Gordon Institute of Business Science
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Institutional distance and innovation knowledge transfer: The South African context

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Abstract

This research sought to answer the question of whether South African EMNEs internationalising into developed markets, can successfully transfer the knowledge of their subsidiaries back home to improve their innovation performance. Gaining access to these strategic assets is, according to springboard theorists, the primary motives for EMNEs internationalising into developed markets. However, the evidence from this research does not support this postulation. This conclusion was arrived at after following the organisational institutionalism tradition, disaggregating the construct of institutions into the regulatory, normative, and cognitive pillars. This allowed for the hypotheses to be built on all three of these equally important aspects of institutions. Data was collected on cross border acquisitions by South African EMNEs between 2005 and 2015, and the resultant innovation activities analysed using a longitudinal strategy. After employing the Partial Least Squares-Structural Equation Modelling to test the hypotheses, it was concluded that regulatory, normative, and cognitive distance do not result in an improvement in the innovation performance of the parent, even though this has been proven by another study in a Chinese context. This research outcome uncovered contextual peculiarities in the South African environment that have an impact on the institutional theory discipline at large. Firstly, the conceptualisation of institutions needs to be granulated to focus on the aspects that relate to organisational outcomes. Secondly, the asset-seeking motive of the EMNE is a mediator between institutional distance and innovation performance. Thirdly, by disaggregating the normative distance from the other pillars, this research has reinforced a widely held view in literature, that normative distance negatively influences organisational performance.

Keywords:

Institutional distance, innovation, reverse knowledge transfer, contextual diversity, springboard, organisational institutionalism

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in International Business at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Contents

List of tables

Table of figures

List of equations

List of abbreviations

Abbreviation	Meaning
AJG	Academic Journal Guide
AVE	Average Variance Extracted
CBA	Cross Border Acquisition
CeSTII	Centre for Science, Technology and Innovation Indicators
CIPC	Companies Intellectual Property Commission
DMNE	Developed market multinational
EMNE	Emerging Market Multinational Entity
EU	European Union
GVA	Gross Value Added
HTMT	Heterotrait-heteromethod
IB	International Business
IFRSs	International Financial Reporting Standards
IP	Intellectual Property
MMR	Moderated Multiple Regression
MNE	Multinational Entity
OECD	Organisation for Economic Co-operation and Development
PLS-SEM	Partial Least Squares - Structural Equation Modelling
R&D	Research and Development
SEC	Security Exchange Commission
SIC	Standard Industrial Classification
UNCTAD	United Nations Conference on Trade and Development
USGAAP	United Stated Generally Accepted Accounting Practice
USPTO	United States Patent and Trademark Office
VIF	Variance Inflation Factor
WIPO	World Intellectual Property Organization

1. INTRODUCTION TO THE RESEARCH PROBLEM

Emerging Market Multinationals or EMNEs are increasingly gaining prominence on the global economic stage (Hernandez & Guillén, 2018; Luo & Tung, 2018; Marano, Tashman, & Kostova, 2017). This has led to an increase in scholarly attention and debate on the internationalisation of EMNEs, which do not always conform to the extant international business theoretical frameworks (Cuervo-Cazurra & Rui, 2017; da Silva Lopes, Casson, & Jones, 2018).

One of the phenomena that are unique to EMNEs is the internationalisation into institutionally distant countries. This is done to gain access to innovation knowledge that will enable the EMNE to leapfrog its peers and become more competitive globally and locally (Belderbos, Lokshin, & Sadowski, 2015; Gaur, Ma, & Ding, 2018; Luo & Tung, 2018; Rosenbusch, Gusenbauer, Hatak, Fink, & Meyer, 2019; Sun, Peng, Lee, & Tan, 2015). For EMNEs to realise the benefits of this strategic imperative, the target knowledge must be successfully transferred, assimilated, and integrated (Kano, 2017; Nair, Demirbag, Mellahi, & Pillai, 2018; Rosenbusch et al., 2019).

However, there are very few studies that study the relationship between institutions and innovation knowledge transfer (Piperopoulos, Wu, & Wang, 2018; Young, Welter & Conger, 2018). The few emerging market contextual studies conducted on institutions have been mainly within the Chinese context (Ellis, Lamont, Holmes, Ro, Faifman, DeGhetto & Parola, 2018); Fainshmidt, Judge, Aguilera, & Smith, 2018). Some scholars have also pointed out that the advancement of institutional theory has been hindered by proliferation, tautology and lack of precision and focus (Alvesson & Spicer, 2018; Kostova, Beugelsdijk, Scott, Kunst, Chua & van Essen 2019).

1.1 Research problem

The cross-border nature of multinationals inevitably exposes them to institutional frameworks that differ from their home country (Lundan & Li, 2018). The extent to which these institutional contexts differ is referred to as institutional distance (Beugelsdijk, Ambos, & Nell, 2018). The home country institutional frameworks of EMNEs are generally underdeveloped and constrain their ability to realise their strategic outcomes (Luo & Tung, 2018; Marano et al., 2017; Sun et al., 2015). One of the strategic outcomes that are constrained by these institutions includes innovation (Gaur et al., 2018; Wu, Wang, Hong, Piperopoulos & Zhu, 2016; Zhu, Ma, Sauerwald, & Peng, 2017). EMNEs, except for some Chinese firms, generally lag their developed market counterparts regarding technological innovation (Barnard & Luiz, 2018; Belderbos et al., 2015; Luo & Tung, 2018). As a result of the constraining environment at home, EMNEs internationalise into developed markets, to escape the home market environment, and to gain access to the innovation knowledge of the developed markets (Luo & Tung, 2018). This is done to become more competitive, globally and in the home environment (Belderbos et al., 2015; Gaur et al., 2018; Luo & Tung, 2018; Rosenbusch et al., 2019; Sun et al., 2015). This internationalisation strategy is referred to as spring-boarding (Luo & Tung, 2018).

There is, however, scant theoretical and practical evidence that the strategy of spring-boarding yields the envisaged returns (McCarthy & Aalbers, 2016). Many studies have shown that these usually fail (Reus, Lamont, & Ellis, 2016). The success of spring-boarding strategies is to a large extent determined by the home and host country institutional environment (Gaur et al., 2018; Wu et al.,2016; Zhu et al., 2017). These institutional frameworks enable or constrain the ability for the EMNE to gain access to its target's knowledge and transfer it back home. This process is referred to as reverse knowledge transfer (Ciabuschi, Kong, & Su, 2017; Nair et al., 2018). In addition to the exogenous institutional environments, the success of spring-boarding strategies is also largely influenced by some endogenous organisational characteristics and capabilities (Wu et al., 2016). Chief amongst these is the readiness of a firm to assimilate and integrate the newly acquired innovation knowledge, or absorptive capacity as is referred to by scholars (Cuervo-Cazurra & Rui, 2017).

There is no shortage of studies showing how institutions can constrain or enhance organisational performance outcomes (Gaur et al., 2018; Zhu et al., 2017). This is despite the divergent views on the definition of what institutions are (Alvesson & Spicer, 2018). Whilst many studies have been conducted on the topic, research has so far shown mixed results on the relationship between institutional distance and organisational performance outcomes (Huang, Zhu, & Brass, 2017; Kostova et al., 2019; Lorenz, Clampit, & Ramsey, 2018; Rosenbusch et al., 2019). This, according to scholars such as Alvesson and Spicer (2018), has resulted in a trajectory of meta-theorising and tautology, due to a superficial conceptualisation of the construct of institutions. Some scholars point to the lack

of discipline in the selection and articulation of a specific school of thought used as a lens in the research (Kostova et al., 2019).

There is also a dearth of studies focusing on the relationship between institutional distance and innovation performance (Piperopoulos et al., 2018; Young et al., 2018). This scarcity of research on this topic is even more pronounced in the EMNE context. There are even fewer studies incorporating the knowledge transfer construct with institutional distance studies. The only published study that could be identified in the emerging market context was conducted by Wu et al. (2016) within a Chinese context. This is symptomatic of the chronic lack of contextual diversity in emerging market studies. In their quest to understand the EMNEs in relation to the extant literature in international businesses, many scholars have disproportionately focused on the Chinese context, with very few studies on other emerging market institutional contexts. As a result, African EMNEs are the most understudied institutional contexts (Ellis et al., 2018; Luiz, Stringfellow, & Jefthas, 2017).

Many studies in institutional literature have also unchangingly employed methodological choices without theoretical justification. One of these choices is the predilection for the cross-sectional approach in studying institutions and the impact on organisational outcomes. This inadvertently makes an inference that home and host country institutions are static entities. This, of course, is quixotical, considering that institutional environments, formal and informal, are subject to change (Hong, Wang, & Kafouros, 2015).

1.2 Research purpose

The purpose of this study is to contribute to the convergence of institutional literature by obtaining a more precise understanding of the impact of institutional distance on innovation knowledge transfer. The aim is to improve on the existing body of literature by:

- Articulating the school of thought of institutional theory being used as the lens in this study and applying it consistently throughout. This is done to achieve a greater level of focus and precision in the analysis, compared to previous studies.
- Expanding the contextual diversity of institutional theory, knowledge transfer, absorptive capacity, and innovation studies, by focusing purely on a South African home country context.
- Challenging the methodological orthodoxy in institutional literature by adopting a longitudinal approach, to factor in the evolving nature of institutions. This will allow for the measure of the impact of institutions over varying time intervals (Rosenbusch et al., 2019).

1.3 Research aims and objectives.

This research aims to establish whether the acquisition by South African EMNEs of subsidiaries based in institutionally distant countries results in the transfer of innovation knowledge to the parent company. The objective of the research is twofold. Firstly, to test whether there is a positive relationship between the home and host country institutional distance and the innovation performance of the parent company. This will be achieved by testing whether these cross-border acquisitions result in a subsequent increase in innovation performance at the parent company. The second objective is to test whether the parent company's absorptive capacity moderates the innovation performance. This will be achieved by testing the moderating effect of the parent company's research and development expenditure.

1.4 Theoretical contribution

There is a paucity of studies in the institutional theory discipline that have been conducted in emerging markets outside of China (Fainshmidt et al., 2018; Jackson & Deeg, 2019; Luo & Zhang, 2016). This study aims to bridge that gap by contributing to the contextual diversity of the literature. Secondly, there are a few studies that test the relationship between institutional distance and innovation, especially in emerging market contexts (Piperopoulos et al., 2018; Young et al., 2018). Thirdly, the studies testing the relationship between institutional distance and organisational performance outcomes have so far provided mixed results (Huang et al., 2017; Lorenz et al., 2018; Rosenbusch et al., 2019). This research aims to be more precise and focused by using a well-articulated lens through which institutions are conceptualised. Lastly, by incorporating a longitudinal approach in its methodology, this research aims to capture the changing nature of institutions.

1.4.1 Contextual diversity in emerging market studies

This study is based on institutional theory, which is the most widely used theoretical anchor in emerging market contextual research (Jackson & Deeg, 2019; Meyer & Peng, 2016). However, most of the research has focused on Chinese MNE contexts (Luo & Zhang, 2016). The typological characterization of China does not necessarily apply to other emerging markets (Fainshmidt et al., 2018). Many scholars have pointed out the importance of context in the development and maturity of theories in international business studies, especially in the emerging market field (Meyer & Peng, 2016; Stahl & Tung, 2015). Studies, where institutions are the foundational construct, are particularly context-dependent, as institutional studies by their nature are concerned with the contextual embeddedness of an MNE (Cardinale, 2019; Kostova et al., 2019).

The de-contextualised nature of the institutional theory literature has been criticised by scholars such as Jackson and Deeg (2019). This exigency for contextual diversity inspired the replication of research conducted by Wu et al. (2016). This study tested the relationship between home country institutional development and the parent company innovation performance within a Chinese home country context. This is one of few institutional studies to focus on innovation as an organisational performance outcome. However, the home country contextual setting was limited to China (Wu et al., 2016). According to Saunders, Lewis, and Thornhill (2019), replication is a justifiable approach to research where there is a legitimate concern about its applicability to different settings. Wu et al. (2016) point applicability out as a limitation of their research and implore other scholars to test the findings in different emerging market contexts. There are, after all, institutional dynamics and complexities that are idiosyncratic to China.

China differs culturally from other emerging markets. When innovation studies are performed with no consideration of the cultural setting, this may result in a fragmentary explication of the construct. This is due to the indistinguishably close relationship between normative structures and innovativeness (da Silva Lopes et al., 2018; McCarthy & Aalbers, 2016). Some scholars such as Rosenbusch et al. (2019), posit that the Confucian nature of Chinese culture stimulates innovation activity. This could be an alternative explanation to the findings of Wu et al. (2016). Wu et al. (2016) did not include cultural distance in their study, as the institutional distance was measured using the world governance indicators, which, according to Kostova et al. (2019) are only a measure of regulatory distance. That means that the cognitive and normative pillars of institutions were not factored into their study.

The Chinese institutional framework is also characterised by sub-national heterogeneity that is more ubiquitous than other emerging markets (Sun et al., 2015). Whilst the national institutions set the over-arching parameters within which business activities are to be conducted, regional variation cannot be subsumed under the postulation of national institutional congruency. This can inadvertently lead to a reductionistic approach in analysing a construct as convoluted as institutions (Lundan & Li, 2019). Whilst Wu et al. (2016) controlled for regional variation in their study, this research contributes to the depth of the existing body of literature by adding contextual diversity.

The political landscape in China is also significantly different from other emerging markets. According to Ellis et al. (2018), African informal and to a lesser extent, formal institutions are shaped by their ethnic diversity and are prone to political factionalism. Another peculiarity regarding African EMNEs is how they relate with firms from former colonial powers. According to Ellis et al. (2018), colonial ties between African countries and the United Kingdom as well as France, have an impact on the extent of collaboration and trust between parents and subsidiaries in these contexts. The authors also postulate that colonial ties have an impact on the informal institutional distance between countries. These are contextual subtleties that are not necessarily subsumed by the construct of institutional distance. They can only be explicated in by expanding the contextual scope to African EMNEs.

The Chinese economy is also more technology-intensive than all other emerging markets, which creates an environment that is more conducive to innovation (UNCTAD, 2020; Cornell University, INSEAD & WIPO, 2019). It could be argued that within the Chinese context, there is a cardinal predisposition to innovativeness that is not present in other emerging markets. This is not specifically catered for by any of the institutional distance measures, nor was it controlled for by Wu et al. (2016).

The innovative culture of the Chinese economy is in no small part influenced by the central government's drive to become a global leader in technological endowment (Piperopoulos et al., 2018). As a result, there is pressure exerted by the Chinese central government on EMNEs to be more

innovative (Hu, Cui, & Aulakh, 2018). This level of government involvement in the direction of the economy is another institutional peculiarity of China (Gaur et al., 2018; Hu et al., 2018; Petricevic & Teece, 2019). The control of economic activity in China is largely centralised, and the government is the driver. This state involvement and support can give Chinese EMNEs an innovation advantage that is not available to other emerging markets (Holmes, Zahra, Hoskisson, DeGhetto, & Sutton, 2016; Petricevic & Teece, 2019). Private sector players are rule takers in China and have limited influence in shaping the fundamental aspects of the economy. This is in sharp contrast with a free market institutional framework such as South Africa. Whilst Wu et al. (2016) controlled for state ownership in their research, government influence goes beyond equity ownership. This is a nuance that can only be corrected by expanding the contextual settings.

1.4.2 Institutional distance and reverse innovation knowledge transfer

There are few studies on the relationship between institutions and innovation, especially in emerging markets contexts (Piperopoulos et al., 2018; Young et al., 2018). Innovation studies have largely focused on internal organisational characteristics, without much emphasis on external variables such as institutions (Rosenbusch et al., 2019). The studies that have been conducted on the external factors have focused on the developing market MNEs offshoring their innovation activities to institutionally distant countries (Rosenbusch et al., 2019). Innovation offshoring is, however, a fundamentally different construct to knowledge transfer.

Also, few of these studies have considered the reverse scenario of EMNEs internationalising into institutionally distant countries (Ciabuschi et al., 2017). Similarly, there is a shortage of contextual research on the resultant process of reverse knowledge transfer (Nair et al., 2018). Wu et al. (2016) are one of a few that have specifically focused on innovation as an organisational performance outcome. However, as pointed out above, the applicability and generalisability of the findings into other EMNEs are limited as it was only conducted on Chinese MNEs (Deng & Yang, 2015).

1.4.3 Precision and focus in institutional studies

The discipline of institutional theory has been criticised for what has been described as a sparsity of new insights (Alvesson & Spicer, 2018). The discipline has also not reached the level of maturity that would be expected for a theory that has been within the scholarly discourse for so long. Indeed, institutional theory has been studied widely and has almost become synonymous with international business studies (Meyer & Peng, 2016). However, whilst there may have been an impetus to explore

new ways of conceptualising the construct in the early years of the discipline, this seems to have receded.

It appears that the field of institutional studies is stuck in a rut. In addition to the tautologous path, scholars have not reached consensus on the impact of institutions on organisational performance outcomes (Huang et al., 2017; Lorenz et al., 2018; Rosenbusch et al., 2019). Results on studies vary widely and do not provide a clear direction on the way forward (Alvesson & Spicer, 2018; Kostova et al., 2019; Trąpczyński & Banalieva, 2016). Part of the problem is the lack of precision and focus on how the construct of institutions is conceptualised (Alvesson & Spicer, 2018; Kostova et al., 2019). Most studies have taken a reductionist approach in conceptualising institutions, with little appreciation for the complexity, dynamism and contextual sensitivity of the construct (Lundan & Li, 2018).

However, this situation is not incorrigible. Some notable scholars such as Kostova et al. (2019) posit that the egress from this theoretical rut is to be deliberate and specific about the lens through which the research is conducted. This is in apperception into the complexity and dynamism of the construct. In response to these appeals made by distinguished scholars such as Kostova et al. (2019) and Alvesson and Spicer (2018), this research was conducted with an organisational institutionalism lens, with the goal of precision and focus.

1.5 Business contribution

EMNEs generally suffer a limited innovation knowledge prowess compared to the DMNE counterparts (Buckley, Doh, & Benischke, 2017; Luo & Tung, 2018). This is mainly because of the institutional constraints posed by its home country level of development (Marano et al., 2017). EMNEs need to be innovatively competitive to leapfrog their global and home country competitors (Piperopoulos et al., 2018) and overcome their late-comer disadvantage (Luo & Tung, 2018; Luiz et al., 2017).

Spring-boarding strategies are therefore very important for EMNEs to by-pass the lengthy and costly process of internal cultivation of innovation knowledge (McCarthy & Aalbers, 2016). Innovation knowledge transfer has been proven as a more cost-effective innovation strategy (Rosenbusch et al., 2019). However, these strategies often fail (McCarthy & Aalbers, 2016; Reus et al., 2016). There it is a need in the internationalisation strategies of EMNEs, for a deeper knowledge of their contextual settings. This knowledge should influence the strategies for how EMNEs plan to access the innovation knowledge in the host country and transfer it back to the parent (Zhu et al., 2017). Failure to contextualise and infuse institutional frameworks in the internationalisation strategies of firms can result in the spring-boarding strategies not yielding the envisaged organisational performance outcomes. Institutional distance research offers more depth to the insights of the regulatory, normative, and cognitive characteristics of both the home and host country environment. Formulating a spring-boarding strategy within an institutional distance framework helps EMNEs to overcome some of the strategic blinds-spots that fail to transfer and integrate knowledge.

Internationalisation strategies for the sourcing strategic assets such as innovation knowledge help EMNEs to reduce the risk of over-reliance on the home country institutional environment. Institutions provide predictability and stability to the business environment (Lundan & Li, 2018). Institutions in emerging countries show more variation and frequency of change (Meyer & Peng, 2016). EMNEs are exposed to a greater degree of home country institutional instability and unpredictability (Sun et al., 2015). It is therefore critical for EMNEs to diversify their institutional risk exposure (Luiz et al., 2017).

Knowledge transfer literature is important for innovation strategies as it gives a framework to identify existing innovation competencies within the organisation, and how newly acquired competencies can be optimally integrated with the existing knowledge base (Nair et al., 2018). The international competitive success of EMNEs is largely determined by their ability to absorb and assimilate knowledge from different locations (Kano, 2017). EMNEs need strategies on how to establish symbiotic relationships with their subsidiaries and create an environment for knowledge to be easily accessible and transferable.

The contextualisation of institutional and innovation studies to more diverse emerging market institutional frameworks is important for EMNEs. There is more veracity to the extant theoretical frameworks that are used by EMNEs in their internationalisation strategies if there is confidence in their applicability in all contexts. There is a business and theoretical need to extend the current understanding of institutions beyond the OECD and Chinese realms (Jackson & Deeg, 2019).

This research is also important for policymakers. There is universal accordance in literature that the regulatory configuration of a country can either stimulate or impede economic activity. The activity of innovation is no exception to this verity (Gaur et al., 2018; Holmes et al., 2016). Policymakers need to understand how their regulatory frameworks should be set up to encourage firms to innovate and become global leaders in innovation knowledge. Policymakers can also design a regulatory formation that enables EMNEs to access the innovation knowledge held by developed market firms and transfer it back home without encountering unnecessary hindrances.

1.6 Conclusion

Extant institutional distance literature has become tautologous and has seen very little growth in recent years (Alvesson & Spicer, 2018). This research aims to enhance the body of knowledge by expanding its contextual diversity. It also helps to connect the dots between institutions and innovation knowledge transfer, an area in research which requires more attention (Piperopoulos et al., 2018). The longitudinal approach also helps to capture the dynamic nature of institutional frameworks. The organisational institutionalism theoretical lens enables the conceptualisation of institutions with a greater level of precision and focus (Kostova et al., 2019). This research also contributes to the formulation of EMNE business strategies to gain global and local competitive advantage by attaining the technological innovation of developed markets.

2. LITERATURE REVIEW

2.1 Introduction

The anomaly and peculiarity of the rapid internationalisation of multinationals from emerging markets have captured the attention of international business, or IB, as well as organisational strategy scholars (Hernandez & Guillén, 2018; Luo & Tung, 2018; Marano et al., 2017). Many scholars have posited that EMNEs internationalise in a manner that appears to be in defiance of the established patterns (Cuervo-Cazurra & Rui, 2017; da Silva Lopes et al., 2018). IB has, in its evolution over the years, borrowed from a multiplicity of theoretical disciplines within the social sciences, including economics, strategy, marketing etc (Doz, 2011; Jackson & Deeg, 2019). These are fields that are largely based on DMNE perspectives. It is therefore not surprising that the theoretical heritage of IB is founded on the viewpoint of DMNEs. This is not necessarily a prevarication on the part of IB scholars. After all, DMNEs have been in existence since the nineteenth century (da Silva Lopes et al., 2018). The fact that the core theoretical foundations of the fields have been developed through the lens of DMNEs is therefore not necessarily an inequitable locus for the field. It is simply a function of time, DMNEs have been around for longer.

However, EMNEs have, over the last few decades grown in prominence and visibility in IB (Gaur et al., 2018; Hernandez & Guillén, 2018; Marano et al., 2017; Meyer & Peng, 2016). Researchers have been forced to question whether the extant literature is appropriate in application to EMNEs, given the DMNE foundations of the field (Cuervo-Cazurra & Rui, 2017; Luiz et al., 2017). Many researchers have been compelled to ask whether the existing theoretical perspectives can explain the motives, trajectory, methods and organisational outcomes of the internationalisation of EMNEs (Cuervo-Cazurra & Rui, 2017; Luo & Tung, 2018).

However, perhaps due to their size and plurality, this exploration of EMNEs has disproportionately been focused on Chinese, and to a lesser extent, Indian EMNEs (Fainshmidt et al., 2018; Meyer & Peng, 2016). Latin American, East Asian, Eastern European and to an even greater degree, African EMNEs, have been inadvertently left into the barrens of scholarly laxity (Ellis et al., 2018; Fainshmidt et al., 2018; Luiz et al., 2017). Studies that have focused on these EMNEs have a preponderance to focus on the idiosyncrasies that are pertinent to their specific contexts. Examples include the study of family-owned EMNEs in Latin America, or institutional arbitrage after the transition for the apartheid to the democratically elected government in South Africa (Barnard & Luiz, 2018; Jackson & Deeg, 2019). There seems to be little interest in testing the established theoretical truisms in the contexts of these emerging markets (Fainshmidt et al., 2018). This inevitably has led to the inarticulate supposition of the homogeneity of emerging market contexts (Luo & Tung, 2018). This gives an

oversimplified perspective of emerging markets, without much appreciation for their institutional, geographical, demographical, and developmental differences.

This tacit assumption of homogeneity amongst emerging markets is even more problematic in the study of institutions. This field is concerned with the embeddedness of MNEs in different contexts as a result of isomorphic pressures they face in the quest for legitimation (Cardinale, 2019; Kostova et al., 2019; Wu & Salomon, 2016). This pursuit for legitimation is even more imperative for EMNEs internationalising into developed market contexts, where they face a greater degree of the liability of foreignness (Alvesson & Spicer, 2018; Kostova et al., 2019; Marano et al., 2017). EMNEs venture into these contexts, despite this liability of foreignness, to escape the uncertainty and frequency of change of their home country institutions, and also as part of an asset seeking strategy (Barnard & Luiz, 2018; Luiz et al., 2017; Lundan & Li, 2018; Luo & Tung, 2018; Meyer & Peng, 2016; Nair et al., 2018).

It is a universal premise in IB literature, that EMNEs lack ownership advantages compared to their developed market counterparts (Dunning, 2001; Hernandez & Guillén, 2018; Luiz et al., 2017). This is particularly true for intangible resources, such as innovation knowledge and capabilities (Hernandez & Guillén, 2018). Springboard perspective scholars posit that the motive of EMNEs in internationalising to institutionally distant markets is to gain access to these resources and knowledge and transfer them back to their home country, to increase their local and global competitiveness (Belderbos et al., 2015; Gaur et al., 2018; Rosenbusch et al., 2019; Sun et al., 2015). However, these springboard strategies often fail, and there is little evidence in literature that they yield the desired organisational outcomes (McCarthy & Aalbers, 2016; Reus et al., 2016).

This research seeks to study the impact of institutional distance, from the angle of the springboard perspective, on the eventual transfer of this innovation knowledge back home (Luo & Tung, 2018). This flow of knowledge is called knowledge transfer by organisational knowledge scholars (Nair et al., 2018). In the case of EMNEs gaining knowledge from their subsidiaries, this is referred to as reverse knowledge transfer (Piperopoulos et al., 2018).

Home and host country institutional frameworks either enable or impede this flow of knowledge between the parent and the subsidiary (Marano et al., 2017; Zhou, Gao, & Zhao, 2016). Internal organisational traits and capabilities can also moderate this information flow (Rosenbusch et al., 2019; Wu et al., 2016). The parent's ability and readiness to absorb newly acquired knowledge is posited as a moderator of how successfully this knowledge is shared and integrated (Cuervo-Cazurra & Rui, 2017; Kano, 2017). This is referred to as absorptive capacity (Cuervo-Cazurra & Rui, 2017). It is a literary truism that knowledge translates into innovation activity and performance in the firm (Sun et

al., 2015; Un, 2015). It is through this innovativeness that the EMNE can achieve the ultimate organisational outcome of the springboard strategy, which is to increase its competitive advantage at home and abroad (Belderbos et al., 2015; Gaur et al., 2018; Rosenbusch et al., 2019; Sun et al., 2015).

This research is founded on institutional theory, from the springboard perspective angle. The aim is to understand the impact of institutional distance on the innovation performance of the parent. In addition to this, it aims to understand the moderating impact of the absorptive capacity of the parent. The study is a replication of a similar study performed by Wu et al. (2016), which was conducted on Chinese EMNEs. This study is, however, focused on South African EMNEs. Studying institutions in multiple and more diverse contexts not only enriches the extant institutional literature but may also uncover some contextual contingencies that could not be possible in a Chinese context (Stahl & Tung, 2015).

2.2 Institutional theory

2.2.1 Introduction to neo-institutional theory

Multinationals are, by their very nature, exposed to a variety of institutional environments (Lundan & Li, 2018). These institutional frameworks may be similar, or vastly different to the multinational's home country environment. The plurality of institutional environments and frameworks have an impact on both the multinational's organisational strategy as well as outcomes (Gaur et al., 2018; Zhu et al., 2017). The study of these institutional frameworks is through institutional theory, which is a theoretical anchor on which most IB research is founded (Jackson & Deeg, 2019; Meyer & Peng, 2016).
Institutions are of an even greater organisational and theoretical consideration for the internationalisation strategies and organisational outcomes of EMNEs (Gaur et al., 2018; Rosenbusch et al., 2019; Zhu et al., 2017). This is because EMNEs face a greater legitimacy void, or liability of foreignness than their developed market counterparts, especially when they internationalise into more developed market contexts (Li, Yi, & Cui, 2017; Luiz et al., 2017; Marano et al., 2017). The isomorphic pressures and complexities faced by EMNEs in these environments forces them to become increasingly embedded and conformant in the different institutional environments (Alvesson & Spicer, 2018; Cardinale, 2019; Kostova et al., 2019). The knowledge and experience of how to navigate the pressures and complexities they face in these contexts is indispensable to the successful cultivation of the envisaged organisational outcomes from the internationalisation strategy (Kostova et al., 2019; Maseland, Dow, & Steel, 2018).

The study of institutions is not novel in IB literature (Alvesson & Spicer, 2018; Jackson & Deeg, 2018; Meyer & Peng, 2016). Institutional theory started taking shape in the 1970s and 1980s but started gaining scholarly attention when Dimaggio and Powell (1983), wrote a seminal paper on isomorphic conformity by organisations to gain legitimacy and stability (Alvesson & Spicer, 2018). The theory has, since then, continued to grow and become one of the most widely studied theories in international business and organisational studies, especially in the context of emerging markets (Alvesson & Spicer, 2018; Jackson & Deeg, 2019; Luo & Tung, 2018; Meyer & Peng, 2016). This is not unexpected, because multinationals, whether from developed or emerging markets, need to adapt their strategies to be compatible with the legal frameworks, rules as well as the societal norms of the countries they internationalise into (Dimaggio & Powell, 1983; Gaur et al., 2018; Hong et al., 2015; Lundan & Li, 2018; Wu & Salomon, 2016).

Whilst the theory has become indispensable in most IB studies, it is currently in a state of theoretical ambiguity, proliferation, and inconsistency regarding the definition of institutions, as well as findings (Alvesson & Spicer, 2018; Kostova et al., 2019). Many scholars have decried the lack of theoretical

growth and maturation, particularly from more recent publications (Alvesson & Spicer, 2018). There is also a notable paucity of contextual breadth in the studies performed to date (Fainshmidt et al., 2018).

2.2.2 The current state of institutional theory

The voluminosity of studies founded on this theory has, unfortunately, not led to a trajectory of literary convergence, consolidation, and eventual maturation. The current state of the discipline, according to scholars such as Alvesson and Spicer (2018), is that of proliferation and tautology, and more development and maturity is required (Cardinale, 2019). Some scholars have criticised the theory for the trajectory of litany, with most findings simply being a repetition of what has already been presented, and a dearth of new and ground-breaking insights in recent years (Alvesson & Spicer, 2018). There is also tenuous evidence for progression towards a literary convergence and consolidation. Findings on the impact of institutions on organisational outcomes and strategies remain largely proliferated and inconclusive (Alvesson & Spicer, 2018; Kostova et al., 2019; McCarthy & Aalbers, 2016; Trąpczyński & Banalieva, 2016).

Institutional scholars have also not reached universal consensus on how to define the construct of institutions (Alvesson & Spicer, 2018; Zhu et al., 2017). The fundamental question of what institutions are remains broad, and at best, vague (Buchanan, 2020; Zhu et al., 2017). Institutional economists define it along the lines of formal and informal institutions (Kostova et al., 2019). On the other hand, organisational institutionalists have defined it along the three pillars of institutions, namely regulatory, normative, and cognitive institutions (Kostova et al., 2019; Meyer & Peng, 2016). However, these are mere empirical manifestations of the construct. There is still, after all the years of research on the theory, a literary exiguity of a universal definition that imbricates and encapsulates the essence of the construct.

The inability of the scholarly community to reach consensus on what institutions are could be as a result of the broad and complex nature of the fundamental construct. Some scholars argue that the dyadic interplay between dynamic organisations and institutional frameworks is too convoluted to conceptualise in a reductionist manner (Lorenz et al., 2018; Lundan & Li, 2018). The attempt to attenuate institutions into a singular, linear construct, as evidenced by most studies, could be part of the problem, and the reason for the proliferation that has come to characterise the discipline (Alvesson & Spicer, 2018; Jackson & Deeg, 2019). This singularisation and aggregation of the construct is a common feature in IB research (Jackson & Deeg, 2019; Kostova et al., 2019). This could be why notable institutional theory scholars such as Kostova et al. (2019), have called for researchers to be more explicit in their articulation of the specific institutional school of thought they have adopted in

their study. Kostova et al. (2019) argue that institutional scholars can be more precise and focused if they are clear about the choice of the institutional school of thought and use it as a guiding paradigm throughout their research.

This is a tacit allusion that the construct of institution is too broad and complex to be constricted into a single meta-construct, and one of the ways to attain precision and focus is by picking a specific school of thought throughout the research (Kostova et al., 2019). This approach allows the researcher to zero into the specificities of the underlying construct in their analysis and synthesis. That is the approach taken in this research, by being explicit in the specific school of thought lens, the objective is to be more precise and focused throughout the study.

2.2.3 Schools of thought in institutional theory

Whilst most studies do not articulate this, institutional scholars generally fall into three categories, namely, comparative institutions, institutional economics and organisational institutionalism (Kostova et al., 2019). Comparative institutionalists broadly describe institutions as the all-encapsulating character of a nation (Jackson & Deeg, 2019). Institutional economists anchor their studies on formal and informal institutions (Kostova et al., 2019). Organisational institutionalism scholars generally break institutions down between regulatory, normative and cognitive pillars (Kostova et al., 2019).

Comparative institutions

This school of thought studies different institutional frameworks in terms of how they differ from each other, with no view or biases on an optimal institutional configuration (Jackson & Deeg, 2019; Lundan & Li, 2018). This archetype lends itself to a qualitative analysis of institutions, as it is more concerned with the difference of type, as opposed to the difference of quality (Jackson & Deeg, 2019).

This qualitative conceptualisation is more appropriate in the study of the construct of institutional complexity or diversity, and not distance (Kostova et al., 2019). Institutional complexity is the field of institutional theory concerned with the dynamics of MNEs exposed to a multiplicity and diversity of institutional embeddedness (Jackson & Deeg, 2019; Lundan & Li, 2018). This construct is different from distance, which is concerned with how far apart two institutional frameworks are from each other (Beugelsdijk, Kostova, & Roth, 2016). In comparing two frameworks against each other, distance takes the form of a two-dimensional analysis, whilst complexity is multi-dimensional (Kostova et al., 2019). This multidimensionality can result in an infinite number of institutional dimensions, which may be difficult to analyse in a manageable and linear manner (Jackson & Deeg, 2019). This paradigm

also takes a one-directional view of the interface between organisations and institutions (Lundan & Li, 2018).

The inarticulate presupposition of this discipline is that institutions influence organisational outcomes and strategies. Organisations are quixotically seen as rule takers, who need to conform to the dialectically coherent isomorphic pressures of their institutional frameworks (Lundan & Li, 2018). This top-down view does not account for the dyad of downward and upward influence between organisations and institutions (Buckley et al., 2017; Hong et al., 2015; Marano et al., 2017). There is a need for literature to account for the dynamism of the influence that MNEs also exert on the institutional frameworks (Lundan & Li, 2018). Therefore, this paradigm was not chosen for this study due to its incongruity with the construct of distance, as well as the quixotism of the top-down influence of institutions on organisations.

Institutional economics

The second school of thought is referred to as institutional economics, which views institutions as either formal or informal. Formal institutions are viewed as the codified rules of the game, which govern the economic activities within a specific context (Zhu et al., 2017). Kostova et al. (2019) loosely summate informal institutions as "shared norms, values, practices and frames of interpretation" (p. 470). Whilst formal institutions are conceptualised on more discrete and clearer delineations, the construct of informal institutions is very opaque (Kostova et al., 2019), and consequently harder to conceptualise and measure. This is because informal institutions could be anything from the guanxi arrangements in China, to language (Kostova et al., 2019).

Consequently, this school of thought is more heavily skewed towards formal institutions. (Kostova et al., 2019). This is especially more the case for EMNEs, where the focus is how they can manage the developed host country's presumably stricter formal rules (Kostova et al., 2019; Meyer & Peng, 2016). In this discipline, culture is often a control or moderating variable (Stahl & Tung, 2015). This deemphasis of informal institutions and more importantly, culture, is highly problematic in the study of knowledge transfer and innovation, where the cultural differences influence how successfully knowledge is shared (da Silva Lopes et al., 2018; McCarthy & Aalbers, 2016), and also affords the EMNE access to a more diverse knowledge pool (Stahl & Tung, 2015). Whilst the formal institutions can enable or impede the access and right to transfer innovation knowledge to and from the host country, the successful assimilation and integration is largely influenced by culture (Lorenz et al., 2018; McCarthy & Aalbers, 2016).

EMNEs in any specific context are faced with isomorphic pressures from many facets of institutions, not just the formal institutions, and culture is one of the more important of these facets. The opaqueness of informal institutions under this paradigm does not allow for the articulation of culture as a distinct construct. This paradigm was therefore also not considered appropriate for this research. With the two other paradigms discarded, organisational institutionalism remained as the only option.

Organisational institutionalism

This school of thought is concerned with how MNEs embed themselves in the variety of regulatory, normative and cognitive pillars of institutions which determine not only the legality but also, legitimacy of their economic actions in the host country (Kostova et al., 2019). Legitimacy as an underlying construct, better encapsulates the dynamism and complexity of institutions, as it embodies not just what is codified in laws and policies, but what is considered as the acceptable way to conduct business in a specific context (Kostova et al., 2019).

This paradigm sets the foundation for a study that can capture the dynamism of institutions without attempting to reduce it to a singular linear construct (Jackson & Deeg, 2019; Kostova et al., 2019). Unlike comparative institutions, this view allows the researcher to delineate the different elements of institutions in a manner that better captures the potentially conflicting isomorphic pressures coming from the different pillars (Kostova et al., 2019). For example, anti-trust laws embodied by the regulatory pillar may well conflict with the cultural dynamics of a specific domain. This dialectical incongruency of different elements of institutions can be studied more precisely where the pillars of normative and cognitive institutions are studied as distinct facets.

The paradigm also incorporates both the value-based and non-value-based elements of institutions, which some institutional scholars have called for (Beugelsdijk et al., 2016). Whilst there is no attempt to attenuate institutions into a singular ambient construct in this study, the compartmentalisation of the different facets of institutions is still critically important to conduct a precise and focused study. This makes it easier to measure and conceptualise the construct of institutions, despite its inherent complexity and conceptual ambiguity. Organisational institutionalism is also more appropriate for a study of distance than for instance, comparative institutions.

Organisational institutionalism is, unlike institutional economics, concerned with legitimacy, as opposed to quality. The presupposition of institutional economics, that specific institutional configurations are superior to others, is criticised by some for being founded on imperialist and neoliberal philosophical leanings, with little appreciation for the dynamism of institutional frameworks (Jackson & Deeg, 2019). Whilst specific regulatory frameworks can be more conducive to the

achievement of specific organisational outcomes, the same cannot presumptuously be said about the other pillars of institutions. An EMNE for instance can be exposed to a developed host country whose regulatory framework enables innovation activity. However, the normative elements of that same country may impede innovativeness and entrepreneurial activity, creating a dyadic tension for the EMNE. The influence of the different pillars of institutions can therefore not be assumed to have the same linear impact on organisational outcomes. After all, there is no axiom in the social sciences, of the superiority of a specific cultural trait over the other, since culture is a neutral construct (Stahl & Tung, 2015). However, different cultural dynamics are more conducive to specific organisational outcomes (Rosenbusch et al., 2019).

On the other extreme, comparative institutionalism assumes that the quality of institutions is of little consequence to the organisational outcomes and strategies of EMNEs (Lundan & Li, 2018). Organisational institutionalism is perhaps at the centre of the spectrum. It incorporates to some degree, the espousal that specific regulatory frameworks are better than others, whilst also giving the effect of culture and norms equal weighting in its discourse. This paradigm, whilst by no means perfect, was chosen for being a better lens to studying the impact of EMNEs in regulatorily more developed contexts, without underestimating the impact of culture and norms (Buchanan, 2020).

Organisational institutionalism is not a distinct theoretical perspective, nor is it a separate branch of institutional theory (Kostova et al., 2019). It is simply a lens that allows the researcher to articulate the broad and opaque construct of institutions in a manner that allows for better precision and focus (Kostova et al., 2019). This can help circumvent the pitfall of tautology and opaqueness that has become all too common in neo-institutional theory as well as institutional distance research (Alvesson & Spicer, 2018; Kostova et al., 2019).

2.2.4 Institutional distance and organisational performance outcomes

The contextual embeddedness of MNEs in different institutional frameworks has led to the development of the construct of institutional distance, which is an offshoot of neo-institutional theory (Kostova et al., 2019). This construct has been keenly studied by institutional theorists, with numerous studies and meta-analyses performed over the last decade (Cuypers, Ertug, Heugens, Kogut, & Zou, 2018; Maseland et al., 2018). Stemming from the roots of the work by Geert Hofstede on the four dimensions of culture, its growth was accelerated by the operationalisation of cultural distance through the Kogut and Singh (1988) cultural index (Cuypers et al., 2018).

The history of the construct is founded on the concept of geographical distance between two points of reference (Beugelsdijk et al., 2018; Beugelsdijk et al., 2016; Cuypers et al., 2018). Distance is by nature, a mathematical construct, and it cannot be easily conceptualised without being subjected to a quantitative analysis of some kind (Cuypers et al., 2018). Because it is a mathematical construct, institutional distance also adheres to some fundamental rules of distance, including the rule of measurability (Cuypers et al., 2018). The fundamental principle of distance is that it can only be conceptualised by how apart two points of reference are from each other (Beugelsdijk et al., 2018; Cuypers et al., 2018; Maseland et al., 2018). This principle of measurability means that no matter opaque the construct of institutions is, it needs to be operationalised through some form of linear measure, for it to be analysed as the two-dimensional construct of distance. Any qualitative analysis and conceptualisation would lend itself more towards the multi-dimensional construct of institutional complexity (Jackson & Deeg, 2019; Kostova et al., 2019).

Whilst the construct of institutional distance is not new, there is no universal consensus on what it is, or how to measure it (Beugelsdijk et al., 2016; Kostova et al., 2019). The absence of convergence in institutional distance is a direct result of the proliferated nature of neo-institutional theory, which is the theoretical anchor for the discipline (Alvesson & Spicer, 2018; Zhu et al., 2017). Institutional distance is loosely defined by Beugelsdijk et al. (2018) as the extent to which institutional contexts differ.

The fundamental premise in institutional distance is that the MNE's home country institutional frameworks will differ to the host country (Maseland et al., 2018; Meyer & Peng, 2016). Even contexts such as Scandinavian countries that share similar institutional traits will inevitably differ along some dimensions. In the case of EMNE's operating in more developed institutional contexts, this distance is greater (Ilhan-Nas, Okan, Tatoglu, Demirbag, & Glaister, 2018). The greater the distance, the greater the legitimacy challenges the EMNE faces in the host country, and the greater the impact on organisational outcomes (Li et al., 2017; Luiz et al., 2017; Marano et al., 2017). The impact of this distance is, therefore, a critical strategic consideration even before the EMNE internationalises into the host country (Gaur et al., 2018; Rosenbusch et al., 2019; Zhu et al., 2017).

Whilst many studies have been dedicated to the relationship between distance and ownership strategies, the main focus of scholars has been the study of the impact of institutional distance on organisational outcomes (Kostova et al., 2019). These include quantifiable outcomes such as financial performance, profitability, market share, internal rate of return, sales growth and return on equity (Trąpczyński & Banalieva, 2016). Other qualitative outcomes have been studied, including subsidiary survival, competitive position and perceived contentment with overall performance (Trąpczyński & Banalieva, 2016). Knowledge transfer and innovation performance, however, are some of the less-studied organisational outcomes (Young et al., 2018). Table 1 demonstrates a synthesis of the

contextual settings and organisational outcomes of institutional distance studies between 2015 and 2020.

Table 1: Synthesis of institutional distance studies between 2015 and 2020 in journals ranked and above by AJG

Paper	Organisational Outcome	Home country Institutional context	Results
Cho and Ahn (2017)	Shareholder value	South Korea	Institutional distance has a negative impact on shareholder value (R^2 = 0.04)
Trąpczyński and Banalieva (2016)	Affiliate financial performance of infant multinationals	Poland	Distance increases performance (R^2 = 0.18)
Popli, Akbar, Kumar, and Gaur (2016)	Acquisition deal success	India, Brazil, Russia, China, Mexico, South Africa, Turkey, Indonesia	Cultural experience moderates the negative impact of distance of deal success
Liou, Chao, and Yang (2016)	Ownership strategies	China, India, Indonesia, Mexico, Russia, South Africa, Thailand, and Turkey	Distance results in a higher degree of subsidiary ownership
Wu and Salomon (2016)	Financial performance	DMNEs, India, Mexico, Brazil, Colombia	Distance results in benefits initially, however, benefits diminish with experience
Wu et al. (2016)	Parent innovation	Chinese manufacturing MNEs	Distance improves innovation performance
Shirodkar and Konara (2016)	Subsidiary financial performance	MNEs from 80 countries, operating in other emerging market environments	Distance negatively affects subsidiary performance (R^2 = 0.05)
Lorenz et al. (2018)	Innovation offshoring performance	DME	Some elements of distance hamper innovation performance (R^2 = 0.14)
Golesorkhi, Mersland, Randøy, and Shenkar (2019)	Affiliate financial performance	EMNEs from 74 countries operating in developed markets	Performance is S shaped (R^2 = 0.22)
Ho, Ghauri, and Kafouros (2019)	Knowledge acquisition	Taiwan	Distance hampers knowledge transfer (R^2 = 0.23)

The field of institutional distance, like neo-institutional theory, has yielded inconsistent and proliferated results, particularly with regards to its impact on organisational outcomes (Kostova et al., 2019). For instance, Cho and Ahn (2017) found that there is a negative relationship between institutional distance and shareholder value. Shirodkar and Konara (2016) found that distance has a negative impact on financial performance, whilst Trąpczyński and Banalieva (2016) concluded that distance increases financial performance. On the other hand, Golesorkhi et al. (2019), as well as Wu and Salomon (2016) both concluded that whilst distance might lead to improved financial performance initially, this diminishes over time.

Institutional studies focusing on innovation performance as an organisational outcome are few and far in-between (Piperopoulos et al., 2018; Young et al., 2018). Lorenz et al. (2018) studied the impact of institutional distance on innovation offshoring performance. Innovation offshoring is the "exportation" of innovation activities from the headquarters of the MNE to the subsidiary. This is the common and prosaic direction of the flow of innovation knowledge. Wu et al. (2016) is one of a few studies that have incorporated parent innovation performance as an organisational outcome. However, Wu et al. (2016) performed their study within a purely Chinese EMNE context. This is an adumbration of the contextual settings of most EMNE institutional distance studies, with most focusing on a Chinese (Luo & Zhang, 2016).

The gaps in the field of institutional distance can be summated into two main areas that need scholarly focus. The first is the lack of contextual diversity in the studies. The second challenge is the ostensible paucity in convergence and literary maturity. These issues are however not incorrigible. The issue of contextual diversity can be rectified by including more of the previously understudied institutional contexts in studies, especially African and Latin American EMNEs (Ellis et al., 2018; Fainshmidt et al., 2018; Wu et al., 2016). The study of South African EMNEs in this study is an attempt to contribute to the contextual depth and richness of the discipline.

The challenge of proliferation can be addressed by being more deliberate, disciplined and consistent regarding the specific theoretical lens through which the institutional distance is defined and conceptualised (Cuypers et al., 2018; Kostova et al., 2019). That is what this study aims to achieve. By explicitly choosing organisational institutionalism as the theoretical lens, the objective is to be more focused and precise in how the construct of institutional distance is dissected. This allows for the compartmentalisation of the three pillars of institutions, thus enabling hypotheses to be built on regulatory, normative and cognitive distance (Meyer & Peng, 2016).

Regulatory distance

Regulatory institutions are defined by Young et al. (2018) as "the formal socio-political regulatory processes that establish rules, the means for monitoring (non) compliance with those rules, and sanctioning activities that reward or punish such behaviour" (p. 410). Whilst formal institutions, as viewed by institutional economists, manifest in both regulatory as well as political rules, organisational institutionalists take a narrower view, focusing purely on the regulatory facet (Kostova et al., 2019; Lorenz et al., 2018). By extension, regulatory distance is the extent to which two regulatory frameworks differ (Beugelsdijk et al., 2018; Lorenz et al., 2018).

MNEs are inevitably exposed to different judicial, contractual and enforcement regimes (Liou et al., 2016). These regulatory frameworks exert isomorphic pressures on MNEs which coerce them to adapt their behaviour and strategies (Dimaggio & Powell, 2918; Gaur et al., 2018; Hong et al., 2015; Lundan & Li, 2018; Wu & Salomon, 2016). However, there is a paucity of studies that explicitly study the impact of regulatory distance on organisational outcomes (Wu & Salomon, 2016). Studies that incorporate the regulatory pillar of institutions generally use the construct as a representation of the entirety of institutions, which results in imprecise theoretical arguments and analysis (Kostova et al., 2019).

Unlike the other pillars of institutions, regulatory institutions are codified, which means they are easier to enforce and compare to other frameworks (Liou et al., 2016; Young et al., 2018). This provides stability and predictability for different economic participants (Alvesson & Spicer, 2018; Young et al., 2018). Regulatory frameworks from emerging markets usually display less stability and predictability compared to developed market institutions (da Silva Lopes et al., 2018; Meyer & Peng, 2016). However, this is not necessarily a universal truism. For example, one may argue that the legislative regime in the United States is more prone to change compared to China, which is not subjected to a change of government every four years. This stability, however, goes beyond the frequency of change. The extent to which laws and regulations can be enforced, regardless of political changes, is a critical component of the stability that is provided by developed institutions (Kostova et al., 2019; Young et al., 2018).

Whilst it may be tempting to categorise regulatory frameworks as either “weak” or “strong”, there is better value in analysing them based on how they impact different organisational outcomes (Young et al., 2018). For example, some regimes are more conducive to subsidiary financial performance, others more conductive to capital repatriation, others to foreign direct investment (Gaur & Lu, 2016; Gaur et al., 2018; Golesorkhi et al., 2019) and others to innovation performance and knowledge transfer (Holmes et al., 2016).

There is universal agreement amongst scholars that specific regulatory configurations facilitate an entrepreneurial and innovative environment (Holmes et al., 2016; Kriz & Welch, 2018). These regulatory frameworks are usually based in developed markets and are characterised by stability and flexibility (Young et al., 2018). According to the index of patent rights developed by Park (2008), developed economies scored an average of 4.18, compared to emerging markets scoring 3.56. Stability creates a conducive environment for firms and entrepreneurs to take more risks, and thus engage in more innovative activities (Teece, Oeteraf, & Leih, 2016; Young et al., 2018). According to Balachandran and Hernandez (2018), firms operating in these environments are more likely to file patents. This is because a stable environment provides the ability to assess the risks of different

innovation activities (Young et al., 2018). Innovation activities are by their nature risky endeavours; therefore, a stable environment reduces the overall uncertainty and ambiguity for EMNE (Teece et al., 2016).

A stable and well-developed regulatory framework is characterised by a strong and enforceable intellectual property framework (Pinkham & Peng, 2016; Young et al., 2018). EMNEs are more likely to concentrate their innovation activities in environments that pose minimal threat to their intellectual property rights (da Silva Lopes et al., 2018). Well-developed intellectual property regimes enable EMNEs to acquire and own intellectual property and transfer it back to the home country in a transparent manner (Young et al., 2018). EMNEs can obtain better protection of the ownership and confidentiality over the innovation obtained from the developed markets, compared to what they would otherwise obtain in their home context (Petricevic & Teece, 2019; Pinkham & Peng, 2016). This would make developed markets a safer source of innovation, compared to the EMNE's home country. Developed market regulatory regimes also generally display stable tax regimes, which are less prone to change (Young et al., 2018). This allows firms to calculate the costs of different innovative ventures with more accuracy and predictability (Young et al., 2018). The monetary policy of the developed markets also affords the EMNEs in those environments a stable environment when they change in borrowing activities with more certainty about the costs (Young et al., 2018).

In addition to stability, developed market regulatory institutions display flexibility in their labour laws, ease of opening and closing a business, and easier access to capital (Young et al., 2018). Flexibility is a critical feature of regulatory frameworks for the stimulation of innovation activities (Rosenbusch et al., 2019). Developed market institutions generally display less rigid labour laws. Firms in those environments have more flexibility to hire and fire staff at different stages of the innovation processes (Young et al., 2018). This flexibility affords EMNEs the agility to redeploy resources to more value-creating activities (Teece et al., 2016). This also allows for better management of costs related to the innovation activities, and an increased willingness for organisations to engage in innovation (Rosenbusch et al., 2019; Young et al., 2018). According to Bauer, Schriber, Degischer, and King (2018), labour market flexibility is determined by "cooperation in labour-employer relationships, the flexibility of wage determination, hiring and firing practices, redundancy costs and weeks of salary, and the effect of taxation on incentives to work" (p. 294). Flexible labour markets in the host country also facilitate speedy post-acquisition integration (Bauer et al., 2018). Speedy integration of personnel can enable the cross-cultural collaboration and building of trust required for effective transfer of knowledge (Bauer et al., 2018; Kano, 2018).

Emerging market regulatory regimes are generally marred by red tape and bureaucracy, which can stifle the flexibility required for innovation activities (Hong et al., 2015). Developed markets, according

to Young et al. (2018), are also home to a wider array of funding options, which may not be as easily accessible in emerging markets. The funding constraints faced by firms in emerging markets create barriers to innovation especially for smaller and newer organisations (Holmes et al., 2016). The ease of opening and closing a business is also another important feature in developed market environments compared to their emerging market counterparts (Fainshmidt et al., 2018; Young et al., 2018).

Therefore, when EMNEs internationalise into regulatorily distant institutional contexts, they gain access to regulatory environments that are more conducive to innovation than their home countries. This gives them both access to innovation knowledge, and the ability to transfer it back to the home country. This innovation strategy has been proven to cheaper than the cultivation of innovation knowledge in the more constraining home environment (McCarthy & Aalbers, 2016). This knowledge can be used by the parent company to imitate the activities of the subsidiary in the developed country, and thus improve the parent's innovation performance (Young et al., 2018).

Therefore, it is hypothesised that regulatory distance has a positive relationship with parent innovation performance.

Normative distance

Cultural/normative distance has been studied extensively by IB scholars since the operationalisation of the construct using the Kogut and Singh (1988) index (Beugelsdijk et al., 2016; Kostova et al., 2019; Stahl & Tung, 2015). The interest in the construct is not an enigma, because MNEs inevitably need to contend with managing across different national cultural contexts (Cuypers et al., 2018). The terms cultural and normative distance are often used interchangeably in literature. The same approach has been followed in this research. Hofstede, (1980 as cited in Huang et al. (2017)) defines national culture as "a set of values and beliefs collectively held by members of one nation as a result of early socialization in families and school" (p. 974). Consequently, the study of normative distance is not concerned with quality, or which cultural context is better than the other. It is rather concerned with how people in different contexts differ in behaviour, thinking and values (McCarthy & Aalbers, 2016; Stahl & Tung, 2015).

Normative distance goes beyond geographic borders and proximity (Meyer & Peng, 2016). For example, one may argue that South Africa shares more cultural similarities with the United Kingdom and Australia, than fellow Southern African nations such as Mozambique and Angola, due to colonial legacies (Ellis et al., 2018; Meyer & Peng, 2016). Similarly, whilst there are tangible commonalities shared across the regulatory frameworks of developed markets, normative distance tends not to follow the developmental lines. For example, the United States and Hong Kong might project similar

intellectual property regimes, however, the latter may be more similar to mainland China from a normative point of view.

There is no universal definition for the construct of normative distance (Kostova et al., 2019). Nevertheless, scholars agree that normative distance influences the behaviours, the norms, the decision-making, the values and motivations of individuals and teams in a specific context (Stahl & Tung, 2015). There is also scholarly consensus that normative distance influences post-acquisition organisational outcomes for MNEs (Huang et al., 2017; Lorenz et al., 2018; Stahl & Tung, 2015; Zhu et al., 2017).

Whilst scholars agree on the impact of normative distance on organisational outcomes, the results of whether the impact is negative or positive remain highly proliferated (Huang et al., 2017; Zhu et al., 2017). As a result, two divergent views currently exist in the extant literature on the topic (Lisak, Erez, Sui, & Lee, 2016). The most widely held view is that normative distance has a negative impact on the performance of EMNEs (Lisak et al., 2016; Stahl & Tung, 2015). These negative consequences = are as a result, amongst others, of lack of common identity, communication barriers, team clashes as well as lack of understanding and trust between cross-cultural teams (Kano, 2017; Reus et al., 2016). These may impede the collaboration and knowledge-sharing that is required for a successful post-acquisition integration (Kano, 2017; Luo & Tung, 2018; Nair et al., 2018; Stahl & Tung, 2015). Whilst most scholars that focus on the negative aspects generally argue theoretically along the negative lines, there is inadequate empirical evidence from their studies to cement this view as a universal truism (Huang et al., 2017; Stahl & Tung, 2015).

This could be why some scholars such as Lisak et al. (2016), Maseland et al. (2018) as well as Stahl and Tung (2015), are calling for a more balanced, and even more optimistic, assessment of normative distance. The latter view is referred to as positive organisational scholarship (Lisak et al., 2016). These scholars do not dismiss the negative impact of culture on organisational outcomes but posit that the learning benefits outweigh the negative aspects of cognitive distance (Zhu et al., 2017). That is the stance taken in this research, focusing on the positive aspects of multiculturalism and diversity afforded by normative distance, whilst acknowledging but not necessarily testing the negative (Lisak et al., 2016).

The multiculturalism and diversity that results from normative distance can be a source of creativity and may stimulate a culture of innovativeness, entrepreneurship and healthy competition between cross-cultural teams (Lisak et al., 2016; Lorenz et al., 2018). Entrepreneurialism is a management and team capability that is conducive to the cultivation of new products and technologies (da Silva Lopes et al., 2018; Teece et al., 2016). According to Un (2015), multicultural teams are better able to

“identify, integrate and use diversity of knowledge for product innovation” (p. 46). Multicultural and diverse teams are also better able to synergise their diverse knowledge pool to create innovative products (Lisak et al., 2016). That could be why many studies have proven that diverse teams outperform homogeneous teams (Lisak et al., 2016). Normative distance also affords the EMNE access to a pool of task-specific knowledge that is unavailable in the home country (Lisak et al., 2016; Stahl & Tung, 2015). This knowledge can give the EMNE an advantage over its competitors back home, especially when the knowledge is synergised and leveraged with existing capabilities and knowledge base (Lisak et al., 2016; Song, Gnyawali, Srivastava, & Asgari, 2018; Stahl & Tung, 2015).

There is no shortage in literature of studies that explore the impact of normative distance on organisation outcomes (Lisak et al., 2016; Stahl & Tung, 2015). There is, however, no evidence in literature of the study of normative distance and its impact on innovation. This is despite the general agreement that team and country-level culture is a critical foundation for innovation (da Silva Lopes et al., 2018; McCarthy & Aalbers, 2016). Whilst Wu et al. (2016) tested the relationship between institutions and innovation, the focus on their study was on formal institutions, with no consideration for the cultural-cognitive aspect of institutions. This is a commonality in institutional distance literature and is rooted in the failure to articulate the school of thought of institutions.

Many studies have focused on the negative impact of cultural distance on organisational performance (Lisak et al., 2016; Stahl & Tung, 2015). However, internationalising to normatively distant contexts can, when harnessed properly, result in an improvement in the EMNEs’ innovation performance. Therefore, it is hypothesised that normative distance has a positive relationship with parent innovation performance.

Cognitive distance

Normative and cognitive distance are often used, incorrectly so, interchangeably in institutional distance studies (Kostova et al., 2019). As a result, there are very few studies that focus on the cognitive pillar of institutions (Kostova et al., 2019). Many scholars do not articulate the distinction between normative and cognitive institutions (Kostova et al., 2019). The two constructs are often conflated, resulting in a misalignment of theoretical arguments measurement tools (Kostova et al., 2019). Whilst the two constructs may be similar because they represent the uncodified and implicit elements, they are two distinct institutional pillars. Whilst normative institutions represent the cultural values, cognitive institutions represent, according to Kostova et al. (2019), the “taken for granted habitual ways in which things are done in a specific society” (p. 477). Normative institutions are founded on values, cognitive institutions on societal habits.

An example of this cognitive habituality is the rule-based and communality observed in Japanese society. The Confucian cultural base has conditioned this society to habitually obey the rule of law and authority without question. This is despite Japan being one of the most democratic countries in the world. Therefore, whilst the laws of the country may promote freedom of speech, the Confucian culture has over time resulted in a society that is cognitively more likely to obey authority (Linton, 2020). The unfamiliarity of an EMNE with these unspoken rules that determine legitimacy from the perspective of the host nation results in a liability of foreignness which impedes their access to the innovation knowledge ecosystem (Hernandez & Guillén, 2018; Rosenbusch et al., 2019; Un, 2015).

However, many studies have shown that EMNEs have a preponderance to allow local senior management teams to run the subsidiary in the developed country (Luo & Tung, 2018). This willingness to give local teams more autonomy is a result of the increased level of trust the EMNE has in the regulatory stability of the developed country. The influence of the local management, therefore, offsets the liability of foreignness, as the local team can provide insider knowledge of the markets as well as personal connections that EMNE would not have in that country (da Silva Lopes et al., 2018; Rickley & Karim, 2018). This enables the EMNE to be better aligned with the cognitive pressures of the specific environment (Rickley & Karim, 2018). Therefore, the liability of foreignness faced by the EMNE in the developed market is largely offset by the positive aspects of the cognitive distance (Stahl & Tung, 2015; Zhu et al., 2017).

The cognitive habituality of a society results in organisational processes, management structures and team dynamics that are uncommon in distant parts of the world (Kostova et al., 2019). Internationalising into these cognitively distant countries allows the EMNEs to adopt practices and processes that have no parallels in the home environment, thus making it difficult for competitors back at home to imitate. Practices and processes that may be a norm and even taken for granted in one context, could be novel and revolutionary when replicated in a different context. This can result in the incremental improvement of existing products and processes, or render them obsolete, thus causing notable disruption in the local market of the EMNE (Maseland et al., 2018; Mikalef, Boura, Lekakos, & Krogstie, 2019).

For instance, a South African EMNE internationalising into Japan may gain access to an environment that is cognitively predisposed towards incentivising team harmonization and innovation. This societal habituality is because of the Confucian culture where the team or society is considered to be more important than the individual (Linton, 2020). This attitude is more conducive for innovation, as team effort yields better innovation output than individual effort (Mikalef et al., 2019). That is why some scholars argue that the Confucianism of nations such as China, Japan and South Korea is conducive

to a societal cognition of innovativeness (Rosenbusch et al., 2019). Therefore, even though this may be a cognitively distant environment from a South African perspective, there are organisational practices, products and processes that can be imported into the home environment. This is in contrast to a country such as the United Kingdom, wherein the organisational practices, processes and norms may already be very similar to the South African context. Therefore, there are fewer organisational novelties to learnt from countries whose norms and practices are already similar to the home environment.

Therefore, it is hypothesised that cognitive distance has a positive relationship with the post-acquisition innovation performance of the parent company.

2.2.5 Conclusion

Neo-institutional theory is expected to remain a critical theoretical anchor on which the strategies and organisational outcomes of EMNEs will be studied (Gaur et al., 2018; Jackson & Deeg, 2019; Petricevic & Teece, 2019). However, the proliferation requires that scholars make some crucial decisions regarding how they choose to theorise and analyse the construct. There is a need to be specific about the school of thought that has been chosen and apply it consistently in the literature review, methodical choices, and discussion of findings.

This is the approach taken in this study. Acknowledging the complex and broad nature of the construct, a decision was taken to conduct the study under the guidance of organisational institutionalism as a school thought. This paper is specific in articulating the school thought that has been chosen, and consistently applies it in the hypothesis development, methodology and analysis of findings. As a result, regulatory, normative and cognitive distance have been compartmentalised, and the hypotheses on how they impact parent innovation performance disaggregated into three components. This is a rarity in institutional literature, where most studies have selected one element of institutions. According to Maseland et al. (2018), most of these one-dimensional studies have myopically focused on the cultural element of institutions, with little focus on the other pillars. The approach in this research has enabled the analysis of the construct three distinct pillars, without diluting and understating its dynamism and complexity. This approach has also crystalised the oftentimes indiscernible lines between normative and cognitive distance. The objective is to be precise and focused on the theorisation and analysis, and hopefully, avoid contributing to the proliferation and tautology in the discipline. In conceptualising the impact of normative and cognitive distance, a decision was made to take the road less travelled, and to focus on the positive aspects of these construct.

This research is also based on a South African context, in an attempt to enrich distance literature with contextual diversity. South Africa, as a prominent emerging market remains largely understudied in institutional theory, and studies that focus solely on the South African context can enrich the body of literature in institutional distance by articulating nuances that are not observed in different contexts. There is a need in the extant literature to appreciate that contextual embeddedness is the foundational premise of all institutional studies, and proper contextualisation is critical for the discipline's growth and maturity (Cardinale, 2019; Kostova et al., 2019; Meyer & Peng, 2016). In summary, this research is anchored on institutional theory, with organisational institutionalism as a lens, and the springboard perspective as an angle.

2.3 Springboard perspective

The springboard perspective is one of the four most studied theories in IB (Meyer & Peng, 2016; Luo & Tung, 2018). For this research, this perspective is not a theoretical foundation, but an angle from which institutional distance is viewed. This theoretical angle enables the scope to be limited to the internationalisation of EMNEs into a developed host nation. According to the springboard perspective, EMNEs internationalise into developed markets for two main reasons (Luo & Tung, 2018). Firstly, it is to escape the institutional voids in their home environments (Gaur et al., 2018; Luo & Tung, 2018; Marano et al., 2017; Sun et al., 2015). Secondly, it is to engage in strategic asset-seeking for novel technologies, products and processes which are not available in their home environments (Belderbos et al., 2015; Luo & Tung, 2018; Wu et al., 2016).

The home country institutional frameworks of EMNEs are generally not conducive to the attainment of certain organisational outcomes, especially innovation (Luo & Tung, 2018; Marano et al., 2017; Sun et al., 2015). This is a result of regulatory regimes that do not offer the EMNEs adequate protection, stability and flexibility (Barnard & Luiz, 2018; Young et al., 2018). To escape these constraints, EMNEs internationalise into developed countries where they can gain access to clusters of excellence for specific innovations and transfer this knowledge back home in a transparent manner (Barnard & Luiz, 2018; Belderbos et al., 2015; Young et al., 2018). The protection, stability and flexibility offered by developed market regulatory frameworks, also encourages EMNEs to take more risks than they would in other markets (Young et al., 2018). For instance, many studies have shown that EMNEs tend to acquire higher ownership percentages in developed markets (Pinto, Ferreira, Falaster, Fleury, & Fleury, 2017). This is an ownership strategy that poses more risk in less stable regulatory environments (Ilhan-Nas et al., 2018; Young et al., 2018). As a result of this, the speed and rapidity of the internationalisation of EMNEs have defied the convention that has been established by DMEs (Luo & Tung, 2018; Pinto et al., 2017). The willingness by EMNEs to commit more equity capital enables them to gain access to the strategic assets of the target. In addition to the access, they are also better able to exert control on how the assets are to be transferred to the home environment (Ellis et al., 2018; Pinto et al., 2017).

The springboard perspective is premised under a presumption that EMNEs possess inferior ownership advantages compared to the developed counterparts (Buckley et al., 2017; Dunning, 2001; Luo & Tung, 2018). Whilst it is accepted that EMNEs may possess a different set of ownership advantages, many scholars agree that they are not as well endowed with intangible strategic assets such as technology and innovation capability (Hernandez & Guillén, 2018; Y. Li, Cui, & Liu, 2017; Luo & Tung, 2018; Petricevic & Teece, 2019). That is because the EMNEs home environments do not usually facilitate the development of these capabilities (Buckley et al., 2017; Wu et al., 2016).

Internationalising into developed markets gives the EMNE access to specialised and diverse innovation knowledge (Rosenbusch et al., 2019).

This knowledge is a critical ownership advantage in an information-based global economy. According to Grosse (2016), there are very few EMNEs that are global leaders in innovation and technology. Therefore, EMNEs pursue this strategy to become more competitive at home and abroad (Gaur et al., 2018; Grosse, 2016; Liou et al., 2016; Luo & Tung, 2018; Nair et al., 2018; Pinto et al., 2017). EMNEs can become more competitive at home once they obtain knowledge that is not generally available and easily imitable in their home environment. Intangible assets in the form of tacit knowledge, are usually difficult for competitors in the home environment to imitate, which gives the EMNE a leapfrog advantage (Nair et al., 2018). EMNEs can also become more globally competitive and overcome their late-comer disadvantage by synergising their newly obtained knowledge and management best practice, with their existing ownership advantages (Luo & Tung, 2018; Luiz et al., 2017). The ownership advantages usually possessed by EMNEs include adaptability as well as institutional ambidexterity (Luo & Tung, 2018). These capabilities once combined with newly acquired innovation knowledge can enable the EMNE to catch up with, and even overtake their global competitors, as has been demonstrated by EMNEs such as Lenovo and Huawei (Piperopoulos et al., 2018; Rosenbusch et al., 2019). The same could be said about Japanese and South Korean conglomerates such as Toyota, Samsung, Sony and Hyundai. These companies were at some point in their history EMNEs but have now grown to become global leaders in their respective industries. Toyota for instance copied the mass production processes of American automakers such as General Motors and Ford, and improved on them in their home environment. Toyota may no longer be classified as an EMNE but was at some point a conglomerate from an emerging market, which has now grown to become the largest car company in the world (Gupta, 2020).

Springboard strategies, however, do not usually yield the desired organisational outcomes (Luo & Tung, 2018; McCarthy & Aalbers, 2016; Reus et al., 2016; Rosenbusch et al., 2019). Whilst the isomorphic pressures of institutions largely determine the extent to which these outcomes can be attained, some internal organisational characteristics and capabilities warrant consideration (Ciabuschi et al., 2017; Luo & Tung, 2018; Meyer & Peng, 2016; Su, Kong, Ciabuschi, & Holm, 2020). These activities and capabilities have a significant impact on how well an EMNE can successfully integrate newly acquired knowledge (Luo & Tung, 2018; Luo & Zhang, 2016; Nair et al., 2018; Rosenbusch et al., 2019). Absorptive capacity is one of the most important capabilities in the organisation.

2.4 Absorptive capacity

The springboard perspective is premised on the assumption of knowledge asymmetry between the EMNE and its developed market subsidiary (Hernandez & Guillén, 2018). The parent EMNE needs to obtain and integrate the knowledge from the subsidiary for the springboard objectives to be realised. To realise its springboard objectives, the EMNE needs to possess the ability to integrate and assimilate transferred knowledge to achieve commercial ends (Cuervo-Cazurra & Rui, 2017; Kano, 2017; Schweisfurth & Raasch, 2018). This is referred to as absorptive capacity, which is a widely studied field in management sciences (Schweisfurth & Raasch, 2018; Song et al., 2018).

However, similar to institutions, there are divergent views in literature about what absorptive capacity is, and research findings are highly proliferated (Song et al., 2018). Despite this ambiguity, many scholars have identified three main characteristics that determine the absorptive capacity. The first is the ability to recognise and value external knowledge (Song et al., 2018). Firms that possess this capacity can be more deliberate about the specific knowledge voids in their organisation that need to be filled. This can inform precise springboard strategies regarding the institutional environments and targets that possess this knowledge.

The second characteristic is the ability to assimilate this knowledge (Kano, 2017; Song et al., 2018). The EMNE's existing knowledge base is critical in this regard, as it helps to discern the newly acquired knowledge, its quality and its usefulness (Schweisfurth & Raasch, 2018; Song et al., 2018). An EMNE that also possess a wealth of technical knowledge is better able to channel the newly acquired information in a manner that will yield desired results, as it is better able to interpret what the knowledge means and how it complements existing knowledge. This newly acquired knowledge can be combined with the existing knowledge pool to achieve synergistic effects that can also help the EMNE catch up with global competitors (Patel, Kohtamäki, Parida, & Wincent, 2015).

The third characteristic is the ability of the EMNE to commercialise the acquired knowledge (Kano, 2017; Schweisfurth & Raasch, 2018; Song et al., 2018). There can be no measurable impact of acquired knowledge until it is applied to the EMNEs processes, product development, management practices etc., in a manner that is novel and results in performance improvement (Mikalef et al., 2019; Schweisfurth & Raasch, 2018). That requires a coordinated effort by the EMNE to facilitate this flow of information between cross-cultural and multinational teams (Song et al., 2018). In achieving this objective, the collaboration between teams is critical, as the back-and-forth communication enables the EMNE to realise the intended benefits. The quality of this collaboration determines the effectiveness of the benefits of knowledge transfer (Ciabuschi et al., 2017; Nair et al., 2018). Tacit knowledge is usually what gives organisations a competitive edge as it is harder for competitors to

replicate at home. However, this is the type of knowledge that is usually ambiguous and riskier to implement (Nair et al., 2018). Firms with high absorptive capacity are usually more willing to take these risks and implement the knowledge to achieve the desired commercial ends (Patel et al., 2015). Whilst institutional distance affords the EMNE access to novel and high-quality innovation knowledge, the extent of how successfully that knowledge is applied to improve performance at home, is influenced by the parent's absorptive capacity.

Therefore, it is hypothesised that the higher the parent's absorptive capacity, the greater the positive relationship between institutional distance and the parent's innovation performance.

2.5 Reverse innovation knowledge transfer

As already posited, the overarching presumption of springboard strategies is that the EMNE is less endowed with strategic ownership advantages compared to its subsidiary based in a developed market context (Hernandez & Guillén, 2018; Luo & Tung, 2018). This disparity is even more pronounced as regards the intangible assets such as innovation knowledge (Hernandez & Guillén, 2018; Li et al., 2017; Petricevic & Teece, 2019). The EMNE internationalises into a developed market not only to escape institutional voids in its home environment, but to gain access to, transfer and integrate this knowledge back home (Kano, 2017; Luo & Tung, 2018; Nair et al., 2018).

The process through which this knowledge flows between different entities, across institutional boundaries, is referred to as knowledge transfer (Nair et al., 2018). This is a conduit through which the knowledge is shared and disseminated withing the EMNE. However, the ultimate organisational outcome in springboard strategies is not the transfer of knowledge, but the improvement in the strategic assets and ownership advantages held by the EMNE (Sun et al., 2015). In the case of innovation, the ultimate measure of the success of the strategy is the EMNEs innovation performance and is usually measured through the patents lodged by the organisation (McCarthy & Aalbers, 2016; Rosenbusch et al., 2019; Wu et al., 2016).

Regulatory, normative and cognitive institutional frameworks enable or impede the ability of the flow of this knowledge (Ciabuschi et al., 2017; Rosenbusch et al., 2019; Zhu et al., 2017). The internal organisational characteristics such as absorptive capacity also influence the extent to which knowledge is successfully assimilated to achieve the springboard objectives (Cuervo-Cazurra & Rui, 2017; Schweisfurth & Raasch, 2018; Song et al., 2018).

The generic presumption of this discipline of the management sciences is usually the subsidiary learning from the parent. This is based on the societal axiom of the parent teaching the child. However, in the case of springboard strategies, the direction of knowledge flow is reversed, hence the construct of reverse knowledge transfer. In this case, the child teaches the parent (Li et al., 2017; Nair et al., 2018; Piperopoulos et al., 2018). The EMNE goes into the internationalisation process with the acknowledgement that it has a void regarding specific knowledge and capabilities (Gaur et al., 2018; Liou et al., 2016; Nair et al., 2018; Pinto et al., 2017). It, therefore, identifies the developed market target that can help fill this void, and to augment its existing knowledge base (Nair, Demirbag, & Mellahi, 2016). When implemented properly, the EMNE can yield synergistic benefits as it supplements the newly acquired knowledge with its existing capabilities, which most DMEs do not usually possess (Luo & Tung, 2018; Rosenbusch et al., 2019). This strategy has been proven by

many studies to be more cost-effective than developing knowledge at home (McCarthy & Aalbers, 2016; Rosenbusch et al., 2019). Table 2 synthesises the knowledge transfer literature to date.

Table 2: Synthesis of knowledge transfer studies in the journals rated 3 and above by AJG between 2015 and 2020

Paper	Independent variable	Dependent variable	Type of knowledge	Home country context
Anderson and Sutherland (2015)	Parent involvement in innovation development	Knowledge transfer effectiveness	Innovation	American and European MNEs
Wu et al. (2016)	Institutional distance	Parent innovation performance	Innovation	Chinese MNEs
Nair et al. (2016)	Absorptive capacity	Reverse knowledge transfer	Innovation	Indian MNEs
Reus et al. (2016)	Knowledge transfer	Subsidiary performance	Management practice, product and process design	American MNEs
Ciabuschi et al. (2017)	Political embeddedness	Reverse knowledge transfer	Technology	Chinese MNEs
Kong, Ciabuschi, and Martín Martín (2018)	Expatriate relationship with subsidiary local managers	Subsidiary willingness to transfer knowledge	Not specific	Chinese MNEs
Nair et al. (2018)	Extent of knowledge transferred	Reverse knowledge transfer	Tacit	Indian MNEs
Ho et al. (2019)	Institutional distance and relational capital	Knowledge acquisition	Technological, marketing, product development, managerial, and manufacturing techniques or expertise	Taiwanese MNEs
Su et al. (2020)	Political ties (external)	Subsidiary willingness to transfer knowledge; parent demand for subsidiary knowledge	Not specific	Chinese MNEs

Knowledge transfer is not a novelty in organisational literature and continues to gain momentum in scholarly interest (da Silva Lopes et al., 2018). Whilst many studies have been dedicated to this construct, there is still a paucity of studies in the EMNE context (Ciabuschi et al., 2017; Nair et al., 2018). The contextual setting of EMNE knowledge transfer studies, as demonstrated in Table 2, is disproportionately focused on Chinese and Indian EMNEs. This research is focused on the South African context to bridge this contextual gap in literature.

As demonstrated in Table 2 above, knowledge transfer is usually studied as a dependent variable of external and internal factors. In this research, knowledge transfer is not viewed as a dependent variable, but rather as a process, that results in innovation performance improvement. Whilst, knowledge is critical for innovation, it is not the end goal, but the capability that enables innovation (Un, 2015). Table 2 also demonstrates that most studies have focused on the internal organisational variables, with fewer studies on the exogenous variables such as institutional distance. This research focuses primarily on the exogeneous variables, with the internal variable of absorptive capacity as a moderator. This combination of internal and external variables is a rarity in knowledge transfer studies. As demonstrated in Table 2, only three studies explicitly focus on innovation as a specific form of knowledge. Scholars are calling for more studies to focus on innovation knowledge (Rindfleisch, Mehta, Sachdev, & Danienta, 2020).

2.6 Contextual diversity in literature

As already argued, extant IB literature is sorely lacking in contextual diversity. There are two fundamental reasons for this. Firstly, most studies, especially in institutional literature, have been performed from the viewpoint of DMNEs (Lundan & Li, 2018). Secondly, the extension of the literature to EMNEs has disproportionately focused on Chinese, and to a lesser extent, Indian EMNEs (Fainshmidt et al., 2018; Hernandez & Guillén, 2018). The focus of most studies in extant literature has largely been on how the DMNEs can navigate the institutional terrain of emerging markets, given the presumption of inherent weakness in these host country institutional systems (Ilhan-Nas et al., 2018).

With the increase in scholarly curiosity on whether these theoretical bases apply to EMNEs, more studies have, in recent years, been performed on Chinese EMNEs (Cuervo-Cazurra & Rui, 2017; Ellis et al., 2018; Fainshmidt et al., 2018; Hernandez & Guillén, 2018). This has inadvertently resulted in an implicit presumption of institutional homogeneity amongst the EMNE home countries (Luo & Tung, 2018). This of course, is quixotical, given the significant differences in the regulatory, normative, and cognitive frameworks in China compared to other prominent emerging markets such as South Africa, Indonesia, Brazil and Turkey. As a result, this discipline has been de-contextualised over time (Jackson & Deeg, 2019). This is a significant limitation in a discipline whose core focus is on contextual embeddedness (Cardinale, 2019; Kostova et al., 2019). This literary gap has an even greater impact on EMNEs, because the study of institutions is more pertinent for EMNEs than DMNEs. This is because the former usually face significant institutional voids at home, which they compensate for by internationalising into developed countries (Luiz et al., 2017; Meyer & Peng, 2016).

There should therefore be more efforts by IB scholars to broaden the contextual scope of emerging markets within the institutional theory discipline because emerging markets are by no means homogeneous in their institutional characteristics (Luo & Tung, 2018). China is also not, despite its size, an embodiment of the entire emerging market construct. Some contextual nuances and idiosyncrasies warrant a broadening of the scope. These nuances and idiosyncrasies may even require a fine-tuning of existing theoretical assumptions (Buckley et al., 2017). The further away the discipline diverges from contextuality as an anchor in the literary discourse, the more entrenched the grand theorising and tautologous research will become, with little incremental impact on the field itself (Jackson & Deeg, 2019). Therefore, whilst numerous studies have been performed to date that have been anchored on institutional theory, there is still a long way to go in capturing the contextual peculiarities that pertain to EMNEs and emerging markets (Ellis et al., 2018). This is what inspired the conceptual replication of a study performed by Wu et al. (2016). The conceptual model, hypotheses and results of the study are depicted in Appendix C.

Whilst this research is a conceptual replication, there are some notable theoretical and methodological divergences. The first divergence is the conceptualisation of institutions. Wu et al. (2016) aggregated institutions into a singular linear construct and operationalised it using regulatory distance as a reflection of the entire construct. However, the construct was disaggregated in this research into the three pillars of institutions. Consequently, this research has also dedicated more weighting to the construct of institutions in the literature review, methodology and testing, that Wu et al. (2016).

Methodologically, this research followed a longitudinal approach, as opposed to the cross-sectional methodology adopted by Wu et al. (2016). Wu et al. (2016) also limited their study to the manufacturing industry, whilst this research has opted for more industry diversity.

2.7 Conclusion

As argued earlier, IB studies within an emerging markets context continue to grow in volume and momentum due to the growth in the prominence of EMNEs in the IB discourse (Hernandez & Guillén, 2018; Luo & Tung, 2018; Marano et al., 2017). There is, however, concern over the lack of diversity in the contextual settings on most of these studies. The African context is especially understudied in all the key constructs in this research, including fields of institutional distance, innovation, knowledge transfer and absorptive capacity (Fainshmidt et al., 2018). This was one of the main of the motivations for selecting the research published by Wu et al. (2016), for replication in a South African context. The irrefutable differences between the South African and Chinese home country contexts actuated a theoretical curiosity of whether the findings on the Chinese EMNEs would still hold ground for South African EMNEs.

Some significant deviations were made, however, in both the theorisation and methodological choices. The most notable deviation is the amount of theoretical argument allocated to construct of institutions. Whilst Wu et al. (2016) collapsed the institutions, as is usually the case in most studies, into a singular linear construct using regulatory distance, the view taken in this research was that the complexity and dynamism of the construct warrants a disaggregated approach. This resulted in the use of organisational institutionalism as a lens through which the construct was theorised and analysed. The decision to be explicit regarding the institutional school of thought was also motivated by the apparent proliferation and tautology in the field. The compartmentalisation of the construct of institutions resulted in the hypotheses being built on regulatory, normative and cognitive distance. Most studies in organisational institutionalism literature do not follow this approach, and usually select one aspect of institutions to represent the entire construct (Kostova et al., 2019). However, the aim to attain more precision and focus has impelled that this approach, whilst more onerous, be followed.

The pursuit for precision and focus has also motivated the use of the springboard perspective as the angle from which the study is conducted. This enabled the scope of the study to be focused on that of EMNEs internationalising into developed markets. The springboard angle has also resulted in the change in the direction of knowledge transfer. Knowledge, which usually flows from the parent to the subsidiary, is reversed in a springboard perspective, hence the construct of reverse knowledge transfer. Whilst knowledge transfer is a critical construct for the attainment of innovation performance, is not the ultimate organisational outcome (Un, 2015). In his research, the innovation performance of the parent was modelled as the dependent variable, with knowledge transfer viewed as the process that results in this performance. In addition to this, it was argued that whilst exogenous variables such as institutions influence the innovation performance of the parent, there are also endogenous variables that warrant consideration. The absorptive capacity of the parent was hypothesised to have

a moderating impact on how successfully the innovation knowledge obtained from the subsidiary is transferred, assimilated, and integrated to achieve the springboard objectives.

This research aims to understand whether institutional distance has a positive impact on the innovation performance of South African EMNEs. With neo-institutional theory as a theoretical anchor, organisational institutionalism as a lens, springboard perspective as an angle, and absorptive capacity as a moderator. The hope is to contribute to literature by being more precise and focused as regards institutions, and expanding the contextual scope of institutions, knowledge transfer and absorptive capacity. This is a golden thread that has been followed throughout the research, including the methodological choices.

3. RESEARCH QUESTIONS/ HYPOTHESIS

The overarching objective of this research is to study the impact of institutional distance on the parent's innovation performance, from a South African context. The construct of institutional distance was disaggregated into the three pillars of institutions, resulting in the hypothesised relationship being hypothesised from three facets of institutions.

The first objective is to test whether the internationalising into regulatorily more developed frameworks results in an improvement in the innovation performance of South African EMNE's. The second objective is to test whether the normative distance between the target country and South Africa results in an improvement in the EMNE's innovation performance. The third objective is to test whether the cognitive distance between the target country and South Africa results in an improvement in the EMNE's innovation performance. The fourth objective is to test whether the absorptive capacity of the parent EMNE interfaces the relationship between the institutional distance and the post-acquisition innovation performance of the parent. The hypothesis statements have therefore been formulated as follows:

Hypothesis 1: Regulatory distance has a positive relationship to the post-acquisition innovation performance of the parent.
Hypothesis 2: Normative distance has a positive relationship to the post-acquisition innovation performance of the parent.
Hypothesis 3: Cognitive distance has a positive relationship to the post-acquisition innovation performance of the parent
Hypothesis 4: Absorptive capacity of the parent moderates the positive relationship between regulatory distance and the parent's innovation performance.
Hypothesis 5: Absorptive capacity of the parent moderates the positive relationship between normative distance and the parent's innovation performance.
Hypothesis 6: Absorptive capacity of the parent moderates the positive relationship between cognitive distance and the parent's innovation performance.

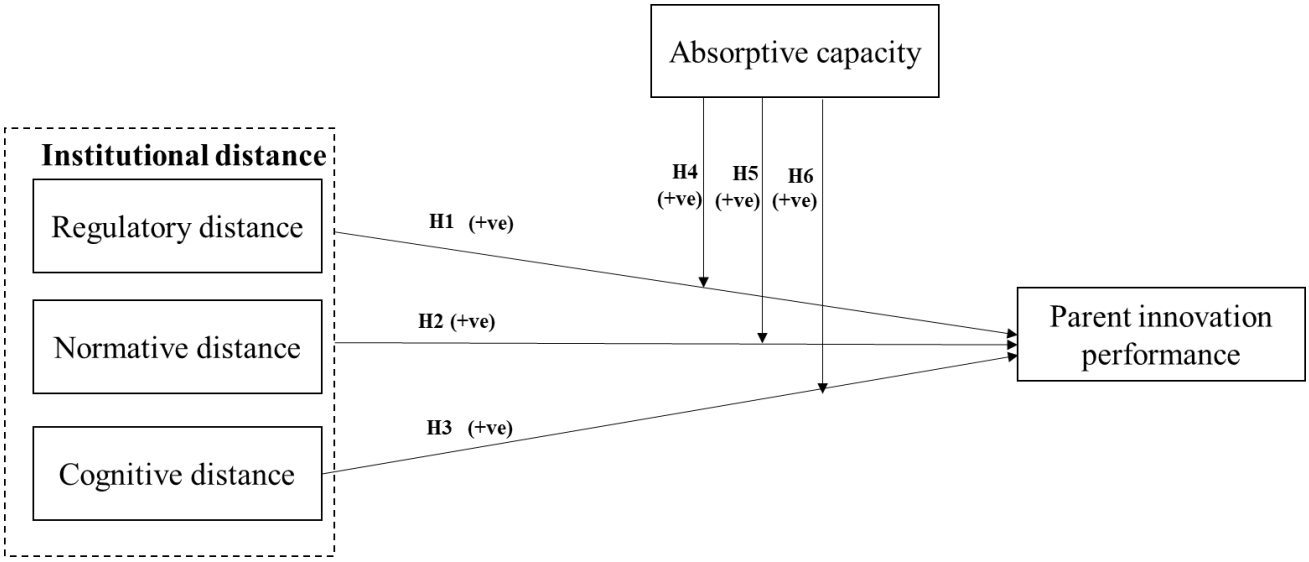

Figure 1: Conceptual model

4. RESEARCH METHODOLOGY

4.1 Overview of methodology and design

According to Doz (2011), IB research is generally a paradigm-agnostic field, because it borrows from a wide array of theoretical disciplines. As a result, the field does not lend itself to a proclivity for a specific research philosophy (Doz, 2011). This research was imbricated by a positivist philosophy. This is because of the ontological stance that was adopted. The ontological stance in this research is fundamentally premised on the espousal that the rules of the universe are governed by constant and atomistic laws and principles, whose reality, existence, functioning and interface with human activity is independent of human analysis, interpretation and understanding (Sousa, 2010). This is in contrast with post-structuralist philosophies (Sousa, 2010). This is premised on the understanding that reality is not created by mankind (Sousa, 2010).

The manifestation of the impact of these laws in the empirical realm is what the acquisition of human knowledge and understanding is founded on. The attainment of knowledge is the dyadic intersection between these underpinning laws with human understanding. The nature of the reality of these laws is not changed or influenced by the interpretation or analysis. Knowledge is also not, as is espoused by social philosophers, a highly contextualised construct (Stone, 2011). Axiologically, the researcher was removed from the subject matter being researched, with a proclivity for the interpretation and analysis of facts, as opposed to values and the human understanding of what is right and wrong. This positivist stance has been criticised by some post-structuralist and critical realism philosophers as reductionist in its epistemological posture (Sousa, 2010). A summary of the research choices is demonstrated in Figure 2.

Figure 2: Summary of research design. Adapted from Saunders, Lewis and Thornhill (2019)

The management field of IB has been dominated by quantitative studies (Alvesson & Spicer, 2018; Birkinshaw, Brannen, & Tung, 2011; Kostova et al., 2019; Trąpczyński & Banalieva, 2016). The preponderance of quantitative studies is even more pronounced in the institutional distance field. As demonstrated in Table 3, Trąpczyński and Banalieva (2016) is the only study that has not opted for a purely quantitative methodology. This gravitation towards quantitative studies is an anomaly, considering the nascent nature of the discipline (Alvesson & Spicer, 2018; Doz, 2011). The proliferated nature of the discipline and the lack of scholarly convergence on the foundational constructs and principles should have lent itself to more qualitative themes emerging (Doz, 2011). This is why scholars such as Doz (2011) as well as Birkinshaw et al. (2011), have called for more qualitative and inductive theory studies to be pursued, to increase the contribution of the international business field to the management sciences. However, with all these factors considered, a decision was taken to pursue quantitative methods in this study.

Firstly, the positivist paradigm as an overarching philosophy and metatheory has informed the decision to arrive at conclusions through a deductive analysis of facts (Sousa, 2010). Secondly, the nature of the research question lends itself to quantitative analysis. The study is a test of the degree of institutional difference, as opposed to differences of kind (Jackson & Deeg, 2019). This has motivated a quantitative analysis of the construct of institutions, with the assumption that the construct is subject to the gradation of quality and difference (Jackson & Deeg, 2019; Kostova et al., 2019). As a result, the construct of institutional distance is aggregated on discrete parameters of regulatory,

normative and cognitive distance (Jackson & Deeg, 2019). This is by no means an attempt to attenuate or singularise the construct, but rather a fusion of the dynamic nature of the construct. Thirdly, a study of distance by its nature lends itself to the measurement of variation between two entities (Hutzschenreuter, Kleindienst, & Lange, 2016). Distance, including cross-institutional, is by its nature, a mathematical construct, which should be conceptualised quantitatively (Beugelsdijk et al., 2018; Cuypers et al., 2018; Maseland et al., 2018).

An archival research strategy was used in this research. As demonstrated in Table 3, this has increasingly become the norm in institutional distance studies (Cuypers et al., 2018). In their synthesis of institutional distance research, Trąpczyński and Banalieva (2016) established that the vast majority of studies employed an archival approach in their studies. This according to Kostova et al. (2019 is due to the increasing availability of reliable secondary information.

Table 3: Summary of methodological choices in institutional distance studies published between 2015 and 2020

Paper	**Methodological choice**	**Unit of analysis**	**Data source for unit of analysis**	**Research Strategy**	**Time horizon**
Trąpczyński and Banalieva (2016)	Mixed method	MNE	N/A	Survey method and interviews	Quantitative cross-sectional; qualitative longitudinal
Liou et al. (2016)	Quantitative	CBAs	Thomson deals database	Archival	Cross-sectional
Wu and Salomon (2016)	Quantitative	MNEs	Federal Bank of Chicago call reports	Archival	Cross-sectional
Wu et al. (2016)	Quantitative	MNEs	China stock market and accounting research database	Archival	Cross-sectional
Shirodkar and Konara (2016)	Quantitative	CBAs	Bureau van Dijk ORBIS database	Surveys	Cross-sectional
Cho and Ahn (2017)	Quantitative	CBAs	Thomson deals database	Archival,	Cross-sectional
Pinto et al. (2017)	Quantitative	CBAs	Thomson deals database	Archival	Cross-sectional
Lorenz et al. (2018)	Quantitative	MNEs	Offshoring research network database	Archival and surveys	Cross-sectional
Rickley and Karim (2018)	Quantitative	MNEs	Not specified	Archival	Cross-sectional
Golesorkhi et al. (2019)	Quantitative	CBAs	MIX market database	Archival	Cross-sectional
Ho et al. (2019)	Quantitative	MNE	Database of Taiwanese strategic alliances	Archival & surveys	Cross-sectional

4.2 Unit of analysis

The unit of analysis in this study has been selected to be cross-border acquisitions or CBAs by South African domiciled companies. This approach is well established in institutional distance studies, as illustrated in Table 3. Whilst many studies opt for the MNE to be studied as a unit of analysis, there is a significant number of scholars who have chosen to study the CBAs instead. In the context of the research question that this study was designed to answer, the CBA is the catalyst event for the potential transfer of innovation knowledge, not the multinational characteristics of the MNE. The alternative approach would have been the study of MNEs with exposure to institutionally diverse host countries. The fundamental difference between the two approaches comes down to the variable of time or timing. Studies where the MNE is a unit of analysis generally take a snapshot of the MNE at a point in time, wherein the entity might possess a diverse portfolio of institutional exposure. The CBA approach studies CBAs, some of which may be initiated by the same MNE, over different time points, and studies them as specific points of enquiry. This approach has been favoured for this study over the latter for several reasons.

Firstly, it eliminates the impact of the internationalisation experience of firms. Literature has demonstrated that the international experience of firms has a positive impact on the organisational outcomes from their internationalisation activities (Perkins, 2014). For instance, a company such as Sasol, can be assumed to be better endowed with international experience as a result of the number and diversity of institutional frameworks it operates in. In a study where the MNE itself is a unit of analysis, this impact would not be accounted for, unless incorporated as a control variable, as done by Wu et al. (2016). A limitation of this approach is that it would warrant a change to the research question itself. The research question in this study sought to answer whether the transaction of internationalisation into institutionally distant countries results in an improvement in innovation performance. In the case of the alternative approach, a more fitting research question would seek to answer whether countries with exposure to institutionally diverse countries yield better innovation performance outcomes. This distinction, whilst ostensibly subtle, is significant for this study.

Secondly, the time lag between the entry of an MNE into a specific institutional framework is an important variable in the context of this study. A firm that has been operating in a specific institutional framework for many years gains experience in that specific context, which can translate to improved organisational outcomes (Cho & Ahn, 2017; Cuypers et al., 2018; Popli et al., 2016; Trąpczyński & Banalieva, 2016). This is because of the abatement of the liability of foreignness over time in the quest to gain legitimation in that specific geography (Rosenbusch et al., 2019). For instance, some scholars espouse that SAB Miller has reduced its liability of foreignness in the emerging market institutional contexts, due to its mastery of such environments over the years (Luiz et al., 2017). The selection of

the CBA transactions instead of the EMNE is better able to capture the incremental performance impact of these acquisitions.

Thirdly, studying the CBA as a unit of analysis avoids the possible pitfall of not accounting for the pre and post-apartheid institutional differences in the South African context. There is no question that the formal and informal institutional frameworks before and after 1994 are fundamentally different in South Africa (Barnard & Luiz, 2018). Studying the MNE would assume that South Africa as a reference point has remained institutionally constant throughout these vastly distinct eras in the nation's history. For instance, acquisitions made before 1994 would be treated as though they occurred under the same institutional context as those made after 1994. Studying the CBAs allow the research to limit the time parameters to post 1994 acquisitions only.

Literature has demonstrated that that time can be a moderator in the relationship between institutional distance and organisational outcomes (Nippa & Reuer, 2019). Innovation and knowledge transfer literature has demonstrated that the passage of time diminishes the impact of knowledge transfer (Rosenbusch et al., 2019). Studying the CBA and not the MNE as a static entity allows the researcher to control the time parameters such that the subsequent innovation performance outcomes can be attributed to the CBA, with a limited moderating impact of time. This is particularly important in a knowledge transfer study, wherein the outcomes of the relationship building, and subsequent knowledge sharing occurs over a finite time frame (Zhou & Guillén, 2015; Zhu et al., 2017).

Local acquisitions were excluded from the study to align with the key construct of institutional distance. An institutional distance study by nature implies that the unit being studied is embedded in multiple institutional contexts (Kostova et al., 2019). The construct of distance implies that there are at least two contextually or geographically distinct points of measurement (Hutzschenreuter et al., 2016). In the case of institutional distance studies, distance is generally measured between two countries (Beugelsdijk et al., 2018), with the home country as the reference point (Hutzschenreuter et al., 2016).

4.3 Time horizon

The time horizon studied was the two years from the date of completion of each acquisition, as demonstrated in Figure 3. Institutional distance was measured on the announcement date of the acquisition, or year zero as per Figure 3. As a result, the institutional distance between South Africa and the target countries was calculated at different time intervals, depending on the date of acquisition. This factored in the change over time of the distance between the institutional frameworks. The impact of the acquisition on innovation performance was measured by comparing the patents registered in the two years post the acquisitions, versus the two-year time frame before the announcement date of the acquisition. The decision to cut the time off after two years is because the longer the time lapse between the CBAs and the innovation activity, the weaker the hypothesized relationship, and the greater the risk of alternative explanations (Rosenbusch et al., 2019).

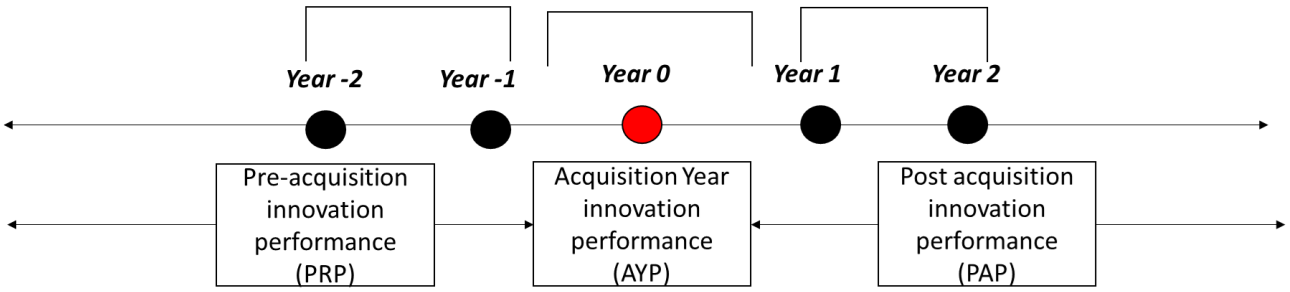

Figure 3: Time horizon

The collection of performance data at different time points means that this study took a longitudinal orientation. According to Rindfleisch et al. (2020), longitudinal studies collect data on the same unit of analysis over multiple periods. Li et al. (2017) define this method as a collection of data points beyond 12 months. This is in contrast with cross-sectional research wherein data is collected at a single point in time. This methodology is a departure from the orthodoxy of institutional distance studies, which as demonstrated in Table 3, have demonstrated a proclivity for cross-sectional studies.

According to Certo, Withers, and Semadeni (2017), management researchers have not taken advantages of the longitudinal method. This is the reason why some IB scholars are calling for more studies to employ this method (Buckley et al., 2017). This dearth of longitudinal studies could be a result of the challenge with access to the same respondents over multiple time intervals (Gaur et al., 2018; Rindfleisch et al., 2020). However, according to Kostova et al. (2019), as more archival data has become accessible, an increasing number of organisational institutional studies are making use of longitudinal data. The archival nature of this study motivated this methodology choice because secondary data is not subject to the same accessibility issues.

Another important consideration in this methodological choice was the research question itself. According to Bono and McNamara (2011), a research question that is concerned with change or causality should be matched by a research method that studies the same variables over different time intervals. The research question sought to answer the innovation impact of the institutional frameworks on innovation knowledge transfer. In other words, the study was designed around the question of the change in the innovativeness of the entities being studied (Certo et al., 2017). This multi-layered change can only be answered through a longitudinal study (Certo et al., 2017).

Another benefit of the longitudinal method for this study is that it accounts for the evolution of institutional frameworks over time (Hong et al., 2015). The inevitability of management studies is that many of the management variables change over time, particularly in relation to each other, thus warranting a longitudinal study to account for this time factor (Beugelsdijk et al., 2018; Gaur et al., 2018). Institutional frameworks are amongst these variables that are subject to change over time (Zhu et al., 2017). The limitation of cross-sectional studies is that they are imbricated under a postulation of the non-dynamism of the construct of institutions. However, institutions change, and MNEs also evolve in how they interface with the frameworks (Barnard & Luiz, 2018). Measuring institutional distance at different time intervals allow the researcher to capture the effect of institutional distance over time (Rosenbusch et al., 2019).

Another factor of consideration in this decision was the time lag between the announcement date of the acquisition of a subsidiary, and the realisation of the intended organisational outcomes. Knowledge transfer is not a static construct but is dependent on the accumulation of host country institutional experience by the acquirer, the building of relationships between the acquirer and target and the creation of a common identity, that facilitates the flow of innovation knowledge between the two entities (Kano, 2018; Zhu et al., 2017). This time lag effect cannot be effectively captured by a cross-sectional study.

Also, the longitudinal method is less susceptible to common method variance compared to cross-sectional studies (Rindfleisch et al., 2020). Common method variance is the bias that arises from using the measurement instrument to measure different constructs within the same study, resulting in artificial correlations being observed (Podsakoff, MacKenzie, & Podsakoff, 2012).

Lastly, a longitudinal study was favoured over cross-sectional to minimise the impact of deglobalisation as an alternative explanation. According to Witt (2019), a trend has been noted in international business wherein there is an increasingly diminishing appetite by firms to internationalise. This deglobalisation phenomenon might also have an impact on the strategic imperative of EMNEs to acquire subsidiaries in distant countries for the object of innovation

knowledge transfer (Ciabuschi et al., 2017). A cross-sectional study would not account for this effect because it effectively would bifurcate the time of acquisition and the timeline of potential innovation flows. In so doing, if the acquisition occurred before the de-globalisation period, and the innovation knowledge flow is tested during a deglobalisation period, this might result in a false negative correlation being observed. The longitudinal methodology in this study minimises this impact by limiting the period between acquisition and innovation knowledge flows to two years.

The decision to cut off the CBA timescale in December 2018 was made to allow for three years to track post acquisitions innovation performance relating to 2015 acquisitions.

4.4 Universe & sampling

Only CBAs by South African MNEs, where the post-acquisition ownership was greater than 50%, were selected. Ownership percentages of less than 50% were excluded, as they do not afford the acquirer the access and ability to transfer innovation knowledge of the subsidiary (Ellis et al., 2018). Only listed companies were included due to the public availability of their archival data. Only CBAs where the target nation was a high-income country were included in the population. The lender group classification of countries was used to categorise countries between high-income, upper middle income, lower middle income, and low income (World Bank, 2020a). The decision was made to only include high-income countries, to align the methodology with the fundamental question that this study aimed to answer, which is to test whether the internationalisation into institutionally more developed countries results in improved innovation performance. South Africa is classified as an upper-middle-income country; therefore it was considered that high-income countries would be a proxy for countries more institutionally developed than South Africa.

A decision was made not to include exports because their motivation, risks and organisational outcomes are fundamentally different from other forms of internationalisation (Gaur, Kumar, & Singh, 2014). Whilst they have gained scholarly interest in recent years (Nippa & Reuer, 2019), joint ventures were also excluded. This was because many studies have shown that they are the preferred form of internationalisation to enhance innovation performance (Ho et al., 2019). The inclusion of joint ventures may therefore skew the findings if they are potentially predisposed towards innovative collaboration (Ellis et al., 2018). Secondly, the key construct of reverse knowledge transfer in this study also informed the decision to choose CBAs over joint ventures. The overarching premise of reverse knowledge transfer is that the knowledge is transferred from the subsidiary to the parent (Piperopoulos et al., 2018). This would not be possible to test in a joint venture, which is essentially a marriage of equals. Thirdly, the measurement of distance in a joint venture context can introduce a third dimension of distance. That is because the joint venture between companies domiciled in two countries can be registered in a different country. Therefore, the distance would have to be calculated between the home and host country, the home and registered country, as well as the host and registered country.

A decision was made to test all the deals in the target population. This decision was informed by the relatively small size of the population, and the availability of secondary information for the listed entities. This approach also adds more rigour to the research process because according to Certo, Busenbark, Woo, and Semadeni (2016), researcher biases creep in when samples are selected instead of testing the whole population.

4.5 Measurement

4.5.1 Overview of measurement methods

An overview of the measurement methods and data sources is summarised in Table 4.

Table 4: Summary of measurement methods

Variable type	Variable	Description/measure	Source
Independent Variable	Regulatory distance	Absolute difference between the target country and South Africa, on the disaggregated six dimensions of governance indicators.	World Bank governance indicators
	Normative distance	Absolute difference between South Africa and the target country in the global competitiveness report.	WEF Global competitiveness index
	Cognitive distance	Hofstede cultural index calculated using the Kogut and Singh, (1988) formula.	Hofstede's four dimensions of culture
Dependent variable	Parent innovation performance	Percentage change in patents registered	CIPC database
Moderating variable	Absorptive capacity	Research and development expenditure of the acquirer industry as a percentage of turnover.	Centre for Science, Technology and Innovation Indicators

4.5.2 Institutional distance

Overview

There is no convergence in literature on the measurement of institutional distance, and no measure has been accepted as superior to others (Beugelsdijk et al., 2016; Kostova et al., 2019). The question of how best to operationalise cross-national distance is still a matter of scholarly debate (Maseland et al., 2018). Maseland et al. (2018) espouse the need to develop an individualised operationalisation approach in each study. A decision was taken to test the multidimensional nature of institutional frameworks by including all three pillars in the conceptual model.

Table 5: Synthesis of measurement methods in institutional distance studies between 2015 and 2020

Paper	Institutional Pillars measured	Data sources	Measurement method
Cho and Ahn (2017)	Regulatory distance	Economic freedom dimensions by Heritage Foundation	Five measures aggregated into one score to measure the relative strength of institutions, using the mean.
	Cultural distance	Hofstede four cultural dimensions of power distance, uncertainty avoidance, masculinity/feminity and individualism.	Kogut and Singh (1988) used to allow for differences amongst the four dimensions before averages were calculated.
Trąpczyński and Banalieva (2016)	Unidimensional institutional distance	Economic freedom dimensions by Heritage Foundation	The difference mean of the scores for each of the five dimensions was calculated for the host and home country.
Liou et al. (2016)	Informal distance	Hofstede four cultural dimensions of power	A composite index was created using the Kogut and Singh (1988) formula
	Formal distance	Economic freedom dimensions by Heritage Foundation	Average the dimensions for each country and then calculated as the score difference between the acquiring country and the target country.
Wu and Salomon (2016)	Regulatory distance	Created a banking regulatory index using the banking regulation database.	A composite index was created using the Kogut and Singh (1988) formula.
	Cultural distance	Hofstede four cultural dimensions of power	A composite index was created using the Kogut and Singh (1988) formula
Wu et al. (2016)	Unidimensional institutional distance	Kaufmann's governance indicators	Six indicators subject to a factor analysis to arrive at a single composite index.
Pinto et al. (2017)	Unidimensional institutional distance	Advanced taxonomy of nine institutional dimensions developed by Berry, Guillén, and Zhou (2010)	An overall institutional distance calculated as an aggregate of the nine dimensions.
Shirodkar and Konara (2016)	Unidimensional institutional distance	Worldwide governance indicators	Each of the six indicators was measured as individual variables. There was no aggregation of the indicators.
Lorenz et al. (2018)	Formal distance	Economic freedom dimensions by Heritage Foundation	Absolute values of the home-host country scores differences.
	Informal distance	Hofstede four cultural dimensions of power	Absolute values of Hofstede's cultural dimensions.
Golesorkhi et al. (2019)	Unidimensional institutional distance	Hofstede four cultural dimensions of power	A composite index was created using the Kogut and Singh (1988) formula
Ho et al. (2019)	Unidimensional institutional distance	Global information technology report	A composite index was created using the Kogut and Singh (1988) formula

According to Kostova et al. (2019), institutional distance studies with an organisational institutionalism lens have measured institutional distance using the three pillars of regulatory, cognitive and normative

institutions. However, this practice seems to have dissipated because as demonstrated in Table 5, there is no evidence of studies following this approach in recent year.

Some studies such as Cho and Ahn (2017), as well as Liou et al. (2016), have operationalised the multidimensional nature of the construct by incorporating two of the three pillars, as demonstrated in Table 5. Some researchers, according to Kostova et al. (2019), have taken a unidimensional approach to this operationalisation and selected one of the three pillars to be a representation of the entire construct of institutional distance. For instance, as demonstrated in Table 5, Trąpczyński and Banalieva (2016) have used the regulatory distance as a unidimensional representation of the construct. According to Kostova et al. (2019), regulatory distance is the most frequently studied pillar. This could be because of the formal nature and the relative ease of measurement for this construct.

Some studies measure each of the underlying measures as separate constructs (Kostova et al., 2019). This is the approach taken by Shirodkar and Konara (2016), by disaggregating the individual dimensions of worldwide governance indicators and measuring them as separate constructs. According to Kostova et al. (2019), most studies ignore the measurement of the cognitive pillar or collapse it with normative pillar using Hofstede's cultural dimensions. This is a gap in institutional studies, as the construct of normative distance, though similar to cognitive distance, is a distinctive pillar of any institutional framework. It is important to be explicit about the specific pillar being measured, to operationalise the measures more robustly. This is the approach taken in this study.

The absence of scholarly conformity in measurement presents an interesting question about the nature of the construct of institutional distance. An important consideration in making the measurement decision was whether regulatory, cognitive, and normative pillars of institutions make up the construct itself or are a manifestation of the institutions themselves. In other words, what is the direction of the cause-and-effect relationship between the latent construct, and the three pillars (Edwards, 2011). The approach taken by most organisational institutionalism studies, of decoupling the three pillars and measuring one or two of them to represent the construct of institutional distance, suggests that each of the three pillars represents the construct in its entirety, and excluding one of the pillars from the measurement does not alter the nature of the latent construct (Diamantopoulos & Wilnklofer, 2001). In this case, the three pillars are reflective measures of the construct. Reflective measures are generally unidimensional in relation to the construct they measure, reflecting the latent variable in its entirety (Edwards, 2011).

As already demonstrated by authors such as Beugelsdijk et al. (2018), and Kostova et al. (2019), the construct of institutional distance has not yet reached a scholarly consensus regarding its definition and consequently, measurement. It is therefore difficult to justify a formative measure in this case.

Organisational institutionalism literature has demonstrated that the empirical manifestation of the construct of institutional distance is reflected in all three pillars. There is also no evidence in literature that these three pillars have a causal effect in relation to the construct. Therefore, the construct of institutional distance in this study was measured reflectively using all the three dimensions of institutions. The measurement model for institutional distance is depicted in Figure 39 under Appendix D.

No attempt was made to aggregate the three pillars into a single measure. According to Beugelsdijk et al. (2018), the specific distance construct that is being measured should be aligned with the theorising, and not just added to regression for the sake of it. The aggregation of the different components of institutions must be justified by the theory, otherwise, efforts should be made to calculate them separately (Beugelsdijk et al., 2018). In this research, the hypotheses were built around each of the three pillars of institutions. Whilst all the pillars are hypothesised to have a positive impact on innovation performance, the theoretical substance for each of these is different, as argued in Chapter 2. Therefore, to align with the literature review, al the three pillars of institutions were measured as separate pillars, despite the reflective nature of the measurement. Consequently, three measurement tools were selected for regulatory, normative, and cognitive distance.

Regulatory distance

The World Bank's annual worldwide governance indicators were used to measure regulatory distance (REGIDX). The indicators were developed based on a set of six pillars of governance, voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption (Kaufmann, Kraay, & Mastruzzi, 2003; Kostova et al., 2019; Wu et al., 2016). Each of these six indicators is an index of multiple underlying measures. These underlying components have been outlined in Each of the scores lies between -2.5 to 2.5, with higher scores reflecting better governance (Kaufmann et al., 2003; Wu et al., 2016). The six indicators are not aggregated together to formulate a single index score but are each a measure of a different component of the construct of governance (Kaufmann, Kraay, & Mastruzzi, 2009).

This presented two decision points on how to measure the construct of regulatory distance. The first decision was whether to develop a composite measure of regulatory distance. The second decision was whether to include all the indicators in the measurement, or whether to select some, which are considered to better represent the construct being measured. A key consideration in this decision was whether the construct of governance was measured reflectively or formatively in its original formulation. This differentiation between reflective and formative measurement conventions is an important consideration in how accurately this tool can be used in measuring regulatory distance

(Edwards, 2011). There is evidence from Kaufmann et al. (2009), albeit tacit, that the construct was measured reflectively. In the measurement of each of the indicators, the error term was applied to each of the individual indicators to ensure that they are reflections of the construct (Kaufmann et al., 2009). These different elements can be individually decoupled from the construct without diluting its meaning (Edwards, 2011; Kaufmann et al., 2009).

A decision was made to include all six indicators. The motivation for this decision was because score information is readily available for most countries for all the different indicators. Secondly, each of the indicators represents a distinct but important element of governance, and there is no value in decoupling these measures. Thirdly, the studies that have relied on these indicators have used all six elements. The regulatory distance calculation was expressed using the formula depicted in Equation 1.

Equation 1: Regulatory distance calculation

$$REGIDX_{ts} = \sum_{t=1}^{6}(REG_{ti}) - \sum_{s=1}^{6}(REG_{si})$$

Where:

Symbol	***Meaning***
t	Target country
s	South Africa
y	Announcement year of the CBA
i	Worldwide governance indicator
REG	Worldwide governance score
REGIDX	Regulatory distance

The measurement model for the construct has been shown in Figure 40 under Appendix D.

Normative distance

The construct of normative distance (NORIDX) was measured using Hofstede's four dimensions of culture. This, according to Kostova et al. (2019) is one of the most widely used measurements of institutional distance. In fact, according to Kostova et al. (2019), almost half of all institutional distance papers have made use of the Hofstede dimensions to measure the whole construct of institutional distance. This is also demonstrated in table 6, by the number of papers that have used this measure to operationalise institutional distance. Unlike the worldwide governance indicators, these dimensions scores are not revised annually.

In the seminal study by Geert Hofstede, some countries were divided according to their sub-national cultural identities. This was the case for countries with significant intra-country variations, such as Belgium, Canada and Switzerland. In these cases, only the overall country score was used for this study. A challenge was encountered, however, regarding the national score of South Africa. In the original study by Hofstede, only white South Africa was surveyed (Hofstede, n.d). Therefore, the original four dimensions of culture are only reflective of the white South African population. The challenge is that South Africa as a whole polity has no score along the four dimensions. A decision was made to assume that the four-dimensional scores for white South Africa were representative of the whole of South Africa. This, admittedly, is a methodological limitation. However, this quagmire is inevitable when studying South African culture in the context of organisational studies. The inevitable question is whether organisational culture is more reflective of white South Africa or South Africa as a whole. The stance taken in this study is that white South African culture is more reflective of organisational culture than the overall South African context. For this study, Guernsey and Jersey were mapped to the United Kingdom as they are British Crown dependencies.

In the original Hofstede study, the four dimensions of culture were not collapsed into a single index or measure. To develop a single index, the Kogut and Singh (1988) formula was used to operationalise this calculation. The index similarly measures cultural distance as geographical distance (Cuypers et al., 2018). As demonstrated in Table 5, most institutional distance studies make use of the Kogut and Singh (1988) formula to create an overall cultural distance index. The formula was intended to calculate an index score of the four-dimension scores and correct for the deviations in the country level variances for each country, a limitation that was acknowledged by Hofstede (Kogut & Singh, 1988). Whilst Hofstede had developed four dimensions of culture, Kogut and Singh (1988) developed the construct of cultural distance (Cuypers et al., 2018). Since then, this formula has become one of the most frequently used measurement tools in IB research (Cuypers et al., 2018).

The formula, as depicted in Equation 2, was adapted as follows in the context of this study:

Equation 2: Normative distance calculation adapted from Kogut and Singh (1988)

$$NORIDX_{ts} = \frac{1}{4}\sum_{i=1}^{4}\frac{\left(I_{ij} - I_{iu}\right)^2}{V_{\mathrm{i}}}$$

Where:

Symbol	Meaning
$NORIDX_{ts}$	Normative distance of the t^{th} country from South Africa
I_{ij}	The index of the i^{th} dimension
s	South Africa
t	Target country
V_i	The variance of the index of the i^{th} dimension

Adapted from Kogut and Singh, (1988)

The measurement model for the construct is depicted in Figure 41 under Appendix D.

Cognitive distance

Cognitive distance (COGIDX) was measured using the World economic forum's global competitiveness index. This according to Kostova et al. (2019) is a widely used measure for the construct of normative distance. According to Kostova et al. (2019), the construct of cognitive distance is usually ignored in most studies. Where it is measured, it usually measured using Hofstede's dimensions of culture (Kostova et al., 2019). Kostova et al. (2019) decries this as one of the biggest gaps in institutional distance research.

This measurement approach does not appreciate the subtle but important difference between the normative and cognitive pillar. A decision was made in this research to measure normative distance using the Hofstede dimensions, and the cognitive distance construct using the global economic index. This measurement is considered appropriate for this research question because it covers three elements that are related to innovation performance, namely, emphasis on product design capability, emphasis on staff training, and compensation linked to performance (da Silva Lopes et al., 2018; Kostova et al., 2019; Lisak et al., 2016; Un, 2015).

The formula used is depicted in Equation 3.

Equation 3: Cognitive distance calculation

$$COGIDX_{tsy} = COGIDX_{ty} - COGIDX_{ty}$$

Symbol	Meaning
t	Target country
s	South Africa
y	Announcement year of the CBA
$COGIDX$	Cognitive distance between the target country and South Africa

A measurement model has not been expressed for this construct as it is as single item measure (Sarstedt, Ringle, & Hair, 2017).

4.5.3 Innovation performance

Innovation performance was measured by comparing the number of patent applications that were lodged by the acquiring company in the two years after the CBA, to the two years before. This has been demonstrated in Figure 4.

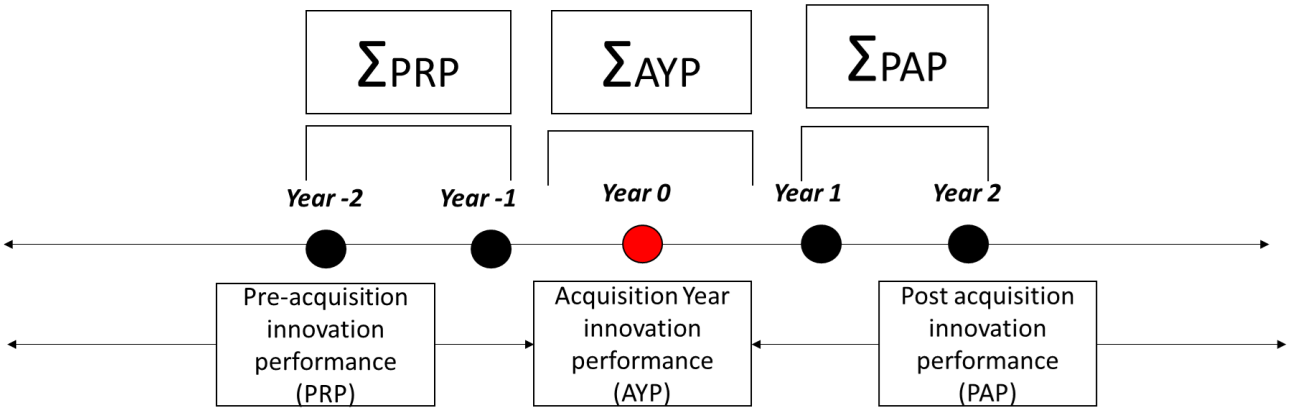

Figure 4: Parent innovation performance measurement

The use of patent applications to measure innovativeness is not novel in literature (McCarthy & Aalbers, 2016; Rosenbusch et al., 2019; Wu et al., 2016). Whilst it is accepted that not all innovation activities of an organisation are patented, this measure is embraced by innovation scholars as a proxy for the innovation activities of a firm (Ho et al., 2019; Piperopoulos et al., 2018; Wu et al., 2016; Zhou et al., 2016).

The number of patent applications was chosen over the number of patents granted. This is because there may be a significant time lag between the date of the application for the patent and its approval by the relevant authority. This time lag may compromise the ability to observe the relationship between the CBA and the innovation activity.
The innovation performance has been measured by applying the formula depicted in Equation 4.

Equation 4: Parent innovation performance calculation

$$PAINNP = \frac{\sum PAP - \sum PRP}{\sum PRP}$$

A measurement model has not been expressed for this construct as it is a single-item measure (Sarstedt et al., 2017).

4.5.4 Absorptive capacity

There is no clarity in literature about a specific measurement methodology for the construct of absorptive capacity (Song et al., 2018). Song et al. (2018), posit that the measurement methods have been inconsistently applied, possibly resulting in the inconsistency in results that have been observed. This could also be a result of the lack of scholarly clarity on what the construct of absorptive capacity is (Song et al., 2018). Some researchers have used primary data in the form of surveys, asking respondents about their company's ability to assimilate and integrate information (Li et al., 2017; Xie, Zou, & Qi, 2018). Some researchers have measured the firm's commitment to technological development through the percentage of R&D staff in relation to the total staff, or the number of employees with Masters' degrees in relation to the total staff. Many researchers have used R&D expenditure as a percentage of turnover (Cuervo-Cazurra & Rui, 2017; Song et al., 2018). Investment in R&D has been widely posited to have an impact on the ability of firms to innovate, especially in an emerging market context (Cuervo-Cazurra & Rui, 2017; Fu, Hou, & Liu, 2018). Therefore, it does not appear from the established literary orthodoxy that there is a measurement method that better encapsulates the construct of absorptive capacity.

For this research, the acquirer's R&D as a percentage of turnover was selected for three reasons. Firstly, information on the R&D expenditure as well as turnover is more easily accessible that the other measurement tools. Secondly, research as a percentage of the turnover, as opposed to the absolute R&D expenditure, is a better indicator of the entity's focus on innovation, as it takes into account the investment into innovation in relation to the size of the entity. Many scholars have accepted this to be a proxy for a firm's absorptive capacity (Fredrich, Bouncken, & Kraus, 2019). The higher the R&D percentage, the more likely a firm is to innovate (Patel et al., 2015). A firm that already displays characteristics of R&D intensity is technically more ready to start harnessing the newly acquired knowledge as soon as the parent to subsidiary relationship begins. Thirdly, the number of R&D staff or staff with master's degrees as a percentage of total staff appear to be more internally focused. For instance, the measure of the percentage of R&D staff does not take into account the outsourcing of R&D and innovation activities (Rosenbusch et al., 2019). Many firms make use of external experts and consultants to conduct their R&D activities (Martinez-Sanchez, Vicente-Oliva, & Perez-Perez, 2020). The measurement of R&D expenditure allows for this factor to be accounted for, as the R&D expenditure of consultants would be included in the total R&D cost reported.

The R&D percentage of the acquirer was used as a measure, and not the target company. This is because it is the parent that is hypothesised to obtain the knowledge from the subsidiary. Therefore, it is the parent's readiness and capacity to assimilate and integrate knowledge, that is the subject of measurement. The calculation of the construct is expressed in Equation 5.

Equation 5: Absorptive capacity calculation

$$ABSCAP_{ay} = RES_{ay}/TRN_{ay}$$

Where:

Symbol	***Meaning***
a	Acquirer
y	Announcement year of the CBA, as reported in the Thompson Reuters Eikon database
ABSCAP	Absorptive capacity
RES	Research and development expenditure of the parent
TRN	Parent turnover

A measurement model has not been expressed for this construct as it is as a single-item measure (Sarstedt et al., 2017).

4.6 Data Analysis

4.6.1 Reliability and validity

For all multi-item measures, convergent validity was tested following the guidance as per Sarstedt, Hair, Cheah, Becker, and Ringle (2019), and Sarstedt et al. (2017). The reflective nature of the institutional distance measures has resulted in them being subjected to indicator reliability and internal consistency tests (Hair, Ringle, & Sarstedt, 2013; Sarstedt et al., 2017).

The measures were subjected to the following steps depicted in Figure 5, as recommended by Sarstedt et al. (2017). Table 6 reflects the details of the testes performed to establish internal consistency, convergent and discriminant validity.

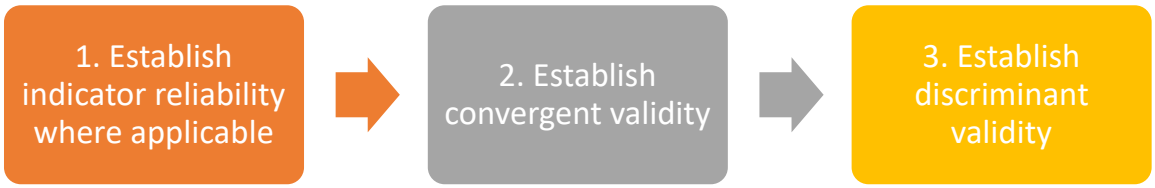

Figure 5: Steps in establishing reliability and validity

Table 6: Summary of validity and reliability tests

Construct		Internal consistency	Convergent validity	Discriminant validity
Institutional distance	*Regulatory distance (REGIDX)*	Cronbach's α and Composite reliability (ρc)	AVE, indicator reliability and CFA	Heterotrait- monotrait ratio of correlations, or HTMT
	Cognitive distance (COGIDX)	Cronbach's α and Composite reliability (ρc)	AVE, indicator reliability and CFA	HTMT
	Normative distance (NORIDX)	Not applicable as this is a single item measure	Not applicable as this is a single item measure	Not applicable as this is a single item measure
Parent innovation performance (PPAINN)		Not applicable as this is a single item measure	Not applicable as this is a single item measure	Not applicable as this is a single item measure
Absorptive capacity (ABSCAP)		Not applicable as this is a single item measure	Not applicable as this is a single item measure	Not applicable as this is a single item measure

Construct	Internal consistency	Convergent validity	Discriminant validity
Ownership strategy (PERACQ)	Not applicable as this is a single item measure	Not applicable as this is a single item measure	Not applicable as this is a single item measure

Reliability

The multi-item measures of regulatory and normative distance were subjected to an internal validity test using Cronbach's alpha (Gabriel, Podsakoff, Beal, Scott, Sonnentag, Trougakos & Butts, 2018). This was intended to measure the intercorrelations of the scores amongst multiple indicators, to analyse their interrelatedness and homogeneity (Cho & Ahn, 2017; Gabriel et al., 2018). In the context of this research, the six worldwide governance indicators, as well as the four dimensions of culture, were subjected to internal validity tests using Cronbach's alpha (Hair et al., 2013). Internal consistency was assumed for all indicators returning a score exceeding 0.7, taken to indicate a satisfactory level of positive correlation amongst the indicators (Edwards, 2011; Sarstedt et al., 2017). Reflective measurement models are expected to correlate positively since they are indicators of the same underlying construct (Edwards, 2011). Outputs that exceeded 0.95 were also considered as a signal of a possible redundancy or duplication amongst the indicators (Sarstedt et al., 2017).

The Cronbach's alpha formula was standardised as depicted in Equation 56.

Equation 6: Cronbach's alpha formula

$$\alpha = K.\bar{r}/[1 + (K - 1).\bar{r}]$$

Where:

Symbol	*Meaning*
α	Cronbach's alpha
K	The number of indicators in the construct
r	Average non-redundant indicator correlation coefficient

Source: (Sarstedt et al., 2017)

Whilst Cronbach's alpha is the most frequently used, it is not the only coefficient for the measurement of composite and internal reliability (Cho & Kim, 2014; Sarstedt et al., 2017). In addition to Cronbach's alpha, the composite reliability was also considered as recommended by Hair, Hult, Ringle, and Sarstedt (2017). Composite reliability, or ρc , was calculated on SPSS, using the formula depicted in equation 7.

Equation 7: Composite reliability formula

$$\rho c = \left(\sum_{i=1}^{M} \lambda_i\right)^2 / \left(\left(\sum_{i=1}^{M} \lambda_i\right)^2 + \sum_{i=1}^{M} var(\varepsilon_i)\right)$$

Where:

Symbol	***Meaning***
ε_i	Measurement error
var	Variance of the measurement error
λ_i	Loading of the lower order component i
M	Lower order components

Source: (Sarstedt et al., 2019)

Internal consistency reliability was accepted to be met where both the Cronbach's alpha and composite reliability thresholds were met. A threshold of 0.5 was used for composite reliability (Sarstedt et al., 2017).

Convergent validity

According to Hair, Ringle, and Sarstedt (2011), reflective measurement models have to be subjected to convergent and discriminant validity tests. For all multi-item measures, convergent validity was tested following the guidance as per Hair et al. (2013). Convergent validity was accepted to be met where all the criteria shown in Table 7 were met.

Table 7: Convergent validity criteria

Statistic	**Criteria**
Loadings	>0.70
Indicator reliability	>0.70
Average variance extracted, or AVE	>0.50

A convergent validity test was performed on the constructs of regulatory and normative distance, to ensure that their respective indicators assess the underlying construct (Aguinis, Ramani, & Alabduljader, 2018). Indicator loadings were used to measure the strength of the relationship between the independent and dependent variable (Hair et al., 2013). The purpose of indicator reliability is to establish if the measurement tool measures the construct it is intended to measure (Hair et al., 2017). This is critically important where the objective is to take a large set of indicators and reduce them to a single measure, without diluting the original variance (Conway & Huffcutt, 2016). In the case of a well-established multi-item measurement instrument, this is an important step to measure the uni-dimensionality of the indicators (Conway & Huffcutt, 2016). This enabled the decision on which indicators to retain, and which to exclude. Confirmatory factor analyses were performed on the

regulatory distance and cognitive distance indicators. This decision was based on the fact that these measurement instruments are well established in literature for measuring the respective latent constructs (Kostova et al., 2019). This is represented by λ in the measurement models for regulatory and normative distance, as depicted in Appendix D. Loadings above 0.70 meant that the construct explains more than half of the indicator's variance, which represented an acceptable level of reliability (Hair et al., 2017). Indicator reliability was accepted where the indicator loadings were greater than 0.7 (Hair et al., 2013; Hair et al., 2017).

The average variance extracted, or AVE was calculated as the mean of all the squared loadings for each of the indicators with the latent construct being measured (Sarstedt et al., 2017). An AVE of greater than or equal to 0.5 was accepted, as it meant that 50% or above of the variance of items was explained (Hair et al., 2013; Sarstedt et al., 2017). The formula for AVE is expressed in Equation 8 as per Sarstedt et al. (2017).

Equation 8: Average variance extracted (AVE) formula

$$AVE = \left(\sum_{k=1}^{k} \lambda_k^2\right)/k$$

Where:

Symbol	***Meaning***
k	The number of indicators in the construct
λ	Average non-redundant indicator correlation coefficient

Discriminant validity

Discriminant validity is the measure of the empirical distinctness of a construct (Shaffer, DeGeest, & Li, 2015). Essentially this test proves that the measures within each sub-component of a construct a more related to each other than the measures or indicators of another related construct. In this research, the indicators of regulatory and cognitive distance were subjected to a discriminant validity test. This test is particularly important when the construct is, as is the case in this research, measured reflectively. In multi-item measures, discriminant validity is intended to test the relative distinctiveness of the indicators to the other indicators measuring the same latent construct, and whether there are potential overlaps (Aguinis et al., 2018; Podsakoff & Podsakoff, 2019). For this study, discriminant validity tests were performed on the six governance indicators, and the four dimensions of culture.

Discriminant validity was established using the heterotrait- monotrait ratio of correlations, or HTMT criterion (Sarstedt et al., 2017). This is defined as by (Sarstedt et al., 2017) "the mean value of the

indicator correlations across constructs (i.e., the heteromethod correlations) relative to the (geometric) mean of the average correlations of indicators measuring the same construct" (p. 17) . According to Henseler, Ringle and Sarstedt (2014), a score over 0.9 is a confirmation of discriminant validity. The pictorial representation of the HTMT is demonstrated in Appendix E. The HTMT formula is standardised in Equation 9.

Equation 9: Heterotrait-heteromethod formula

$$HTMT_{ij} = \frac{1}{K_{iK_j}} \sum_{g=1}^{K_j} \sum_{h=1}^{K_j} r_{ij,jh} \quad /$$

Average heterotrait-heteromethod correlation

$$\left(\frac{2}{K_i(K_i - 1)} \cdot \sum_{g=1}^{K_i - 1} \sum_{h=g+1}^{K_i} r_{ig,ih} \cdot \frac{2}{K_i(K_i - 1)} \cdot \sum_{h=g+1}^{K_i} r_{ig,ih} \right)$$

geometric mean of the average monotrait_heteromethod correlation of construct Yi and the average monotrait_heteromethod correlation of construct Yj

Where:

Symbol	***Meaning***
$r_{ig,ih}$	Correlations of the indicators
Λ	Average non-redundant indicator correlation coefficient
k	The number of indicators in the construct

Source: Henseler et al. (2015)

4.6.2 Distribution of data

The data in the sampling frame was tested for normal distribution for all five constructs. This was done by analysing the skewness and kurtosis scores, the histogram representation, and the Shapiro-Wilk tests. A p-value less than 0.05 was interpreted as a violation of the normal distribution (Shapiro & Wilk, 1965). The formula is expressed in Equation as per to Shapiro and Wilk (1965):

Equation 10: Shapiro-Wilk formula

$$W = \left[\sum_{i=1}^{n} a_i y_i \right]^2 / \sum_i y_i^2$$

Where:

Symbol	***Meaning***
a_i	Constant generated from the means
y_i	Ordered sample values
n	Sample size

Source: (Shapiro & Wilk, 1965)

4.6.3 Hypothesis testing

Scholars generally have two options when testing moderated models. The first option is the moderated multiple regression model or MMR. The second option is the Partial Least Squares method of structural equation modelling or PLS-SEM. The MMR is the most widely used approach in testing moderated models (Cheung & Lau, 2015). However, the decision was made to use PLS-SEM to test the hypothesis. This decision was based on several considerations.

Firstly, the PLS-SEM is aimed at maximising the explained dependent variable variance, which increases robustness in the testing and provides the researcher with greater statistical power (Hair et al., 2011; Sarstedt et al., 2017). This robustness can also be achieved with a wider range of sample sizes than with other methods (Hair et al., 2011). Unlike MMR, PLS-SEM does not make any assumptions about the distribution of the data (Hair et al., 2011). This allows for more robust results to be obtained without the burden of ensuring multivariate normality. This method was also chosen due to the relative complexity of the model, based on the number of constructs as well as the number of indicators per construct (Hair et al., 2011; Sarstedt et al., 2017). Another factor motivating this method was the relative dearth of its use in international business and in particular, institutional distance studies. Institutional distance studies have overwhelmingly used regression models, with no evidence of the PLS-SEM (Trąpczyński & Banalieva, 2016).

The measurement models and conceptual model were integrated to form a single PLS-SEM model as depicted in Figure 6.

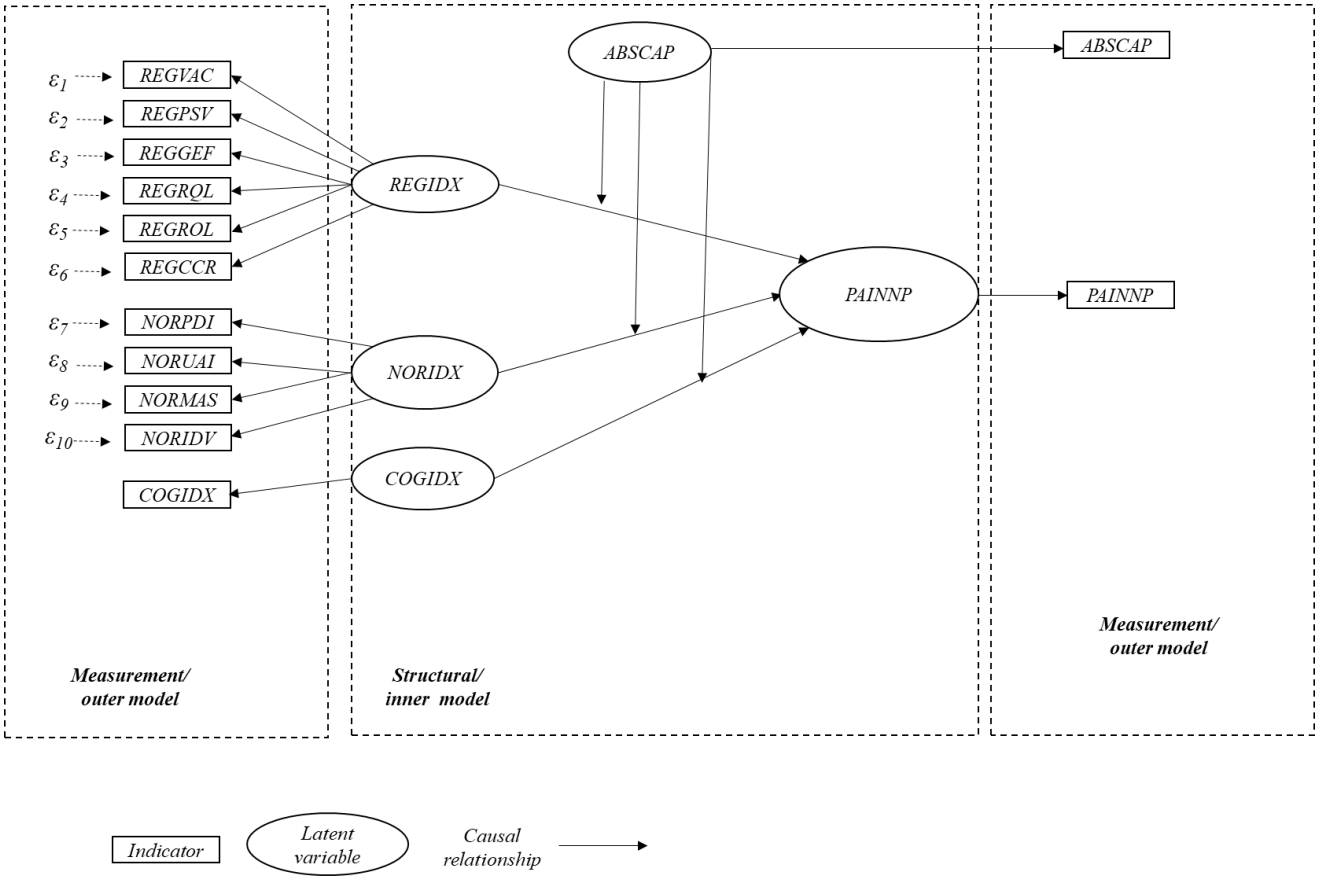

Figure 6: PLS-SEM model. Adapted from Hair et al. (2011) and Hair et al. (2017)

Where:

Reference	***Construct/indicator***
	Exogenous variables
REGVAC	Voice and accountability
REGPSV	Independent variable
REGGEF	Government effectiveness
REGRQL	Regulatory quality
REGROL	Rule of law
REGCCR	Control of corruption
NORPDI	Power distance
NORUAI	Uncertainty avoidance
NORIDV	Individualism
NORMAS	Masculinity
	Endogenous variables
REGIDX	Regulatory distance
NORIDX	Normative distance
COGIDX	Cognitive distance
PAINNP	Parent innovation performance
ABSCAP	Absorptive capacity

The structural model was evaluated as depicted in Figure 7, to test the hypothesis, as per the guidance from Sarstedt et al. (2017).

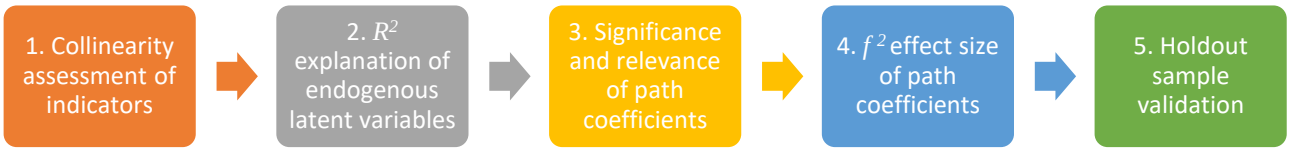

Figure 7: Steps in the evaluation of the PLS-SEM structural model

The collinearity was assessed by computing each item's variance inflation factor, or VIF, using the = formula depicted in Equation 11.

Equation 11: VIF formula

$$VIF_k = \frac{1}{(1 - R_k^2)}$$

VIF scores above 5 were indicative of collinearity (Sarstedt et al., 2017). After the collinearity assessment, the R^2 of each endogenous variable was assessed, with a range from 0 to 1, to assess the predictive accuracy of the structural model (Sarstedt et al., 2017). According to Sarstedt et al. (2017), an R^2 of 0.75 should be considered to be substantial, 0.5 moderate, and 0.25 as weak. However, these thresholds are based on cumulative results from the marketing field of research, which has made substantial use of the PLS-SEM model. Hair et al. (2011), recommends that instead of using these guidelines as a rule, each researcher should consider the R^2 within the context of their study by considering scores from related studies. The main model R^2 scores for institutional distance where the independent variable output was a quantifiable organisational outcome. The average score for these studies was 0.19 (Refer to Table 1 for R^2 scores per paper). With this as a baseline, the following thresholds were set for this research:

R^2 score	***Predictive accuracy (Hair et al., 2011; Sarstedt et al., 2017)***
<0.1	Unsatisfactory
>0.10 <0.2	Weak
>0.2 <0.3	Moderate
>0.3	Significant

The calculation of f^2 is intended to estimate the R^2 impact of removing each of the latent variables by firstly estimating it with all the exogenous variables included, and then without (Sarstedt et al., 2017).

The resultant scores were interpreted as follows as per the guidance from Sarstedt et al. (2017), using the formula in Equation 12.

Equation 12: f^2 formula

$$f^2 = \frac{R^2_{included} - R^2_{excluded}}{(1 - R^2_{included})}$$

f^2 score	***Effect of exogenous variable***
<0.02	No effect
0.02	Small
0.15	Medium
0.35	Large

The strength of the path coefficients was then evaluated concerning the hypothesised relationships (Sarstedt et al., 2017). The coefficients were measured between -1 and 1, with scores closer to 1 interpreted as indicating a strong structural path (Sarstedt et al., 2017). Scores above 0.5 were accepted to be significant enough to reject the null hypothesis. The significance of the path coefficients was assessed by running a bootstrapping procedure using a bias-corrected and accelerated confidence interval method, at a 5% significance level (Hair et al., 2011; Sarstedt et al., 2017). For hypotheses where the p-value was less than 0.05, the null hypothesis was rejected (Sarstedt et al., 2017).

4.7 Data collection

4.7.1 CBA database

The target population was downloaded from the Thomson Reuters Eikon deals database table (Refinitiv, 2020). The Eikon database was chosen over the other options such as MarketLine database for three reasons. Firstly, the Thomson Reuters database is a highly reputable source of mergers and acquisitions data. Numerous institutional studies such as McCarthy and Aalbers (2016), Pinto et al. (2017), Gaffney, Karst, and Clampit (2016), Cho and Ahn (2017), Popli et al. (2016), Liou et al. (2016). Secondly, the database offers comprehensive coverage of the deals information that covers 50 years. Thirdly, the database contains more deal details that other databases such as MarketLine. For instance, the MarketLine database does not reflect the target country, which is a critical variable in this study.

4.7.2 Worldwide governance indicators

The data for regulatory distance was obtained from the worldwide governance indicators. These indicators are published annually by the World Bank, which is a reputable source of information for business researchers. According to Kostova et al. (2019), this is the most widely used regulatory distance measure. The indicators were downloaded from the World Bank's databank website (World Bank, 2020b). Due to the longitudinal nature of this study, the indicators were downloaded for the years 2005 to 2015.

4.7.3 Hofstede's dimensions of culture

The Hofstede dimensions of culture were obtained from the Geert Hofstede website (Hofstede, n.d). This website is reliable and has been referenced by highly reputable sources such as Kostova et al. (2019). The database is not updated annually and therefore only one dataset was downloaded. Some countries in the population did not have a Hofstede dimension score assigned to them. In these cases, the measure was mapped to the regional score. This affected Qatar, and UAE which were mapped to the Arabia average, and Mauritius, which was mapped to the Sub-Saharan Africa average. Jersey and Guernsey were mapped to the United Kingdom due to their cultural proximity.

4.7.4 Global competitiveness scores

Global competitiveness index data was obtained from the World Economic Forum's global competitiveness report, which is publicly available from the organisation's website (World Economic

Forum, 2020). The World Economic Forum is a reputable organisation and its indices have been used by institutional distance scholars (Kostova et al., 2019; Shirodkar & Konara, 2016). To align with the longitudinal nature of this study, the historical index scores for the years 2005 to 2015 were downloaded. These historical scores are not updated annually, but the scores that were published in each respective year are retained (World Economic Forum, 2020).

4.7.5 Patent applications

Patent application data was obtained from the Companies and Intellectual Property Commission, or CIPC database. The CIPC is the arm of the South African Department of trade and industry that is responsible for the registration and maintenance of company and intellectual property right information (CIPC, 2020). The CIPC is a member organisation of the World Intellectual Property Organisation, or WIPO. This a United Nation agency responsible for intellectual policy, information sharing and cooperation (WIPO, 2020). The CIPC is a reputable organisation and is a good source of company and patent information in South Africa.

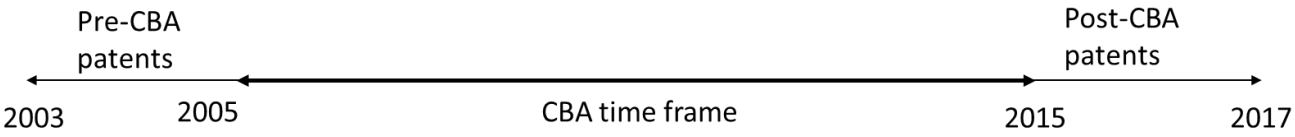

Figure 8: Patent data timeframe

The period covered in the database is 1 January 2003 to 31 December 2017. A database timeframe was expanded to include patents activities two years before the CBA's included in the population, and the two years after. This is demonstrated in Figure 8. Most innovation studies have made use of patent data from the United States patents and trademarks office, or USPTO. The CIPC was a more comprehensive source of data in a South African context. This is because the number of records selected is significantly greater. Online queries were run on the USPTO and WIPO database to identify the volume of patents registered by South African companies. The results are demonstrated in Appendix F. The number of South African patent applications in these databases is significantly lower than the numbers registered in the CIPC by South African companies. This is an indication that most South African companies apply for patents locally and not internationally. The use of the USPTO and WIPO databases could have resulted in some patent activities not being recognised in this study.

The database was downloaded onto Microsoft Excel, with the following fields: Application No, Patent Type, Application Date, Grant Date, Title of invention, Applicant, Inventor, Class and Status. To retrieve patents that were applied for by companies in the population, a search was run using the

registered name of the registered company, using the applicant field. This process posed a risk of the completeness or the possibility of missing a patent application because of the incorrect search parameters. To mitigate this risk, wherever possible each search was repeated three times, by using different iterations of the applicant name. For example, Impala Platinum was searched for using the following search terms: Impala, Impala Platinum and Implats. All patents registered to the searched entity were arranged by application date and then counted. The patent count in the announcement year and the two years before and after the CBA were then mapped to the CBAs in the sampling frame. This depicted in Appendix K.

4.8 Quality control

Quality controls are an important aspect in all IB studies (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Rebecca Reuber, 2016). The quality of data used in the testing was assessed using the audit assertions of accuracy, completeness and validity. Whilst there was no expectation to attain 100% achievement of these assertions, the risks of potential quality challenges were analysed for each construct, and quality control measures designed to manage the risks to a tolerable level. Table 8 lists the risks identified and the controls performed. The identified risks are stated in a positive form.

Table 8: Summary of quality control procedures

Assertion	Construct	Risk	Control
Accuracy	Regulatory, cognitive and normative distance	World governance indicators, global competitiveness scores are mapped to the incorrect countries.	The mapping was performed twice to ensure the same sum total of all the scores per year was obtained (Cuervo-Cazurra et al., 2016)
	Regulatory and normative distance	The annual scores are mapped to the incorrect years	As above
	All	Method bias as a result of measuring the dependent and independent variable using the same measurement instrument (Aguinis et al., 2018; Podsakoff et al., 2012).	Different measurement tools were used to measure the dependent and independent variables.
	Regulatory and cognitive distance	Aggregation of indicators is performed with no statistical justification (Aguinis et al., 2018).	The only indicator that has been aggregated is cognitive distance, where the Kogut and Singh (1988) index was used.
	All	The impact of the assumptions associated with the analytical method is not properly accounted for (Aguinis et al., 2018).	The most critical assumption in this research was that of normality. The use of PLS-SEM for the testing of hypothesis mitigated this risk.
Validity	All	Sources for the data are unreliable, resulting in incorrect data sources.	Only data sources that have been validated in extant literature were used. The industry level R&D data obtained from the has not been used in literature but was accepted to be from a reliable source.
	All	Questionable research practices, or QPRs, are followed, resulting in unreliable findings (Banks et al., 2015).	A quality checklist was prepared at the end of the testing by combining the recommendations by Aguinis et al. (2018) and Banks et al. (2015).
Completeness	N/A	Not all CBAs per the target population are selected, resulting in CBAs that should tested being excluded.	The section of the population from the Eikon database was performed twice, to ensure that the same number of CBAs is included in both selections (Cuervo-Cazurra et al., 2016). A reconciliation of how the CBAs were selected from the database was included.

Assertion	Construct	Risk	Control
	All	Data is not available for all the CBAs in the population.	The number data points for each construct was checked to ensure that it agreed to the total number of CBAs in the population.

4.9 Limitations

The methodology applied in this research is subject to certain limitations. This research does not consider multiple entries by an EMNE into the same geography and the consequent experience gained. Many studies have indicated that multiple entries into the same location results in experience and knowledge. (Cho & Ahn, 2017; Cuypers et al., 2018; Popli et al., 2016; Trąpczyński & Banalieva, 2016). This may result in alternative explanations regarding the extent of knowledge transfer. There is an opportunity for future studies to incorporate this as a control variable.

Also, this study, like most institutional distance studies, assumed national institutional homogeneity within the home and host countries. However, literature acknowledges that institutional configurations can vary between the subnational entities of a country (Sun et al., 2015; Wu et al., 2016). This intra-national institutional diversity is more conspicuous in large nations such as China and the United States (Hong et al., 2015; Sun et al., 2015). For instance, the federal nature of the United States means that the experience of EMNEs in interfacing with formal institutions will vary from state to state. This institutional incongruency, however, is not circumscribed to large countries. For instance, the cultural norms in the Flemish region of Belgium vary from the rest of the country.

Another limitation of this research is the subjective nature of the assessment of the strength of the structural model. Whilst Sarstedt et al. (2017) provides guidance on how to interpret the R^2 results, the guidance is based on the cumulative insights obtained from marketing studies. Sarstedt et al. (2017) acknowledges this and recommends that scholars make use of the R^2 results from existing literature as a guide of what represents a strong structural model. The average R^2 of some of the recent institutional distance studies was used to determine baseline guidance for the strength of the model. However, due to the proliferated nature of institutional distance studies, this average may not match the veracity of disciplines such as Marketing.

The use of the Kogut and Singh (1988) index to operationalise normative distance is also not without criticism. Some scholars have criticised the use of the index measure to country-level cultural distance when the underlying data is surveyed at an individual level (Cuypers et al., 2018). According to Konara and Mohr (2019), the index also violates the fundamental mathematical principle of triangular inequality. Stated simply, the distances between any three countries should according to this principle be triangulated. However, this is not the case with the index. The underlying Hofstede dimensions have also been criticised for not correcting for intercorrelations amongst is measures (Cuypers et al., 2018). However, despite these criticisms, scholars have not offered viable alternatives to the Kogut and Singh (1988) formula, and the index continues to be the most popular way in which institutional distance is operationalised (Cuypers et al., 2018; Kostova et al., 2019). Harzing and Pudelko (2015)

states in their analysis, that these criticisms should not necessarily be used to change the concept, but to serve as a warning against scholars adopting it without proper consideration of its shortcomings.

Some scholars such as Harzing and Pudelko (2015) have criticised the methodological approach of measuring institutional distance from a single host or home country viewpoint. This is because, as the author argues, the home or host country context might be the alternative explanation for the observed organisational outcomes, and not the distance itself. This according to Harzing and Pudelko (2015), can be assuaged by including multiple home and host country institutional contexts in the study. However, this argument is by no means accepted as a truism in literature. The dominant voice in the way forward for literature is for more fox on understanding the contextual nuances of institutional frameworks (Jackson & Deeg, 2019; Kostova et al., 2019; Lundan & Li, 2018).

Some criticism has been levelled against the cultural distance measures such as Hofstede and GLOBE, for their static nature (Berry et al., 2010; Cuypers et al., 2018). These measures were measured once and have not been updated since. This inadvertently assumes that culture does not change over time (Konara & Mohr, 2019). Whilst culture is more static and less prone to change than regulatory institutions, the construct is also subject to change. For instance, social psychologists postulate that dramatic social change can cause a rupture in a nation's normative formation that might rebase its cultural norms and values (de la Sablonniere, 2017). One could argue for example, that the post-civil war normative framework of Syria has changed dramatically since the Hofstede dimensions were developed. This change may warrant a reformulation of the contextual differences between countries. The normative fabric of a country can also gradually changes as a result of demographic changes such as immigration (de la Sablonniere, 2017). For instance, the increasing Latinisation of the United States could see normative changes that may render the original dimension scores archaic. Cultural distance literature is yet to develop a mechanism to bridge this gap with social change.

The original Hofstede dimension scores for South Africa were calculated based on a survey of the South African population. That means that the distance measures are only reflective of a segment of South African society, not the whole. However, an argument can be made that South Africa's organisational culture that is depicted in EMNEs, is more reflective of the white cultural dynamics as compared to the rest of the society. This is because the corporate realm in South Africa is largely dominated by white South Africans. Therefore, organisational culture in South Africa is more reflective of Western, rather than African norms.

Another limitation of this study is the underlying assumption that all innovations are patented (Wu et al., 2016). Some novel products and processes which are not lodged as patents may therefore fall off the research radar. However, the intrinsic spring-boarding premise is that EMNEs search for

innovation knowledge to become more competitive at home and globally (Gaur et al., 2018; Luo & Tung, 2018; Nair et al., 2018; Pinto et al., 2017). It stands to reason, therefore, that the EMNEs would seek to maintain this competitive advantage by seeking to obtain patent protection over these novelties. Therefore, whilst some novelties in product development and organisational practices may not be lodged for patenting, the innovations resulting from spring-boarding strategies are more likely to be lodged due to the competitive advantage they afford to the EMNE.

4.10 Conclusion

The positivist philosophy on which the entirety of this research was imbricated was a consistent golden thread that guided the constitution of the approach, methodology, strategy and data collection and analysis in this research. This deductive approach selected was followed through by a quantitative research method. This is evidenced by using archival data and PLS-SEM to analyse the collected data in a clinical and unbiased nature. The longitudinal nature of this research allowed the researcher to mitigate for the time-lag impact of innovation knowledge transfer. The archival strategy also mitigated the challenge of data access that is usually an inevitability in a survey strategy. This also allowed the selection and testing of the entire population, which limited the research biases usually associated with sampling (Certo et al., 2016).

Normal distribution, as well as reliability and validity of data, was an integral component of the research process and assumptions. However, the selection of PLS-SEM for the analysis of data released the ponderous requirement for normality in parametric methods and added increased rigour in the analysis, and the reliability of the results thereof (Hair et al., 2011; Sarstedt et al., 2019; Sarstedt et al., 2017). The inclusion of all three pillars of institutional distance is also a novelty in the institutional distance discipline. The selection of PLS-SEM is also another novelty in institutional distance studies. Whilst PLSE-SEM has been used in numerous social science studies such as marketing, strategic management and even international business (Sarstedt et al., 2017), there is very little evidence of the use of this analysis methodology in institutional distance studies. Whilst the use of PLS-SEM in data analysis, and inclusion of all three pillars of institutions may be an aberrancy in institutional distance literature, the literary measurement orthodoxy of all the constructs in the conceptual model was largely followed. The only departure from the established measurement conventions was the measurement of the construct of absorptive capacity, by measurement industry level absorptive capacity. However, this is not considered to be a significant methodological vicissitude because the principle of absorptive intensity was still pursued in measuring the construct (Fredrich et al., 2019).
The research methodology in this study therefore is not only befitting for this research but also contributes to the discipline of institutional distance studies. Whilst the methodological choices in research are subject to some limitations, the research has been designed with adequate rigour to render the findings and insights reliable and worthy of scholarly regard.

5. RESULTS

5.1 Overview

The steps followed in collecting and analysing data are outlined in Figure 9

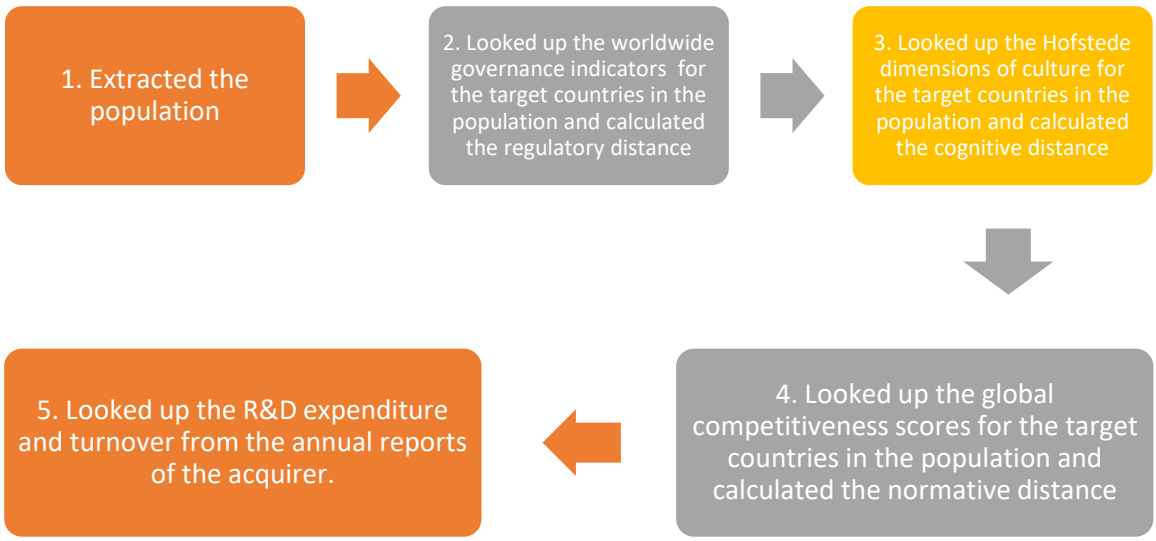

Figure 9: Data collection steps

5.2 Sampling overview

The target population was extracted from the Reuters Eikon database (Refinitiv, 2020). The database contained a total of 1 259 366 deals on the day when it was extracted. Six filters were applied to arrive at the target population. These filters resulted in the target population of 86, as demonstrated in Table 9.

Table 9: Extraction of the target population

Filter	Deals filtered	Total deals remaining
Total records on 12 August 2020		1 259 366
Filter 1: Acquirer nation = South Africa	1 251 210	8 156
Filter 2: Target nation exclude South Africa	6 434	1 722
Filter 3: Deals announcement date between 1 January 2005 and 31 December 2015	1 226	496
Filter 4: Percentage acquired > 50%	230	266
Filter 5: Listed companies only	130	136
Filter 6: High-income target nations only	50	86

The first filter was applied to exclude deals where the acquirer was domiciled outside of South Africa. The second filter was applied to exclude local acquisitions. The third filter was applied to align with the time horizon as per the research methodology. The fourth filter was applied to exclude joint ventures and acquisitions of less than 50%. The fifth filter was applied to exclude non-listed companies, as per the research methodology. The listing status of the companies was obtained from the Johannesburg securities exchange website (JSE, 2020). The sixth filter was applied to exclude target countries that are not classified as high-income countries by the World Bank. This resulted in the exclusion of 50 deals from the testing.

After all the filters were applied, 86 CBAs remained, with 44 acquiring companies and 27 target nations. According to Hair et al. (2011), the minimum population size in a reflective PLS-SEM should be “ten times the largest number of structural paths directed at a particular latent construct in the structural model” (p. 144). The construct with the largest number of structural paths in this model was parent innovation performance, with a total of three paths, as demonstrated in Figure 6. This translated to a minimum sample of 30 CBAs being the minimum for this model. Therefore, a total of 86 CBAs was an adequate number of CBAs to be tested. A detailed list of the CBAs in the population

is included in Appendix G. The CBAs by the parent company, target nation and acquirer industry are summarised in Table 10, Table 11 and Figure 11 respectively.

Table 10: Number of CBAs by ultimate parent company

Acquirer	Number	Acquirer	Number
The Bidvest Group Ltd	11	Impala Platinum Holdings Ltd	1
Imperial Holdings Ltd	8	Medi-Clinic Corp Ltd	1
Datatec Ltd	5	Metair Investments Ltd	1
Texton Property Fund Ltd	4	Metrofile Holdings Ltd	1
Aspen Pharmacare Holdings Ltd	3	Mondi Ltd	1
Sanlam Ltd	3	Naspers Ltd	1
Santova Ltd	3	Netcare Ltd	1
Steinhoff International Ltd	4	Oceana Group Ltd	1
Pepkor Holdings	3	PBT Group Ltd	1
Adcorp Holdings Ltd	2	Purple Capital Ltd	1
Barloworld Ltd	2	Redefine Income Fund Ltd	1
Distell Group Holdings Ltd	2	Santova Logistics Ltd	1
Gold Fields Ltd	2	Sasol Ltd	1
Grindrod Ltd	2	Shoprite Holdings Ltd	1
Mazor Group Ltd	2	Stefanutti Stocks Holdings Ltd	1
Net 1 UEPS Technologies Inc	2	Sun International Ltd	1
Sappi Ltd	2	Super Group Ltd	1
Allied Electronics Corp Ltd	1	Vodacom Group Ltd	1
AngloGold Ashanti Ltd	1	Textainer Group Holdings Ltd	1
Argent Industrial Ltd	1	The Foschini Group Ltd	1
Famous Brands Ltd	1	Woolworths Holdings Ltd	1
Growthpoint Properties Ltd	1		

The worldwide governance indicator scores, Hofstede cultural dimensions, and global competitiveness scores for all of the target countries included in the population were mapped to each of the 86 CBAs. The details of these mappings are outlined in Appendices H, I and J respectively. Data was available for the countries in the population, for each announcement year of the CBA. Therefore, there was no missing data for three pillars of institutional distance. The only exception was Jersey, which did not have separate scores on any of the pillars measured. For all three pillars, the United Kingdom scores were used because Jersey is a British crown dependency.

Mas demonstrated in Table 11, most of the CBAs related to targets based in the United Kingdom, Australia and the United States, all Anglophone countries.

Table 11: Number of CBAs by target country

Country	Number	Country	Number
United Kingdom	29	Canada	1
Australia	12	Czech Republic	1
United States	5	Finland	1
Germany	4	Hungary	1
Netherlands	4	Ireland	1
France	3	Italy	1
Hong Kong	3	Jersey	1
Poland	3	Lithuania	1
Austria	2	New Zealand	1
Chile	2	Qatar	1
Denmark	2	Romania	1
Mauritius	2	Singapore	1
United Arab Emirates	2	South Korea	1

The announcement years of the CBAs were spread out evenly across the ten-year time horizon, with at least four transactions concluded in each year. This is depicted in Figure 10.

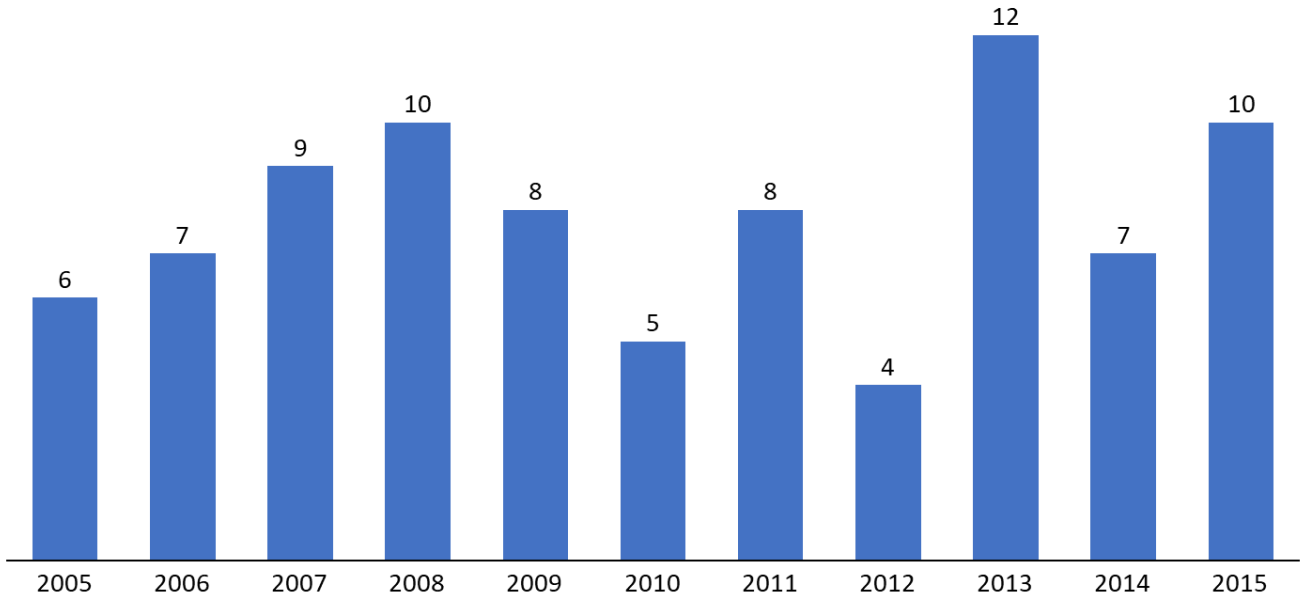

Figure 10: CBAs by announcement year

The target industry CBAs in the population were spread evenly amongst the 11 industry groups as defined by the Department of Trade and Industry, with the majority being in the manufacturing industry. This is depicted in Figure 11.

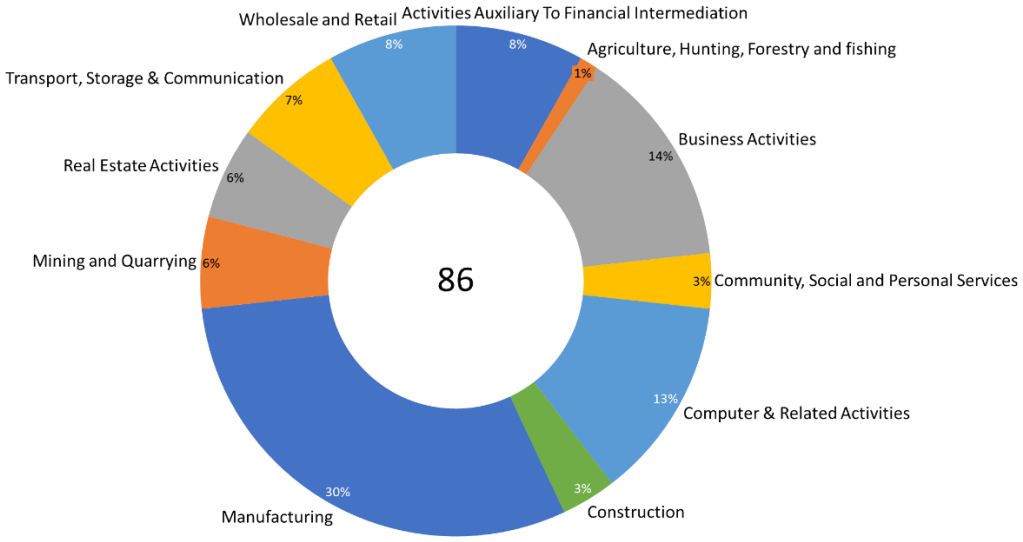

Figure 11: CBAs by acquirer industry

5.3 Regulatory distance

Regulatory distance scores for each of the companies were obtained from the World Bank website. The scores were looked up for each target country based on the announcement year of the CBA for each of the six indicators of governance. All countries were scored between -2.5 and 2.5 (Kaufmann et al., 2003). The detailed calculations by CBA have been included in Table 39 under Appendix H. The regulatory distance score was calculated against each target country, with South Africa as an anchoring point.

5.3.1 Descriptive statistics

The descriptive statistics of the regulatory distance between the target nation and South Africa, as calculated by announcement year has been outlined in Table 12. The numbers reflected in the table relate to the distance between the target country and South Africa on the indicators, not the actual scores of the different countries. All countries were scored between -2.5 and 2.5 for each of the ten years in the time horizon. In calculating the distance from South Africa, a positive score meant that the target nation is more institutionally developed than South Africa on that specific indicator. A negative score meant that South Africa was more institutionally developed.

Table 12: Regulatory distance descriptive statistics

Indicator	N	Minimum	Maximum	Mean	Standard Deviation	Skewness	Kurtosis
Control of corruption	86	-0.15	2.21	1.43	0.54	-1.34	1.28
Government effectiveness	86	-0.66	1.91	1.09	0.40	-1.91	4.64
Political stability and absence of violence	86	0.10	1.41	0.77	0.32	-0.06	-0.92
Regulatory quality	86	0.04	1.58	1.13	0.36	-1.05	0.54
Rule of law	86	-0.07	1.85	1.43	0.43	-1.82	2.39
Voice and accountability	86	-1.70	1.10	0.55	0.51	-2.96	9.57

The total number of distance scores for each of the indicators was 86, which indicates that there were no missing values. There were negative minimum scores for the control of corruption, government effectiveness rule of law and voice and accountability indicators. This means that even amongst these high-income countries, South Africa is more institutionally developed on these indicators. For instance, South Africa scored on average higher than Mauritius, Lithuania, Czech Republic and Italy on control of corruption. It also fared better on average than Italy, Qatar and Mauritius on government effectiveness.

The mean distance on all the indicators was positive, meaning that on average South Africa is less institutionally developed than the countries in the population on all the indicators. This is not unexpected, because only high-income countries were included. Higher-income countries were expected to be more institutionally developed than middle-income countries. The indicator with the highest mean distance was control of corruption, meaning that this is the indicator where South Africa on average, is the weakest. The indicator with the lowest mean distance was voice and accountability. This is an affirmation of the vibrancy of the parliamentary democracy and the holding of free and fair elections regularly. As a result, South Africa scored better than Romania and Singapore on this indicator. The standard deviation of the political stability and absence of violence indicator, as well as the regulatory quality indicator, was low, meaning that the bulk of the distance scores were close to the mean. Control of corruption reflected a higher variability as depicted by its standard deviation.

5.3.2 Distribution of data

According to (Sarstedt et al., 2017), the acceptable range for the skewness and kurtosis score is between -1 and 1. The skewness scores of all the indicators were negative, and none of the indicators were within the acceptable range, except for political stability and absence of violence. The negative skewness of these distance scores was not unexpected since the majority of the CBAs in the population were targeted at institutionally more developed countries compared to South Africa, with the United Kingdom and Australia making up the top two target nations by number of CBAs

The kurtosis is a measure of the height of the distribution of the data (Hair et al., 2017). The kurtosis scores for government effectiveness, political stability and absence of violence, regulatory quality and rule of law were outside the acceptable range of -1 and 1 (Sarstedt et al., 2017). The histograms, box plots and Q-Q plots for all six indicators have been depicted in Figures 43, 48 and 53 respectively. These are all under Appendices M, N and O respectively. The skewness and kurtosis scores for these six indicators, in combination with the pictorial representations, indicates that the distance calculations for regulatory distance was not normally distributed. The only exception was political stability and absence of violence.

5.3.3 Tests for normality

To ensure rigour in the normality test, the Shapiro-Wilk test was run for all six indicators in addition to the skewness and kurtosis tests. The null hypothesis for each of the indicators was that they are not statistically significantly different from a normal distribution. A p-value of greater than 0.05 was used to reject the null hypothesis. The results as depicted in Table 13 were extracted from SPSS:

Table 13: Regulatory distance Shapiro-Wilk test

Indicator	Statistic	N	p-value
Control of corruption	0.85	86	0.000
Government effectiveness	0.80	86	0.000
Political stability and absence of violence	0.97	86	0.051
Regulatory quality	0.90	86	0.000
Rule of law	0.72	86	0.000
Voice and accountability	0.63	86	0.000

Since the above shows that the p-value for the normality distribution is less than 0.05 for all the indicators, the null hypothesis was not rejected (Sarstedt et al., 2017; Shapiro & Wilk, 1965), except for political stability and absence of violence. Therefore, the data is not normally distributed. The original indicator data was run to establish whether the violation of the normality was because of the selected population. The same outcome was reached, with all indicators being non-normal (Kaufmann et al., 2009). Therefore, no attempt was made to clean up the data since the original scores were also not normally distributed. At this point in the data analysis, no decision was made about how to proceed with this outcome until the analysis for all the other pillars of institutions had been completed.

5.3.4 Reliability & convergent validity

The convergent validity and reliability tests as performed on SPSS yielded the results depicted in Table 14.

Table 14: Convergent validity and reliability results for regulatory distance

Indicator	Indicator loadings (>0.70)*	Indicator reliability (>0.50)	AVE (>0.50)	Composite reliability (>0.70)	Cronbach's alpha (0.70-0.90)
Control of corruption	0.89	0.80	0.59	0.95	0.86
Government effectiveness	0.87	0.75			
Political stability and absence of violence	0.86	0.73			
Regulatory quality	0.76	0.71			
Rule of law	0.952	0.91			
Voice and accountability	0.54	0.29			

**criteria in parenthesis*

As Cronbach's alpha was greater than 0.7 as recommended by Sarstedt et al. (2019) and Sarstedt et al. (2017), it was accepted that internal consistency was achieved and the measurement tool reliable. The score of 0.86 was not too high as to indicate a possible redundancy of indicators. This reliability score was further solidified by the composite reliability score of 0.95 which is higher than the recommended threshold. Therefore, the internal consistency reliability criteria were met. The indicator loadings for each of the indicators were above 0.7 as recommended by Hair et al. (2017). The indicator reliability of all the scores was also higher than the threshold scores. The AVE score was also above the threshold of 0.5. Therefore, convergent validity for the regulatory distance construct was met. The voice and accountability indicator was eliminated because it fell below the threshold of 0.7 for factor loadings.

5.3.5 Discriminant validity

Discriminant validity for regulatory distance was established using the heterotrait- monotrait ratio of correlations, or HTMT. An inter-item correlation matrix was extracted using SPSS, between the six indicators for regulatory distance and the four cognitive distance dimensions. The results are depicted in Table 15.

Table 15: Correlation of coefficients between regulatory and normative distance measures

	REGCCR	REGGEF	REGPSV	REGRQL	REGROL	COGIDV	COGMAS	COGPDI	COGUAI
REGCCR	1.00								
REGGEF	0.88	1.00							
REGPSV	0.27	0.22	1.00						
REGRQL	0.82	0.78	0.02	1.00					
REGROL	0.86	0.89	0.10	0.83	1.00				
COGIDV	-0.05	0.04	-0.21	0.08	-0.13	1.00			
COGMAS	0.05	0.05	0.31	-0.13	0.02	-0.12	1.00		
COGPDI	-0.09	-0.17	0.23	-0.34	-0.23	-0.01	0.10	1.00	
COGUAI	-0.50	-0.54	-0.14	-0.52	-0.58	0.09	0.08	0.33	1.00

Colour code: Green (Heterotrait-heteromethod correlations); Blue (Monotrait-heteromethod correlations A); Orange (Monotrait-heteromethod correlations B)

The average correlation coefficients for the two monotrait-heteromethod correlations as well as the Heterotrait-heteromethod correlations were calculated. The HTMT was then calculated using the Henseler formula Henseler et al. (2014). The results are depicted in Table 16.

Table 16: HTMT calculation

Calculation	**Result**
Heterotrait-heteromethod correlations	-0.14
Monotrait-heteromethod correlations A	0.57
Monotrait-heteromethod correlations B	0.08
HTMT	**-0.66**

The result was less than 0.9, which according to Henseler et al. (2014) proves discriminant validity on the regulatory distance indicators and cognitive distance dimensions.

5.4 Normative distance

Normative distance scores for each of the target countries in the population were obtained from the Geert Hofstede website (Hofstede, n.d). The scores are divided into four dimensions of culture. The descriptive statistics are depicted in Table 17.

Table 17: Normative distance descriptive statistics

Dimension	N	Mean	Standard Deviation	Skewness	Kurtosis
Individualism	86	1.05	0.87	1.40	2.34
Masculinity	86	0.79	1.75	2.50	5.03
Power distance	86	0.64	0.70	2.71	7.38
Uncertainty avoidance	86	0.70	0.96	1.92	2.68

All 86 CBAs were included in the analysis, meaning that was no missing data. The details of distance per CBA are included in Appendix I. The mean distance between the target nations and South Africa was highest on the dimension of individualism, with the lowest mean on power distance. The standard deviation on all the dimensions showed more variability than the regulatory distance indicators, with masculinity having the highest standard deviation. The lowest standard deviation was on the dimension of power distance.

5.4.1 Tests for normality

All four dimensions were outside the acceptable range for normal distribution. All the dimensions were positively skewed, as shown in Table 17. These scores are potentially skewed by the United Kingdom, Australia and the United States. These target countries are culturally closer to South Africa and make up the majority of the CBAs in the population The histograms, box plots and Q-Q plots for all six indicators have been depicted in Figures 44, 49 and 54 respectively. These are all under Appendices M, N and O respectively. To ensure extra rigour in the normality test, the Shapiro-Wilk test was run for all four dimensions. The null hypothesis for each of the indicators was that they are not statistically significantly different from a normal distribution. A p-value of greater than 0.05 was used to reject the null hypothesis. The results as extracted from SPSS are depicted in Table 18.

‘

Table 18: Normative distance Shapiro-Wilk test

Dimension	Statistic	N	p-value
Individualism	0.80	86	0.000
Masculinity	0.50	86	0.000
Power distance	0.61	86	0.000
Uncertainty avoidance	0.67	86	0.000

The p-value on all the dimensions was lower than 0.05. Therefore, the normality rule was violated (Hair et al., 2013).

5.4.2 Reliability & convergent validity

The convergent validity and reliability tests as performed on SPSS yielded the results as depicted in Table 19.

Table 19: Convergent validity and reliability results for normative distance

Indicator	Indicator loadings (>0.70)*	Indicator reliability (>0.50)	AVE (>0.50)	Composite reliability (>0.70)	Cronbach's alpha (0.70-0.90)
Individualism	0.03	0.00	0.01	0.04	0.17
Masculinity	0.03	0.00			
Power distance	0.12	0.01			
Uncertainty avoidance	0.12	0.02			

**criteria in parenthesis*

The indicator loadings for each of the four dimensions were lower than the threshold of 0.7. Resultantly, the indicator reliability scores were also below the threshold of 0.5. The AVE score of 0.01 was also below the threshold of 0.50. The composite reliability of 0.04 was below the threshold of 0.70. The Cronbach alpha score of 0.17 was also below the threshold of 0,70 (Hair et al., 2017; Hair et al., 2011; Sarstedt et al., 2017). Therefore, the conditions of reliability and convergent validity were not met.

‘

5.4.3 Discriminant validity

Discriminant validity for normative distance was tested using the heterotrait- monotrait ratio of correlations, or HTMT. The results are depicted in Table 15. The result was less than 0.9, which according to Henseler et al. (2014) proves discriminant validity between the regulatory distance indicators and normative distance dimensions.

5.4.4 Factor analysis and Kogut and Singh (1988) formula

The validity and reliability outcomes for the construct of normative distance did not meet the required criteria. Normative distance scholars posit that this is as a result of the fundamental difference in the nature of the four dimensions (Cuypers et al., 2018; Kogut & Singh, 1988; Konara & Mohr, 2019; Maseland et al., 2018). The result of these differences is that the dimensions are so different that they cannot be aggregated by adding the sum, or an average of the scores (Cuypers et al., 2018; Kogut & Singh, 1988; Maseland et al., 2018).

The Kogut and Singh (1988) formula was designed to cater for this challenge. Therefore, even though the reliability and validity requirements for the construct of normative distance were not met, the four dimensions were reduced into a single normative distance calculation using the Kogut and Singh (1988) formula. Unlike the cognitive and regulatory distance scores, the Hofstede dimensions of culture are not updated annually. Therefore, the distance between the target nations and South Africa remained static regardless of the announcement year of the CBA. The distance between the target nations in the population and South Africa is depicted in Table 20. The higher the score, the more cognitively distant the target nation is to South Africa.

Table 20: Normative distance between the target country and South Africa using the Kogut and Singh (1988) index

Target Country	Cultural distance index	Target Country	Cultural distance index
Germany	0.95	Finland	4.45
Canada	0.96	Mauritius	4.47
Australia	1.43	Poland	4.49
United States	1.44	France	4.52
Ireland	1.46	Hong Kong	4.59
Czech Republic	1.50	Austria	4.90
Italy	1.63	Lithuania	5.85
United Kingdom	1.88	Netherlands	7.17

Target Country	Cultural distance index	Target Country	Cultural distance index
Jersey	1.88	South Korea	8.31
New Zealand	2.04	Singapore	8.87
Hungary	4.16	Denmark	9.49
Qatar	4.42	Chile	9.55
United Arab Emirates	4.42	Romania	10.32

Table 20 shows that Germany is the target country with the most normative proximity to South Africa amongst the high-income countries in the population. The Anglophone countries of Canada, Australia, United States and Ireland make up the rest of the top 5. Romania is the most normatively distant high-income country from South Africa.

5.5 Cognitive distance

Global competitiveness scores for all the target countries in the population were obtained from World Economic Forum's, or WEF website (World Economic Forum, 2020). The scores were looked up for each target country based on the announcement year of the CBA. All the target countries in the population were consistently scored in each of the years between 2005 and 2015, except for Jersey. The scores for the United Kingdom were assigned to Jersey as it is a Crown dependency of the United Kingdom. Unlike the worldwide governance indicators and the Hofstede dimensions, the global competitiveness index has been aggregated into a single index score (World Economic Forum, 2019). This eliminated the need for factor analysis to be performed. Countries are scored on four components, which are aggregated into a single average score (World Economic Forum, 2019). The detailed scores assigned to each CBA are shown in Table 41 under Appendix J. The average scores between 2005 and 2015- for each of the countries are reflected in Table 21.

Table 21: Global competitiveness index average scores between 2005 and 2015

Ranking	Country	Average score	Ranking	Country	Average score
1	United States	5.58	15	Qatar	5.05
2	Singapore	5.57	16	New Zealand	5.05
3	Finland	5.48	17	Ireland	4.94
4	Germany	5.46	18	United Arab Emirates	4.91
5	Netherlands	5.41	19	Chile	4.68
6	Denmark	5.40	20	Czech Republic	4.58
7	United Kingdom	5.38	21	Lithuania	4.44
8	Jersey	5.38	22	Poland	4.41
9	Hong Kong	5.37	23	Italy	4.39
10	Canada	5.31	24	South Africa	4.39
11	Austria	5.16	25	Mauritius	4.32
12	France	5.14	26	Hungary	4.30
13	Australia	5.14	27	Romania	4.12
14	South Korea	5.08			

On average, the United States was the most globally competitive target country in the population, with Romania being the lowest-ranked. South Africa was lower than the average of 4.98, with only three nations ranked lower. The distance between the target nations and South Africa was calculated based on the announcement year of the CBA.

5.5.1 Descriptive statistics

A total of 86 CBAs were included in the analysis. Therefore, there were no missing records. The distance calculation per CBA has been included in Appendix J. The mean distance between South Africa and the 27 nations in the population was 0.81. This meant that one average South Africa scored significantly lower than the target countries over the ten-year horizon. This result was not unexpected because the population consisted of high-income countries only, which are usually more competitive than less developed countries. The maximum distance was 1.33, which was between the United States and South Africa. The minimum distance was -0.27, which was between South Africa and Romania. The standard deviation was 0.36, which means there was some clustering of distances around the mean of 0.36 and less variability in the population. (Hair et al., 2017).

5.5.2 Normal distribution

Table 22: Cognitive distance descriptive statistics and Shapiro-Wilk test

Statistic	Result
N	86
Mean	0.81
Std. Deviation	0.36
Minimum	-0.27
Maximum	1.33
Skewness	-1.41
Kurtosis	1.39
Shapiro-Wilk test	
Statistic	0.84
p-value	0.000

The skewness and kurtosis range were both outside the acceptable range of -1 and 1 (Sarstedt et al., 2017). That was the first indicator that the data is not normally distributed. The histogram depicted in Figure 45 under Appendix L is an additional indicator of the negative skewness in the data. This skewness is as a result of the fact that the majority of CBAs in the population were made up of United Kingdom, Australia and United States which are all scored significantly higher than South Africa, as demonstrated in Table 21.

In addition to the above analysis, a Shapiro-Wilk test was performed on SPSS. The results of the Shapiro-Wilk test further confirmed that the data is not normally distributed, with a p-value less than 0.05.

5.6 Parent Innovation Performance

Parent innovation performance was measured by extracting the innovation applications lodged by the acquirer companies with the CIPC. Firstly, all the number of patents registered by the parent company between 2003 and 2017 were recorded for the 46 companies in the sample. A total of 579 patents were lodged by the companies, as shown in Table 23.

Table 23: Number of patent applications by acquirer between 2003 and 2019

Parent company	JSE sector	Total
Sasol Ltd	Oil & gas producers	397
Impala Platinum Holdings Ltd	Mining	35
Mondi Ltd	Forestry & paper	32
AngloGold Ashanti Ltd	Mining	26
Barloworld Ltd	Support services	23
Aspen Pharmacare Holdings Ltd	Pharmaceuticals & Biotechnology	10
Gold Fields Ltd	Mining	9
Net 1 UEPS Technologies Inc	Technology Hardware & Equipment	9
Sappi Ltd	Forestry & paper	9
The Bidvest Group Ltd	General industrials	9
Argent Industrial Ltd	Support services	6
Sun International Ltd	Travel & leisure	5
Vodacom Group Ltd	Mobile telecommunications	5
Sanlam Ltd	Life insurance	2
Woolworths Holdings Ltd	General retailers	2

As shown in Table 23, Sasol is by far, the most innovatively active company in the population. There are also many companies in the population with no patent applications during the period analysed. Table 23 also shows that no industry is more dominant in the lodging of patents. However, all the mining companies in the population showed a greater level of patent activity than non-mining companies. Surprisingly, some patent activity was noted for Woolworths, which is a retail company, and Sun International, which is a travel and leisure company. What this shows is that the patent activities amongst South African EMNEs are not necessarily a function of the company's industry, even though some industries seem to be more active than others. This justifies the methodological choice to include all industries in the population.

The number of patents were mapped to each CBA based on the announcement date of the CBA. This is detailed in Table 42 under Appendix K. The pre-CBA and post-CBA innovation performance was then calculated on this basis. The parent innovation performance was calculated as the percentage

difference change between the pre and post-acquisition period. The detailed results are depicted in Table 42 under Appendix K. The descriptive statistics for this calculation are shown in Table 24.

Table 24: Parent innovation performance descriptive statistics and Shapiro-Wilk test

Statistic	Result
N	86
Mean	-17.02%
Std. Deviation	79.18%
Minimum	-100.00%
Maximum	600.00%
Skewness	5.44
Kurtosis	43.74
Shapiro-Wilk test:	
p-value	0.40
Statistic	0.000

The mean innovation performance was -17%, which means on average, most companies lodged fewer patent applications post the CBA. The standard deviation was 79%. The highest post-acquisition performance was 600%, which was registered by Anglogold Ashanti between 2008 and 2010. The skewness and kurtosis scores showed an unacceptably positive skewness in the data. This is further demonstrated in the histogram, box plot and Q-Q plots in Figure 44, Figure 49 and Figure 54 under appendices L to N. .

The results of the Shapiro-Wilk test further confirmed that the data is not normally distributed, with a p-value less than 0.05. Therefore, the requirement for normal distribution was not satisfied by the data measuring this construct.

5.7 Absorptive capacity

The planned methodology approach for the measurement of absorptive capacity was to calculate it by dividing the R&D expenditure of the acquirer by its turnover in the announcement year of the CBA. However, upon detailed analysis of the annual reports of the 46 acquirer companies in the population, it became apparent that the disclosure of R&D expenditure is neither standardised nor consistent. For instance, companies such as ABSA were very explicit in their disclosure of R&D expenditure and it was relatively easier to locate the information. However, the information was not as easily accessible for most companies as was expected.

This is mainly because the international financial reporting standards or IFRSs, the accounting convention to which South African corporates subscribe, do not require separate disclosure of R&D expenditure. This is in contrast with the United States generally accepted accounting practices, or US GAAP, which requires this disclosure. Therefore, South African EMNEs that operate in the United States disclose this information in a clear and standardised manner in their submissions to the United States Security Exchange Commission, or SEC. However, only Sasol and Anglo-gold Ashanti in the population were required to make these SEC submissions. Therefore, this was not a complete source of information. Other well-known sources of financial information such as IRESS and TimbukOne were also explored. However, these also proved to be unreliable sources for this specific information. For instance, companies such as Impala Platinum and Sasol, which are known to be significant spenders of R&D, showed no expenditure in these reports. Therefore, whilst R&D data was expected to be the most easily accessible data in the research, it ultimately proved to be the most challenging. With this significant hurdle in this research process, a decision was made to search for alternative means to measure this construct.

Upon consideration of alternative sources of information, a decision was made to measure this construct at an industry level, and not at a company level, as was originally intended. This decision was informed by the availability of publicly shared research on R&D patterns at an industry level in South Africa. The industry level considered was the SIC industry classification according to the Department of Trade and Industry. Annually, the Centre for Science, Technology and Innovation Indicators, or CeSTII, releases the South African National Survey of Research and Experimental Development on behalf of the Department of Science and Innovation. The highest level of classification breaks the industries down into nine groups. The manufacturing as well as the financial services industries are the most diverse clusters.

This report is relied on by Statistics SA, the Human Sciences Research Council and the Department of Science and Innovation for innovation policy development and trend analysis (Centre for Science, Technology and Innovation Indicators, 2016, 2020). The survey obtains R&D information through surveys that follow guidelines set out by the OECD to maintain international comparability (Centre for Science, Technology and Innovation Indicators, 2020). Therefore, it is a reliable source of research and development data.

The industry level R&D expenditure is outlined in Figure 58 under Appendix O. Figure 58 shows that on average, the financial services industry spent the most in R&D between 2008 and 2017. This is followed by the manufacturing and mining industries. The industry with the lowest R&D expenditure was the construction industry.

However, absolute R&D expenditure by industry does not reflect the R&D intensity or absorptive capacity of the specific industry. This was operationalised by calculating the expenditure as a percentage of the size of the industry. This was calculated by obtaining the gross value added, or GVA, of each industry from the Statistics South Africa databases (Statistics South Africa, 2020). GVA is essentially the total revenue generated by the specific industry in a particular reporting year. Therefore, calculating industry R&D expenditure as a percentage of the GVA yielded the same outcome as the R&D as a percentage of turnover, albeit, at an industry level. The GVA by industry is summarised in Figure 59 under Appendix O.

The average R&D as a percentage of GVA between 2008 and 2017 was then calculated for each industry, yielding the results depicted in Figure 12.

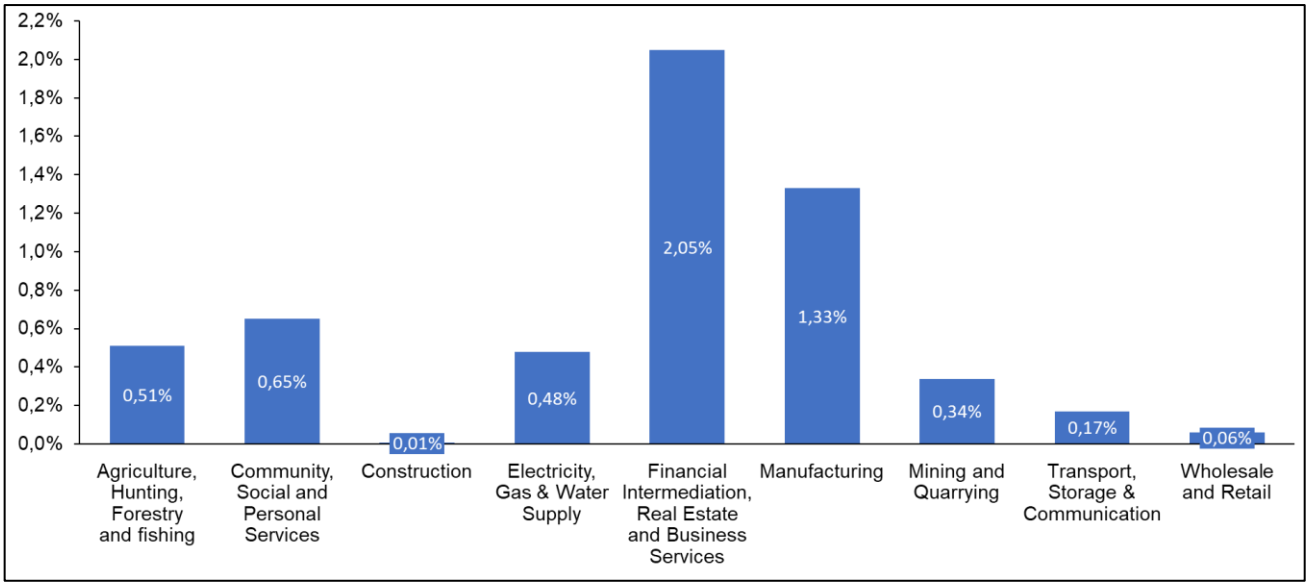

Figure 12: Absorptive capacity by industry

On average, the financial services and manufacturing industry spent the highest proportion of income on R&D. The construction industry spent the lowest. Due to the broad and diverse nature of its classification, the manufacturing industry was analysed at a lower classification level. This breakdown is reflected in Figure 13.

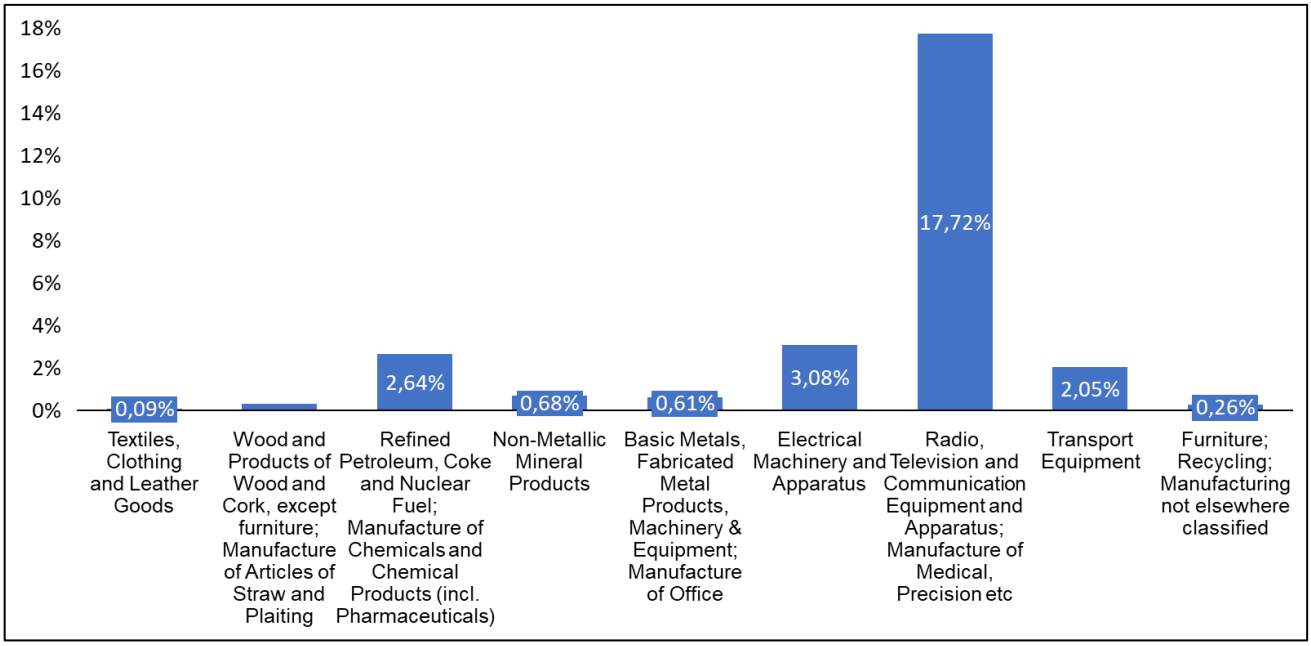

Figure 13: Absorptive capacity of the manufacturing industry

Figure 13 shows that the electronics manufacturing industry is the most R&D intensive subsector of the manufacturing industry. The textiles industry is the least R&D intensive. This wide range between the highest and lowest industry justified breaking the manufacturing industry down in the analysis. A

similar breakdown was done for the financial services industry, which is also comprised of a wide range of sub-industries. The results of this breakdown were as depicted in Figure 14.

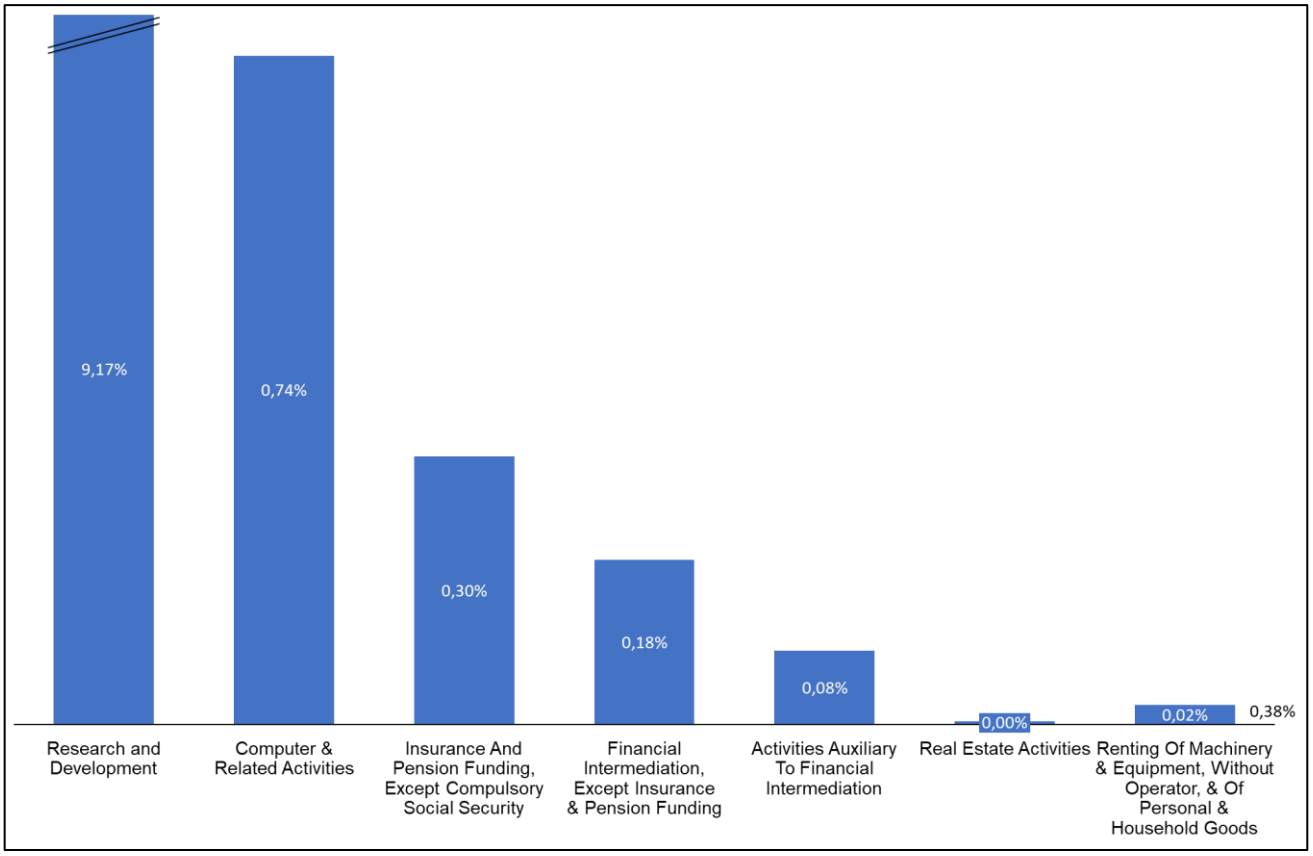

Figure 14: Absorptive capacity of the financial services industry

Figure 14 shows that the Research and development sub-sector, as would be expected, spends the highest proportion of its revenue on R&D. This output was interpreted as a validation of the calculation methodology. The least R&D intensive sub-sector is the estate activities industry. The parent companies in the population were then mapped to the SIC industries. This detailed mapping is depicted in Table 43 under Appendix O. the descriptive statistics for the resultant absorptive capacity calculation are shown in Table 25.

Table 25: Absorptive capacity descriptive statistics and Shapiro-Wilk test

Statistic	Result
N	86
Mean	0.66%
5% Trimmed Mean	0.59%
Std. Deviation	0.76%
Minimum	0.00%
Maximum	2.64%

Statistic	Result
Skewness	1.49
Kurtosis	0.93
Shapiro-Wilk test	
Statistic	0.74
p-value	0.000

The mean of 0.66% indicated that the average acquirer company in the population spent less than 1% of its revenue on research and development. The standard deviation of 0.76 means that there was a significant clustering around the mean of 0.66%. The highest expenditure percentage was 2.65%, which relates to Aspen Ltd, in the pharmaceuticals industry. The lowest relates to Mazor Group Ltd, a construction industry company.

A Shapiro-Wilk test of normality was performed on the construct. The p-value which was less than 0.05 confirmed that the data in this construct was not normally distributed. The histogram, box plot and Q-Q plot are depicted in Figure 47, Figure 52 and Figure 57 under appendices L to N.

5.8 Evaluation of measurement model

The results of the reliability and validity tests performed above are summarised below:

Table 26: Summary of the measurement model evaluation results

Variable/indicator		Indicator loadings (>0.70)	Indicator reliability (>0.50)	AVE (>0.50)	Composite reliability (>0.70)	Cronbach's alpha (0.70-0.90)
Regulatory distance	Control of corruption	0.89	0.80	0.59	0.95	0.86
	Government effectiveness	0.87	0.75			
	Political stability and absence of violence	0.86	0.73			
	Regulatory quality	0.76	0.71			
	Rule of law	0.95	0.91			
Normative distance	Voice and accountability	0.54	0.29	0.01	0.04	0.17
	Individualism	0.03	0.00			
	Masculinity	0.03	0.00			
	Power distance	0.13	0.01			
	Uncertainty avoidance	0.12	0.01			
Cognitive distance		N/A	N/A	N/A	N/A	N/A
Absorptive capacity		N/A	N/A	N/A	N/A	N/A
Parent innovation performance		N/A	N/A	N/A	N/A	N/A

Whilst the reliability and validity criteria for the four cognitive distance indicators were not met, this construct was retained for further analysis. The convention of institutional distance studies was followed, by using the Kogut and Singh (1988) formula to collapse the indicators into a single index. The decision not to exclude normative distance was motivated by the innovation literature which highlights the importance of culture in innovation knowledge transfer (da Silva Lopes et al., 2018; McCarthy & Aalbers, 2016). Many scholars have also called for the combination of value-based and non-value-based measures of institutional distance (Beugelsdijk et al., 2018). Therefore, an analysis of institutional distance through the lens of the three pillars of institutions was an integral part of the contribution of this research to institutional distance literature.

5.9 Evaluation of structural model

Whilst all the variables in the population were not normally distributed, this did not warrant the exploration of non-parametric alternatives. This is because PLS-SEM, which makes no assumptions of normality of data was used to test the hypothesised relationships (Hair et al., 2011). The structural model was loaded onto Smart PLS 3, as recommended by Hair et al. (2011) and Sarstedt et al. (2017). The steps outlined in Figure 15 were followed in evaluating the structural model, as recommended by Hair et al. (2011).

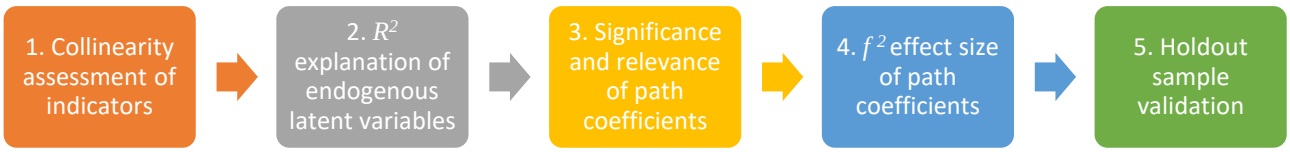

Figure 15: Steps followed in evaluating the structural model

The PLS-SEM model designed on Smart PLS 3 is depicted in Figure 16.

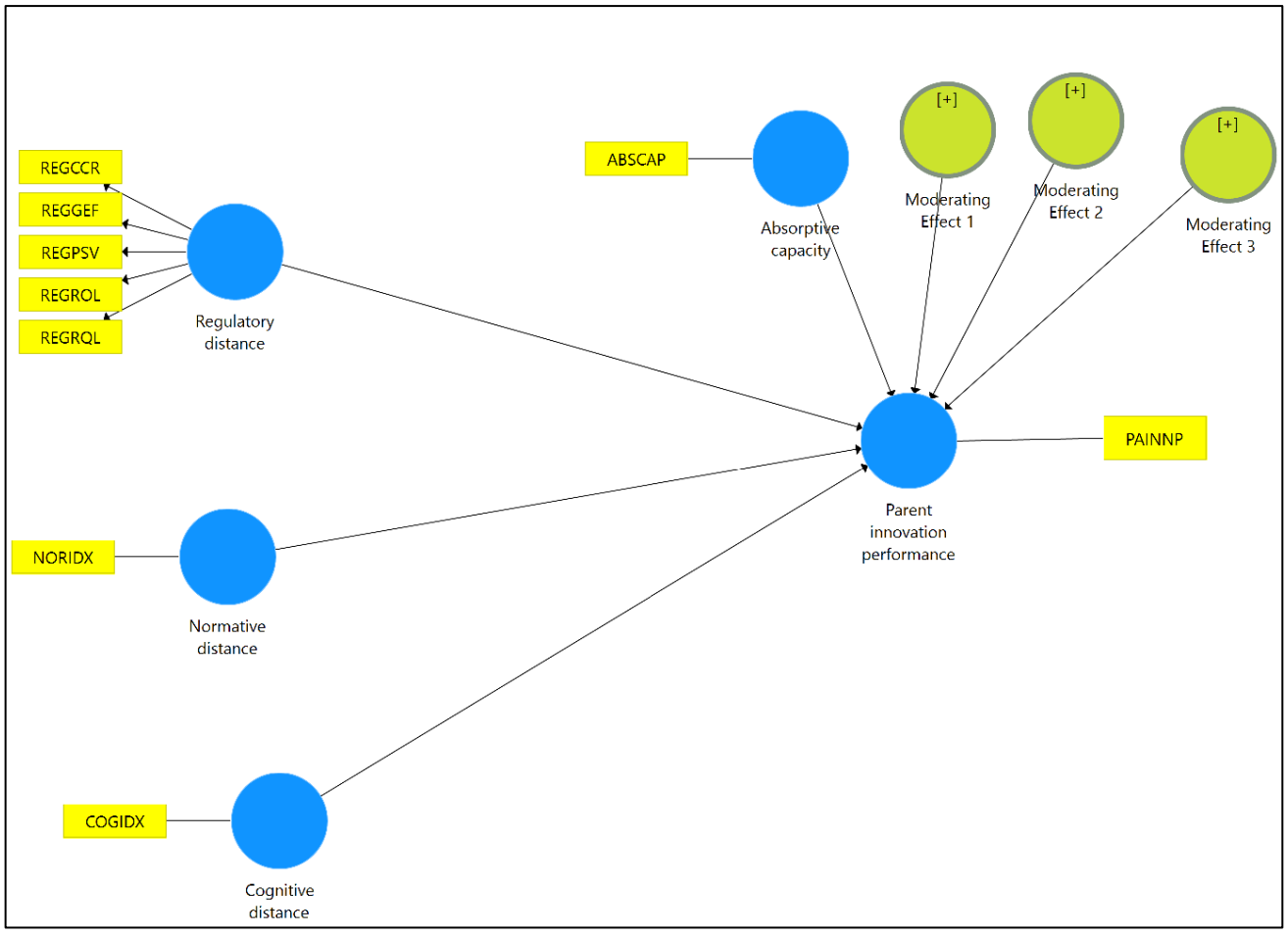

Figure 16: PLS-SEM model uploaded onto Smart PLS 3 (Ringle, Wende & Becker, 2015)

Where:

Variable	***Meaning***
REGPSV	Political stability and absence of violence
REGGEF	Government effectiveness
REGRQL	Regulatory quality
REGROL	Rule of law
REGCCR	Control of corruption
NORIDX	Normative distance index, as calculated using the Kogut and Singh (1988) formula
PAINNP	Parent innovation performance
COGIDX	Cognitive distance index
Moderating effect 1	Moderating effect of absorptive capacity between regulatory distance and parent innovation performance
Moderating effect 2	Moderating effect of absorptive capacity between normative distance and parent innovation performance
Moderating effect 3	Moderating effect of absorptive capacity between cognitive distance and parent innovation performance

The following settings were run in Smart PLS 3 before the algorithm was run, following the guidelines by Sarstedt et al. (2017):

Variable	***Meaning***
Path weighting scheme	Maximum of 300 iterations
Stop criterion	0.0000001
Initialisation	Equal indicator weights

The Smart PLS-3 algorithm returned resulted depicted in Figure 17.

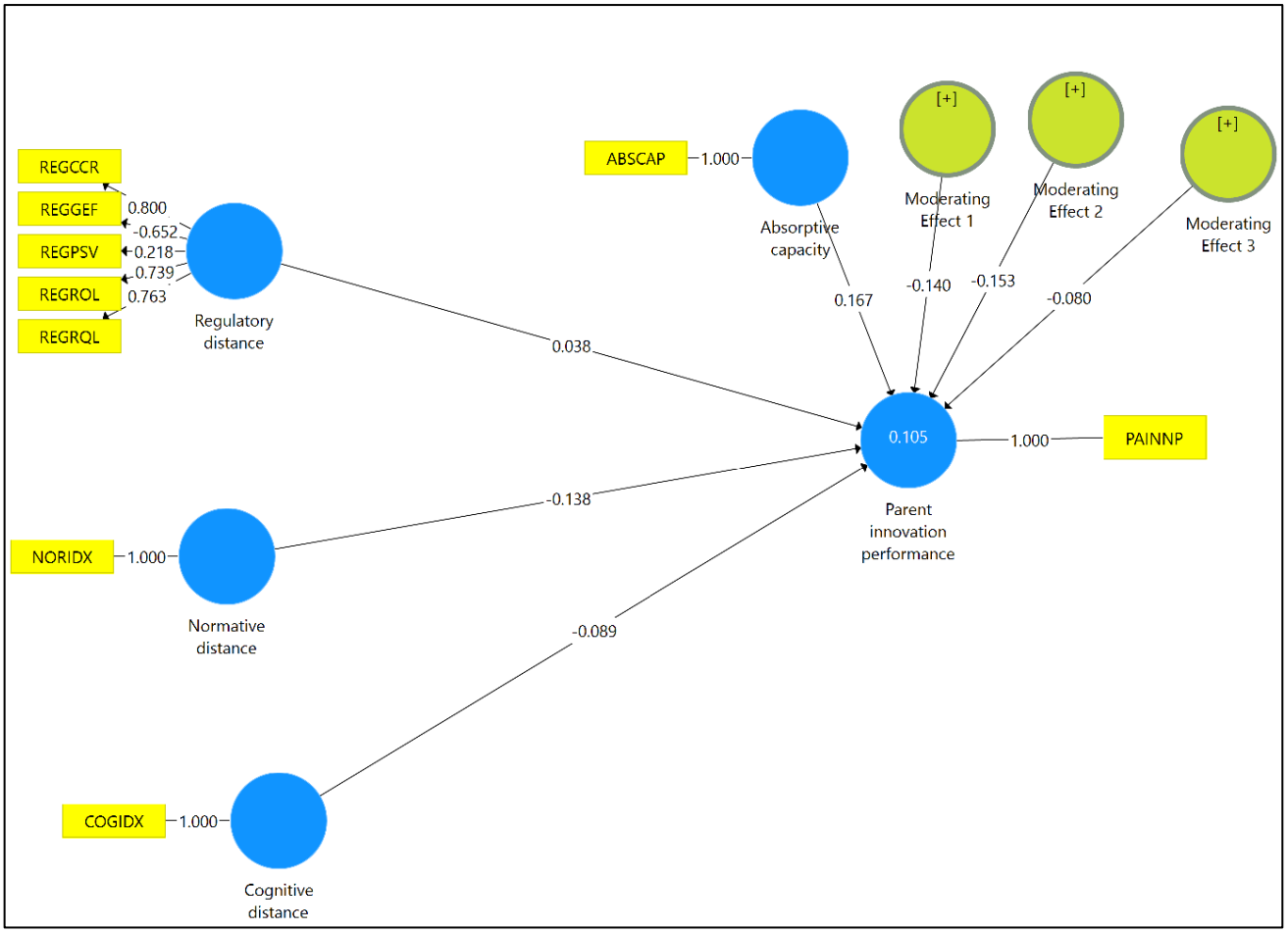

Figure 17: PLS-SEM algorithm results run on Smart PLS 3 (Ringle et al., 2015)

The structural model was checked for potential collinearity issues using the variance inflation factor, or VIF calculation. According to Sarstedt et al. (2017), this step is only required for the independent variables. This was an iterative process that involved including and excluding each of the variables. The results are shown in Table 27.

Table 27: VIF scores as calculated on Smart PLS 3 (Ringle et al., 2015)

Variable	Parent Innovation Performance
Regulatory distance	1.54
Normative distance	1.07
Cognitive distance	1.10

Table 27 shows that the VIF scores were all lower than the threshold of 5, indicating that there were no collinearity issues in the structural model (Sarstedt et al., 2017).

The R^2 score for the structural model was 0.11 (Ringle et al., 2015). That means that the structural model explained 11% of the variance in parent innovation performance (Sarstedt et al., 2017). This

was a weak result for prediction accuracy, compared to the moderate threshold of 0.2 set in the methodology. The f^2 scores show that the removal of normative distance would not have a notable impact on this model. This is because the score was not below 0.02 as recommended by Sarstedt et al. (2017). However, this impact would be very negligible. Therefore, the algorithm was not rerun to test this impact. The f^2 scores for the other hypotheses were equal to or lower than the threshold of 0.02.

Table 28: Path coefficients of the structural model and significance testing results (Ringle et al., 2015)

Path	Path coefficient	Significant (p<0.05) *?	f^2 effect size	Null hypothesis rejected
H1: Regulatory distance → Parent innovation performance	0.04	No (0,83)	0.00	No
H2: Normative distance → Parent innovation performance	-0.14	No (0,34)	0.02	No
H3: Cognitive distance → Parent innovation performance	-0.09	No (0,11)	0.01	No
H4: Moderating effect of absorptive capacity between regulatory distance and parent innovation performance	0.17	No (0,51)	0.01	No
H5: Moderating effect of absorptive capacity between normative distance and parent innovation performance	-0.15	No (0,10)	0.03	No
H6: Moderating effect of absorptive capacity between cognitive distance and parent innovation performance	-0.08	No (0,47)	0.01	No

**p value depicted in parenthesis.*

Table 28 shows that regulatory distance has a weak effect on parent innovation performance., with a path coefficient of 0.04. In other words, a standard deviation changes of 1 in regulatory distance results in a standard deviation increase of 0.04 in the parent's innovation performance (Sarstedt et al., 2017). This relationship also had no significant effect at a 5% probability of error. Based on this weak and insignificant relationship, the null hypothesis related to this relationship was not rejected.

Normative distance showed a negative relationship with parent innovation performance. This was the opposite impact to the hypothesised relationship. This negative relationship was strong. According to Kostova et al. (2019), the average in correlations coefficient (r) in studies where normative distance is the independent variable, and organisational performance the dependent variable, is -0.02, with an average p-value of 0.07. The negative relationship appears in the research appears to be strong. The null hypothesis was not rejected due to the significance score of 0.34.

Cognitive distance showed a negative relationship with parent innovation outcome, with a path coefficient of -0.09. According to Kostova et al. (2019), the average r score of cognitive distance impact on organisational performance is -0.01. The average p-value is 0.60 (Kostova et al., 2019). In other words, the majority of studies have not found significant statistical evidence supporting the

relationship between cognitive distance and normative distance. Similar to this trend, this null hypothesis was not rejected due to the p-value score of 0.11.

The strongest path coefficient on the moderating relationship was between absorptive capacity and regulatory distance. This is relatively weak considering that the average correction between absorptive capacity and innovation performance is 0.32 (Song et al., 2018). This relationship was also not statistically significant for hypotheses 4,5 and 6.

Therefore, there was insufficient statistical evidence from the testing to prove that institutional distance has a positive impact on parent innovation performance. There was also insufficient statistical evidence to prove the moderating impact of absorptive capacity.

5.10 Quality checklist

Quality checks were performed during the data collection and analysis stages of the research. A checklist was developed to check that post the analysis of data, there were no questionable research practices that could bring the quality and reliability of the findings into question. The checks performed are listed in Table 29.

Table 29: Quality checklist. Adapted from Aguinis et al. (2018) and Banks et al. (2015)

Quality check	Control check met?
All hypotheses tested were reported, regardless of whether they were significant	Yes
Missing data is reported on	Yes
All measures used were reported, with validity and reliability	Yes
Results of tests of assumptions were reported	Yes
Exact p-values rather p-value thresholds were reported	Yes
Precise terms used when reporting results	Yes
The limitations of the study were made explicit	Yes
Data was not excluded post-hoc	Yes
No HARKing, or hypothesising after the results are not	Yes
No selective reporting on control variables	Yes
No falsification of data	Yes
No rounding off of p-values	Yes

5.11 Conclusion

This research tested a total of 86 CBAs between 2005 and 2015, wherein the acquirers were based in South Africa, and the targets based in high-income countries. The designed research methodology was followed consistently throughout the research. Quality checks were performed throughout the process to ensure the accuracy, completeness and validity of the data by applying audit principles. Utmost diligence was taken to ensure that no questionable research practices were followed which could bring the results and findings into question. Whilst some methodological limitations have been noted, this research has been performed by adhering to the established research conventions, ensuring statistical rigour and robustness throughout. However, there were, as expected, many obstacles encountered during the project.

The first significant obstacle encountered was inconsistent and unreliable R&D expenditure data. This hurdle was overcome by using industry-level data, which was accepted to be adequately reliable for research purposes. This was the only significant data availability hurdle in this research, as the data was available for all 86 CBAs for all the other constructs. The second major challenge was the failure of the four dimensions used to measure cognitive distance, to meet the reliability and validity test. However, this was mitigated by the use of the Kogut and Singh (1988) index formula. This, in the end, made it possible to include all three pillars of institutional distance in the hypothesis testing, as was originally intended. The third major obstacle was the violation of normal distribution of the data across all the constructs. This, however, did not prove to be the research millstone it usually is, because of the use of the more rigorous and robust PLS-SEM to test the hypothesis. Whilst the non-normality of data was not the sole reason for the use of PLS-SEM, this methodology for analysis was still an appropriate choice for hypothesis testing. The hypothesis testing was only performed after a rigorous analysis of data, and only once all the risks were considered, was the structural model run. All statistical tests were performed using the SPSS software, except for the hypothesis testing and VIF calculations, which were run on Smart PLS 3.

The evaluation of the structural model did not yield statistical significance to reject any of the null hypotheses. The results, even though were in defiance of the expectations and theoretical arguments, were accepted and reported on without any attempts to modify the outcome. However, the results presented some theoretical and business implications that are of no little significance.

6. DISCUSSION

6.1 Overview

Going into this research, the expectation, as informed by the institutional theory base and springboard perspective angle, was that when South African EMNEs internationalise into developed markets, they access innovation knowledge, which they transfer back to their home base. This then results in an improvement in the innovation performance of the parent company. The hypotheses in this study, as informed by the studies conducted by many distinguished scholars, were inspired by a study by Wu et al. (2016), which was performed in the Chinese context. The contextual differences between China and other emerging markets, as well as the inattention to the African context in IB literature, motivated the choice for South Africa as the contextual setting (Ellis et al., 2018; Fainshmidt et al., 2018). The objective was that this contextual diversity might help identify some literary nuggets that would be imperceptible in the Chinese context. This emphasis on contextualisation is indeed a critical factor for studies anchored on institutional theory, as they are concerned with the contextual embeddedness of organisations (Cardinale, 2019; Kostova et al., 2019).

In response to the calls made by scholars such as Jackson & Deeg (2019) as well as Kostova et al. (2019) for greater focus and precision, the decision was made to disaggregate the construct of institutions into three pillars, as guided by the organisational institutionalism theoretical lens. The objective in pursuing this unorthodox approach was to achieve a clearer, more crystalised, and more focused analysis and synthesis of results. This was, indeed, a road less travelled by institutional scholars, and a significant departure from Wu et al. (2016)'s study. Wu et al. (2016) conceptualised institutions as a singular variable, operationalised by the six indicators of governance. This overemphasis on formal institutions was a gap in this research because the cultural-cognitive dimension of institutions undeniably has a significant impact on innovation (da Silva Lopes et al., 2018; McCarthy & Aalbers, 2016).

The incorporation of all three pillars of institutions into the research helped to conceptualise the differences between institutional contexts from the viewpoint of the difference of degree as well as the difference of type (Jackson & Deeg, 2019). This level of analysis provided for a more precise and focused discussion of the impact regulatory, normative and cognitive distance on innovation performance (Kostova et al., 2019).

6.2 Regulatory distance and parent innovation performance

Research question	Does internationalising into regulatorily more developed frameworks result in an improvement in the innovation performance of South African EMNEs?
Hypothesis	Regulatory distance has a positive relationship to the post-acquisition innovation performance of the parent.
Significance and relevance of path coefficients (Ringle et al., 2015)	0.04 (weak and insignificant)
Null hypothesis rejected?	No

Wu et al. (2016) had concluded in their study that when EMNEs internationalise into regulatorily more developed frameworks, this results in an improvement in their innovation performance at home. However, there is insufficient statistical significance in this study to reach the same conclusion. In other words, there is insufficient evidence to conclude that when South African EMNEs internationalise into regulatorily more developed countries, the innovation performance of the company improves. One of the core objectives of this study was to dissect the contextual nuances relating to the regulatory framework in South Africa compared to other emerging markets and developed markets. These nuances may then help illuminate previously unexplored variables and relationships in institutional distance and knowledge transfer literature.

The difference in outcome compared to Wu et al. (2016), is remarkable and surprising. Whilst findings on institutional distance and organisational performance outcomes are highly proliferated, the expectation was that concerning the outcome of innovation, the findings of Wu et al. (2016) would be validated in the South African context. This outcome in the South African context arouses the literary curiosity of whether there are contextual idiosyncrasies that could not be observed in the Chinese context, but more pertinent in the South African context. Consequently, two questions need to be explored in this regard. The first question is whether the regulatory configuration of emerging markets is homogeneous. The second question is whether the motive for internationalisation is homogeneous.

6.2.1 Homogeneity of emerging market regulatory institutions

The generic presumption in institutional literature is that the regulatory institutions of emerging markets are weaker than the developed market counterparts. The underlying assumption throughout the research process was that the South African regulatory environment, like its fellow emerging markets, is weak and not conducive to innovation. It is, after all, the fundamental premise of the springboard perspective theoretical lens, that emerging markets are weaker than developed markets.

Because of the structural weaknesses in their home country institutions, EMNEs pursue a duality of motives for internationalising into developed markets. Firstly, to escape the voids in their home environment, they seek the institutional stability provided by developed markets (Gaur et al., 2018; Luo & Tung, 2018; Marano et al., 2017; Sun et al., 2015). Secondly, it is to gain access to the strategic assets which are munificent in the developed markets, but scantily available in their home base (Belderbos et al., 2015; Luo & Tung, 2018; Wu et al., 2016).

The population of 86 CBAs in this study only included target countries which were classified as high income by the World Bank. This was done with the presupposition that these countries would be more regulatorily developed that South Africa. This presupposition was proved to be correct as most the countries had scored higher than South Africa on virtually all the six indicators used to measure the construct of regulatory distance. The six indicators used in this to measure regulatory institutions were developed by the Kaufmann et al. (2009) for the World Bank. This according to Kostova et al. (2019), is the most commonly used measure for the construct of regulatory distance. The evidence from this research shows that South Africa, like other emerging markets, is regulatorily distant from developed countries. For instance, Figure 29 shows that emerging markets, including South Africa and China, tend to underperform their developed market counterparts on all the regulatory distance indicators.

If South Africa, like China and most emerging markets, are home to regulatorily weaker institutions, a question of critical literary importance remains unanswered. The question is why this institutional distance does not result in an improvement in innovation performance, as observed in the Chinese context. The answer, perhaps, lies in the conceptualisation of institutional distance concerning the organisational performance outcomes. In the meta-analysis of institutional distance, Kostova et al. (2019) called for scholars to focus on the specific elements of institutions that relate to the organisational outcomes they are testing. Up to this point, the overwhelming majority of institutional distance studies have conceptualised institutions as a singular, all-encompassing construct in their studies. For instance, Wu et al. (2016) conceptualised regulatory institutions as a representation of the entire construct of institutions. Studies that adopt organisational institutionalism as a school of thought as a lens, as was the case in this research, compartmentalise the construct into its different pillars (Kostova et al., 2019). This allows for increased focus and precision and may help to drive the discipline to a more mature and harmonious state.

However, perhaps what is required for this precision is to go a step further. If one follows the suggestion made by Kostova et al. (2019), they can focus on the specific elements of institutional pillars that have been proven by literature to have a relationship with the organisational outcome they seek to study.

6.2.2 Conceptualisation of institutional distance according to organisational outcomes

Whilst the regulatory pillar of institutions is generally conceptualised using the six indicators of governance. Each of the indicators is an index of multiple measures obtained from different sources (Kaufmann et al., 2009). The underlying components of each of these have been listed in Appendix B. Many of these elements are not necessarily related to the organisational outcome of innovation performance. According to Young et al. (2018), innovation-enabling regulatory frameworks are characterised by the strength and enforceability of their intellectual property regimes, stable taxation laws and policies, and monetary policies. They are also characterised by flexibility in labour laws, the ease to open and close businesses, and access to capital markets (da Silva Lopes et al., 2018; Meyer & Peng, 2016; Young et al., 2018). These innovation conducive institutional traits are outlined in Figure 18.

Figure 18: Innovation conducive characteristics of developed market regulatory institutions, adapted from Young et al. (2018)

The regulatory institutional characteristics of developed markets create an environment where EMNEs are afforded the stability and flexibility they need to engage in innovative activities. These characteristics, as posited by Young et al. (2018), are already sub-components of the six indicators of governance. This is demonstrated in Figure 19.

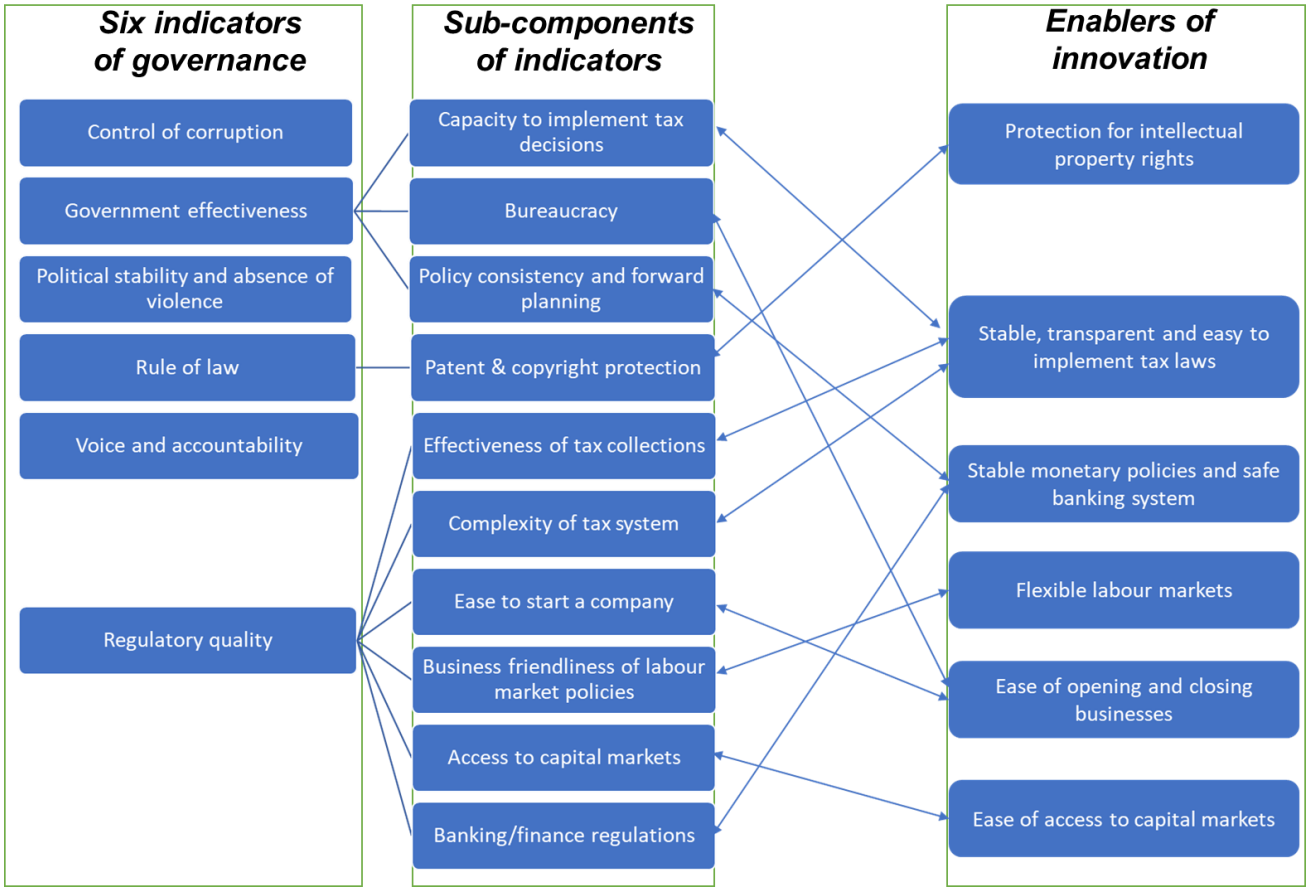

Figure 19: Sub-elements of regulatory six indicators of institutions and innovation performance outcomes

An intriguing probability that warrants discussion is that when South African regulatory institutions are conceptualised according to the six indicators, they display characteristics similar to its emerging market peers. However, when the sub-components are analysed, South Africa displays characteristics akin to developed markets. If that is the case, South Africa has more proximity to developed markets than previously argued. However, this proximity is only observable on the six elements of regulatory institutions that are related to innovation. When the regulatory distance between South Africa and developed markets is observed at an aggregated indicator level, this proximity is indistinguishable. It, therefore, serves the literary discourse well to explore the six innovation enablers in the South African context.

Protection of intellectual property rights

The intellectual property regimes of developed markets are generally strong and enforceable (Pinkham & Peng, 2016; Young et al., 2018). Technological and innovation policies have a significant impact on the incentive and ability of firms to conduct their innovation activities in a specific environment (Holmes et al., 2016). Innovation activity flourishes in environments where organisations

have adequate protection over their patents (Young et al., 2018). Inventors require the assurance that their investment into innovation will be adequately protected, and their patented knowledge cannot easily be misappropriated.

As demonstrated in Figure 19, the indicator that includes IP protection as one of its sub-elements is rule of law. The average scores between 2005 and 2015 have been demonstrated in Figure 20:

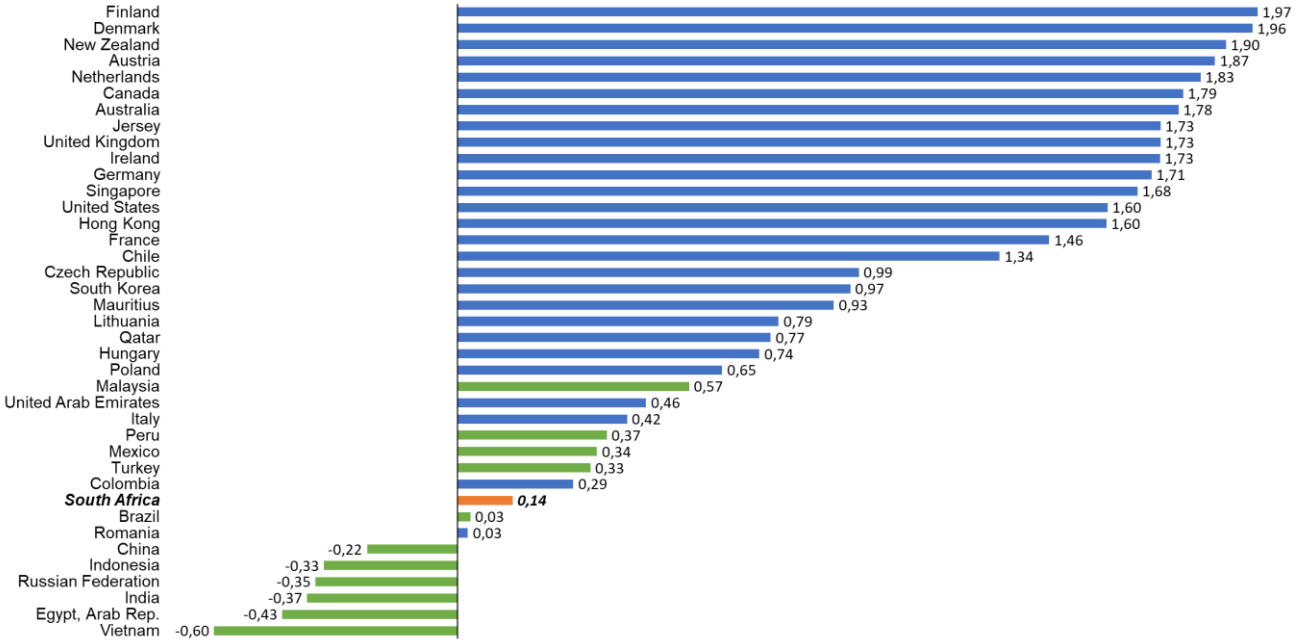

Figure 20: Rule of law average scores between 2005 and 2015

(Developed market targe nations in blue, other emerging markets in green, South Africa in orange; emerging market groupings are as per the Standard and Poor's emerging market classifications, (Standard and Poor's, 2020)). Chile, Czech-republic, Qatar, Poland Hungary are classified as emerging markets by Standard & Poor's, but have been classified as high income in this study.)

Figure 20 depicts that the South African rule of law is notably poorer than that of all its developed market target nations and is also outperformed by many of its emerging market peers. As demonstrated in Appendix B, the rule of law indicator includes measures such as crime levels and the effectiveness of the police force. These are indicators in which South Africa generally performs poorly due to its high crime levels. However, concerning its intellectual property regime, South Africa performs significantly better. According to the patent protection index, developed by Park (2008), South Africa is one of the most advanced patent protection regimes in the world. Figure 21 shows that South Africa performed better than the high-income economies, and all of its emerging market peers.

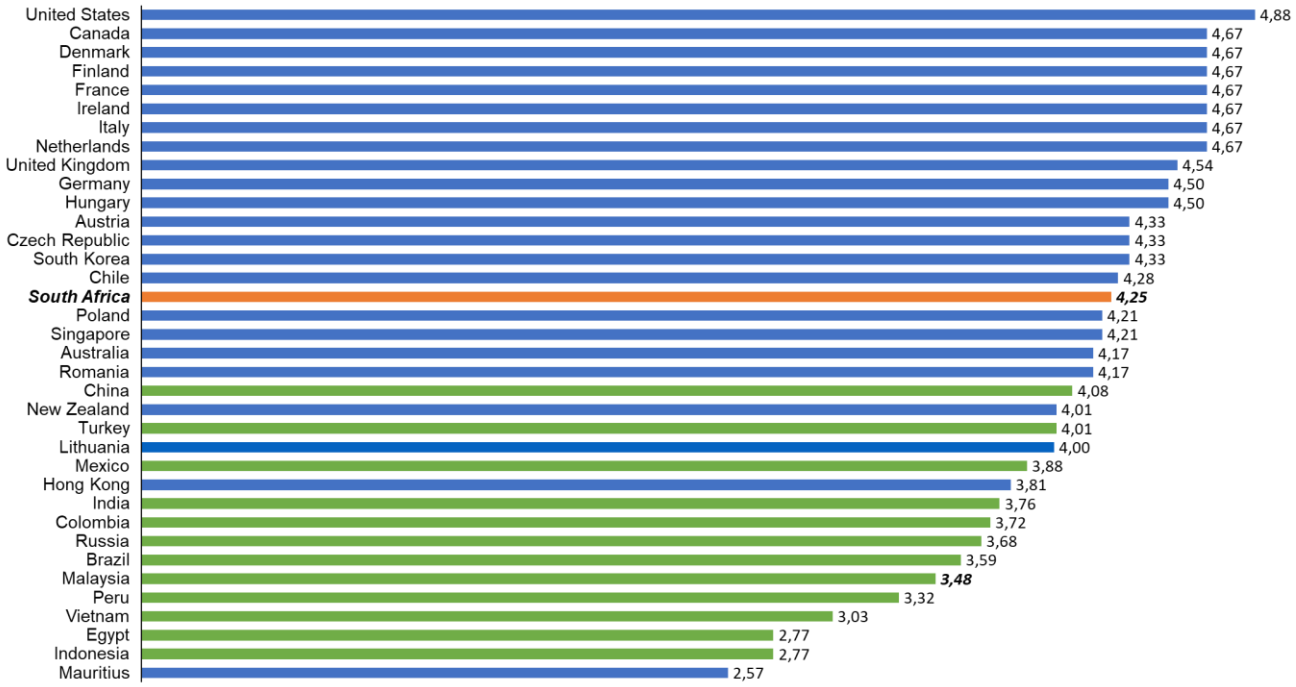

Figure 21: 2005 Patent rights index (Park, 2008)

Therefore, whilst the overall rule of law in South Africa shows characteristics similar to emerging markets, the intellectual property regime is similar to developed markets. This contextual nuance is important. The assumption of homogeneity of the regulatory institutions of emerging markets does not account for the fact that frameworks such as South Africa display characteristics similar to developed markets concerning the strength and enforceability of intellectual property rights.

Stability and ease-of-implementation of tax policies

In addition to strong and enforceable intellectual property laws, developed market regimes are home to stable tax laws and policies, which enables entrepreneurs to take more risks in engaging in innovative activities (Young et al., 2018). When tax rules and policies are transparent and easy to apply, this provides organisations with the predictability that enables them to pursue innovative opportunities, and to assess and calculate the related risks (Teece et al., 2016; Young et al., 2018).

As demonstrated in Figure 18, stability and ease-of-implementation of tax policies is a subcomponent of the government effectiveness and rule of law indicators. The average scores between 2005 and 2015 have been plotted in Figure 22.

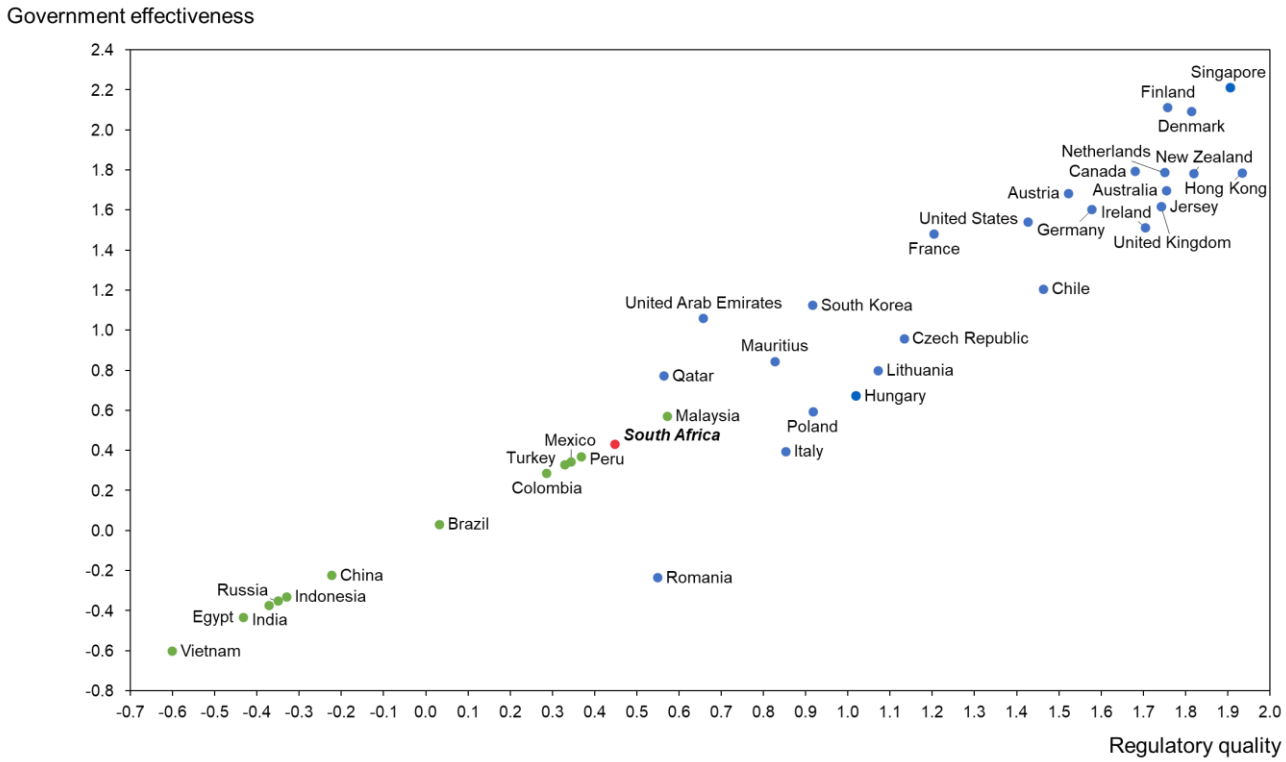

Figure 22: Regulatory quality/ government effectiveness average scores between 2005 and 2015

Figure 22 shows that whilst somewhat distant from developed market target nations, South Africa is more advanced than most of its emerging market peers on the measures of regulatory quality and government effectiveness. South Africa has more proximity to the developed market target nations compared to other emerging markets. However, as is the case with rule of law, government effectiveness, as well as regulatory quality, are composite indices made up of many measures. Most of these measures are not directly related to innovation as an organisational outcome. For instance, government effectiveness is made up of around 50 measures, ranging from satisfaction with public transport to the management of public debt (Kaufmann et al., 2009). The sub-component measures that relate to innovation are policy consistency and forward planning, capacity to implement tax laws, ease of payment of taxes and complexity of tax laws and policies (Kaufmann et al., 2009).

When focusing on the stability and ease-of-implementation of paying taxes, South Africa appears to perform much better on this sub-component. Figure 23 shows that South Africa outperforms most of its developed market target nations, and all emerging market, on the ease of paying taxes.

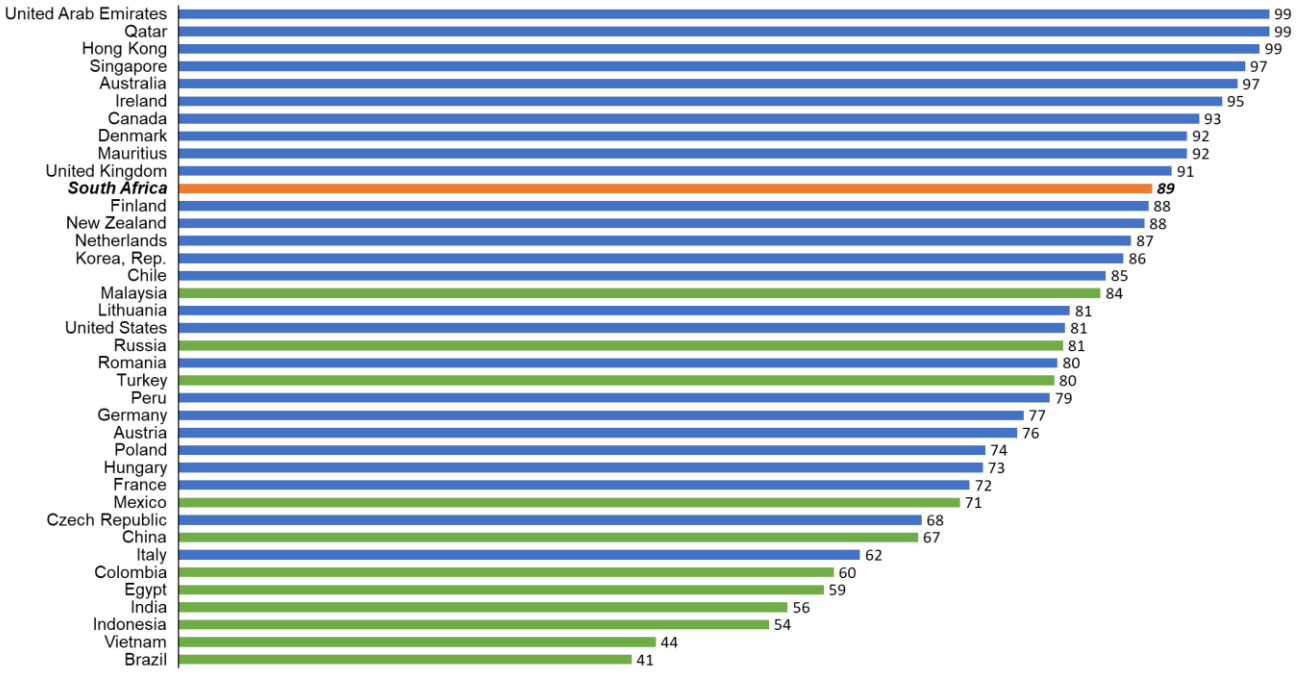

Figure 23: Ease of paying tax index in 2015 (Cornell University, INSEAD & WIPO, 2015)

Whilst the South African institutional framework does not score highly on the government effectiveness and rule of law measures, the tax framework appears to be an enabler for innovation activities to take place. This suggests that whilst South Africa may seem to be distant to its developed market target nations on the measure of government effectiveness and stability, it has a lot more proximity to developed markets on its tax framework. This is a nuance that is imperceptible when regulatory institutions are conceptualised following the current orthodoxy in institutional distance literature (Kostova et al., 2019).

Stability and safety of monetary policy and banking systems

Institutional players such as central banks facilitate efficiency in capital markets (Romero-Martínez, García-Muiña, Chidlow, & Larimo, 2018; Young et al., 2018). Stable monetary policies and banking systems in developed markets enable organisations to borrow more freely to finance their innovative venturers (Young et al., 2018). The independence of central banks from the influence of politicians and private financial service companies is a critical principle. It ensures that it plays an effective role in policing the activities of financial institutions, and provide the stability needed for organisations to invest in long term ventures without the threat to their investments. EMNEs operating in a specific institutional framework need the assurance that they can borrow money to fund their innovations in a stable financial market environment. A stable financial market environment allows organisations to calculate the financing costs in their innovative ventures with a tolerable level of certainty and

predictability (Teece et al., 2016; Young et al., 2018). The certainty and predictability are an incentive for EMNEs to invest in innovative activities in their home base instead of seeking them abroad.

The generic assumption in spring-boarding is that emerging market monetary policies are less predictable and more prone to change (da Silva Lopes et al., 2018; Meyer & Peng, 2016). However, this is not a homogeneous feature of all emerging markets. As demonstrated in Figure 24, the South African banking framework is closer to its developed market target nations than fellow emerging markets. This is unsurprising, as South Africa's banking system has long been hailed for its stability and safety. This robustness was demonstrated during the 2008 credit crunch, where many developed market banks had to be bailed out by their governments (Ismail, 2017).

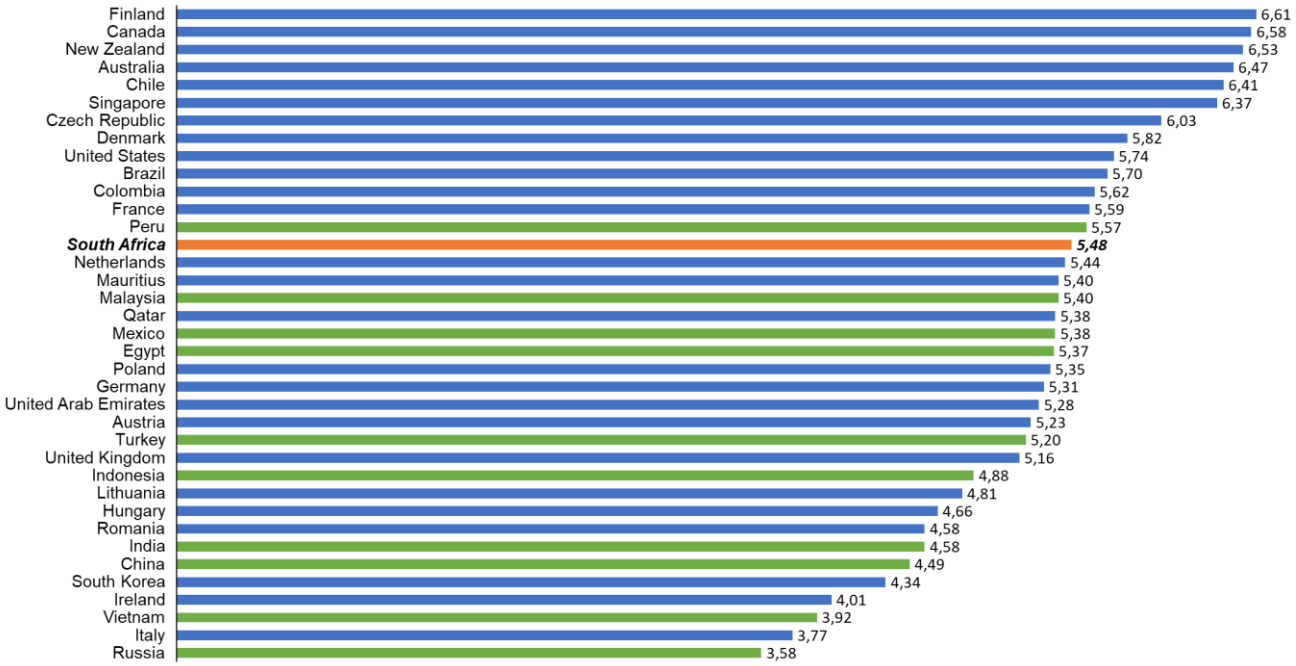

Figure 24: Soundness of banking average scores from 2005 to 2015 (World Bank, 2020c)

This stability is largely due to an independent central bank that is guided by robust and world class policies. This is despite some attempts by some political forces to change the mandate and ownership of the bank. Therefore, South African EMNEs were exposed to a home country banking system that is comparable to the developed markets in stability and safety between 2005 and 2015.

Flexibility of labour markets

Flexible labour markets enable organisations to hire and fire staff as and when needed. The ability to hire and fire staff is a critical element in regulatory frameworks, to ensure that organisations have the flexibility to increase and decrease the personnel dedicated to innovation (Young et al., 2018). This flexibility can be an incentive for organisations including EMNEs, to invest in innovative activities, with the expectation that they can scale down personnel resources should the ventures not yield the desired results (Young et al., 2018).

The indicator of regulator quality measures, amongst others, whether labour regulations enable or hinder business activities (Kaufmann et al., 2009). As demonstrated in Figures 22 and 29, South Africa scores better and is closer to developed markets than most emerging markets on regulatory quality. However, as already discussed, these indicators are composites of multiple measures (Kaufmann et al., 2009). There is a need to focus on the elements of these indicators which relate to the organisational outcome of innovation performance.

According to Bauer et al. (2018), five elements determine the flexibility of labour markets, cooperation in labour employer relationships, the flexibility of wage determination, hiring and firing practices, redundancy of costs and weeks of salary and effect of taxation on the incentive to work.
Concerning the South African context, the cooperation between employers and employees is often marked by mistrust and lack of mutual goodwill. This is evidenced by the frequency of wage disputes and strikes, which have made South Africa an unpopular destination for investment. This, however, may not have a significant impact on innovation activities, which usually involve highly qualified and well-remunerated personnel. These individuals are usually in high demand and require less job security than less qualified individuals. They may be more willing to accept short term contracts for innovation projects and negotiate compensation on that basis. EMNEs could even link remuneration to the success of the innovation projects, giving them the flexibility to vary their costs structures (Young et al., 2018). South Africa is also well endowed with a competitive and well-established recruitment and talent searching industry. This can make hiring staff for innovation activities relatively easier.

Another driver of labour market flexibility according to Bauer et al. (2018) is redundancy costs and weeks of salary. This is measured as part of the global innovation index (Cornell University et al., 2015). The 2015 scores are demonstrated in Figure 25.

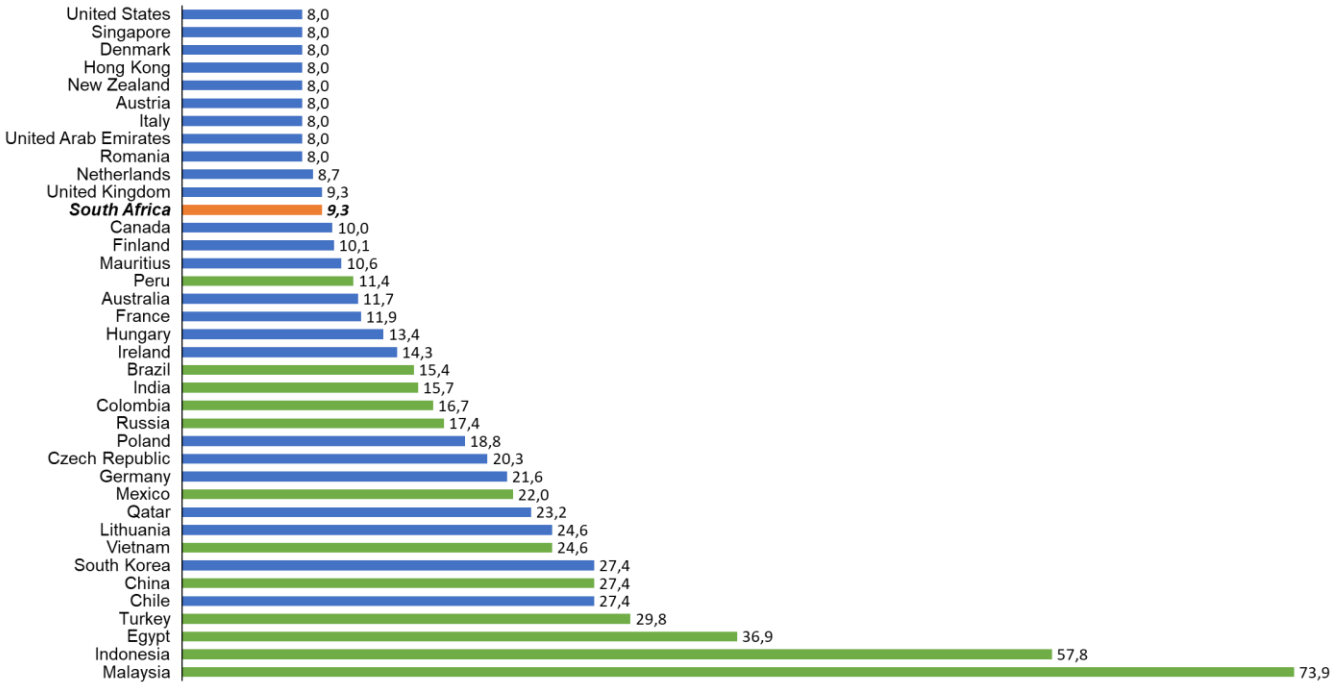

Figure 25: Cost of redundancy dismissal, salary weeks (Cornell University et al., 2015)

(Higher scores reflect higher costs)

Figure 25 demonstrates that on this specific measure, South Africa scores better than all emerging markets and most developed markets.

Another driver of labour market flexibility is the effect of taxation on incentives to work (Bauer et al., 2018). The average personal tax rates of the developed target nations, South Africa and other emerging markets have been plotted in the figure below against the ease of tax payment. The rationale behind this is that ease of tax payment eases the overall burden imposed by high tax rates.

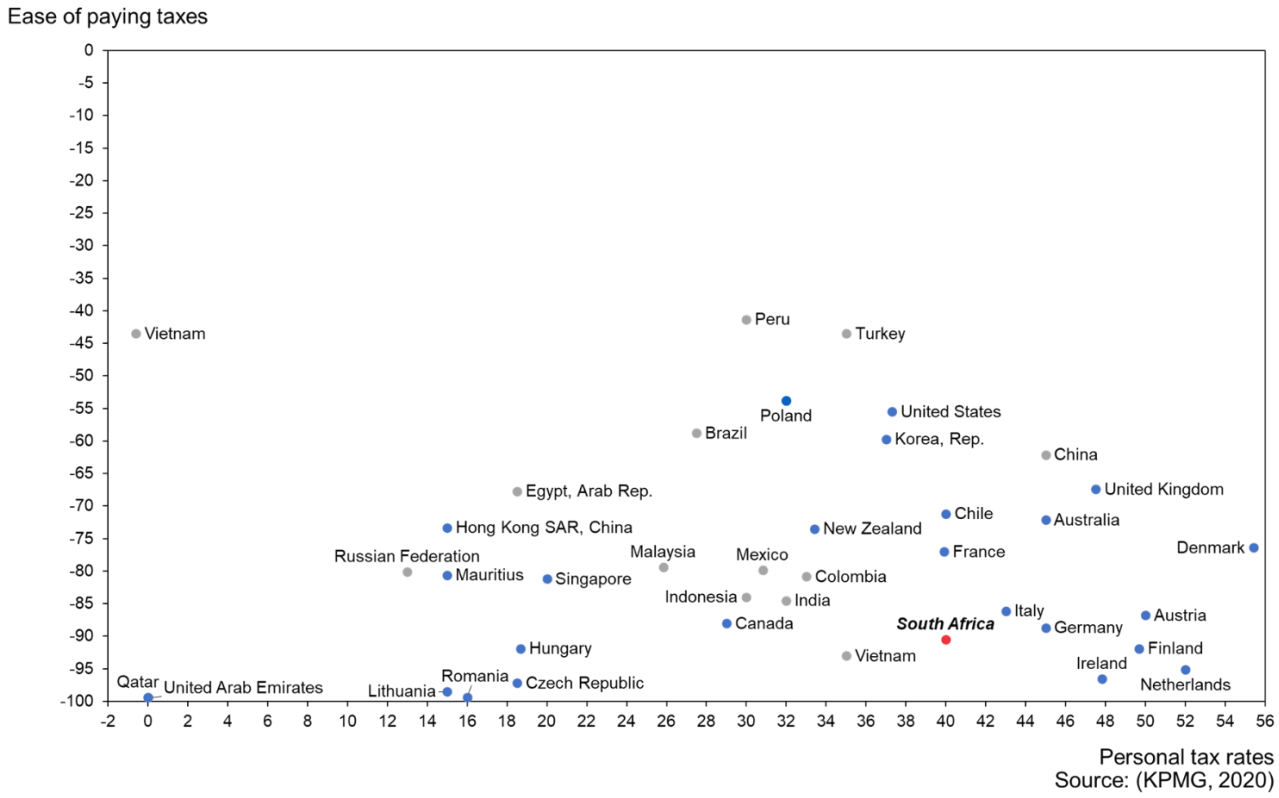

Figure 26: Personal tax burden

Figure 26 shows that South Africa is home to personal tax rates similar to many developed countries. This burden is somewhat eased by the transparent and easy to apply tax policies (Young et al., 2018). Knowledge workers from South Africa could relocate to countries with lower burdens such as Qatar and the United Arab Emirates, thus reducing the availability of innovation personnel in the South African context.

Overall, the South African labour market concerning staff involved in innovation activities, is similar to developed markets in many aspects, including the high tax burden. Therefore, South African EMNEs may not face personnel-related constraints regarding their innovation activities. The labour market in South Africa appears to be more friendly to innovative activities that all other emerging markets. This is a nuance that is only perceptible by focusing on the sub-components of institutions that drive innovation.

Therefore, the distance between the South African labour market to its developed market target nations does not appear to be as significant as previously assumed, when focusing on innovation as an organisation outcome.

Access to capital markets

Ease of access to capital enables organisations operating in that specific environment to finance their innovation projects and activities (Young et al., 2018). Ease of access to credit is scored as part of the global innovation index. The scores for 2015 have been depicted in Figure 27.

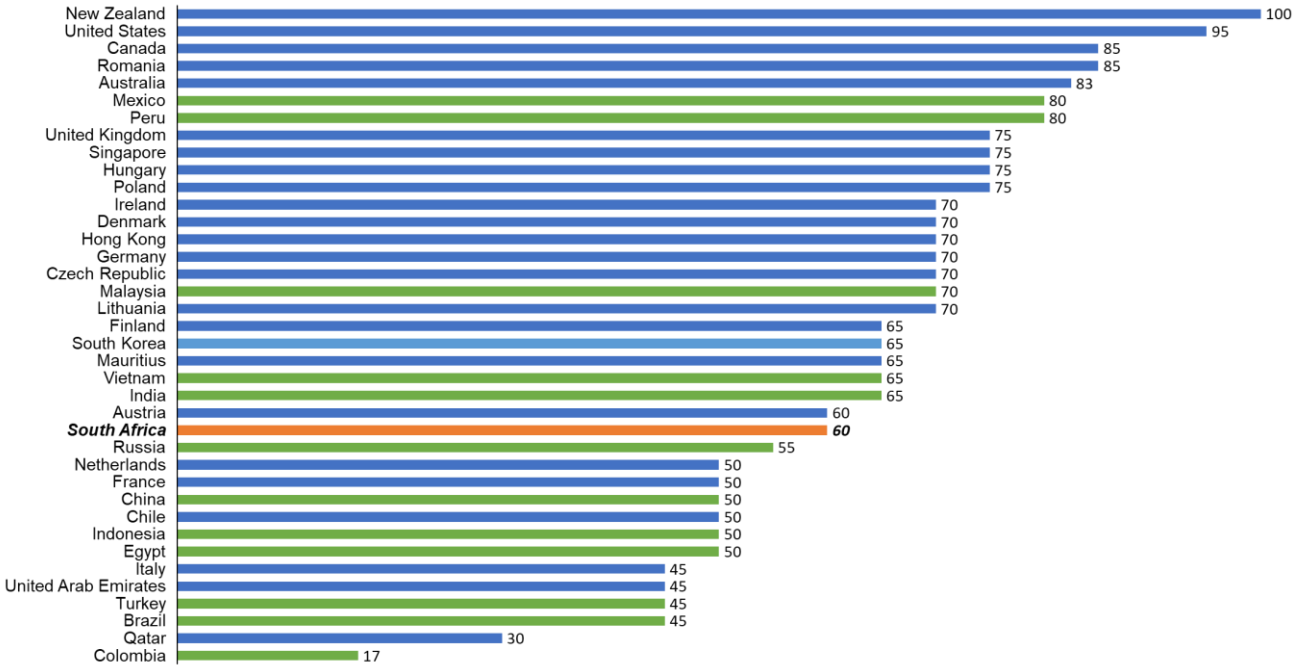

Figure 27: Ease of access to credit (Cornell University et al., 2015)

As demonstrated in Figure 27, South Africa does not score as well as most of the developed market target nations on this metric. Perhaps the conservatism of the South African monetary policy is a double-edged sword that may create barriers to entry for entrepreneurial and innovative companies (Young et al., 2018).

These barriers to accessing flexible and affordable funding may deter small and newly established firms from engaging in innovative activities in South Africa (Holmes et al., 2016). However, this may not be the case for large and well established EMNEs, who have sizeable balance sheets and can fund innovation from their existing reserves (Holmes et al., 2016). The listed EMNEs included in the population in this research are also more likely to access a wide bouquet of funding options should they need to. Therefore, it is unlikely that they would be deterred from performing their innovation activities locally because of poor access to capital.

Ease of opening and closing businesses.

According to Young et al. (2018), institutional environments with minimal barriers to opening and closing a business, are conducive to innovation. This is because organisations have the flexibility to structure their legal entities according to the requirements of their innovation projects. The quicker and more expedient this process, the more organisations will be incentivised to engage in risky innovative ventures (Young et al., 2018). As demonstrated in Figure 18, the regulatory quality of an institutional environment enables this flexibility. It has also been demonstrated in Figure 22 that South Africa has more proximity to developed markets on this measure than most emerging markets. However, it has been argued that the regulatory quality measure is a composite measure made up of many different components which are not all directly linked to innovation. The ease of opening and closing a business for 2015 have been plotted in Figure 28.

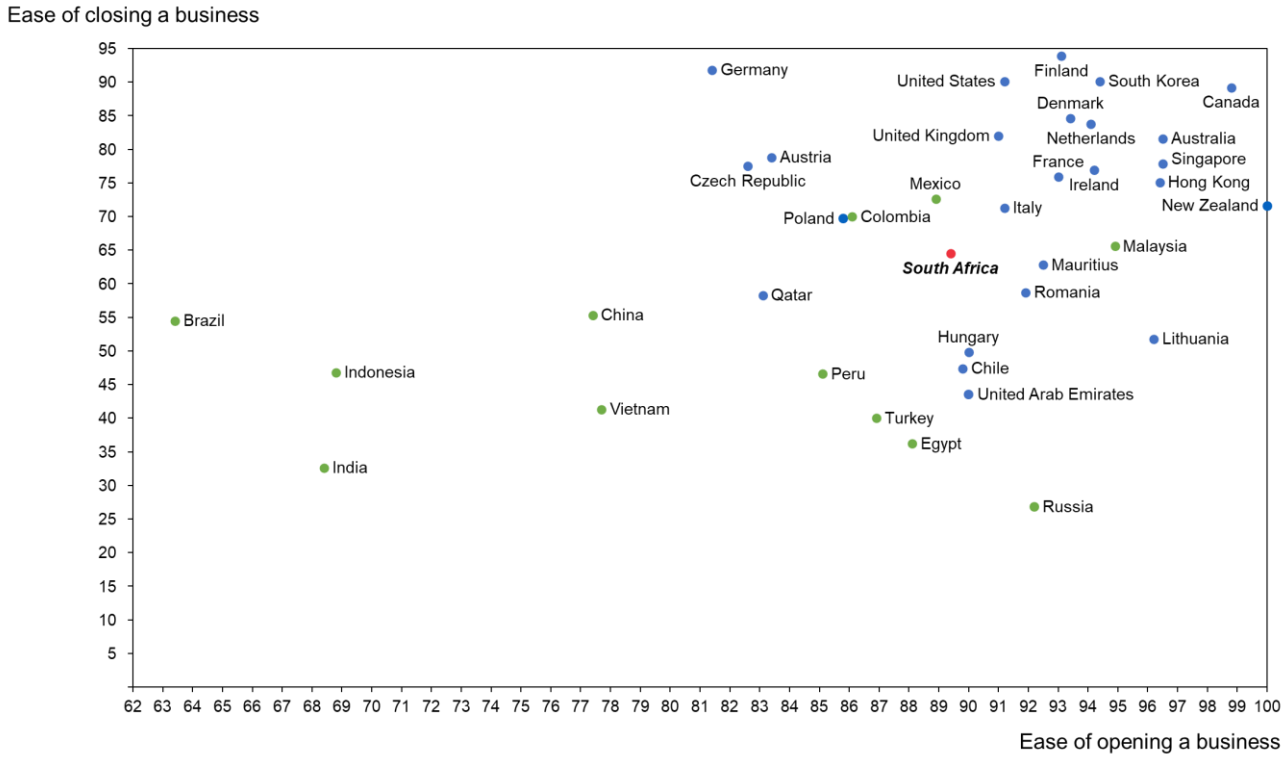

Figure 28: Ease of opening and closing a business (Cornell University et al., 2015)

Figure 28 demonstrates that South Africa is closer to its developed market targets on the ease of opening and closing a business, compared to other emerging markets. South African EMNEs, therefore, contend with fewer obstacles in optimising their company structures for innovation than most emerging markets.

Conclusion

The idiosyncrasies of the South African regulatory framework have illuminated the need for even more precision in the conceptualisation of institutions. The South African context, when viewed from the level of regulatory institutions, appears to be more distant from developed markets. However, it shows more proximity when focusing on the components of regulatory institutions that drive innovation.

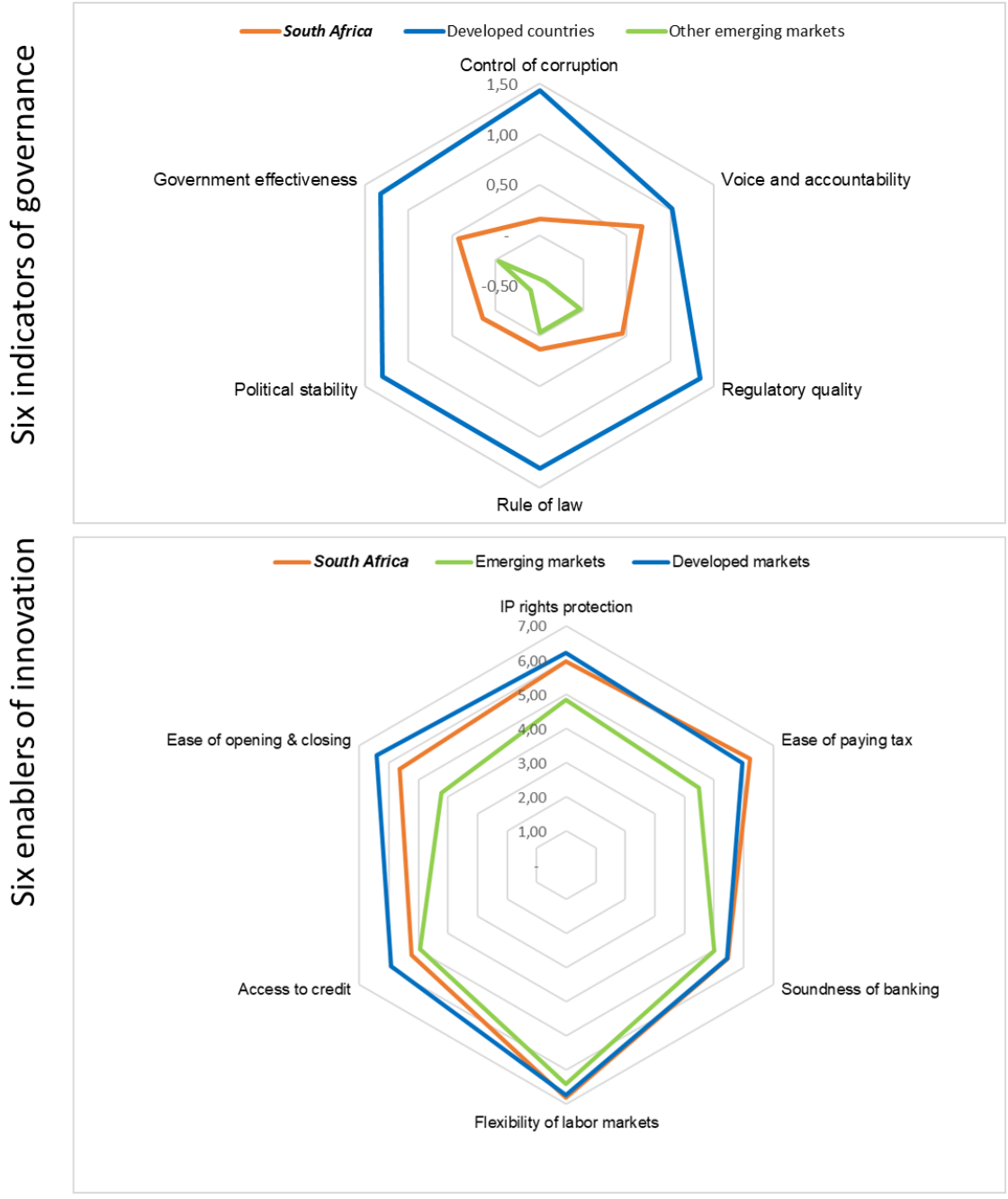

Figure 29: Distance between South African regulatory institutions and emerging market peers and developed markets

(All scores were converted as a factor of 5 for ease of presentation and comparability)

As demonstrated in Figure 29, there appears to be a gap between South African regulatory institutions and the elements of regulatory institutions that drive innovation. This is a point argued by Kostova et al. (2019), that not all the institutional measurement tools are equally relevant in answering specific research questions. This could be because of other elements of regulatory institutions, where South Africa performs poorly, such as crime and corruption. These elements of institutions undermine the overall performance of the South African regulatory environment when measured using the six indicators, obscuring the strength of the innovation environment.

This finding is of critical importance in institutional literature. Whilst the compartmentalisation along the three pillars provides a level of precision, there is a need to be even more granular and focused. There is a need for institutional scholars to identify the elements of institutional frameworks that are related to the organisational outcomes they are testing. This should then inform the literature review, methodological choices as well as the analysis of findings.

6.2.3 Homogeneity of EMNE motives for internationalisation

The unexpected outcome from this research has also prompted the question of whether EMNEs internationalise into developed markets with the same motives. The springboard perspective assumes that the motive for EMNEs internationalising into developed markets is primarily to escape home country institutional voids, and also gaining access to strategic assets (Belderbos et al., 2015; Gaur et al., 2018; Luo & Tung, 2018; Marano et al., 2017; Sun et al., 2015; Wu et al., 2016). The presumption is that market-seeking strategies are only pursued in other emerging markets or poorer countries. In other words, South African EMNEs go into developed markets to learn and go into other emerging markets to expand. However, the evidence in this research does not show evidence for this presumption. This brings to question whether this assumption of homogeneity in the EMNEs' motivation for internationalisation is beyond questioning.

According to Luo and Tung (2018) and Barnard and Luiz (2018), EMNEs engage in spring-boarding activities to escape the deficiencies in their home country intellectual property regimes. However, from the data analysed, it appears that South Africa's intellectual property framework is not characterised by such weaknesses and deficiencies. It is unlikely that South African EMNEs would engage in institutional arbitrage to perform their innovation activities in more developed markets, simply to seek adequate intellectual property protections (Barnard & Luiz, 2018; Young et al., 2018). The South African intellectual property regime affords EMNEs adequate protection and stability that would be available in developed markets. The "push" factor because of institutional voids in the intellectual property regime is unlikely to be the most significant motivation for South African EMNEs to embark on spring-boarding activities (Balachandran & Hernandez, 2018; Luiz et al., 2017).

According to Deng and Yang (2015), scholars need to explore the different motives for internationalisation in different home and host country contexts. This is a call that has been echoed by Zhou and Guillén (2015), to specify and articulate the impact of motives for internationalization, especially in institutional studies. Whilst Figure 30 shows that South African EMNEs have a preponderance to internationalise into developed markets than fellow emerging markets, there appears, according to Figure 31, to be no difference in their motives for internationalisation.

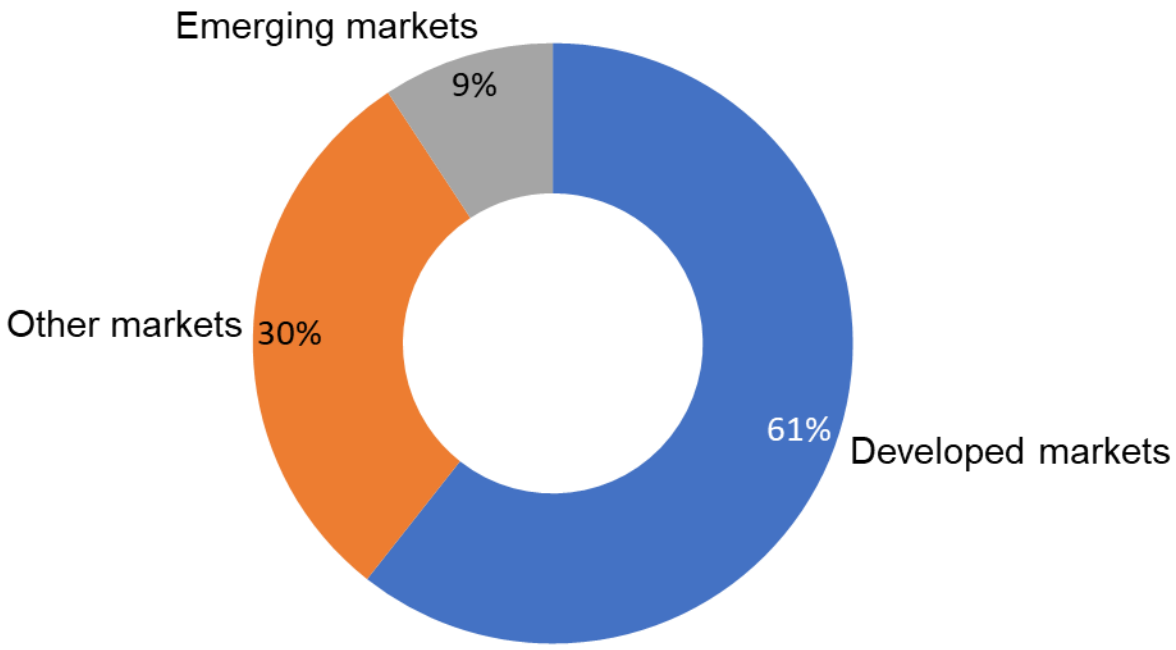

Figure 30: Number of CBAs between 2005 and 2015 by classification of target nation (Reuters, 2020)

The motive for South African EMNEs internationalising into developed markets is overwhelmingly for the objective of market expansion, as demonstrated in Figure 31. This graph was calculated by summarising the reasons for CBAs from which the population was extracted, which included listed and unlisted entities.

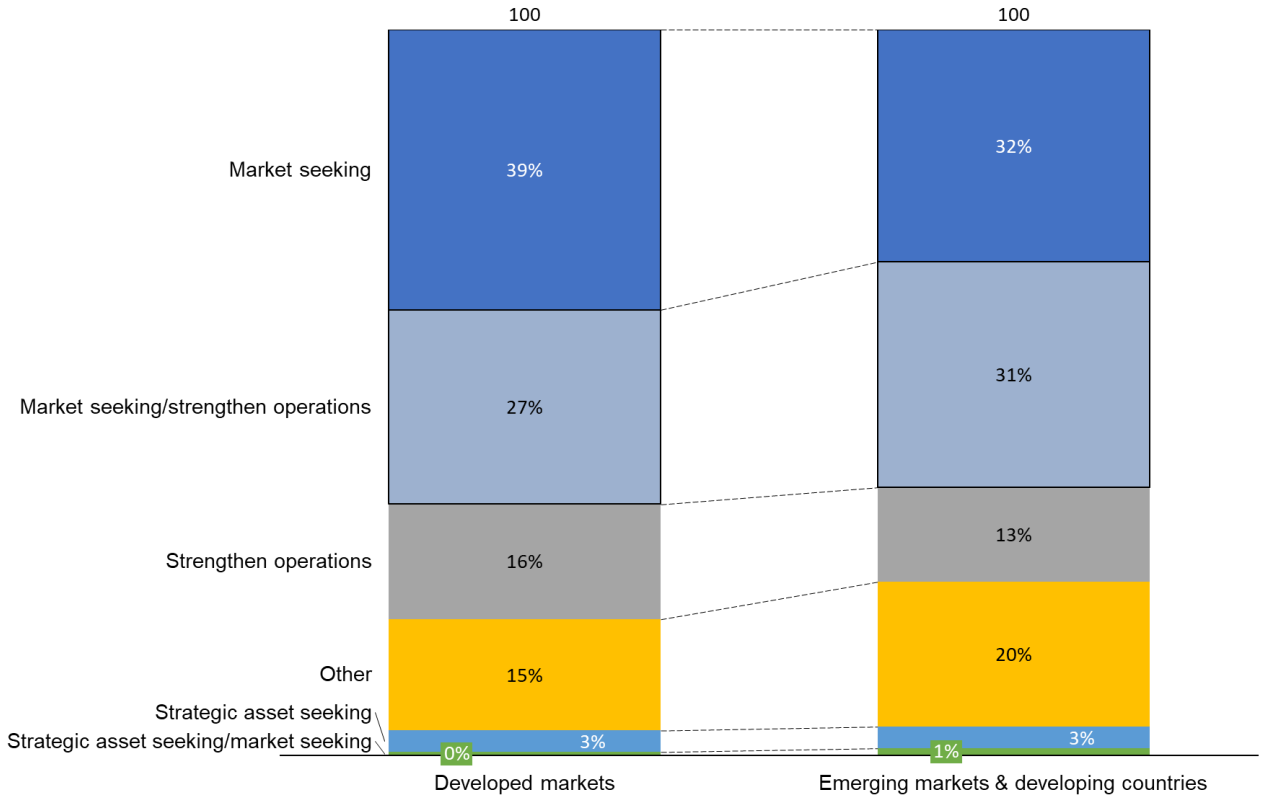

Figure 31: Motives for internationalising into developed and emerging markets (Reuters, 2020)

Only 3% of the CBAs into developed markets were concluded with the objective of strategic asset seeking. This is similar to the motives for internationalising into emerging markets and other developing markets. This motive for internationalising is notably different from Chinese EMNEs. Many scholars have argued that the key motive of Chinese EMNEs internationalising into developed markets is to obtain innovation knowledge in developed markets to strengthen their position in China and globally (Meyer, 2015; Piperopoulos et al., 2018; D. M. Shapiro, Vecino, & Li, 2017). They imitate the practices and products of their targets and then improve on them in their home environment (Piperopoulos et al., 2018). As a result, many Chinese EMNEs such as Lenovo, Huawei, Haier and ZTE have leapfrogged their competition in technology and innovation (Piperopoulos et al., 2018).

The predisposition towards knowledge-seeking is referred to by absorptive capacity scholars as absorptive effort (Song et al., 2018). Firms that display this characteristic act as radars to identify valuable knowledge that can be supplemented with the firm's existing knowledge base (Song et al., 2018). Because of this capability, these firms are more deliberate about the knowledge they need, the target countries where this knowledge is clustered, and the target firms to be acquired for this purpose (Song et al., 2018). When EMNEs are deliberate about their targets, their innovation strategies yield better results (Piperopoulos et al., 2018). Chinese firms already possess this capability, unlike their South African counterparts. That may explain why this possible mediator was imperceptible in the study by Wu et al. (2016).

It appears, therefore, that Chinese EMNEs exert a greater amount of absorptive effort that South African EMNEs. This effort informs their motives when internationalising into developed markets. They are more deliberate about understanding their existing knowledge base and deficiencies and actively identify the target that possesses the knowledge they require. This absorptive effort does not only influence the innovation performance of the parent but is a prerequisite for knowledge to be successfully transferred, integrated, and assimilated. Therefore, there is an opportunity in literature to explore this potential mediating impact.

6.2.4 State intervention and support

The strategic asset-seeking motives of Chinese EMNEs could largely be because of the state-led innovation development strategies (Piperopoulos et al., 2018). Many scholars have studied the impact of state involvement in Chinese EMNEs, compared to other markets (Gaur et al., 2018). Some scholars such as Hu et al. (2018) have gone so far as to label this level of state interventionism as state-led capitalism. Large state support for innovation enables EMNES to integrate different technologies, discover new methods, and introduce new products, service and processes (Holmes et al., 2016).

Certain firms are “winner-picked” by the state for support and are earmarked for government support (Hu et al., 2018). This gives them a competitive advantage over their local peers and may afford them the resources to internationalise into developed markets (Hu et al., 2018). The government can wield more power and influence over these EMNEs than is the case in other emerging markets. As a result, the state may influence their strategies for internationalisation and seek to align them with the centrally coordinated innovation development plan (Hu et al., 2018; Piperopoulos et al., 2018). Due to this intervention Chinese EMNEs face government pressures to accelerate knowledge acquisition to become more competitive globally (Pinto et al., 2017)

This state support and involvement may go beyond government-owned entities but may extend to EMNEs that have been handpicked by the government for sponsorship due to their strategic importance. Therefore, whilst Wu et al. (2016) tested for the moderating impact of state ownership in their study, state support is a different construct, which has an impact on the internationalisation motives of Chinese EMNEs, as well as their innovation performance.

6.2.5 Conclusion

The results from the first hypothesis were not aligned with the expectation. The argument based on sound theoretical bases was that South African EMNEs internationalising into regulatorily distant environments, learn from their developed market subsidiaries and transfer this innovation knowledge back home. This was, after all, proven rather convincingly by Wu et al. (2016) in the Chinese context.

This result then prompted the question to be asked, whether there are idiosyncrasies that are peculiar to the South African regulatory framework. The South African regulatory environment has been proven in this study to be, as expected, weaker than its developed market counterparts when conceptualised at a holistic level. However, a conceptualisation of institutions in terms of the organisational outcome of innovation shows that South African institutions display characteristics similar to the developed markets. Whilst South Africa may be regulatorily distant to developed markets overall, it is closer to developed markets when considering the innovation-enabling components of regulatory frameworks. This is an important finding for the conceptualisation of institutional distance in future studies.

The springboard perspective lens in this research meant that the underlying premise in analysis the internationalisation of South African EMNEs into advanced economies was motivated by strategic asset seeking for innovation knowledge (Luo & Tung, 2018). However, further analysis shows that the international motives of South African EMNEs differ from their Chinese counterparts. Chinese EMNEs are more deliberate about seeking innovation knowledge and utilise a greater level of absorptive effort when internationalising into developing countries (Song et al., 2018). This absorptive effort is a potential mediating variable between regulatory distance and parent innovation performance, that is imperceptible in a Chinese context. The motives of the Chinese MNEs may also be driven by a higher level of state intervention in EMNE strategies. This is a moderating impact that can only be identified in a different contextual setting from China.

6.3 Normative distance and parent innovation performance

Research question	Does internationalising into normatively distant countries result in an improvement in the innovation performance of South African EMNEs?
Hypothesis	Normative distance has a positive relationship to the post-acquisition innovation performance of the parent.
Significance and relevance of path coefficients (Ringle et al., 2015)	-0.14 (strong negative significant negative relationship; statistically insignificant)
Null hypothesis rejected?	No

Whilst most studies usually focus on the negative impact of normative distance, their findings are not authoritative (Huang et al., 2017). A decision was taken to focus on the less studied positive aspects of normative distance (Lisak et al., 2016; Stahl & Tung, 2015). It was argued in Chapter 2 that EMNE teams are more multicultural due to their exposure to multiple cultural contexts. There is no evidence in the literature of any study of the positive impact of culture on innovation performance. However, there are compelling arguments from the literature that normative distance, when harnessed properly, can result in an improvement in organisational performance. That is the generic postulation of positive organisational scholars, who study the positive impact of normative institutions whilst acknowledging the negative aspects (Lisak et al., 2016).

The positive impact of normative distance includes the increased creativity, innovativeness, and knowledge integration of multicultural teams (Lisak et al., 2016; Lorenz et al., 2018; Un, 2015). This results in an ecosystem for the sharing of novel ideas and knowledge, resulting in novel products, processes, and technology (da Silva Lopes et al., 2018; Teece et al., 2016). The expectation, therefore, was that the benefits from the multiculturalism of EMNE teams outweigh the downsides. There are, after all, many studies that show that multicultural teams tend to outperform their homogeneous counterparts (Lisak et al., 2016). However, the results of this research do not support this hypothesis. The strength of the path coefficient, whilst insignificant, shows a strong negative relationship. This means that not only is there inadequate statistical evidence to support the hypothesised relationship, but the relationship is also actually negative.

The evidence in this research appears to support the premise that most scholars have posited, that normative distance has a detrimental impact on organisational outcomes (Lisak et al., 2016; Stahl & Tung, 2015). Regarding the organisational outcome of innovation, literature has demonstrated that post-acquisition integration and knowledge sharing are critical to achieve this outcome (Kano, 2017; Luo & Tung, 2018). The internal organisational competencies that enable this to be achieved include

communication, trust, common identity, and collaboration (Kano, 2017; Reus et al., 2016). This is illustrated in Figure 32.

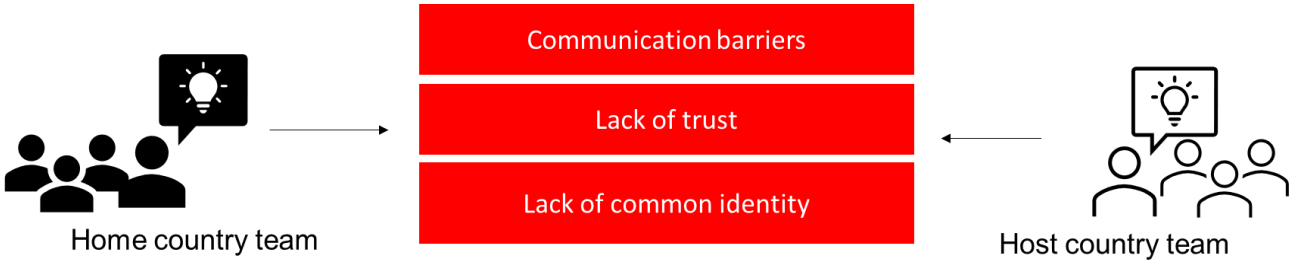

Figure 32: Barriers to cross-cultural knowledge transfer (Kano, 2017; Reus et al., 2016)

6.3.1 Communication barriers

The ability to communicate between different teams within an EMNE is a critical competency that is necessary for the cross-cultural sharing of ideas (Kano, 2017). When EMNEs internationalise into normatively distant countries, these are some of the barriers they are confronted with. Even where there is an existing stock of knowledge between the teams, the ability to communicate the intricacies of the knowledge in a way that is understandable and imitable can be a challenge between cross-cultural teams. This challenge is more pronounced where the knowledge being shared is tacit (Nair et al., 2018). Tacit knowledge is more difficult to conceptualise, narrate and communicate. When teams do not communicate effectively, their ability to collaborate is seriously impeded.

Drivers of communication challenges between cross-cultural teams can be analysed according to Hofstede's dimensions of culture. For instance, countries with a high-power distance orientation tend to be more hierarchical in structure. In these societies, information flows from the top to the bottom, and subordinates tend not to question the authority of their superiors (Huang et al., 2017). This cultural trait tends to be more pronounced in Confucian societies such as South Korea and Hong Kong (Linton, 2020), as demonstrated in Figure 33.

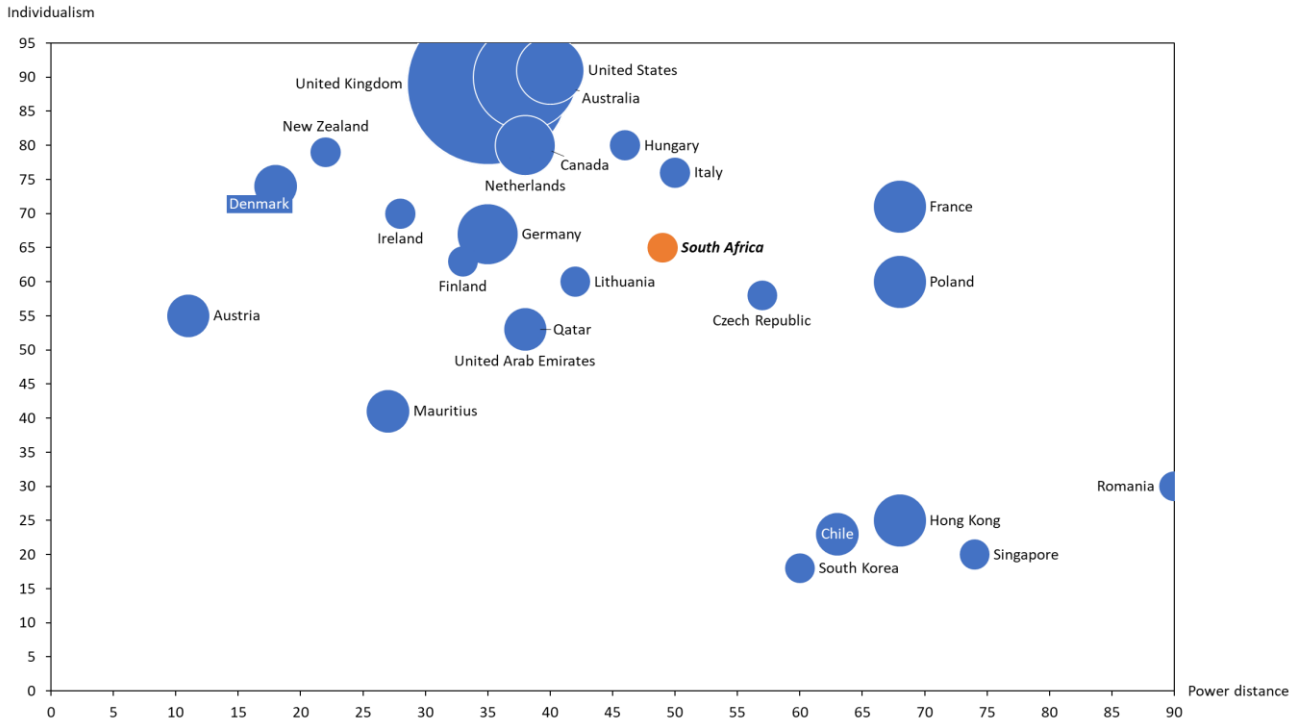

Figure 33: Individualism and power distance (Hofstede, n.d)

(Target nations in blue, South Africa in orange; the size of the blue bubble indicates the number of CBAs included in the population).

South African teams may be faced with challenges in sharing information with teams from Singapore or Hong Kong, whose culture is more receptive to instructive communication, as opposed to the collaboration of equals. The communication style of the South African team may be interpreted as subservient and weak by the subsidiary teams (Huang et al., 2017). This could result in an unwillingness to share information. Conversely, the communication style of the South African team may be interpreted as authoritative and overbearing by teams from Austrian or Danish subsidiaries. The cultural context in these target nations places little importance on hierarchy and power (Huang et al., 2017). Teams from these countries could, because of this perception, be reluctant to meaningfully collaborate with the parent company team (Huang et al., 2017). Expatriates from South Africa to these nations may also struggle to integrate with these teams due to this barrier.

This communication barrier, however, would not be experienced to the same extent by EMNEs internationalising into the United States, Australia, United Kingdom and Canada. All these countries share the English language as the language in which business is conducted. Language can be a communication barrier between cross-cultural teams. This could be why 56% of the CBAs in this research were targeted at Anglophone countries. It could be, that South African EMNEs prefer these countries due to the ease of communication with the teams. It could also be that CBAs where the home and host country share a common language, are more likely to be concluded.

Communication is a critical component between the parent and the subsidiary during the negotiation phases of the CBA, and subsequently to ensure the successful integration of the home and host country teams. Whilst the positive organisational stance taken in this research was that the benefits of multicultural teams outweigh the challenges, the evidence shows that communication barriers can undermine these benefits.

6.3.2 Lack of trust

EMNEs internationalising into developed countries will face a trust deficit due to their emerging market origin (Stahl & Tung, 2015; Zhu et al., 2017). In addition to this liability of foreignness, gaining the trust of the newly acquired subsidiary can be a momentous challenge due to the home and host country cultural differences. For instance, South African EMNEs are better able to deal with uncertainty, than South Korea and France, as demonstrated in Figure 34. That means that South African EMNEs in these contexts may struggle to offer the subsidiary employees the certainty, structure, and rules they need to feel assured and part of the team. This would then create a trust deficit between the parent and subsidiary teams, who may feel uncertain about their role in the organisation. This may negatively impact their willingness to participate in collaborative projects with the parent company teams. Teams from these countries may also perceive the parent company as a threat and may resist any attempts the parent may make to understand the subsidiary's knowledge stock (Hofstede Insights, 2020).

However, certainty seems to be less important to the American, Australian, and British subsidiaries. Therefore, South African EMNEs would be faced with fewer trust deficits in these contexts. The post-acquisition strategies that would have been used by these EMNEs in their local acquisitions have a better likelihood of success in these target countries than those with a lower tolerance for uncertainty. These EMNEs would therefore need to be more strategic and specific in how they craft their post-integration strategies in countries like France, to ensure that they can overcome the trust deficit as quickly as possible.

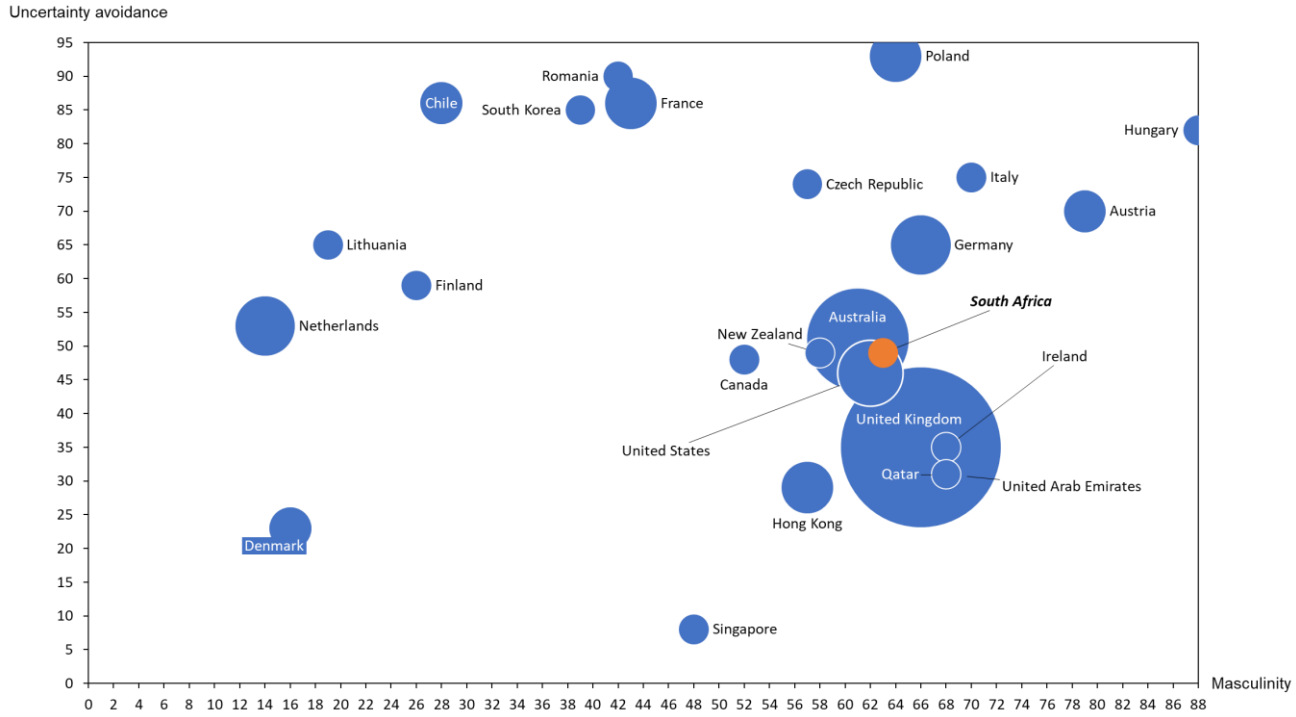

Figure 34: Masculinity and uncertainty avoidance (Hofstede, n.d)

(Target nations in blue, South Africa in orange; the size of the blue bubble indicates the number of CBAs included in the population).

6.3.3 Lack of common identity

Cross-cultural teams that share a common identity are more likely to collaborate and share knowledge across borders (Yaprak, Demirbag, & Wood, 2018). This common identity can be drawn from cultural commonalities or a shared affinity for the company. Teams that do not share a common identity tend not to share information due to lack of trust and shared common goals. The EMNE must hire team leaders that can foster this common identity (Lisak et al., 2016).

As demonstrated in Figure 33, the South African normative context is also more individualistic than the Confucian countries, which place a significant emphasis on communal and societal well-being before individual success (Linton, 2020). South African executives are conversely less likely to place a significant emphasis on generating a team identity between cross-cultural teams. Whilst this may not pose significant problems in host nations like France, it would be a challenge in South Korea, Singapore, and Hong Kong. The South African executives would need to be more deliberate in those contexts about bridging these gaps. This is because teams in these environments are more likely to generate knowledge as a collective, than as individuals. The home country managers need to be able to create an environment between the home and host country environment, wherein the cross-cultural teams can converge into a collaborative and knowledge sharing eco-system. This requires agile

managerial competencies, which are not easily available (Teece et al., 2016). A knowledge-sharing strategy that is focused on individual strengths and competencies would not yield the desired results.

On the other hand, more emphasis would need to be placed on individual incentives and personal acknowledgement for subsidiaries in the United States, United Kingdom and Australia. These countries score higher than South Africa on the individualism score, which means individuals are more concerned with their well-being and success than that of the collective (Reichert & Parker-Benello, 2019; Hofstede Insights, 2020; Linton, 2020). Individual performance is more likely to produce innovation in these environments, without much emphasis on creating a common identity.

As demonstrated in Figure 34, the South African culture places more value on masculine traits than the more liberal nations of Netherlands, Denmark, Finland. That means that South African teams are more driven by competition, achievement, and success (Hofstede Insights, 2020). That also means the South African teams are more likely to be motivated by personal ambition when they innovate, collaborate, and share knowledge. Team members in the more feminine target nations place emphasis on quality of life. Therefore, South African EMNEs may place greater emphasis on incentives such as bonuses for innovation successes. This, however, may not necessarily incentivise the team members in these host nations to collaborate and share knowledge. These teams may struggle to share a common identity with teams that are driven by competition and success at all cost, and thus be unwilling to collaborate and share knowledge. This approach is more likely to yield results in host countries such as the United Kingdom, Australia, the United States and New Zealand, whose score is similar to South Africa.

6.3.4 Conclusion

As already demonstrated in Chapter 2, the results of studies on cultural distance and organisational outcomes are proliferated and inconsistent. Scholars have not reached consensus on whether cultural distance has a positive, or negative impact on organisational outcomes. Whilst most scholars view cultural distance negatively, the scholarly intuition going into this research was that the positive impact of multiculturalism outweighs the negative impact of distance. However, the results of this research do not support the positive organisational view but appear to prove what has long been the default view in the study of normative distance (Stahl & Tung, 2015).

It appears that the negative aspects of normative distance outweigh the positive aspects of multiculturalism. Whilst internationalising into distant environments may afford the EMNEs access to novel knowledge, technologies and management practices, the cultural distance impedes the ability

to transfer this back to the home country environment and integrate it to achieve commercial ends (Kano, 2017).

As demonstrated in Figure 31, South African EMNEs internationalise into developed and emerging markets mainly for market-seeking. There appears to be little motivation for obtaining access to strategic assets and innovation knowledge of targets. It is likely, therefore, that because South African EMNE's are not actively looking for innovation knowledge, they do not employ strategies to offset the negative impact of normative distance. Literature has demonstrated that knowledge transfer is successful where the EMNE has identified and articulated the specific knowledge it is looking for, identified the targets that possess this knowledge, and designed strategies for the transfer and integration of the knowledge to its home base (Piperopoulos et al., 2018). Unless there are specific strategies to overcome normative barriers, the EMNE cannot realise the positive aspects of multiculturalism. EMNEs need to formulate post-acquisition integration strategies that address the negative consequences of communication barriers, lack of trust and lack of common identity.

Literature has also demonstrated that spring-boarding strategies usually fail (McCarthy & Aalbers, 2016; Reus et al., 2016). This is the case in instances where the EMNE is deliberate about gaining access to the strategic assets of the organisation. EMNEs, who are not necessarily in search of strategic assets, are even less likely to overcome the negative normative distance impact. Even where the host country regulatory environment enables access to, and transfer of innovation knowledge to the home base, this is more likely to be blocked by the cultural barriers.

Whilst the hypothesised positive impact of culture could not be proved, this study on normative institutions makes notable contributions to literature. Firstly, the decision to disaggregate institutions into different components has proved to be a worthwhile strategy. The conceptualisation of the normative pillar as a distinct aspect of institutions has helped to connect the impact of culture on innovation knowledge transfer. This is a relationship where there has been little focus in literature. This validates the call made by Kostova et al. (2019) for specificity regarding the discipline of institutional theory selected for research. This helps to be more precise and focused on the conceptualisation and synthesis of the underlying drivers of organisational performance outcomes.

6.4 Cognitive distance and parent innovation performance

Research question	Does internationalising into cognitively distant countries result in an improvement in the innovation performance of South African EMNEs?
Hypothesis	Cognitive distance has a positive relationship to the post-acquisition innovation performance of the parent.
Significance and relevance of path coefficients (Ringle, 2015)	-0.09 (weak and insignificant negative relationship)
Null hypothesis rejected?	No

The result from the PLS-SEM above shows that the strength of the path coefficient for this hypothesises relationship is -0.09. In other words, an increase of 1 standard deviation in the cognitive distance between the target nation and South Africa results in a 0.09 standard deviation decrease in the parent innovation performance (Sarstedt et al., 2017). This is not a strong relationship

It was argued in Chapter 2, that when South African EMNEs internationalise into cognitively distant countries, they gain access to novel management practices and processes that are unavailable in their home country environment. This, similar to the normative distance argument, was founded on the positive organisational stance. When EMNEs internationalise into these distant contexts, they gain access to organisational practices and processes that may be novel to the EMNE but taken for granted in the host country environment (Kostova et al., 2019).

Cognitive distance is the least studied pillar of institutions and is often mistaken for normative distance in many studies (Kostova et al., 2019). Kostova et al. (2019) implore scholars to pay more attention to this subtle but undeniably important facet of institutions. As a result, a deliberate approach was taken in this research to analyse and conceptualise this pillar of institutions separately from the normative pillar, to unpack the cognitive undertones of institutional frameworks. The objective was to take a more precise and focused analytical posture regarding the specific aspects of this pillar that impact the organisational outcome of innovation performance.

A decision was made to adopt the global competitive index as a measurement tool, instead of the Hofstede dimension, to avoid the conflation between normative and cognitive pillars of institutions (Kostova et al., 2019). The global competitiveness measures were also chosen because, according to Kostova et al. (2019), they cover the following elements, which are linked to innovation: Emphasis of product design capability, emphasis on staff training, and compensation policies link pay closely to performance (da Silva Lopes et al., 2018; Kostova et al., 2019; Lisak et al., 2016; Un, 2015).

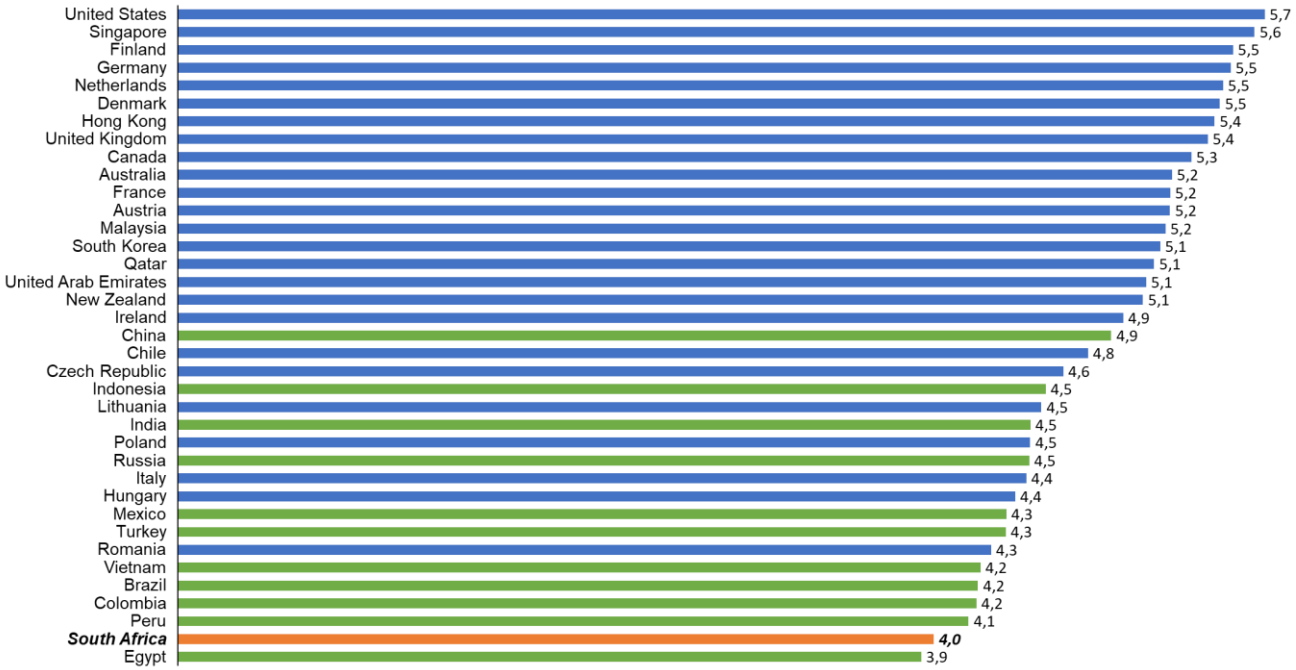

Figure 35: Competitiveness index scores between 2007 and 2015 (World Economic Forum, 2020)

The hypothesis in Chapter 2 was argued on the premise that when South African EMNEs internationalise into environments that espouse these management practices, they learn from these, and transfer them back to the home base. For example, when South African EMNEs internationalising into cognitively distant contexts such as the United States and Singapore, they can imitate practices such as emphasising new product development into their strategies. When these practices are integrated and assimilated in the home base, the parent company's innovation performance improves. Figure 35 shows that South Africa is scored significantly lower than the developed market target countries on this measure. The expectation was that the South African EMNEs who internationalise into these distant countries would obtain novel management practices and processes which when transferred to the home base, would result in an improvement in innovation performance.

However, statistical evidence in this report does not support this hypothesis. This raises the question of why South African EMNEs do not transfer learnings back home. The first possible explanation is the motive for internationalising into developed country contexts. As already discussed, South African EMNEs are mainly motivated by market expansion, as opposed to strategic asset seeking. Therefore, because these EMNEs are not necessarily seeking new knowledge from the targets, they do not employ deliberate strategies to identify, transfer and integrate the knowledge to their home base. The subsidiaries based in these distant countries might possess practices and processes that are taken for granted in their context but could be revolutionary in the South African context. However, EMNEs do not learn from these practices because they are not looking for knowledge. Their post-acquisition strategies are more likely to be focused on understanding the exogenous variables such as the new

market and the institutional environment. Less focus is spent on understanding the endogenous factors such as the knowledge pool of the newly acquired subsidiary, and its unique management practices.

Some scholars have also argued that EMNEs usually allow their developed market subsidiary a higher degree of autonomy than they otherwise would in other contexts (Luo & Tung, 2018). Therefore, they are more likely to retain the host country local executive and senior management team, instead of deploying its home country expatriates (Luo & Tung, 2018). In this case, the focus would be for the executives to feed market, networking, and institutional framework information to the parent company team (da Silva Lopes et al., 2018). Less emphasis would be placed on sharing the intricacies of the subsidiary's practices and processes. In this scenario, the parent is more likely to learn about the host country environment than the subsidiary. Conversely, when expatriates are deployed to the subsidiary, they are likely to identify novel practices that would give the parent company a competitive advantage in the home environment. This is because they have a frame of reference to compare with, which is the cognitive habituality of their home environment. Whilst the subsidiary team take some of these practices and processes for granted, the expatriate team is more likely to identify their novelty and how they can revolutionise how things are done back at home.

Another possible explanation for this result may be that the transfer of knowledge of management practices is offset by the cultural differences between the home and host country contexts. In other words, normative distance may be a moderating variable on the relationship between cognitive distance and innovation knowledge transfer. The negative impact of cultural distance, as outlined in the preceding section, can be a barrier to the transfer of knowledge from the parent. For instance, a lack of trust may cause the subsidiary team to be unwilling to share the intricacies of their management practices with the parent company. Communication barriers may also impede the sharing of processes information between the cross-cultural teams. This was demonstrated in the Netflix documentary, American Factory, which covered the internationalisation of the Chinese EMNE Fuyao Glass into Ohio, USA. In this documentary, Chinese teams sought to teach the American team the more efficient production processes they employ in their home environment (Reichert & Parker-Benello, 2019). However, due to the command-and-control nature of the Confucian culture, the American teams were unreceptive to this management style. Therefore, even though the Chinese team possessed novel process knowledge that had no parallels in the American context, this information was all lost in translation due to cultural differences.

The cognitive pillar has been largely neglected in institutional literature (Kostova et al., 2019). This research has given the impact of cognitive habituality on the success of EMNE performance the attention it deserves. Whilst the results do not support the hypothesis, there are insights on the

possible intersection between the normative and cognitive pillars. There are also insights for future studies on the possible intersection between cognitive institutions and the absorptive effort of EMNEs. These are insights that would not be possible without the organisational institutional lens.

6.5 Moderating impact of absorptive capacity

Research question	Does the parent company's absorptive capacity influence the extent of the knowledge transfer from institutionally distant subsidiaries?

Hypothesis 4	Absorptive capacity of the parent moderates the positive relationship between regulatory distance and the parent's innovation performance.
Significance and relevance of path coefficients	0.17 (strong effect but statistically insignificant)
Null hypothesis rejected?	No

Hypothesis 5	Absorptive capacity of the parent moderates the positive relationship between normative distance and the parent's innovation performance.
Significance and relevance of path coefficients	-0.15 (weak and statistically insignificant)
Null hypothesis rejected?	No

Hypothesis 6	Absorptive capacity of the parent moderates the positive relationship between normative distance and the parent's innovation performance.
Significance and relevance of path coefficients	-0.08 (weak and statistically insignificant)
Null hypothesis rejected?	No

It was argued in Chapter 2 that the readiness of the parent company to acquire, integrate and assimilate newly acquired information influences the extent of the flow of innovation information from the subsidiary to the parent. In this study, absorptive capacity was analysed as a moderating variable. However, the evidence from the testing does not validate this moderating impact, on all the pillars of institutions. This is an unexpected outcome, considering that many studies in literature have demonstrated rather convincingly, that the absorptive capacity of a company has a positive impact on the performance outcomes, including innovation (Song et al., 2018). In fact, according to a meta-analytical study by Song et al. (2018), the average correlation of coefficients between the absorptive capacity and knowledge acquisition is 0.32, whilst innovation generation is 0.38. It was therefore not illogical to hypothesise that this variable is a moderator between all the three pillars of institutions and innovation performance. After all, regardless of how enabling the home and host country institutions for the transfer of innovation knowledge, a springboard strategy can only be a success if this knowledge is assimilated to achieve commercial ends (Kano, 2017; Un, 2015). The scholarly question that must be explored is why the same phenomenon has not been observed in this study.

It has also been argued in preceding sections that EMNEs in the South African context do not internationalise into developed markets for the objective of obtaining innovation knowledge. Whilst the regulatory environments of developed markets may remove barriers for the EMNEs to access and transfer this knowledge, the fact that this is not a motive for the internationalisation may be a prerequisite for the successful integration and assimilation. Because this mediation is not included in the analysis model, the hypothesised relationship is not observable, including the moderating effect. This is important for absorptive capacity research because it illuminates a relationship that is currently unexplored.

It was argued in Chapter 2, that firms with absorptive capacity possess three characteristics, namely, the ability to recognise and value external knowledge, the ability to assimilate this knowledge, and the ability to commercialise it (Song et al., 2018). The ability to recognise and value external knowledge is referred to as absorptive effort (Song et al., 2018). Because of the absence of absorptive effort by South African EMNEs, there is no effective transfer of knowledge. Therefore, whilst absorptive capacity is a moderating variable in this study, this absorptive capacity element could also be a mediator. This can only be tested in future studies by disaggregating absorptive capacity into its three components. This is important because the different components of absorptive capacity impact organisational outcomes differently (Song et al., 2018). Whilst the absorptive process and knowledge base may still be a moderating variable, absorptive capacity should be explored as a mediating variable. This is demonstrated in Figure 36.

Therefore, similar to institutions, the conceptualisation of absorptive capacity needs to be more granular and also linked to the organisational outcomes being tested.

7. CONCLUSION

The search for deeper and more contextualised knowledge regarding emerging markets has gained momentum amongst IB scholars, and this is not expected to evaporate as EMNEs continue to grow in scale and institutional expanse. The cradle of theoretical foundations on which IB is founded have been and will continue to be rattled by the emergence of EMNEs, which continue to elude the path of internationalisation set by extant literature (Cuervo-Cazurra & Rui, 2017; da Silva Lopes et al., 2018). Indeed, scholars will continuously need to question the appositeness of the existing literary presumptions on the internationalisation patterns of these EMNEs (Meyer & Peng, 2016).

However, in this quest for emerging market knowledge, scholars need to avoid the pitfall of imbricating their studies under the inference of institutional homogeneity. Emerging market contexts are vastly diverse, with some displaying characteristics more similar to the developed markets. That is why there is no overarching definition of what emerging markets are, or their characteristics. Care must be taken therefore in building theoretical base on emerging markets. Scholars need to be mindful that the subtleties that are pertinent to the specific contextual settings are not lost in the pursuit of emerging market generalisation. The idiosyncrasies that are pertinent in different contexts can be critical building blocks for IB emerging market studies.

This call to focus on contextual profundity in IB is more pertinent for institutional literature. This after all is the field of literature whose main interest is contextual embeddedness (Cardinale, 2019; Kostova et al., 2019). The embeddedness goes beyond DMEs attempting to traverse the unexplored frontier of emerging market host nations. More contextualisation is required in also understanding the isomorphic pressures faced by EMNEs when their venture into developed market terrains. Whilst these developed market institutions may be more magnanimous to other DMEs, they can be a treacherous terrain for EMNEs, which face a significantly amplified liability of foreignness. The more attention is paid to the contextual depth of the home and host country context, the greater the wealth of insights, and the lesser the pitfalls of tautology. This is a trajectory that is much needed in the field of institutional research.

7.1 Theoretical implications

Expanding the contextual diversity of institutional literature, especially from the viewpoint of the EMNE host country, is a step in the right direction. Not only does it diversify the contextual scope, but also provides more in-depth insights that can calibrate the foundational presumptions and conceptual orthodoxies. The focus in this research on the South African home country context has indeed helped to discover theoretical nuggets that would be inconspicuous in other emerging market contexts.

The South African context has unveiled far-reaching insights into the conceptualisation of the construct of institutions. Extant literature has conformingly conceptualised institutions in an integrated and comprehensive manner. For a long time, institutions have been studied as an all-encapsulating construct. However, the construct is an agglomeration of many different components. These components are not necessarily analogous in how they influence different organisational performance outcomes. Scholars need to be more deliberate about focusing on the components of institutions that relate to the organisation outcomes they are testing (Kostova et al., 2019).

In this research, it became apparent that the South African regulatory institutional framework displays characteristics akin to its emerging market counterparts. However, a deagglomeration of the construct of regulatory institutions revealed an unanticipated typology. When analysing the components of regulatory institutions that relate to innovation performance, South Africa displays features more similar to developed markets. Therefore, internationalising into developed markets is not the giant leap that it was assumed to be when the focus is on the innovation enabling components of institutions.

Immersion within a South African home-country context has also led to the questioning of the overarching presumption of the springboard perspective, which was used as the angle for this research. Ingrained in the springboard perspective is the assumption of monotony and predictability of the motives for EMNEs internationalising into developed markets. These dual and conjoined motives are the escape of institutional voids at home and the search for the strategic assets in developed markets. However, the results from the South African EMNE context instigates that the universality of this postulation is challenged. From the perspective of South African EMNEs, developed markets may just be another opportunity to expand their market reach. The primary motive is not to learn or gain access to strategic assets. This is an opportunity for literature and future studies, to understand the possible mediating impact of absorptive effort on performance outcomes. This is illustrated in Figure 36.

This distillation of contextual idiosyncrasies would have been obscured without the specification of a theoretical lens. The organisational institutionalism lens in this research modulated a focused and precise analysis of the three pillars of institutions. Whilst most institutional studies usually select one element of institutions as a representation of the entire construct, there was a deliberate effort in this research to insulate the different pillars. EMNEs internationalising into developed markets have to contend with the push and pull pressures of all these institutional pillars. It is important therefore for scholars to understand their impact on EMNE strategies, especially concerning specific organisational outcomes. This disaggregation of institutions, especially concerning innovation performance, helps to illuminate the often un-analogous elements of institutions, which have positive and negative impacts on the same organisational outcomes. The different may also intersect one another, as demonstrated in Figure 36.

This research has shown that the host country institutions that EMNEs internationalise into are a concoction of negative and positive elements in how they impact innovation knowledge transfer. Whilst the regulatory institutions may enable the flow of knowledge, the cultural and cognitive distance may negate this benefit. Culture is indeed an important component in the institutional engine of any country in driving the innovation imperatives of firms (da Silva Lopes, 2018; McCarthy & Aalbers, 2016). The outcome of this study reinforces a well-established aphorism in institutional literature, that culture generally has a negative impact on the performance of EMNEs. The evidence points, albeit with little statistical significance, to the fact that innovation may be no exception. The greater the cultural distance, the lesser the ability for the EMNE to transfer any knowledge obtained from its target back to the home environment. This conclusion was reached, despite the positive organisational stance taken on cultural distance.

Through the organisational institutional lens, greater thought was allocated to the often-discounted cognitive pillar. Cognitive aspects of institutional frameworks need to be allowed more weighting in institutional studies (Kostova et al., 2019). Scholars need to be more attentive in delineating this aspect of institutions from culture. Whilst the two pillars may be complementary in their empirical manifestations, they need to be theorised, analysed, and tested as two distinct aspects. Conflating them into a single cultural-cognitive spectrum does little to advance the understanding of the isomorphic complexities faced by EMNEs in any specific context.

Therefore, whilst this research did not prove the hypothesised relationships it sought to understand, there are adequate insights to help alleviate the proliferation, tautology, and murkiness of the discipline of institutional theory.

7.2 Business implications

This research has uncovered the importance of the internationalisation motive on the attainment of the EMNE's strategic imperatives. When the motive to learn is absent or undefined, there is no concerted effort by EMNEs to access the knowledge of their foreign targets and transfer this back home. Therefore, no matter how empowering or shackling the institutional frameworks may be, there can be no successful transfer of knowledge where the is no asset-seeking motive. Knowledge sharing and transfer are by no means, accidental exploits. EMNEs need to develop deliberate strategies for the identification of their existing wealth of knowledge, their knowledge voids, and where and how to fill the voids.

The compartmentalisation of institutional frameworks into the three pillars also helps EMNEs to be more cognizant of the complexity of isomorphic pressures. Host country institutions are a package, with negative and positive effects on the EMNE's organisational outcomes. Focusing on one element of institutions can result in a non-dimensionalisation of the institutional forces with which EMNEs have to interface in their host countries. For instance, focusing on regulatory institutions, with little focus on the non-codified pillars, can result in the EMNE not properly embedding itself in its host country environment. This can have a significant impact on its performance outcomes, especially innovation. EMNEs need to fuse into their strategies how they can take advantage of the regulatory frameworks of their institutions. It is also equally important to craft strategies to combat the knowledge sharing barriers created by normative distance.

EMNEs ignore cognitive institutions at their peril. If their assessment of institutional frameworks is founded only on their understanding of the cultural and regulatory environment, their strategies might be undermined by the cognitive undercurrents. The cognitive aspects of institutional environments may be subtle, uncodified and implicit, but can be potent in how they influence the success of strategic imperatives, especially innovation knowledge transfer.

7.3 Opportunities for future studies

This research has uncovered some areas that may be of specific interest to institutional, absorptive capacity, and knowledge transfer scholars. Future studies can explore the mediating impact of the absorptive effort. This is conceptualised in Figure 36.

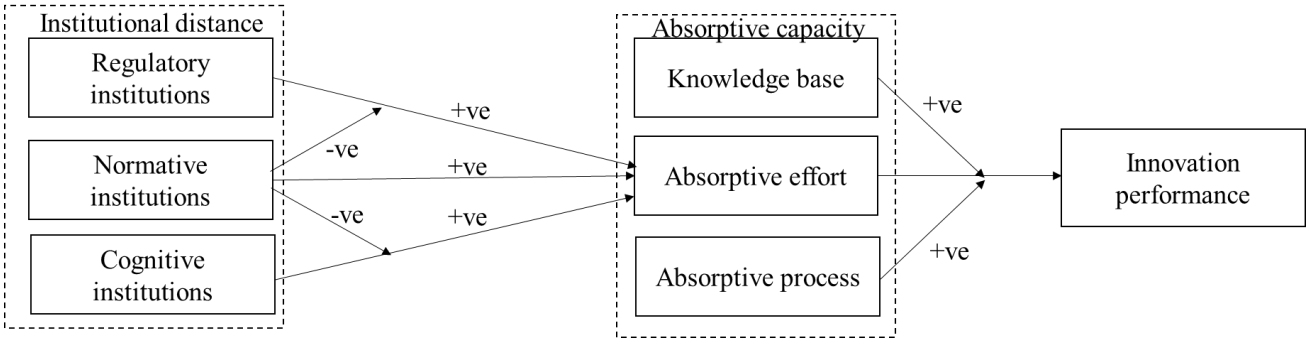

Figure 36: Possible conceptual model for future studies with a disaggregated view of institutions and absorptive capacity

Scholars can disaggregate the components of absorptive capacity into the knowledge base, absorptive capacity and absorptive process, as posited by Song et al. (2018). Whilst absorptive effort may mediate the relationship between institutional distance and innovation performance, the other two components of absorptive capacity may still play a moderating role. This distillation of absorptive capacity can be fused with the institutional distance literature in a more precise and focused manner than previously done.

Future studies can also explore the possible intersections between the different pillars of institutions. Using an organisational institutionalism lens, the possible moderating effect of normative distance on the other two pillars can be studied. Whilst the multiculturalism offered by normative distance has a positive impact on innovation performance, the normative barriers may moderate the same organisational outcome. This intersection is demonstrated in Figure 36.

There is also an opportunity to study the possible moderating impact of multiple entries into the same geography, on the relationship between institutions and organisational performance. Future studies should also incorporate the extent of regional heterogeneity in institutional frameworks in their studies. Whilst some scholars such as Wu et al. (2016) included this as a control variable in their studies, there is a need to test it as a main variable. Literature is a long way from operationalising this, as most used measurement tools are at a country level. There is a need to introduce innovative and multi-level measurement tools in institutional distance studies.

The arsenal of measurement tools in institutional theory, particularly the cultural aspect, is archaic and requires revision (Berry et al., 2010); Cuypers et al., 2018). These tools do not consider the evolving nature of culture. There is an opportunity to merge the body of literature in cultural distance studies with the social change literature. This can help to better understand the changes in the distances between two cultural frameworks and develop measurement tools to capture this evolution.

Whilst this research has delved into the South African context, there remains an opportunity to expand the contextual scope even further. Some additional insights may be generated in contexts such as Latin America. Some institutional peculiarities are pertinent to this context. One of these is the predominance of family-owned EMNEs compared to other regions such as Africa and Asia (Jackson & Deeg, 2019). The family ownership and the resultant cognitive habituality may have an impact on the ability of these EMNEs to reap the rewards of multiculturalism and absorb knowledge obtained from different institutional contexts.

Extant institutional theory is mainly studied from a national viewpoint. There is little focus on the impact of international institutions. These institutions are gaining more influence over the economic direction of countries in their domain. For instance, future studies could study the dyadic interplay between the national institutions of EU member countries, and the EU-wide regulatory institutions. In an ever-globalising world, international institutions will become more important for scholars and business leaders.

This research has not proven the hypothesised relationships. However, there are adequate literary nuggets for institutional, absorptive capacity, and knowledge transfer scholars. This has, hopefully, helped the institutional literature body of knowledge with a nudge towards precision and focus. This research has also, not contributed to the tautology and meta-theorising, but as is demonstrated in Figure 36, pointed scholars in the direction that can help the growth and eventual maturity of the discipline.

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9. APPENDICES

A: Ethics clearance

GIBS ETHICAL CLEARANCE APPLICATION FORM 2020

G. APPROVALS FOR/OF THIS APPLICATION

When the applicant is a student of GIBS, the applicant must please ensure that the supervisor and co-supervisor (where relevant) has signed the form before submission

STUDENT RESEARCHER/APPLICANT:

29. I affirm that all relevant information has been provided in this form and its attachments and that all statements made are correct.

Student Researcher's Name in capital letters:	LWANDO SANGCOZI
Date:	08 Aug 2020
Supervisor Name in capital letters:	DANÉEL VAN ECK
Date:	08 Aug 2020
Co-supervisor Name in capital letters:	
Date:	08 Aug 2020

Note: GIBS shall do everything in its power to protect the personal information supplied herein, in accordance to its company privacy policies as well the Protection of Personal Information Act, 2013. Access to all of the above provided personal information is restricted, only employees who need the information to perform a specific job are granted access to this information.

FOR DOCTORAL AND FACULTY/RESEARCH ASSOCIATE/STAFF MEMBER RESEARCH ONLY

Approved

REC comments:

Figure 37: Appendix A -Ethics clearance form

B: Sub-components of worldwide indicators of governance

B1: Control of corruption

Table 30: Appendix B - Control of corruption sub-components

Representative sources	Non-representative sources
Internal Causes of Political Risk : Mentality including xenophobia, nationalism, corruption, nepotism, willingness to compromise	Transparency / corruption
Indirect Diversion of Funds	How many elected leaders (parliamentarians or local councillors) do you think are involved in corruption?
Losses and Costs of Corruption	How many judges and magistrates do you think are involved in corruption?
Corruption	How many government officials do you think are involved in corruption?
Cronyism	How many border/tax officials do you think are involve d in corruption?
Government Efforts to Tackle Corruption	Anti-corruption
Public trust in financial honesty of politicians	How common is for firms to have to pay irregular additional payments to get things done
Diversion of public funds due to corruption is common	On average what percent of total annual sales do firms pay in unofficial payments to public officials
Frequent for firms to make extra payments connected to: import/export permits	How problematic is corruption for the growth of your business.
Frequent for firms to make extra payments connected to: public utilities	Frequency of bribery in taxes customs and judiciary
Frequent for firms to make extra payments connected to tax payments	Corruption
Frequent for firms to make extra payments connected to: awarding of public contracts	Frequency of corruption among political parties, government officials, parliament, media and judiciary
Frequency for firms to make extra payments connected to getting favourable judicial decisions	Frequency of household bribery
Extent to which firms' illegal payments to influence government policies impose costs on other firms	Anti-Corruption Agency
Is corruption in government widespread?	Accountability transparency and corruption in rural areas

Corruption. Measures corruption within the political system which distorts the economic and financial environment reduces the efficiency of government and business by enabling people to assume positions of power through patronage rather than ability and introduce s an inherently instability in the political system.	Have you heard of act s of corruption?
Corruption : This index assesses the intrusiveness of the country's bureaucracy. The amount of red tape likely to countered is assessed as is the likelihood of encountering corrupt officials and other groups.	Corruption Index
	Frequency of corruption among government officials
	Bribing and corruption exist in the economy

Source: Kaufmann et al. (2019)

B2: Government effectiveness

Table 31: Appendix B - Government effectiveness sub-components

Representative sources	Non-representative sources
Bureaucratic delays *	
Government Instability: An increase in government personnel turnover rate at senior levels that reduces the GDP growth rate by 2% during any 12-month period.	Management of public debt
Government Ineffectiveness: A decline in government personnel quality at any level that reduces the GDP growth rate by 1% during any 12-month period.	Policies to improve efficiency of public sector
Institutional Failure: A deterioration of government capacity to co pe with national problems as a result of institutional rigidity that reduces the	Revenue Mobilization
GDP growth rate by 1% during any 12-month period	Budget Management
Global E-government	Government handling of water and sanitation services
Quality of bureaucracy *	Government handling of roads and bridges
Excessive bureaucracy / red tape *	Government handling of electricity supply
Quality of general infrastructure	Government handling of health services
Quality of public schools	Government handling of education services
Satisfaction with public transportation system	Civil service
Satisfaction with roads and highways	Revenue Mobilisation and Budget Management
Satisfaction with education system	Management and Efficiency of Public Expenditures
Government-citizen relations	How problematic are telecommunications for the growth of your business
Capacity of the tax administration to implement measures decided on *	How problematic is electricity for the growth of your business.
Quality of the supply of public goods: education and basic health	How problematic is transportation for the growth of your business.
Capacity of the political authorities	Consensus Building

Bureaucratic Quality. Measures institutional strength and quality of the civil service, assesses how much strength and expertise bureaucrats have and how able they are to manage political alternations without drastic interruptions in government services	Governance Capability
Policy consistency and forward planning: How confident businesses can be of the continuity of economic policy stance - whether a change of government will entail major policy disruption and whether the current government has pursued a coherent strategy.*	Effective Use of Resources
Bureaucracy: An assessment of the quality of the country's bureaucracy. The better the bureaucracy the quicker decisions are made, and the more easily foreign investors can go about their business.	Management of external debt
	Quality public Administration
	Revenue Mobilization
	Budget Management
	Allocation & management of public resources for rural development
	Trust in Government
	Government economic policies do not adapt quickly to changes in the economy
	The public service is not independent from political interference
	Government decisions are not effectively implemented
	Bureaucracy hinders business activity
	The distribution infrastructure of goods and services is generally inefficient
	Policy direction is not consistent

Source: Kaufmann et al. (2019)

B3: Political stability and absence of violence

Table 32: Table 31: Appendix B - Political stability and absence of violence sub-components

Representative Sources
Fractionalization of political spectrum and the power of these factions.
Fractionalization by language ethnic and/or religious groups and the power of these factions.
Restrictive (coercive) measures required to retain power.
Organisation and strength of force s for a radical government.
Societal conflict involving demonstrations strikes and street violence
Instability as perceived by non-constitutional changes assassinations and guerrilla wars.
Military Coup Risk
Major Insurgency/Rebellion
Political Terrorism
Political Assassination
Civil War
Major Urban Riot
Armed conflict
Violent demonstrations
Social Unrest
International tensions
Autonomy and Separatism
Civil Unrest
State of Emergency / Martial Law
Active Terrorist Groups in the Last Two Years
Country terrorist threat: Does the threat of terrorism in the country impose significant costs on firms?
Frequency of political killings
Frequency of disappearances
Frequency of torture

Security Risk Rating

Conflicts of ethnic religious and regional nature.

Violent actions by underground political organisations

Violent social conflicts

External public security

Internal Conflict: Assesses political l violence and its influence on governance.

External conflict: The external conflict measure is an assessment both of the risk to the incumbent government and to inward investment.

Government Stability. Measures the government's ability to carry out its declared programs and its ability to stay in office.

Ethnic tensions: This component measures the degree of tension within a country attributable to racial nationality or language divisions.

Political Terror Scale

Civil unrest: How widespread political unrest is and how great a threat it poses to investors. Demonstrations in themselves may not be cause for concern but they will cause major disruption if they esca late into severe violence. At the extreme this fact or would amount to civil war.

Terrorism: Whether the country suffers from a sustained terrorist threat and from how many sources. The degree of localization of the threat is assessed and whether the active groups are likely to target or affect businesses.

Non-representative Sources

Civil tensions

Risk of political instability

Source: Kaufmann et al. (2019)

B4: Regulatory quality

Table 33: Table 31: Appendix B - Regulatory quality sub-components

Representative sources	Non-representative sources
Export Regulations	Trade policy
Import Regulations	Competitive environment
Other Regulation burdens	Labour Market Policies *
Restrictions on ownership of Business by Non-Residents	Trade Policy and Forex Regime
Restrictions on ownership of equity by Non-Residents	Enabling Environment for Private Sector Development
Unfair competitive practices	How problematic are labour regulations for the growth of your business.
Price controls	How problematic are tax regulations for the growth of your business.
Discriminatory tariffs	How problematic are custom and trade regulations for the growth of your business.
Excessive protections	Competition
Stock Exchange / Capital Markets	Price Stability
Foreign Investment	Competitive environment
Administrative regulations are burdensome	Trade policy
Tax system is distortionary	Price liberalization
Import barriers as obstacle to growth	Trade & foreign exchange systems
Competition in local market is limited	Competition policy
Anti-monopoly policy is lax and ineffective	Enabling conditions for rural financial service s development
Environmental regulations hurt competitiveness	Investment climate for rural businesses
Complexity of tax System *	Access to agricultural input and produce markets
Easy to start company *	Access to capital markets (foreign and domestic) is easily available *
Foreign investment	Ease of Doing Busines
Banking / finance *	Banking regulation does not hinder competitiveness *
Wage/Prices *	Competition legislation in your country does not prevent unfair competition
Administrative business start-up formalities	Customs' authorities do not facilitate the efficient transit of goods
Administered price s and market prices	Financial institutions' transparency is not widely developed in your country

Competition: productive sector: ease of market entry for new firms	Easy to start company
Competition between businesses: competition regulation arrangements	Foreign investors are free to acquire control in domestic companies
Investment Profile.	Price controls affect pricing of products in most industries
Tax Effectiveness: How efficient the country's tax collection system is. *	Public sector contracts are sufficiently open to foreign bidders
Legislation: An assessment of whether the necessary business laws are in place.	Real corporate taxes are non-distortionary *
	Real personal taxes are non-distortionary *
	The legal framework is detrimental to your country' s competitiveness
	Protectionism in your country negatively affects the conduct of business in your country
	Labour regulations hinder business activities *
	Subsidies impair economic development

Source: Kaufmann et al. (2019)

B5: Rule of law

Table 34: Appendix B – Rule of law sub-components

Representative sources	Non-representative sources
Enforceability of contracts *	Property Rights *
Direct Financial Fraud Money Laundering and Organized Crime	AFR Base d on your experiences how easy or difficult is it to obtain help from the police when you need it?
Losses and Costs of Crime	Over the past year how often if ever have you or anyone in your family feared crime in your own home?
Kidnapping of Foreigners	Over the past year how often if ever have you or anyone in your family had something stolen from your house?
Enforceability of Government Contracts	Over the past year how often if ever have you or anyone in your family been physically attacked?
Enforceability of Private Contracts	Trust in courts
Violent crime	Rule of Law
Organized crime	Fairness, honesty, enforceability and quickness of the court system
Fairness of judicial process	How problematic is crime for the growth of your business.
Enforceability of contracts	How problematic is judiciary for the growth of your business.
Speediness of judicial process	Parallel economy impairs economic development in your country
Confiscation/expropriation	Private Property
Nationalisation / Expropriation	Patent and copyright protect ion is not adequately enforced in your country *
Common crime imposes costs on busines s	Property rights
Organize d crime imposes costs on business	Judicial Framework and Independence
Quality of Police	Executive Accountability
The judiciary is independent from political influence s of members of government	Judicial Accountability
Legal framework to challenge the legality of government actions is inefficient	Rule of Law
Intellectual Property protection is weak	Law Enforcement
Protection of financial assets is weak	Access to land
Tax evasion	Access to water for agriculture
GWP Confidence in the police force	Trust in Judiciary
Confidence in judicial system	Trust in Police

Have you been a victim of crime?	Have you been a victim of crime?
Property Rights	Trust in Justice
HUM Independence of Judiciary	Trust in Police
Respect for law in relations between citizens and the administration	Trust in Supreme Court
Security of persons and goods	Have you been a victim of crime?
Organised criminal activity (drug-trafficking, arms trafficking etc.)	Tax evasion is a common practice in your country
Importance of the informal economy	Justice is not fairly administered in society
Importance of tax evasion in the formal sect or	Personal security and private property are not adequately protected
Importance of customs evasion (smuggling under-declaration etc.)	
Running of the justice system	
Security of traditional property rights	
Security of property rights: formal property rights	
Security of contracts between private agents	
Government respect for contracts	
Settlement of economic disputes: justice in commercial matters	
Intellectual property	
Arrangements for the protection of intellectual property	
Agricultural sector: security of rights and property transact ions	
Law and Order. The Law sub-component is an assessment of the strength and impartiality of the legal system while the other sub-component is an assessment of popular observance of the law (assessed separately).	

Source: Kaufmann et al. (2019)

B6: Voice and accountability

Table 35: Appendix B – Voice and accountability sub-components

Representative sources	Non-representative sources
Orderly transfers	Elections are free and fair
Vested interests	Satisfaction with democracy
Accountability of Public Officials	Trust in Parliament
Human Rights	Stateness
Freedom of association	Political Participation
Democracy Index	Institutional Stability
Civil liberties: Freedom of speech assembly, demonstration, religion, equal opportunity and excessive government intervention	Political and Social Integration
Political Rights : free and fair elect ions representative legislature, free to vote for political parties, no dominant forces, respect for minorities	Civil Liberties
Freedom of the Press	Accountability and public voice
Military Involvement in Politics	Civil Society Organizations
Inclusiveness / Patronage	Media
Religious Freedom	Public Ac cess to Information
Opposition to the government	Voting & Citizen Participation
Newspapers can publish stories of their choosing without fear of censorship or retaliation	Election Integrity
When deciding upon policies and contracts, government officials favour well-connected firms	Political Financing
Effectiveness of national Parliament/Congress as a law making and oversight institution	Policy and legal framework for rural organizations
Passive voice	Dialogue between government and rural organizations
Confidence in honesty of elections	Satisfaction with democracy
Travel: domestic and foreign travel restrictions	Trust in Parliament
Freedom of political participation	Media Sustainability Index
Imprisonments: Are there any imprisoned people because of their ethnicity, race, or their political or religious beliefs?	Open Budget Index

Government censorship

Political rights and functioning of political institutions

Freedom of the press

Freedom of association

Freedom of assembly and demonstration

Respect for minorities (ethnic, religious, linguistic etc)

Transparency of public action in the economic field

Transparency of economic policy (fiscal, taxation, monetary exchange etc)

Award of public procurement contracts and delegation of public service

Free movement of persons information etc

Military in Politics The military are not elected by anyone so their participation in government either direct of indirect, reduces accountability and therefore represents a risk. The threat of military intervention might lead as well to an anticipated potentially inefficient change in policy or even in government.

Democratic Accountability. Quantifies how responsive government is to its people on the basis that the less response there is the more likely is that the government will fall, peace fully or violently. It includes not only if free and fair elect ions are in place but also how likely is the government will remain in power.

Press Freedom Index

Institutional permanence: An assessment of how mature and well-established the political system is.

Representativeness :How well the population and organized interests can make their voices heard in the political system

Trust in Parliament

Satisfaction with democracy

Transparency of Government policy

Source: Kaufmann et al. (2019)

C: Wu et al. (2016)'s conceptual model and hypotheses

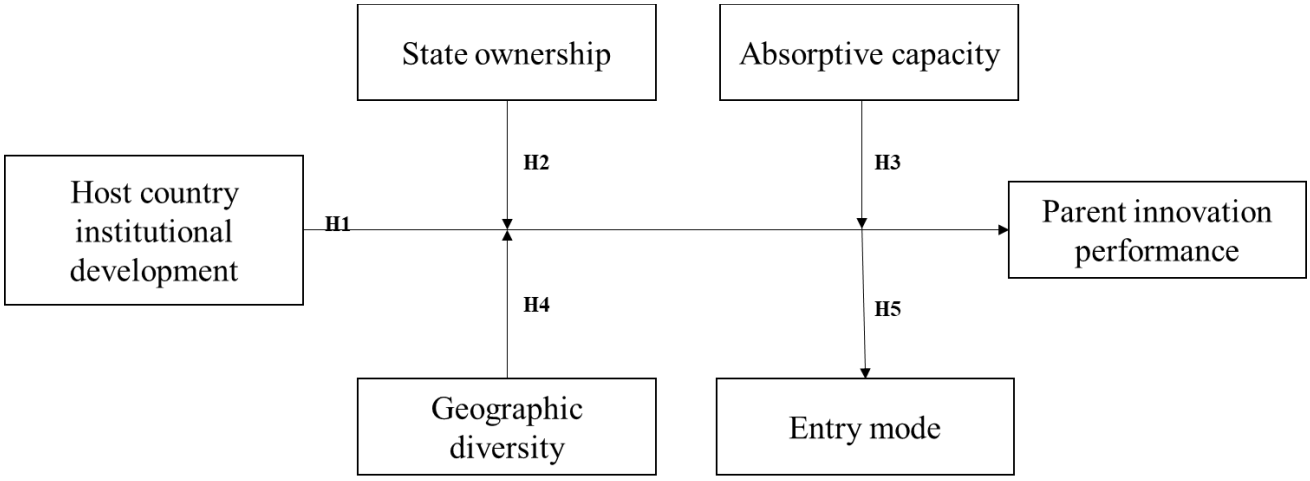

Figure 38: Appendix C - Wu et al. (2016) conceptual model

Table 36: Appendix C - Wu et al. (2016) hypotheses

Hypothesis		Result
H1	The stronger the institutional development of the host countries in which an EME's portfolio of subsidiaries operates, the higher innovation performance of its parent.	Null hypothesis rejected
H2	An EME's level of state ownership negatively moderates the effect of host-country institutional development on innovation performance of its parent.	Null hypothesis rejected
H3	An EME's absorptive capacity positively moderates the effect of the host-country institutional development on innovation performance of its parent	Null hypothesis rejected
H4	The higher the level of an EME's geographic diversity of its foreign subsidiaries, the greater the positive effect of the host country institutional development on innovation performance of its parent.	Null hypothesis rejected
H5	The positive effect of the host-country institutional development on its innovation performance of the parent firm will be stronger when the foreign subsidiary is a joint venture than when it is a wholly owned subsidiary.	Null hypothesis not rejected

D: Measurement models

D1: Institutional distance

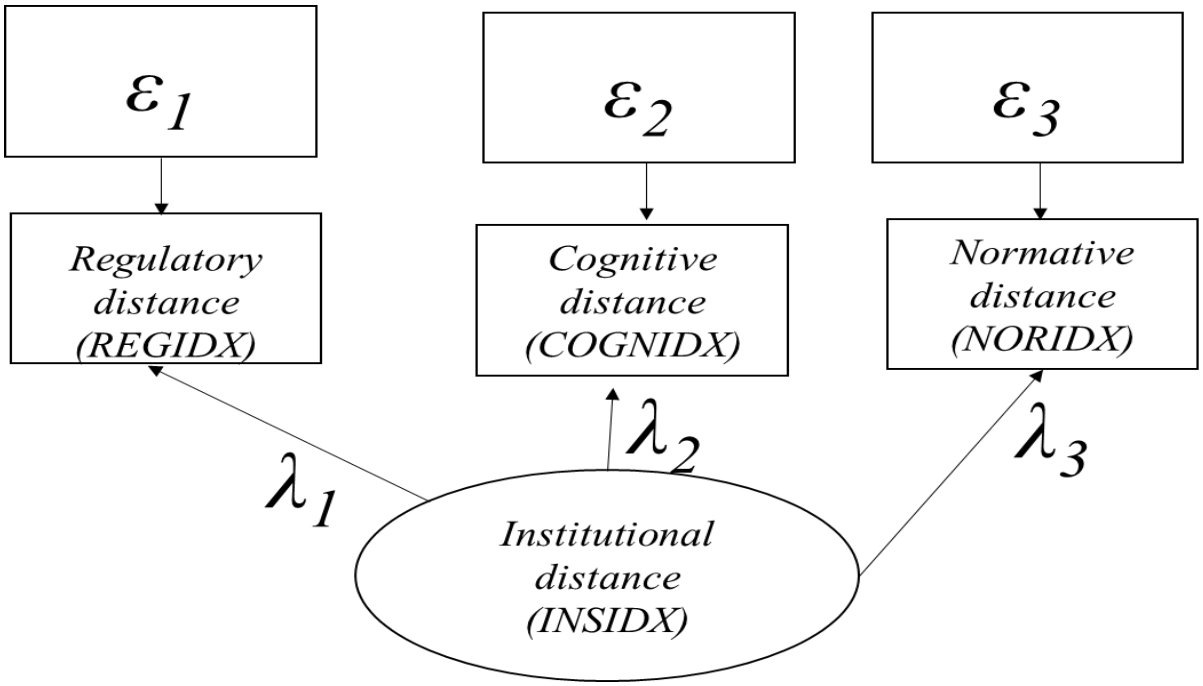

Figure 39: Appendix D - Institutional distance measurement model

Where:

Symbol	***Meaning***
t	Target country
s	South Africa
y	Announcement year of the CBA
INSIDX	Institutional distance between the target country and South Africa in the announcement year of the CBA
REGIDX	Regulatory distance between the target country and South Africa in the announcement year of the CBA
COGIDX	Cognitive distance between the target country and South Africa
NORIDX	Normative distance between the target country and South Africa in the announcement year of the CBA

Adapted from Edwards (2011)

D2: Regulatory distance

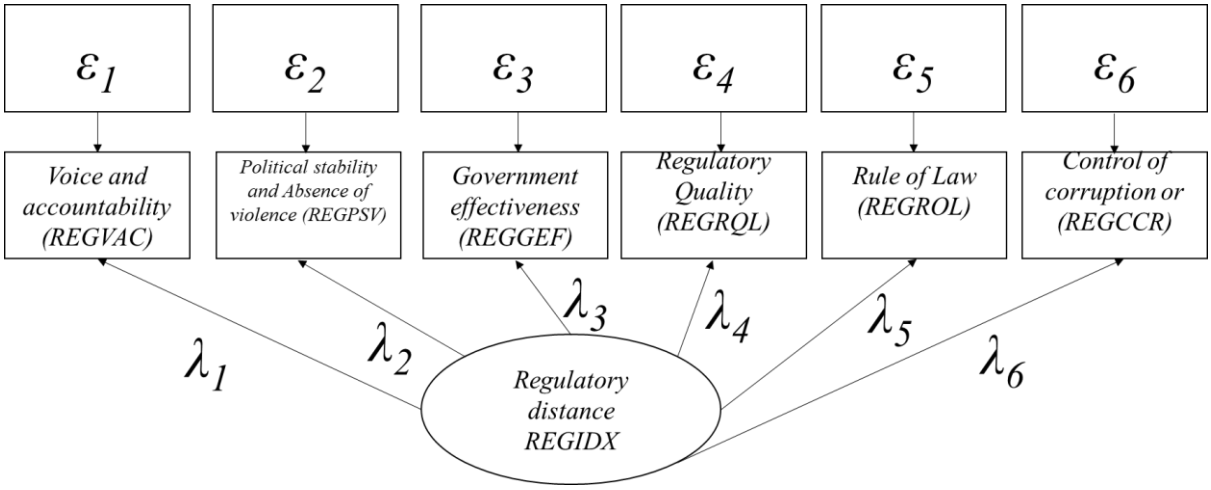

Figure 40: Appendix D - Regulatory distance measurement model

Where:

Symbol	***Meaning***
REGIDX	Latent variable – regulatory distance between the target nation and South Africa
λ_1	The contribution of voice and accountability to regulatory distance
λ_2	The contribution of political stability and absence of violence to regulatory distance
λ_3	The contribution of effective government to regulatory distance
λ_4	The contribution of regulatory quality to regulatory distance
λ_5	The contribution of rule of law to regulatory distance
λ_6	The contribution control of quality to regulatory distance
ε	Error term

Adapted from Edwards (2011)

D3: Normative distance

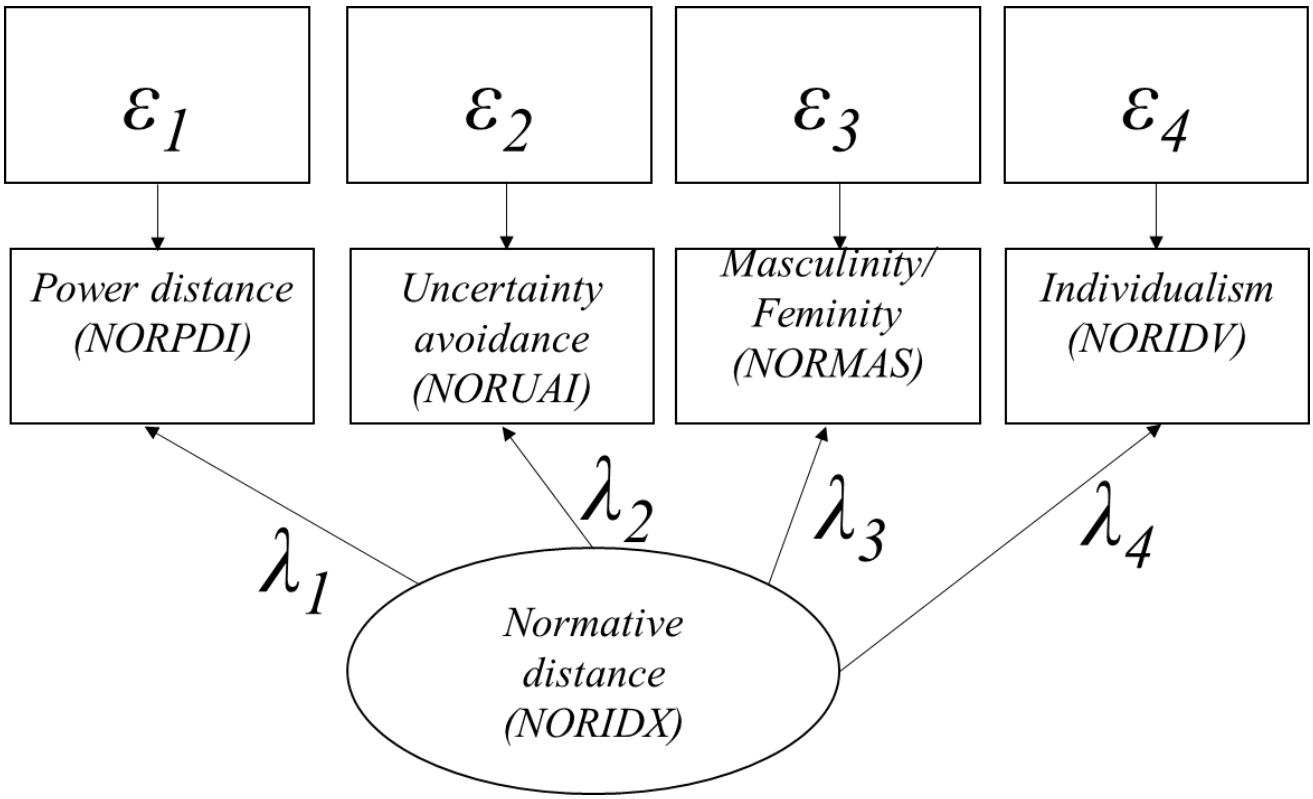

Figure 41: Appendix D - Normative distance measurement model

Where:

Symbol	***Meaning***
NORIDX	Latent variable – normative distance between the target nation and South Africa
λ_1	The contribution of power distance to normative distance
λ_2	The contribution of uncertainty avoidance to normative distance
λ_3	The contribution of masculinity/feminity to normative distance
λ_4	The contribution of individualism to normative distance
λ_5	The contribution of rule of law to regulatory distance
λ_6	The contribution control of quality to regulatory distance
ε	Error term

Adapted from Edwards (2011)

E: HTMT model

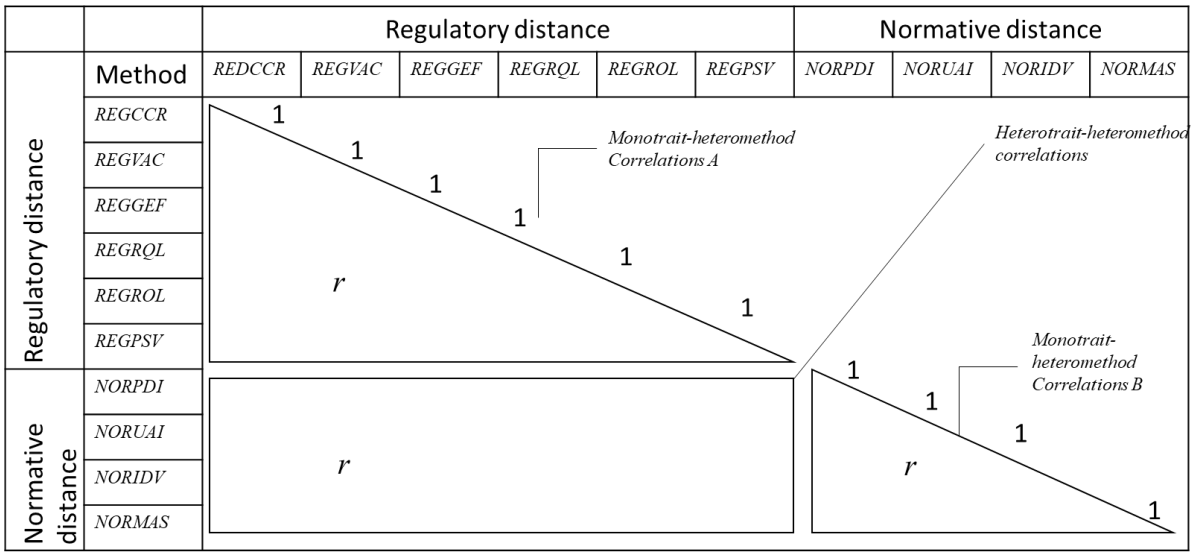

Figure 42: Appendix E - HTMT model (Hair et al., 2017)

F: Patent data source comparisons

Table 37: Appendix F - Patent data source comparisons

Database	Source	Script	Results
USPTO	http://patft.uspto.gov/	AACO/ZA AND APD/20030101->20183112, where AACO = Applicant country, ZA=South Africa and APD = Application date	1 356
WIPO PATENTSCOPE	https://patentscope.wipo.int/	AADC:(za) AND AD:([01.01.2003 TO 31.12.2018]), where AADC = Applicant country, ZA=South Africa and AD = Application date	6 137
CIPC	https://iponline.cipc.co.za/	Application date (2003-01-01 to 2018-12-31) and Patent type = National	60 632

G: List of deals by acquirer and target

Table 38: Appendix G - List of deals used in the population (Refinitiv, 2020)

#	Deal number	Target name	Acquirer name
1	2827171040	Tradeway (Shipping) Ltd	Santova Ltd
2	2819432040	Extreme Digital	Steinhoff International Holdings Ltd
3	2796836040	Jet-freight Services Ltd	Santova Administration Services (Pty) Ltd
4	1942876020	Golden Cycle Gold Corp	AngloGold Ashanti Ltd
5	2207470040	NV Organon-Active Pharmaceutical Ingredients Manufacturing B	Aspen Pharmacare Holdings Ltd
6	2726694040	Gladstone Investments Holdings Ltd	Texton Property Fund Ltd
7	2514347040	Nestle SA-Infant Nutritional Business,Australia	Texton Property Fund Ltd
8	1705626040	Budget Biludlejning	Barloworld Ltd
9	2695692040	Masterfreight Internationale Spedition GmbH	Santova Ltd
10	1874258020	Carotek Inc-Information Technology Division	Datatec Ltd
11	2683699040	E-File Masters LLC	Metrofile Holdings Ltd
12	2680560040	Four Capital Partners Ltd	Sanlam International Investment Partners Ltd
13	2513226040	Burn Stewart Distillers Ltd	Distell Group Ltd
14	2653503040	San Francisco Investment SA	Sun International Ltd
15	2626868040	David Jones Ltd	Woolworths Holdings Ltd
16	2514781040	Barrick Gold Corp-Yilgarn South Assets	Gold Fields Ltd
17	2580410040	Labour Solutions Australia	Adcorp Holdings Ltd
18	2577389040	Wesco China Ltd	Sasol Holdings(Asia Pacific)Ltd
19	1713535040	Bolivar Gold Corp	Gold Fields Ltd
20	1666861020	Seaboard Corp-Third Party Commodity Trading Operations	Grindrod Ltd
21	2568831040	The Mansfield Group	The Bidvest Group Ltd
22	2075936040	Orchard Industrial Property Fund	Growthpoint Properties Ltd
23	2535414040	Store Pty Ltd	Pepkor Holdings (Pty) Ltd
24	1839997040	African Platinum PLC	Impala Platinum Holdings Ltd
25	2689550040	Imres BV	Imperial Holdings Ltd
26	2497150040	Orwell Truck & Van Ltd	Imperial Holdings Ltd
27	2476892040	Paxus Australia Pty Ltd	Adcorp Holdings Ltd
28	2112986020	Midas Inc	Imperial Holdings Ltd
29	2151351040	Nordenia International AG	Mondi Ltd
30	1736410040	Lex Auto Logistics	Imperial Holdings Ltd
31	2350354040	Stadia Fund Management Ltd	PBT Group Ltd
32	2343884040	SetOne GmbH	Allied Technologies Ltd
33	2397067040	SC Rombat SA	Metair International Holdings Cooperatief
34	2337999040	Deli Meals	The Bidvest Group Ltd
35	2289577040	Abra SA	Steinhoff Africa Holdings (Pty) Ltd
36	2270688040	The Dubai Mall Medical Center, The Meadows Clinic,The Arabian Ranches	Medi-Clinic Corp Ltd

#	Deal number	Target name	Acquirer name
37	2185816040	Sigma Pharmaceuticals Ltd- Pharmaceutical Division	Aspen Pharmacare Holdings Ltd
38	2185930040	Associated Bunker Oil Contractors	Grindrod Ltd
39	1911990040	Gadu-Gadu SA	Naspers Ltd
40	2129924040	Amphibious Container Leasing Ltd-Container Fleet Assets	Textainer Equipment Management NV(Textainer)
41	2114202040	Datastor(NZ)Ltd	Datatec Ltd
42	2220302040	KSNET Inc	Net 1 UEPS Technologies Inc
43	2190798040	SterilPlus Ltd	Netcare Ltd
44	2753922020	Daybrook Fisheries Inc	Oceana Group Ltd
45	2736188040	Vaucluse Diffusion SA	Pepkor Holdings (Pty) Ltd
46	2438499040	Harris Scarfe Pty Ltd	Pepkor Holdings (Pty) Ltd
47	2054411040	Pernod Ricard SA-Bisquit Cognac Brand	Distell Group Ltd
48	2027000040	Burbage Ironcraft Ltd	Argent Industrial Ltd
49	1926263040	Global Trader Ltd	Purple Capital Ltd
50	2015820040	M-real Corp-Coated Graphic Paper Business	Sappi Ltd
51	2132372040	Ciref Plc	Redefine Income Fund Ltd
52	2007991040	Gateway Telecommunications PLC	Vodacom Group(Pty)Ltd
53	2007823040	BGS Smartcard Systems AG	Net 1 UEPS Technologies Inc
54	2026493040	Compass Glass Ltd	Mazor Group Ltd
55	2031254040	Buckles Investment Services Ltd	Sanlam Ltd
56	1952772040	Principal Investment Holdings Ltd	Sanlam Ltd
57	2026487040	Independent Glass Co Ltd	Mazor Group Ltd
58	2025797040	McGregor Customs Pty Ltd	Santova Logistics Ltd
59	2015823040	CN Papiervertriebs GmbH	Sappi Ltd
60	2350231040	Kaddy Plus Supermarkets(2)	Shoprite Holdings Ltd
61	2520003040	Rabban Readymix WLL	Stefanutti Stocks Holdings Ltd
62	2515048040	kika Moebelhandelsges mbH, Rudolf Leiner GmbH	Steinhoff International Holdings Ltd
63	1877181040	Angliss Hong Kong Food Service Ltd	The Bidvest Group Ltd
64	2011762040	Conforama SA	Steinhoff International Holdings Ltd
65	1857694040	Crane Telecommunications Group Ltd	Datatec Ltd
66	1844143040	Wimpy Restaurants Group Ltd	Famous Brands Ltd
67	2757986040	Chobe Investment Holdings Ltd	Texton Property Fund Ltd
68	2757999040	Chevelon Investment Holdings Ltd	Texton Property Fund Ltd
69	1817839040	CSF Solutions Ltd	Datatec Ltd
70	1817841040	CSF Managed Services PLC-Tier III Data Centre	Datatec Ltd
71	2757993040	Zeya Investment Holdings Ltd	Texton Property Fund Ltd
72	2654868040	DAC Distribuzione Alimentari Convenienze SpA	The Bidvest Group Ltd
73	2355122040	UAB Nowaco Lietuva	The Bidvest Group Ltd
74	1736409040	Lex Commercials Ltd	Imperial Holdings Ltd
75	2252665040	Seafood Holdings Ltd	The Bidvest Group Ltd
76	1736413040	Lex Fleetserve	Imperial Holdings Ltd
77	1736416040	Lex Defence Ltd	Imperial Holdings Ltd
78	2096141040	NOWACO Czech Republic sro	The Bidvest Group Ltd
79	2096142040	Farutex Sp zoo	The Bidvest Group Ltd

#	Deal number	Target name	Acquirer name
80	1705629040	Avis Biludlejning	Barloworld Ltd
81	1877177040	Angliss Singapore Pte Ltd	The Bidvest Group Ltd
82	1605861040	Deli XL BV	The Bidvest Group Ltd
83	1877191040	Angliss China Ltd	The Bidvest Group Ltd
84	2716151040	Poppy Holdco Ltd	The Foschini Group Ltd
85	1662361040	SMB Fleet Management Pty Ltd	Super Group Ltd
86	1656757040	Ford Motor Co-Ford Dealerships,Sydney(9)	Imperial Holdings Ltd

Source: Refinitiv (2020)

H: Regulatory distances between target nation and South Africa by deal announcement year

Table 39: Appendix H - Detailed regulatory distance by per deal

#	Deal number	Target nation	Year	CCR	GEF	PSV	RQL	ROL	VAC
1	2827171040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
2	2819432040	Hungary	2015	0.12	0.21	0.96	0.49	0.31	-0.09
3	2796836040	Mauritius	2015	0.27	0.77	1.21	0.81	0.77	0.18
4	1942876020	United States	2008	1.24	1.1	0.54	1.03	1.57	0.57
5	2207470040	Netherlands	2013	2.12	1.35	1.19	1.35	1.68	0.97
6	2726694040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
7	2514347040	Australia	2013	1.86	1.2	1.08	1.38	1.62	0.84
8	1705626040	Denmark	2005	1.72	1.48	1.24	0.95	1.83	1.09
9	2695692040	Germany	2014	1.9	1.39	1.07	1.42	1.67	0.79
10	1874258020	United States	2007	1.14	1.18	0.16	1	1.53	0.53
11	2683699040	United Arab Emirates	2014	1.27	1.09	0.92	0.7	0.47	-1.7
12	2680560040	United Kingdom	2014	1.8	1.29	0.56	1.54	1.71	0.63
13	2513226040	United Kingdom	2013	1.77	1.06	0.53	1.35	1.55	0.73
14	2653503040	Chile	2014	1.55	0.82	0.59	1.21	1.25	0.41
15	2626868040	Australia	2014	1.91	1.27	1.18	1.58	1.74	0.72
16	2514781040	Australia	2013	1.86	1.2	1.08	1.38	1.62	0.84
17	2580410040	Australia	2013	1.86	1.2	1.08	1.38	1.62	0.84
18	2577389040	Hong Kong	2013	1.71	1.31	0.97	1.51	1.42	0.12
19	1713535040	Canada	2006	1.51	1.45	0.99	0.88	1.56	0.76
20	1666861020	United States	2005	0.98	0.89	0.1	0.9	1.42	0.65
21	2568831040	United Kingdom	2013	1.77	1.06	0.53	1.35	1.55	0.73
22	2075936040	Australia	2009	1.87	1.23	0.97	1.41	1.62	0.81
23	2535414040	Australia	2013	1.86	1.2	1.08	1.38	1.62	0.84
24	1839997040	United Kingdom	2007	1.49	1.18	0.36	1.38	1.64	0.76
25	2689550040	Netherlands	2014	2.05	1.48	1.19	1.48	1.8	0.91
26	2497150040	United Kingdom	2013	1.77	1.06	0.53	1.35	1.55	0.73
27	2476892040	Australia	2013	1.86	1.2	1.08	1.38	1.62	0.84
28	2112986020	United States	2009	1.11	1.03	0.56	0.99	1.47	0.53
29	2151351040	Germany	2012	1.95	1.25	0.8	1.15	1.55	0.81
30	1736410040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73
31	2350354040	Ireland	2012	1.58	1.2	0.97	1.19	1.62	0.74
32	2343884040	Germany	2011	1.68	1.15	0.82	1.15	1.46	0.76
33	2397067040	Romania	2012	-0.15	-0.66	0.11	0.17	-0.07	-0.26
34	2337999040	Chile	2011	1.47	0.84	0.43	1.05	1.21	0.48

#	Deal number	Target nation	Year	CCR	GEF	PSV	RQL	ROL	VAC
35	2289577040	Poland	2011	0.5	0.22	1.05	0.52	0.61	0.44
36	2270688040	United Arab Emirates	2011	1.02	0.65	0.89	0.04	0.35	-1.49
37	2185816040	Australia	2011	1.98	1.29	0.91	1.45	1.59	0.86
38	2185930040	Netherlands	2010	2.01	1.34	0.97	1.37	1.68	0.85
39	1911990040	Poland	2007	0.05	-0.08	0.47	0.28	0.33	0.3
40	2129924040	United Kingdom	2009	1.45	1.03	0.23	1.18	1.61	0.73
41	2114202040	New Zealand	2009	2.21	1.37	1.18	1.42	1.81	0.91
42	2220302040	South Korea	2010	0.34	0.81	0.36	0.57	0.86	0.14
43	2190798040	United Kingdom	2010	1.47	1.18	0.44	1.37	1.62	0.69
44	2753922020	United States	2015	1.37	1.17	0.89	0.98	1.51	0.46
45	2736188040	France	2015	1.28	1.14	0.32	0.85	1.33	0.56
46	2438499040	Australia	2012	2.1	1.28	1.02	1.4	1.66	0.92
47	2054411040	France	2009	1.26	1	0.63	0.81	1.33	0.67
48	2027000040	United Kingdom	2009	1.45	1.03	0.23	1.18	1.61	0.73
49	1926263040	United Kingdom	2007	1.49	1.18	0.36	1.38	1.64	0.76
50	2015820040	Finland	2008	2.13	1.54	1.4	1.11	1.85	0.89
51	2132372040	Jersey	2010	1.47	1.18	0.44	1.37	1.62	0.69
52	2007991040	United Kingdom	2008	1.47	1.13	0.44	1.29	1.64	0.75
53	2007823040	Austria	2008	1.63	1.27	1.29	1.11	1.85	0.78
54	2026493040	United Kingdom	2008	1.47	1.13	0.44	1.29	1.64	0.75
55	2031254040	United Kingdom	2008	1.47	1.13	0.44	1.29	1.64	0.75
56	1952772040	United Kingdom	2008	1.47	1.13	0.44	1.29	1.64	0.75
57	2026487040	United Kingdom	2008	1.47	1.13	0.44	1.29	1.64	0.75
58	2025797040	Australia	2008	1.83	1.28	0.91	1.27	1.7	0.79
59	2015823040	Germany	2008	1.55	1.01	0.9	0.99	1.67	0.76
60	2350231040	Mauritius	2011	0.48	0.47	0.92	0.43	0.75	0.2
61	2520003040	Qatar	2013	1.18	0.62	1.26	0.33	0.8	-1.58
62	2515048040	Austria	2013	1.62	1.15	1.41	1.07	1.69	0.86
63	1877181040	Hong Kong	2007	1.67	1.4	0.89	1.49	1.43	-0.1
64	2011762040	France	2011	1.47	0.95	0.58	0.75	1.29	0.58
65	1857694040	United Kingdom	2007	1.49	1.18	0.36	1.38	1.64	0.76
66	1844143040	United Kingdom	2007	1.49	1.18	0.36	1.38	1.64	0.76
67	2757986040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
68	2757999040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
69	1817839040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73
70	1817841040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73
71	2757993040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
72	2654868040	Italy	2014	0.03	0.03	0.6	0.35	0.19	0.36
73	2355122040	Lithuania	2011	0.27	0.3	0.65	0.52	0.62	0.27
74	1736409040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73

#	Deal number	Target nation	Year	CCR	GEF	PSV	RQL	ROL	VAC
75	2252665040	United Kingdom	2010	1.47	1.18	0.44	1.37	1.62	0.69
76	1736413040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73
77	1736416040	United Kingdom	2006	1.34	1.23	0.62	1.16	1.53	0.73
78	2096141040	Czech Republic	2009	0.2	0.4	1.02	0.9	0.84	0.46
79	2096142040	Poland	2009	0.26	0.05	1.05	0.54	0.5	0.46
80	1705629040	Denmark	2005	1.72	1.48	1.24	0.95	1.83	1.09
81	1877177040	Singapore	2007	1.99	1.91	0.96	1.32	1.52	-0.94
82	1605861040	Netherlands	2005	1.4	1.3	1.15	0.95	1.65	1.02
83	1877191040	Hong Kong	2007	1.67	1.4	0.89	1.49	1.43	-0.1
84	2716151040	United Kingdom	2015	1.85	1.45	0.73	1.57	1.72	0.65
85	1662361040	Australia	2005	1.38	1.11	1.06	0.9	1.61	0.86
86	1656757040	Australia	2005	1.38	1.11	1.06	0.9	1.61	0.86

Where:

Heading	***Meaning***
CCR	Control of corruption
GEF	Government effectiveness
PSV	Political stability and absence of violence
RQL	Regulatory quality
ROL	Rule of law
VA	Voice and accountability

I: Normative distances between target nation and South Africa on the four dimensions of culture

Table 40: Appendix I - Detailed normative distance per deal

#	Deal number	Target nation	IDV	MAS	PDI	UAI
1	2827171040	United Kingdom	1.06	0.02	0.43	0.37
2	2819432040	Hungary	0.41	1.68	0.02	2.05
3	2796836040	Mauritius	2.65	1.3	0.5	0.02
4	1942876020	United States	1.24	-	0.18	0.02
5	2207470040	Netherlands	0.41	6.46	0.27	0.03
6	2726694040	United Kingdom	1.06	0.02	0.43	0.37
7	2514347040	Australia	1.15	0.01	0.27	0.01
8	1705626040	Denmark	0.15	5.95	2.13	1.27
9	2695692040	Germany	0.01	0.02	0.43	0.48
10	1874258020	United States	1.24	-	0.18	0.02
11	2683699040	United Arab Emirates	1.34	0.27	2.13	0.68
12	2680560040	United Kingdom	1.06	0.02	0.43	0.37
13	2513226040	United Kingdom	1.06	0.02	0.43	0.37
14	2653503040	Chile	3.24	3.3	0.43	2.58
15	2626868040	Australia	1.15	0.01	0.27	0.01
16	2514781040	Australia	1.15	0.01	0.27	0.01
17	2580410040	Australia	1.15	0.01	0.27	0.01
18	2577389040	Hong Kong	2.94	0.1	0.8	0.75
19	1713535040	Canada	0.41	0.33	0.22	-
20	1666861020	United States	1.24	-	0.18	0.02
21	2568831040	United Kingdom	1.06	0.02	0.43	0.37
22	2075936040	Australia	1.15	0.01	0.27	0.01
23	2535414040	Australia	1.15	0.01	0.27	0.01
24	1839997040	United Kingdom	1.06	0.02	0.43	0.37
25	2689550040	Netherlands	0.41	6.46	0.27	0.03
26	2497150040	United Kingdom	1.06	0.02	0.43	0.37
27	2476892040	Australia	1.15	0.01	0.27	0.01
28	2112986020	United States	1.24	-	0.18	0.02
29	2151351040	Germany	0.01	0.02	0.43	0.48
30	1736410040	United Kingdom	1.06	0.02	0.43	0.37
31	2350354040	Ireland	0.05	0.07	0.98	0.37
32	2343884040	Germany	0.01	0.02	0.43	0.48
33	2397067040	Romania	2.25	1.19	3.72	3.16
34	2337999040	Chile	3.24	3.3	0.43	2.58
35	2289577040	Poland	0.05	-	0.8	3.64

#	Deal number	Target nation	IDV	MAS	PDI	UAI
36	2270688040	United Arab Emirates	1.34	0.27	2.13	0.68
37	2185816040	Australia	1.15	0.01	0.27	0.01
38	2185930040	Netherlands	0.41	6.46	0.27	0.03
39	1911990040	Poland	0.05	-	0.8	3.64
40	2129924040	United Kingdom	1.06	0.02	0.43	0.37
41	2114202040	New Zealand	0.36	0.07	1.61	-
42	2220302040	South Korea	4.06	1.55	0.27	2.44
43	2190798040	United Kingdom	1.06	0.02	0.43	0.37
44	2753922020	United States	1.24	-	0.18	0.02
45	2736188040	France	0.07	1.08	0.8	2.58
46	2438499040	Australia	1.15	0.01	0.27	0.01
47	2054411040	France	0.07	1.08	0.8	2.58
48	2027000040	United Kingdom	1.06	0.02	0.43	0.37
49	1926263040	United Kingdom	1.06	0.02	0.43	0.37
50	2015820040	Finland	0.01	3.68	0.57	0.19
51	2132372040	Jersey	1.06	0.02	0.43	0.37
52	2007991040	United Kingdom	1.06	0.02	0.43	0.37
53	2007823040	Austria	0.18	0.69	3.2	0.83
54	2026493040	United Kingdom	1.06	0.02	0.43	0.37
55	2031254040	United Kingdom	1.06	0.02	0.43	0.37
56	1952772040	United Kingdom	1.06	0.02	0.43	0.37
57	2026487040	United Kingdom	1.06	0.02	0.43	0.37
58	2025797040	Australia	1.15	0.01	0.27	0.01
59	2015823040	Germany	0.01	0.02	0.43	0.48
60	2350231040	Mauritius	2.65	1.3	0.5	0.02
61	2520003040	Qatar	1.34	0.27	2.13	0.68
62	2515048040	Austria	0.18	0.69	3.2	0.83
63	1877181040	Hong Kong	2.94	0.1	0.8	0.75
64	2011762040	France	0.07	1.08	0.8	2.58
65	1857694040	United Kingdom	1.06	0.02	0.43	0.37
66	1844143040	United Kingdom	1.06	0.02	0.43	0.37
67	2757986040	United Kingdom	1.06	0.02	0.43	0.37
68	2757999040	United Kingdom	1.06	0.02	0.43	0.37
69	1817839040	United Kingdom	1.06	0.02	0.43	0.37
70	1817841040	United Kingdom	1.06	0.02	0.43	0.37
71	2757993040	United Kingdom	1.06	0.02	0.43	0.37
72	2654868040	Italy	0.22	0.13	-	1.27
73	2355122040	Lithuania	0.05	5.21	0.11	0.48
74	1736409040	United Kingdom	1.06	0.02	0.43	0.37
75	2252665040	United Kingdom	1.06	0.02	0.43	0.37

#	Deal number	Target nation	IDV	MAS	PDI	UAI
76	1736413040	United Kingdom	1.06	0.02	0.43	0.37
77	1736416040	United Kingdom	1.06	0.02	0.43	0.37
78	2096141040	Czech Republic	0.09	0.1	0.14	1.18
79	2096142040	Poland	0.05	-	0.8	3.64
80	1705629040	Denmark	0.15	5.95	2.13	1.27
81	1877177040	Singapore	3.72	0.61	1.38	3.16
82	1605861040	Netherlands	0.41	6.46	0.27	0.03
83	1877191040	Hong Kong	2.94	0.1	0.8	0.75
84	2716151040	United Kingdom	1.06	0.02	0.43	0.37
85	1662361040	Australia	1.15	0.01	0.27	0.01
86	1656757040	Australia	1.15	0.01	0.27	0.01

Where:

Heading	***Meaning***
IDV	Individualism
MAS	Masculinity
PDI	Power distance
UAI	Uncertainty avoidance

J: Cognitive distances between target nation and South Africa by deal announcement year

Table 41: Appendix J - Detailed cognitive distance per deal

#	Deal number	Target nation	Announcement year	Cognitive distance
1	2827171040	United Kingdom	2015	1.06
2	2819432040	Hungary	2015	-0.07
3	2796836040	Mauritius	2015	0.17
4	1942876020	United States	2008	1.25
5	2207470040	Netherlands	2013	1.13
6	2726694040	United Kingdom	2015	1.06
7	2514347040	Australia	2013	0.74
8	1705626040	Denmark	2005	1.01
9	2695692040	Germany	2014	1.14
10	1874258020	United States	2007	1.26
11	2683699040	United Arab Emirates	2014	0.74
12	2680560040	United Kingdom	2014	1.00
13	2513226040	United Kingdom	2013	1.08
14	2653503040	Chile	2014	0.24
15	2626868040	Australia	2014	0.72
16	2514781040	Australia	2013	0.74
17	2580410040	Australia	2013	0.74
18	2577389040	Hong Kong	2013	1.04
19	1713535040	Canada	2006	0.81
20	1666861020	United States	2005	1.26
21	2568831040	United Kingdom	2013	1.08
22	2075936040	Australia	2009	0.79
23	2535414040	Australia	2013	0.74
24	1839997040	United Kingdom	2007	1.02
25	2689550040	Netherlands	2014	1.05
26	2497150040	United Kingdom	2013	1.08
27	2476892040	Australia	2013	0.74
28	2112986020	United States	2009	1.33
29	2151351040	Germany	2012	1.07
30	1736410040	United Kingdom	2006	1.02
31	2350354040	Ireland	2012	0.43
32	2343884040	Germany	2011	1.07
33	2397067040	Romania	2012	-0.27
34	2337999040	Chile	2011	0.37

#	Deal number	Target nation	Announcement year	Cognitive distance
35	2289577040	Poland	2011	0.19
36	2270688040	United Arab Emirates	2011	0.57
37	2185816040	Australia	2011	0.79
38	2185930040	Netherlands	2010	0.98
39	1911990040	Poland	2007	-0.16
40	2129924040	United Kingdom	2009	0.89
41	2114202040	New Zealand	2009	0.52
42	2220302040	South Korea	2010	0.66
43	2190798040	United Kingdom	2010	0.85
44	2753922020	United States	2015	1.19
45	2736188040	France	2015	0.73
46	2438499040	Australia	2012	0.77
47	2054411040	France	2009	0.81
48	2027000040	United Kingdom	2009	0.89
49	1926263040	United Kingdom	2007	1.02
50	2015820040	Finland	2008	1.07
51	2132372040	Jersey	2010	0.93
52	2007991040	United Kingdom	2008	1.00
53	2007823040	Austria	2008	0.81
54	2026493040	United Kingdom	2008	1.00
55	2031254040	United Kingdom	2008	1.00
56	1952772040	United Kingdom	2008	1.00
57	2026487040	United Kingdom	2008	1.00
58	2025797040	Australia	2008	0.75
59	2015823040	Germany	2008	1.09
60	2350231040	Mauritius	2011	-
61	2520003040	Qatar	2013	1.01
62	2515048040	Austria	2013	0.85
63	1877181040	Hong Kong	2007	0.82
64	2011762040	France	2011	0.81
65	1857694040	United Kingdom	2007	1.02
66	1844143040	United Kingdom	2007	1.02
67	2757986040	United Kingdom	2015	1.06
68	2757999040	United Kingdom	2015	1.06
69	1817839040	United Kingdom	2006	1.02
70	1817841040	United Kingdom	2006	1.02
71	2757993040	United Kingdom	2015	1.06
72	2654868040	Italy	2014	0.04
73	2355122040	Lithuania	2011	0.06

#	Deal number	Target nation	Announcement year	Cognitive distance
74	1736409040	United Kingdom	2006	1.02
75	2252665040	United Kingdom	2010	0.85
76	1736413040	United Kingdom	2006	1.02
77	1736416040	United Kingdom	2006	1.02
78	2096141040	Czech Republic	2009	0.21
79	2096142040	Poland	2009	-0.13
80	1705629040	Denmark	2005	1.01
81	1877177040	Singapore	2007	0.92
82	1605861040	Netherlands	2005	0.82
83	1877191040	Hong Kong	2007	0.82
84	2716151040	United Kingdom	2015	1.06
85	1662361040	Australia	2005	0.64
86	1656757040	Australia	2005	0.64

K: Parent innovation performance by acquirer

Table 42: Appendix K - Detailed parent innovation performance per deal

#	Deal number	Acquirer parent	Announcement year	Year -2	Year -1	Year 0	Year +1	Year +2	PRP	PAP	PAINNP
1	2827171040	Santova Ltd	2015	0	0	0	0	0	0	0	0%
2	2819432040	Steinhoff International Holdings Ltd	2015	0	0	0	0	0	0	0	0%
3	2796836040	Santova Ltd	2015	0	0	0	0	0	0	0	0%
4	1942876020	AngloGold Ashanti Ltd	2008	0	1	0	0	7	1	7	600%
5	2207470040	Aspen Pharmacare Holdings Ltd	2013	0	2	0	0	0	2	0	-100%
6	2726694040	Texton Property Fund Ltd	2015	0	0	0	0	0	0	0	0%
7	2514347040	Aspen Pharmacare Holdings Ltd	2013	0	2	0	0	0	2	0	-100%
8	1705626040	Barloworld Ltd	2005	6	5	0	5	0	11	5	-55%
9	2695692040	Santova Ltd	2014	0	0	0	0	0	0	0	0%
10	1874258020	Datatec Ltd	2007	0	0	0	0	0	0	0	0%
11	2683699040	Metrofile Holdings Ltd	2014	0	0	0	0	0	0	0	0%
12	2680560040	Sanlam Ltd	2014	0	0	0	0	0	0	0	0%
13	2513226040	Distell Group Holdings Ltd	2013	0	0	0	0	0	0	0	0%
14	2653503040	Sun International Ltd	2014	0	0	0	0	0	0	0	0%
15	2626868040	Woolworths Holdings Ltd	2014	0	1	0	0	0	1	0	-100%
16	2514781040	Gold Fields Ltd	2013	4	4	0	0	0	8	0	-100%
17	2580410040	Adcorp Holdings Ltd	2013	0	0	0	0	0	0	0	0%
18	2577389040	Sasol Ltd	2013	19	32	0	34	10	51	44	-14%
19	1713535040	Gold Fields Ltd	2006	0	0	0	0	0	0	0	0%
20	1666861020	Grindrod Ltd	2005	0	0	0	0	0	0	0	0%
21	2568831040	The Bidvest Group Ltd	2013	1	0	0	0	0	1	0	-100%
22	2075936040	Growthpoint Properties Ltd	2009	0	0	0	0	0	0	0	0%

#	Deal number	Acquirer parent	Announcement year	Year -2	Year -1	Year 0	Year +1	Year +2	PRP	PAP	PAINNP
23	2535414040	Titan Premier Investments (Pty) Ltd	2013	0	0	0	0	0	0	0	0%
24	1839997040	Impala Platinum Holdings Ltd	2007	2	4	0	2	4	6	6	0%
25	2689550040	Imperial Holdings Ltd	2014	0	0	0	0	0	0	0	0%
26	2497150040	Imperial Holdings Ltd	2013	0	0	0	0	0	0	0	0%
27	2476892040	Adcorp Holdings Ltd	2013	0	0	0	0	0	0	0	0%
28	2112986020	Imperial Holdings Ltd	2009	0	0	0	0	0	0	0	0%
29	2151351040	Mondi Ltd	2012	0	1	0	0	0	1	0	-100%
30	1736410040	Imperial Holdings Ltd	2006	0	0	0	0	0	0	0	0%
31	2350354040	PBT Group Ltd	2012	0	0	0	0	0	0	0	0%
32	2343884040	Allied Electronics Corp Ltd	2011	0	0	0	0	0	0	0	0%
33	2397067040	Metair Investments Ltd	2012	0	1	0	0	0	1	0	-100%
34	2337999040	The Bidvest Group Ltd	2011	0	0	0	1	0	0	1	-100%
35	2289577040	Steinhoff International Holdings Ltd	2011	0	0	0	0	0	0	0	0%
36	2270688040	Medi-Clinic Corp Ltd	2011	0	0	0	0	0	0	0	0%
37	2185816040	Aspen Pharmacare Holdings Ltd	2011	0	0	0	2	0	0	2	-100%
38	2185930040	Grindrod Ltd	2010	0	0	0	0	0	0	0	0%
39	1911990040	Naspers Ltd	2007	0	0	0	0	0	0	0	0%
40	2129924040	Textainer Group Holdings Ltd	2009	0	0	0	0	0	0	0	0%
41	2114202040	Datatec Ltd	2009	0	0	0	0	0	0	0	0%
42	2220302040	Net 1 UEPS Technologies Inc	2010	0	3	0	0	0	3	0	-100%
43	2190798040	Netcare Ltd	2010	0	0	0	0	0	0	0	0%
44	2753922020	Oceana Group Ltd	2015	0	0	0	0	0	0	0	0%
45	2736188040	Pepkor Ltd	2015	0	0	0	0	0	0	0	0%
46	2438499040	Pepkor Ltd	2012	0	0	0	0	0	0	0	0%
47	2054411040	Distell Group Holdings Ltd	2009	0	0	0	0	0	0	0	0%
48	2027000040	Argent Industrial Ltd	2009	0	0	0	0	0	0	0	0%
49	1926263040	Purple Capital Ltd	2007	0	0	0	0	0	0	0	0%

#	Deal number	Acquirer parent	Announcement year	Year -2	Year -1	Year 0	Year +1	Year +2	PRP	PAP	PAINNP
50	2015820040	Sappi Ltd	2008	1	1	0	0	0	2	0	-100%
51	2132372040	Redefine Income Fund Ltd	2010	0	0	0	0	0	0	0	0%
52	2007991040	Telkom SA Ltd	2008	0	0	0	0	0	0	0	0%
53	2007823040	Net 1 UEPS Technologies Inc	2008	5	0	0	3	0	5	3	-40%
54	2026493040	Mazor Group Ltd	2008	0	0	0	0	0	0	0	0%
55	2031254040	Sanlam Ltd	2008	0	2	0	0	0	2	0	-100%
56	1952772040	Sanlam Ltd	2008	0	2	0	0	0	2	0	-100%
57	2026487040	Mazor Group Ltd	2008	0	0	0	0	0	0	0	0%
58	2025797040	Santova Logistics Ltd	2008	0	0	0	0	0	0	0	0%
59	2015823040	Sappi Ltd	2008	1	1	0	0	0	2	0	-100%
60	2350231040	Shoprite Holdings Ltd	2011	0	0	0	0	0	0	0	0%
61	2520003040	Stefanutti Stocks Holdings Ltd	2013	0	0	0	0	0	0	0	0%
62	2515048040	Steinhoff International Holdings Ltd	2013	0	0	0	0	0	0	0	0%
63	1877181040	The Bidvest Group Ltd	2007	0	0	0	0	0	0	0	0%
64	2011762040	Steinhoff International Holdings Ltd	2011	0	0	0	0	0	0	0	0%
65	1857694040	Datatec Ltd	2007	0	0	0	0	0	0	0	0%
66	1844143040	Famous Brands Ltd	2007	0	0	0	0	0	0	0	0%
67	2757986040	Texton Property Fund Ltd	2015	0	0	0	0	0	0	0	0%
68	2757999040	Texton Property Fund Ltd	2015	0	0	0	0	0	0	0	0%
69	1817839040	Datatec Ltd	2006	0	0	0	0	0	0	0	0%
70	1817841040	Datatec Ltd	2006	0	0	0	0	0	0	0	0%
71	2757993040	Texton Property Fund Ltd	2015	0	0	0	0	0	0	0	0%
72	2654868040	The Bidvest Group Ltd	2014	0	0	0	0	1	0	1	-100%
73	2355122040	The Bidvest Group Ltd	2011	0	0	0	1	0	0	1	-100%
74	1736409040	Imperial Holdings Ltd	2006	0	0	0	0	0	0	0	0%
75	2252665040	The Bidvest Group Ltd	2010	0	0	0	1	0	0	1	-100%
76	1736413040	Imperial Holdings Ltd	2006	0	0	0	0	0	0	0	0%

#	Deal number	Acquirer parent	Announcement year	Year -2	Year -1	Year 0	Year +1	Year +2	PRP	PAP	PAINNP
77	1736416040	Imperial Holdings Ltd	2006	0	0	0	0	0	0	0	0%
78	2096141040	The Bidvest Group Ltd	2009	0	0	0	0	1	0	1	-100%
79	2096142040	The Bidvest Group Ltd	2009	0	0	0	0	1	0	1	-100%
80	1705629040	Barloworld Ltd	2005	6	5	0	5	0	11	5	-55%
81	1877177040	The Bidvest Group Ltd	2007	0	0	0	0	0	0	0	0%
82	1605861040	The Bidvest Group Ltd	2005	0	0	0	0	0	0	0	0%
83	1877191040	The Bidvest Group Ltd	2007	0	0	0	0	0	0	0	0%
84	2716151040	The Foschini Group Ltd	2015	0	0	0	0	0	0	0	0%
85	1662361040	Super Group Ltd	2005	0	0	0	0	0	0	0	0%
86	1656757040	Imperial Holdings Ltd	2005	0	0	0	0	0	0	0	0%

Where:

Heading	***Meaning***
PAP	Post-acquisition performance
PRP	Pre-acquisition performance
PAINNP	Parent Innovation Performance

L: Histograms

L1: Regulatory distance

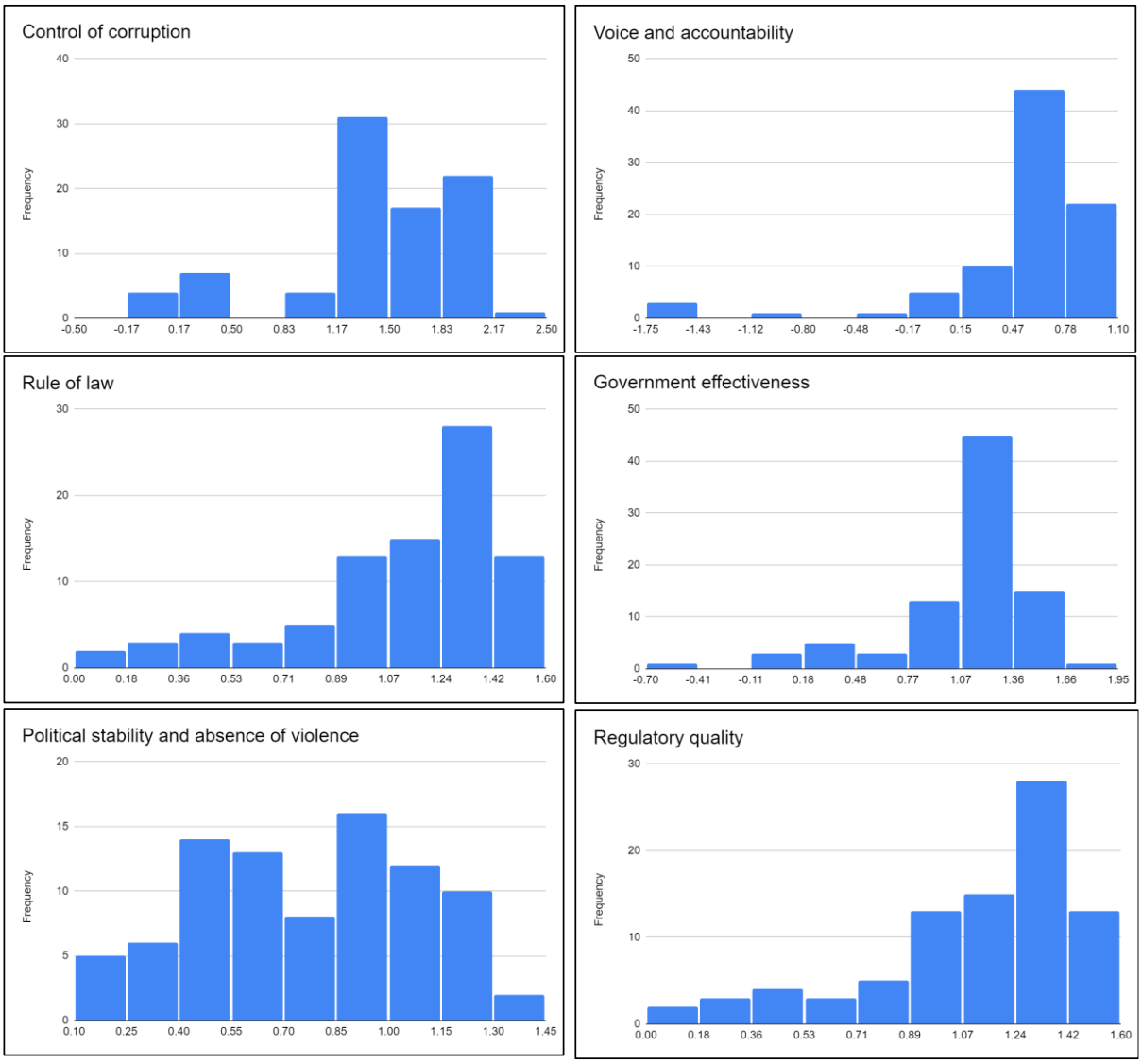

Figure 43: Appendix L - Regulatory distance histograms

L2: Normative distance

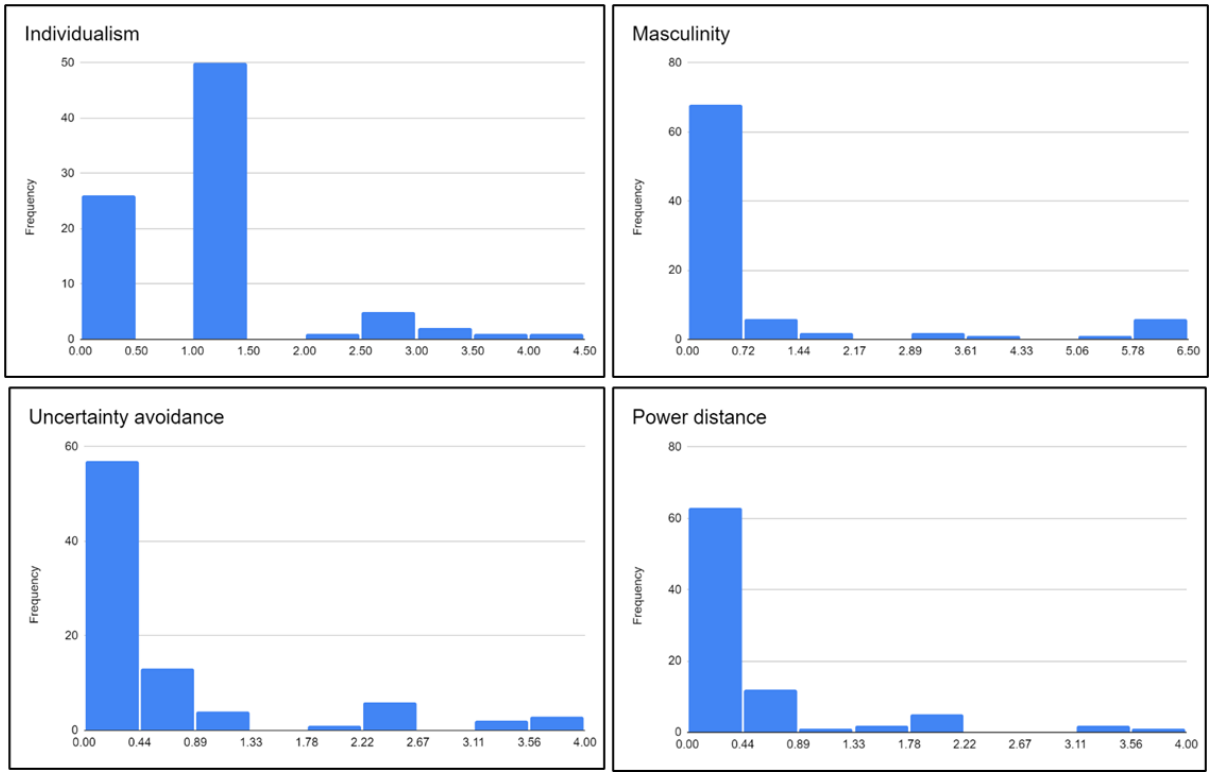

Figure 44: Appendix L - Normative distance histograms

L3: Cognitive distance

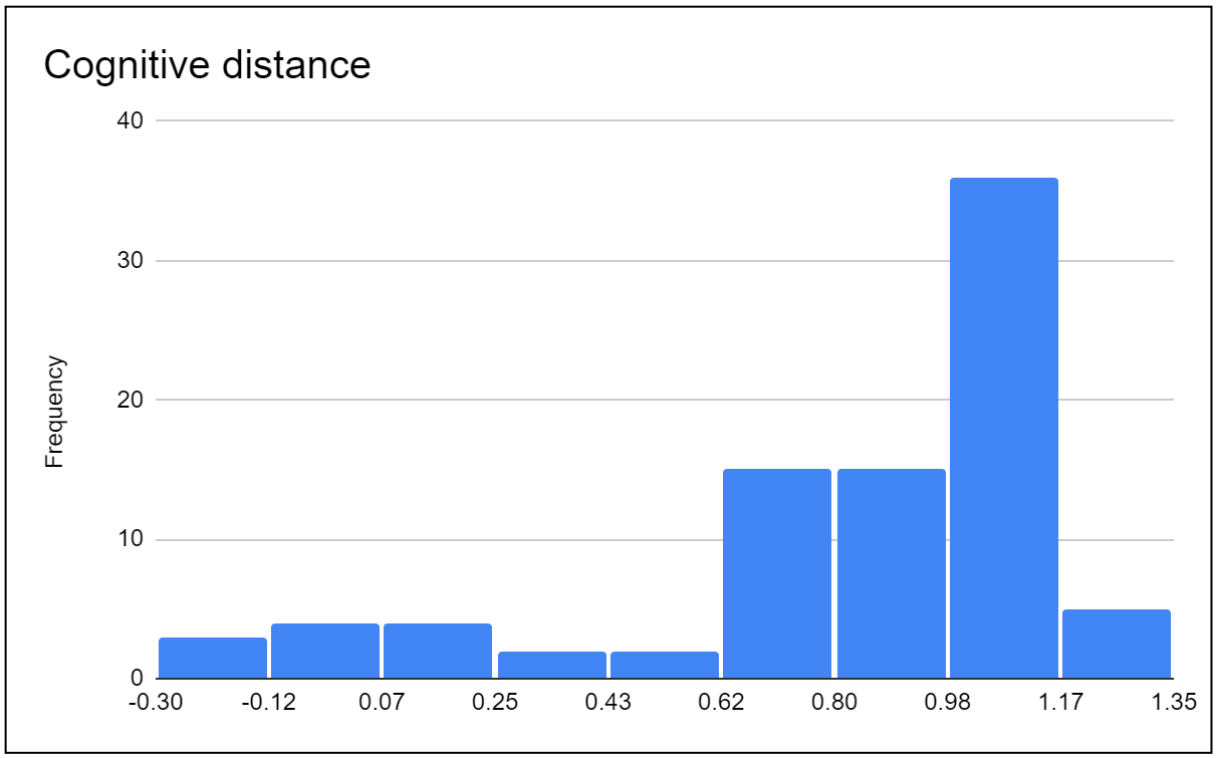

Figure 45: Appendix L - Cognitive distance histogram

L4: Parent innovation performance

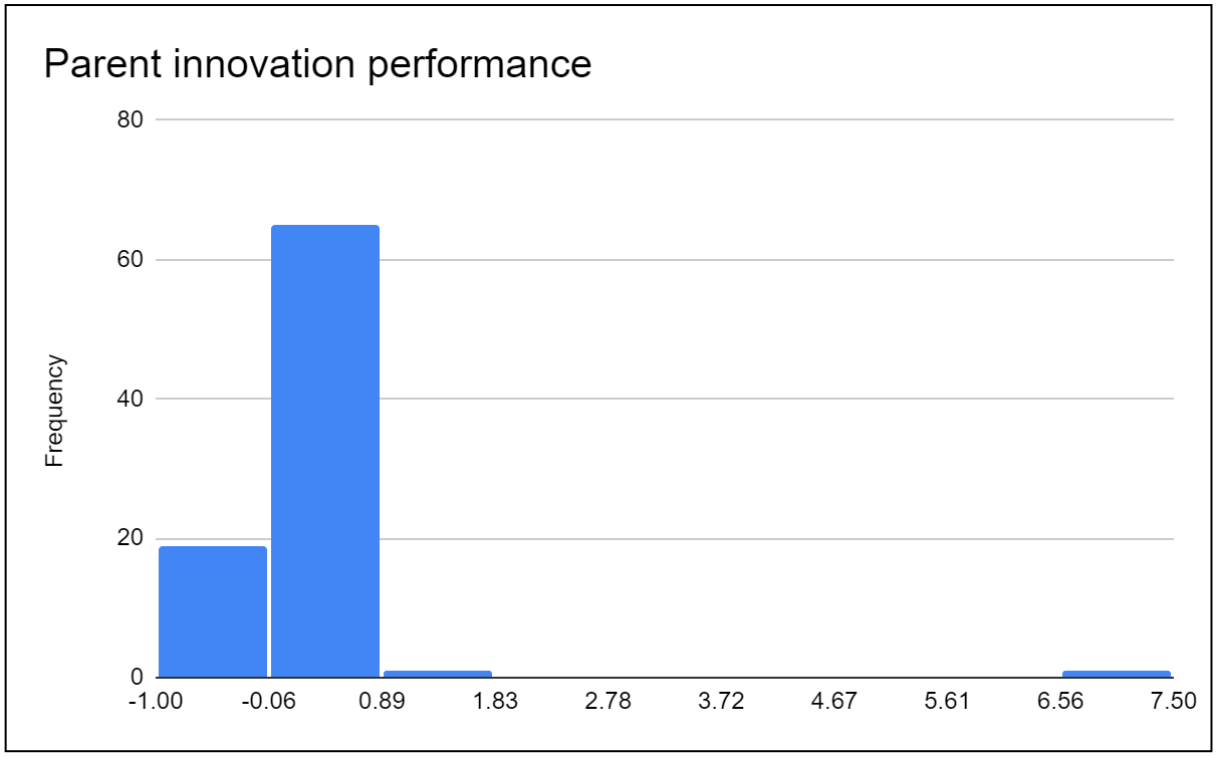

Figure 46: Appendix L - Parent innovation performance histogram

L5: Absorptive capacity

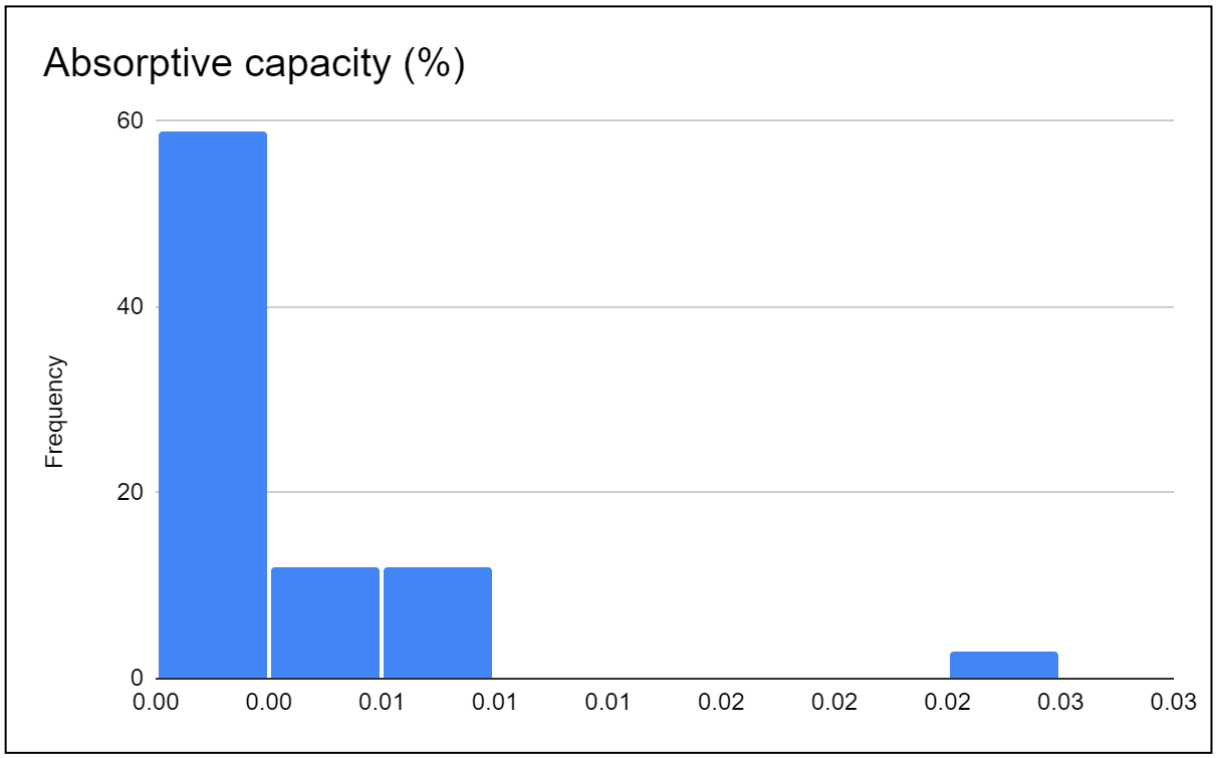

Figure 47: Appendix L - Absorptive capacity histogram

M: Box plots

M1: Regulatory distance

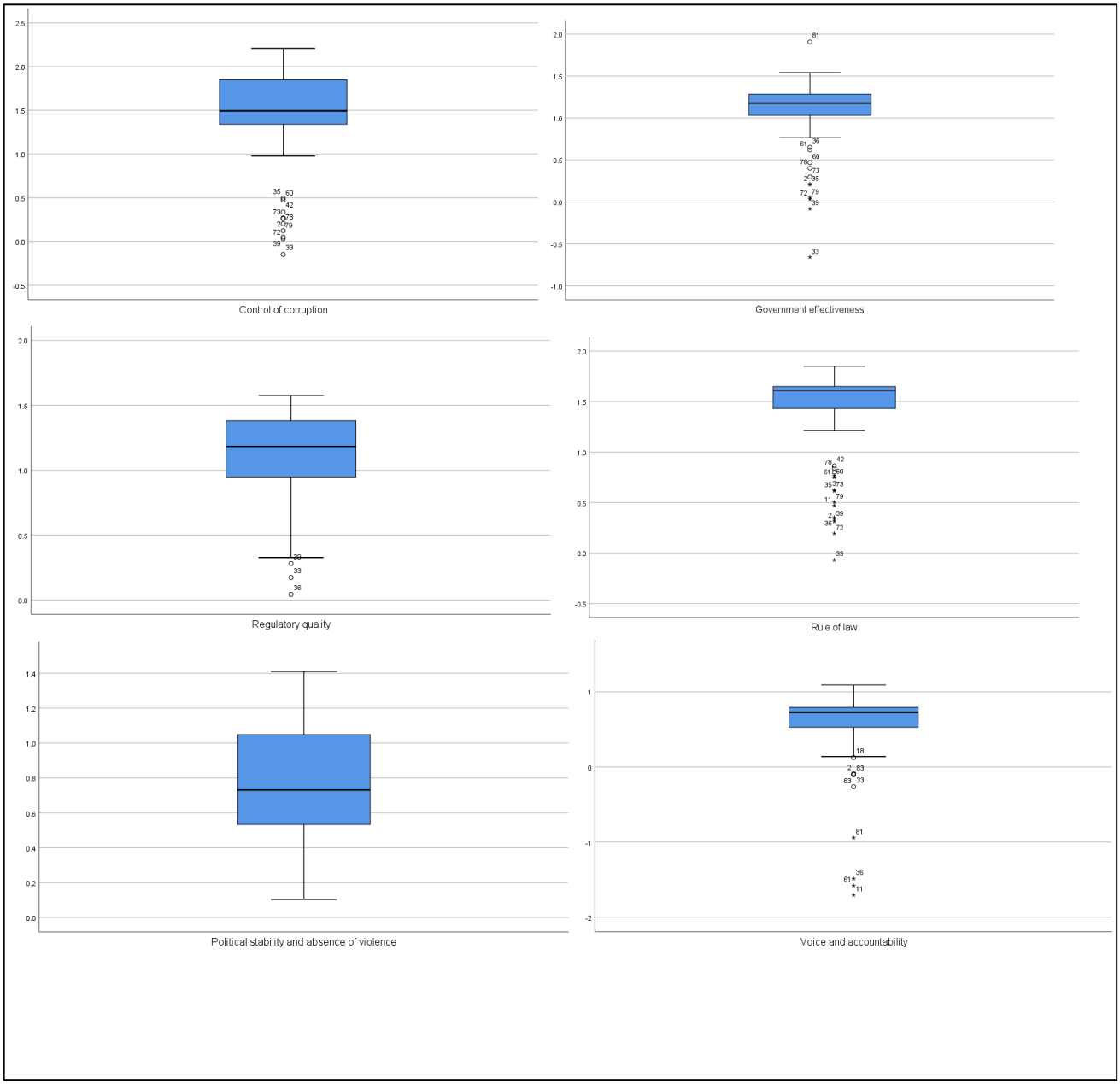

Figure 48: Appendix M - Regulatory distance box plots

M2: Normative distance

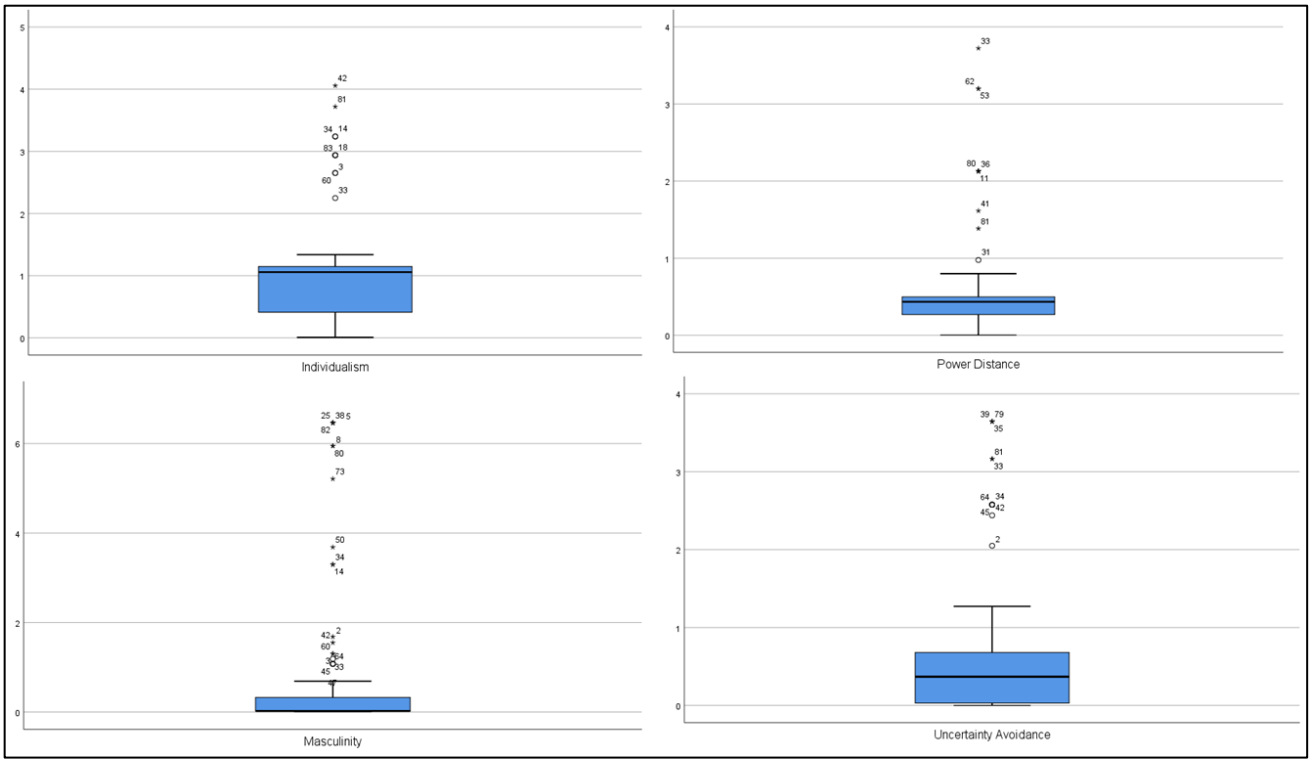

Figure 49: Appendix M - Normative distance box plots

M3: Cognitive distance

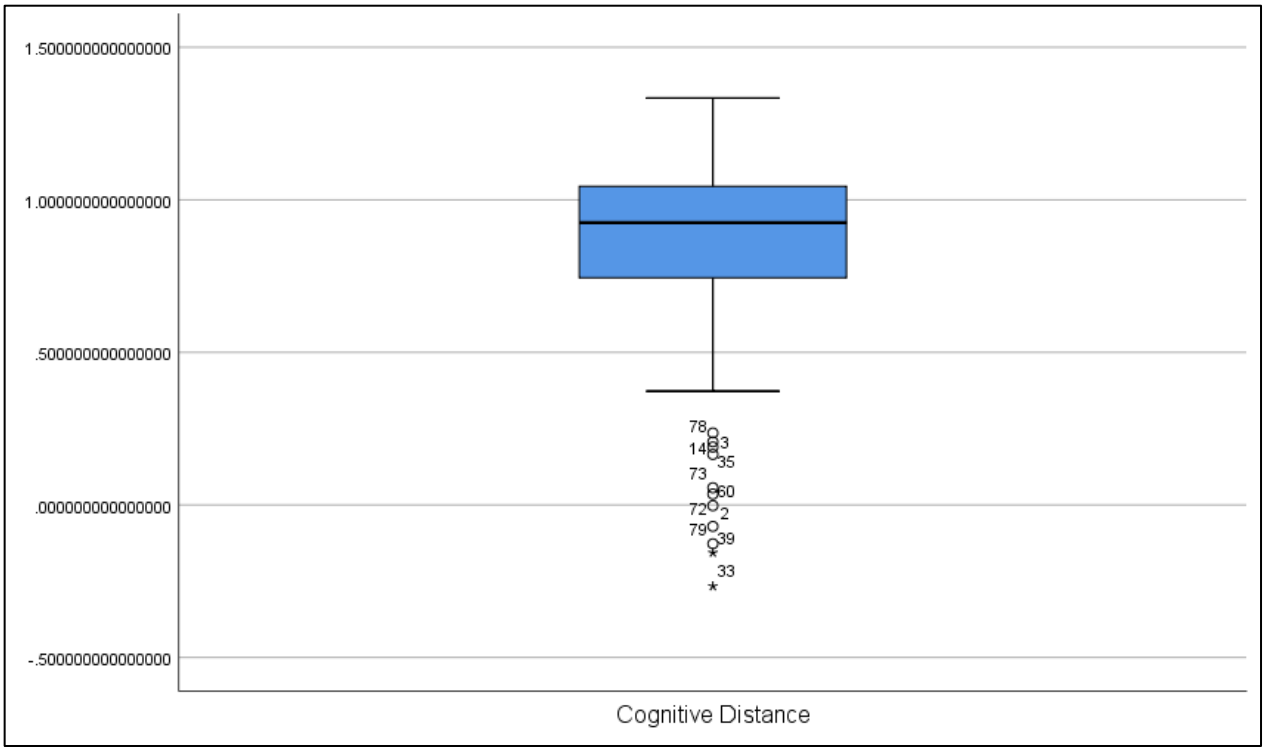

Figure 50: Appendix M- Cognitive distance box plot

M4: Parent innovation performance

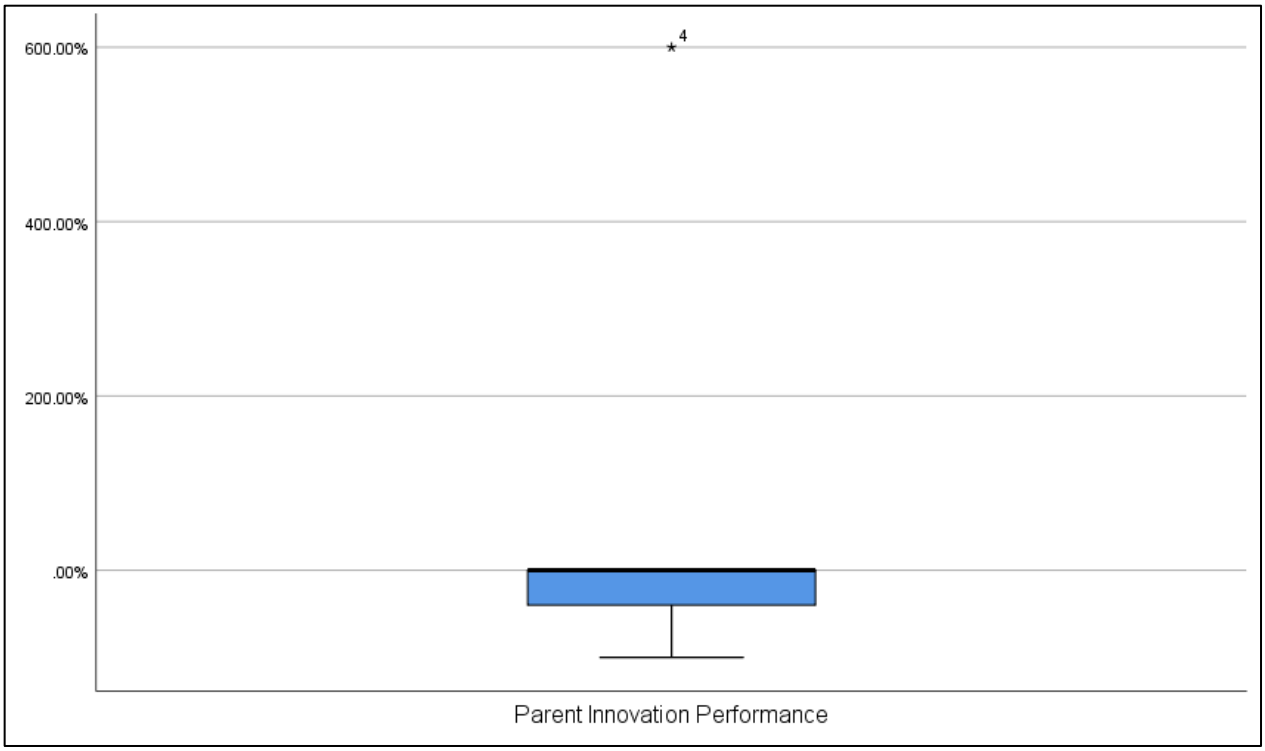

Figure 51: Appendix M - Parent innovation performance box plot

M5: Absorptive capacity

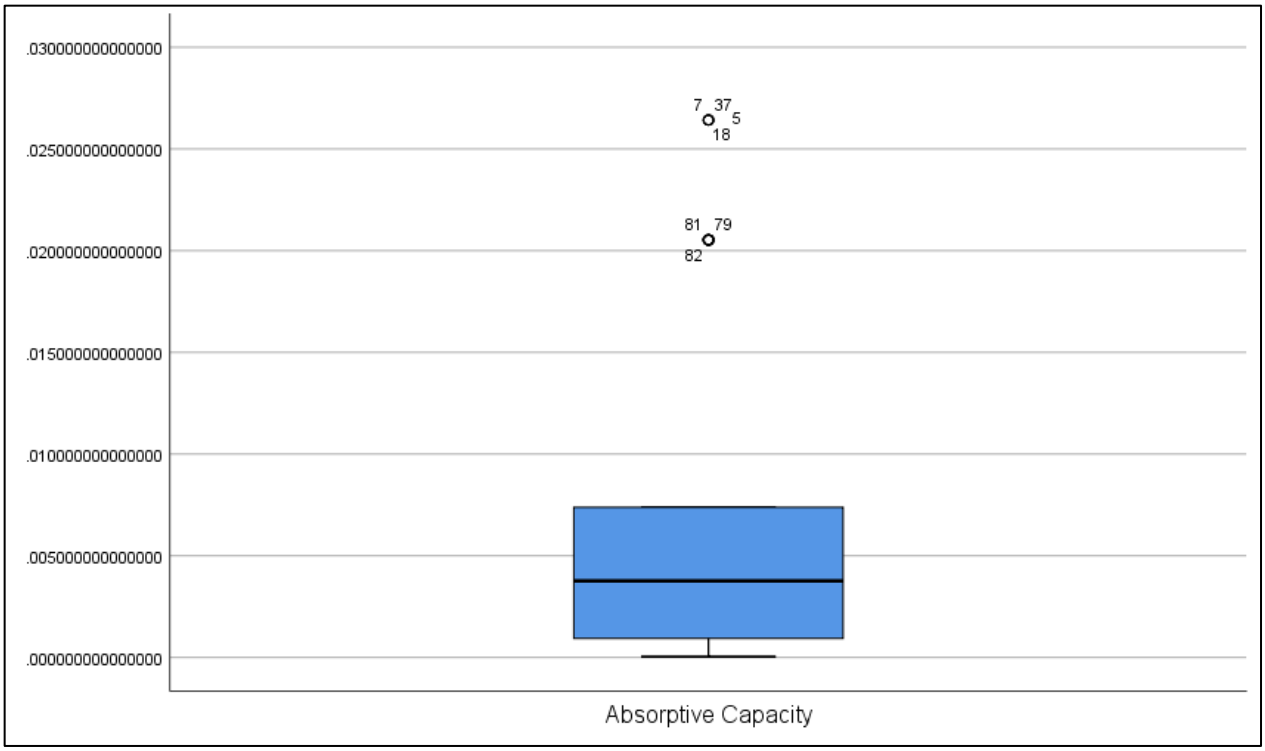

Figure 52: Appendix M - Absorptive capacity box plot

N: Q-Q plots

N1: Regulatory distance Q-Q plots

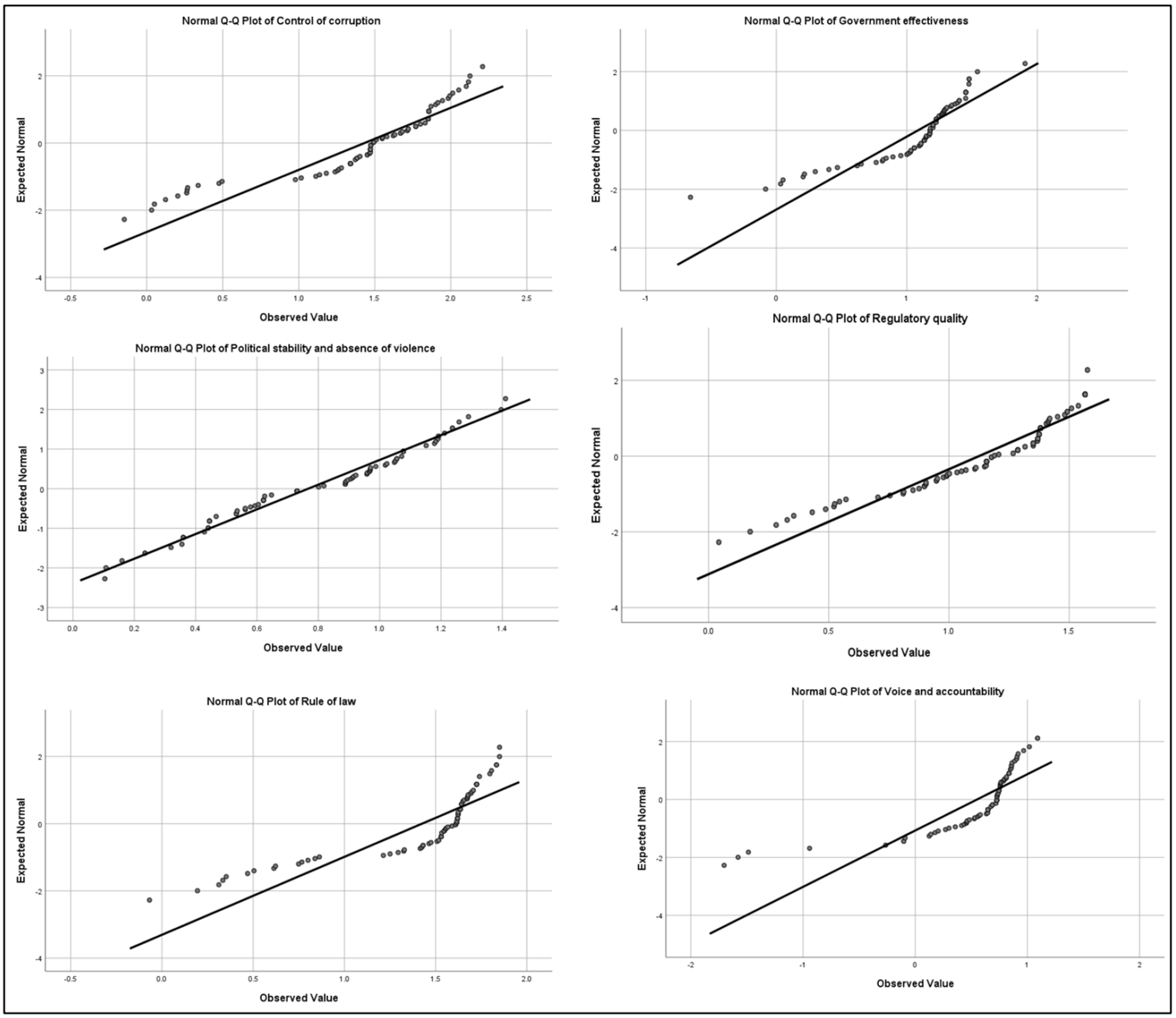

Figure 53: Appendix N - Regulatory distance Q-Q plots

N2: Normative distance Q-Q plots

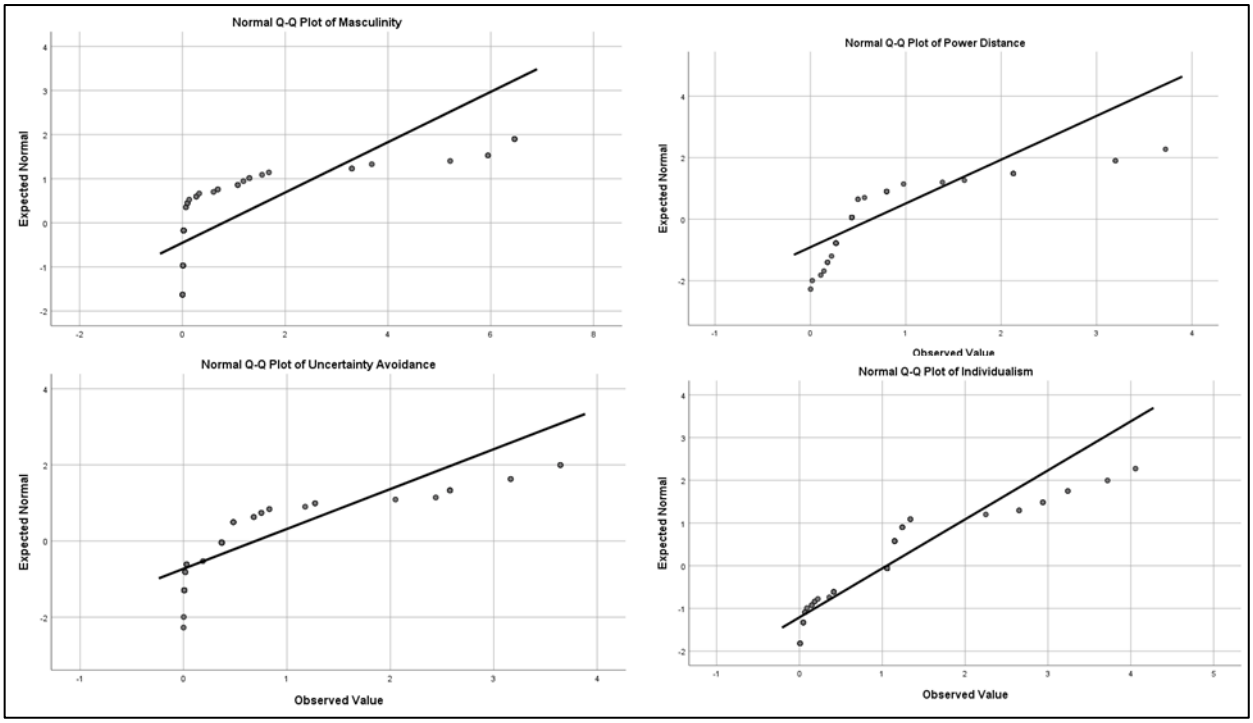

Figure 54: Appendix N - Normative distance Q-Q plots

N3: Cognitive distance

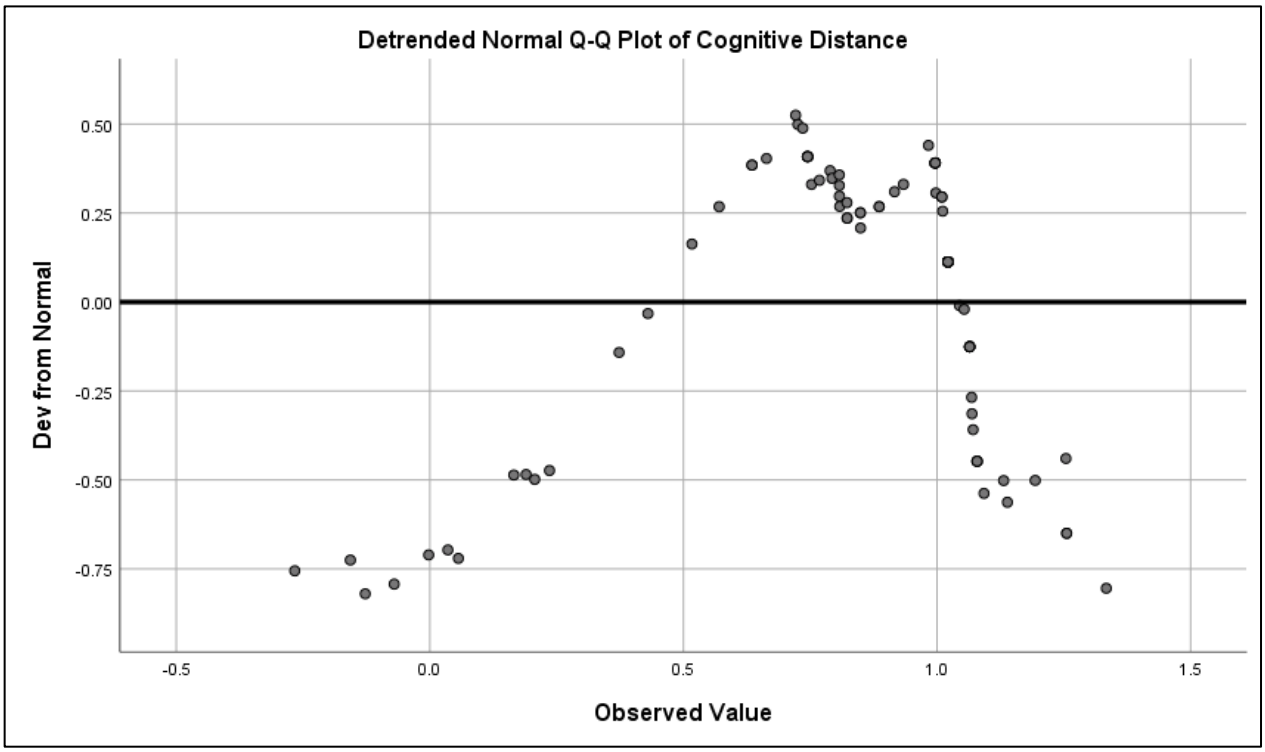

Figure 55: Appendix N - Cognitive distance Q-Q plot

N4: Parent innovation performance

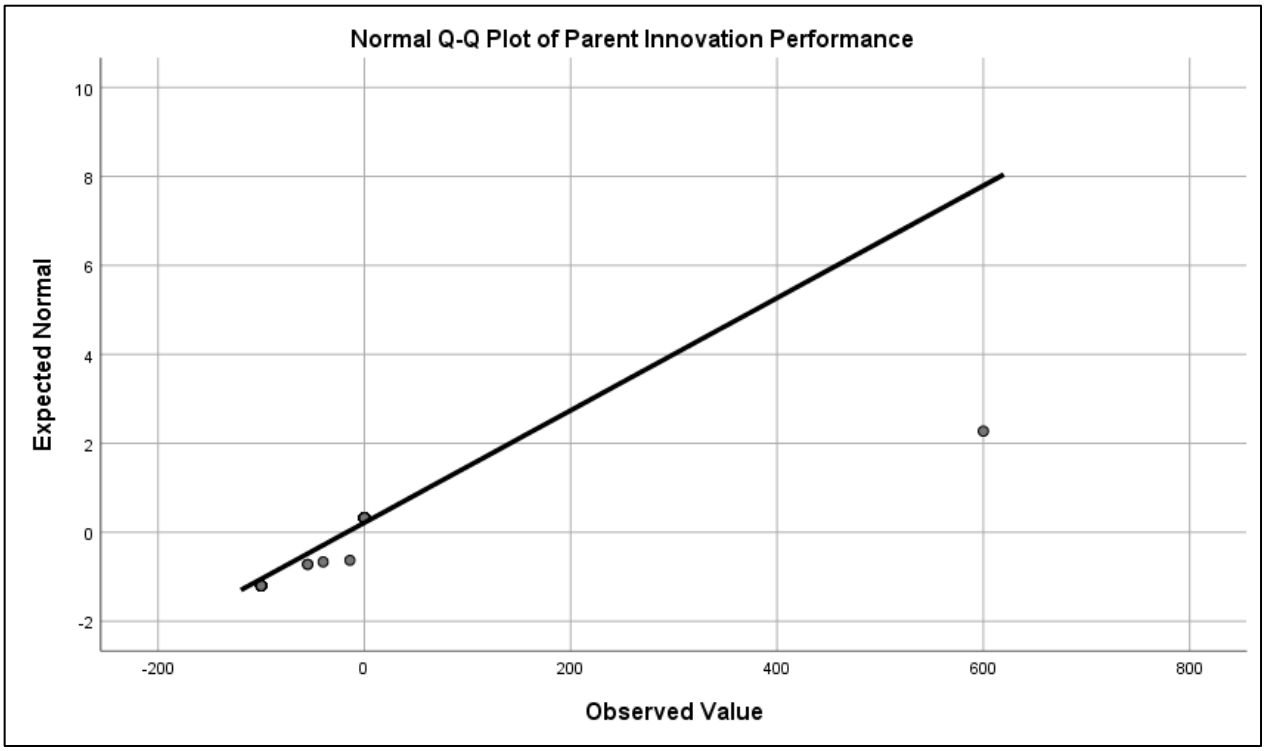

Figure 56: Appendix N - Parent innovation performance Q-Q plot

N5: Absorptive capacity

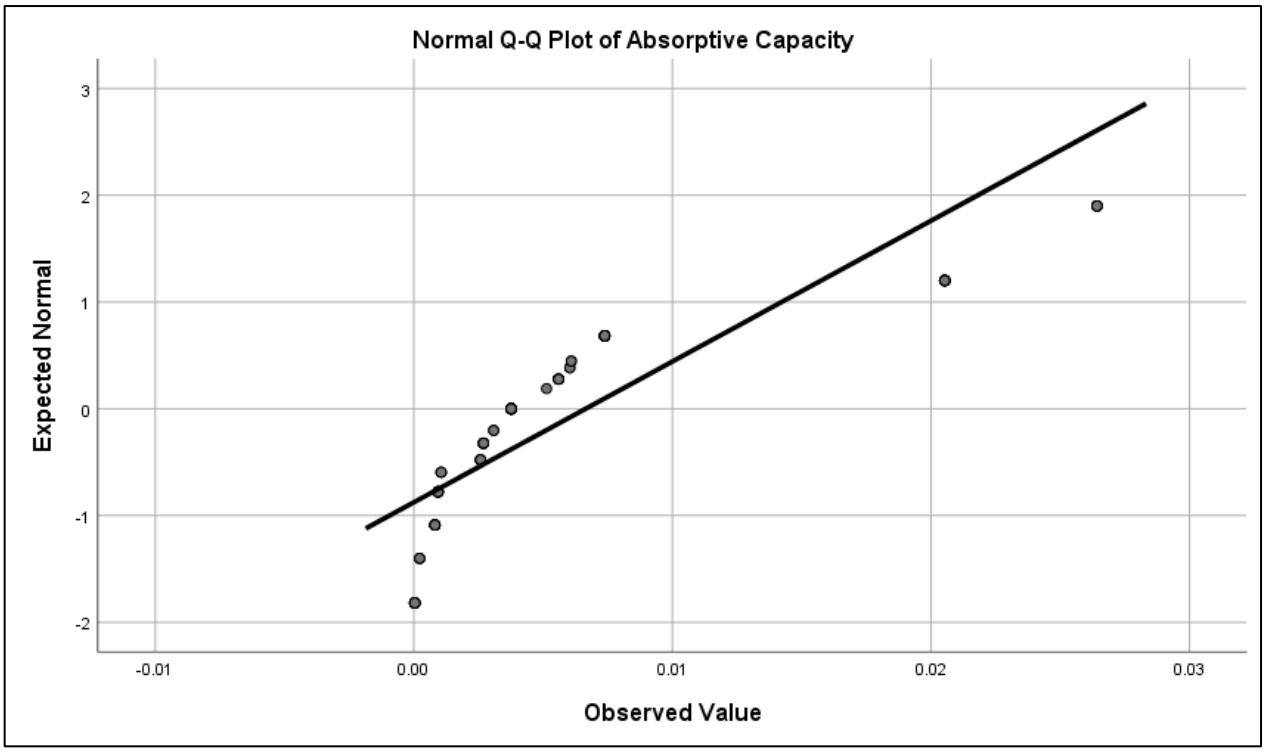

Figure 57: Appendix N - Absorptive capacity Q-Q plot

O: Absorptive capacity calculations

O1: R&D expenditure by industry

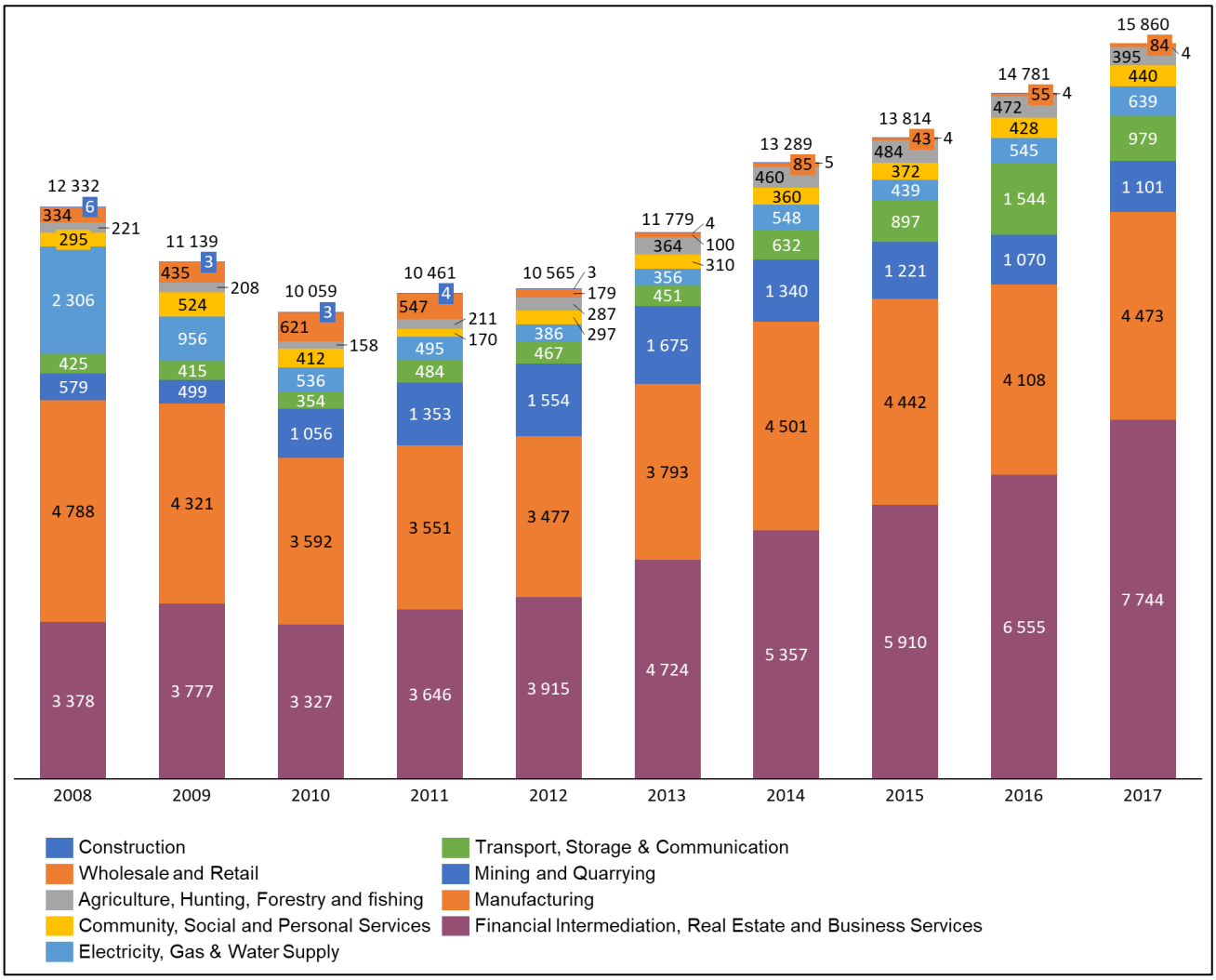

Figure 58: Appendix O - R&D expenditure by industry

Data source: (Centre for Science, Technology and Innovation Indicators, 2019)

O2: Gross value added (GVA) by industry.

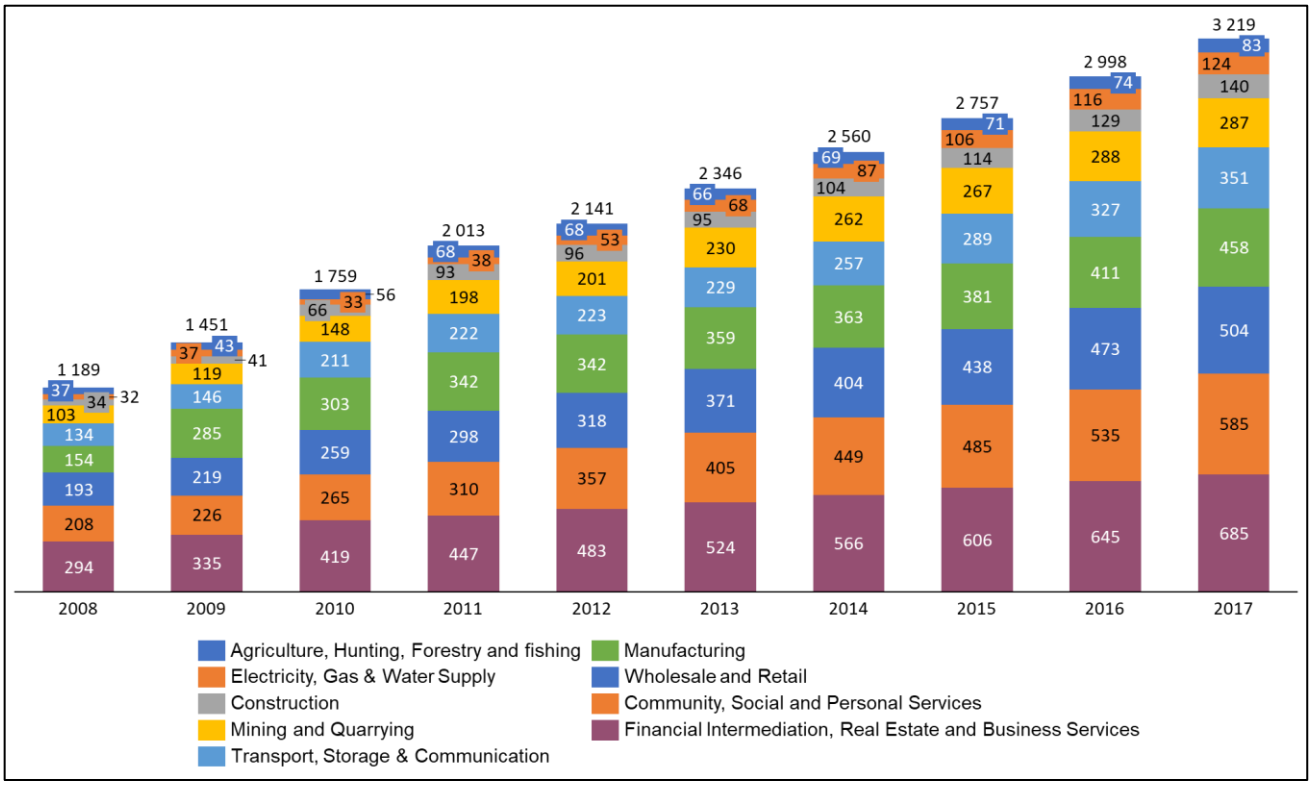

Figure 59: Appendix O - GVA by industry

Data source: (Statistics South Africa, 2020)

O3: Gross value added (GVA) by industry.

Table 43: Appendix O - Detailed absorptive capacity per acquirer

#	Acquirer parent	Acquirer Industry	Absorptive capacity
1	Santova Ltd	Transport Equipment	0.27%
2	Steinhoff International Holdings Ltd	Furniture; Recycling; Manufacturing not elsewhere classified	0.26%
3	Santova Ltd	Transport Equipment	0.27%
4	AngloGold Ashanti Ltd	Mining and Quarrying	0.56%
5	Aspen Pharmacare Holdings Ltd	Refined Petroleum. Coke and Nuclear Fuel; Chemicals and Chemical Products (incl. Pharmaceuticals); Rubber and Plastic Products	2.64%
6	Texton Property Fund Ltd	Real Estate Activities	0,00%
7	Aspen Pharmacare Holdings Ltd	Real Estate Activities	0,00%
8	Barloworld Ltd	Basic Metals. Fabricated Metal Products. Machinery & Equipment; Office. Accounting and Computing Machinery	0.61%
9	Santova Ltd	Transport Equipment	0.27%
10	Datatec Ltd	Computer & Related Activities	0.74%
11	Metrofile Holdings Ltd	Computer & Related Activities	0.74%
12	Sanlam Ltd	Insurance And Pension Funding. Except Compulsory Social Security	0.3%
13	Distell Group Holdings Ltd	Food Products. Beverages and Tobacco Products	0.6%
14	Sun International Ltd	Community. Social and Personal Services	0.11%
15	Woolworths Holdings Ltd	Wholesale and Retail	0.09%
16	Gold Fields Ltd	Mining and Quarrying	0.56%
17	Adcorp Holdings Ltd	Business Activities	0.38%
18	Sasol Ltd	Refined Petroleum. Coke and Nuclear Fuel; Chemicals and Chemical Products (incl. Pharmaceuticals); Rubber and Plastic Products	2.64%
19	Gold Fields Ltd	Mining and Quarrying	0.56%

#	Acquirer parent	Acquirer Industry	Absorptive capacity
20	Grindrod Ltd	Transport Equipment	0.27%
21	The Bidvest Group Ltd	Transport Equipment	0.27%
22	Growthpoint Properties Ltd	Real Estate Activities	0,00%
23	Titan Premier Investments (Pty) Ltd	Wholesale and Retail	0.09%
24	Impala Platinum Holdings Ltd	Mining and Quarrying	0.56%
25	Imperial Holdings Ltd	Transport Equipment	0.27%
26	Imperial Holdings Ltd	Transport Equipment	0.27%
27	Adcorp Holdings Ltd	Business Activities	0.38%
28	Imperial Holdings Ltd	Transport Equipment	0.27%
29	Mondi Ltd	Wood and Products of Wood and Cork. except furniture; Articles of Straw and Plaiting Materials; Paper and Paper Products; Publishing. Printing and Reproduction of Recorded Material	0.31%
30	Imperial Holdings Ltd	Transport Equipment	0.27%
31	PBT Group Ltd	Computer & Related Activities	0.74%
32	Allied Electronics Corp Ltd	Computer & Related Activities	0.74%
33	Metair Investments Ltd	Activities Auxiliary To Financial Intermediation	0.08%
34	The Bidvest Group Ltd	Transport Equipment	0.27%
35	Steinhoff International Holdings Ltd	Furniture; Recycling; Manufacturing not elsewhere classified	0.26%
36	Medi-Clinic Corp Ltd	Community. Social and Personal Services	0.11%
37	Aspen Pharmacare Holdings Ltd	Refined Petroleum. Coke and Nuclear Fuel; Chemicals and Chemical Products (incl. Pharmaceuticals); Rubber and Plastic Products	2.64%
38	Grindrod Ltd	Transport Equipment	0.27%
39	Naspers Ltd	Computer & Related Activities	0.74%
40	Textainer Group Holdings Ltd	Community. Social and Personal Services	0.11%
41	Datatec Ltd	Computer & Related Activities	0.74%
42	Net 1 UEPS Technologies Inc	Computer & Related Activities	0.74%

#	Acquirer parent	Acquirer Industry	Absorptive capacity
43	Netcare Ltd	Community. Social and Personal Services	0.11%
44	Oceana Group Ltd	Agriculture. Hunting. Forestry and fishing	0.51%
45	Pepkor Ltd	Wholesale and Retail	0.09%
46	Pepkor Ltd	Wholesale and Retail	0.09%
47	Distell Group Holdings Ltd	Food Products. Beverages and Tobacco Products	0.6%
48	Argent Industrial Ltd	Mining and Quarrying	0.56%
49	Purple Capital Ltd	Activities Auxiliary To Financial Intermediation	0.08%
50	Sappi Ltd	Wood and Products of Wood and Cork. except furniture; Articles of Straw and Plaiting Materials; Paper and Paper Products; Publishing. Printing and Reproduction of Recorded Material	0.31%
51	Redefine Income Fund Ltd	Real Estate Activities	0,00%
52	Telkom SA Ltd	Computer & Related Activities	0.74%
53	Net 1 UEPS Technologies Inc	Computer & Related Activities	0.74%
54	Mazor Group Ltd	Construction	0.02%
55	Sanlam Ltd	Insurance And Pension Funding. Except Compulsory Social Security	0.3%
56	Sanlam Ltd	Insurance And Pension Funding. Except Compulsory Social Security	0.3%
57	Mazor Group Ltd	Construction	0.02%
58	Santova Logistics Ltd	Transport Equipment	0.27%
59	Sappi Ltd	Wood and Products of Wood and Cork. except furniture; Articles of Straw and Plaiting Materials; Paper and Paper Products; Publishing. Printing and Reproduction of Recorded Material	0.31%
60	Shoprite Holdings Ltd	Wholesale and Retail	0.09%
61	Stefanutti Stocks Holdings Ltd	Construction	0.02%
62	Steinhoff International Holdings Ltd	Furniture; Recycling; Manufacturing not elsewhere classified	0.26%
63	The Bidvest Group Ltd	Transport Equipment	0.27%
64	Steinhoff International Holdings Ltd	Furniture; Recycling; Manufacturing not elsewhere classified	0.26%
65	Datatec Ltd	Computer & Related Activities	0.74%
66	Famous Brands Ltd	Wholesale and Retail	0.09%

#	Acquirer parent	Acquirer Industry	Absorptive capacity
67	Texton Property Fund Ltd	Real Estate Activities	0,00%
68	Texton Property Fund Ltd	Real Estate Activities	0,00%
69	Datatec Ltd	Computer & Related Activities	0.74%
70	Datatec Ltd	Computer & Related Activities	0.74%
71	Texton Property Fund Ltd	Real Estate Activities	0,00%
72	The Bidvest Group Ltd	Transport Equipment	0.27%
73	The Bidvest Group Ltd	Transport Equipment	0.27%
74	Imperial Holdings Ltd	Transport Equipment	0.27%
75	The Bidvest Group Ltd	Transport Equipment	0.27%
76	Imperial Holdings Ltd	Transport Equipment	0.27%
77	Imperial Holdings Ltd	Transport Equipment	0.27%
78	The Bidvest Group Ltd	Transport Equipment	0.27%
79	The Bidvest Group Ltd	Transport Equipment	0.27%
80	Barloworld Ltd	Basic Metals. Fabricated Metal Products. Machinery & Equipment; Office. Accounting and Computing Machinery	0.61%
81	The Bidvest Group Ltd	Transport Equipment	0.27%
82	The Bidvest Group Ltd	Transport Equipment	0.27%
83	The Bidvest Group Ltd	Transport Equipment	0.27%
84	The Foschini Group Ltd	Wholesale and Retail	0.09%
85	Super Group Ltd	Transport Equipment	0.27%
86	Imperial Holdings Ltd	Transport Equipment	0.27%