (Schwab, 2012:4).*

Table 6 lists these 12 components, referred to as pillars, and groups them according to the types of economies in which they are key factors.

Table 6: The GCI framework

(Schwab, 2012)

Sub-index	Pillar/Factor	Summary definition
Basic requirements (key for factor-driven economies)	1. Institutions	This index measures the impact of the legal and administrative framework in which individuals, firms and governments interact in order to generate wealth.
	2. Infrastructure	This index measures the effectiveness of utilities such as transport modes, electricity supplies and telecommunications and their effect on making the economy function.
	3. Macroeconomic environment	This index measures the impact of the macroeconomic policies implemented by the government on the economy.
	4. Health and primary education	This index measures the quantity, and quality of health and basic education available to the workforce and general population respectively.
Efficiency enhancers (key for efficiency-driven economies)	5. Higher education and training	This index measures the effect of secondary and tertiary enrolment rates and how this impacts the skills level of the countries work force.
	6. Goods market efficiency	This index measures the extent of a market-orientated economy the aims to give a balanced supply and demand environment.
	7. Labour market efficiency	This index measures the effective and efficient use of the workforce to the economy.
	8. Financial market development	This index measures the stability and reliability of financial systems as the banking, investment and securities industry.
	9. Technological readiness	This index measures the extent of the economy to adopt new technologies that enable increase its productivity.
	10. Market size	This index measures the extent of the size of the market to provide opportunities for economic growth.
Innovation and sophistication factors (key for innovation-driven economies)	11. Business sophistication	This index measures the quality of a countries overall business networks and the quality of the individual firms operations and strategies.
	12. Innovation	This index measures the extent of adoption by a country through innovation through technology.

The advantage of the GCI is that it gives an extensive analysis of the environment of each country and is based on input from all stakeholders in the socio-political economy (Schwab, 2012). However, like any statistically based report that is global and voluminous, there is always the risk that not all results can best be defined by numbers (Cresswell, 2009, Cresswell and Tashakkori, 2007). In addition, the GCI model itself originated through significant input from theorists such as Schwab and Porter (2009) who originally formulated their theories from developed nations such as the USA and Europe. This framework, provided by the GCI, was incorporated into this research, as it is a comprehensive framework that is tried and tested when looking at global economies.

2.2.1 Country competitive environment comparative analysis

As mentioned in Chapter 1, Africa is a made up of 52 states. Based on the definition of an EM, being those markets that are rapidly moving from an agrarian-based economy to an industrialised one or rapidly diversifying provides focus for the purpose of this research. In order to get a more accurate representation of the leading EMs in the African market it is important to select the 'hub' from each of the four economic regions in Africa, as defined by authorities such as the World Bank (Bank, 2011a), McKinsey and Company (Roxburgh et al., 2010) and the Boston Consultancy Group (Are et al., 2010).

The main objective of this research is to evaluate the key institutional factors that affect the success of the strategy of the MNE. In order to achieve this it is necessary to look at the country profiles of the selected AEMs and compare these to the profiles of the selected DNs as well as BRIC countries. The comparison to the DN is necessary because a significant number of current theories on economic and organisational trends originated from such environments so it therefore allows for a better understanding of the background of the MNEs that emanate from there (Coase, 1998; Mintzberg, 1985, 2009; Porter, 1990, 1998, 2008; Wernerfelt, 1984). The analysis of the BRIC countries is also necessary as most of current research on MNEs in the EMs is based on these countries. Table 7 shows this statistical comparison of these countries.

Table 7: Country competitive analysis AEM versus DN

(Schwab, 2012)

Country**		Pop (mill)	GDP USD(bill)	GDP per capita (US$)	GDP (PPP) % of world total	GCI rank/ score*	Basic requirements score*	Efficiency enhancers score*	Innovation & sophistication factors score*
AEM	Egypt	83.1	235.7	2 970	0.66	107/3.7	3.9	3.7	3.3
	Kenya	41.8	34.8	851	0.09	106/3.7	3.6	4.0	3.7
	Nigeria	163.1	238.9	1 490	0.52	115/3.7	3.5	4.0	3.5
	SA	50.8	408.1	8 066	0.70	52/4.4	4.3	4.5	3.9
DN	USA	325.1	15 094.0	48 387	19.13	7/5.5	5.1	5.6	5.4
	UK	65.3	2 417.6	38 592	2.87	8/5.4	5.5	5.5	5.3
	Germany	86.5	3557.0	43 742	3.93	6/5.5	5.9	5.3	5.6
	France	66.6	2776.3	44 008	2.81	21/5.1	5.5	5.0	5.0

Note:
*Scores 1 is least favourable outcome and 7 is most favourable outcome
**Refer to Appendix E for detailed country analyses

AEMs versus DNs

The GDP and the GDP per capita are usually the strongest indicator of the size and strength of an economy (Bank, 2011a, 2011b). Table 7 shows that there is a significant difference between the GDP indicators for the AEMs verses the DNs. The USA currently represents 19 percent of the world's economy and has a GDP per capita six times that of South Africa, the leading economy in Africa (Bank, 2011b). Based on the GCI rankings most of the AEM economies are in the bottom half of the global rankings comprising 144 countries (Schwab, 2012). This highlights the fact that although there is a transition from an agrarian-based economy to an industrial one as well as economic diversification, as highlighted in Table 6, there is still a lot of work to be done in these African countries to foster a healthy competitive environment in relation to the rest of the world. This is evidenced by the relatively low scores in basic requirements, efficiency enhancers and innovation and sophistication enhancers. The basic requirements score for developed economies is high, averaging 5.5, showing that institutions, infrastructure, macroeconomic policy, health and primary education are quite well advanced for firms operating in this environment while the opposite is true for the AEMs that have a lower average score of 3.8.

It is interesting to note that from an African perspective South Africa offers a significant exception in that it is ranked 52 with a score of 4.4 making it the highest ranked country in Africa. The DN does have significantly larger economies, however the forecasted (refer to Table 1) growth in these countries is weak compared with the AEMs and thus the drive by the MNEs to grow in these developing markets.

AEMs versus BRIC nations

When looking at the GDP indicators of these two groupings, it clearly shows that on average the economies of the BRIC countries are significantly larger than those of the AEMs. For instance, a country like China, which makes up 14 percent of the world's economy (quite close to the USA as seen in Table 8), has a GDP that is 17 times the size of South Africa's economy. The difference in size of economies between the BRIC countries and South Africa has been a case in point with regard to South Africa being brought into this grouping of leading EMs with the argument that it is too small an economy to be part of this prestigious group (Bank, 2011b; Tshabalala, 2011). From the raw statistics, it is evident that the difference in size and performance of the South African economy does not nearly compete with these other giants. However, the justification for its

inclusion leans towards the fact that relative to the African continent and its status as the leading economy in Africa it enables Africa to participate more actively in the global economy by being represented in this global arena (Economist, 2012). Looking at the sub-indexes of the GCI being basic requirements, efficiency enhancers, and innovation and sophistication enhancers, both AEMs and BRIC nations have, on average, the same score thus confirming that both groups are EMs.

Table 8: Country competitive analysis AEMs versus BRIC countries

(Schwab, 2012)

	Country**	Pop (mill)	GDP USD(bill)	GDP per capita (US$)	GDP (PPP) % of world total	GCI rank/ score*	Basic requirements score*	Efficiency enhancers score*	Innovation & sophistication factors score*
AEM	Egypt	83.1	235.7	2 970	0.66	107/3.7	3.9	3.7	3.3
	Kenya	41.8	34.8	851	0.09	106/3.7	3.6	4.0	3.7
	Nigeria	163.1	238.9	1 490	0.52	115/3.7	3.5	4.0	3.5
	South Africa	50.8	408.1	8 066	0.70	52/4.4	4.3	4.5	3.9
BRIC	Brazil	199.7	2 492.9	12 789	2.91	48/4.4	4.5	4.5	4.0
	China	1 367.0	7 298.1	5 414	14.32	29/4.8	5.3	4.6	4.0
	India	1250.2	1 676.1	1 389	5.65	59/4.3	4.3	4.5	3.9
	Russia	147.1	1 850.4	12 993	3.02	67/4.2	4.8	4.3	3.2

Note:
*Scores 1 is least favourable outcome and 7 is most favourable outcome
**Refer to Appendix E for detailed country analyses

Both Tables 7 and 8 give a consolidation of overwhelming information that allows a comparison of the different environments that define both the emerging and developed markets. An analysis of these environments has allowed for a more accurate identification of the key institutional factors in these markets that impact on the strategy of the MNE from a developed economy operating in AEMs. The shortfall of such strong quantitatively biased reporting is that there is no significant highlight of the impact of qualitative factors such as culture, social enthusiasm and religion, which can also have a bearing on the results but are difficult to measure (Cresswell, 2009;Cresswell and Tashakkori, 2007).

2.3 Understanding the institutions of the emerging markets

The GCI Report (Schwab, 2012) identifies the key factors affecting any market, whether it is emerging or not, as:

- Institutions;
- Infrastructure;
- Macroeconomic environment;
- Health and primary education;
- Higher education and training;
- Goods market efficiency;
- Labour market efficiency;
- Financial market development;
- Technological readiness;
- Market size;
- Business sophistication; and
- Innovation.

Each of these factors in themselves affect, in one way or another, the strategy of the MNE from a DN operating in the AEM (London and Hart, 2004; Luo and Tung, 2007).

Hoskisson et al. (2000), Peng et al. (2008) and Wright et al. (2005) all concur that when looking at MNE strategy in the EMs, institutions play the dominant role when compared with DNs, where other factors like innovation and sophistication are more dominant (Schwab, 2012). The following chapter will go into more detail with regard to the theories

that revolve around the institutions and their effect on the MNE in the EMs. At this stage, it is important to define the key components that make up institutions.

2.3.1 The components of the institutions

Before analysing the current institutional indicators of the markets of the EMs or DNs it is necessary to provide definitions of the seven components of the institutional pillar as applied in this research as well as derived from the GCI Report 2012/2013 (Schwab, 2012):

1. **Property rights (PR)** – Rules and regulations as managed by the public institutions pertaining to protection of property rights, intellectual property rights and financial assets, with property rights, i.e. land, being the major one in Africa.

2. **Ethics and corruption (EC)** – Rules and regulations as managed by public institutions in dealing with corruption in the public and private sectors of industry.

3. **Undue influence (UI)** – Rules and regulations, as managed by the public institutions, allowing for an independent and transparent judiciary system.

4. **Government efficiency (GE)** – Rules and regulations as managed by the public institutions that allow for a consultative government partnership with industry so as to allow for pro-business policy-making. It also means a government that operates in an efficient and effective manner without being seen by industry as too 'bureaucratic' or having too much 'red-tape'.

5. **Security (SC)** – Rules and regulations, as managed by the public institutions, to manage the impact of crime, terrorism and violence on the business and its environment. This is largely dependent on the reliability of the security forces, namely the police.

6. **Corporate ethics (CE)** – Rules and regulations as managed by the private institutions to allow for ethical behaviour in interactions with public officials, politicians, and other enterprises.

7. **Accountability (Acct)** – Rules and regulations as managed by the private institutions so as to ensure local and global compliance of financial auditing and reporting standards regarding company financial performance, corporate

governance by investors and boards of directors and the security of minority shareholders protected by the legal system.

These seven dependant variables were used and adopted in the research instrument with only the aspects relevant to the AEM being incorporated into the questionnaire. This is discussed further in Chapter 5.

The GCI Report (Schwab, 2012) gives quite an extensive breakdown of the components of the criteria to measure institutions in any global market. As previously mentioned, the GCI model incorporates input from both public and private stakeholders. However, in order to add weight to the country comparative analysis of the institutional framework, empirical research from other established bodies such as the World Bank and United Nations (UNDP, 2003; Bank, 2011a) was incorporated. Table 9 shows the breakdown of the criteria for institutions.

Table 9: Breakdown of institutions as per the GCI report

(Schwab, 2012)

Group	Ref.	Description
Public institutions		
Property rights	1.01	Property rights
	1.02	Intellectual property protection
Ethics and corruption	1.03	Diversion of public funds
	1.04	Public trust in politicians
	1.05	Irregular payments and bribes
Undue influence	1.06	Judicial independence
	1.07	Favouritism in decisions of government officials
Government efficiency	1.08	Wastefulness of government spending
	1.09	Burden of government regulation
	1.10	Efficiency of legal framework in settling disputes
	1.11	Efficiency of legal framework in challenging regulations
	1.12	Transparency of government policymaking
	1.13	Gov't services for improved business performance
Security	1.14	Business costs of terrorism
	1.15	Business costs of crime and violence
	1.16	Organized crime
	1.17	Reliability of police services
Private institutions		
Corporate ethics	1.18	Ethical behaviour of firms
Accountability	1.19	Strength of auditing and reporting standards
	1.20	Efficacy of corporate boards
	1.21	Protection of minority shareholders' interests
	1.22	Strength of investor protection

From Table 9 it can be seen that the institutions are grouped into public and private institutions. This is key as both have significant influence in the environment in which the MNE operates (Luiz and Charalambous, 2009; Josiah et al., 2010; Luo and Tung, 2007). In Tables 10 and 11 the above criteria is used, as formulated in the GCI report to do a comparative analysis of the institutional status of the AEM to those of the DN and BRIC nations. The average scores of each sub-index are used to summarise, however the detailed scores can be found in Appendix E.

Table 10: Comparative analysis of the institutions of AEM versus DN

(Schwab, 2012)

Institution	AEM (average scores)				DN (average scores)			
	NGR	KEN	SA	EGY	USA	UK	FRA	GER
Public Institutions								
Property rights	2.7	3.0	4.1	3.2	4.5	5.5	5.0	5.3
Undue influence	3.1	3.0	4.0	3.6	4.1	5.2	4.3	5.4
Government efficiency	3.7	3.6	4.0	3.2	4.0	4.5	3.8	4.5
Security	3.4	3.7	4.3	3.7	4.8	5.6	5.4	5.9
Private institutions								
Corporate ethics	3.5	3.6	4.3	3.8	5	5.9	5.4	5.8
Accountability	4.5	4.4	6.6	4.3	5.9	6.1	5.1	5.2

It can be seen that based on the GCI report the DN countries have more established institutions that favour a positive environment for firms operating in them as compared with AEM countries. The prominent criteria being, property rights, security, corporate ethics, and accountability. South Africa seems to have the best accountability score within its private institutions as compared with its counterparts in the AEM and the DNs, despite the fact that the DNs lead the global initiatives with regard to corporate governance management (GRI, 2013; Schwab, 2012) and most MNEs operating in the AEM are private institutions that are not owned by the government (Are et al., 2010). With all the negative criticism on the African governments, it was expected that the differences in scores were more significant.

On average, there is no major difference in government efficiency between AEM countries and DN countries (Bank, 2011a; IFC, 2012; Josiah et al., 2010; Luiz and Charalambous, 2009). As mentioned in the country analysis, the AEM countries' scores are not identical; Nigeria has the lowest property score of 2.7 whereas South Africa offers the best security for business with a score of 4.3. As each country is unique, the diversity of results is expected thus highlighting that the impact of the institutional factors on the MNE from a DN will vary from country to country.

Table 11: Comparative analysis of the institutions of AEMs versus BRICs

(Schwab, 2012)

Institution	AEM (average scores)				DN (average scores)			
	NGR	KEN	SA	EGY	BRA	RUS	IND	CHN
Public Institutions								
Property rights	2.7	3.0	4.1	3.2	3.3	2.7	3.3	4.1
Undue influence	3.1	3.0	4.0	3.6	3.4	2.5	3.7	3.9
Government efficiency	3.7	3.6	4.0	3.2	3.2	2.9	3.7	4.1
Security	3.4	3.7	4.3	3.7	4.6	4.1	4.8	4.8
Private Institutions								
Corporate ethics	3.5	3.6	4.3	3.8	3.7	3.4	3.8	4.0
Accountability	4.5	4.4	6.6	4.3	5.0	3.9	5.0	4.5

When comparing the BRIC to the AEM, the indicators are approximately at the same level, which is expected as they are all, broadly defined EMs (Consulting, 2009; Schwab, 2012). South Africa and China show a better corporate ethics score than the other countries. On providing a secure environment for business, India and China stand out the most and Russia has the least score. At this level the performance of these eight economies are similar however, and with reference to the country comparative analysis in Table 8, the difference in size of the BRIC economies when compared to the AEM economies is considerable. In addition to this, although the focus of this research is on MNEs from DNs, there are significant MNEs from BRIC establishing themselves in AEMs (Are et al., 2010). This is not surprising because, based on the economic indicators of these BRIC countries, they have access to FDI funds that are so desperately required in the AEM by both the public and private entities (Bank, 2011a). From this analysis, it can be seen that for the different groups of AEM, BRIC and DN countries there are significant differences in terms of the size and nature of the economies. This goes back to supporting the objectives of this research that is targeted towards the purposively selected countries of Kenya, Nigeria, South Africa and Egypt, which give a healthy representation of the leading emerging markets in Africa that have MNEs from the DN operating within them.

2.3.2 The importance of the government

Authors on emerging markets such as Hoskisson et al. (2000) and Luiz and Charalambous (2009) propagate that the role of the government with regard to the establishment of institutions in the country is fundamental and lays the foundation for MNE participation even more so than in DNs. There are two main influences that government has on the MNE from

the DN that can be discussed, being government operational influence and government political influence.

1. Government operational influence

Governments have always played a key role in promoting MNEs (Luiz and Charalambous, 2009; Pearson and Chatterjee, 2003; Pearson et al., 2010). Strategic policy theory (David, 2005) has shown that in developed countries, such as the USA and those in Europe, the governments have enabled firms based in those countries to have strong MNE strategies (Arnold and Quelch, 1998; Lynch, 1994). In Africa, however, research has shown that when it comes to enterprise growth, government involvement is more significant and at times more detrimental to the growth of enterprises (Adjei et al., 2008; Josiah et al., 2010; Urban, 2008; Urban and Barreria, 2010). Besides the high levels of corruption among the leadership, the other big challenges are the red tape and archaic processes put in place by government, which have a bearing on discouraging MNE growth in the AEMs (Are et al., 2010; Vijay, 2009). As a primary institution, the government is there to facilitate the correct regulatory environment in which industries operate; they define the 'rules of the game' in the territories within which MNEs operate (Arnold and Quelch, 1998). The challenge with AEMs is that because the influence of government is so strong, it creates a bottleneck for the MNE operating in that market. Further to this, when looking at the AEM, the dynamics of the government can vary from one country to another. Even though governments have put in place regional trade bodies that are there to facilitate better cross border trade and efficiency, such as SADC (2012) and ECOWAS (2012), there is a still a long way to go to proficient trade.

An example of the negative impact on MNE growth in an AEM has been the recent acquisition in Southern Africa of Massmart by the global leading retailer, Wal-Mart (Dolan, 2012; England and Jopson, 2011). The acquisition was fraught with challenges as there were clashes between the local labour union, the government and the competition commission, as well as the local industry. The deal was finally approved, although it could have been lost due to bureaucratic red tape (Dolan, 2012; England and Jopson, 2011).

Due to the nature of these challenges, MNEs need to be aware that they have to be tactical when wanting to have successful strategies in the AEMs. The prevalence of 'government liaison' managers or functions is there to ensure that the interests of the government are attended to by the company through a dedicated person or office (Josiah et al., 2010). The

challenge of such initiatives is that it creates unnecessary complications with regard to corruption as it facilitates for a potential 'official' structure for bribes. For economies that are plagued by poverty and unemployment, it is often inevitable that initiatives like these continue to fuel the insatiable hunger of the already existing kleptomaniac culture (Urban, 2008; Urban and Barreria, 2010). Countries like Nigeria, in which MNEs are flourishing because of the oil reserves, are riddled with corruption scandals (Economy, 2011; Igbokwe, 2011).

2. Government political influence

Closely related to government operational influence is the status of political stability (Luiz and Charalambous, 2009). For MNEs coming from developed countries, one of the major challenges that they face is the reality of Africa still being young in fostering democratic states, which are needed for a stable economy (Vijay, 2009). The risk that political instability brings to the leading AEMs from the four corners of the continent is obvious (Consulting, 2009; UPEACE, 2011). Whether it is Egypt (North Africa) as part of the Arab Spring uprising, which saw a civil war that led to the overthrowing of a dictator; Nigeria (West Africa), which is currently going through a civil war funded by Muslim extremists, or Kenya (East Africa) that is having to safeguard itself due to its involvement with the war in Somalia (UPEACE, 2011; News, 2012; UNHCR, 2012), the reality is that the AEMs are fraught with instability. Further detail can be seen in Figure 4

South Africa (Southern Africa) is currently not in any war conflict, however it does face some potential economic woes with current problems at grassroots level, where there is a push for the nationalisation of mines (Africa, 2012; Reuters, 2012). This topic, due to its economically sensitive nature, gives both local and foreign firms levels of uncertainty regarding the country's economic future.

Once again, these problems in the economy require specific application of tact and strategy by the MNE in order to be successful. An MNE, like Procter and Gamble (P&G, 2012) for example, which is listed in the USA, the bench mark for democracy (Schwab, 2011; Schwab and Porter, 2009), and operates in all four hubs, will have to be aware of the political instability and work around this to maintain competitiveness, and at the same time not be 'caught up in the crossfire'.

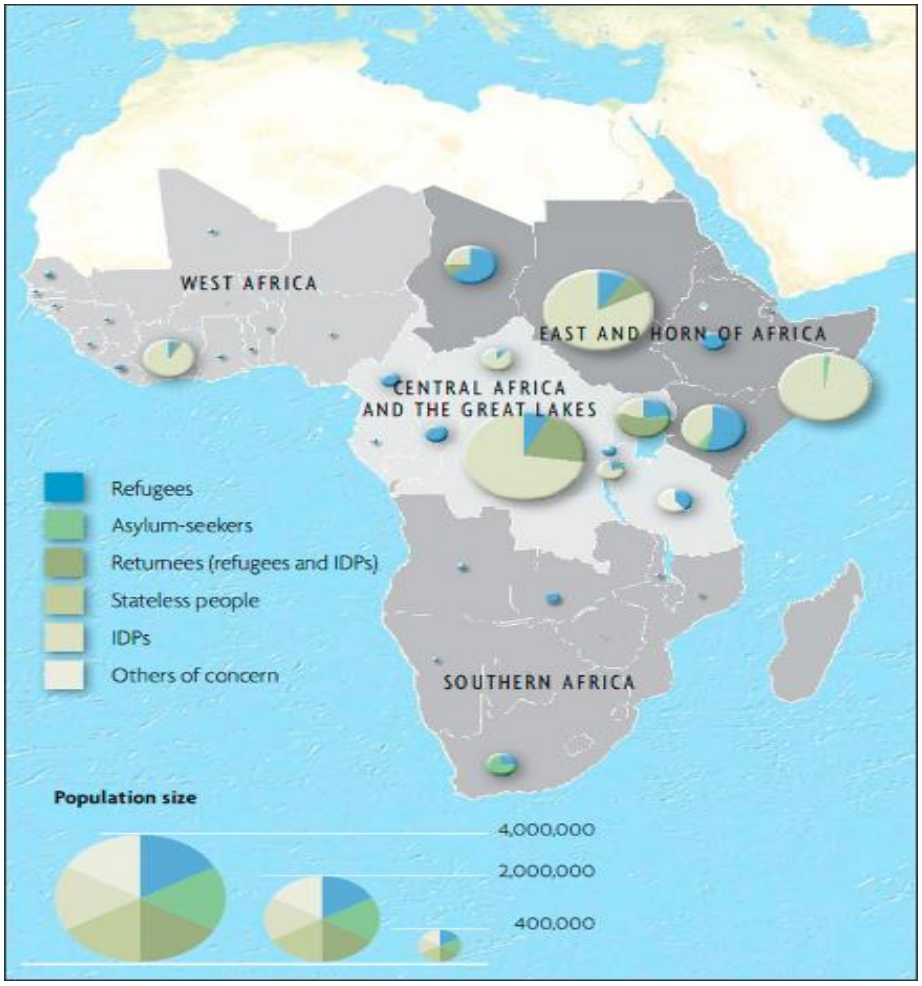


Figure 4: United Nations High Commission of refugees map showing displacement of people due to ongoing conflicts on the African continent

(UNHCR, 2012)

2.4 Summary

Institutions in any country, as agreed by leading academics and global research bodies, are grouped into two main categories: public and private. Using the GCI model (Schwab, 2012) the public institutions comprises property rights (PR), ethics and corruption (EC), undue influence (UI), government efficiency (GE) and security (Sec); whereas, the private institutions are composed of corporate ethics (CE) and accountability (Acct) (refer to Appendix E for the detailed country breakdown). The GCI model uses 22 categories to get an aggregate score. When looking at the purposively selected leading AEM countries being

Nigeria, Kenya, Egypt and South Africa and comparing them with the groupings of the DN and BRIC it shows that there are significant dynamics between these types of economies that will consequently result in different outcomes because of the impact of the institutional factors. It should be noted that the institution in itself is one of 12 other indicators that define the competitiveness or conduciveness for doing business in a country. As previously mentioned when analysing and reviewing the theories of institutional structures the approach has to allow for flexibility and adaptability of thought.

In this chapter, EM and in turn the AEM, with a focus on what institutions are contained therein were defined. This is critical, as the understanding of the environment of the AEM will allow an understanding of the impact of the strategy of the MNE from a DN operating in that market. The next chapter examines the relationship of the MNE in the AEM and the theoretical perspectives that go with such a discussion.

CHAPTER 3: THE MULTINATIONAL ENTERPRISE IN THE AFRICAN EMERGING MARKET

3.0 Introduction

The institutional 'pillar' and its components of both the public and private institutions comprising of property rights (PR), ethics and corruption (EC), undue influence (UI), government efficiency (GE) and security (Sec); corporate ethics (CE) and accountability (Acct) as per the GCI model (Schwab, 2012) were extensively discussed as a way of getting to grips with the emerging market. From these discussions it was established that even though the focus of the research is limited to the purposely selected economies of Kenya, Nigeria, South Africa, and Egypt there is still a level of complexity involved when looking at the MNE strategy. In this chapter the MNE strategy and its relevance to the EM and AEM is discussed, thus allowing us to lay a strong foundation for the formulation of the conceptual framework.

3.1 Understanding the multinational enterprise and its relevance to the emerging market

Dunning and Lundan (2008) define MNE as a multinational or transnational enterprise that engages in foreign direct investment (FDI) and owns or in some way, controls value added activities in more than one country. Another broad definition of an MNE is an enterprise that has operations and clients in more than one country (Arnold and Quelch, 1998; Baack and Boggs, 2008; Estrin et al., 2008). These two definitions of an MNE illustrate the fact that the MNE is assumingly coming from a country with a stronger economy such as the US or the UK and investing in a relatively weaker but growing economy such as South Africa (BMI, 2010; Bruton et al., 2008; Khanna and Yafeh, 2007; Luiz and Charalambous, 2009).

Traditional models of international trade such as Porters' diamond framework (Porter, 1990; Smit, 2010) (illustrated in Figure 5) and the product life cycle theory (David, 2005) support such definitions. However, more recent research on MNEs show that these firms have become a lot more sophisticated and the environments in which they operate more

turbulent (Atsmon et al., 2011; Dunning and Lundan, 2008; Estrin et al., 2008; London and Hart, 2004; Mathews, 2006;Johanson and Vahlne, 1990; Blankenburg and Johanson, 1992; Knight and Cavusgil, 2004). This is especially so with the receding economies of the developed nations and the strengthening economies of the BRIC (Pillania, 2009).

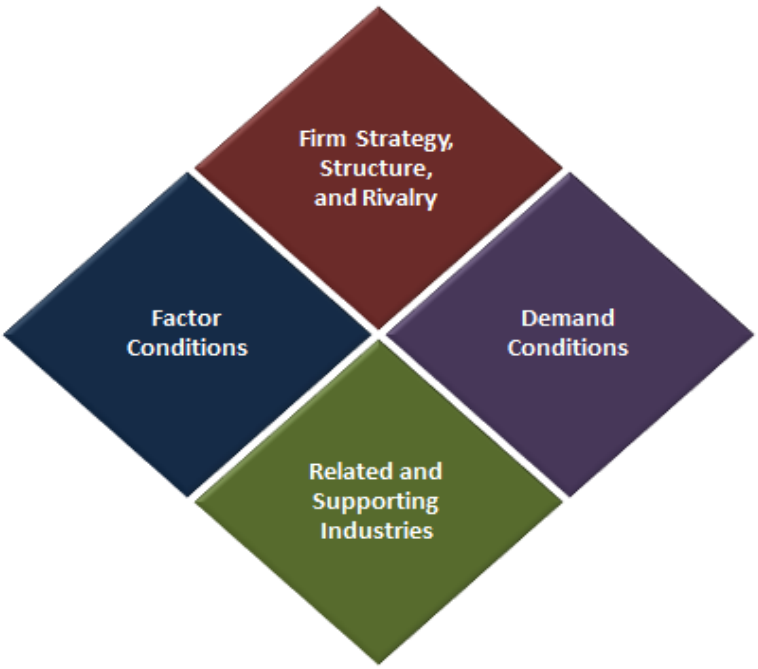


Figure 5: Porter's diamond framework

(Porter, 1990; Ketels, 2006)

Although MNEs from DNs have been the major investors and entrants into the AEM, the BRIC countries are now growing in these markets. In other words emerging MNEs are now entering EMs such as African countries (Peng, 2012; Ren, Xie and Krabbendam, 2010). African MNEs are also (refer to Figure 6) growing in the AEM (Are et al., 2010). Peng (2012) highlighted how in 2011, Russia was the leader in international FDI, taking the lead over countries like the US and the UK. These scenarios highlight that MNEs from DNs are operating in a dynamic environment when operating in the AEM. This is because the MNE from a DN is not only dealing with historically challenging institutional structures, but also competing with these new entrants in the market.

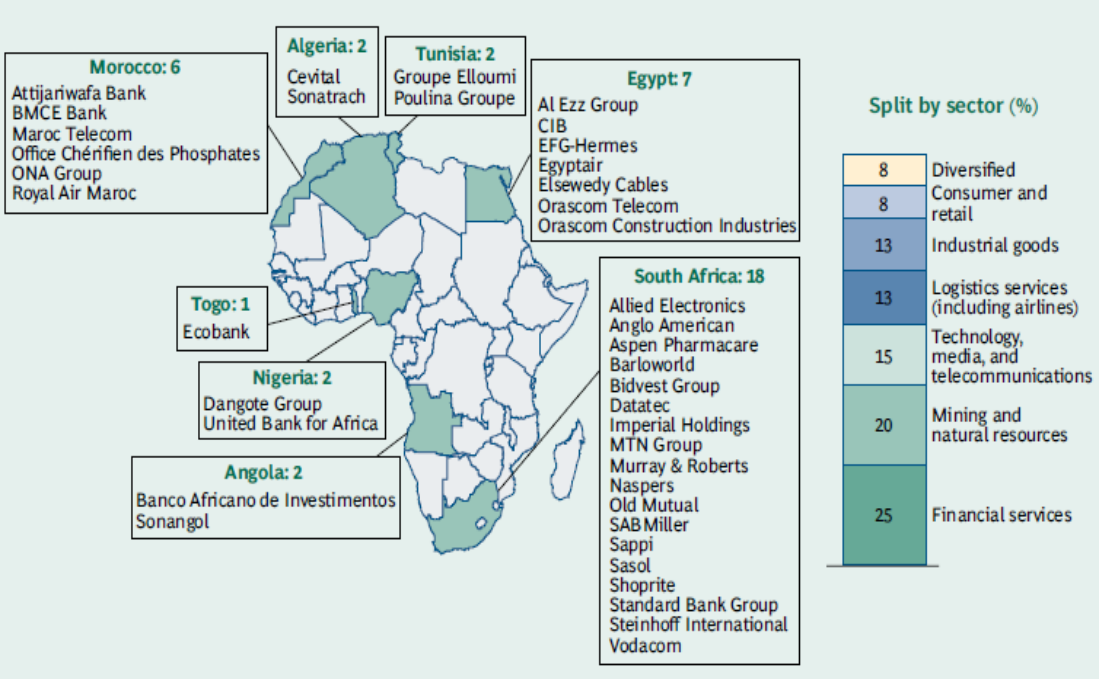


Figure 6: Growing African MNEs

(Are et al., 2010)

With reference to the GC Report (Schwab, 2012) and considering the leading authors on strategies of EMs, such as Hoskisson et al. (2000), Meyer et al. (2009) Peng (2012) and Wright et al. (2005) the dominant theoretical perspectives on MNE in EMs are the institutional theory (IT), resource based theory (RBT), transactional cost theory (TCT) and the agency theory (AT) (Coase, 1998; Scott, 2001; Wernerfelt, 1984). This is discussed in detail in the sections that follow, however to define a purpose for this research a conclusion of what is meant by MNE is undertaken.

Pearson et al. (2010) and Ren et al. (2010) highlight that there is currently a lot of excitement around MNEs. This is largely because with the growth of the global economy there is a need for businesses that are able to effectively and efficiently transcend the different borders of countries to meet the needs of an array of consumers from vastly diverse backgrounds (Estrin et al., 2008; Pearson et al., 2010). However, with the escalation of the current financial crises in the developed countries, such as the USA and Eurozone, there is a growing migration of established firms in these nations that want to

invest and grow in greener markets (Javalgi et al., 2009; Roxburgh et al., 2010). In order to do this, these firms have realised that they have to be competitive in an environment with which they are not familiar.

In order to gain a more in-depth appreciation of the MNE, the definition chosen for an MNE is a firm that has substantial customers and operations in more than two countries and has made significant capital investments in those markets. This definition incorporates and consolidates the different viewpoints propagated by leading authorities on MNE (Dunning, 2006; Dunning and Lundan, 2008; Estrin et al., 2008).

3.2 Defining multinational enterprise strategy and its relevance to African emerging markets

Strategy can be defined as taking the internal components of a firm or entity and adapting these in such a manner so as to leverage off the external environment in order for the firm to remain profitable and competitive (David, 2005; Porter, 1998a, 2008; Mintzberg et al., 2009). Figure 7 shows the prescriptive universal model of strategy. Traditionally turnover and profit are the key indicators of measuring quantitatively the success of the strategy of a firm (Board, 2014; David, 2005). However in more recent years companies have aligned more to what is called Triple Bottom Line Reporting (TBL) (Economist, 2009). This reporting encompasses the traditional Turnover/Profit reporting as well as the two other components of Corporate Social Responsibility (CSR) or Corporate Social Investment (CSI) and Environmental Friendliness and Carbon Foot Print (EF) (GRI, 2013; Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009). In the following chapter the researcher will elaborate further on how the components of TBL were used as the measurement of the dependant variable SS. For the rest of this chapter the researcher will continue to discuss the different schools of thought in regards to multinational enterprise strategy with a focus on the aspects that are applicable to this research.

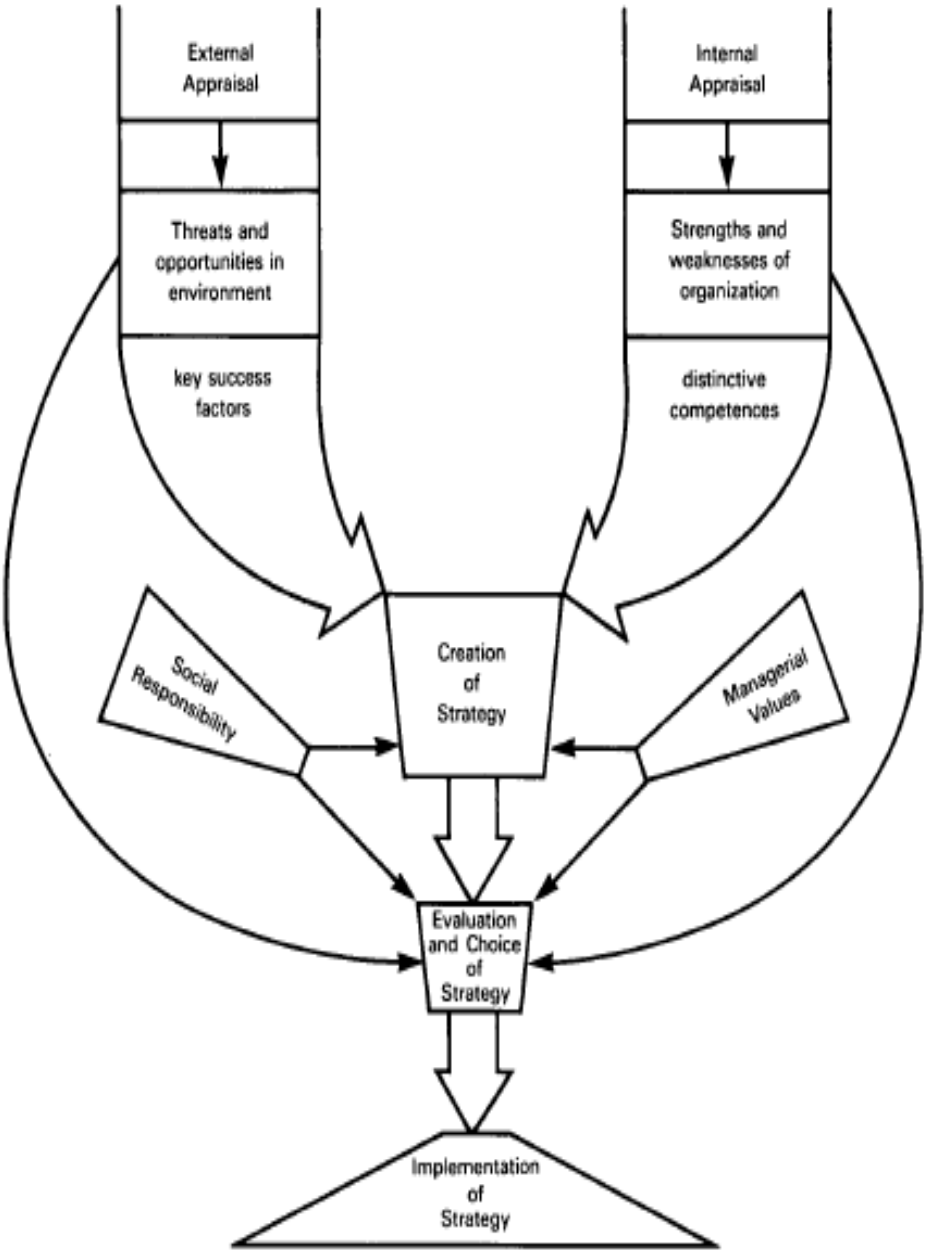


Figure 7: The basic design school model

(Mintzberg, 1990)

Thus it can be said that strategy is an action a company takes to attain one or more of its goals, or to attain superior performance (Hill and Jones, 2007). Internal factors could be resources, finances, assets or any component of an organisation that it has direct control over (David, 2005; Lee and Carter, 2005). The external components can thus be described as the factors that the organisation has no direct control over, but which directly affect the

organisation (David, 2005; Ketels, 2006; Lee and Carter, 2005; Porter, 1998b). As previously mentioned there is growing research on the overlapping of organisational strategy, as prescribed in the universal model and applied to the dynamics of the firm and economic strategy, which applies to the macro environment within which the firm operates. In Figure 7 the external factors referred to in the organisational strategic model incorporate the institutional factors affecting MNE, which are the focus of this research, with a bias towards looking at the economic trade theories (Hoskisson et al., 2000).

3.2.1 The relevance of an emergent strategy versus a prescriptive strategy

The impetus of emergent strategy to the EM is within the history of strategy research (Hoskisson et al., 1999; Lynch, 1994; Mintzberg et al., 2009), where there has been an iterative migration of thinking from the prescriptive school of strategy to the emergent school of strategy, which is also referred to as the learning school (Mintzberg, 1990; Mintzberg and Waters, 1985). The prescriptive school of thought on strategy was based on the fact that prior to anything being done, the ultimate goal had to be defined first and then defined steps had to be designed and meticulously followed to achieve the organisation's goal (Mintzberg et al., 2009). Thereafter, there would have to be adequate control of the process in attaining the goal to allow for the successful implementation and sustainability of the firm strategy. Figure 7 highlights this process. This school could also be called the deliberate strategic model because it facilitated a very planned and controlled environment. What evolved over the years was that for some enterprises, the organisational strategy implemented compared with the planned strategy showed significant and consistent diversions (Levy, 1994; Hoskisson et al., 1999; Mintzberg et al., 2009). This does not mean that because of this digression from the initial plan that the strategy was a failure; in fact, it could be seen as a success based on the performance of the firm. Further to this, because this digression from the plan forms a habit, which in turn becomes a model in itself, it is labelled as an emergent strategy (Davies and Walters, 2004; Mintzberg and Waters, 1985).

There are a number of reasons that can justify why a strategy becomes emergent. It could be because of the internal dynamics of the organisation such as the leadership or culture, or it could be because of external factors such as changes in the competitive environment or industry (Barney, Wright and Ketchen, 2001). The causes have been discussed however, there is limited research with regard to the rise of emergent strategy in the AEM (Davies and Walters, 2004) and a comparison with first world countries, from which the

prescriptive/deliberate strategic models emanate, would prove valuable (Adjei et al., 2008). It could be assumed that emergent strategies have emanated from AEMs.

Although there have been significant discussions around deliberate or prescriptive versus emergent strategy from an organisational perspective (Hoskisson et al., 1999; Mintzberg, 1990; Mintzberg and Waters, 1985; Mintzberg et al., 2009), there is limited discussion or research around this topic when it comes to AEMs. This in itself could open up an entire research topic.

The focus of this research is economic strategy biased, rather than organisational strategy, and as such, the focus would not pursue research related to emergent strategies (Mintzberg and Waters, 1985; Mintzberg et al., 2009). It was however important to highlight how the topic relates to the research on MNEs in the AEM and recommend it as an opportunity for further research.

For the purpose of this research, the factors of the external environment, as given by the GC Report, were included. In the previous chapter, the competitiveness of a country was defined as that which makes it more economically productive and relevant to other countries (Schwab, 2012). Hence, with reference to the various definitions discussed at the beginning of this section the strategy of the MNE can be defined as the steps it would take to remain ahead of its competitors in the same market. For the purposes of this research, the MNE would be the firm from a DN such as the USA, UK, France or Germany and the AEM represented by one of the countries, South Africa, Egypt, Kenya or Nigeria.

3.3 Institutional theory as the dominant perspective

When looking at research done in EM on MNE the leaders on the schools of thought have been authors such Hoskisson et al. (2009), Peng (2012), Meyer et al. (2009) and Wright et al. (2005). Based on their writings the dominant theoretical perspective has been the IT in conjunction with the RBT, TCT and AT perspectives (Wright et al., 2005). However, as previously mentioned the majority of their research, as well as the testing of these theories was done focusing on the EM of the BRIC or of Eastern European nations with limited research done on countries in the AEM. In this section, the four theoretical perspectives are discussed, working towards streamlining the research in order to achieve the research objectives. It must be highlighted from the onset that these four key theories cannot be

looked at in isolation, as past research (Hoskisson et al., 2000, Peng et al., 2008) has highlighted that for them to be relevant in any setting they have to be integrated.

3.3.1 Institutional theory (IT)

Hoskisson et al. (2000) and Scott (2001) define IT as the influences of the systems surrounding the institution that shape social and organisational behaviour. Peng et al. (2008) give a simpler definition of institutions as being those components in the economy that define the 'rules of the game' between the individual, firm/s and government in the process of creating wealth. Therefore these institutions could be widely classified as the factors that govern societal transactions in the areas of politics (e.g. corruption and transparency), law (e.g. economic liberalisation, regulatory regime), and society (e.g. ethical norms, attitudes towards entrepreneurship) (Peng et al., 2008).

3.3.2 Resource-based theory (RBT)

The RBT, as propagated by Oliver (1997) and Wernerfelt (1984), is that in order for a firm to be competitive with its resources, these resources have to be rare, inimitable and un-substitutable (Hoskisson et al., 2000). In other words, they have to offer something to the firm that allows it to exercise a level of heterogeneity in the marketplace. The challenge the MNE encounters in the AEM market is that the availability of rare, inimitable and un-substitutable resources relative to its competitors is quite small. This is mainly brought about by the lack of infrastructure and development across the board in most AEMs (Urban, 2008; Urban and Barreria, 2010). Labour and capital are two significant resources that influence the competitive strategy of the MNE (Arnold and Quelch, 1998; Meyer et al., 2009). The RBT works largely in conjunction with IT because it looks at how the internal resources or assets of the firm can be leveraged so as to give the firm a competitive advantage in the industry (Hoskisson et al., 2000; London and Hart, 2004; Wernerfelt, 1984). These resources are not limited to tangible assets like buildings and people but can extend to intellectual rights or strategic structures like strong distribution networks that the firm controls.

3.3.3 Transactional cost theory (TCT)

TCT looks at the firms' environment through a contractual or exchange-based approach (Coase, 1998; Wernerfelt, 1984; Williamson, 1981). It thus allows the firm to decide on strategic cost decisions such as comparing the options on the viability of outsourcing certain processes in its manufacturing or operations or keeping them in house (Hoskisson et al., 2000). With reference to MNEs, TCT comes into play quite extensively when looking at diversifying the production processes into other countries (Couto et al., 2006).

3.3.4 Agency theory (AT)

AT works largely in conjunction with TCT and gets its roots from the school of thought that a firm is a 'nexus of contracts' (Hoskisson et al., 2000; Wright et al., 2005). AT not only analyses the contracts outside the firm such as corporate governance issues but also internally such as employee/employer contracts.

3.4 Integration of the theoretical perspectives

When looking at strategies of MNEs in EMs there is a multitude of economic trade theories such as Porters diamond framework, which analyses the comparative advantage of nations and Vernon's product life cycle theory, which looks at the firm in a developed nation. Vernon focuses on the life cycle of the firm's products moving from them being manufactured locally and exported, to them being manufactured externally and imported back to the host country of the MNE (David, 2005). Dunning's (2006) OLI (ownership, location and internalisation) theory is another that has been applied in analysing MNEs from developed markets (Dunning, 2006; Mathews, 2006). However, these theories are not relevant to this research as the focus is on MNEs that are already operating in the AEM environment and as such, the literature review will follow suit. An in-depth analysis of the literature of MNEs in EMs highlights that the dominant theoretical perspectives have been through the lens of the IT-based perspective. Table 12 summarises these research papers and shows that of the 13 research papers analysed, each produced by different sets of authors, at least seven (53 percent) focused on IT.

Table 12: Listing of research papers on emerging markets

(Hoskisson et al., 2000)

Authors	Theoretical Framework	Level of Analysis	Research Question	Data	Countries
Khanna and Palepu	Institutional theory and transaction cost economics	Corporate and business	Relationship between diversification and nature of external markets	Archival, both cross-sectional and longitudinal data	Chile
Filatotchev, Buck, and Zhukov	Institutional and agency theory	Business	Effects of willingness to change and incentive to change on downsizing and restructuring	Primary survey; longitudinal/repeated measures	Russia, Ukraine, and Belarus
Delios and Henisz	Institutional and (implied) transaction cost economics/agency theory	Business	FDI and ownership levels of firms in emerging markets	Primary survey	Japanese foreign-owned subsidiaries in 18 emerging economies
White	Transaction cost economics and resource-based view	Business	Impact of organizational environment and internal capabilities in assessing managers' decisions to acquire complementary assets in Chinese SOEs	Published records from Chinese official agencies	China
Aulakh, Kotabe, and Teegen	Transaction cost economics and resource-based view (Porter's business strategies and marketing mix)	Business and functional (marketing)	Successful business strategies used by emerging economies exporters to developed and less developed markets	Primary survey	Brazil, Chile, and Mexico
Guillén	Resource-based view and institutional (business groups)	Corporate	How large diversified business groups in emerging economies gain and keep resource-based	Published Archival data	Cross-sectional data from 9 emerging economies; longitudinal data from Korea, Argentina, and
Uhlenbruck and De Castro	Institutional (critical stakeholder theory, merger and acquisition theory)	Corporate and business	Impacts of organizational fit, government interference, and postmerger involvement on performance of Western acquisitions in Central and Eastern Europe	Primary survey	Western acquirers of firms in Central and Eastern Europe
May, Stewart, and Sweo	Institutional (environmental scanning theory)	Corporate	How perceptions of environment influence scanning behavior in complex and uncertain environments	Primary survey data of Russian executives	Russia
Peng and Luo	Institutional (social network theory, resource dependency)	Corporate and business	Effects of managerial ties on firm performance in China	Primary survey data of top managers	China
Bae and Lawler	Institutional (culture, strategic HRM)	Functional (HRM)	Impact of organizational strategy and HRM strategy on firm performance	Primary survey data of HR directors	Domestic and foreign enterprises in Korea
Chang and Hong	Resource-based view	Corporate and business	Impact of resource heterogeneity and cross-subsidization on performance of corporate strategies of Korean firms	Longitudinal Korean credit rating agency data	Korea
Hitt, Dacin, Levitas, Arregle, and Borza	Resource-based view (partner selection theory)	Corporate and business	Impacts of need to acquire resources, potential organizational learning, and market context on partner selection	Primary survey and case data	International strategic alliances in Mexico, Poland, Romania, Canada, France, and the United States
Isobe, Makino, and Montgomery	Resource-based view (technology assets, early mover, joint venture)	Business	Impacts of technology leadership and first mover status on joint venture performance	Primary survey	Chinese-Japanese joint ventures in China

Two papers in particular justify why the IT-based perspective should take precedence in this research. The first paper published in 2000 and authored by Hoskisson, Eden, Lau and Wright was one of the fundamental writings that reinforced the importance of the IT for EMs. The second paper, published in 2005, was contributed by Wright, Filatchov, Hoskisson and Peng (2005) further reinforced IT as the benchmark for analysing strategies of MNEs operating in EMs, as seen in Table 13. Of the nine prime papers assessed, seven (78 percent) focused on IT. In both sets of papers, RBT came up as the secondary theoretical perspective either in conjunction with IT or by itself. From these papers it can be seen that that the research on AEMs is insignificant. In the previous chapter, it was noted how the dynamics in the AEM differs from that in the DNs and BRIC countries. Therefore a large opportunity exists to test the IT-based perspective and it's supporting theories in the AEM. This is further reinforced by Table 15 at the end of this chapter which summarises the breakdown of the extensive literature review that was performed in this research. Once again it must reiterated that from the analysis of Tables 12, 13 and 15 it can be seen that IT is the main school of thought in understanding multinational strategy in EM. However reconciling this to the African context as well as justifying this research these bodies of literature highlight an inadequate coverage of the African context.

Table 13: Summary of articles on strategy of the MNE in an EM

(Wright et al., 2005)

Authors	*Topic*	*Primary theoretical approaches*	*Data and context*	*Analytical techniques*	*Main findings*
Child and Tsai	Understanding of how accommodations are reached in respect of environmental policy in emerging economies between institutions and MNCs.	IT and political theory (bargaining power and strategic choice).	3 multinational firms and 4 local firms in China and Taiwan; interviews and archival data.	Multiple (embedded) case studies.	Accommodation between MNCs' strategies and institutional constraints is achieved through a system of dynamic relationships in which both firms and institutional agents have a stake.
Zhao, Anand and Mitchell	How firms transfer knowledge from MNE source networks to IJVs and how this knowledge diffuses to local firms' recipient networks.	RBT (knowledge based view; networks).	46 interviews in 4 IJVs in China; interview and archival data.	Multiple case analysis.	Asymmetries in capabilities and motives of dual networks strongly influence knowledge flows. Individually-carried capabilities diffuse easily through local networks but diffusion of group-embedded capabilities requires more complex mechanisms such as vertical relationships.
Wan	Identification of optimal firm capabilities and corporate diversification strategies in a firm's country resource environment.	IT; RBT	NA (theory paper)	NA	In response to characteristics of country resource environments, firms should develop dissimilar types of capabilities [market (competitive) capabilities and non-market (political) capabilities] and adopt different corporate diversification strategies (product and international diversification strategies).

Child and Tsai	Understanding of how accommodations are reached in respect of environmental policy in emerging economies between institutions and MNCs.	IT and political theory (bargaining power and strategic choice).	3 multinational firms and 4 local firms in China and Taiwan; interviews and archival data.	Multiple (embedded) case studies.	Accommodation between MNCs' strategies and institutional constraints is achieved through a system of dynamic relationships in which both firms and institutional agents have a stake.
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Wan	Identification of optimal firm capabilities and corporate diversification strategies in a firm's country resource environment.	IT; RBT	NA (theory paper)	NA	In response to characteristics of country resource environments, firms should develop dissimilar types of capabilities [market (competitive) capabilities and non-market (political) capabilities] and adopt different corporate diversification strategies (product and international diversification strategies).

Yiu, Bruton and Lu	How business groups acquire resources and capabilities to prosper.	IT; RBT	224 business groups in China; official accounting/financial data from China's National Statistics Bureau (CNSB) and 2 surveys of archival and perceptual data from CFOs and CEOs.	OLS & Heckman two-step regression	Most endowed government resources do not help business groups to create a competitive edge but those developing a unique portfolio of market-oriented resources and capabilities most likely to prosper.
Narayanan and Fahey	Analysis of Porter's Five Forces Framework's underlying assumptions and their efficacy in emerging economies.	IT and Porter's Five Forces Framework	NA (theory paper)	Toulmin analysis	Absence of validity of FFF institutional level assumptions in emerging economies.
Brouthers, O'Donell and Hadjimarcou	How can emerging market firms (EMFs) prosper in the developed markets of Triad.	IT	33 Romanian and 68 Chinese firms; field visits.	Hierarchical OLS regression	EMFs that: (1) target EU and use a Premium strategy, (2) target Japan and use a Superior Value strategy, or (3) target the USA and use an Economy strategy achieve higher levels of satisfaction with export performance than EMFs that enter emerging markets or EMFs that employ other product strategies in Triad nations.

Peng et al. (2008) highlights that because of the large differences in the institutional frameworks between the EMs and DNs, a need exists to pay more attention to these differences in addition to considering industry and resource based factors that impact the strategy of the firm (refer to Figure 8).

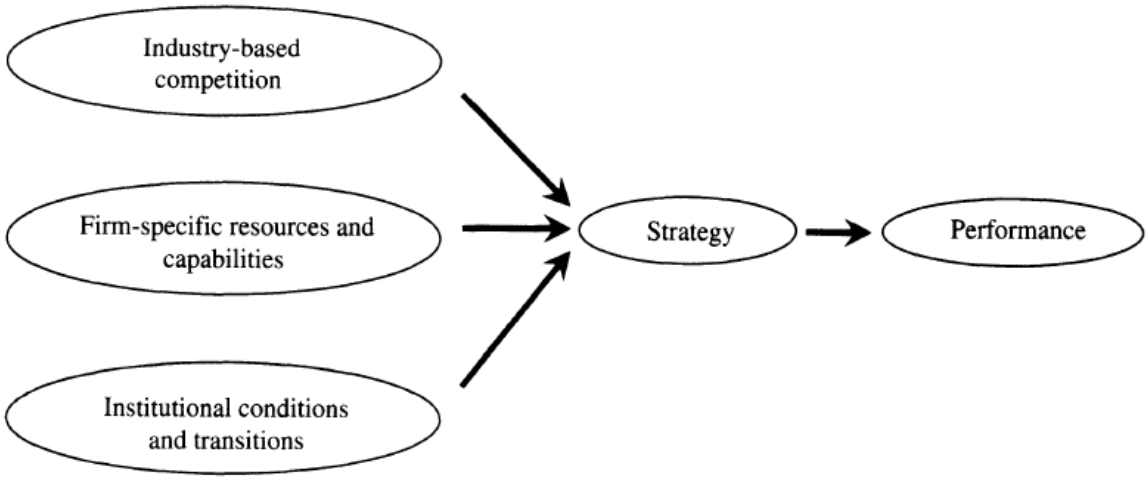


Figure 8: The institution based view: a third leg of the strategy tripod

(Peng et al., 2008)

Luiz and Charalambous (2009) add that the institutional frameworks, especially with reference to those under government, determine many of the 'rules of the game'. This is unlike the DNs where there is a greater drive for a free market economy that government interferes less with (Estrin et al., 2008; Meyer et al., 2009). In the last decade of financial catastrophes that have occurred in DNs like the USA and the UK, in order to stabilise and restore confidence in the economy, government intervention has been quite extreme, in industries such as banks, even more so than the EMs and AEMs (Schwab, 2011, 2012; Schwab and Porter, 2009). Wright et al. (2005) in discussing the strategic options that an MNE can pursue in an EM, and relating them to the four theoretical perspectives of IT, TCT, RBT and AT, the authors highlight that even though IT is the main theoretical perspective in the EM environment, it has to be integrated (refer to Table 14).

Table 14: The four strategies for the MNE and the four theoretical perspectives

(Wright et al., 2005)

Ref.	Strategic options	Theoretical perspectives
1.	Firms from developed economies entering emerging economies.	Institutional theory (IT) Transaction cost theory (TCT) Resource based theory (RBT) Agency theory (AT)
2.	Domestic firms competing within emerging economies	
3.	Firms from emerging economies entering other emerging economies	
4.	Firms from emerging economies entering developed economies	

Thus, it can be seen that for the four strategic options, IT, AT, TCT and RBT have to be integrated, as there is lot of overlap.

One reason why institutional factors play a leading role in affecting MNE strategy in EMs is the element of FDI that they bring to the economy (Arnold and Quelch, 1998; Estrin et al., 2008). Meyer (2004) highlights that governments in the EMs, as a result of this much needed FDI, have the incentive to be more involved in industry activities to ensure that there is adequate control over this incoming revenue (Luiz and Charalambous, 2009).

These four theoretical perspectives are not finite and all leading schools of thought have highlighted that fact. Peng et al. (2008) argue that it is not just the IT and RBT that make an impact but the industry perspective as well that originally propagated by authors such as Porter (1990, 1998a, 1998b, 2008) who exposed discussions on MNEs entering EMs. In order to address research objectives and focus on the MNE from the DNs operating in the AEM, it is crucial to look at these theoretical perspectives from different angles. However, each of the four theories can justify individual research due to the extensiveness of the topics involved.

3.5 Conclusion

IT is the dominant theoretical perspectives when it comes to factors that impact strategy in EM (Hoskisson et al., 2000; Luo and Tung, 2007; Peng et al., 2008; Wright et al., 2005).

Further to this, it has been seen from this past research that there is limited testing of this theory in the AEM environment. The country comparisons of AEMs to the BRIC nations was crucial as the majority of the research on EMs was done there and thus laid the benchmark for future research (Pillania, 2009). The comparison to the DN was also crucial for two reasons; first, most MNE theories on strategy were formulated or benchmarked in those countries (Wernerfelt, 1984; Coase, 1998; Porter, 1998b, 1998a; Scott, 2001) and second, most established MNE's in the AEM, and the focus of this research, originated from there. As such by seeing the significant difference in environment between these two groups of countries (BRIC and DN) to the AEM, it justifies the need to test these theories in the AEM environment.

Institutions (IT), whether they be government, industrial or societal all have a part to play in defining the rules of the game. In the same way the other components namely opportunity costs of doing business (TCT), the need for the right resources (RBT) and the legal or contractual obligations (AT) that have to be complied with, all work in conjunction with each other and influence the strategy of the MNE. When analysing the MNE in the AEM, this has to be brought to the forefront in order to identify the key factors within the IT framework that have an impact on the MNE strategy as well as to what extent. Also in this section the strategy of the MNE was defined, which in this research is our key dependent variable with the institutional factors being the independent variables (Cresswell, 2009; Cresswell and Tashakkori, 2007).

In this section, a discussion of the different theoretical perspectives of MNE operating in the EM took place. In the next chapter the conceptual framework, derived from the last two chapters on the literature review will be formulated and the relevant hypothesis that will guide the research, finalised.

Table 15 provides a summary of the key readings.

Table 15: Table of literature review (summary of key readings)

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Adjei et al., 2008)	Impact of the implementation of competitive strategy on organisational performance in response to economic liberalisation policies	Economic liberalised economy of Ghana, an EM	Deductive approach. Authors develop 6 hypotheses which in turn are tested	Porter's generic competitive strategy theory on cost and differentiation	DV: Organisational Performance (return on assets and return on sales) Control Variables: firm size and firm ownership.	Quant. & Qual.	Quant. (hierarchical regression analysis);Descriptive stats and correlation	Implementation of the competitive strategies of low cost differentiation and integrated low cost differentiation were all positively related to perform. (ROA and ROS)	Replication and extension of this same study in other African countries will help reinforce these findings
(Are et al., 2010)	Emergence of African multinationals	MNE's based in African countries	BCG Report based on empirical data	n/a	n/a	Mixed methods	General	Growing of African MNEs	n/a
(Arnold and Quelch, 1998)	Strategies for EMs	Firms and industries in leading EMs and developed countries	Deductive	First mover advantage Foreign market assessment Product life cycle theory Partner policy	Market demand Market growth	Qual.	Literature review	First mover advantage Demand driven model of market assessment Review product and partner policy models	Look at the same research but in an African perspective
(Baack and Boggs, 2008)	Cost leadership strategies in EMs – China	Competitive strategy in EMs	Deductive	Strategic contingency theory Porter's generic strategies (cost/ differentiation/ focus)	Cost Competitive advantage Firm growth (revenue/ profitability)	Qual.	Literature review (archival)	Cost leadership in itself is not enough for EMs and firms have to use a combination of strategies	More research on EMs (Milleers 1998) subdivision of EMs into 4 stages: pre-emerging, emerging, accelerated growth and maturing). Also look at mitigating effect of joint ventures or other strategic alliances

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Bruton et al., 2008)	Research on strategy on entrepreneurs hip in EMs ; focus on China & Russia	Research on centre strategy	Literature review	Institutional; Resource based & Transaction cost theories	DV: Institutions and Resources	Lit. Review (Qual.) and bit of Quant.	Deductive and analytical	Institutions and Resources play a key role with entrepreneurship in emerging economies and strategies have to accommodate. this	Difference between entrepreneurship in emerging economies and developed ones; look at the impact of globalisation on strategy in EMs; more research required in Latin America, Middle East and Africa.
(Coase, 1998)	Institutional economics	Firm and industry (general)	Literature review	Institutional economic theory	n/a	Purely qualitative	Literature review (archival)	Defining economics, the firm and the justification for institutional theory	Compare to more recent research and authors.
(Grant, 1991)	Porters Competitive advantage	Industry and firm/company	Deductive	Porters diamond theory framework	Factors as defined by the diamond framework	Lit Rev.	Literature. Review (archival)	Reaffirm porters model	Highlights lack of quant. analysis
(Hoskisson et al., 2000)	Strategy formulation and implement. in private and public enterprises in emerging economies	Strategy implement. and formulation Asia, Latin America, Africa and the Middle East	Research forum; Literature. Review	Institutional Theory; Transaction Cost Economics and Resource Based Theory	DV: Institutions; Transactions Costs and Resources	Lit. Review; Quant. & Qual.; Deductive	Primary surveys and analysis of archival data	Need for an integrated approach of the Institutional, Transaction Cost and Resource theories	Need to apply the testing of these theories in different markets.
(Javalgi et al., 2009)	Outsourcing to EMs	Global EMs	Deductive	Transactional Based Theory (TCE); Resource Dependence Theory (RDT); Resource Based Value Theory (RBV)	Resources, market growth, revenue growth, cost management	Qual.	Literature review (theoretical discussions)	Highlights 3 levels of outsourcing to emerging countries: conventional/tacti cal or strategic or transformational	Future research could be more industry specific as well as a focus on African economies.

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Josiah et al., 2010)	Impact of privatisation on accounting	Previously state owned firms in Africa that have been privatised	Deductive	Accounting standards Privatisation	Factors in African countries that make privatisation a challenge	Qual.	Literature review	Accounting for privatisation in Africa is a challenge because of the dynamic in the environment	Need to relate the model for Africa to other markets and review the applicability
(Ketels, 2006)	Porters competitive framework	Industry and firm/company	Deductive	Porters diamond theory framework	Productivity, location and company	Qual.	Literature Review (archival)	Reaffirm porters model	Highlights lack of quant. analysis
(Khanna and Yafeh, 2007)	Business groups in EMs	EMs mainly in Korea and Asia	Literature. review; empirical research	Institutional theory	Institutions; culture; resources; suppliers; clients; competitors	Qual. & Quant.; hypothesis creation and testing	Deductive	The development of these business groups in EMs can be attributed to a number of things institutions, resources , culture governments etc.	Investigate the origins of business groups; evolution and dynamics of business groups; longevity of business groups; counterfactuals to business groups
(London and Hart, 2004)	Reinvention/ Application of Strategies in EMs in lower income markets	EMs Latin America, Asia and Africa: Critical analysis of the transnational model in low income markets	Exploratory research including qualitative techniques	In summary; Institutional Theory, Resource bases theory, transnational cost theory and agency theory	Institutions and Resources	Exploratory and Qual.; case studies, archival research	Content analysis; triangulation	Success factors are; developing relationships with non-traditional partners; co-inventing custom solutions & building local capacity	Analysis of competitive advantage in unfamiliar environments; comparison of MNC's versus Domestic firms with respect to strategy

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Luiz and Charalambous, 2009)	FDI Investment by SA financial firms	South African firms operating in sub-Saharan Africa	Deductive	FDI Market environmental analysis	(IV) Country Governance and political risk; econ. env/macro-economic. Perf; ROE; Trade barrier and agreements; infrastructure; labour; market size and demand; geographic; economic agglo; culture (DV)-FDI	Mixed Methods (semi-structured questionnaire and one on one interviews)	Statistical analysis	Main factors affecting FDI; Country governance and political risk, Market size and demand conditions, infra. issues, economic environment/ macro-economic perform	Focus on other African regions other than SSA
(Meyer et al., 2009)	Entry strategies into EMs	Entry strategies into EMs of India, Vietnam, South Africa & Egypt, i.e. greenfield versus JV versus acquisition	Deductive. Hypothesis testing	Resource Based Theory and Institution Based Theory	DV's: Greenfield; Acquisition and JV. IV: Institutions and Resources Control Variables: MNE Parent; Local Context; Local firm quality & country of origin	Mixed – predominantly Quant. i.e. data from surveys and archival data	Quant. using Regression Analysis	The strong explanatory and predictive power of institutions is further enhanced when the institution-base d view is integrated with the resource-based view	What are other aspects of institutions that explain variances of strategies over time and different countries; How institutions shape the development of new subsidiaries i.e. exports What are the resources required. What aspects of local firms inhibit acquisition strategies

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Moazzami, 2010)	Stock Prices and Inflation	12 developed and emerging markets; Canada, US, UK, Japan, Germany & Italy (developed); India, China, Brazil, Mexico, S. Africa & Russia (emerging)	Deductive	Stock Market and Inflation statistical theories	Stock prices and inflation	Quant.	Statistical analysis using a dynamic model	Stocks have been a good hedge against inflation	Select other African countries
(Molin-Azorin, 2010)	Mixed method versus mono methods in strategic management	Research methodologies in strategic management	Mixed methodology incorporating quant. Analysis and content analysis (qual.)	Mixed method versus mono-method	Citation (DV); mixed method and mono-method (IV)	Mixed metho-dology	Deductive and inductive	Mixed method is dominant in the sequence of qual.->QUANT	Consider similar research in other management fields other than strategic management
(Molin-Azorin, 2011)	Research methods in the management field	Advantages into the application of mixed methods	Qual. and Quant.	Mixed method theory.	Non-empirical journals, mixed method journals, quant only & qual. only.	Qual. & Quant.	Predominantly quant. Mean stats and dominant	Mixed method has a greater impact	Focus on the impact on practice & policy formation. More qualitative study on interviewing researchers on the pros and cons of mixed methods. Look at what research topics attract a mixed method approach
(Oliver, 1997)	Factors affecting competitive advantage	Firms and industry in general	Literature review	Institutional and resource based theories	Resources and institutions	Purely qualitative	Literature review (archival)	Confirm that firms need both resource capital and institutional capital for longer run competitive advantage	Investigate in future the integrated effect of research and institutions. Research accumulation and deployment

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Pearson et al., 2010)	Decision support models, Export strategy	Industry firm in South Africa and BRIC	Deductive	Export trade theories	Factors that affect export growth in southern engines	Quant.	Statistical analysis	A DSM developed for Belgium, applicable for Africa	n/a
(Peng et al., 2008)	Institutional based view on international business	MNEs; EMs	deductive	Institutional theory; Resource based theory	Predominantly qualitative	n/a	Literature Review, explanatory, archival	Institutional view dominant theory when looking at EMs	Focus on other EMs other than China
(Pillania, 2009)	Competitive-ness in EMs	Focus was on BRIC Countries	Literature Review global competitive reports	Porters Comparative Advantage Theory	Competitive advantage of a nation; economic performance	Qual. & Quant.	High-level quantitative analysis	BRIC countries are becoming more competitive but need to focus on skills, knowledge, efficiency and governance	Need to focus on other countries.
(Ren et al., 2010)	Sustainable competitive advantage and marketing innovation within firms	Chinese firms with a focus on Huawei Technologies	Deductive	Resource Based Theory Competitive strategy Market theories	Firm growth	Qual.	Literature review (archival data)	In order to remain competitive Chinese firms have to be continuously innovative with their marketing	Look at other industries and countries with along the same research line
(Smimou and Karabegovic, 2010)	Relationship between economic freedom and equity returns in the EMs	Firms operating in the EMs of Middle East and North Africa	Deductive	Institutional Theory EM Stock market	Economic freedom (IV) Equity returns (DV)	Quant.	Descriptive statistics	Significant changes in legal structure and property rights impact equity returns	Same line of research on the rest of the African countries would be good
(Smit, 2010)	A critical comparison Competitive Advantage of Nations by Porter versus Economic trade theories	Trade between countries and firms trading internationally	Deductive and literature based	Competitive Advantage of Nations; Economic Trade Theories by Adam, Ricardo, H-O	Country Competition is (DV); Factor conditions, demand conditions, firm strategy, related support industries (IV)	Qual.	Literature Review on Porter's Competitive of Nations theory and trade theories mainly Comparative advantage by Ricardo	Comparative advantage is not necessarily competitive advantage	Smit recommends further research on the application of the Diamond Framework in firm strategy perhaps more multinationals

Author	Research focus	Context	Approach	Theory	Variables	Method	Level of analysis	Findings	Future research
(Urban and Barreria, 2010)	Entrepreneurship and its relation to technology	Firms in Johannesburg , South Africa (registered companies; close corporations, pvt & plc)	Deductive focussing on empirical and raw data collection	Entrepreneurship orientation theory & technology orientation theory	(EO); dimensions of innovation, proactiveness & risk taking (TO); first mover, practitioner strategy and innovator strategy	Quantitative / statistical analysis	Reliability & factor analysis Firm clustering Correlation analysis	A strong and positive association between TO and EO with environmental hostility and dynamism	Controlled variables for future research because of the nature of environmental conditions. Limitations in cross-sectional studies consider also longitudinal
(Urban, 2008)	Entrepre-neurial orientation	Firms in South Africa	Literature review Quant. Analysis Deductive (working off 2 hypothesis)	Entrepreneurship Orientation and its impact from innovation (technology)	Sales growth Profit growth Employment growth Market share	Quant.	Factor analysis Correlational analysis	Reaffirms EO as being positively associated with firm success (African perspective)	Longitudinal research focussing on causal effects Focussed research on the informal sector as well
(Wernerfelt, 1984)	Resource based view of the firm (labour, capital and land)	Firm and industry (general)	Deductive	Resource based theory Competitive theory	Resources and profitability	Qual.	Literature review (archival)	Develop a resource/ product matrix for future analysis	Use the resource/ product matrix for future analysis
(Wright et al., 2005)	Institutional based view on international n	MNEs, EMs	deductive	Institutional , Agency, Resource Based and Transaction Cost Theories	Predominantly qualitative	n/a	Lit. Review, explanatory, archival	IT, TCT, RBT and AT are all integrated with IT being the dominant theory for the EM	Consider other strategic options to analyse under the same theory

CHAPTER 4: THE CONCEPTUAL FRAMEWORK

4.0 Introduction

In this chapter, the conceptual framework and the related hypothesis are formulated, by collating the theoretical components gathered from the extensive literature review performed in the previous two chapters. Over and above this, the conceptual framework is also built on the back bone of the research objectives which continue to be the 'compass' to the research journey.

4.1 Conceptual framework

The purpose of this research was to identify and critically evaluate the key institutional factors that affect the strategy of the MNE from a DN operating in the AEM by using the countries of South Africa, Nigeria, Kenya and Egypt representing the AEMs.

The key research questions or objectives are as follows as given in Chapter 1:

- What are the key institutional factors in the AEM?
- What is the impact of these key institutional factors in the AEM on the MNE from a DN?

Guided by the literature review as well as with reference to the GC Report framework the components that make up the institutional environment in the EM are according to the break down in Table 16.

Table 16: Institutional framework derived from GCI framework

(Schwab, 2012)

Group	Ref	Description
Public institutions		
Property rights (PR)	1.01	Property rights
	1.02	Intellectual property protection
Ethics and corruption (EC)	1.03	Diversion of public funds
	1.04	Public trust in politicians
	1.05	Irregular payments and bribes
Undue influence (UI)	1.06	Judicial independence
	1.07	Favouritism in decisions of government officials
Government efficiency(GE)	1.08	Wastefulness of government spending
	1.09	Burden of government regulation
	1.10	Efficiency of legal framework in settling disputes
	1.11	Efficiency of legal framework in challenging regulations
	1.12	Transparency of government policymaking
	1.13	Gov't services for improved business performance
Security(Sec)	1.14	Business costs of terrorism
	1.15	Business costs of crime and violence
	1.16	Organised crime
	1.17	Reliability of police services
Private institutions		
Corporate ethics(CE)	1.18	Ethical behaviour of firms
Accountability(Acct)	1.19	Strength of auditing and reporting standards
	1.20	Efficacy of corporate boards
	1.21	Protection of minority shareholders' interests
	1.22	Strength of investor protection

The GCI framework was chosen, as it is a tried and tested model that has input from all the relevant stakeholders globally, such as individuals, firms and governments.

The review of the leading theoretical perspectives on IT, AT, TCT and RBT provided a more in depth understanding of why the IT perspective plays a dominant role in the AEM environment for the MNE.

Based on the past empirical research done on the AEMs, DNs and EMs as well as with reference to the literature review, a framework that defines the structure of the research was conceptualised. Figure 9 illustrates the conceptual framework.

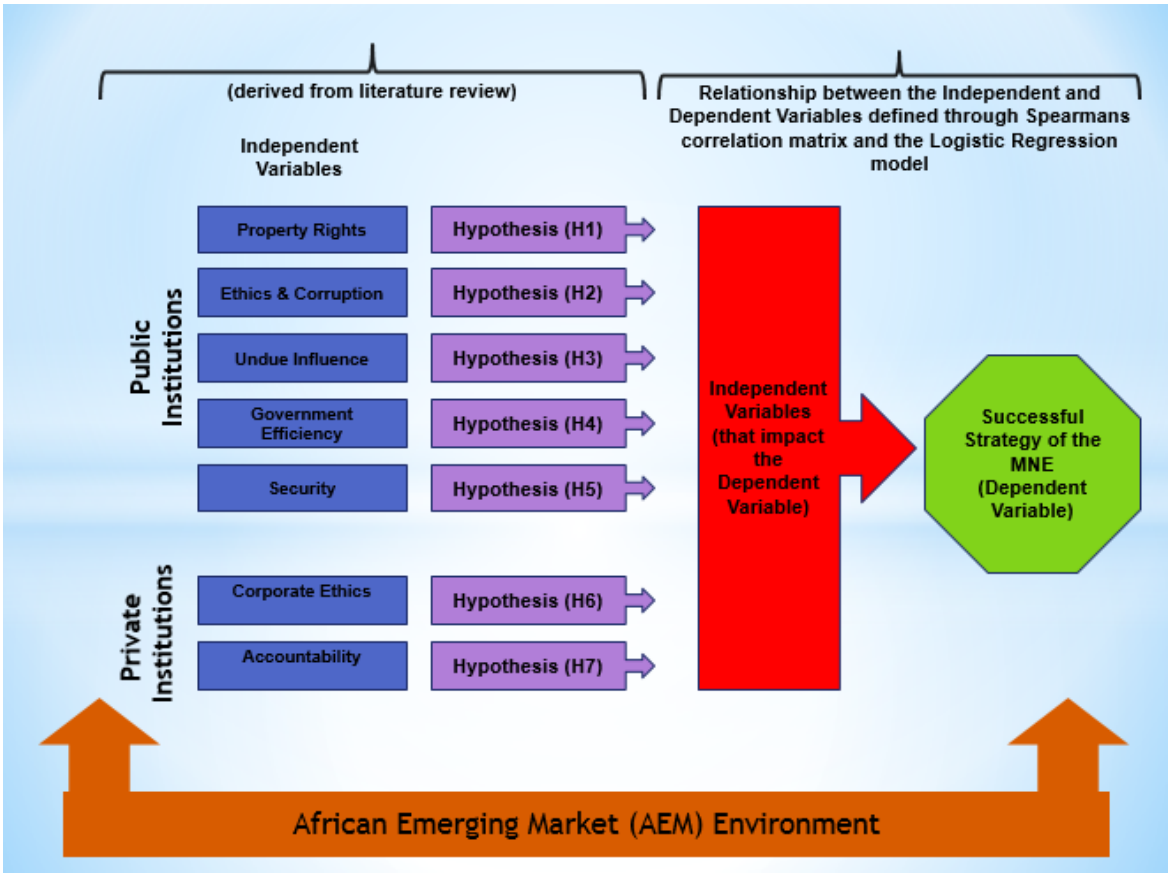


Figure 9: The conceptual framework

This conceptual framework will in turn allow the formulation of the following research hypotheses:

H1 An upholding by government, industry and society of property rights is positively related to the success of MNE strategy in the AEM.

H2 A lack of transparency in governance within the public sector is negatively related to the success of the MNE strategy in the AEM.

H3 An independent judiciary system is positively related to the success of the MNE strategy in the AEM.

H4 An efficient and effective government is positively related to the success of the MNE in the AEM.

H5 Inadequate national security is negatively related to the success of the MNE strategy in the AEM.

H6 Good corporate ethics in the private sector is positively related to the success of the MNE in AEM.

H7 Compliance to and transparency of good corporate governance in the private sector is positively related to the success of the MNE strategy in the AEM.

Guided by these hypotheses, important independent variables were defined (Khelifa, 2012; Rummel, 2002) that were key to investigate in order to achieve the research objectives. These independent variables are PR, EC, UI, GE, Sec, CE and Acct. These independent variables will then be operationalised or measured in line with the research objectives (Blaxter, Hughes and Tight, 2003; Dellinger and Leech, 2007). These constructs/variables are difficult to measure by mere observation, so it was thus key to break them down further into smaller components or factors (DiStefano, Zhu and Mîndrilă, 2009; Khelifa, 2012) that are measurable (Cresswell, 2009; DiStefano et al., 2009). These factors or underlying dimensions are observable and a combination of these or the quantifiable grouping of these allows an accurate measurement of the constructs, as well as their interrelationships (Morrisson, 2001; Onwuegbuzie and Leech, 2006a; Preacher and MacCallum, 2003). As the research instrument was derived largely from the GCI model (Schwab, 2012), the grouping of these factors was based on this existing index. This was fundamental to the research because ultimately the main objective was to identify and analyse the impact of these independent variables to the successful strategy of the MNE operating in the AEM.

Table 17 maps the developed hypotheses to the variables/constructs, which in turn are mapped to their components (factors).

Table 17: Mapping the research hypothesis to the relevant constructs and factors

(Onwuegbuzie and Leech, 2006b; Preacher and MacCallum, 2003)

Ref	Hypothesis	Construct	Factors
H1	An upholding by government, industry and society of property rights is positively related to the success of MNE strategy in the AEM	Property rights	• Gazetted property rights • Intellectual property protection • Short term versus long term property rights • Ease of compliance to property rights • Custodian of property rights
H2	A lack of transparency in governance within the public sector is negatively related to the success of the MNE strategy in the AEM	Ethics and corruption	• Diversion of public funds • Public trust in politicians • Irregular payments and bribes
H3	An independent judiciary system is positively related to the success of the MNE strategy in the AEM	Undue influence	• Judicial independence • Favouritism in decisions of government officials • Confidence of the judiciary by industry
H4	An efficient and effective government is positively related to the success of the MNE in the AEM	Government efficiency	• Wastefulness of government spending • Burden of government regulation • Efficiency of legal framework in setting up disputes • Efficiency of legal framework in challenging regulations • Transparency of government policymaking • Provision of government services for improved business performance
H5	Inadequate national security is negatively related to the success of the MNE strategy in the AEM	Security	• Business costs of terrorism • Business costs of crime and violence • Organises crime • Reliability of police services

Ref	Hypothesis	Construct	Factors
H6	Good corporate ethics in the private sector is positively related to the success of the MNE in AEM	Corporate ethics	• Ethical behaviour of firms • Code of conduct manuals and procedures • Whistle blower initiatives
H7	Compliance to and transparency of good corporate governance in the private sector is positively related to the success of the MNE strategy in the AEM	Accountability	• Strength of auditing and reporting standards • Efficacy of corporate boards • Protection of minority shareholders' interests • Strength of investor protection

4.2 Measuring the dependent Variable: Strategy Success (SS) of the MNE

Through the extensive review of literature the measurement of the seven independent variables that allowed evaluation of institutional factors that impact strategy success of the MNE were justified. The next logical step was to define the criteria to measure strategy success of the MNE.

4.2.1 Turnover (TO) and Profit (PFT)

Traditionally turnover and profit related indicators of the companies' performances are the simplest and easiest quantitative ways of measuring how successful the strategy of a firm is (Board, 2014; David, 2005). Such indicators would be

- Gross profit margin, which would be the gross profit (turnover less cost of sales) of the company as a percentage of turnover (Board, 2014; David, 2005);
- Net profit margin, which would be the net profit margin (Gross profit less expenses) of the company as a percentage of turnover (Board, 2014; David, 2005); and
- Earnings before interest, taxes, depreciation and amortisation (EBITDA). EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions (Board, 2014; David, 2005)

This kind of reporting also called 'bottom-line reporting' can be used quantitatively to determine how successful a firm is whether over a period of time or relative to other firms in the same industry or even non-related industries. However, over recent years there has been global consensus for firms to be evaluated beyond how much money they are making but whether they are making money in a responsible manner to both the society and the natural environment in which they operate (GRI, 2013; Schwab, 2012:53). These criteria have become critical and most leading stock exchanges include these as reporting requirements for their members when reporting on their financial statements (LSE, 2012; NYSE, 2012). In addition, world bodies such as the World Economic Forum, UNCTAD,

GCR, OECD and the World Bank evaluate these indicators in justifying the type and value of transactions they do with their member countries (Economist, 2009; GRI, 2013).

This increasing compliance by countries and companies to society and environment has led to the term called Triple Bottom Line Accounting (TBL) (Economist, 2009). This reporting encompasses the traditional Turnover/Profit reporting as the two other components of Corporate Social Responsibility (CSR) or Corporate Social Investment (CSI) and Environmental Friendliness and Carbon Foot Print (EF) (GRI, 2013; Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009)

4.2.2 Corporate Social Investment (CSI)

Schwab (2012) defines social corporate investment at country level, which can also be applied at a company level as institutions, policies, and factors that enable all members of society to experience the best possible health, participation, and security; and that maximise their potential to contribute to and benefit from the economic prosperity of the country in which they live. This implies that whether it is a country or company the impact that they have on their communities is used as a measure of the level of prosperity they are achieving. Unlike turnover and profit, CSI is an expense and not a source of income. At both a company and country level the measure of CSI is very difficult (GRI, 2013; Schwab, 2012). At a company level it is defined more by social activities and donations made by the company to socially related initiatives as well as governance in general (LSE, 2012; NYSE, 2012). As such, to develop a single index for CSI is very difficult as the criteria could change from industry to industry and country to country. A good example of this disparity is the affirmative action program in South Africa called Black Economic Empowerment (BEE) (JSE, 2012; Tshabalala, 2011) which aims to correct the economic adjustments of the past by giving incentives to companies in South Africa who contribute to this initiative. The challenge is that although this may be a justified cause it is quite unique to South Africa and thus an MNE that is operating in this environment cannot be compared to an MNE operating in a country like the USA where this initiative is non-existent and thus irrelevant (NYSE, 2012).

At a country level, the information is easier to gather but involves quite complex calculations at a macroeconomic level (Schwab, 2012, GRI, 2013). The GC Report uses the following components to calculate an index for the measure of CSI at a country level;

- Income Gini index*[1],
- Youth unemployment*,
- Access to sanitation*,
- Access to improved drinking water*,
- Access to healthcare,
- Social safety net protection,
- Extent of informal economy,
- Social mobility,
- Vulnerable employment*

Of the 144 countries evaluated by the GC Report for the year of 2012/2013 only 79 of those countries were able to be evaluated with regard to a measurement of the CSI, the rest were excluded as the information required for this calculation could not be collected accurately (Schwab, 2012:68).

4.2.3 Environmental Friendliness (EF)

Schwab (2012:50) defines environmental friendliness at country levels, which can also be applied at a company level as the institutions, policies, and factors that ensure an efficient management of resources to enable prosperity for present and future generations. The key components of this measurement is to motivate companies and countries to ensure that they are responsible for the natural surroundings around them for the sake of current generations and future generations. The main components for this measurement are the reduction of the carbon footprint, efficient water utilisation, recycling and energy conservation (GRI, 2013; Schwab, 2012) to name but a few. Similar to CSI, EF is very difficult to measure at both a country and company level with the latter being the more difficult. This is mainly because there is huge debate globally on the agreement of the

[1] components with (*) sign denote that data was collected at a macroeconomic level and not a firm/company level (Schwab,2012:64)

measurement tools and techniques on this (Levi, 2011; Patel, 2012) One of the key measurements of this is the measurement of carbon emissions (GRI, 2013). Most industrialised countries, i.e. Stage 3 economies like the USA, have significant carbon emissions due to the investments in factories that they have made over the years. This is illustrated in Figure 10 that shows the global carbon footprint as rated by the World Bank.

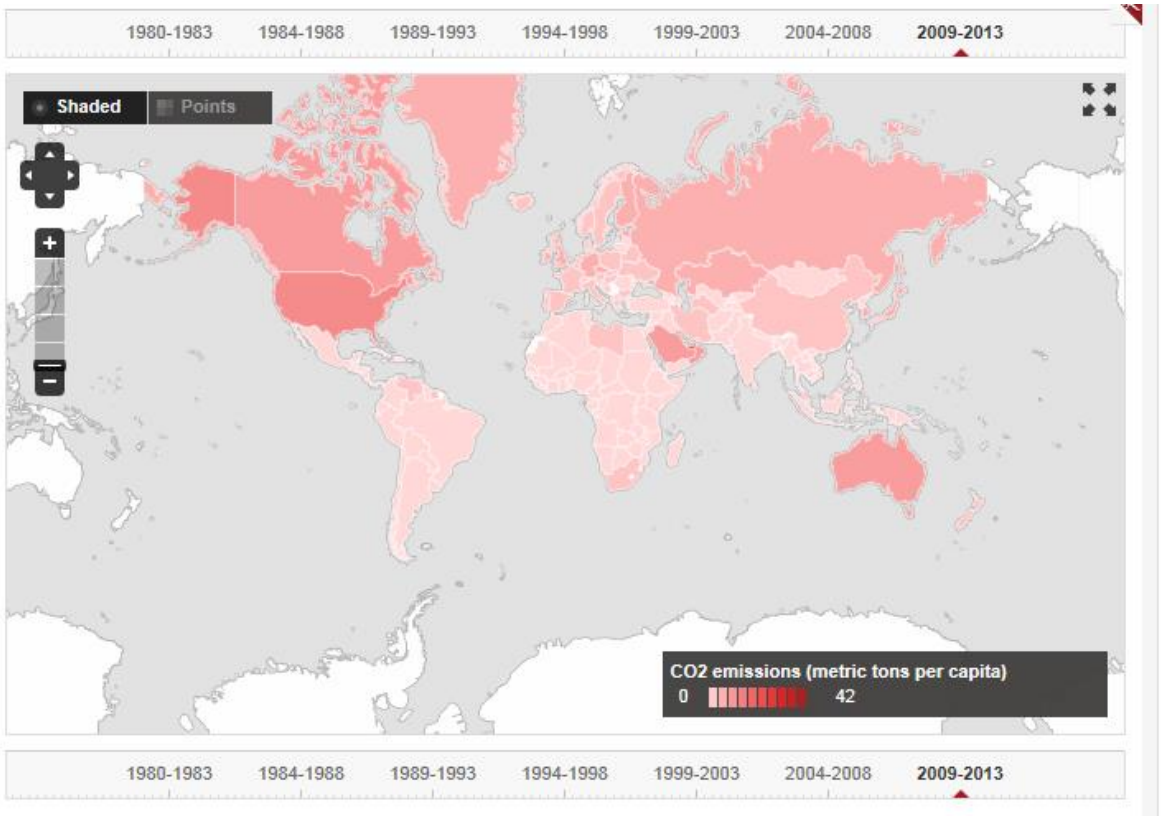


Figure 10: CO2 emissions (metric tons per capita)

(Bank, 2014)

These DNs are being pressurised by global bodies, such as the UN and WHO, to reduce their carbon emissions because of the negative health impacts to society in general. At the same time, emerging markets that are striving to achieve the levels of industrialised countries, i.e. Stage 1 and 2 economies like China and Brazil, are required to achieve the same level of industrialisation but in a more 'environmentally friendly' manner (Levi, 2011; Patel, 2012). This creates a challenge on the global competitive landscape as generally it requires greater capital investment and sacrifice for a country or firm to be environmentally compliant (GRI, 2013; Schwab, 2012). The GC Report, like for CSI, was only able to do the

index calculation for 79 of the 144 countries in the 2012/2013 report. Looking at the components that make up this index one can ascertain that it is quite complex to formulate this index.

- Stringency of environmental regulation,
- Enforcement of environmental regulation,
- Terrestrial biome protection*[2],
- No. of ratified international environmental treaties*,
- Agricultural water intensity*,
- CO2 intensity*,
- Fish stocks overexploited*,
- Forest cover change*,
- Forest loss*,
- Particulate matter (2.5) concentration*,
- Quality of the natural environment.

Thus from the literature available on CSI and EF it is therefore crucial and justified that for the purpose of this research the measurement of the dependant variable Strategy Success (SS) based on the triple bottom line accounting (TBL) was assessed. However, as there is no standard 'tried and tested' single global index for the measurement of TBL at a company level primary data on each of these components was collected and analysed in conjunction with the dependent variables. In other words through the research instrument the respondents were asked to give information with regard to their Turnover, Profit, CSI and EF. Although in traditional TBL reporting the three components are Profit, CSI and EF (Board, 2014). For the purpose of this research, Turnover was included because firstly, Profit is a derivative of Turnover and secondly it is easier to get information on turnover

[2] components with (*) sign denote that data was collected at a macroeconomic level and not a firm/company level (Schwab,2012:64)

than on profit. This allowed strong options for the revenue indicator with regards to TBL measurement.

For Turnover and Profit the respondents were asked to select a range of figures which their company makes per annum. This was appropriate as some MNEs, especially those not listed on the local bourse were not comfortable disclosing their exact turnover and profit figures. For the CSI and EF indicators, as these are quite difficult to measure at a company level, the respondents were asked what percentage of their turnover is spent on CSI and EF initiatives. Similar to turnover and profit past research has shown that companies hesitant to give precise information, especially those that are not listed on a local bourse (JSE, 2012). For CSI and EF, the percentage spend on turnover was chosen as opposed to profit as it was a more straight forward calculation for respondents to make or obtain as opposed to profit which could be confusing as there is Gross Profit, Net Profit, Profit Before Interest and Tax (PBIT) etc. (Board, 2014). Table 18 summarises the components that made up the dependant variable Strategy Success (SS) of the MNE from the DN in the AEM.

Table 18: Strategy of the MNE as a construct with its related factors[3]

(Khelifa, 2012; Molin-Azorin, 2010, 2011)

Construct (Dependent Variable)	Factors
Strategy Success (SS) of the MNE in the AEM	TBL encompassing (profit, people, planet); • Profit (PFT) • Turnover (TO) • Environmental Friendliness (EF) • Corporate Social Investment (CSI) (Ketels, 2006; Porter, 2008; Schwab and Porter, 2009; Are et al., 2010; JSE, 2012)

4.3 Summary

The success of the MNE in the AEM will depend on seven categories of institutional factors, namely PR, EC, UI, GE, Sec, CE and Acct. These seven dependant variables were hypothesised to have some sort of causal relationship to the success strategy of the MNE from the DN operating in the AEM. In order to quantitatively analyse this relationship it was necessary to define the components that measure the SS of the MNE. To do this the components of TBL were incorporated being Turnover (TO), Profit (PFT), CSI (CSI) and Environmental Friendliness (EF). This combination of dependent and independent variables allowed for the formulation seven hypotheses that were tested as part of this research.

In this chapter, the conceptual framework and the hypotheses were formulated. In the next chapter, the research methodology to achieve the research objectives is defined.

[3] The scales Turnover and Profit will be similar as they measure revenue, but those for CSI and EF will be different as they measure spend as a percentage of turnover.

CHAPTER 5: RESEARCH METHODOLOGY

5.0 Introduction

The conceptual framework and hypotheses were formulated in the previous chapter. This was done by identifying the key institutional factors as being PR, EC, UI, GE, Sec, CE and Acct, which in turn also represent the independent variables. The dependant variable SS is measured by the components of Turnover (TO), Profit (PFT), CSI (CSI) and Environmental Friendliness (EF). By conceptually framing these variable has laid the crucial groundwork for the researcher to crystallise on the research methodology. The purpose of this chapter is to define the research methodology that will be applied as part of the process of answering the research questions provided in Chapter 1.

5.1 Research paradigm

The starting point of the research design was the philosophy. The philosophy justifies the paradigm that is leveraged in order to address the research question (Badenhorst, 2010; Cresswell and Tashakkori, 2007; Cunliffe, 2011). The purpose of this research was to identify and critically evaluate the institutional factors that make the MNE strategy successful in the AEM with reference to existing frameworks on MNE strategy in the EMs. The ontological viewpoint of this business research was based on the fact that the nature of things in this world can be scientifically analysed and proven (Macintosh, 2009; Opfer, 2006). This lead to epistemological viewpoint that defined beliefs about how knowledge about the world might be discovered (Burrell and Morgan, 1979; Macintosh, 2009; Opfer, 2006). Based on the nature of the research question there were two major extremes. First, the postmodern paradigm (Opfer, 2006; Saunders, Lewis and Thornhill, 2003), which is based on the philosophy that in order to get to the research question many findings need to be interpreted and made sense of, emphasises that according to philosophy, there is no absolute truth. Second, a positivist-based (Blaxter et al., 2003; Cresswell, 2009) approach, means analysing the research question through the lens of existing theory on the matter, thus implying that there is an absolute truth of knowledge (Cresswell, 2009). Through this, an answer to the research question that would have been encountered can be sought (Saunders et al., 2003). Figure 11 further illustrates this continuum.

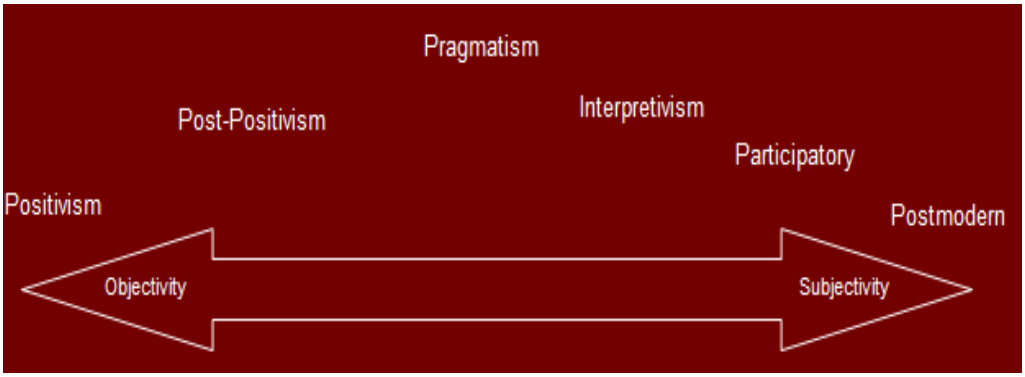


Figure 11: Epistemological continuum

(Burrell and Morgan, 1979; Opfer, 2006)

The post-modern paradigm is heavily biased towards a qualitative research methodology, while the positivist paradigm is biased towards a quantitative approach (Badenhorst, 2010; Blaxter et al., 2003; Burrell and Morgan, 1979). A pragmatic approach would be appropriate for this research as it gives a balanced insight from a philosophical viewpoint. The pragmatic philosophy facilitates for both a quantitative or qualitative approach. For the purposes of this research as well as based on 'best practice' from past research a quantitative approach will be used in order to find a solution to the research problem. Earlier sections of this chapter mapped out how this philosophy was incorporated into the design of the research (Badenhorst, 2010; Blaxter et al., 2003; Cresswell and Tashakkori, 2007; Myres, 2011).

Regarding the research question, there is a significant amount of knowledge that already exists with regard to factors that impact MNE (David, 2005; Hill and Jones, 2007; Hoskisson et al., 2000; Lynch, 1994; Mintzberg et al., 2009; ScienceWatch, 2010; Wright et al., 2005); however, with reference to the research problem, there is a need to assess the application of these strategies in the AEM. In order to do this, a deductive approach, as opposed to an inductive one, was chosen (Badenhorst, 2010; Cresswell, 2009). The following section will justify this approach.

5.1.1 Deductive versus inductive

The reason for pursuing a deductive approach (Aqil-Burney, 2008; Carlile and Christensen, 2005; Trochim, 2006a) was to leverage off existing theory and past research on MNE strategies in the EM and thus apply these in the AEM (Hoskisson et al., 2000; Wright et al., 2005). The formulation and testing of the seven hypotheses allowed for the identification and evaluation of the key factors that impacted the successful strategy of the MNE from a DN operating in the AEM. A deductive approach, which can also be called the 'top-down approach', allowed for the detection and critical evaluation of these factors (Saunders et al., 2003; Cresswell and Tashakkori, 2007), whereas an inductive approach, also referred to as the 'bottom-up approach', would have limited the research as it would not leverage adequately off existing literature and theory (Cresswell and Tashakkori, 2007; Saunders et al., 2003).

Having defined at a broad level the paradigm in which the research was positioned, the next step was to look at the research design, which entailed two critical components: the strategies of enquiry and research methods, all of which are interlinked (Cresswell and Tashakkori, 2007).

5.2 Research approach and design

With reference to Badenhorst (2010), Blaxter et al. (2003), Cresswell (2009) and Onwuegbuzie and Leech (2006a, 2006b), it can be noted that the fundamental step in the research process was defining the research problem, which was done extensively in Chapter 1. Having identified the research problem, an extensive literature review was conducted in order to build a conceptual framework for the research (Badenhorst, 2010). On crystallisation of the conceptual framework, a pragmatic approach for the research philosophy (Opfer, 2006) was decided upon. Following a pragmatic thought process, the implementation of a sound research methodology in order to address the research problem was concluded.

5.2.1 Exploratory versus descriptive versus explanatory

Available literature provides a number of discussions around whether research of this nature can be classified as exploratory, descriptive or explanatory (Cresswell, 2009;

Friedman, 2012; Palgrave, 2008; Saunders et al., 2003). This classification is important as it assists in reinforcing the research objectives of the project (Badenhorst, 2010; Blaxter et al., 2003; Palgrave, 2008). Table 19 summarises the generic definitions of these three categories.

Table 19: Defining exploratory, descriptive and explanatory research

(Cresswell, 2009; Cresswell and Tashakkori, 2007; Friedman, 2012; Palgrave, 2008)

Classification	Definition
Exploratory research	The research explores a setting or social phenomena. This exploratory work provides background information needed to plan descriptive or explanatory research
Descriptive research	Descriptive research is research that designed to provide systematic information about a social phenomenon. The research does not begin with hypotheses, but is likely to develop hypotheses after collecting data
Explanatory research	The research begins with ideas about the possible causes of a social phenomenon, i.e. the hypotheses are developed before collecting any data. The study that can provide systematic evidence supporting (or not supporting) these initial ideas about cause and effect is planned.

As the main purpose of this research was to identify the key factors that have an impact on the success of MNE strategy in the AEM, the research was defined as predominantly explanatory, based on the definition given in Table 19. This classification is further justified because the developed hypotheses was tested. Nevertheless, it is imperative to highlight that to a lesser extent there were elements of exploratory and descriptive research in this study (Palgrave, 2008; Friedman, 2012). Exploratory research was applied initially in the extensive literature review that led to the formation of the hypotheses. Descriptive research was applied in analysing the statistical data. Although the research was predominantly explanatory with a focus on causal relationships, the components of the other two categories (descriptive and exploratory) do exist. As this research used a deductive explanatory methodology, it was focussed on a quantitative approach that required the collection of raw data through a self-administered survey and thereafter a quantitative data analysis. In the following sections, an elaboration on the research methodology provides further insight into the following areas:

- Population and sampling;
- Research instrument; and
- Data analysis.

5.2.2 Data Collection, Population and Sampling

Cross-sectional research, as opposed to longitudinal research, was pursued (Blaxter et al., 2003; Cresswell, 2009) over a period of nine months i.e. from July 2013 to March 2014. This implies that data was collected through a survey from a selected sample at a specific point in time rather than over a period. Four of the major emerging economies - each in a key region of Africa - were purposively (Blaxter et al., 2003) selected as the population because of their strategic geographical locations, as well as the dominant roles they play in those regions. These countries and regions are as follows:

- South Africa (Southern African Region);
- Kenya (East African Region);
- Nigeria (West African Region); and
- Egypt (North African Region) (Are et al., 2010; Bank, 2011a, 2011b Consulting, 2009; Roxburgh et al., 2010; Vijay, 2009).

Table 20 shows a breakdown of the macro economic factors of these countries in comparison to each other.

Table 20: World development indicators for South Africa, Nigeria, Kenya and Egypt

(Foundation, 2012)

Macro Context	South Africa	Egypt	Kenya	Nigeria
Population	49.9 mill	78.3 mill	39.7 mill	156.1 mill
GDP per capita (US$)	10,498	6,354	1,662	2,422
GDP (current US$ bill.)	524.0	497.8	66.0	377.9
GDP Growth (annual %)	2.8	5.1	5.0	8.4
FDI, net inflows (current US$ bill.)	1.6	6.4	0.133	6.1
Business freedom	75.8	63.8	61.7	55.6
Trade freedom	76.3	74.0	66.7	63.9

Macro Context	South Africa	Egypt	Kenya	Nigeria
Investment freedom	45.0	65.0	50.0	40.0
Financial freedom	60.0	40.0	50.0	40.0
Property rights	50.0	35.0	30.0	30.0
Freedom from corruption	45.0	31.0	21.0	24.0
Government spending	71.9	64.1	75.3	72.3
Labour freedom	57.3	53.7	63.3	80.6

The initial aim was to obtain a collective sample of 200 respondents from the four countries in order to analyse accordingly with the sources coming from companies registered as MNE's under the Chambers of Industry and Commerce (FECC, 2012; KNCCI, 2012; NACCIMA, 2012; SACCI, 2012). However, through inquiries with each of these institutions (Refer to Appendix A).it was identified that the databases were outdated and not categorised in the format required for the research. Therefore, a database from the following combined alternatives was obtained:

- Download company contact database for the relevant African countries from BMI (BMI, 2013) and Euromonitor (EMIS, 2013), both accessed through the Wits Business School library database portal (WBS, 2013);
- Identify multinationals through the internet and record the details of the key management person, preferably Finance Director/Manager (Cresswell, 2009; Dawes, 2008; Ramchander, 2004; Saunders et al., 2003); and
- Obtain a listing of MNEs from DNs through the departments of trade and industry from each of the countries with a cover letter from the university however this was not successful as the information in most cases was outdated and unreliable

The reason for the Finance Director or Finance Manager being the preferred first choice was twofold;

1. They are predominantly involved in the formulation and implementation of company strategy in conjunction with the rest of top management i.e. Chief Executive Officer, Managing Director or any of the other Executive Directors of the company (IBM, 2008; Mintzberg, 1987; Mintzberg et al., 2009); and
2. Second, as there was information pertaining to the company's revenue such as Turnover, Profit, contributions to CSI and EF this kind of sensitive information would

be easier obtained from the strategic head of finance in an organisation such as the Finance Director or Finance Manager, with the other members of the executive management as an alternative.

In the absence of such a finance decision maker, the next best alternative was chosen, for example managing director or operations director. The sample size was 200.

MNEs from DNs were purposively selected. As mentioned previously, simple random sampling (Cramer, 2003; Curwin and Slater, 2004) was used to select companies from each of the countries. It is key to highlight that no limiting of the sampling to companies listed on the countries stock exchange took place, as is popular in this kind of research (Forbes, 2010; JSE, 2012; Moazzami, 2010; Serfontein, 2010; Smimou and Karabegovic, 2010; UNDP, 2003). This is because by not being limited to the bourse it allowed for a broader selection of firms that operate in the country, inclusive of those listed on the local bourse, whereas the local bourse would limit the research to only those listed locally (JSE, 2012; UNDP, 2003). This becomes quite a fundamental difference as a number of MNEs that operate in the AEMs are listed in developed countries like the USA or UK and are not listed locally. Good examples of this are G4S (G4S, 2012) and Procter and Gamble (P&G, 2012) as they are listed on the New York Stock Exchange (NYSE) yet operate in AEM and are not listed in the bourses in the AEM.

As previously mentioned in Chapter 1, the justification for the selection of the four key countries of South Africa, Nigeria, Kenya and Egypt is that Africa has four key economic regions (Roxburgh et al., 2010). Each of these regions contain a leading EM country in the context of Africa. These leading countries, also referred to as ‘hubs’, are Egypt for North Africa, Kenya for East Africa, Nigeria for West Africa and South Africa for Southern Africa (Roxburgh et al., 2010). The choice of these countries will allow, through the research, a better appreciation of the key institutional factors that impact on the strategy of the MNE from Developed Nations (DN) in the AEM

Table 21 summarises the size of the databases that was obtained for each of the countries as well as the responses. The detailed database is can be found in Appendix F.

Table 21: Database & Response

Country	Sample Population	Respondents
South Africa	134	50
Nigeria	269	39
Kenya	215	20
Egypt	249	9
Other	-	7
Total	867	125

The responses collected in total from the four selected countries was 125 (15 percent), with an average of 31.25 responses obtained per country. In comparison, the GRI survey, which is done over 144 countries, retains on average 94.7 responses per country (Schwab; 2012: 83). Taking into consideration the size of the GRI survey in proportion to this research a response average of 31.3 per country is acceptable to allow for further analysis of the data through inferential and statistical data analysis (Blaxter, 2003; Saunders, 2003). The estimate number of respondents who communicated that they could not respond either because the company policy did not permit them or because they did not have the time was about 12 percent of the population, i.e. 100 responses. The balance of the population did not respond or communicate their reason even after email and telephonic follow-up. In the following sections, the processes that were followed in order to collect the necessary data are elaborated on. Table 22 summarises the steps taken in the data collection as prescribed by Saunders et al. (2003), Blaxter et al. (2003) and Cresswell (2009).

Table 22: Data Collection Process

(Saunders, 2003; Blaxter et al., 2003)

Step		Work Done	Narration
1.	Extracting contacts from databases	Country databases extracted for MNEs from DNs operating in the four selected countries of South Africa, Kenya, Egypt and Nigeria. These databases had to be complemented with random selections off the internet of MNEs that operate in the four selected countries.	In order to get the additional companies off the internet part-time university students and research assistants were contracted to phone and/or e-mail these institutions in order to verify the e-mail address and contact number of the respondent i.e. Finance Director, Finance Manager , Managing Director.
2	Distributing the questionnaire	A self-administered online questionnaire (Refer to Appendix C) was uploaded onto a secure website. A mailer was done which had a cover letter explaining the purpose of the research and which had a link to the questionnaire. Refer to Appendix B. The first run was a pilot run sent to 14 people of which the results were analysed and the questionnaire amended before the final survey was done.	The results of the pilot survey are discussed in section 5. This provided an opportunity to test reliability and validity.
3	Following up with respondents	There had to be continuous follow-up by both the researcher and the research assistants in order to ensure that the number of 125 respondents could be achieved. This follow-up process lasted for a period of 8 months, i.e. from August 2013 to March 2014.	It was difficult to get responses to the questionnaire especially in countries outside South Africa, as most respondents did not have the time. However, after continuous follow-up and courteous reminders a total number of 125 responses were achieved.

5.2.3 Research instrument

A self-administered questionnaire (Blaxter et al., 2003; Cresswell and Tashakkori, 2007; Ramchander, 2004) was distributed to the selected respondents (Curwin and Slater, 2004). The advantage of administering the questionnaire online is that it would be more effective and efficient as the respondents are spread across four countries (Curwin and Slater, 2004; Saunders et al., 2003). As a result, the questionnaire was designed based on a seven point Likert scale to enhance validity and reliability (Blaxter et al., 2003; Ramchander, 2004; Onwuegbuzie and Leech, 2006b). The Likert scale was specifically chosen as it is a tried and tested scale applied when performing deductive-based research of a quantitative nature, used to measure constructs and their impact on the strategy of MNEs in the AEM (Cramer, 2003; Cresswell, 2009; Dawes, 2008; White and Mackay, 1973). Appendix B and C contain the letter to the respondents and a sample copy of the self-administered questionnaire respectively. Table 23 shows the mapping of the defined constructs as given in the previous section under the conceptual framework to the questions and sections in the questionnaire.

Table 23: Mapping the research constructs to the Likert scale-based questionnaire

Ref	Construct	Factors	Questionnaire section (Refer to Appendix C)
1.	Property rights	• Gazetted property rights • Intellectual property protection • Short term versus long term property rights • Ease of compliance to property rights • Custodian of property rights	Part B, Section B
2.	Ethics and corruption	• Diversion of public funds • Public trust in politicians • Irregular payments and bribes	Part B, Section C
3.	Undue influence	• Judicial independence • Favouritism in decisions of government officials • Confidence of the judiciary by industry	Part B, Section D

Ref	Construct	Factors	Questionnaire section (Refer to Appendix C)
4.	Government efficiency	• Wastefulness of government spending • Burden of government regulation • Efficiency of legal framework in setting up disputes • Efficiency of legal framework in challenging regulations • Transparency of government policymaking • Provision of government services for improved business performance	Part B, Section E
5.	Security	• Business costs of terrorism • Business costs of crime and violence • Organises crime • Reliability of police services	Part B, Section F
6.	Corporate ethics	• Ethical behaviour of firms • Code of conduct manuals and procedures • Whistle blower initiatives	Part B, Section G
7.	Accountability	• Strength of auditing and reporting standards • Efficacy of corporate boards • Protection of minority shareholders' interests • Strength of investor protection	Part B, Section H
8.	Successful Strategy of the MNE in AEM	TBL encompassing (profit, people, planet); • Profit • Turnover • Environmental impact (Carbon Footprint) • Employee satisfaction • Market share • Social impact	Part B

5.2.4 Pretesting of the Questionnaire

A pretesting of the questionnaire was done to ensure the success of the final instrument in order to achieve the desired results (Cresswell, 2009; Saunders, 2003). The following criteria were tested in the pilot test of the questionnaire. This criteria is based on past similar research as well as methodologies prescribed by research authors such as Blaxter et al. (2003), Cresswell (2009), Reddy (2012), Saunders et al. (2003) and Serfontein (2010).

- How long the questionnaire took to complete;
- The clarity of questions;

- Which, if any, questions were unclear or ambiguous;
- Which, if any, questions the respondents felt uneasy about answering;
- Whether in their opinion there were any significant topic omissions;
- Whether the layout was clear and attractive; and
- Any other comments.

The pilot testing involved sending the questionnaire to 15 selected responses who were senior executives in different industries. These executives were purposively selected from the countries of Nigeria, South Africa and Kenya. So as not to contaminate the final sample the respondents from the pilot test were excluded from the final sample.
The scale designed for this pilot testing and which will be later modified for the final questionnaire was not previously used and was built specifically for this research.

Table 24 summarises the collective feedback from the respondents and the amendments made in line with these.

Table 24: Amendments made from Pilot Survey

Question	Comment	Adjustment
Q1 & Q2	In the initial questionnaire (Q1) asked the Title of the respondent i.e. Director, Manager etc. and (Q2) asked what level in the organisation the respondent was i.e. Senior, middle or junior management. The comment was that the questions looked like duplicates.	This was amended with the title being asked Q1 and the question of level in the organisation being removed. As the questionnaire was only being sent to senior management. Q1 would provide adequate information as to the title and function of the respondent.
Q3 & Q4	In the initial questionnaire some respondents were not clear as to how to respond to the question regarding the physical location of their office (Q3) as well as the physical location of the global office that they report to directly (Q4).	As this was fundamental to the research the following paragraph was inserted at the beginning of the questionnaire; **Please answer the questions as pertaining to the local entity that you work for if you are part of a multinational enterprise.** **For example: If the Global Headquarters for your multinational is based in the USA , but the entity you work for is based in South Africa, then answer the questions based on the South Africa entity perspective.** **The same applies when answering the questions in PART B.**
Q4	Some MNE's although they may be based in Kenya or Nigeria and are part of a Global company like G4S whose Global head office is in the UK. Some of these companies may have a regional head office in South Africa due to SA being a popular African hub for a lot of global MNE's from developed countries.	The option of South Africa was placed in the responses to this question as well as Other for narrative purposes. Over and above this, because the MNE's that were specifically selected were those that had presence in the AEM but had the global head office in the DN ensures that they aligned to the required criteria of the research.
Q8 & Q9	These 2 questions were pertaining to percentage contribution of CSI and EF by the MNE and for non-financial management respondents it was a challenge obtaining this information.	In order to mitigate this, the questionnaire was targeted at senior financial management respondents in the organisation i.e. Financial Directors/Managers as they would easily have access to this information relative to others.
Q32 to Q35	It was not clear if the question was in relation to domestic crime or terrorism.	In order to negate the confusion the questions were realigned so that information could be gathered on domestic crime.

Question	Comment	Adjustment
Time	Respondents were asked on how long the questionnaire took to complete and the feedback was that it took between 5 and 10 minutes, which was acceptable to them.	No adjustments made for time.
Accessibility	Respondents were asked if they had problems accessing the questionnaire online, there were no problems as the instructions were quite clear in the cover letter.	The questionnaire was maintained as an online tool.

The questionnaire was amended and presented to knowledgeable academics in the strategy and statistical fields for final approval before sending out for the live collection of data. In the following sections the tests performed, before and after the pilot survey so to ensure validity and reliability are presented.

5.3 Analysing the data

Lund and Lund (2013b) highlights that there are two key methods of analysing the primary data quantitatively. Data can either be analysed through Descriptive Statistics and/or Inferential Statistics. For the purpose of this research, both will be used through the use of SPSS version 22 software as the statistical software.

5.3.1 Defining Descriptive Statistics

Gerber and Hall (2013) define these descriptive statistics as those statistics that are used to describe the characteristics of the sample taken or in other words profile the sample taken. No inferences can be drawn from this kind of statistical analysis, merely a profile of the data collected. Frequencies, means and standard deviations are normally produced with these nominal biographical variables being depicted with pie/bar charts or tables. In this research, a combination of both charts and tables were used in producing the descriptive statistics. Table 25 below gives the definitions of the key descriptive statistics used in this research.

Table 25: Definition of Descriptive Statistics Used

(Gerber and Hall, 2013; Serfontein, 2010)

Descriptive Statistic	Definition
Mean	• The sum of the values for all observations of a variable divided by the number of observations. It measures the central tendency – in other words, the average response of respondents.
Standard Deviation	The standard deviation is the measure of average dispersion of the values in a set of responses around their mean.
Frequencies	• The number of occurrences per defined unit.

5.3.2 Inferential Statistics

Blaxter et al. (2003) defines inferential statistics as the method of assessing the significance of the data and the results obtained. Through inferential statistics, the next step from descriptive statistical analysis was taken and established statistical tools to analyse the data and interpret the results were applied. By applying this approach, conclusions were made. For the purpose of this research the following inferential statistical methods were used, with justification being given in this section:

- Spearman Correlation Coefficient;
- Binary Logistic Regression; and
- Cronbach Alpha Coefficient (Cramer, 2003; Lund and Lund, 2013a, 2013d).

Correlation matrix

Correlation analysis in general refers to the linear relationship that exists in variables (Cramer, 2003). In the correlation matrix, each independent variable (factor) was correlated with the dependent variable measuring strategy i.e. Turnover. These correlations can vary from -1.00 to +1.00 (Cramer, 2003; Morrisson, 2001).

The correlation matrix allows the assessment and confirmation of the level of relationship that exists between the factors, however it does not group the factors. With reference to Table 18, which shows each of the constructs and the factors that make up those constructs, the intent for each of these group of factors was a positive correlation score (closer to a +1.00 perfect relationship) as opposed to a negative correlation score (closer to a -1.00 perfect inverse relationship).

There are two main methods of correlation, there is the Pearson product moment correlation method, which is more appropriate for the analysis of variables that are measured on a continuous scale (Cramer, 2003; Lund and Lund, 2013d). The other method is the Spearman correlation coefficient, which is ideally used for the analysis of ordinal data (Cramer, 2003; Lund and Lund, 2013d). Ordinal questions are questions with levels that are ordered, such as Lickert scale questions (Gerber and Hall, 2013) .As the nature of the data collected in this research is predominantly ordinal the Spearman Correlation coefficient was used. The symbol for Spearman Coefficient is the letter ρ(rho) or asr_s (Lund and Lund, 2013d).Further to this t

Binary Logistic Regression analysis

Once the level of association between the different independent variables (PR, EC, UI, GE, Sec, CE, and Acct) to the dependent variable SS as measured by (TO, PFT, CSI and EF) was defined, the next step was to measure the different causal relationships that exist between the dependent and independent variables (Burns and Burns, 2008; Cramer, 2003). In this kind of research there were two main options of analysing the data using regression; linear and binary logistic regression (Curwin and Slater, 2004). Linear regression, also called bivariate linear regression (Burns and Burns, 2008; Lund and Lund, 2013a), works on the principle of defining the 'cause and effect' linear relationship between one independent variable versus one dependent variable, with the measurement of both variables being continuous. Whereas Binary Logistic Regression, also called Logistic Regression, attempts to predict the probability that an observation falls into one of two categories of a dichotomous dependent variable based on one or more independent variables that can be either continuous or categorical. Lund and Lund (2013a) go further to say that in many ways it is similar to linear regression, with the exception of the measurement type of the dependent variable. However, unlike linear regression, the predicted value of the dependent variable is not being determined, but the probability of being in a particular category of the dependent variable given the independent variables. An observation is assigned to whichever category is predicted as most likely. Cramer (2003) states that Binary Logistic Regression can be used to determine which variables are most strongly associated with the probability of a particular category in another variable occurring. For the purposes of this research, logistic regression was chosen because the dependent variables (SS), which was the measure of strategy success was defined by two ordinal categories, high and low.

This categorisation of the data has been applied so as to allow for more accurate inference of the data (Cook, 2014; Gerber and Hall, 2013; Lund and Lund, 2013a). To analyse the causal relationship between the independent variable SS as measured by TO, PFT, CSI and EF and the independent variables of PR, EC, UI, GE, Sec, CG and Acct, the full LR model was applied in conjunction with the Backward LR (Cramer, 2003; Statsoft, 2012a, 2012b). However only the summary results were discussed from the full model and the detailed results from the Backward LR. The advantage of using the stepwise regression approach was that it shows which combination of the seven independent variables (predictors) had the best impact on the dependent variables (predicted) (Cramer, 2003; Cook, 2014; Oswego, 2014). In a stepwise regression, predictor variables are entered into

the regression equation one at a time based upon statistical criteria. At each step in the analysis the predictor variable that contributes the most to the prediction equation in terms of increasing the multiple correlation, R, is entered first. This process is continued only if additional variables add anything statistically to the regression equation. When no additional predictor variables add anything statistically meaningful to the regression equation, the analysis stops. Thus, not all predictor variables may enter the equation in stepwise regression. Using stepwise logistic regression helps to minimise the effect of multicollinearity (Fattah, 2014). In stepwise regression one can use either Enter, Forward or Backward LR, which determine the order that the variables are entered into the equation (Lund and Lund, 2013a; Statsoft, 2012a). As previously mentioned all three will be applied with summary results for the Enter method and detailed results of the Backward LR discussed, so as to ensure maximum verification of the predictions (Cramer, 2003; Curwin, 2004; Lund and Lund, 2013a). It must be noted at this point other quantitative methods such as Structural Equation Modelling was considered as part of the inferential statistical analysis, however this was not applied due to the limited sample population of 125 (Spencer, 2011).

5.4 Validity

Blaxter (2003:221) defines validity as having to do with whether the methods, approaches and techniques used in the research process relate to, or measure, the issues that are being explored. In other words is the measuring instrument, in this case the questionnaire, measuring what it is supposed to be measuring. Exploratory and Confirmatory Factor Analysis are popular methods of testing and ensuring validity (Grau, 2011; Khelifa, 2012; Statsoft, 2012b). To perform factor analysis it is ideal to have a sample population where N>= 150 (Gerber and Hall, 2013; Lund and Lund, 2013c; Morrisson, 2001; Rummel, 2002). Although the total number of respondents for this research was, N=125, factor analysis will still be applied to give adequate reassurance on the validity of the questionnaire. To reaffirm the validity through factor analysis other forms of validity were also considered.

5.4.1 Factor Analysis

Cramer (2003) defines factor analysis as a procedure to establish the grouping of related variables in order that they are viewed as a single variable and not a string of distinct variables. Factor analysis allows the streamlining of the data into a small number of factors

based on a particular number of inter-related quantitative variables (Khelifa, 2012; Wilderdom, 2012). The first stage in factor analysis is creating the correlation matrix (Minitab, 2012).

Principal component analysis (PCA) as an exploratory factor analysis (EFA): EFA was chosen as opposed to confirmatory factor analysis (CFA) (Cramer, 2003), because the EFA is more appropriate for investigating the impact of the independent variables on the dependent variable of competitive strategy of the MNEs in the AEM (Cramer, 2003; DiStefano et al., 2009). The EFA can be done through a number of models, namely:

- Principal axis factoring;
- Alpha method;
- Unweighted least squares method;
- Generalized least square method; and
- Image factoring (Khelifa, 2012).

Research experts such as Cramer (2003), supported by Creswell (2009), prescribed PCA over the others because of its ease of use when processing data. The PCA model was chosen for this research to streamline the factors further by extracting factors that accounted for less and less variance. The Eigenvalue is the measurement for the PCA (Statsoft, 2012b). Factors that have an Eigenvalue greater than one shows stronger variability (initial principal components) than those with an Eigenvalue less than one, which shows a weaker variability. In order to choose which factors to discard, either the Kaiser-Gutman criterion or the Scree test can be used (Cramer, 2003; Statsoft, 2012b). As the Kaiser-Gutman criterion is the most popular method and is described by research authors such as Cramer (2003) as the most tried and tested, this method was applied so as to statistically discard factors that have Eigenvalue scores of one or less (Statsoft, 2012b). Through the PCA, the principal components were identified and these factors were then rotated so as to be able to better interpret them (Khelifa, 2012).

Factor rotation: There are two main methods for factor rotation - Varimax and Oblique (Cramer, 2003; Khelifa, 2012). The Varimax method was chosen for the following reasons:

- Is more popular with researchers because it is less complex to use;
- It uses orthogonal rotations yielding uncorrelated factors/components; and

- It attempts to minimise the number of variables that have high loadings on a factor. This enhances the interpretability of the factors (Cramer, 2003; Cresswell, 2009; Khelifa, 2012).

The Varimax method aims to maximise the variance explained by factors by increasing the high correlation of variables and decreasing the low correlation of variables. Once the factors and the level of variability is quantified, a multiple regression analysis is run to determine the level of impact that the independent variables have on the dependent variables (Cramer, 2003).

5.4.2 Results of the factor analysis

The PCA was run three times to ensure the validity of the factors derived from the responses (Gerber and Hall, 2013; Lund and Lund, 2013c). The first run highlighted that the Question 17 and Question 24 had to be removed because they had low communalities i.e. Question 17 had a communality of 0.07 and Question 24 had a communality of 0.185. Refer to Appendix G for the detailed output of the PCA using SPSS. The second run excluded Question 21, which had a low communality of 0.163. Refer to Appendix G for the detailed output of the PCA using SPSS. Throughout the PCA the factors were loaded onto six components as that allowed for a simple structure (Gerber and Hall, 2013; Lund and Lund, 2013c). The final factor loadings were derived from the third run of the PCA with results discussed in the following sections. For the detailed output of the third PCA run please refer to Appendix G.

Correlation Matrix

From Table 26 it can be seen that all variables have at least one correlation above $r = 0.3$ (Gerber and Hall, 2013; Lund and Lund, 2013c). This was derived from the first run of the PCA correlation matrix.

Table 26: Correlation Matrix

Sct		PR	PR	PR	EC	EC	UI	UI	GE	GE	GE	GE	GE	SC	SC	SC	CE	CE	CE	AC	AC	AC	AC	GE	PR	SC	UI	EC
	Ques.	Q13	Q14	Q16	Q18	Q20	Q22	Q25	Q26	Q28	Q29	Q30	Q31	Q32	Q33	Q34	Q36	Q37	Q38	Q39	Q40	Q41	Q42	Q27	Q15	Q35	Q23	Q19
PR	Q13	1.00	.389	.364	-.161	-.146	.425	.375	.237	.287	.387	.303	.246	.018	-.031	-.038	-.132	-.164	-.041	-.134	.020	.059	.006	-.216	-.428	.184	-.174	.260
PR	Q14	.389	1.00	.274	.002	-.029	.176	.228	.061	.242	.217	.244	.090	.195	-.003	-.083	.143	.175	.179	.236	.234	.200	.317	-.132	-.190	.062	-.066	.175
PR	Q16	.364	.274	1.00	.015	-.087	.210	.279	.010	.252	.297	.383	.268	-.018	-.085	-.072	.142	.105	.128	.130	.103	.137	.187	-.250	-.299	.173	-.043	.231
EC	Q18	-.161	.002	.015	1.00	.406	-.234	-.201	-.209	-.120	-.253	-.299	-.293	.414	.262	.306	.075	.067	-.061	.132	-.046	-.064	-.057	.187	.159	-.357	.265	-.253
EC	Q20	-.146	-.029	-.087	.406	1.00	-.268	-.224	-.355	-.276	-.284	-.356	-.229	.246	.174	.221	.151	.142	.000	.103	-.036	-.019	-.051	.094	.047	-.325	.224	-.405
UI	Q22	.425	.176	.210	-.234	-.268	1.00	.697	.233	.423	.456	.424	.197	-.220	-.130	-.271	.053	.064	.031	.085	.100	.195	.116	-.118	-.226	.318	-.473	.487
UI	Q25	.375	.228	.279	-.201	-.224	.697	1.00	.207	.419	.403	.429	.176	-.083	-.044	-.096	.090	.142	.119	.143	.122	.253	.194	-.058	-.199	.464	-.378	.468
GE	Q26	.237	.061	.010	-.209	-.355	.233	.207	1.00	.267	.299	.280	.228	-.180	-.200	-.230	-.190	-.142	-.115	-.065	-.013	.103	.055	-.034	-.168	.206	.015	.363
GE	Q28	.287	.242	.252	-.120	-.276	.423	.419	.267	1.00	.438	.581	.444	-.024	-.080	-.103	.001	.092	.062	-.006	.088	.142	.136	-.333	-.091	.371	-.271	.343
GE	Q29	.387	.217	.297	-.253	-.284	.456	.403	.299	.438	1.00	.567	.561	-.140	-.061	-.187	.052	.030	.076	-.064	.081	.098	.071	-.364	-.205	.436	-.228	.542
GE	Q30	.303	.244	.383	-.299	-.356	.424	.429	.280	.581	.567	1.00	.650	-.138	-.158	-.305	-.065	-.057	.118	-.061	.044	.063	.110	-.334	-.203	.484	-.346	.447
GE	Q31	.246	.090	.268	-.293	-.229	.197	.176	.228	.444	.561	.650	1.00	-.188	-.142	-.206	-.087	-.066	.190	-.100	.081	.020	.084	-.348	-.135	.424	-.165	.383
SC	Q32	.018	.195	-.018	.414	.246	-.220	-.083	-.180	-.024	-.140	-.138	-.188	1.00	.613	.481	.166	.215	.178	.125	.069	.062	.117	.143	.062	-.358	.196	-.335
SC	Q33	-.031	-.003	-.085	.262	.174	-.130	-.044	-.200	-.080	-.061	-.158	-.142	.613	1.00	.603	-.036	-.018	.063	.095	-.044	-.073	-.098	.246	.192	-.218	.203	-.148
SC	Q34	-.038	-.083	-.072	.306	.221	-.271	-.096	-.230	-.103	-.187	-.305	-.206	.481	.603	1.00	-.027	-.033	-.053	.023	-.105	-.142	-.221	.185	.199	-.298	.288	-.161
CE	Q36	-.132	.143	.142	.075	.151	.053	.090	-.190	.001	.052	-.065	-.087	.166	-.036	-.027	1.00	.860	.637	.587	.449	.436	.436	-.015	-.087	-.042	-.109	-.042
CE	Q37	-.164	.175	.105	.067	.142	.064	.142	-.142	.092	.030	-.057	-.066	.215	-.018	-.033	.860	1.00	.690	.610	.509	.575	.545	.044	-.008	-.018	-.110	-.021
CE	Q38	-.041	.179	.128	-.061	.000	.031	.119	-.115	.062	.076	.118	.190	.178	.063	-.053	.637	.690	1.00	.534	.585	.514	.643	-.016	-.003	.120	-.112	.182
AC	Q39	-.134	.236	.130	.132	.103	.085	.143	-.065	-.006	-.064	-.061	-.100	.125	.095	.023	.587	.610	.534	1.00	.567	.546	.561	.152	.127	-.055	.121	.128
AC	Q40	.020	.234	.103	-.046	-.036	.100	.122	-.013	.088	.081	.044	.081	.069	-.044	-.105	.449	.509	.585	.567	1.00	.597	.707	-.044	-.008	.032	-.018	.158
AC	Q41	.059	.200	.137	-.064	-.019	.195	.253	.103	.142	.098	.063	.020	.062	-.073	-.142	.436	.575	.514	.546	.597	1.00	.783	.027	-.112	.188	-.132	.172
AC	Q42	.006	.317	.187	-.057	-.051	.116	.194	.055	.136	.071	.110	.084	.117	-.098	-.221	.436	.545	.643	.561	.707	.783	1.00	.008	-.017	.179	-.072	.188
GE	Q27	-.216	-.132	-.250	.187	.094	-.118	-.058	-.034	-.333	-.364	-.334	-.348	.143	.246	.185	-.015	.044	-.016	.152	-.044	.027	.008	1.00	.218	-.212	.231	-.225

Sct		PR	PR	PR	EC	EC	UI	UI	GE	GE	GE	GE	GE	SC	SC	SC	CE	CE	CE	AC	AC	AC	AC	GE	PR	SC	UI	EC
	Ques.	Q13	Q14	Q16	Q18	Q20	Q22	Q25	Q26	Q28	Q29	Q30	Q31	Q32	Q33	Q34	Q36	Q37	Q38	Q39	Q40	Q41	Q42	Q27	Q15	Q35	Q23	Q19
PR	Q15	-.428	-.190	-.299	.159	.047	-.226	-.199	-.168	-.091	-.205	-.203	-.135	.062	.192	.199	-.087	-.008	-.003	.127	-.008	-.112	-.017	.218	1.00	-.150	.209	-.153
SC	Q35	.184	.062	.173	-.357	-.325	.318	.464	.206	.371	.436	.484	.424	-.358	-.218	-.298	-.042	-.018	.120	-.055	.032	.188	.179	-.212	-.150	1.00	-.339	.450
UI	Q23	-.174	-.066	-.043	.265	.224	-.473	-.378	.015	-.271	-.228	-.346	-.165	.196	.203	.288	-.109	-.110	-.112	.121	-.018	-.132	-.072	.231	.209	-.339	1.00	-.194
EC	Q19	.260	.175	.231	-.253	-.405	.487	.468	.363	.343	.542	.447	.383	-.335	-.148	-.161	-.042	-.021	.182	.128	.158	.172	.188	-.225	-.153	.450	-.194	1.00

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy & Bartletts Test

Lund and Lund (2013b) says that the KMO measure is used as an index of whether there are linear relationships between the variables and thus whether it is appropriate to run a principal components analysis on the current data set. Its value can range from 0 to 1, with values above 0.6 suggested as a minimum requirement for sampling adequacy, but values above 0.8 considered good and indicative of principal components analysis being useful. Table 27 shows the results of the KMO test and further details can be found in Appendix G..

Table 27: KMO and Bartletts Test

Test		Score
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.788
Bartlett's Test of Sphericity	Approx. Chi-Square	1691.585
	df	351
	Sig.	.000

In this example the KMO measure is 0.788, which is good; or 'middling' on Kaiser's classification of measure values (Gerber and Hall, 2013; Lund and Lund, 2013c). This is because $0.7 \leq KMO < 0.8$. Thus, the overall results of the KMO show that there is sampling adequacy to proceed to the next step. Bartlett's test of sphericity tests the null hypothesis that the correlation matrix is an identity matrix (Gerber and Hall, 2013; Lund and Lund, 2013c). An identity matrix is one that has 1's on the diagonal and 0's on all the off-diagonal elements. As can be seen in Table 27, Bartlett's test of sphericity is not statistically significant (i.e., $p > .05$), thus the null hypothesis was rejected confirming that the data was suitable for a principal component analysis.

Communalities

Table 24 below shows the communalities, with further details in Appendix G. The communality is the proportion of each variable's variance that is accounted for by the principal components analysis (Gerber and Hall, 2013; Lund and Lund, 2013c).

Table 28: Communalities

Question	Initial	Extraction
Q13.Property Rights	.543	.628
Q14.Property Rights	.378	.332
Q16.Property Rights	.395	.308
Q18.Ethics & Corruption	.391	.301
Q20.Ethics & Corruption	.372	.320
Q22.Undue Influence	.678	.723
Q25.Undue Influence	.640	.711
Q26.Govt. Efficiency	.372	.280
Q28.Govt. Efficiency	.524	.428
Q29.Govt. Efficiency	.616	.556
Q30.Govt. Efficiency	.679	.682
Q31.Govt. Efficiency	.606	.676
Q32.Security	.665	.639
Q33.Security	.599	.679
Q34.Security	.550	.523
Q36.Corporate Ethics	.803	.800
Q37.Corporate Ethics	.840	.856
Q38.Corporate Ethics	.725	.662
Q39.Accountability	.649	.593
Q40.Accountability	.594	.586
Q41.Accountability	.716	.641
Q42.Accountability	.796	.824
Q15.Property Rights [Original]	.359	.338
Q19.Ethics & Corruption [Original]	.609	.507
Q23.Undue Influence [Original]	.444	.365
Q27.Govt. Efficiency [Original]	.355	.334
Q35.Security [Original]	.521	.455
Extraction Method: Principal Axis Factoring.		

5.4.3 Extracting components

The purpose of principal components analysis is to explain as much of the variance as possible using as few components as possible (Gerber and Hall, 2013; Lund and Lund, 2013c). A principal components analysis will produce as many components as there are variables (Gerber and Hall, 2013; Lund and Lund, 2013c). Four major criteria allowed a decision on the number of components to retain. These were the eigenvalue-one criterion, the proportion of total variance accounted for, the scree plot test, and the interpretability criterion.

The Eigenvalue-one criterion

An eigenvalue less than one indicates that the component explains less variance that a variable would and hence should not be retained (Gerber and Hall, 2013; Lund and Lund, 2013c). In Table 29, it can be seen that six components were chosen with the sixth component having an eigenvalue of 1.314. Further details can be seen in Appendix G.

Percentage of variance explained

Using this criterion will mean retaining all components that can explain at least 64% (Gerber and Hall, 2013; Lund and Lund, 2013c) of the total variance. The components 1 to 6 fall into this categorisation.

Table 29: Total Variance explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.191	22.929	22.929	5.742	21.266	21.266	4.293	15.900	15.900
2	4.640	17.185	40.115	4.323	16.012	37.278	3.101	11.484	27.384
3	2.226	8.244	48.359	1.796	6.651	43.929	2.301	8.523	35.908
4	1.525	5.648	54.007	1.048	3.882	47.812	2.144	7.942	43.849
5	1.427	5.285	59.292	.981	3.632	51.444	1.645	6.092	49.941
6	1.314	4.865	64.158	.855	3.166	54.610	1.261	4.669	54.610
7	.962	3.562	67.720						
8	.896	3.318	71.038						
9	.825	3.055	74.093						
10	.762	2.822	76.915						
11	.728	2.696	79.611						
12	.675	2.500	82.110						
13	.592	2.191	84.302						
14	.571	2.114	86.416						
15	.473	1.752	88.168						
16	.453	1.679	89.847						
17	.408	1.510	91.358						
18	.379	1.405	92.763						
19	.346	1.282	94.045						
20	.328	1.216	95.261						
21	.288	1.065	96.326						

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	• Total	% of Variance	Cumulative %	• Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
22	.234	.865	97.191						
23	.192	.713	97.904						
24	.186	.688	98.592						
25	.157	.583	99.174						
26	.131	.483	99.658						
27	.092	.342	100.000						
Extraction Method: Principal Axis Factoring.									

Scree Plot

Lund and Lund (2013b) and Cramer (2003) state that a scree plot is a plot of the total variance explained by each component (its 'eigenvalue') against its respective component. In Figure 12 the inflection is just on the sixth component. Further details can be found in Appendix G.

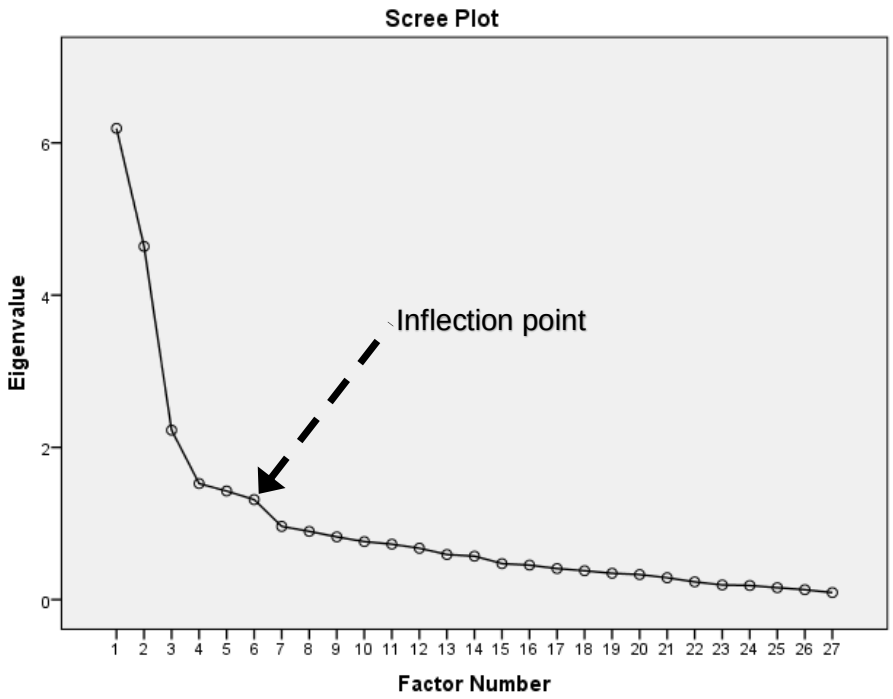


Figure 12: Scree Plot

Interpretability criterion

The interpretability criterion is arguably the most important criterion and it largely revolves around the concept of 'simple structure' and if the final solution makes sense (Lund and Lund, 2013c). From Appendix G1 and G2, which were the initial results of the Rotated Component Matrix, it could be seen that there was still some 'complex structure'; namely, many components loading on the same individual variables (Cramer, 2003; Lund and Lund, 2013c). A 'simple structure' (Lund and Lund, 2013c) is what is required. Simple structure is when each variable has one, and only one component that loads strongly on it, and each component loads strongly on at least three variables (Cramer, 2003; Lund and Lund,

2013c). After excluding some factors as per the first two runs of the PCA the results in Table 30 show the final Rotated Component Matrix. It can thus be deduced that the factors that were loaded were as follows:

Table 30: Rotated Component Matrix

	Factor					
	1	2	3	4	5	6
Q42.Accountability	.876					
Q37.Corporate Ethics	.772					-.492
Q41.Accountability	.767					
Q40.Accountability	.755					
Q38.Corporate Ethics	.754					
Q39.Accountability	.746					
Q36.Corporate Ethics	.670					-.583
Q31.Govt. Efficiency		.802				
Q30.Govt. Efficiency		.740				
Q29.Govt. Efficiency		.633				
Q28.Govt. Efficiency		.539				
Q35.Security [Original]		.481				
Q19.Ethics & Corruption [Original]		.455				
Q27.Govt. Efficiency [Original]		-.428				
Q20.Ethics & Corruption						
Q33.Security			.813			
Q32.Security			.732			
Q34.Security			.689			
Q18.Ethics & Corruption			.406			
Q22.Undue Influence				.768		
Q25.Undue Influence				.760		
Q23.Undue Influence [Original]				-.447		
Q13.Property Rights					.694	
Q15.Property Rights [Original]					-.521	
Q14.Property Rights					.478	
Q16.Property Rights					.450	
Q26.Govt. Efficiency						.410
Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization.						
a. Rotation converged in 8 iterations.						

Based on Table 30 the following factors were extracted as highlighted in Table 31.

Table 31: Summary of Extracted Factors

Component	Original Factors	New Factor
1	Q42,Q37,Q41,Q40,Q38,Q39,Q36	AC & CE
2	Q31,Q30,Q29,Q28,Q35,Q19,Q27	GE,SC and EC with GE as the stronger factor loading onto Component 2
3	Q33,Q32,Q34,Q18	SC and EC with SC as the stronger factor loading onto Component 3
4	Q22,Q25,Q23	UI
5	Q13,Q15,Q14,Q16	PR
6	Q26	GE.

Question 20 did not load as a factor into any of the components. Component 6 only had one factor loaded onto it, i.e. Question 26, and as such it was dropped as a minimum of three factors is acceptable (Cramer, 2003; Lund and Lund, 2013c). Question 37 was also loaded on component 6 with a score of -.492, which was lower than its loading on component 1 where the score was .772. As such, its loading on component 6 will be discarded. Question 36 also loaded on component 2 with a score of -.583, which was lower than its loading on component 1 where the score was .670. As such, its loading on component 2 will be discarded.

In summary, a principal components analysis (PCA) was run on the 30 questions that make up the seven constructs from the 125 respondents. The suitability of PCA was assessed prior to analysis (Cramer, 2003; Lund and Lund, 2013c). Inspection of the correlation matrix showed that all variables had at least one correlation coefficient greater than 0.3. The overall Kaiser-Meyer-Olkin (KMO) measure was 0.782 with individual KMO measures all greater than 0.7, classifications of 'middling' (Cramer, 2003; Lund and Lund, 2013c). Bartlett's test of sphericity was statistically significant ($p < .0005$), indicating that the data was likely to be factorisable.

PCA revealed five components that had eigenvalues greater than one and which explained 22.9 percent, 17.1 percent, 8.2 percent, 5.6 percent, 5.3 percent and 4.9 percent of the total variance, respectively. Visual inspection of the scree plot indicated that six components should be retained (Cramer, 2003; Lund and Lund, 2013c). In addition, a sixth-component solution met the interpretability criterion. As such, six components were retained.

The sixth-component solution explained 64.2 percent of the total variance. A Varimax orthogonal rotation was employed to aid interpretability. The rotated solution exhibited 'simple structure' (Cramer, 2003; Lund and Lund, 2013c). In order to ensure validity the presentation of the data had to be revised to provide for consistency with the institutional attributes the questionnaire was designed to measure. Although Component 6 was retained and reported on from the PCA it will not be used going forward because it does not have the required three consistent factors (Cramer, 2003; Gerber and Hall, 2013; Lund and Lund, 2013c). As a result of the PCA, EC as a potential component was completely dropped but was instead loaded as factors into Components 2 (GE) and Component 3 (SC). Thus the final loading of the five components were as follows and will be applied accordingly for further analysis as seen in Table 32.

Table 32: Factors derived as Dependant variables from the PCA

Factors					
	Component 1(ACCE)	**Component 2(GE)**	**Component 3(SC)**	**Component 4(UI)**	**Component 5(PR)**
Q42.Accountability	• .876				
Q37.Corporate Ethics	• .772				
Q41.Accountability	• .767				
Q40.Accountability	• .755				
Q38.Corporate Ethics	• .754				
Q39.Accountability	• .746				
Q36.Corporate Ethics	• .670				
Q31.Govt. Efficiency		• .802			
Q30.Govt. Efficiency		• .740			
Q29.Govt. Efficiency		• .633			
Q28.Govt. Efficiency		• .539			
Q35.Security		• .481			
Q19.Ethics & Corruption		• .455			
Q27.Govt. Efficiency		• -.428			
Q33.Security			• .813		
Q32.Security			• .732		
Q34.Security			• .689		
Q18.Ethics & Corruption			• .406		
Q22.Undue Influence				• .768	
Q25.Undue Influence				• .760	
Q23.Undue Influence				• -.447	

Factors					
	Component 1(ACCE)	Component 2(GE)	Component 3(SC)	Component 4(UI)	Component 5(PR)
Q13.Property Rights					• .694
Q15.Property Rights					• -.521
Q14.Property Rights					• .478
Q16.Property Rights					• .450

5.4.4 Revised Hypothesis

As a result of the regrouping of the constructs through the application of factor analysis it was crucial to review the initial hypothesis that was tested later in this research (Cramer, 2003; Grau, 2011; Khelifa, 2012; Rummel, 2002; Statsoft, 2012a). The revised hypotheses are set out in Table 33.

Table 33: Revised Hypotheses

Hypothesis	Construct
H1 An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM	Property Rights (PR)
H2 An independent judiciary system will be positively related to the success of the MNE strategy in the AEM	Undue Influence (UI)
H3 An efficient and effective government will be positively related to the success of the MNE in the AEM	Government Efficiency (GE)
H4 Inadequate national security is negatively related to the success of the MNE strategy in the AEM	Security (SC)
H5 Compliance and transparency of good corporate governance and ethics in the private sector is positively related to the success of the MNE strategy in the AEM	Accountability & Corporate Ethics (ACCE)

5.4.5 Other forms of validity

Internal validity

Trochim (2006c) defines internal validity as the approximate truth about inferences regarding cause-effect or causal relationships. In this case, the research is investigating the causal relationships that exist between independent and dependant variables. The

internal validity of the instrument was ensured by designing it based on the global competitiveness report index (Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009).

External validity

External validity refers to the approximate truth of conclusions that involve generalisations (Lund and Lund, 2013b; Trochim, 2006b). In other words, how valid are the results of this research that they can be applied to the rest of the population. In this research external validity was managed by purposively selecting the countries of South Africa, Kenya, Nigeria and Egypt because of the size and significant impact they make in the strategic regions of Southern, East, West and North Africa. Furthermore random selection of MNEs from DNs that are specifically operating in those countries aided external validity. This provides a certain level of assurance that the results obtained from this research can thus be significantly generalised to similar MNEs operating in the other leading AEMs (Are et.al, 2010; Roxburgh, 2010).

Face validity

Lund and Lund (2013b) define face validity as a merely subjective, superficial assessment of whether the measurement procedure you use in a study appears to be a valid measure of a given variable or construct. This is the lowest level of validity and has to be complemented by another form of validity to add weight to the research. Face validity was used in the research in defining the constructs of the research through the use of the GC Report 2012/2013. This report is used globally in measuring institutional factors and compares global countries. It incorporates data from both academic and non-academic reputable institutions like the World Bank, IMF and Tertiary Institutes (Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009). The report uses tried and tested statistical methods to determine the models of measuring the key constructs of institutional factors that are the independent variables of this research.

Construct Validity

Construct validity can be viewed as an overarching term to assess the validity of the measurement procedure that you use to measure a given construct (Lund and Lund, 2013b). In this case the measurement procedure was the questionnaire and the constructs were the seven independent variables derived from the GC Report 2012/2013. Four components make up the construct validity, namely:

- **Content Validity:** Content validity is the extent to which the elements within a measurement procedure are relevant and representative of the construct that they will be used to measure (Lund and Lund, 2013b; Trochim, 2006b, 2006c). In the case of this research, content validity was achieved by using the definition of the constructs as per the GC Report for 2012/2013 and then testing these through the pilot survey.
- **Convergent Validity and Divergent Validity:** Convergent and Divergent Validity are used as part of verifying construct validity when there is need to clarify the definitions of two or more constructs (Lund and Lund, 2013b; Trochim, 2006b, 2006c). This can be done by the use of different research methods such as surveys and observations. However as the constructs in this research were built on the GC Report 2012/2013 and further tested through a pilot survey there was no need to test for convergent and divergent validity.
- **Criterion Validity:** Criterion validity reflects the use of a criterion – a well-established measurement procedure – to create a new measurement procedure to measure the construct relevant to the study (Lund and Lund, 2013b; Trochim, 2006b, 2006c). The GC Report 2012/2013 Index has established criteria that are credible to use as measures of the institutional factors that impact company and country economic success. As such, the research questionnaire was modelled on the constructs defined in this report. By doing this and testing the questionnaire in the pilot survey criterion validity was achieved.

Lastly by presenting the results of the pilot testing to senior academics and statisticians of the Wits Business School as well as getting their approval has further enhanced the validity of the research.

5.5 Reliability

The concept of reliability is defined by (Blaxter, 2003) as the concept of testing the research process and its findings so as to ensure that if it were applied in the same settings by another researcher the results would be more or less the same. If that was the case the research process would therefore be said to be reliable. The Cronbach alpha coefficient is used as the measurement for reliability (Education, 2014). Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. A high Cronbach alpha score i.e. as close as possible to 1, depicts that the items being used

measure an underlying or latent construct accurately. As the Cronbach Alpha is the coefficient of reliability it is complemented by other inferential statistical analysis to enhance the accuracy of the research instrument being used (Grau, 2011; Minitab, 2012). The Cronbach alpha test also called the measure internal consistency value (Gerber, 2013), will generally increase when the correlations between the items (questions) of the measuring instrument increase. This is because Cronbach's alpha is a coefficient that describes how well a group of items focuses on the constructs identified. Cronbach's alpha was calculated among the set of variables used in this research to determine the reliability of survey questions in measuring a single construct, where the values range between 0 and 1, with values above 0.6 being considered as acceptable (Grau, 2011; Minitab, 2012). Tables 34 and 35 show the summary of the test of reliability (Cronbach alpha score) for the independent constructs before and after the pilot test respectively. Bearing in mind that the problematic questions were aligned after the pilot run.

Table 34: Cronbach Alpha scores from the pilot testing

Construct	Cronbach Alpha Score: Pilot Survey
Property Rights	• 0.71
Ethics and Corruption	• 0.61
Undue Influence	• 0.47
Government Efficiency	• 0.81
Security	• 0.45
Corporate Ethics	• -0.33
Accountability	• 0.77

Table 35: Cronbach Alpha scores after the final survey and factor analysis deductions

Construct	Cronbach Alpha Score: Final Survey	Recoded Questions (After final Survey)
Accountability and Ethics & Corruption (ACCE)	• 0.91	• N/a
Government Efficiency (GE)	• 0.83	• Question 27
Security (SC)	• 0.76	• N/a
Undue Influence (UI)	• 0.77	• Question 23
Property Rights (PR)	• 0.65	• Question 15

It can be observed that after the pilot test the Cronbach alpha scores for the predictors were above 0.6 with the exception of Corporate Ethics and Undue Influence. However, after the amendments to the questionnaire, as described in Table 24, as well as the

deductions and new groupings of the factor analysis, the Cronbach alpha scores of all the key constructs were above 0.6, thus satisfying reliability. This is summarised in Table 35.

5.5.1 Controls for Sampling Bias

Smith (2012) defines the sampling method to be biased if it systematically favours some outcomes over others or in other words any systematic method of a sampling method that allows the sample to not accurately represent the population. Sampling bias is sometimes called ascertainment bias or systematic bias. Due to the limited number of respondents to the questionnaire there was limitation as to the level of testing of sampling bias that could be applied in this research. However, the following methods were applied in order to provide assurance that the level of potential error created by sampling bias was not significant enough to impact on the results of the research.

5.5.2 Controls for Non-response Bias

Non-response bias is the bias that results when respondents differ in meaningful ways from non-respondents (StatTrek, 2014). Non-response bias is inevitable in this study due largely to a factor of time. Therefore to increase the response rates and control for non-response rates in this study, follow-ups and reminders were sent to respondents of the initial mailing wave (Lane, 2013; Nabatanzi-Myimba, 2014; Smith, 2012). In order to achieve the best response levels in the given time period, monthly and weekly reminder e-mails were sent to the targeted database of 867 respondents (Lane, 2013; Saunders et al., 2003). Furthermore, telephonic follow-up calls were done on a monthly basis to this database (Cresswell, 2009). As previously mentioned, the impact of non-response bias could not be statistically measured due to the size of the sample; however, based on the results of the regression analysis that tested the controls of survivorship and endogeneity bias in section 7.2.5, the level of impact of non-response bias is not significant. Furthermore, these results provide an adequate level of assurance that this representative random sample can be generalised to the population of multinationals from developed nations operating in African emerging markets.

5.5.3 Controls for Survivorship Bias

Survivorship bias is a form of sampling bias and occurs when the observations recorded at the end of the investigation are a non-random set of those present at the beginning of the investigation (Lane, 2013). In this research because the responses were collected over a period of nine months i.e. from July 2013 to March 2014 there was a chance that responses at the beginning of the survey could be different to those at the end of the period hence affecting the results of the research significantly. In order to test this the data was split into two categories based on the month the responses were done with the responses that came in the first five months i.e. July to November going into the first category and the responses received in the last four months forming the second category. The data was then analysed using logistic regression by inputting both dependent and independent variables. The results of this are discussed in section 7.2.5.

5.5.4 Controls for Endogeneity Bias

Scribd (2014) defines endogeniety as a situation where the 'ceteris paribus condition' is not fulfilled whenever the independent variable of interest is changed. This implies that an 'error' in the interpretation of the results is not created because of the impact of another variable other than the related independednt and dependant variables (Menaldo, 2011; Millimet, 2001; Lane, 2013). In the case of this research the regression analysis determined the extent of the impact of the key institutional factors identified with the dependant variable of strategy success measured by either TO, PFT, EF or CSI. However, the extent to which the other possible factors derived from the research, such number of employees had an impact on the results was ascertained (Millimet, 2001; Menaldo, 2011). This is discussed further in section 7.2.5.

5.6 Ethical considerations

In fulfilling this research, the ethical standards as prescribed by the Wits Business School Ethics Board were adhered to. These are given in detail in Appendix D. The following ethics criteria have been applied as prescribed by Blaxter et al. (2003):

- **Confidentiality**: for the organisations that were surveyed as well as the individuals, any 'sensitive' information that they provided was treated in the strictest confidence;

- **Anonymity**: where certain individuals want to maintain anonymity based on the information that was provided, this was done;
- **Legality**: the entire research process was aligned to a legally accepted process and does breach any law of the countries in which they apply; and
- **Professionalism**: the conduct of the researcher in all communications or discussions and analysis was professional.

5.7 Summary

In this section the philosophical basis of this research was defined as being pragmatic as it is built on the balanced postmodern and positivist mindsets. Having defined this as deductive scientific research, a substantial amount of literature on strategy in emerging markets was referred to. As such, the nature of this entailed explanatory, descriptive and exploratory research.

The research was exploratory because it explored the setting or social phenomena of strategy in the AEM. This exploratory work, which was predominantly done through the literature review, provided background information needed to plan descriptive or explanatory research. The descriptive component of the research is discussed in the next chapter. It is descriptive in nature because preliminary assessments were made on the impact on the data collected based on the relationships of the key constricts. Finally, the explanatory component in which conclusions on the data collected based on inferential statistical analysis is discussed. Having defined the overall approach of the research the next step was justifying the development and structure of the instrument that was used to collect data from 125 respondents. This data was obtained from the survey questionnaires and coded onto electronic media. SPSS was used to read the raw data into an SPSS dataset for analysis. Thereafter the dataset was cleaned and validated in SPSS. The questionnaire was tested for validity by using factor analysis. From this tried and tested technique, the five key constructs were derived. Face validity and construct validity were ensured to reaffirm the findings of the factor analysis .The questionnaire was tested for reliability with SPSS by performing item analysis (Cronbach alpha test). A pilot survey was performed with eight respondents to test validity and reliability. The results of the pilot survey were discussed and presented to senior academics in the departments of strategy and statistics at Wits Business School. As this is predominantly a quantitative study, in

order to analyse the data collected both descriptive and inferential statistical methods were applied.

In conclusion, literature on research highlights that the mind-set of using a straitjacket philosophy, positivist versus postmodern, is unrealistic (Cresswell and Tashakkori, 2007; Onwuegbuzie and Leech, 2006b; Saunders et al., 2003). This implies a preference for a balanced approach. To fulfil a comprehensive business research study, a pragmatic philosophy was selected. This in turn allowed for a predominantly quantitative methodology. In this section, a comprehensive explanation was given on the research methodology and approach. In the next section, the findings from the data collection is discussed by using descriptive and statistical analytical methods.

CHAPTER 6: FINDINGS AND DESCRIPTIVE ANALYSIS OF RESULTS

6.0 Introduction

In this chapter an in-depth prognosis of the data collected from the sample population is undertaken. Descriptive statistics were used to analyse the biographical nature of the data collected. It must be noted that for the descriptive analysis, summary charts and tables were used. For detailed reports, as per the outputs from SPSS, these can be found under the relevant appendices.

6.1 Profiling the data collected using descriptive statistics

The questionnaire that was used for data collection had two main sections. The first section, which was titled Section: Organisational details (refer to Appendix C) was used to collect data that was in line with biographical details of the organisation (Blaxter, 2003). Questions 6, 7, 8 and 9, which were in regards to Turnover, Profit, CSI and EF were key questions as they do not only give biographical information of the company but also represent the measurement of the dependant variable of successful strategy in the AEM. Table 36 summarises the breakdown of N, where N=125 (the total number of respondents).

Table 36: Breakdown of N

Country	Respondents
South Africa	• 50
Nigeria	• 39
Kenya	• 20
Egypt	• 9
Other	• 7
Total	• **125**

6.1.1 Titles

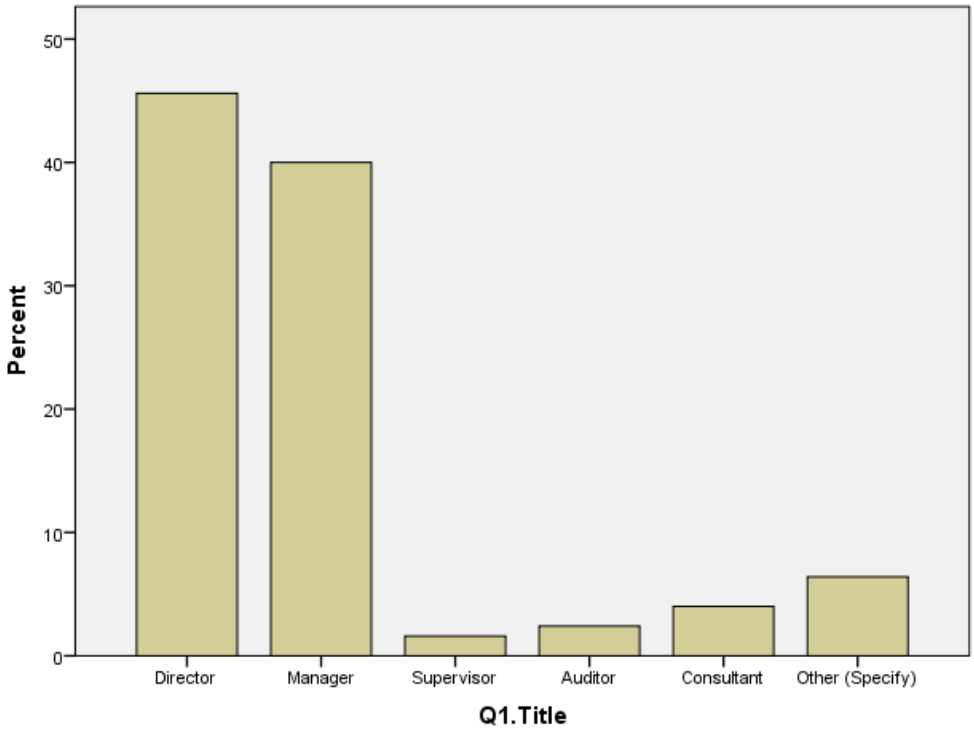


Figure 13: Titles

Of the respondents, 46 percent were Directors and close to 40 percent were managers which is favourable. Mintzberg (2009) highlights that top management, i.e. Directors and Managers, are the main formulators and implementers of strategy in a company. Hence, by the questionnaire having the majority of the responses coming from the category of staff in the MNE adds weight to the research.

6.1.2 Core Functions

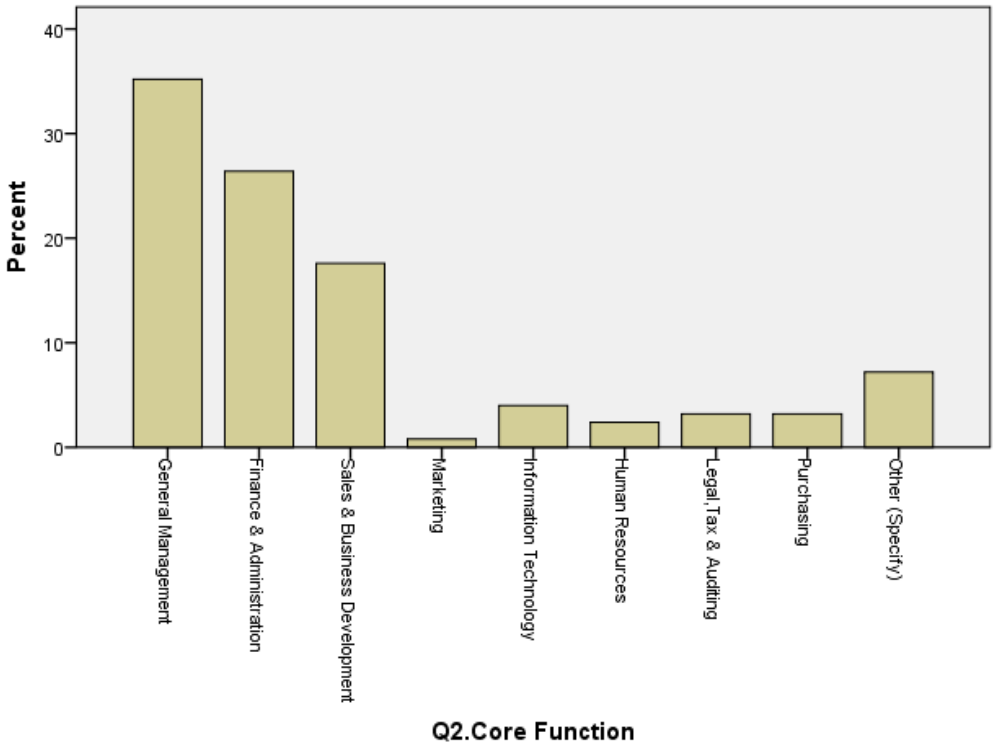


Figure 14: Core Functions

Of the respondents 35 percent were in the General Management position and 26 percent were in a Finance and Administration position. The General Management position entailed positions such as that of the Managing Director and Operations Director (David, 2005). As mentioned previously, the aim of the research to target the key influencers of strategy of the MNE in the AEM, it was imperative that the respondents to the questionnaire had adequate strategic knowledge of the business both internally and externally to be able to respond appropriately. This was achieved by having over 50 percent of the respondents in the key areas of Finance, Administration and General Management. The other functions such as Marketing, Information Technology, Human Resources, Legal, Tax, Auditing and Purchasing, are however not discarded as these, albeit to a lesser extent can also have an appreciation of the factors impacting the strategy of the MNE in the AEM (Mintzberg, 2009; Hill and Jones, 2007).

6.1.3 Location of Company

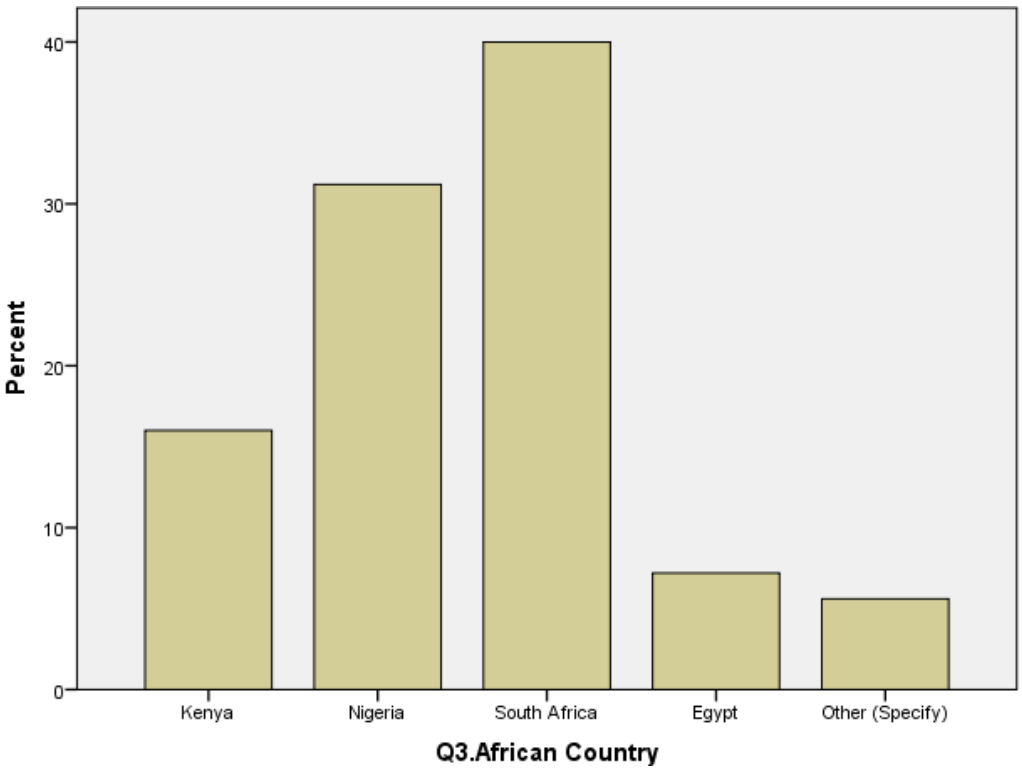


Figure 15: Location of Company

The geographical location of the respondents' company was critical as this verified that our sample selection was correct. The MNEs targeted were purposively selected from countries that were defined AEMs from the four cardinal points in Africa (Bank, 2011b; Roxburgh et.al. 2010). These countries were South Africa in Southern Africa, Nigeria in West Africa, Kenya in East Africa and Egypt in North Africa. In addition, each of these countries were purposively selected as they were the dominant economies in their regions based on GDP and political influence (Bank, 2011b; Schwab, 2013). With reference to Graph 3, the highest representation of 40 percent of the population was from SA followed by Nigeria and Kenya who had 31 percent and 16 percent respectively. Egypt had the least with a representation of 7 percent while there was an insignificant amount of 5.6 percent from other African countries. Table 37 details the breakdown of the countries captured in the narration of other African countries.

Table 37: Other Country Narration Option (Q3)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Total	114	91.2	91.2	91.2
	14 countries outside SA across Africa and Middle East	1	.8	.8	92.0
	All countries above	1	.8	.8	92.8
	England	1	.8	.8	93.6
	Ghana	2	1.6	1.6	95.2
	Ken,Nig,Moz,Ang,Zam, Zim,Mal,Bots.Mau	1	.8	.8	96.0
	Kenya	1	.8	.8	96.8
	Nigeria	2	1.6	1.6	98.4
	South Africa	1	.8	.8	99.2
	South Africa, Kenya, Ghana	1	.8	.8	100.0
	Total	125	100.0	100.0	

As the total coverage of the targeted countries makes up over 90 percent of the respondents this gives adequate assurance that the data collected was from the correct respondents. Further to this the percentage of respondents who were not from these countries for one reason or the other will most likely be less than 2 percent (refer to the highlighted rows in Table 32) and thus not having any significant effect on the results .

6.1.4 Location of Global Headquarters

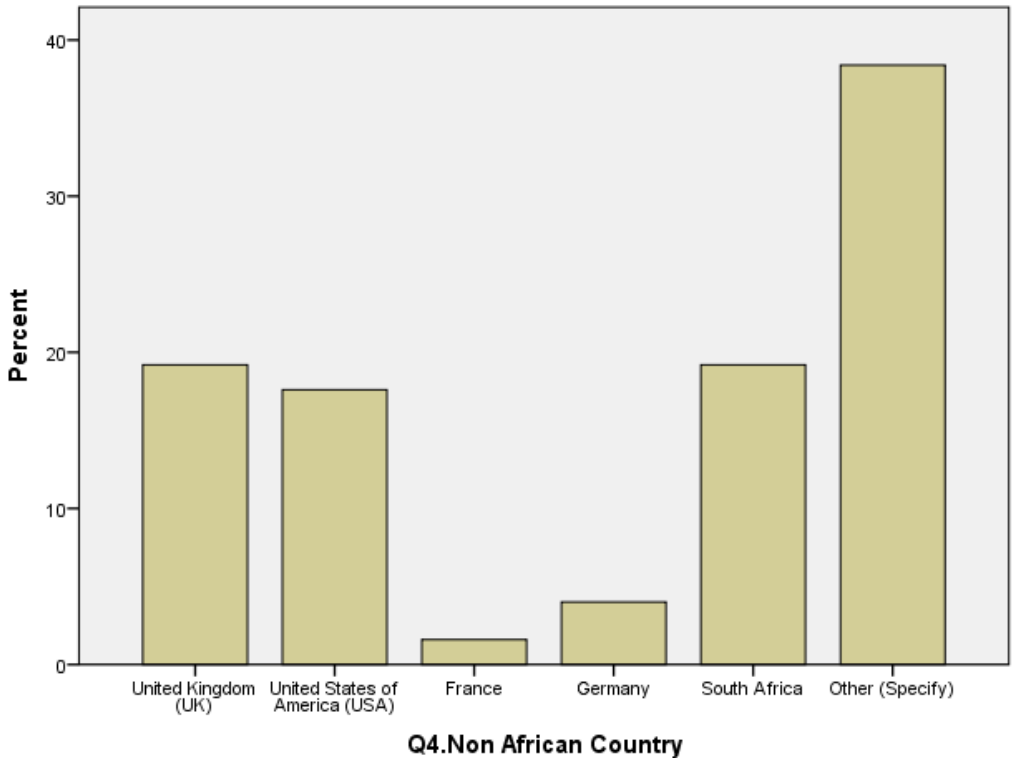


Figure 16: Location of Global Headquarters

The location of the headquarters of the MNE in the AEM was also crucial in ensuring that the analysis of the impact of the institutional factors on the MNE in the AEM. As discussed in Chapters 3 and 4, MNEs operating in the African continent tend to have their strategies strongly influenced by the parent companies based in the DNs (Hoskisson et al., 1999, 2000; London and Hart, 2004; Wright et al., 2005).

Meyer et al.(2009) have highlighted that because the external environmental dynamics in the DNs is significantly different to those in EM , it would be inappropriate to assume that the same factors, or the intensity thereof, apply to MNEs operating in the EMs. Although a reasonable amount of research has gone into proving this by researching in the leading EM markets of Brazil, Russia, India, and China (Peng et al., 2008) there is very limited research looking at the key impact of the institutional factors in the leading emerging markets in Africa. In Chapter 4 a detailed comparison between the economic indicators of leading DNs, EMs, and AEMs was shown, highlighting the significant different in these environments. Hence, the purpose of this research is to test the hypotheses that relate to the key institutional factors that are globally applied to MNEs with a specific focus on the MNE from DN operating in the AEM. It was thus important to ensure that the MNE selected

had a global head office in a DN. This could either be the USA, UK, France or Germany or a DN whose economic indicators placed it in the category of a DN, i.e. Stage 3 (Schwab, 2013). With reference to Graph 4 and Table 38, 41 percent of the respondents worked for companies with head offices in the USA, France, Germany, UK. However 38 percent placed their head office in SA; however, due to the nature of companies selected it was assumed that a number of the MNE's in Africa have a regional office in SA reporting to a DN head office i.e. Europe or the USA. A breakdown of the countries that were given by the respondents in the 'other' option of this question shows that 12 percent (as per the highlighted areas in Table 38) of the countries were DNs as per the definition of DNs given in Chapters 2 and 3. Therefore, global headquarters of DNs is as per the selected sample meets the required standard so as to perform the required statistical analysis.

Table 38: Other Country Narration Option (Q4)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		77	61.6	61.6	61.6
	Australia	1	.8	.8	62.4
	Belgium	1	.8	.8	63.2
	Canada	1	.8	.8	64.0
	Egypt	4	3.2	3.2	67.2
	Egypt,Kwait	1	.8	.8	68.0
	Finland	2	1.6	1.6	69.6
	India	1	.8	.8	70.4
	Japan	1	.8	.8	71.2
	Kenya	10	8.0	8.0	79.2
	Mauritius	2	1.6	1.6	80.8
	Netherlands	3	2.4	2.4	83.2
	Nigeria	15	12.0	12.0	95.2
	South Korea	1	.8	.8	96.0
	Sweden	1	.8	.8	96.8
	Switzerland	4	3.2	3.2	100.0
	Total	125	100.0	100.0	

6.1.5 Industry

Table 39: Industries (Q5)

Industry	Responses	% Percentage
Q5.1.Agriculture	• 7	• 4%
Q5.2.Mining	• 11	• 6%
Q5.3.Manufacturing	• 18	• 10%
Q5.4.Transportation	• 14	• 8%
Q5.5.Comm. & Broadcasting	• 13	• 7%
Q5.6.Utilities	• 2	• 1%
Q5.7.Retail	• 10	• 6%
Q5.8.Wholesale	• 6	• 3%
Q5.9.Banking	• 6	• 3%
Q5.10.Insurance	• 7	• 4%
Q5.11.Other Fin. Services	• 11	• 6%
Q5.12.Business Services	• 14	• 8%
Q5.13.Government	• 3	• 2%
Q5.14.Healthcare	• 6	• 3%
Q5.15.Education	• 2	• 1%
Q5.16.Inf. Technology	• 19	• 11%
Q5.17.Other	• 31	• 17%
Total	• 180	• 100%

The sample reflected a healthy spread of the different types of industries in which the MNEs operate. This is important to the research as it adds to the generalisability of the findings (Blaxter, 2003). It can be seen that a large number of firms were involved in Manufacturing (n=18; 10 percent), Business Services (n=14; 8 percent) and Information Technology (n=19; 11 percent).

6.1.6 CSI and EF Spend

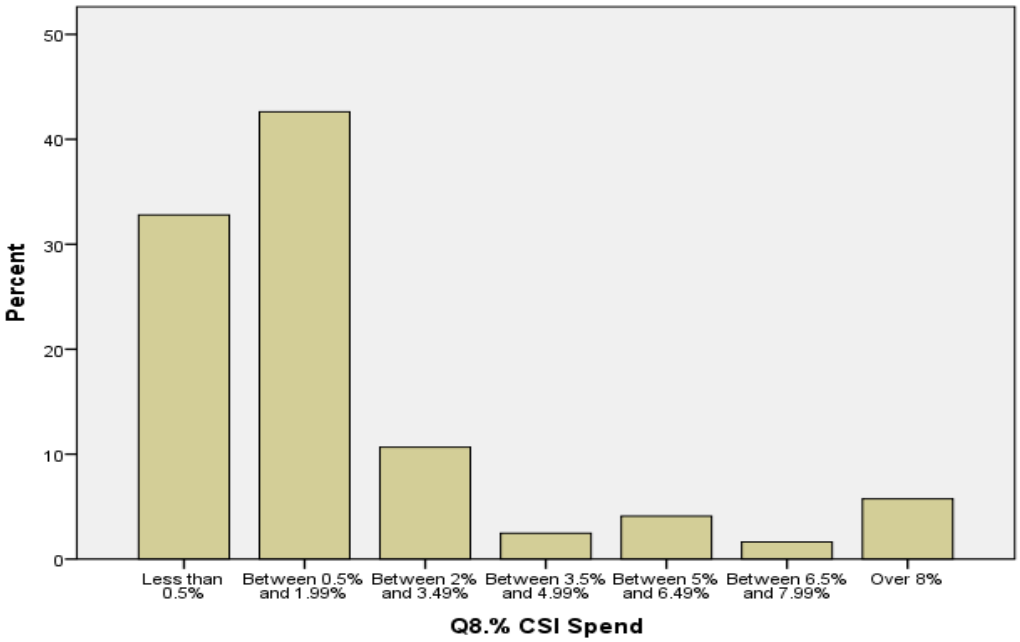


Figure 17: CSI

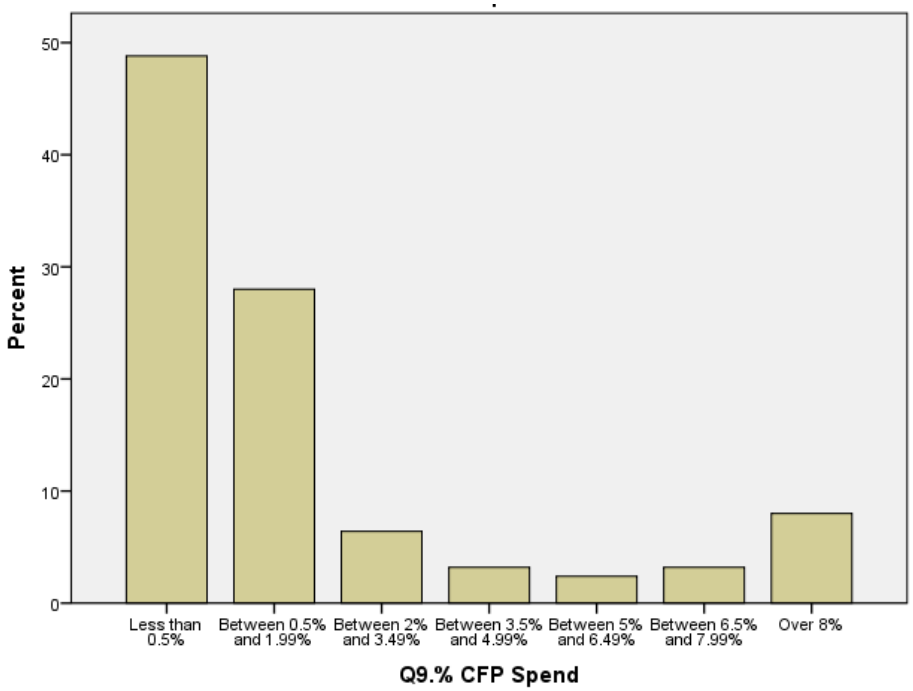


Figure 18: EF

With reference to Graphs 5 and 6, 73 percent of the MNE's spend less than 2 percent on CSI and 66 percent of firms spend less than 2 percent EF. Both of these indicators are strongly motivated by the international reporting standards (GRI, 2013) so as to ensure that companies are making profits responsibly. In addition, a majority of the stock exchanges insist on TBL reporting, which encompasses both these indicators (Economist, 2009). The challenge though with measuring EF and CSI accurately in the AEM environment is there is still lot of developmental work that is happening in these countries (Schwab, 2013) at different levels. For instance a company in Kenya could be aiding the refugees from next door war torn Somalia (UNHCR, 2012) compared to another company in South Africa which could be providing IPADs to a school in an under developed area in Johannesburg, South Africa. Both of these could be defined as CSI but the impact and relevance they have on society is significantly different and thus cannot be gauged on the same scale. The same can be said of the measurement of EF, which is more relevant to heavily industrialised countries like the DNs (Bank, 2014). The amount carbon emissions in the bulk of the AEMs is minuscule when compared with those in the DNs (Bank, 2014). The other challenge is that in the DNs there are stringent standards that incentivise the firms operating in those industries to invest and comply with the EF and CSI requirements (LSE, 2012; NYSE, 2012); whereas, in the AEM environment it is difficult to implement and maintain such industry standards (Schwab, 2012, 2013). With over 50 percent of MNEs in the AEM investing both in EF and CSI shows that Africa as a predominantly AEM region is following the global trend of making companies socially responsible .

To enable a more accurate analysis of these dependant variables, which are categorised and not continuous, logistic regression was used in the inferential statistical analysis section (Cramer, 2003; IBM, 2012). In order to apply logistical regression effectively, as prescribed by the categories for profit and turnover, it will be collapsed into two categories of High and Low (Cramer, 2003; Gerber and Hall, 2013). The key for the recoded values of these variables can be seen in Tables 40 and 41. Graphs 7 and 8 show the structure of the data for both CSI and EF respectively after these variables have been recoded in SPSS (Lund and Lund, 2013b).

Table 40: Recoding of the Dependent Variables (CSI)

Measure of Brackets for Turnover	Original Value in SPSS	Recoded Variable in SPSS
Less than 0.5%	• 0	• 0 (Low)
• Between 0.5% and 1.99%	• 1	• 0 (Low)
• Between 2% and 3.49%	• 2	• 0 (Low)
• Between 3.5% and 4.99%	• 3	• 1 (High)
• Between 5% and 6.49%	• 4	• 1 (High)
• Between 6.5% and 7.99%	• 5	• 1 (High)
• Over 8%	• 6	• 1 (High)

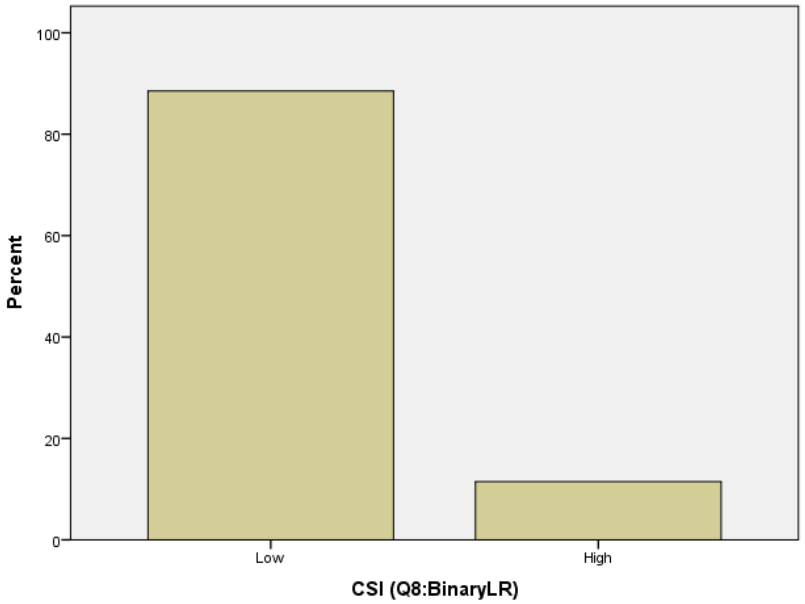


Figure 19: CSI (Recoded Variable)

Figure 19: Recoding of the Dependent Variables (EF)

Measure of Brackets for Turnover	Original Value in SPSS	Recoded Variable in SPSS
Less than 0.5%	• 0	• 0 (Low)
• Between 0.5% and 1.99%	• 1	• 0 (Low)
• Between 2% and 3.49%	• 2	• 0 (Low)
• Between 3.5% and 4.99%	• 3	• 1 (High)
• Between 5% and 6.49%	• 4	• 1 (High)
• Between 6.5% and 8%	• 5	• 1 (High)
• Over 8%	• 6	• 1 (High)

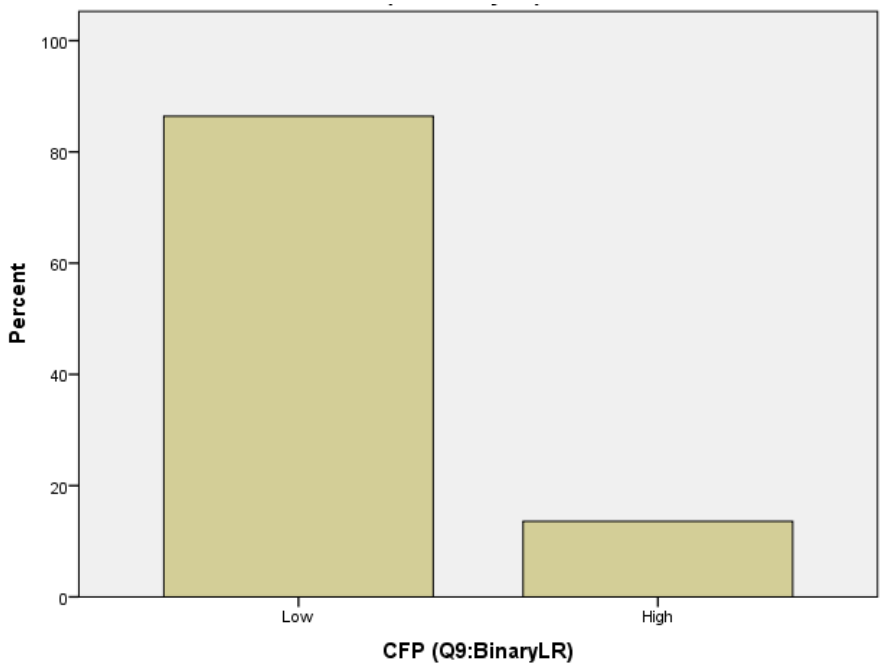


Figure 20: EF (Recoded Variable)

6.1.7 Turnover and Profit

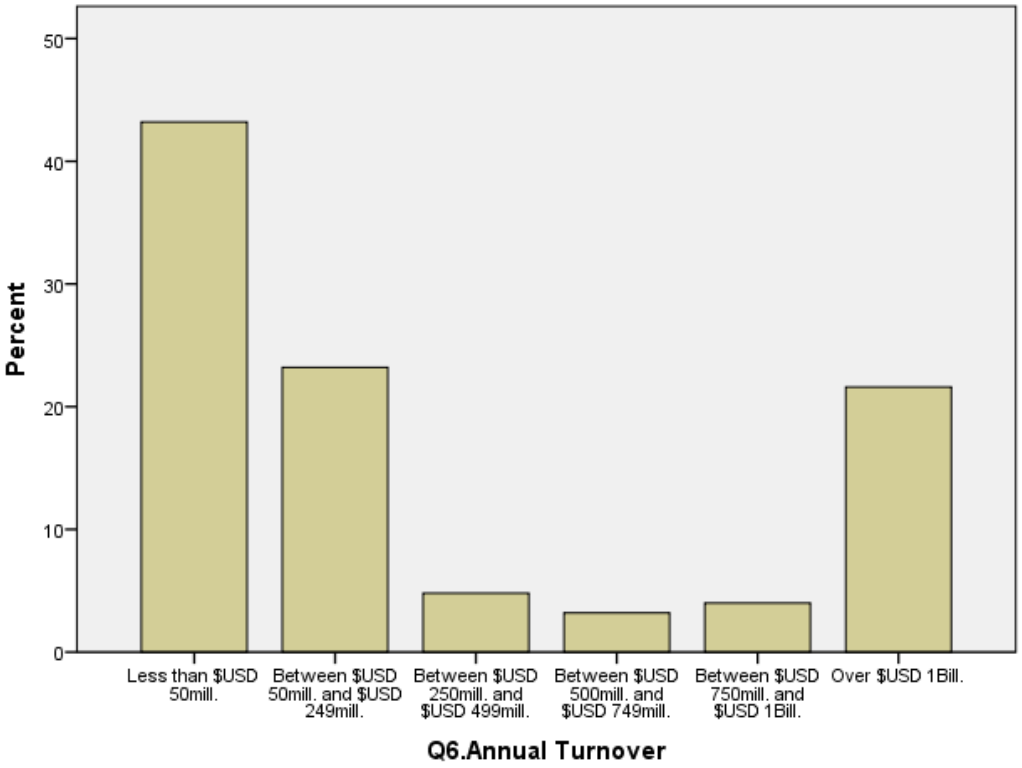


Figure 21: TO

Over 43 percent of the companies had a turnover of less than $50 million per year and 22 percent had a turnover of over $1 billion per annum. The average turnover for the companies sampled was between $50 million and $250 million, i.e. a score of 1.6. Gartner (2013), one of the leading global research companies, defines companies that are in the small to medium sized category (SMB) as those with a turnover in the $US50 million to less than $1 billion region. Small companies will have a turnover of less than $50 million per annum and medium-sized will be between $50 million and $1 billion. Based on the results of the survey the average company from a global perspective can be termed as a medium-sized company. However, if considering the size of companies in the African continent on the upper end of this bracket some of these companies could be considered as large (EGX, 2014; JSE, 2014; KSE, 2014; NSE, 2014).

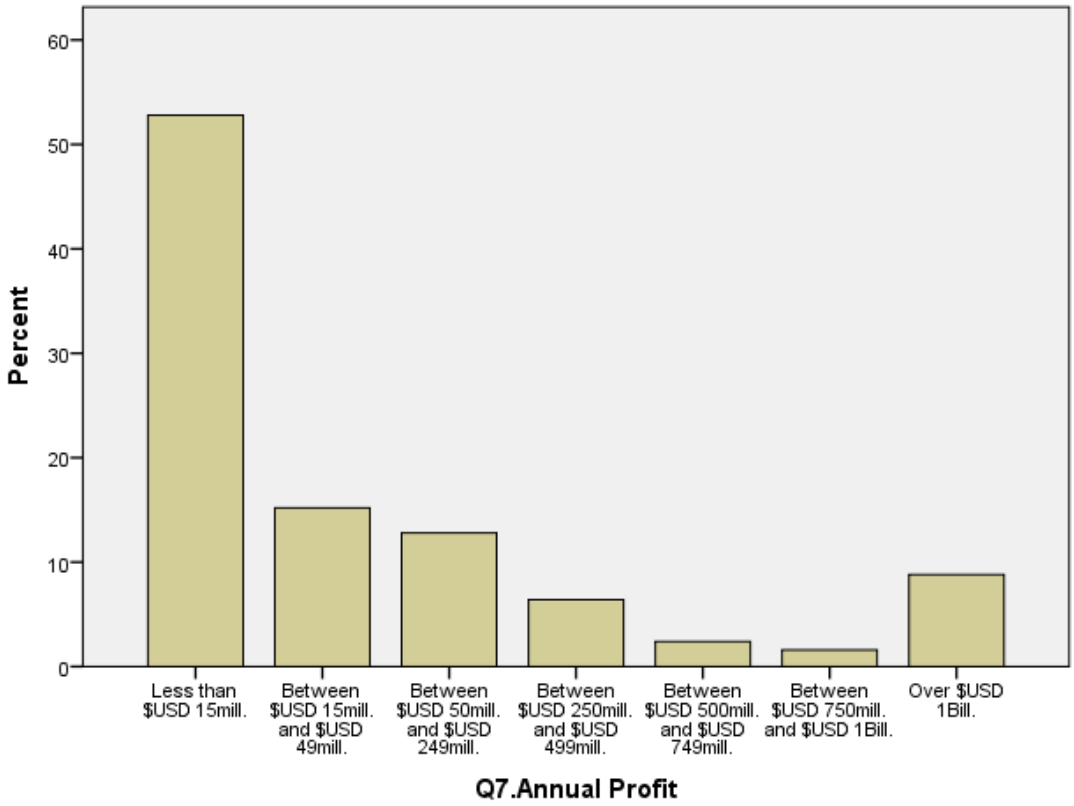


Figure 22: PFT

For profit, 53 percent of the population had a profit of less than $15 million per annum and 9 percent had profit over $1 billion. The average profit for the companies sampled was between $15 million and $50 million, i.e. a score of 1.3. As with EF and CSI to enable a more accurate analysis of these dependant variables, which were categorised and not continuous, logistic regression will be used in the inferential statistical analysis section

(Cramer, 2003; IBM, 2012). In order to apply logistical regression effectively as prescribed by Lund and Lund (2013b), the categories for Profit and Turnover will be collapsed into two categories of High and Low (Cramer, 2003; Gerber and Hall, 2013). The key for the recoded values of these variables can be seen in Tables 42 and 43. Graph 11 and 12 show the structure of the data for both TO and PFT respectively after these variables have been recoded in SPSS.

Table 41: Recoding of the Dependent Variable (TO)

Measure of Brackets for Turnover	Original Value in SPSS	Recoded Variable in SPSS
Less than $USD 50mill.	• 0	• 0 (Low)
• Between $USD 50mill. And $USD249mill	• 1	• 0 (Low)
• Between $USD 250mill. And $USD 499mill	• 2	• 0 (Low)
• Between $USD 500mill. And USD 749mill	• 3	• 1 (High)
• Between $USD 750mill. And $USD 1 Bill	• 4	• 1 (High)
• Over $USD 1 Bill	• 5	• 1 (High)

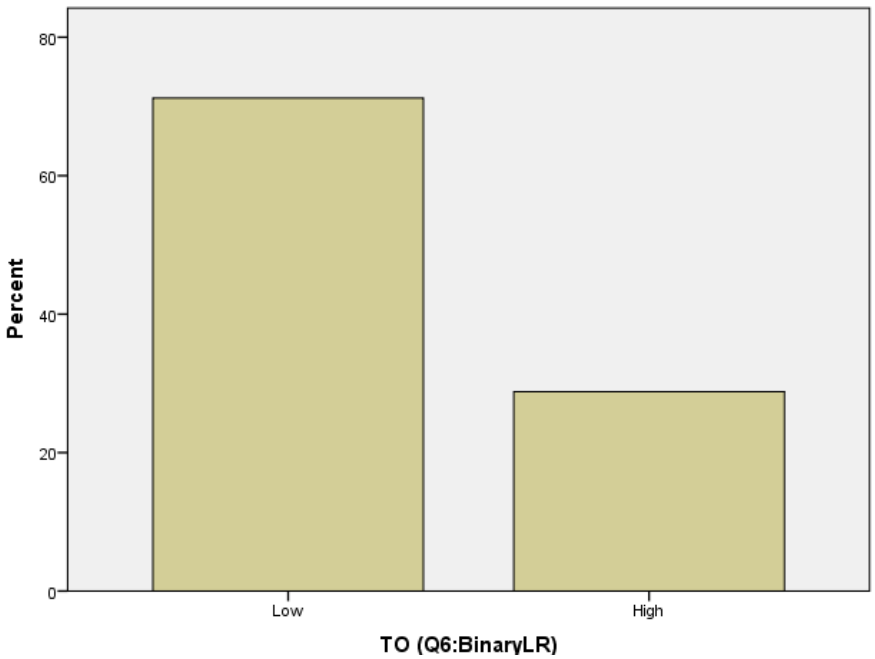


Figure 23: TO (Recoded Variable)

Table 42: Recoding of the Dependent Variable (PFT)

Measure of Brackets for Profit	Original Value in SPSS	Recoded Variable in SPSS
Less than $USD 15mill.	• 0	• 0 (Low)
• Between $USD 15mill. and $USD 49mill.	• 1	• 0 (Low)
• Between $USD 50mill. And $USD249mill	• 2	• 0 (Low)
• Between $USD 250mill. And $USD 499mill	• 3	• 0 (Low)
• Between $USD 500mill. And USD 749mill	• 4	• 1 (High)
• Between $USD 750mill. And $USD 1 Bill	• 5	• 1 (High)
• Over $USD 1 Bill	• 6	• 1 (High)

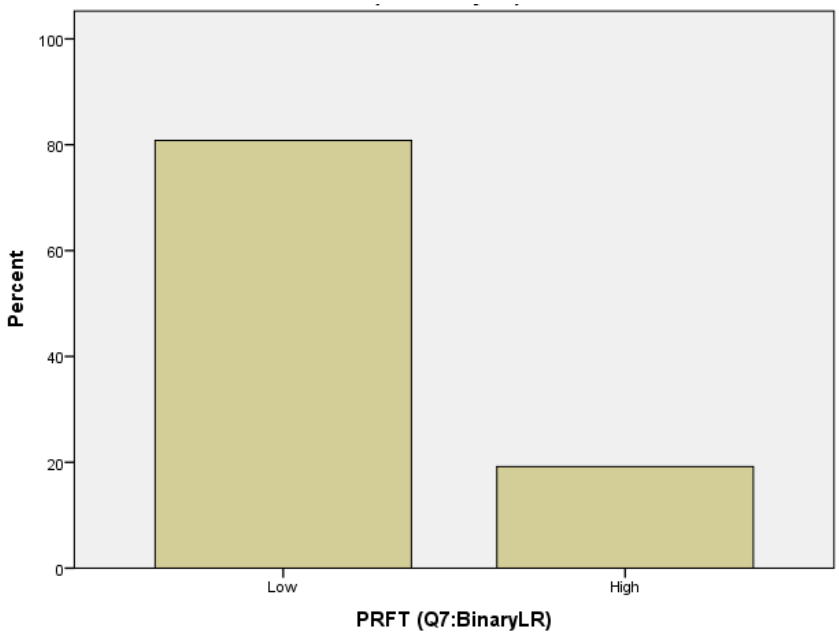


Figure 24: PFT (Recoded Variable)

6.1.8 No. of Employees

The employee brackets for the companies in this sample was spread out with at least 20 percent having employees numbering between one and 49 and then those companies with over 5,000 employees.

The mean for number of employees in a company was the bracket of 200 to 499 employees, with a standard deviation of two intervals either way i.e. the range would have been 50 and 5,000 employees. Graph 13 provides the details of all brackets.

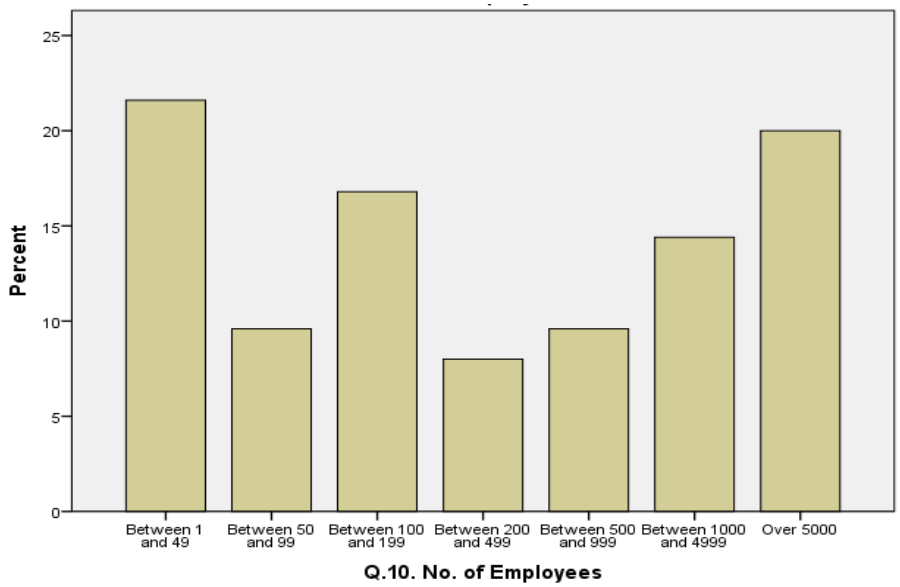


Figure 25: No. of Employees

6.1.9 Market Share

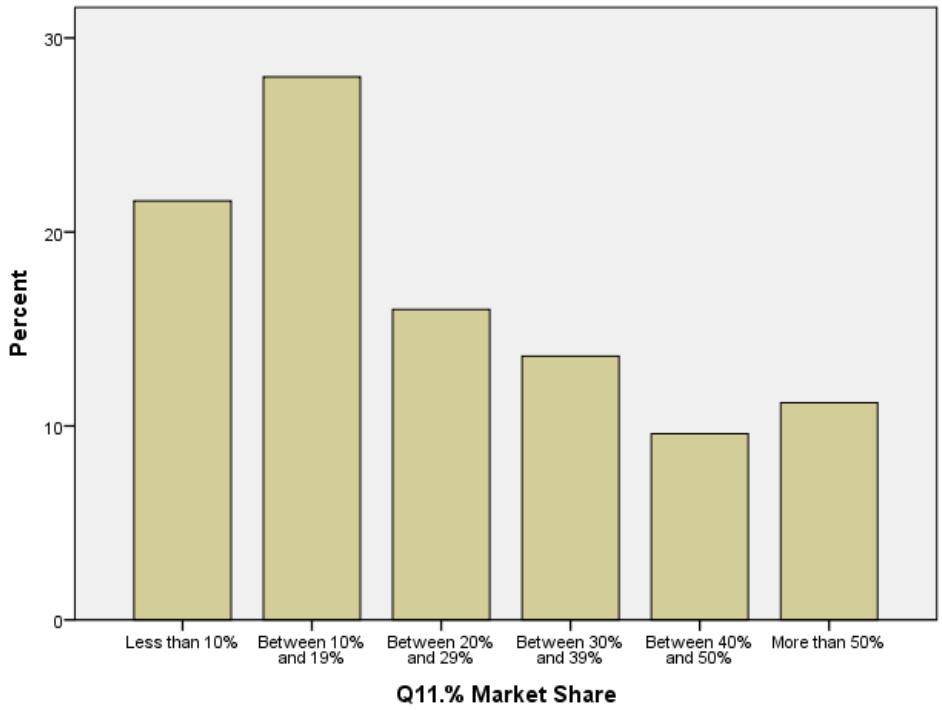


Figure 26: Market share

Of the firms that responded to this survey, 65.6 percent had a market share of between 10 and 30 percent. Based on industry standards this indicates that there was a significant

representation of the MNEs in their market place that allowed for the data collected o represent adequate information of the environment (EMD, 2012). Graph 14 details this.

6.1.10 No. of Years Company has been in existence

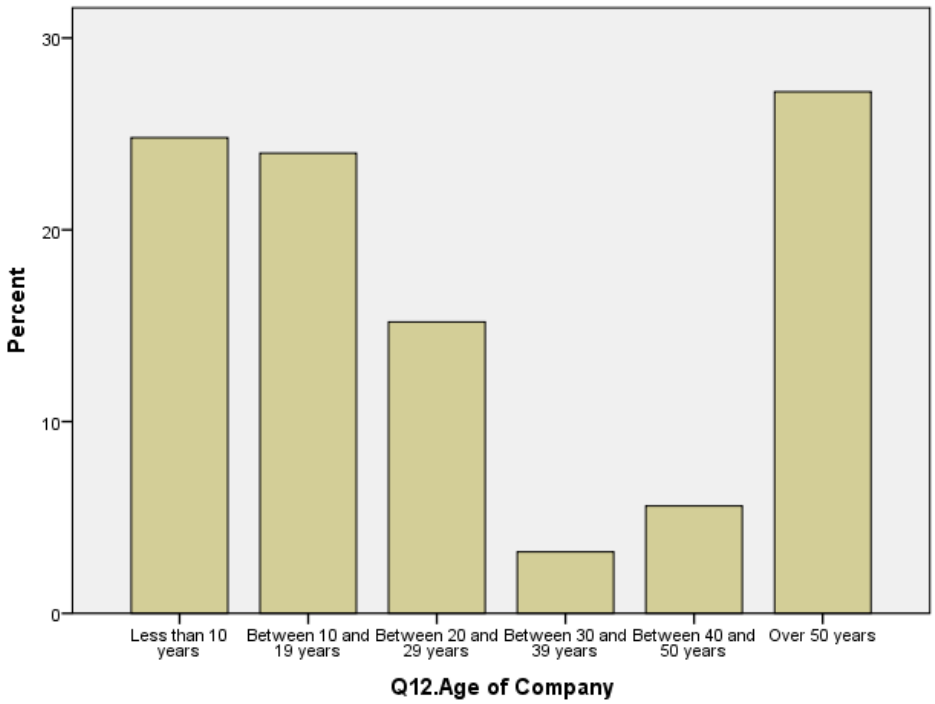


Figure 27: Age of company

Of the companies responding, 27 percent have been operational in Africa for over 50 years, which provides assurance that this research has leveraged off MNEs that have had sound experience operating in the AEM.

6.2. Independent Variables

For the institutional factors, the GC Report 2012/2013 has provided the key constructs that make up these as property rights, ethics and corruption, undue influence, government efficiency, security, corporate ethics and accountability. As mentioned previously, the constructs in the research questionnaire have been validated by the nature of the report itself (Schwab, 2012), which grouped the constructs into five key construct groups being Property Rights (PR), Undue Influence (UI), Security (SC), Government Efficiency (GE) and Accountability and Corporate Ethics (ACCE). The reliability of the constructs has been tested through the Cronbach alpha score. In this section the descriptive statistics, namely

frequency, mean, median and standard deviation of the constructs is discussed (Gerber and Hall, 2013; IBM, 2012). Table 44 is the summarised representation of descriptive statistics for all the questions that make up the constructs. Extensive detail can be found in Appendix C.

Table 43: Descriptive Statistics for the Independent Variables

Construct (N = 125)	Mean	Standard Deviation
Property Rights	• 4.48	• 1.040
• Undue Influence	• 4.15	• 1.255
• Security	• 5.20	• 1.218
• Government Efficiency	• 3.43	• 1.174
• Accountability & Corporate Ethics	• 6.09	• 0.963

Table 44 summarises the mean scores of each of the seven constructs representing the independent variables. The average standard deviation was one, Accountability and Corporate Ethics gathering the highest average mean score and Government Efficiency the lowest average mean score. The scores were as per the seven point Likert scale with the following points:

Table 44: Seven point Likert Scale

Scale	1	2	3	4	5	6	7
Measurement	• Strongly Disagree	• Disagree	• Slightly Disagree	• Unsure	• Slightly Agree	• Agree	• Strongly Agree

6.2.1 Property Rights

Table 45: Section B - Property Rights (PR)

Ref.	Question	Scale (%)						
		• 1	• 2	3	4	5	6	7
13	The local property rights are easily accessible by multinational enterprises?	3%	7%	13%	32%	18%	21%	6%
14	The current intellectual property rights protect our investment as a multinational enterprise?	2%	9%	6%	26%	22%	23%	12%
15	As a multinational the purchasing of property is difficult?	8%	27%	14%	24%	12%	13%	2%
16	The property rights are very easy to comply with?	2%	10%	11%	33%	22%	18%	4%

The institutional factor of property rights pertains to the country legislation around property (Schwab, 2013). The mean score was a score between four and five with a standard deviation of one, with full results in Table 46. This implies that property rights do not seem to carry a big response from the selected sample as most respondents were mostly unsure, based on the frequency score of the questions. This could also imply that companies are not directly influenced by legislature, with regard to property, hence the high 'unsure' score.

6.2.2 Undue Influence

Table 46: Section D – Undue Influence (UI)

Ref	Question	Scale (%)						
		• 1	• 2	3	4	5	6	7
22	This country's judiciary operates independently of state?	6%	12%	11%	22%	22%	20%	7%
23	This country's judiciary is pro-government?	4%	12%	12%	30%	20%	15%	6%
25	The judiciary in this country in its decisions is impartial?	3%	6%	16%	27%	23%	21%	3%

The institutional factor of Undue Influence pertains to the country legislation around the independence of the judiciary (Schwab, 2012). Past research (Schwab, 2010, 2011, 2012) has shown this independence is key to the success of the MNE is the AEM. The mean score for this variable was four with standard deviation of one.

6.2.3 Government Efficiency

Table 47: Section E – Government Efficiency (GE)

Ref	Question	Scale (%)						
		1	2	3	4	5	6	7
19	We have confidence in our government and the decisions that they make?	19%	21%	21%	14%	10%	12%	2%
27	As a multinational enterprise, it is difficult to comply with the government's policies and regulations because they are too rigid and complex?	7%	15%	19%	19%	18%	15%	6%
28	The handling of commercial disputes through the legal system is straightforward?	13%	8%	19%	25%	18%	15%	2%

Ref	Question	Scale (%)						
		1	2	3	4	5	6	7
29	The government is always open to suggestions from multinational enterprises in challenging its policies and regulations?	10%	18%	18%	24%	15%	14%	1%
30	The government's policymaking process is transparent and participative to all stakeholders?	15%	22%	22%	14%	21%	5%	2%
31	There is an effective public sector service that benefits the multinational enterprises operating in this country?	12%	19%	22%	22%	18%	6%	0%
35	There is a reliable police service in this country?	17%	27%	21%	11%	14%	9%	2%

The institutional factor of Government efficiency pertains to the governments' bureaucracy in implementing and managing its policies (Schwab, 2013). The more efficient and effective government bureaucracies are the more conducive an environment for the MNE to operate in. The mean score for this variable was three with a standard deviation of one. The result highlights that the MNEs have identified significant levels 'red tape' in their day-to-day interactions with Government which is not conducive for fostering a healthy competitive environment (Ketels, 2006).

6.2.4 Security

Table 48: Section F – Security (SC)

Ref	Question	Scale (%)						
		1	2	3	4	5	6	7
18	In this country there are a lot of complaints on the diversion of public funds?	3%	2%	2%	8%	12%	31%	42%
32	As a multinational enterprise we have to invest in domestic security due to crime?	4%	1%	4%	9%	14%	38%	30%
33	Petty crime is a big problem for us a as a multinational enterprise in this country?	2%	9%	14%	13%	22%	22%	18%
34	Organised crime is a big problem for us as a multinational enterprise in this country?	6%	7%	14%	18%	21%	17%	16%

The institutional factor of Security pertains to the country's risk profile on domestic security and pertains to how confident industry is with regard to law and order through law enforcement agencies like the police force (Schwab, 2012). It also looks at how the government manages ethical standards by dealing with corruption (Hoskisson et al., 2000; Peng, 2012; ScienceWatch, 2010). The mean for this variable was five with a standard deviation of one. UNODC (2010) highlights that crime and corruption in Africa is one of its biggest problems and creates a challenge for an MNE wanting to be competitive in the AEM.

6.2.5 Corporate Ethics

Table 49: Section G – Accountability and Corporate Ethics (ACCE)

Ref	Question	Scale (%)						
		1	2	3	4	5	6	7
36	As a multinational enterprise we have a high code of ethics in the way we conduct business?	2%	2%	1%	4%	6%	28%	58%
37	All employees are fully aware of the of the companies code of conduct procedures?	0%	3%	0%	5%	14%	37%	42%
38	As a multinational we have an effective internal process to report on any unethical behaviour i.e. whistle blowing	1%	2%	4%	7%	14%	31%	41%
39	Our financial and management reporting meet international standards?	0%	2%	0%	3%	3%	28%	64%
40	Our board of directors is efficient and effective?	2%	2%	0%	5%	7%	39%	44%
41	Minority shareholders are confident that their investments are secure?	0%	3%	1%	14%	13%	28%	39%
42	Major shareholders are confident that their investments are secure?	0%	3%	2%	6%	12%	31%	46%

The institutional factor of Accountability and Corporate Ethics pertains to the industry standards and the related code of conduct that companies in their specific industry have to comply with, not only as a company but their employees too (Schwab,2013). It also pertains to the compliancy of the companies to international reporting standards like the Financial Accounting Standards Board (Board, 2014). The mean score for this variable was six with a standard deviation of one. The score here shows that MNEs feel very strongly and are confident that they have the right processes and structures in place to be accountable and credible as a company to the public as well as to their employees. This is probably because of the existence and enforcement of globally recognised quality standards such as the Financial Accounting Standards Board (Board, 2014). MNEs that operate in most countries have to comply with a certain level of international reporting requirements and as such it is

imperative that that management have internal measures in place to accommodate this (Mintzberg, 2009). In addition, companies listed on stock exchanges are also measured on the level of compliancy they have on this criteria (EGX, 2014; JSE, 2014; KSE, 2014; LSE, 2012; NSE, 2014; NYSE, 2012; UNDP, 2003).

6.3 Summary

In this chapter the data in divided into two main categories for analysis, with the total number of respondent being 125, i.e. N = 125. Descriptive Statistical Analysis was used to determine the biographical nature of the data collected by looking at the attributes of frequencies, means, and standard deviations. The following organisational details were analysed to verify that the questionnaire was targeted at the right demographic of MNEs from the DNs operating in the AEM:

- Title;
- Core Function;
- Company Location;
- Headquarter Location;
- Industry;
- Profit;
- Turnover;
- CSI;
- EF;
- Number of Employees;
- Market Share Percentage; and
- Age of Company.

From this assessment, it showed that an acceptable range of top management responded to the survey with 46 percent being directors in the firm. Of the countries that hosted the MNE in the AEM 90 percent were from the purposively selected countries of South Africa, Kenya, Nigeria and Egypt. Of the MNEs in the AEM, 78 percent of their headquarters were from DNs. The average size of the companies had employees falling in the 200 to 500 employee bracket, which implies that they were a good representation of the small, medium and large enterprises. Over 27 percent of these companies have been in existence for over 50 years. Of the MNEs, 66 percent had a market share of between 10 and 30 percent, with

43 percent of these companies having an annual Turnover of under $50 million per annum and 22 percent having an annual turnover of over $1 billion per annum. More than 50 percent of the MNEs spend less than 2 percent per annum on CSI and EF.

The descriptive analysis on the Independent variables were performed using the mean and standard deviation. The dependant variables were:

- Property Rights (PR);
- Undue Influence (UI);
- Government Efficiency (GE);
- Security (Sec); and
- Accountability and Corporate Ethics (CE).

In summary, analysing the descriptive results of the independent and dependent variables, an overview of the association between the institutional factors and the impact they have on strategy success of the MNE was obtained. In addition, the acceptable results of the Cronbach Alpha scores, as discussed in the previous chapter, provide an accurate view of the perception by top management of MNEs working in these AEMs. It is now only through inferential statistical analysis that in depth conclusions of the data collected can be drawn. In the next chapter, the results of the inferential statistical analysis are discussed.

CHAPTER 7: FINDINGS AND INFERENTIAL ANALYSIS OF RESULTS

7.0 Introduction

In this chapter, an in-depth prognosis of the data collected from the sample population is undertaken and inferential statistics used to analyse the data. The objective is to test the seven hypotheses formulated in Chapter 4, Table 17 representing the seven variables that influence the success strategy (SS) of the firm as measured by TO, PFT, CSI and EF. In the previous chapter, descriptive statistics were used to analyse the biographical nature of the data collected and now inferential statistics will be used to measure the causal relationships between the independent variables and dependent variables (Cramer, 2003). Inferential statistics will involve the application of Spearman correlation coefficient in conjunction with the logistic regression model.

7.1 Inferential Statistics – Spearmans Correlation

Correlation is used to determine the level of association between the variables (Cramer, 2003; Lund and Lund, 2013d). This is not only between the independent and dependant variables but also between the dependant variables themselves and the independent variables themselves. By identifying the nature of these relationships and the significance thereof is a fundamental step towards looking at how these variables affect each other in either a positive, negative or even a zero effect. Table 51 summarises how the two methods were applied to the variable.

Table 50: Applying Spearman's Correlation

(Gerber and Hall, 2013; Lund and Lund, 2013d)

Variables Applied To	Reason
Dependent variables (To test associations among themselves)	They are measured on a categorical ordinal scale. Also refer to Appendix C.
Independent variables (To test associations among themselves)	They are measured on a categorical ordinal scale. Also refer to Appendix C.
Independent to Dependent variables (To test the association between the independent and dependent variables)	They are measured on a categorical ordinal scale. Also refer to Appendix C.

In order to apply Spearman's correlation successfully the following three assumptions have to be met:

- **Assumption #1**: Two variables are measured on a continuous and/or ordinal scale; that is: (a) two continuous variables; (b) two ordinal variables; or (c) one continuous and one ordinal variable. This has been met because the dependant variables of Turnover, Profit, CSI and EF are ordinal scales and the independent variable were measured on a seven point Likert scale.
- **Assumption #2**: Two variables represent paired observations. The variables are paired i.e. Turnover, Profit, CSI and EF were paired separately to each of the seven dependant variables of PR, UI, EC, GE, Sec, CE and Acct.
- **Assumption #3**: There needs to be a monotonic relationship between the two variables. Due to the recoding of variables that was done for both dependant variables as well as the fact that independent variables were an average score, the Spearman test was run on assumption that there are no monotonic relationships.

This coupled by the fact that the first two assumptions have been satisfied the Spearman's Correlation was proceeded with.

7.1.1 Explaining the association between the Dependant Variable Strategy Success (SS) as measured by TO, PFT, CSI and EF using the Spearman Correlation

Table 52 shows that between all the independent variables there are significant levels of association. This implies that TO, PFT, CSI and EF are strongly associated to each other for the MNEs operating in the AEM.

Table 51: A Correlation Analysis of the associations between the Dependent Variables for Strategy Success (SS)

(Cramer, 2003; Gerber and Hall, 2013)

Dependant Variable: Strategy Success (SS)		TO	PFT	CSI	EF
TO	Spearman Correlation Coefficient (ρ)	1.000	.722**	.444**	.366**
	Sig. (2-tailed) p-value	-	.000	.000	.000
	N	125	125	122	125
PRFT	Spearman Correlation Coefficient (ρ)	.722**	1.000	.469**	.399**
	Sig. (2-tailed) p-value	.000	-	.000	.000
	N	125	125	122	125
CSI	Spearman Correlation Coefficient (ρ)	.444**	.469**	1.000	.672**
	Sig. (2-tailed) p-value	.000	.000	-	.000
	N	122	122	122	122
EF	Spearman Correlation Coefficient (ρ)	.366**	.399**	.672**	1.000
	Sig. (2-tailed) p-value	.000	.000	.000	-
	N	125	125	122	125

**. Correlation is significant at the 0.01 level (2-tailed).

Between TO and PFT there is a strong positive correlation that is highly significant at the 99 percent level of confidence (ρ=0.722; p<.01). This would be expected as from an accounting perspective profit is a derivative of turnover less expenses (Board, 2014; David, 2005). There is also a strong positive correlation that is highly significant at the 99 percent level of confidence (ρ=0.672, p<.01) between CSI and EF. As these two variables are more of an expense for an MNE to meet a social obligation this will imply that if a company is going to spend money on CSI projects it will probably also do the same on EF. Although these correlations are significantly strong, the investment made by companies on EF and CSI is on average less than 2 percent of Turnover as seen from the descriptive analysis of both CSI and EF. The level of association between the dependent variables gives weight to using TBL as the measuring 'stick' for the success of the MNE strategy in the AEM, as opposed to just depending on one variable (Economist, 2009; GRI, 2013).

7.1.2 Explaining the association between the Independent Variables PR, UI, GE, SC, and ACCE the Spearman Correlation

With reference to Table 53, multiple associations between the dependant variables were observed.

Table 52: A Correlation Analysis of the associations between the Independent Variables

(Cramer, 2003; Fattah, 2014; Gerber and Hall, 2013)

Independent Variables		PR	UI	SC	GE	ACCE
PR	Spearman Correlation Coefficient (ρ)	1.000	.384**	-.089	.427**	.185*
	Sig. (2-tailed)	.	.000	.326	.000	.039
	N	125	125	125	125	125
UI	Spearman Correlation Coefficient (ρ)	.384**	1.000	-.232**	.541**	.077
	Sig. (2-tailed)	.000	.	.009	.000	.396
	N	125	125	125	125	125
SC	Spearman Correlation Coefficient (ρ)	-.089	-.232**	1.000	-.374**	-.029
	Sig. (2-tailed)	.326	.009	.	.000	.748
	N	125	125	125	125	125
GE	Spearman Correlation Coefficient (ρ)	.427**	.541**	-.374**	1.000	.093
	Sig. (2-tailed)	.000	.000	.000	.	.300
	N	125	125	125	125	125
ACCE	Spearman Correlation Coefficient (ρ)	.185*	.077	-.029	.093	1.000
	Sig. (2-tailed)	.039	.396	.748	.300	.
	N	125	125	125	125	125

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

This indicated that there is multicollinearity (Cramer, 2003; Fattah, 2014). The results of this were noted and compared to the result from the stepwise logistic regression that was performed on the variables. This was important, as it was important to identify the effects that each of the independent variables had on the dependant variables without clouding the relationship through multicollinearity (Cramer, 2003; Fattah, 2014). The relationships that exist between the independent variables, as highlighted in Table 53, are as follows:

Property Rights (PR)

There is a strong positive correlation between PR and UI and GE that is highly significant at the 99 percent level of confidence, UI (ρ= .384, p< .01) and GE (ρ=.427. p< .01). Based on this relationship it can be said that in the AEM when there is confidence in the legislation around property this can be positively associated with a healthy judiciary system and to an effective and efficient government that deals with corruption effectively. There is weak correlation between PR and ACCE that is significant at the 95 percent level of confidence (ρ= -.185, p=< .01.) This implies that as the level of corporate accountability and ethics degenerates in the AEM this may cause a significant loss of confidence by the MNEs in security and governance around ownership of property in the AEM.

Undue Influence (UI)

There is a strong positive correlation between UI and GE that is highly significant at the 99 percent level of confidence (ρ= .541, p=< .01). This implies that a more effective governance model in the AEM is positively associated with an effective judiciary system.

On the other hand, there is a weak negative correlation between UI and SC that is highly significant at the 99 percent level of confidence (ρ = -.232, p< .01). This implies that an increase in the transparency and independence of the judiciary is negatively associated with the status of security in the AEM. The positive association of UI and PR was discussed in the previous paragraphs.

Security (SC) and Government Efficiency (GE)

There is a strong negative correlation between GE and SC that is highly significant at the 99 percent level of confidence (ρ= -.374, p=< .01). This implies a positive increase in government efficiency is negatively associated with the status of Security in the AEM. The negative association of SC to UI has already been discussed in the previous paragraphs.

A Spearman's rank-order correlation was run to assess the relationships between the independent variables. Based on these results, it was identified that multicollinearity exists between the independent variables. The challenge of multicollinearity is that it increases the standard errors of the coefficients (Fattah, 2014). Applying the step logistic regression model in assessing the causal relationship between the independent and dependant variables will reduce the error caused by multicollinearity (Cramer, 2003; Gerber, 2013). This outcome is evaluated further with the logistic regression analysis.

7.1.3 Explaining the association between the Dependent Variable (SS) as measured by TO, PFT, CSI and EF to the Independent Variables PR, UI, GE, SC, and ACCE using the Spearman Correlation

In this section, the Spearman Correlation is used to determine the association that exists between the dependant variables, which each represent a measure of Strategy Success (SS) to the seven independent variables.

Explaining the association between TO and PR, UI, GE, SC, and ACCE

As can be seen in Table 54, there is a positive correlation between TO and UI that is highly significant at the 99 percent level of confidence (ρ= .250, p=< .001). This implies that with turnover as the measure of SS there is positive association with the increase in turnover to the increase in the independency and transparency of the judiciary in the MNE. For the detailed analysis report from SPSS refer to Appendix H.

Table 53: A Correlation Analysis of the associations between TO and PR, UI, GE, SC, and ACCE

(Cramer, 2003; Gerber and Hall, 2013)

Independent Variables	Spearman Correlation (ρ)	Spearman Correlation (p-value)
Property Rights	0.062	0.491
Undue Influence	0.250**	0.005
Security	0.094	0.295
Government Efficiency	0.160	0.076
Accountability and Corporate Ethics	0.087	0.332

***Correlation is significant at the 0.01 level (2 tailed)*

Explaining the association between PFT and PR, UI, GE, SC, and ACCE

As can be seen in Table 55 below, there is a positive correlation between PFT and UI that is significant at the 95 percent borderline level of confidence (ρ= .157, p= 0.080). Although the association and significance are weak it does however imply that with profit being the measure of SS there is positive association with the increase of profit of the MNE to the increase in the transparency and independence of the judiciary in the AEM. For the detailed analysis report from SPSS refer to Appendix H.

Table 54: A Correlation Analysis of the associations between PFT and PR, UI, GE, SC, and ACCE

(Cramer, 2003; Gerber and Hall, 2013)

Independent Variables	Spearman Correlation (ρ)	Spearman Correlation (p-value)
Property Rights	0.009	0.920
Undue Influence	0.157	0.080
Security	0.064	0.478
Government Efficiency	0.070	0.437
Accountability and Corporate Ethics	0.049	0.585

Explaining the association between CSI and PR,UI, GE, SC and ACCE

From Table 56 it was observed from that correlations between CSI and the five independent variables were very weak with significant levels similarly low (p>. 05). This implies that there is poor association between corporate social investment as the measure of SS and the five independent variables.

Table 55: A Correlation Analysis of the associations between CSI and PR, UI, GE, SC and ACCE

(Cramer, 2003; Gerber and Hall, 2013)

Independent Variables	Spearman Correlation (ρ)	Spearman Correlation (p-value)
Property Rights	-0.066	0.468
Undue Influence	0.047	0.604
Security	-0.040	0.659
Government Efficiency	0.094	0.303
Accountability and Corporate Ethics	0.080	0.383

Explaining the association between EF and PR, UI, GE, SC and ACCE

From Table 57 it was observed from that correlations between EF and the five independent variables were very weak with significant levels similarly low (p>. 05). This implies that there is poor association between corporate social investment as the measure of SS and the five independent variables.

Table 56: A Correlation Analysis of the associations between EF and PR, UI, GE, SC and ACCE

(Cramer, 2003; Gerber and Hall, 2013)

Independent Variables	Spearman Correlation (ρ)	Spearman Correlation (p-value)
Property Rights	• -0.065	• 0.472
Undue Influence	• -0.009	• 0.923
Security	• 0.057	• 0.525
Government Efficiency	• 0.017	• 0.847
Accountability and Corporate Ethics	• 0.053	• 0.559

7.2 Inferential Statistics – Binary Logistic Regression

Oswego (2014) and Cook (2014) highlight that Logistic Regression can be used to determine which variables are most strongly associated with the probability of a particular category in another variable occurring (Burns and Burns, 2008; Cramer, 2003). In other words, it shows the level of the causal relationship between the independent variable (predictor) and the independent variable (predicted). To analyse the causal relationship between the independent variable SS, as measured by TO, PFT, CSI and EF, and the independent variables of PR,UI, GE, SC, and ACCE, the full LR model 'enter' method has been applied in conjunction with the Forward and Backward LR (Cramer, 2003; Statsoft, 2012a, 2012b). However, only the summary results are discussed from the full model and the detailed results from the Forward LR.

7.2.1 Explaining the relationship between TO and PR, UI, GE, SC, CE and ACCE

By applying the full model 'Enter' method between TO and the five independent variables, the following results were obtained as shown in Table 53. There is a positive regression

between TO and the following variables that is significant at the 95 percent level of confidence:

- UI , p= .019
- SC , p= .031

Table 57: A Regression Analysis of the relationship between TO and PR, EC, UI, GE, Sec, CE and Acct (Enter Method)

(Cramer, 2003; Burns and Burns, 2008; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PR	-.233	.244	.917	1	.338	.792	.491	1.277
	UI	.496	.211	5.520	1	.019	1.643	1.086	2.485
	SC	.426	.198	4.627	1	.031	1.531	1.039	2.256
	GE	.269	.234	1.320	1	.251	1.308	.827	2.069
	ACCE	.166	.256	.420	1	.517	1.180	.715	1.948
	Constant	-6.198	2.242	7.641	1	.006	.002		

a. Variable(s) entered on step 1: PR, UI, GE, SC and ACCE.

As deducted from the Spearman Correlation there was an association between UI and TO; however, there was no association identified between TO and SC. Also identified from the Spearman Correlation of the independent variables was the multicollinearity that exists between the independent variables. Based on the analysis of the regression model using the 'enter' method, it was determined that a causal relationship exists between TO and UI and SC.

Backward LR (TO and the 5 Independent Variables)

From the Omnibus Tests of Model Coefficients, in Table 59 it can be seen that that the p value is less than .05 which means that the overall model is significant at a 95 percent level of confidence (p= .004).

Table 58: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 4[a]	Step	-.774	1	.379
	Block	11.303	2	.004
	Model	11.303	2	.004

[a]. *A negative Chi-squares value indicates that the Chi-squares value has decreased from the previous step.*

The explained variation in the dependent variable based on this model ranges from 8.6 percent to 12.4 percent, based on the Cox & Snell R^2 and Nagelkerke R^2 methods, respectively. As Nagelkerke R^2 is a modification of Cox & Snell R^2 (Lund, 2013) the reporting will be done on the Nagelkerke R^2 results. See Table 60.

Table 59: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
4	138.784[b]	.086	.124

[b]. *Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.*

The Hosmer and Lemeshow test is not statistically significant with (p = .531), indicating that the model is not a poor fit as seen in Table 61.

Table 60: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
4	6.078	7	.531

By applying the Backward LR stepwise model method between TO and the five independent variables, the following results were obtained as shown in Table 62. There is a positive regression between TO and UI that is highly significant at the 99 percent level of confidence with (p= .002). There is a positive regression between TO and Sec that is significant at the 95 percent level of confidence with (p=.026).

Table 61: A Regression Analysis of the relationship between TO and PR, UI, GE, SC and ACCE (Backward LR Method)

(Cramer, 2003; Burns and Burns, 2008; Gerber and Hall, 2013)

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 4[a]	UI	.545	.183	8.843	1	.003	1.724	1.204	2.469
	SC	.353	.182	3.773	1	.052	1.423	.997	2.032
	Constant	-5.097	1.434	12.639	1	.000	.006		

[a.] *Variable(s) entered on step 1: PR, UI, GE, SC and ACCE*

Final Inferences on the Regression Analysis on TO to the five Independent Variables

Logistic regression was performed to ascertain the effects of PR, UI, GE, SC, CE and ACCE on the impact of the firm having a high or low TO. The logistic regression model was highly significant at 99 percent confidence level, chi-square = 11.303, $p < .01$. The model explained 12.4 percent (Nagelkerke R^2) of the variance in TO. Of the five predictor variables only two were statistically significant: UI (p= .003) and SC (p= .052). It can thus be inferred that a combined increase in both Undue Influence and Security is positively associated with an increase in TO, which is the measure of SS. For the detailed analysis of the Regression analysis on Turnover (TO) refer to Appendix H.

7.2.2 Explaining the relationship between PFT and PR, UI, GE, SC and ACCE

By applying the full model 'Enter' method between PFT and the five independent variables, the following results were obtained as shown in Table 63. There is a positive weak regression between PFT and the following variables that have been accepted as being borderline significant at the 95 percent level of confidence:

- UI, p= .109 (these values are borderline but have been accepted relative to others);
- SC, p= .190 (these values are borderline but have been accepted relative to others).

Table 62: A Regression Analysis of the relationship between PFT and PR, UI, GE, SC and ACCE (Enter Method)

(Burns and Burns, 2008; Cramer, 2003; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PR	-.192	.270	.505	1	.477	.825	.486	1.402
	UI	.369	.230	2.563	1	.109	1.446	.921	2.270
	SC	.286	.218	1.721	1	.190	1.330	.868	2.038
	GE	.087	.257	.114	1	.736	1.090	.659	1.803
	ACCE	.155	.285	.295	1	.587	1.168	.668	2.042
	Constant	-4.920	2.429	4.103	1	.043	.007		

[a]. Variable(s) entered on step 1: PR, UI, GE, SC, CE, and ACCE

As deducted from the Spearman Correlation there was an association between UI and PFT. This association was also weak at the borderline level. There was no significant association between PFT and SC. Also identified from the Spearman Correlation of the independent variables was the multicollinearity that exists between the independent variables. Based on the analysis of the regression model using the 'enter' method so far it was determined that a causal relationship that exists between PFT, UI and SC.

Backward LR (PFT and the five Independent Variables) Step 5 Only

From the Omnibus Tests of Model Coefficients, Table 64 shows that that the p value =.115, which will be accepted at being borderline significant at a 95 percent level of confidence.

Table 63: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 5[a]	Step	-1.697	1	.193
	Block	2.483	1	.115
	Model	2.483	1	.115

[a]. A negative Chi-squares value indicates that the Chi-squares value has decreased from the previous step.

The explained variation in the dependent variable based on this model ranges from 2 percent to 3.2 percent, based on the Cox & Snell R^2 and Nagelkerke R^2 methods, respectively. As Nagelkerke R^2 is a modification of Cox & Snell R^2 (Lund, 2013) the reporting will be done on the Nagelkerke R^2 results. See Table 65.

Table 64: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
5	119.795[a]	.020	.032

[a]. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The Hosmer and Lemeshow test is not statistically significant p < .001, indicating that the model is a poor fit as seen in Table 66.

Table 65: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
5	28.981	8	.000

By applying the Backward LR stepwise model method between PFT and the five independent variables, the following results were obtained as shown in Table 67. There is a positive regression between PFT and UI that is highly significant at the 95 percent level of confidence with (p= .047). There is a positive weak regression between PFT and Sec that have been accepted as being borderline significant at the 95 percent level of confidence with (p=.111).

Table 66: A Regression Analysis of the relationship between PFT and PR, UI, GE, SC and ACCE (Backward LR Method)

(Cramer, 2003; Burns and Burns, 2008; Gerber and Hall, 2013)

Variables in the Equation									
								95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 5[a]	UI	.291	.188	2.407	1	.121	1.338	.926	1.933
	Constant	-2.686	.861	9.730	1	.002	.068		

a. Variable(s) entered on step 1: PR, UI, GE, SC, CE, and ACCE

Final Inferences on the Regression Analysis on PFT to the five Independent Variables

Logistic regression was performed to ascertain the effects of PR, UI, GE, SC, CE and ACCE on the impact of the firm having a high or low PFT. The logistic regression model was significant at the 95 percent confidence level, chi-square= 2.483, *p* = .115 (borderline at p< .05). The model explained 3.2 percent (Nagelkerke R^2) of the variance in PFT. Of the five predictor variables only one was statistically significant. UI was borderline at the 95 percent significant level (p= .121). It can thus be inferred that an increase in Undue

Influence is positively associated with an increase in PFT, which is the measure of SS. For the detailed analysis of the Regression analysis on Profit (PFT) refer to Appendix H.

7.2.3 Explaining the relationship between CSI and PR, UI, GE, SC, CE and ACCE

By applying the full model 'Enter' method between CSI and the five independent variables, the following results were obtained as shown in Table 68. There was no regression between CSI and the five predictor variables that can be accepted as being significant at the 95 percent level of confidence (p< .05).

Table 67: A Regression Analysis of the relationship between CSI and PR, UI, GE, SC and ACCE (Enter Method)

(Cramer, 2003; Burns and Burns, 2008; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PR	-.488	.334	2.139	1	.144	.614	.319	1.181
	UI	.066	.286	.053	1	.817	1.068	.610	1.869
	SC	.044	.265	.028	1	.868	1.045	.622	1.757
	GE	.395	.331	1.424	1	.233	1.485	.776	2.842
	ACCE	.408	.385	1.123	1	.289	1.503	.707	3.196
	Constant	-4.356	3.134	1.932	1	.165	.013		

[a]. Variable(s) entered on step 1: PR, UI, GE, SC, CE, and ACCE

This also confirms the results of the Spearman correlation, which highlighted the lack of significant associations between the predicted variable of CSI and the five predictor variables.

Backward LR (CSI and the five Independent Variables)

From the Omnibus Tests of Model Coefficients, in Table 69 it can be seen that that the p value is .342 which implies that the model is not significant at a 95 percent level of confidence.

Table 68: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 5[a]	Step	-1.745	1	.186
	Block	.903	1	.342
	Model	.903	1	.342

[a]. negative Chi-squares value indicates that the Chi-squares value has decreased from the previous step.

The explained variation in the dependent variable based on this model is zero percent for both the Cox & Snell R^2 and Nagelkerke R^2 methods. As Nagelkerke R^2 is a modification of Cox & Snell R^2 (Lund, 2013) the reporting will be done on the Nagelkerke R^2 results. See Table 70.

Table 69: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
6	• 86.9475[b]	• .000	• .000

b. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The Hosmer and Lemeshow test is statistically significant (p< .001), indicating that the model is a poor fit as seen in Table 71.

Table 70: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
6	.000	0	-

By applying the Backward LR stepwise model method between CSI and the five independent variables, the following results were obtained as shown in Table 72. There was no regression between CSI and any of the five predictor variables that was significant at the 95 percent level of confidence with (p< .05).

Table 71: A Regression Analysis of the relationship between CSI and PR,UI, GE, SC, CE and ACCE (Backward LR Method)

(Burns and Burns, 2008; Cramer, 2003; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 5[a]	GE	.239	.254	.886	1	.347	1.270	.772	2.091
	Constant	-2.905	.988	8.651	1	.003	.055		
Step 6[a]	Constant	-2.043	.284	51.732	1	.000	.130		

a. Variable(s) entered on step 1: PR, UI, GE, SC and ACCE

Final Inferences on the Regression Analysis on CSI to the five Independent Variables

Logistic regression was performed to ascertain the effects of PR, UI, GE, SC, CE and ACCE on the impact of the firm having a high or low CSI. The logistic regression model was not significant at the 95 percent confidence level, chi-square= .903, p = .342 (p> .01). The model explained 0 percent (Nagelkerke R^2) of the variance in CSI. Of the five predictor variables none were statistically significant. It can thus be inferred that with CSI as a measure of SS as the predicted variable there is no significant regression relationship between independent variables and the dependent variables.

7.2.4 Explaining the relationship between EF and PR, UI, GE, SC and ACCE

By applying the full model 'Enter' method between EF and the five independent variables, the following results were obtained as shown in Table 73. There was no regression between CSI and the seven predictor variables that can be accepted as being significant at the 95 percent level of confidence (p< .05).

Table 72: A Regression Analysis of the relationship between EF and PR,UI, GE, SC and ACCE (Enter Method)

(Burns and Burns, 2008; Cramer, 2003; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PR	-.380	.308	1.522	1	.217	.684	.374	1.251
	UI	.153	.258	.349	1	.554	1.165	.702	1.933
	SC	.245	.258	.906	1	.341	1.278	.771	2.119
	GE	.167	.294	.323	1	.570	1.182	.664	2.103
	ACCE	.184	.321	.327	1	.567	1.202	.640	2.256
	Constant	-3.831	2.759	1.927	1	.165	.022		

[a]. Variable(s) entered on step 1: PR, UI, SC, GE and ACCE.

This also confirms the results of the Spearman correlation, which highlighted the lack of significant associations between the predicted variable of EF and the seven predictor variables.

Backward LR (EF and the five Independent Variables)

From the Omnibus Tests of Model Coefficients, in Table 74 it can be seen that that the p value is .385 which implies that the model is not significant at a 95 percent level of confidence.

Table 73: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 5[a]	Step	-.463	1	.496
	Block	.754	1	.385
	Model	.754	1	.385
Step 6[a]	Step	-.754	1	.385

[a]. negative Chi-squares value indicates that the Chi-squares value has decreased from the previous step.

The explained variation in the dependent variable based on this model was zero percent for both the Cox & Snell R^2 and Nagelkerke R^2 methods. As Nagelkerke R^2 is a modification of Cox & Snell R^2 (Lund, 2013) the reporting will be done on the Nagelkerke R^2 results. See Table 75.

Table 74: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
6	99.409[b]	.000	.000

[b]. *Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.*

The Hosmer and Lemeshow test is not statistically significant p < .05, indicating that the model is a poor fit as seen in Table 76.

Table 75: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
6	• .000	• 0	• .000

By applying the Backward LR stepwise model method between EF and the five independent variables, the following results were obtained as shown in Table 77. There was no regression between CSI and any of the five predictor variables that was significant at the 95 percent level of confidence with (p< .05).

Table 76: A Regression Analysis of the relationship between CSI and PR,UI, GE, SC and ACCE (Backward LR Method)

(Burns and Burns, 2008; Cramer, 2003; Gerber and Hall, 2013)

Variables in the Equation									
								95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 5[a]	PR	-.220	.254	.747	1	.387	.803	.488	1.321
	Constant	-.883	1.127	.613	1	.434	.414		
Step 6[a]	Constant	-1.849	.261	50.211	1	.000	.157		

[a]. Variable(s) entered on step 1: PR, UI, SC, GE and ACCE.

Final Inferences on the Regression Analysis on EF to the five Independent Variables

Logistic regression was performed to ascertain the effects of PR, UI, GE, SC, CE and ACCE on the impact of the firm having a high or low EF. The logistic regression model was not significant at the 95 percent confidence level, chi-square= .754, p = .384 (p> .05). The model explained zero percent (Nagelkerke R^2) of the variance in CSI. Of the five predictor variables none were statistically significant. It can thus be inferred that with EF as a measure of SS as the predicted variable there is no significant regression relationship between independent variables to the dependent variables.

7.2.5 Addressing Survivorship bias and endogeniety bias

Survivorship bias

Logistic regression was applied to ascertain the impact of survivorship bias on the results of the relationship identified between the dependant variable of SS as measured by TO and the independent variables of UI and SC. The results of the logistic regression are summarised in Table 78 below with the detailed analysis output from SPSS available in Appendix H.

Table 77: A Regression Analysis of the relationship between TO and UI, SC and EmpSize (Backward LR Method)

(Burns and Burns, 2008; Cramer, 2003; Gerber and Hall, 2013)

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	UI	.622	.286	4.726	1	.030	1.863	1.063	3.264
	SC	.653	.294	4.930	1	.026	1.922	1.080	3.421
	EmpSize	1.234	.243	25.831	1	.000	3.436	2.134	5.530
	Constant	-11.934	2.784	18.372	1	.000	.000		

a. Variable(s) entered on step 1: UI, SC and EmpSize

The control variable that was purposively created for the testing of the survivorship bias was Response Time (RT), which was made up of two categories based on the period that the responses were received. By using logistic regression and applying both the enter method and backward LR method for the stepwise, it can be seen that the control variable of RT has no significant impact on the identified factors of SS as measured by TO of UI and SC. The results can be summarised as follows:

- There was regression between TO and UI as the predictor variables that can be accepted as being significant at the 95 percent level of confidence ($p < .05$). With the control variable RT not having a significant influence on the outcome with ($p > .05$);
- There was regression between TO and SC as the predictor variables that can be accepted as being significant at the 95 percent level of confidence ($p < .05$). With the control variable RT not having a significant influence on the outcome with ($p > .05$).

In conclusion, it can be said that non-response bias did not have a significant influence on the outcome of the results as deducted from the logistic regression model with RT as the control variable.

Endogenity bias

Logistic regression was applied to ascertain the impact of endogeniety bias on the results of the relationship identified between the dependant variable of SS, as measured by TO, and the independent variables of UI and SC. The results of the logistic regression are summarised in Tables 79 with the detailed analysis output from SPSS available in Appendix H.

Table 78: A Regression Analysis of the relationship between TO and UI, SC and RT (Backward LR Method)

(Cramer, 2003; Burns and Burns, 2008; Gerber and Hall, 2013)

Variables in the Equation									
								95% C.I.for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1[a]	UI	.614	.192	10.221	1	.001	1.847	1.268	2.691
	SC	.331	.180	3.373	1	.066	1.393	.978	1.984
	RT	-.742	.438	2.873	1	.090	.476	.202	1.123
	Constant	-4.161	1.506	7.630	1	.006	.016		

[a]. Variable(s) entered on step 1: UI, SC, and RT

The control variable that was purposively created for the testing of endogenity bias was number of employees (EmpSize) based on the employee bracket of the organisation, by using logistic regression and applying both the enter method and backward LR method for the stepwise. It can be seen that the control variable of RT has no significant impact on the identified factors of SS as measured by TO of UI and SC even though in the model it is significant at the 99 percent level of confidence ($p<0.001$). The results can be summarised as follows:

- There was regression between TO and UI as the predictor variables that can be accepted as being significant at the 95 percent level of confidence ($p< .05$).With the control variable EmpSize not having a significant influence on the outcome with ($p<.001$);
- There was regression between TO and SC as the predictor variables that can be accepted as being significant at the 95 percent level of confidence ($p< .05$).With the

control variable EmpSize not having a significant influence on the outcome with ($p<.001$).

In conclusion, it can be said that endogenity bias did not have a significant influence on the outcome of the results as deducted from the logistic regression model with EmpSize as the control variable.

7.3 Summary

From the Spearman tests, as shown in Table 80, it was observed that UI has the strongest association to TO and PFT as the measures of SS. This therefore implies that in the AEM environment there is a relatively strong positive association between the existence of a transparent and independent judiciary system and the success of the strategy of the MNE from a DN. There were no significant associations highlighted by using CSI and EF as the measure of SS through the Spearman tests.

Table 79: Summary Results of the Spearman Test

Dependant Variable (SS)	Independent Variable Undue Influence (UI)
Turnover (TO)	ρ =.250; p= .005
Profit (PFT)	ρ =.157; p= .08

Having done the Spearman tests, the variables were run through the logistic regression model to analyse the predictive relationship between the independent variables and the dependent variables. Although this was done for all dependent and independent variables it is only the tests that were done with TO and PFT that gave the most favourable results. Table 81summarises the results of the logistic regression analysis.

Table 80: Summary Results of the Regression Analysis Test (Backward LR)

	Chi-square	Model Sig. p-value	Nagelkerke R. Square	Hosmer Lemeshow Test	Variables in the Equation (Levels of Sig.)p-value
DV (SS): TO IV: UI & SC	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	UI , p= .003 SC , p= .052
DV (SS): PFT IV: UI	2.483	P= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	UI [bl] , p= .121

[bl] these values are borderline but have been accepted relative to others

By performing Logistic Regression on TO, PFT, CSI and EF it has been ascertained that one can predict that TO can be positively impacted with an increase in the combination of UI and SC. Applying the regression analysis to PFT as the dependant variable shows a relationship to UI. There was no significant regression relationship that was reflected when using CSI and EF as the dependent variables. It can deducted from the Logistic Regression tests that the predictor variables of Undue Influence (UI) and Security (SC) have positive effects on the successful strategy of the MNE from the DN operating in the AEM. When Turnover (TO) is used as the measuring 'stick' for the strategy the results are significant at the 95 percent level of confidence. Whereas when using Profit as the measurement for successful strategy the results are quite weak and just borderline at the 95 percent level of confidence. However, even from these results, Undue Influence (UI) and Security (SC) are the stronger predictors. In both cases, Undue Influence is the predictor that stands out most significantly in having a strong positive effect on the success of strategy of the MNE.

Looking at the combined results of the Spearman and the Logistic regression tests it can be said that:

- Undue Influence, as an independent variable, has the significant positive correlation and predictive effect on the success of strategy of the MNE in AEM;
- Security as an independent variable has a significant positive predictive effect on the success of strategy of the MNE in AEM.

Lastly, sample bias is always inevitable when random sampling is performed on a population; however, from the test of non-response bias and endogenity bias it was ascertained, by using the control variables of Response Time (RT) and number of employees (EmpSize), that these did not have a significant influence on the final outcome of the results. UI and SC remained the factors that were produced as being significant at a confidence level of 95 percent ($p<0.05$). Tables 82 and 83 show the summary statistics and

conclusions drawn from the regression analysis so as to conclude on the hypothesis. Only the results in which the dependant variable (SS) was measured by Turnover (TO) and Profit (PFT) are shown. The results from the use of Corporate Social Investment (CSI) and Environmental Friendliness (EF) have been excluded as no significant findings were obtained when they were inputted into the regression model.

In the next Chapter conclusions are drawn on these results in line with the research objectives, the hypotheses testing is finalised as well as recommendations on the inferences are made.

Table 81: Summary of Regression Analysis Statistical Results for all the Hypothesis

Hypothesis	Construct	Dependant Variable (DV): Independent Variable (IV)	Chi-square	Model Sig. p-value	Nagelkerke R. Square	Hosmer Lemeshow Test	Variables in the Equation (Levels of Sig.) p-value
H1 An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM	**Property Rights (PR)**	**DV (SS): TO IV: PR**	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	PR [ex], p= .338 (p> .05)
		DV (SS): PFT IV: PR	2.483	P= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	PR [ex], p= .477 (p> .05)
H2 An independent judiciary system will be positively related to the success of the MNE strategy in the AEM	**Undue Influence (UI)**	**DV (SS): TO IV: UI**	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	UI , p= .003 (p< .05)
		DV (SS): PFT IV: UI	2.483	P= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	UI [bl] , p= .121
H3 An efficient and effective government will be positively related to the success of the MNE in the AEM	**Government Efficiency (GE)**	**DV (SS): TO IV: GE**	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	GE[ex] , p= .251 (p> .05)
		DV (SS): PFT IV: GE	2.483	p= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	GE[ex], p= .736 (p> .05)
H4 Inadequate national security is negatively related to the success of the MNE strategy in the AEM	**Security (SC)**	**DV (SS): TO IV:SC**	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	SC , p= .052 (p< .05)
		DV (SS): PFT IV: SC	2.483	P= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	SC[ex], p= .190 (p> .05)
H5 Compliance and transparency of good corporate governance and ethics in the private sector is positively related to the success of the MNE strategy in the AEM	**Accountability and Corporate Ethics (ACCE)**	**DV (SS): TO IV: ACCE**	11.303	p= .004 (p < .05)	R^2=.124 12.4%	p= .531 (p> .05)	ACCE[ex] , p= .517 (p> .05)
		DV (SS): PFT IV: ACCE	2.483	P= .000 (p< .001)	R^2=.032 3.2%	p= .000 (p< .001)	ACCE[ex] , p= .587 (p> .05)

[ex] for this factor the level of confidence at 95% is insignificant (p> .05) and thus shall not be included as independent variable that has a significant influence on the dependant variable. Please also note that the p-value was obtained from results of the enter model in the regression analysis as the factor was excluded when the backward LR model was applied.

[bl] these values are borderline but have been accepted relative to others

Table 82: Summary of relationship between the Hypotheses and the findings from the Inferential Statistical Analysis

Ref	Hypothesis	Construct/Independent Variable	Association identified using Spearman Correlation	Relationship identified using Logistic Regression	Narration
H1	An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM.	Property rights	No	Non deducted	No significant relationship identified.
H2	An independent judiciary system will be positively related to the success of the MNE strategy in the AEM.	Undue influence	Yes	There was a significant relationship identified between the independent variable Undue Influence and the success strategy of the MNE from DN in the AEM, with the measurement of strategy being Turnover and Profit.	This implies that an increase in the independence and transparency of the judiciary system will result in an increase in the success of strategy of the MNE from the DN operating in AEM. The same applies for Profit although the relationship will be weaker.
H3	An efficient and effective government will be positively related to the success of the MNE in the AEM.	Government efficiency	No	Non deducted	No significant relationship identified.
H4	Inadequate national security is negatively related to the success of the MNE strategy in the AEM.	Security	No	There was a significant relationship identified between the independent variable Security in conjunction with Undue Influence and the success strategy of the MNE from DN in the AEM, with the measurement of strategy being Turnover.	This implies that there is a significant relationship between the existence of a stable domestic security system and independent judiciary and the successful strategy of the MNE from DN operating in the AEM. This only applies when the measurement of the success of strategy of the MNE is Turnover.
H5	Compliance and transparency of good corporate governance and ethics in the private sector is positively related to the success of the MNE strategy in the AEM.	Accountability & Corporate Ethics	No	Non deducted	No significant relationship identified.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

8.0 Introduction

The AEM continues to be a growing destination for MNEs from the DNs (Atsmon et al., 2011; Roxburgh et al., 2010). This is because of the retraction of growth in the DNs market there is an insatiable hunger to invest in the economies of EMs to recuperate on losses made. However, in order to achieve this the MNE that operates in the AEM must take into consideration the impact of the institutional factors that are dominant in the AEM environment (Meyer et al., 2009; Peng et al., 2008; ScienceWatch, 2010).

These institutional factors are the 'rules of the game' that are predominantly governed by industry and government standards (Schwab, 2011, 2012, 2013). DNs, where the industry is relatively mature and advanced and the government maintains an arm's length supervisory role in its relationship for business, facilitates an environment in which strategy can be easily formulated and implemented. However, when looking at the dynamics that are at play in the external environment of the AEM the challenges of civil wars, poverty, illiteracy and corruption all having a bearing on the success of the MNE strategy in the AEM (UNHCR, 2012; UNODC, 2010; UPEACE, 2011; Vijay, 2009). The Global Competitiveness Report is a tried and tested report that provides an in-depth analysis of the external environment that affects companies that operate globally (Schwab, 2012). It summarises these environments and their impacts at a country level with unit components coming from respondents employed in firms.

Past research has highlighted that the major difference of external factors in the DN environment compared with the EM environment is the impact of institutional factors (Wright et al., 2005). Governments and institutes of industry are seen to be actively involved in interference with the business environment when it comes to the emerging markets of Africa (Josiah et al., 2010). This ultimately causes problems for both the industry and the economy. It was therefore necessary to identify the components that make up the institutional factors and how each of these significantly impacts on the MNE in the AEM.

The Global Competitiveness Index (GCI) identifies Property Rights, Ethics and Corruption, Undue Influence, Government Efficiency, Security, Corporate Ethics and Accountability as the variables that make up the institutional factors. These variables have an impact on the

strategy of the MNE in the AEM. For the purpose of this study, the success of strategy (SS) of the MNE in the AEM has been measured using Turnover, Profit, Corporate Social Investment and Environmental Friendliness.

The purpose of this chapter is to reconcile the research objectives that were introduced in Chapter 1 to the research completed, as well as the analysis and results obtained. The interpretation of this leads onto conclusions of the research project.

8.1 Objectives of the research study

The objectives of this research were to answer the following two key research questions:

a) What are the key institutional factors in the AEM? and

b) What is the impact of these key institutional factors in the AEM on the success of strategy of the MNE from a DN?

8.1.1 Expanding on the key institutional factors

In the literature review, the discussion by the key authors on the subject highlighted that the following were the key factors affecting the dynamics of any market economy (Schwab, 2012; Schwab, 2013):

- Institutions;
- Infrastructure;
- Macroeconomic environment;
- Health and primary education;
- Higher education and training;
- Goods market efficiency;
- Labour market efficiency;
- Financial market development;
- Technological readiness;
- Market size;
- Business sophistication; and
- Innovation.

Each of these comprises specific components that collectively have an impact on the economy in which the MNE operates. Figure 13 further illustrates the relationship of these pillars as presented in the GC Report 2012 (Schwab, 2012).

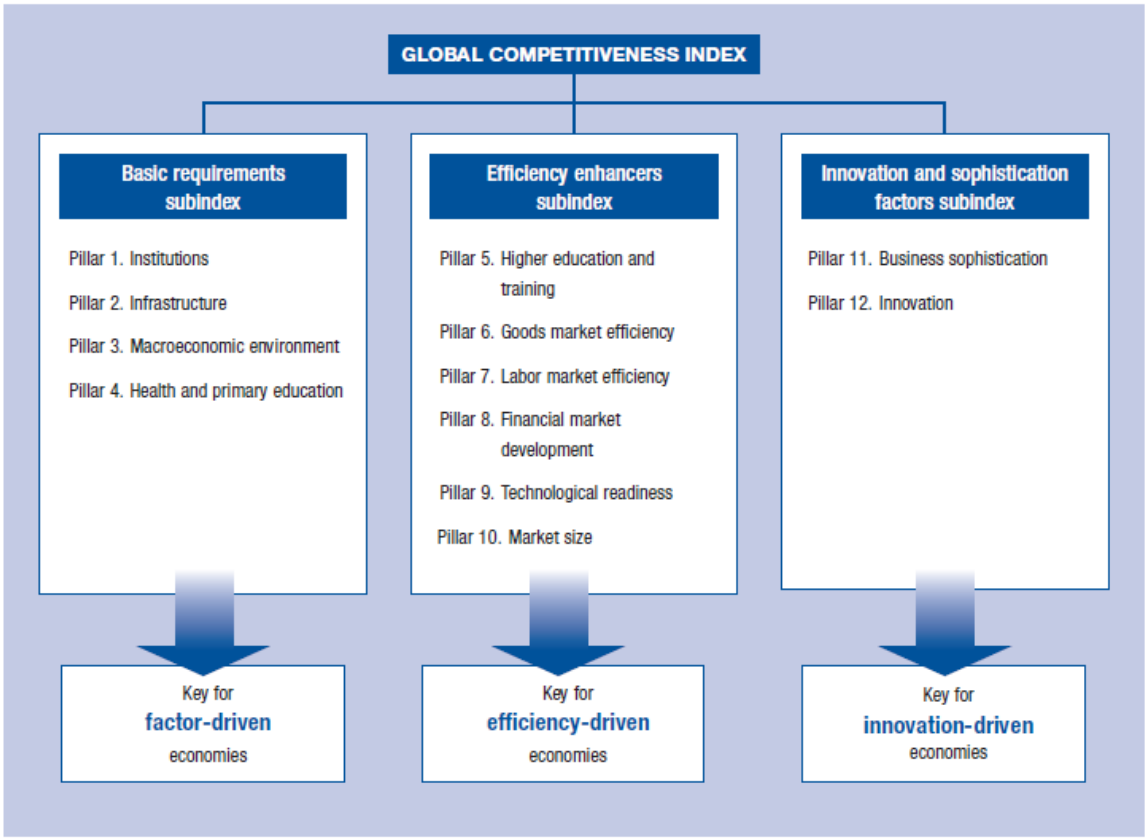


Figure 28: The Global Competitiveness Index framework

(Schwab, 2012, 2013)

Further assessment of the literature on the dynamics of the EM environment, in which MNEs operate, as highlighted by authors such as Javalgi et al. (2009), Meyer et al. (2009) and Pillania (2009), that the key influencers in the AEM were those of the institutional factors. In other words, these were the factors that determined the rules of the game (Arnold and Quelch, 1998; Schwab, 2012). Table 84 summarises these factors as well as the constructs that make them up as per the GC Report 2012.

Table 83: Breakdown of institutions factors as per the GCI report

(Schwab, 2012)

Group	Ref.	Description
Public institutions		
Property rights	1.01	Property rights
	1.02	Intellectual property protection
Ethics and corruption	1.03	Diversion of public funds
	1.04	Public trust in politicians
	1.05	Irregular payments and bribes
Undue influence	1.06	Judicial independence
	1.07	Favouritism in decisions of government officials
Government efficiency	1.08	Wastefulness of government spending
	1.09	Burden of government regulation
	1.10	Efficiency of legal framework in settling disputes
	1.11	Efficiency of legal framework in challenging regulations
	1.12	Transparency of government policymaking
	1.13	Gov't services for improved business performance
Security	1.14	Business costs of terrorism
	1.15	Business costs of crime and violence
	1.16	Organized crime
	1.17	Reliability of police services
Private institutions		
Corporate ethics	1.18	Ethical behaviour of firms
Accountability	1.19	Strength of auditing and reporting standards

A structure for the institutional factors provided a foundation on which to begin the research and formulate the initial hypothesis.

8.1.2 Expanding on the impact of the key institutional factors on the MNE from a DN operating in the AEM

Having identified that institutional factors are the key influencers of the success strategy of MNE in the AEM, the next key step was to identify the extent of this causal relationship. In order to achieve this, a quantifiable measure of the success strategy of the firm as a dependant variable was attained (Cramer, 2003; Cresswell, 2009). This was discussed, and from reference to literature review as well as past research, the ideal measurement was triple bottom line reporting (TBL) (Economist, 2009; LSE, 2012; NYSE, 2012). TBL allows for the incorporation of the three key components of a firms performance as required by the global corporate world (Economist, 2009; LSE, 2012; NYSE, 2012). These being:

- Profit (PFT) and/or Turnover (TO);
- Corporate Social Investment (CSI); and

- Environmental Friendliness (EF).

Collectively the measurement of these can be used as an index to gauge the measure of the success of a firm. However, as highlighted by Schwab and Porter (2009) and Schwab (2010, 2011, 2012, 2013), the environment of the AEM is quite complex and cannot be limited to measuring firm success by just those attributes; however, it provided a framework within which to work, in order to formulate a substantial hypotheses.

The research gap in the area of strategy in the EMs was the absence of analysing the impact of the institutional factors on the MNE from the DN operating in the AEM (Adjei et al., 2008; Josiah et al., 2010; Hoskisson et al., 2000; Wright et al., 2005). Bearing in mind that MNEs from DNs that operate in the AEM are biased towards using strategies that have been formulated and are successful in the DN environment. However, through this research it was highlighted that the nature of the external environment in the AEM was significantly different to that of the DN, thus requiring the MNE to be adaptable to such an environment. The research objectives that were laid out at the beginning of this research gave guidance to the research process so as to work towards making a significant contribution to filling this knowledge gap.

8.2 Theoretical Framework

Figure 14 is the conceptual framework derived from an extensive literature review involving:

- Research journals on strategy, management and emerging markets;
- Economic reviews on EMs and DNs;
- Media reports on the business reports in EMs and DNs; and
- Global Competitiveness Report.

Based on this the Institutional factors that play the primary role in influencing the strategy of the MNE in the AEM were identified. The purpose of this strategy was to ascertain the key institutional factors that influence the successful strategy of the MNE in the AEM and to what extent. In order to achieve this, it is key to ensure that the appropriate research strategy was applied.

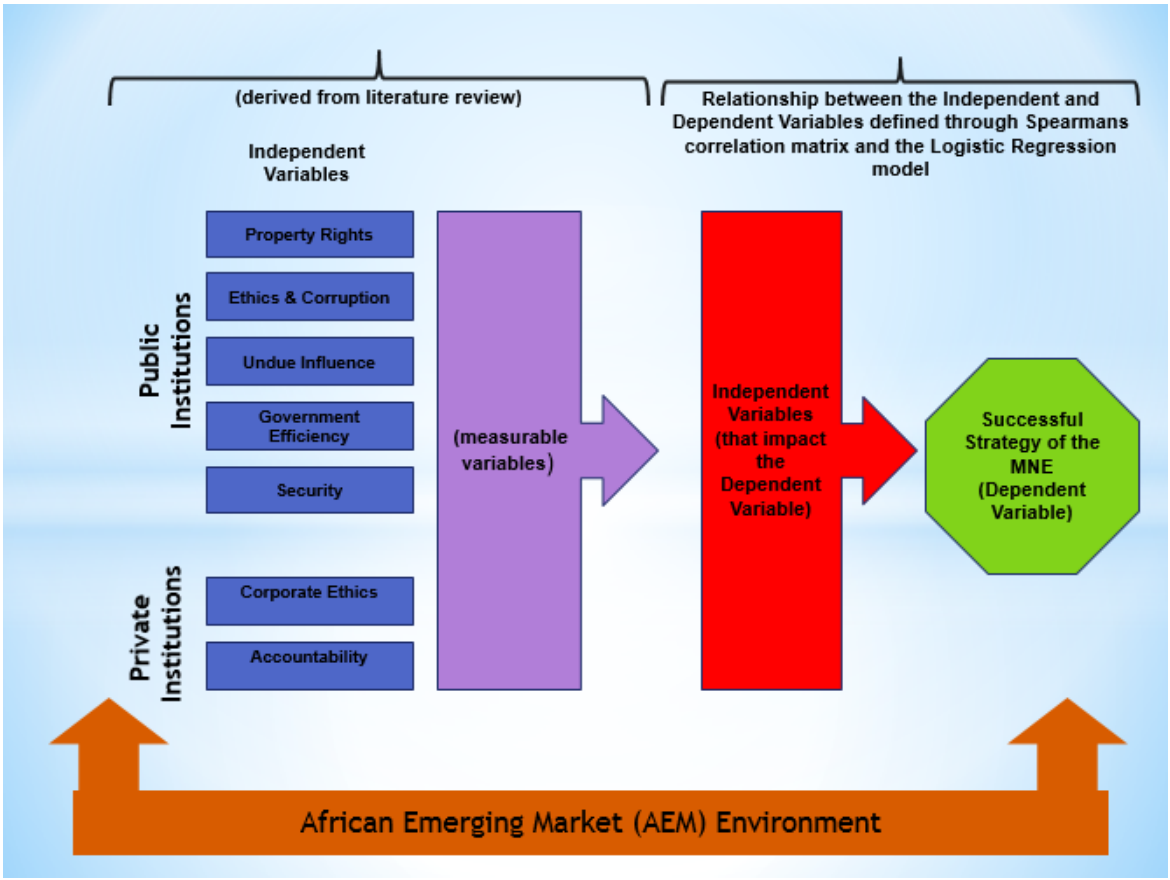


Figure29: The initial conceptual framework

With reference to Figure 14, the initial hypothesis derived was that these seven institutional factors would have an impact on the successful strategy of the AEM.

Table 84: Initial Hypothesis

Ref	Hypothesis	Construct/Variable
H1	An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM	Property Rights
H2	A lack of transparency in governance within the public sector will be negatively related to the success of the MNE strategy in the AEM	Ethics and Corruption
H3	An independent judiciary system will be positively related to the success of the MNE strategy in the AEM	Undue Influence
H4	An efficient and effective government will be positively related to the success of the MNE in the AEM	Government Efficiency
H5	Inadequate national security is negatively related to the success of the MNE strategy in the AEM	Security
H6	Good corporate ethics in the private sector is positively related to the success of the MNE in AEM	Corporate Ethics

Ref	Hypothesis	Construct/Variable
H7	Compliance to and transparency of good corporate governance in the private sector is positively related to the success of the MNE strategy in the AEM	Accountability

However, after processing the data from the factor analysis, as prescribed by DiStefano et al. (2009), Grau (2011), Rummel (2002), UPEACE (2011) and Wilderdom (2012), the initial hypothesis had to be reformulated and revised accordingly. As a result, some of the original hypotheses were no longer valid and the following five hypotheses lay the foundation for further research. Table 86 below outlines the five revised hypotheses:

Table 85: Revised Hypothesis

Ref	Hypothesis	Construct/Variable
H1	An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM	Property Rights
H2	An independent judiciary system will be positively related to the success of the MNE strategy in the AEM	Undue Influence
H3	An efficient and effective government will be positively related to the success of the MNE in the AEM	Government Efficiency
H4	Inadequate national security is negatively related to the success of the MNE strategy in the AEM	Security
H5	Compliance and transparency of good corporate governance and ethics in the private sector is positively related to the success of the MNE strategy in the AEM	Accountability & Corporate Ethics

8.3 Reviewing the Research Methodology

The research methodology was as per the detailed approach given in Chapter 5. A deductive approach leveraged the existing literature. The philosophical mindset was pragmatic, built on the balanced mindset of postmodern and positivist approaches (Burrell and Morgan, 1979; Opfer, 2006). The nature of the research entailed both explanatory, descriptive and exploratory (Badenhorst, 2010; Blaxter et al., 2003; Cresswell and Tashakkori, 2007). The research was exploratory because it explored the setting or social phenomena of strategy in the AEM. This exploratory work was predominantly done through the literature review and provided background information needed to plan the descriptive or explanatory research. From the exploratory phase, the next phase of the research process was descriptive because the preliminary assessments were made on the impact on the data collected based on the relationships of the key constructs. The last part was the explanatory component in which conclusions on the data collected based on inferential statistical analysis were drawn.

Through this research process, the main objective was to identify and highlight the nature of the causal relationship that exists between institutional factors and successful strategy of the MNE in the AEM. Descriptive and inferential statistics were used to analyse the data (Saunders et al., 2003). Mean and standard deviations were used for the descriptive analysis and for the inferential analysis Spearman's correlation and logistic regression were applied. In the application of random sampling, as was applied in this research, it is inevitable to encounter sample bias (Menaldo, 2011; Millimet, 2001; Scribd, 2014). It was therefore necessary to ensure that there were adequate tests performed showing that the impact of sample bias was not significant to the overall results. Menaldo (2011) and Millimet (2001) recommend a number of quantitative approaches to testing for sample bias in the collected data. However, the sample population was limited to 125 respondents due to time constraints. Table 87 summarises the findings from the tests done for sample bias.

Table 86: Summary results for tests done for Sample Bias

(Millimet, 2001; Menaldo, 2011; Scribd, 2014)

Type of Sample Bias	Statistical Analysis used	Findings
Survivorship bias	Binary Logistic regression	No significant impact on outcome of results as a result of non-response bias
Endogeneity bias	Binary Logistic regression	No significant impact on outcome of results as a result of non-response bias

Non-response bias was also incurred because, of the 867 questionnaires sent out only 125 responses were received. However, its impact was limited as regular reminder e-mails and follow-up telephone calls were made.

8.4 Findings from final Hypothesis testing

Table 88 summarises the results of this analysis as well as reconciles these with the final hypothesis derived from the extensive literature review and the factor analysis from Chapter 5.

Table 87: Summary of Research Findings

Ref	Hypothesis	Construct/Independent Variable	Association identified using Spearman Correlation	Relationship identified usingLogistic Regression	Narration
H1	An upholding by government, industry and society of property rights will be positively related to the success of MNE strategy in the AEM	Property rights (PR)	No	Non deducted	No significant relationship identified.
H2	An independent judiciary system will be positively related to the success of the MNE strategy in the AEM	Undue influence (UI)	Yes	There was a significant relationship identified between the independent variable Undue Influence and the success strategy of the MNE from DN in the AEM, with the measurement of strategy being Turnover and Profit.	This implies that an increase in the independence and transparency of the judiciary system will result in an increase in the success of strategy of the MNE from the DN operating in AEM. The same applies for Profit although the relationship will be weaker.
H3	An efficient and effective government will be positively related to the success of the MNE in the AEM	Government efficiency (GE)	No	Non deducted	No significant relationship identified.
H4	Inadequate national security is negatively related to the success of the MNE strategy in the AEM	Security (SC)	No	There was a significant relationship identified between the independent variable Security in conjunction with Undue Influence and the success strategy of the MNE from DN in the AEM, with the measurement of strategy being Turnover.	This implies that there is a significant relationship between the existence of a stable domestic security system and independent judiciary and the successful strategy of the MNE from DN operating in the AEM. This only applies when the measurement of the success of strategy of the MNE is Turnover.
H5	Compliance and transparency of good corporate governance in the private sector is positively related to the success of the MNE strategy in the AEM	Accountability & Corporate Ethics (ACCE)	No	Non deducted	No significant relationship identified.

Having done our final results analysis, as per Table 88, the hypotheses can be concluded. This conclusion is based on Strategy Success (SS) being the ultimate dependant variable and independent variables being Property Rights, Undue Influence, Government Efficiency, Security and Accountability & Corporate Ethics.

8.4.1 Undue Influence as the independent variable

Null Hypothesis H0: There is NO significant relationship between an independent judiciary system being positively related to the success of the MNE strategy in the AEM.

Alternate Hypothesis H2: There IS a significant relationship between an independent judiciary system being positively related to the success of the MNE strategy in the AEM.

Based on the result of Spearman's Correlation and Logistic Regression there was a statistically significant relationship between the successful strategy of the MNE and undue influence therefore the null hypothesis will be rejected and the alternate hypothesis H2 will be accepted.

8.4.2 Security as the independent variable

Null Hypothesis H0: There is NO significant relationship between inadequate national security being negatively related to the success of the MNE strategy in the AEM.

Alternate Hypothesis H4: There IS a significant relationship between inadequate national security being negatively related to the success of the MNE strategy in the AEM.

Based on the result of Spearman's Correlation and Logistic Regression there was a statistically significant relationship between the successful strategy of the MNE and Government Efficiency therefore the null hypothesis will be rejected and the alternate hypothesis H4 will be accepted.

8.4.3 Property Rights as the independent variable

Null Hypothesis H0: There is NO significant relationship between an upholding by government, industry and society of property rights being positively related to the success of MNE strategy in the AEM.

Alternate Hypothesis H1: There IS a significant relationship between an upholding by government, industry and society of property rights being positively related to the success of MNE strategy in the AEM.

Based on the result of Spearman's Correlation and Logistic Regression there was no statistically significant relationship between the successful strategy of the MNE and Property Rights therefore the null hypothesis will be accepted.

8.4.4 Government efficiency as the independent variable

Null Hypothesis H0: There is NO significant relationship between an efficient and effective government being positively related to the success of the MNE in the AEM.

Alternate Hypothesis H3: There IS a significant relationship between an efficient and effective government being positively related to the success of the MNE in the AEM.

Based on the result of Spearman's Correlation and Logistic Regression there was no statistically significant relationship between the successful strategy of the MNE and Government Efficiency therefore the null hypothesis will be accepted.

8.4.5 Accountability and Corporate Ethics as the independent variable

Null Hypothesis H0: There is NO significant relationship between compliance and transparency of good corporate governance in the private sector being positively related to the success of the MNE strategy in the AEM.

Alternate Hypothesis H5: There IS a significant relationship between compliance and transparency of good corporate governance in the private sector being positively related to the success of the MNE strategy in the AEM.

Based on the result of Spearman's Correlation and Logistic Regression there was no statistically significant relationship between the successful strategy of the MNE and Accountability and Corporate Ethics therefore the null hypothesis will be accepted.

In summary the hypothesis testing that culminated in the application of binary logistic regression identified that Undue Influence (UI) and Security (SC) are the key institutional factors that have an impact on the success strategy (SS) of an MNE from a DN operating

in the AEM. This result was produced in both cases when Turnover (TO) and Profit (PFT) were used as the measurement of strategy success (SS).

8.5 Expanding on the findings of the research

In this section, the two key objectives defined in Chapter 1, and discussed at the beginning of this chapter are reconciled to the final findings as deduced from the final hypothesis testing.

8.5.1 What are the key institutional factors in the AEM?

This objective or research question was addressed by the outcome of this research as it identified Undue Influence and Security as the key institutional factors having an impact on the success strategy of MNEs. It is imperative to highlight that although the other three factors, i.e. Government Efficiency, Property Rights and Accountability and Corporate Ethics, did not come out as being key influencers. It was seen from the correlation tests that there was a certain level of relationship among these variables that might have produced different results had the sample been larger thus allowing for more exhaustive testing. However, this will be noted as a recommendation for future research. The findings of Undue Influence and Security follow.

Undue Influence as a key institutional factor

UPEACE (2011) highlighted that 'law and order' plays a significant role on the impact of the firm in any market. Past research, as indicated by emerging market authors such as Estrin et al. (2008), Hoskisson et al., (2000), London and Hart (2004), Meyer et al. (2009), Peng (2012) and Wright et al. (2005), discuss how crucial it is for a reliable legal system to exist so as to ensure an 'even playing field' for competitiveness. Porter (1990) also highlighted this in the research done on the analysis of the competiveness of nations; that a regularised judiciary system, as managed by government, is fundamental to giving multinationals, operating in a country in which investment is made, a secure environment. Having said this, the mistake made by most multinationals from developed nations entering the emerging markets of Africa is that they do not realise how different the influence and impact of the judiciary system is in an emerging market relative to the developed market in their home country (Javalgi et al., 2009; Josiah et al., 2010; Luiz and Charalambous, 2009). This research has clearly shown that when looking at the leading emerging markets on the

African continent such as Kenya, South Africa, Nigeria and Egypt the social economic indicators are low relative to those in the developed nations or the leading emerging markets, i.e. BRIC countries (Bank, 2011b; IFC, 2012; Mathews, 2006; Tshabalala, 2011). As such, these dynamics create a unique environment, propagating the fact that Undue Influence becomes the leading institutional factor in the emerging market. Mike Peng, in discussing institutional view as the third leg in the strategy tripod, (Peng et al., 2008; ScienceWatch, 2010; Peng, 2012), again raises the fact the Undue Influence is a key influencer of the successful strategy in the emerging market and that it cannot be looked at in isolation. This is further reaffirmed in similar research on emerging markets were done by authors such as Barney et al. (2001), Estrin et al. (2008), Hoskisson et al. (1999, 2000) and Wright et al. (2005)). In addition, the integration of the theories on transactional cost theory (TCT) , agency theory (AT) and resource based theory (RBT) with the institutional theory reaffirms that Undue Influence, as a key factor, cannot be looked at in isolation when assessing the impacts of strategy of the multinational (Barney et al., 2001; Coase, 1998; Hoskisson et al., 1999; Oliver, 1997; Wernerfelt, 1984; Williamson, 1981). The significance of this research is in highlighting Undue Influence as a key institutional factor in the African emerging market. It does this by incorporating the uniqueness of these markets, as shown by the socio, political and economic environmental indicators (Are et al., 2010; Bank, 2011a; Roxburgh et al., 2010; Tshabalala, 2011; Urban, 2008; Urban and Barreria, 2010; UNHCR, 2012; UNODC, 2010; UPEACE, 2011; Vijay, 2009).

Security as a key institutional factor

The United Nations reports on crime, justice and socio political conflict identifies Africa as one of the most volatile continents (UNHCR, 2012; UNODC, 2010; UPEACE, 2011). With such instability comes a certain level of domestic insecurity as a result of criminal activity (UNODC, 2010). As has already been indicated, past research on emerging markets has been heavily biased towards the countries of Brazil, China, India and Russia. These countries have also experienced internal turmoil that have highlighted concerns with regard to domestic security albeit to a lesser extent (UNODC, 2010). However, the findings of this research points out that that for multinationals operating in Africa from developed nations, domestic security, of which the local police and army are the key custodians, has come out as a key institutional factor impacting the success strategy of the MNE. Unlike Undue Influence, Security did not dominate the results of the statistical analysis; however, it was second most important in conjunction with Undue Influence, in comparison to the other factors of Government Efficiency, Property Rights and Accountability and Corporate Ethics.

Security by its very nature is quite closely integrated with Undue Influence as both factors relate to the rule of law (Urban and Barreria, 2010; Schwab, 2012). It is thus not surprising that both factors came out of the statistical analysis as having a significant impact on the success strategy of the multinational in the African emerging market. Security, as a factor, incorporates another key component of managing corruption. Research by bodies such as the United Nations has shown that Africa carries the highest level of corruption compared with other continents with the gaps in levels of corruption between the developed nations and African nations being quite significant (UNODC, 2010). An established relationship between a fair and independent judiciary system and effective domestic security force allows for the mitigation of risk caused by crime and corruption tendencies (Urban and Barreria, 2010).

These results do not contradict research by established authors such as Peng and Hoskisson. However what it does bring to the surface is that when looking at specifically the MNE from a DN operating in the AEM the key IT factors that have a bearing on the SS are Security and Undue Influence. In section 8.5.3 later on in this chapter the researcher shall also discuss the other components that did not feature as having a significant impact, but what their result implies to the overall research.

8.5.2 What is the impact of these key institutional factors in the AEM on the success of strategy of the MNE from a DN?

Based on the extensive research work done, it can be said that Undue Influence, otherwise defined as the independence of the judiciary system of the AEM, has a positive impact on the MNE being successful in that environment. This factor, in both the Spearman and Logistic Regression models, came out as the most dominant predictor variable that impacts on the strategy of the MNE from the DN. The influence of this factor is strengthened when the level of domestic security in the AEM is of a high-level. The combination of these two factors enhances the successful strategy of the MNE. Organisational theorists like Mintzberg, whose theories cover different elements of strategy and how these are all interrelated also applies to multinationals operating in the African emerging markets (Mintzberg, 1987, 1990; Mintzberg et al., 2009; Mintzberg and Waters, 1985). As discussed previously, these institutional factors cannot be looked at in isolation without also appreciating the impact of the components of transactional cost theory (TCT), Resource Based Theory (RBT) and the Agency Theory (AT) (Barney et al., 2001; Coase, 1998; Hoskisson et al., 1999; Oliver, 1997; Wernerfelt, 1984; Williamson, 1981). For the purpose

of this study, the relationship to these theories was discussed but further investigation is beyond the scope of this research thus creating an opportunity for further research.

8.5.3 Property Rights, Government Efficiency, and Accountability and Corporate Ethics as non-key institutional factors

The other three variables that did not rate as key institutional factors namely, Property Rights, Government Efficiency, and Accountability and Corporate Ethics will still be included in the conceptual model based on the results. The reason for this is that findings of this research were primarily based on a quantitative analysis, which is largely dependent upon a sample population that is accurate. As the sample size of the population was relatively small i.e. N=125, the results could have been otherwise had the sample size been larger. Thus in the conceptual module of the recommended model it was highlighted that the findings are not absolute but do highlight that the other three factors have a level of influence on the possible outcomes (Cresswell, 2009; Cresswell and Tashakkori, 2007; Lund and Lund, 2013b).

Property Rights as a non-key institutional factor

The ownership and legislation pertaining to land in Africa plays quite a significant role (Africa, 2012; Schwab, 2012), especially in relation to economic imbalances of the past (Africa, 2012; Economist, 2012 Vijay, 2009). However, this research was on multinationals from developed nations operating in the leading African emerging markets and it was identified as a key institutional factor. From basic economic theory, land and property are a key component for any economy as they are seen as endowment factors or otherwise means of production (Foundation, 2012; Schwab, 2012). It was noted that property rights were not identified as a key institutional factor; however, its value as a factor impacting the successful strategy of the firm will not be underrated.

Government Efficiency as a non-key institutional factor

Government Efficiency relates to the level of ‘red tape’ that exists in the African emerging market. Luiz and Charalambous (2009), in their research, highlight that the more efficient a government is in its operation of creating a conducive environment for the multinational

enterprise to operate in, the better chance the enterprise has of being successful in that market. Bearing in mind that government is the custodian of domestic security and the judiciary system it was expected that this factor would have been a key output of the statistical analysis. The fact that it was not identified as a key factor does not nullify it but only deprioritises it relative Undue Influence and Security.

Accountability and Corporate Ethics as a non-key institutional factor

Josiah et al. (2010) justifies the importance of accountability and corporate ethics in the private sector with a focus on the African continent. Most, if not all multinationals from developed nations align themselves to global standard accredited reporting standards such as the Financial Accounting Standards Board (Board, 2014). Although the factor analysis forced these two constructs to be one they do both relate to the 'rules of the game' governed by the private industry. From the results of this research, it can be seen that Accountability and Corporate Ethics was not rated as a key institutional factor; however, history has shown that multinationals that have been irresponsible with accountability and corporate ethics have caused economic disasters of global proportions. Examples of these being the Enron scandal (Economist, 2002) and the Lehman Brothers bank collapse (Elliot and Treanor, 2013). As a result of the collapse of their client, Enron, the auditing and accounting firm Arthur Andersen was also negatively impacted globally (Economist, 2002, 2005). Similar to the previous 2 factors discussed, although accountability and corporate ethics was not identified in this research as a key institutional factor its impact on the strategy success of the multinational from a developed nation operating in the leading emerging markets of Africa will not be underrated.

8.6 An integrated model of the key institutional factors that have an impact on the success strategy of the MNE from a DN in the AEM – A proposed framework

Having gone through an extensive research process that facilitated the quantitative analysis of data collected from 125 companies through descriptive and statistical means, the following proposed framework, incorporating the findings is recommended. Figure 15 comprises the proposed framework, which illustrates that, as prescribed by Schwab (2012), there are two groupings of the factors namely Private and Public institutions with Undue Influence, Security, Government Efficiency and Property Rights making up the Public Institutions category and Accountability and Corporate Ethics making up the Private institutions category.

By means of a of an exhaustive quantitative research methodology (Adcock and Collier, 2001; Cresswell, 2009) that incorporated an extensive literature review (Cresswell, 2009; Onwuegbuzie and Leech, 2006b, 2006a), primary data collection and the systematic grouping of the constructs through factor analysis (Khelifa, 2012; Statsoft, 2012a;

Wilderdom, 2012), the five institutional factors identified as relevant to the African emerging market were identified. The causal relationship between the independent and dependant variables were analysed by applying regression analysis as the inferential statistical model as prescribed by Burns and Burns (2008), Cramer (2003), Cresswell (2009), Cresswell and Tashakkori (2007), Cook (2014), Lund and Lund (2013a), Spencer (2011) and Statsoft, 2012a.

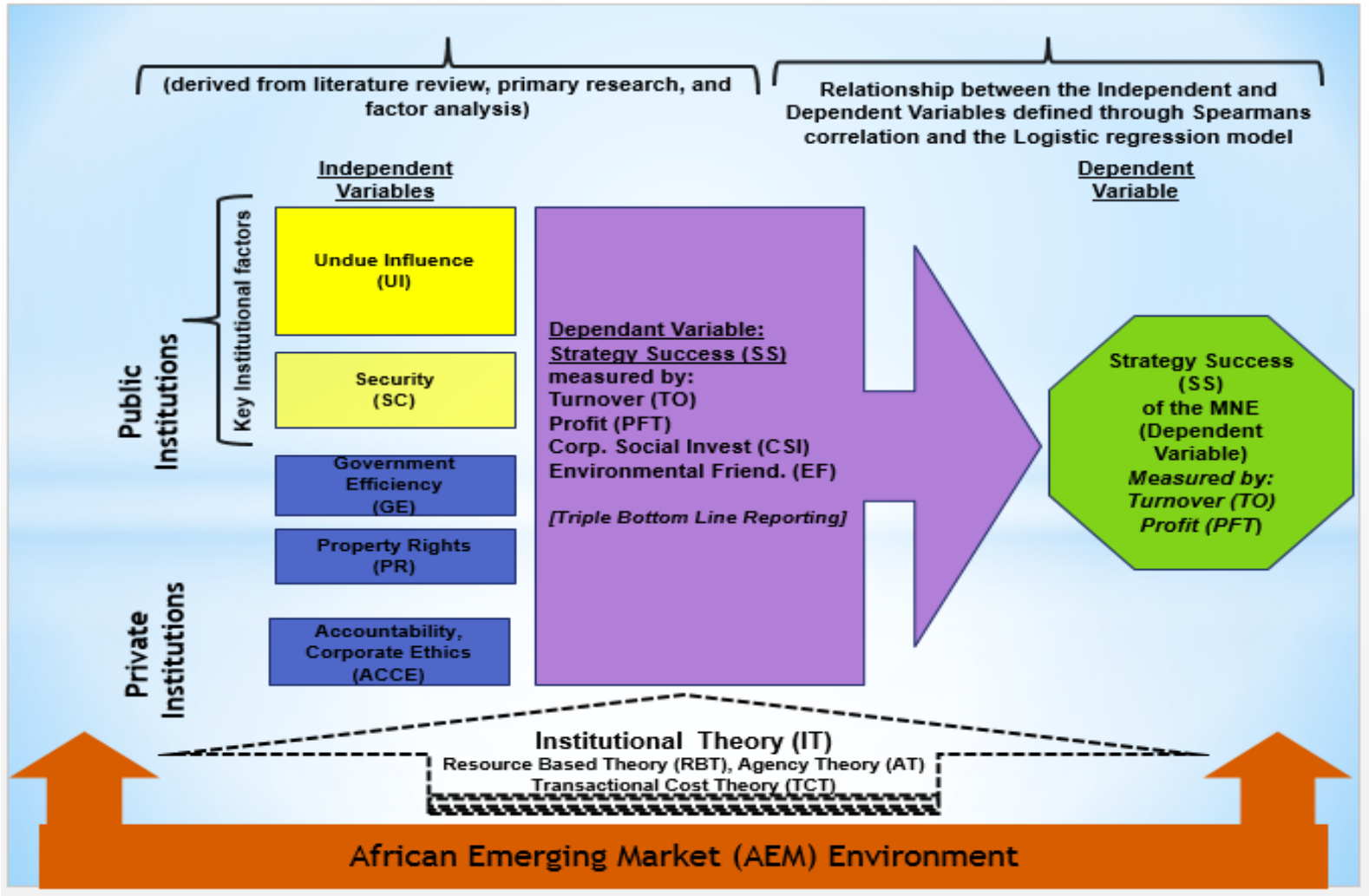


Figure 30: Key Institutional factors impacting the MNE from a DN in the AEM – proposed framework

The African emerging market itself has been defined in Chapter 1 as

> "… the leading African economies that are currently either factor driven or efficiency driven i.e. in Stage 1 or 2 as defined by the GC Report (Schwab, 2010, 2011, 2012; Schwab and Porter, 2009) and are facilitating as an economy to intentionally and actively work towards being an innovation based economy in the long-term i.e. Stage 3. They are achieving this by either rapidly transitioning from an agrarian-based economy to an industrialised one or rapidly diversifying their economy. An emerging market will have an average GDP per capita of less than $9,000" (Arnold and Quelch, 1998; Consulting, 2009; Estrin et al., 2008; Hoskisson et al., 2000; Meyer et al., 2009; Pearson et al., 2010).

Having derived the institutional factors a sub-framework was required to measure the dependant variable of Strategy Success (SS). Triple Bottom Line Reporting (TBL), which incorporates Turnover (TO)/Profit (PFT), Corporate Social Investment (CSI) and Environmental Friendliness (EF) was applied individually as a quantifiable measure of Strategy Success (SS) (Economist, 2009; Schwab, 2010, 2011, 2012, 2013 Schwab and Porter, 2009). It would have been ideal to have had one index for all components; however, because of the limitation and complexity of formulating this (Schwab and Porter, 2009; Schwab, 2010, 2011, 2012, 2013) these were processed separately. Through the application of regression and Spearman correlation analysis, as prescribed by Cramer (2003), the critical and fundamental outcome of the model highlights the positive predictive relationship between the dependant variable of Success Strategy (SS) as measured by Turnover (TO) and Profit (PFT) and the key institutional factors of Undue Influence (UI) and Security (SC). Underlying the whole model is the Institutional Theory (IT) that will be integrated with the Resource Based Theory (RBT), Transactional Cost Theory (TCT) and Agency Theory (AT).

The results of this research do not contradict the previous research on the institutional theory (Coase, 1998; Hoskisson et al., 1999, 2000; Porter, 1990; Wernerfelt, 1984; Wright et al., 2005). All of these authors concur that institutional theory has a significant impact on the strategy of any firm. With the more recent authors on this topic like Peng (2012; Peng et al., 2008) and Josiah (2010), highlighting how in the emerging markets the role of the public factor or government related institutional factors play a more significant role in the environment in which the multinational firm operates. The main purpose of this research

was to address a gap by looking at the multinationals that are based in developed nations. The argument being that by virtue of these multinationals originating from developed nations there is a need to revisit the application of traditional theory of multinational strategy as prescribed by established authors (Hoskisson et al., 2000; Porter, 1998b). Most of their research would either be based on firms that operate in the dynamics of developed or advanced emerging markets of the BRIC countries, both of which, with regard to the socio, political and economic indicators, are significantly different to those of the leading African emerging markets (Bank, 2011a, 2011b). Through this process of extensive research, it was found that when looking at the institutional factors that influence the multinational operating in the leading African emerging markets there are two key institutional factors that have a significant bearing on the successful strategy of the firm, based on the significantly different dynamics of the African market. These two factors are Undue Influence and Security. in other words, the government that facilitates an independent and transparent judiciary system as well as an effective and reliable security force will facilitate flourishing multinationals. This does not imply though that the other institutional factors are totally discarded. What it does imply is that when looking at the multinational enterprises from developed nations, such as the USA, UK, Germany and France, operating in the specific environment of the leading African emerging markets such as South Africa, Nigeria, Kenya and Egypt, these two institutional factors play the most significant role with Undue Influence being the major one.

8.7 Contributions of research work

This study contributes to the overall knowledge of strategy in AEM by means of commercial and theoretical contributions.

8.7.1 Commercial contributions on findings of the key institutional factors

Undue Influence: This institutional factor was the most consistent and the one that had the most effect on the success strategy of the multinational from a developed nation operating in the African emerging market. This implies that the establishment of an independent and transparent judicial system is paramount to the success strategy of the firm. The custodians of this will be the government, who need to know that a low and negative score on this factor will deter the flourishing of multinationals in that specific country. At the same time, for multinationals wanting to invest in the leading emerging

markets in Africa they have to take cognisance of the fact that the lack of an independent and transparent judiciary system is a warning against the success of their strategy in that market. It thus means that they will have to adopt their strategy in that market so as to mitigate that risk.

Security: The assurance of the domestic law enforcement agencies, like the police, are another key institution that multinationals from developed nations rely on so as to be successful in the African emerging market. Where the rule of law is seen as lacking, always gives foreign investors 'cold feet' when looking at the emerging markets. Security is closely linked to the impact of Undue Influence. In other words for there to be an effective transparent and independent judiciary system there needs to be a reliable law enforcement agency that follows through on the judicial process. Issues like bribery and corruption that are quite rampant in the law enforcement agencies of the emerging markets is something that government has to make a concerted effort to curtail in order to ensure multinationals from developed nations can be confident that they operate in a secure environment. At the same time, the multinationals that operate in these environments need to assess the security deficits that exist in these leading African emerging markets and put the necessary contingencies in place to mitigate this risk.

8.7.2 Commercial contribution on findings of the non-key institutional factors

Property Rights, Government Efficiency and Accountability and Corporate Ethics emerged as the non-key institutional factors impacting the success strategy of the multinational. However, because of the nature of the integration of the relationship that exists between these independent variables, it is key that the commercial contribution of these findings is highlighted albeit to a lesser extent than Undue Influence and Security.

Property Rights: The control and legislation of land and buildings is key for any enterprise. Without land and buildings, an MNE cannot function; thus, it is key that for a multinational to operate successfully in the African emerging market there have to be sound and transparent policies with regard to land and buildings. When uncertainty is created, due to socio-economic and political strife, it will lead to the perpetuation of the lack of 'rule of law' on the administration of land and buildings. This could be because of 'land grabs' or 'nationalisation'. Such tendencies will decrease the confidence of the multinationals and ultimately lead to a decrease of investment in the African emerging market.

Government Efficiency: One of the key advantages that developed nations have is the establishment of efficient and effective systems in their government processes to reduce unnecessary bureaucracy. This then indirectly encourages the business market to be innovative and sophisticated in developing their products and meeting their customer needs. With reference to the research done in the African emerging markets it is exactly the opposite. A lot of bureaucracy exists that stifles the multinationals coming from developed nations. To change this is going to take time and lot of strong political influence. A country like South Africa is probably in a better place of transition than Nigeria; however, both countries are significantly behind when compared to the USA or the UK. Governments in the African emerging markets need to setup the operational arms that facilitate for the developed nation multinationals to facilitate an environment conducive for such firms to flourish. Multinationals coming from developed nations need to understand that governments in these emerging markets are not as efficient and effective as the ones 'back home' and as such, when operating in these markets they need to tailor make their strategy in order to accommodate this so as to be successful.

Accountability and Corporate Ethics: Compromising on corporate and ethical standards has its consequences, as highlighted by fallen institutions like Enron. The African emerging market is fraught with corruption scandals and kleptomaniac tendencies. The multinationals entering this market or wanting to grow in the market has to be a stalwart in ensuring that it adheres to a code of conduct as a company that does not compromise on its standards. Multinationals, because of their global footprint, risk destroying their reputation if it is known that their level of accountability and corporate ethics are weak. Although being credible can be challenge with some emerging markets that prefer corruption, in essence those that stick to the required global standards of accountability and corporate ethics are better off.

When assessing the dynamics of emerging markets a 'strait jacket' approach cannot be adopted, i.e. a one size fits all. There has to be adequate research to understand the unique dynamics affecting the industry and adaptation of the company strategy to accommodate that.

8.7.3 Theoretical contributions

This research contributes to the existing knowledge in a number of ways.

i. First, it provides a new definition of African emerging markets that incorporates the unique dynamics that exist in the African market. This definition of the African emerging market is fundamental to this research as it is the bedrock of the environment that impact on the institutional factors from which they are derived. Past research on emerging markets has leveraged off the definitions of emerging markets that are aligned to the economic indicators of the BRIC countries (Javalgi et al., 2009; Mathews, 2006; Ren et al., 2010). Although this does carry a certain level of credibility, there is an oversight of the relevance of the African perspective due to the sheer size of the BRIC economies.

ii. Second, the fact that key institutional factors identified are government related and private industry reaffirms the fact in the emerging markets government plays a more significant role in industry (Adjei et al., 2008; Josiah et al., 2010; Luiz and Charalambous, 2009; Smimou and Karabegovic, 2010). Over and above reaffirming existing theory, this research goes a step further and brings to the fore the fact that African emerging market's impact of government is felt more distinctly by multinationals through the structures of the judiciary system and domestic security. Past research (Bruton et al., 2008; Hoskisson et al., 1999, 2000; Luo and Tung, 2007; Meyer et al., 2009; Peng, 2012; Peng et al., 2008; ScienceWatch, 2010; Wright et al., 2005) was found lacking in this area as there was a gap in focussing on this aspect in the African emerging market.

iii. Last, trade and economic theories propagated by authors such as Porter (1990, 1990a, 1990b, 2008) and Dunning (2006) as well as organisational theory propagated by authors such as Mintzberg (1987, 1990; Mintzberg et al., 2009) and Pearson and Chatterjee (2003) provided a tried and tested foundation for discussing strategy in an environment whether it be an emerging or developed market. However, most of this traditional theory has significantly negated its focus and applicability to the African emerging market. By applying the components of these different models to the specificity of the multinationals operating in the African emerging markets provides a fresh new perspective to these existing theories.

8.8 Limitations of the study

The major limitation in this research was time. By selecting the 4 different countries and trying to get a reasonable level of responses in the period of time offered the most challenge to the researcher. However having an online questionnaire reduced the impact of this limitation as it made it easier for respondents to fill the questionnaire.

8.9 Recommendations for future research

The following were identified as key recommendations for future research.

Number of respondents: By increasing the sample population from 125 to a minimum of 150 (Gerber and Hall, 2013; Lund and Lund, 2013b, 2013c) will allow for better synthesis of the data, especially for the purposes of applying inferential statistical analysis. In this research, because of the time constraints, only 125 responses were able to be collected from 867 questionnaires that were sent out. Increasing the quantity of respondents as is recommended for future research. Also by having a bigger sample size i.e. over 150 Structural Equation Modelling could also be used as well as probability sampling.

Country coverage: This research was limited to collecting data from the four leading emerging markets of Nigeria, Kenya, South Africa and Egypt. However, so as to enhance generalisability (Blaxter et al., 2003) it is recommended that for future research more countries that are showing aspects of significant growth in the African continent and are not fraught with internal conflicts like Zambia, Ghana and Mauritius (Bank, 2011a; Economist, 2012; Roxburgh et al., 2010; UNHCR, 2012; UNODC, 2010; UPEACE, 2011) are also included. Africa as a continent has 53 countries (Bank, 2011b; IFC, 2012) and as such, this brings to the surface a number of different dynamics to the research that can only be analysed by allowing for more countries to be included. Other countries that can also be considered for the significant role they play in the emerging markets are Malasiya, Indonesia, Phillipines and Zimbabwe (UNHCR, 2012; UNODC, 2010; UPEACE, 2011). Finally for future research it would also be recommended to do a ‘between country comparison’ so as to allow for a broader analysis of economies.

Industries: This research looked at multinationals that were involved in over 13 different industries. However, each industry is impacted differently by any of the institutional factors deducted in this research. For example, government legislation pertaining to financial institutions in Africa is quite strict as compared to that of other industries (JSE, 2012; Luiz

and Charalambous, 2009). As result, this would then distort the generalizability of the final results (Blaxter et al., 2003). It is thus recommended that for future research specific industries are identified and focussed on to streamline the research.

Time: One of the major constraints of this research was time. More time was required in order to allow for further responses to be collected. By having longitudinal focussed research as opposed to a cross-sectional one would have facilitated for two important recommendations (Saunders et al., 2003). First, as previously mentioned, it would have allowed for more responses. Second, with the current global trends happening there are significant changes to economies happening over periods of five to ten years (Schwab, 2010, 2011, 2012, 2013; Schwab and Porter, 2009). As such, it may be worthwhile and in the interests of future research to perform a longitudinal, as opposed to a cross-sectional study. This would allow the research to be performed over a period of time so to take into account the rapid global changes and compare the results from the beginning of a period to that of a later period.

Index for Triple Bottom Line Reporting: For the purpose of this study, the measure of the overall dependant variable was based on the concept of triple bottom line reporting (Economist, 2009; Schwab, 2012, 2013). This encompassed turnover/profit, corporate social investment and environmental friendliness. The analysis of the independent variables was done with each of these components. It is recommended for future research that an index is formulated that incorporates all the components of triple bottom line reporting at a firm level. The GC Report formulates a similar index but this is done at country level and not at firm level (Economist, 2009; Schwab, 2012, 2013). However, this does not provide a format that can be applied conceptually at a firm level.

Quantitative vs Qualitative: This research was predominantly quantitative. However, it is recommended that for future research a mixed methodology is applied that will incorporate a qualitative methodology. By either having structured, unstructured or semi-structured interviews will allow for comparisons of the findings to those of the quantitative findings (Blaxter et al., 2003; Cresswell, 2009; Cresswell and Tashakkori, 2007; Saunders et al., 2003).

Institutional Theory vs. Transactional Cost Theory vs. Resource Based Theory vs. Agency Theory: This research was done predominantly through the lens of Institutional Theory (Arnold and Quelch, 1998; Hoskisson et al., 1999, 2000; London and Hart, 2004; Meyer et al., 2009; Peng, 2012; Peng et al., 2008; ScienceWatch, 2010; Wright et al.,

2005). However, from the writings of Barney et al. (2001), Coase (1998), Hoskisson et al. (1999), Oliver (1997), Wernerfelt (1984) and Williamson (1981) it is known that these other theories work in an integrated manner with the institutional theory. It is thus recommended that for future research the impact of these other theories are analysed and their relevance to the African emerging market explored. This will be crucial as it is limiting to analyse the impact of any of these theories in isolation.

8.10 Conclusion

The main objective of this research was to ascertain the key institutional factors that have an impact on the successful strategy of the multinational enterprise in the African emerging market. The key objectives of the research was to identify the key institutional factors that impact multinational enterprises operating in African emerging markets from developed nations as well as the extent of the impact of these factors. Undue Influence and Security were identified as the key institutional factors with Property Rights, Government Efficiency and Accountability and Corporate Ethics as the non-key institutional factors.

From past discussions on African emerging markets, a revised framework that incorporated the specific dynamics of the African continent and how that impacts the strategy of the multinationals from a developed nation was discovered. By reviewing the influence of economic and organisational trade theories and incorporating that into the research a fresh perspective of the impact of institutional factors was brought.

The findings of this research cannot be said to be absolute. As seen from the previous section by doing extensive and exhaustive research such as this, exposes and highlights opportunities for further research. However, it does have a significant contribution reaffirming the past findings on institutional theory, which in itself is closely integrated with resources based theory, transactional cost theory and agency theory. For the emerging markets, institutional theory is the dominant theory.

It was key in this research to highlight the unique traits of the African emerging market in comparison to the developed nations of the USA, Germany, France and the UK as well as to the established emerging markets of Brazil, Russia, India and China. African economies will always be highly dependent on the economies of developed nations. This dependency, though not one way, will see Africa more as the recipient of investment and developed

nations as the provider of that investment. As such, the scenario portrayed by this research will not change in the near future.

In conclusion, in order for the multinational from a developed nation to have a strategy that will be significantly successful in the African emerging market it will need to be able to take into consideration and understand the relevance of the judiciary system and the effectiveness of the domestic security structure. Having a firm understanding of these components will put the enterprise in a better position to be successful.

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APPENDIX A: REQUESTS TO THE CHAMBERS OF INDUSTRY AND COMMERCE

1. South African Chamber of Commerce and Industry (1 page)

2. Federation of Egyptian Chambers of Commerce (1 page)

3. The Kenya National Chamber of Commerce and Industry (1 page)

4. The Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (1 page)

APPENDIX B: SURVEY QUESTIONNAIRE LETTER FOR RESPONDENTS

The Graduate School of Business Administration
2 St David's Place, Parktown,
Johannesburg, 2193,
South Africa
PO Box 98, WITS, 2050
10 October 2013

Ref: Invitation to Respond to Questionnaire in line with PhD Research Programme

Dear Sir/Madam

As part of my Ph.D. research at the **Wits Business School** in Johannesburg, South Africa, I am conducting a survey that looks at the key institutional factors that impact on the competitive strategy of a multinational enterprise in the African emerging market. The results of this research will be available on request to your organisation on completion.

I would therefore kindly ask if you could please complete this brief questionnaire. As defined in the **Wits Business School** policy on research ethics, there is a strict obligation to maintain privacy, anonymity and confidentiality of the institution and participants. Therefore information obtained in this study, which can be identified with you, will remain confidential. The same will apply in any written reports or publications, and only group reports will be represented.

You are free to withdraw your participation at any time. If you have any questions please contact me, my full contact details are at the end of this letter. For further reference I have included my supervisor's contact details below;

Professor Boris Urban (Ph.D.)
Director: Master of Management (Entrepreneurship and NVC)
Chair in Entrepreneurship (Lamberti Foundation)
Wits Business School
Tel: +27 11 717 3762
E-mail: boris.urban@wits.ac.za
Website: www.wbs.ac.za

Please click on the following link to answer the questionnaire;
https://www.pastel.co.za/CaptureSurvey.asp?SurveyID=1921

Thank you for your co-operation.

Yours Sincerely

Mr Rutendo Hwindingwi
Student No: 568526
Mobile No: +27 83 631 1936
Email: Rutendo.hwindingwi@sagepastel.com

APPENDIX C: COMPANY SURVEY QUESTIONNAIRE

1. Questionnaire (6 pages)

APPENDIX D: WBS ETHICS DOCUMENT

1. Application to the Human Research Ethics Committee (5 pages)

2. Guidelines for Human Research Ethics Clearance Application (6 pages)

APPENDIX E: DETAILED COUNTRY ANALYSIS

1. Brazil (2 pages)

2. China (2 pages)

3. Egypt (2 pages)

4. France (2 pages)

5. Germany (2 pages)

6. India 2 pages)

7. Kenya (2 pages)

8. Nigeria (2 pages)

9. Russia (2 pages)

10. United Kingdom (2 pages)

11. United States (2 pages)

12. South Africa (2 pages)

APPENDIX F: SURVEY DATABASE

1. Table (18 Pages)

APPENDIX G: DESCRIPTIVE & GENERAL ANALYSIS DETAILED REPORTS FROM SPSS

1. Factor Analysis – 1st Run (8 pages)
2. Factor Analysis – 2nd Run (8 pages)
3. Factor Analysis – 3rd Run (8 pages)

APPENDIX G1: Factor Analysis – 1st Run (8 pages)

(8 pages)

APPENDIX G2: Factor Analysis – 2nd Run

(8 pages)

APPENDIX G3: Factor Analysis – 3rd Run

(8 pages)

APPENDIX H: INFERENTIAL ANALYSIS DETAILED REPORTS FROM SPSS

1. Spearman Correlation : Turnover (TO) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE) – (6 pages)
2. Spearman Correlation : Profit (PFT) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE) – (6 pages)
3. Logistic Regression : Turnover (TO) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE) – (13 pages)
4. Logistic Regression : Profit (PFT) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE) – (13 pages)
5. Logistic Regression – Survivorship Bias : Turnover (TO) and the 3 Independent Variables Undue Influence (UI), Security (SC) and Response Time (RT) – (10 pages)
6. Logistic Regression – Endogenity Bias : Turnover (TO) and the 3 Independent Variables Undue Influence (UI), Security (SC) and Response Time (RT) – (10 pages)

APPENDIX H1: Spearman Correlation: Turnover (TO) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE)

(6 pages)

APPENDIX H2: Spearman Correlation: Profit (PFT) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE)

(6 pages)

APPENDIX H3: Logistic Regression: Turnover (TO) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE)

(13 pages)

APPENDIX H4: Logistic Regression: Profit (PFT) and the 5 Independent Variables Property Rights (PR), Undue Influence (UI), Government Efficiency (GE), Security (SC) and Accountability & Corporate Ethics (ACCE)

(13 pages)

APPENDIX H5: Logistic Regression – Survivorship Bias: Turnover (TO) and the 3 Independent Variables Undue Influence (UI), Security (SC) and Response Time (RT)

(10 pages)

APPENDIX H6: Logistic Regression – Endogenity Bias: Turnover (TO) and the 3 Independent Variables Undue Influence (UI), Security (SC) and Response Time (RT)

(10 pages)