An exploratory study into the historical tie factors as an influence for foreign direct investment flow: South African and Mozambique.

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ABSTRACT

The historical ties have had limited explorations in the international business literature review. The existing studies have focused on overseas with countries having historic colonization relations, thus making the concept underrepresented in an African context. African country relations present different dynamics when it relates to historical ties. We adopt an exploratory approach for this research to investigate the historical tie factors as an influence for foreign direct investment (FDI) by looking into South Africa and Mozambique. The research contributes to academic literature expansion and for business to understand opportunities of cross-border trades/FDI flows as a result of either formal or informal historical ties. The study relies on the institutional based theory to understand the role played through historical ties and the implications on FDI flows. A total of 09 qualitative in-depth interviews were conducted with policy makers within the public sectors and companies participating in FDI to Mozambique from the private sector.

The study results reveal that historical ties have an influence on foreign direct investment (FDI) flows. However, a number of formal and informal factors need to be considered in order to create an environment that positively enhances FDI flows especially between South Africa and Mozambique

KEYWORDS

Historical ties, Foreign direct investment (FDI), Developing countries, Institutions.

DECLARATION

I declare that this Master of Philosophy 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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Mpelo Sikhwatha Date

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ABBREVIATIONS

UNCTAD	United Nations Conference on Trade and Development
WIR	World investment report
FDI	Foreign direct investment
MNE	Multinational enterprise
CD	Cultural distance
SR	Social relations
SOE	State owned enterprise
BNC	Bi-National Commission
IB	International Business
M	Male
F	Female
DBSA	Development Bank of Southern Africa
ECIC	Export Credit Insurance Corporation of South Africa
SI	Single interview
CI	Combine interview
SADC	Southern African Developing Community

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Chapter 1: Statement of the Research Problem

1.1 Introduction to Research Problem

According to the United Nations Conference on Trade and Development (UNCTAD/WIR, 2019) foreign direct investment (FDI) flows for the calendar year 2019, were positive in some parts of the world while they were negative in other parts. The reports also indicate that developing countries receive more FDI than developed countries. Between 2004 and2018, global FDI flows towards developed countries declined by 27 per cent while they rose by 2 per cent into developing countries. This resulted in an increase to 54 per cent total global FDI share increase for developing countries from a 46 per cent in 2017. According to UNCTAD/WIR (2019), was the best performance thus far. However, while intercontinental and inter regional economic trade is becoming increasingly important for regional growth, according to the World Investment Report by UNCTAD (2019), intercontinental and interregional economic trade in relations to FDI flows remained a challenge especially in the African context.

Anwar and Nguyen (2010), Makino and Tsang (2011) and Chowdhury and Maung (2018) have attributed the success of FDI flows to factors such as the ability for a country to innovate, political and economic stability, institutions, cultural ties and specific unique relationships between countries. However, these provide limited insight into the ability of countries establishing specific distinctive relationships based on particular attributes as part of the base strategies in attracting foreign direct investment.

Kedia and Bilgili (2015) as well as Chowdhury and Maung (2018) suggest that historical ties play a critical role in enhancing economic activities between countries. Chowdhury and Maung (2018) established that a substantial and positive impact in foreign investment induced by historical relations exist between nations. They suggest that over and above strategic resources to be acquired by foreigners, historical ties act as an enabling process in inducing foreign investment between nations. They, however, point out that the formal and informal factors that induce or deter FDI flows should be understood on a country-to-country basis as historical ties would differ from country to country. Taking this perspective, this study seeks to explore the influence of historical ties on FDI flows from South Africa to Mozambique.

According to Network Reporter (2019), South African businesses should turn their investment and/or expansion focus on Mozambique as the country is on a development journey and economic growth path (Network Reporter, 2019) which creates opportunities for investment and trade. Accordingly, South African multinationals should explore the possibilities of these relations (Network Reporter, 2019).

"According to UNCTAD (WIR 2019), Mozambique received FDI flows amounting to $2.7 billion in 2018, up from $2.3 billion in 2017. New equity investment accounted for less than 20 per cent of inward investment flows. However, the balance was due to intracompany transfers, i.e. loans and other transfers by parent companies to affiliates already established in the country, mainly for gas exploration and production (UNCTAD/WIR, 2019)"

Mozambique and South Africa have enjoyed warm and cordial relations since1992 when the two-nation established official Trade Missions with each other. These Trade Missions were elevated to full diplomatic statuses the following year (Dirco, 2020). Mozambique and South Africa's relations are anchored by deep historical and political ties established during the liberation struggle days and are characterized by geographical, cultural affinities and historical bonds between the people of both countries. These have enabled the establishment of a number of economic exchanges between the two countries in the form of tapping into resources such as electrification, mining and agriculture (Dirco, 2020).

Currently, the relations between the two countries are at the Presidential Level following the signing of an agreement on Bi-National Commission (BNC) which superseded all the previous signed bilateral relations (Dirco, 2020). This contributed substantially to the consolidation of economics relations between Mozambique and South Africa. According to Dirco (2020), South has benefited hugely from Mozambique through labour imports for mining and agricultural activities.

According to a study by the African Centre for Migration and Society (2017), South Africa's labour policy framework, which consists of bilateral agreement with neighbouring countries, has enabled an influx of Mozambique or Portuguese speaking foreign nationals into South Africa. This influx is higher than that of people from other neighbouring countries. This has contributed to an ongoing cordial relationship with South Africa.

The above presents an opportunity for multinational enterprises (MNE) to look at strategies that could be deployed between South Africa and Mozambique to enhance cross-border trade and relations in the form of greenfield, partnerships and or joint ventures. Therefore, a study into historical ties specific to both countries to enhance FDI flows is warranted. The proposed topic on historic ties based on factors between South Africa and Mozambique will adopt and explore a practical and an academic research technique using institutional theory as a theoretical lens in an attempt to answer the research questions identified.

Makino and Tsang (2011) undertook a study on historical ties and foreign direct investment (FDI) investigating early and late movers relating to foreign investment with a specific look into Vietnam with other countries. Makino and Tsang (2011) suggest that historical ties might not be an influencer to some countries as early movers on foreign investment. They argue that countries with solid historical ties may delay their investment entry decisions as the disadvantages of late investment decision may be offset by the existing solid ties with the host nation.

There are already existing studies in international business with a focus on emerging multinational enterprise entrance in emerging markets and/or cross boarder foreign investment between countries with close proximity. Chowdhury and Maung (2018) support Makino and Tsang's (2011) suggestion that the basis of these ties is entrenched in institutional contexts which in turn informs the robust and desired economical exchanges between the countries.

1.2 Background

According to Kedia and Bilgili (2015), several developing economy countries have benefited immensely from cross boarder economic exchanges. They identify these benefits as including contribution to economic growth, capital injection on greenfield projects, employment creation, technology transfers and resource-based benefits.

Mozambique, as a country that has close proximity with South Africa, could provide an interesting opportunity to study the influence that this proximity has on FDI flows between two countries. As much as Mozambique used to be a Portuguese colony and South Africa a British one, both countries share some commonality in vernacular languages and have in the past and present engaged in a number of economic exchanges. This talks to historical ties and movement of people between the two zones. It would therefore be interesting to study and understand how these historical ties has or could enhance FDI flows between the two nations.

Contractor et al. (2014) suggest that different beliefs, attitude, values and most importantly assumptions on organisation members behaviours as a result of high cultural distance might pose a challenge to a multinational enterprise's ability to successfully establish itself, integrate and ensure sustainable relationship with host country stakeholders and locals.

1.3 Research Problem

During the past two to three decades, several multinational enterprises expanded their trade to some developed and developing nations (Kedia & Bilgili, 2015). The management of risks associated with market entries have been one of the key considerations for multinational enterprises. The influence for FDI flows has been studied, and its theoretical implications established (Chowdhury & Maung, 2018). However, it remains the task for any multinational enterprise to consider when making an entry decision to a country and also investigate and or establish the best conditions which would enhance this investment if deployed (Mondolo, 2019; Donnelly & Monolova, 2020). Therefore, historical ties between countries within proximity, similar cultural traits, stability, protocols and institutions is best suited to guide some of these complex or rather difficult decisions (Kedia & Bilgili, 2015; Mondolo, 2019).

This research explored how historical ties could be used to enhance FDI flows between two countries harvesting from a rich history that exist between them. The interests for business remain their ability to use these relations to advance their expansion strategies using these ties as strategic pointers for cross-border trade between countries.

Political instability has negatively affected the inflow of foreign direct investment (FDI) in developing economies (Rottig, 2016). As a result, certain countries have been impacted negatively through high unemployment rates, continuous fighting due to lack of opportunities, poverty, and nonexistence of formal or informal institutions to positively guide these countries to stability and economic growth (Rottig, 2016). Developing continents like Africa need to look deeper into strategic alliance and relations that seek to advance cross-border trade and relations.

1.4 Research objectives

The objective of this study was to explore how the formal and informal historical tie factors could be used to facilitate FDI flows between two countries using South Africa to Mozambique as the cases for the study. The research seeks to make a practical contribution to business and theoretical one to academia. The practical contribution is to better understand how organisations engage with formal and informal institutions in foreign countries to advance FDI flows. Academically, we contribute to the theory expansion on historical ties in the international business space. The researcher identified an opportunity to look into historical ties as part of strategies that could be used to advance cross-border trade relations. Thus, we believe that with this study, a practical opportunity will be advanced for African countries to look at how they could utilise their historical ties in an attempt to increase, enhance and develop sustainable economic growth through cross-border trade

- To explore and identify historic tie factors that are specific to each country.
- To identify which of these factors enhance or deter FDI flows between the two countries.
- To contribute to the body of knowledge on aspects of historical ties and FDI flows with unique contextual focus into Africa.

1.4.1 Research Main Question

- How can FDI flows be advanced through formal and informal relations influenced by historical ties?

1.4.2 Sub-Questions

- What are the country specific historic tie factors that induce, slows down or deter foreign direct investment between two countries?
- How do these multiple historical effects interact with FDI flows?

What is the influence of historical ties to cultural distance, political stability and institutional distance?

1.5 Rationale for the research

Makino and Tsang (2011) investigation into Vietnam's historical ties was conducted with data from 1846 companies doing cross-border trade with Vietnam. In Makino and Tsang's (2011) study, Vietnam was the only target nation. Kedia and Bilgili's (2015) study looked at Russia and the former Soviet Republics using 150 companies from 30 randomly selected acquirer nations. Another study carried out by Chowdhury and Maung (2018) in Asia with 8 targeted nations focused on historical relationships of all colonies with their respective colonizers. This was a bigger sample size with multiple pairs as compared to the study by Makino and Tsang (2011). The above studies were carried out in Europe and Asia. The context offers different circumstances and challenges. In extending the body of knowledge and literature on some of the work done by the above scholars, with this study we draw and focus on an African context between two nations based in Southern Africa with rich history that is not based on colonies to colonizer factors as Kedia & Bilgili's (2015) study. The purpose of this study was to build possibly strategic directions that could be used by business to increase FDI flows between the two nations.

The studies by Kedia and Bilgili (2015) and Chowdhury and Maung (2018) were carried out using the quantitative research method approach. In their studies they suggest a new line of enquiry on a deeper understanding of historical ties based on formal and informal relations, this is interesting to pursue by exploring a deeper understanding of perceptions and opinions of formal and informal factors underpinned by historical ties. This research was carried out using the qualitative methodology approach as this seeks to extend the line of enquiry from Chowdhury & Maung (2018) to give a better in-depth understanding.

Overall, this study makes new contributions. Firstly, it departs from previous research carried out by Chowdhury and Maung (2018) on understanding the role played by historical ties in enhancing FDI flows between two countries. This study does this by investigating the formal and informal relations. Secondly, the study contributes to the institution-based view by looking into how formal and informal institutions of countries with historical ties drive FDI flows, extending to the following variables cultural distance (CD) and social relations (SR). We look at these from an African context, regional trade opportunities.

A practical contribution will be realised through understanding formal and informal factors that South African multinational enterprises face when deciding on Mozambique as a foreign investment destination. An academic contribute will be based on extending the already limited emerging market literature in international business (IB) with a specific focus on historical ties and how they matter in influencing foreign direct investment flows.

Over and above the practical contribution, this study will contribute to the literature on historical ties as previously written by Makino and Tsang (2011); Kedia and Bilgili (2015) and later Chowdhury and Maung (2018) to advance the role played by formal and informal factors in facilitating FDI flows. The newly discovered offshore natural gas will present a number of opportunities for multination companies in sectors such as steel, transportation, built environment and agro-processing. South African businesses have an opportunity to explore cross-border trades and relations in these sectors.

The theoretical lens for the study is institutional based theory, the approach affords us an opportunity to review the implication of formal and informal institutions in advancing foreign direct investment flows from an African continent context. We expand on this in Chapter 2 in the literature review.

1.6 Scope of the research

The purpose of the study was to explore the implications of formal or informal historical ties on FDI flows from South Africa to Mozambique. The literature review for the study was based mainly on journal articles published between 2020 and 2013 with exceptions for older journals depending on the context and relevancy of the data. The study was executed using the qualitative approach methodology. The population for the study came from a combination of public and private sectors. A total number of 16 individuals within the government, financial, investment and manufacturing sector have been interviewed.

These persons are individuals that work for entities that partake in foreign direct investment activities. The study was carried out over a six (6) months period. As part of the investigation, the study focuses on historical ties, FDI and institutional theory. Due to Covid-19 health and safety regulations, the interviews were carried out using Microsoft Teams instead of the traditional face to face method.

1.7 Research Study setting

Mozambique is located in the South Eastern coast of Africa bordering South Africa, eSwatini, Zimbabwe, Zambia, Malawi and Tanzania which form part of the region called Southern African Development Community (SADC). The country is endowed with land, water, energy, mineral resources as well as newly discovered natural gas and a large pool of labour.

According to ECIC (2020), strategic linkages between South Africa and Mozambique have been informed mainly by trade linkages, with economic ties that have been established around trade and investment. These have included Mozambique concentrated exports and or raw exports such as oil and prawns; and an exchange from South Africa exporting to Mozambique raw and intermediate material, capital equipment, parts and accessories and a number of consumer goods to benefit from the growing urban populations and booming manufacturing sector in Mozambique (ECIC, 2020).

Historically, Mozambique has also been a provider of labour into South Africa in the mining and agriculture sectors. Over the years, a number of South African expatriates working in Mozambique has increased. The relationship comes from way back in the political struggle days when Mozambique was home to South African political activists. South Africa was a British colony while Mozambique was a colony of the Portuguese. These has resulted in different official languages and legal systems. However, some vernacular language similarities exist between the two countries.

According to ECIC (2020), foreign direct investment from South Africa to Mozambique between the period of 2010 – 2013 accounted for an average of about 33% of South Africa imports. However, we with so many opportunities in Mozambique, South Africa needs to position itself to benefit through future megaprojects.

1.8 Definition of terms

1.8.1 Historical ties

According to Makino and Tsang (2011), ***historical ties*** are formal and/or informal relationships that exist between countries. The formal relations are mostly created intentionally to govern the relations once it has been agreed. They surface in the form of protocols, formal trade agreement, treaties, alliances and inter-governmental organisations. The informal relations develop naturally as a result of labour exchanges informed by geographic proximity, colonization, immigrations, cultural forms, ethnicity and social relations between individuals and country.

1.8.2 Foreign direct investment (FDI)

Rahman (2015) suggests that ***foreign direct investment*** is a process of globalisation where an organisation from a developed economy would engage in an investment strategy in developing markets in order to expand its operations. As a result, this would facilitate capital formation for the developing market including the transfer of technology and know-how; the creation employment opportunities with may directly influence economic growth in the country.

1.8.3 Cultural distance (CD)

Quer, Claver and Rienda (2017) state that culture plays an important role within the space of foreign investment decision-making process as it may be considered as an environment for informal institution and thus could dictate the goings for formal institutions.

1.8.4 Social relations (SR)

A socially responsive environment tends to foster and encourage networking and the ability for acceptable between nations and allows a natural integration informed by either religion, culture, language, and based on an individual or nation's acceptance (Mondolo, 2019).

1.9 Research Report Structure

The study report contains six additional chapters and has been structured as follows; Chapter 2 reviews the relevant theories and academic literature on historical ties implications on foreign direct investment within developing economies from South Africa to Mozambique.

Chapter 3 introduced a summary of the research objectives and research questions.

Chapter 4 illustrates and explains the selection of methodology and study design. Amongst the aspects of design, it explains the unit of analysis, population selection, sample size, sampling method, data collection details and related processes of data analysis. Over and above these, it defines the quality control, saturation and triangulation for the study.

Chapter 5 profiles the participants data and presents the qualitative data and its results.

Chapter 6 is a comprehensive analysis of the research findings in line with the research questions. Also, the use of literature to argue the results.

Chapter 7 is a conclusion of the research findings and summarized principal theoretical findings on formal and informal historical ties implications to FDI flows from South Africa to Mozambique. This chapter also gives research limitations and future research considerations.

1.10 Conclusion

This chapter introduced the study. It also laid out the background that gave rise to the study as well as the rational why the study should be undertaken. The study will be anchored by Chowdhury and Maung's (2018) article which identified gaps to be pursued for future studies in the international business space looking into the role played by historical ties between countries and what and how formal and informal factors strengthen these relations to facilitate FDI flows. The next chapter will focus on the relevant theories and literature review to build an argument that will anchor the research in the current academic debate.

Chapter 2: Theory and Literature Review

2.1 Introduction

Boote and Beile (2005) explain the fundamental importance of literature review and suggest what it should achieve. According to Boote and Beile (2005), the review of literature gives a broad context of the study, categorically explains what is and what is not included in the scope of the research and gives a thorough reasoning for each decision. The review should also not report on current literature claims; however, it should critically examine the research methods deployed to better establish the validity of the claims. This approach in literature review does not only give the researcher an opportunity to summarize but also an opportunity to synthesis literature in such a way that a new perspective can be generated (Boote & Beile, 2005).

The literature review explains the framework selection and theory approach that the researcher builds the argument around and also focuses on different topics in an attempt to raise a new perspective through synthesising previous work written by scholars as guided by the research question. Makino and Tsang (2011), Kedia and Bilgili (2015) as well as Chowdhury and Maung (2018) suggest that, as part of contributing to the body of knowledge spectrum in international business (IB), historical ties play an important role in enhancing foreign direct investment (FDI) flows between two states. However, they suggest that more country specific investigations should be explored to establish an in-depth understanding on the formal and informal historical ties influencing FDI flows.

It will be interesting to investigate and establish the historic factors that are specific to the relationship between countries in an attempt to improve FDI flows as this will benefit business and contribute to academic literature. The researcher explores, critically reviews and synthesises available literature to advance and fill a gap that has been identified (Chowdhury & Maung, 2018) in the academic body of knowledge.

2.2 Institutional Theory

Peng, Wang and Jiang (2008) suggest that institutions can be classified into two types namely, informal, and formal institutions. As part of the decision-making process for foreign direct investment, multinationals should consider the role played by these institutions as the role looks at the environmental aspects of the country in terms of law makers, regulatory bodies, customers, suppliers, and society (Peng et al, 2008; Meyer & Peng, 2016, Rottig, 2016). Rottig (2016) explains the institutional theory in the context of multinational enterprises (MNE's) in that it is their ability to conform and regulate themselves according to the environment that they operate in, in ensuring that they become relevant, acceptable and legitimate as dictated by the host country social environment. Therefore, these formal and informal social environmental factors, as triggered by the institutions, are key considerations for MNE's seeking to expand into cross-border economic exchanges.

Meyer & Peng (2016) suggests that some factors, such as instability and diversity, characterises the business atmosphere in emerging economies. According to Meyer and Peng (2016) the institutional-based view theory, which merges numerous distinct lines of research with mutual interest in the collaboration between institutions and economic players at different stages of scrutiny has become more prevailing & referenced in international business.

Emerging economies, as compared to developed economies, have had to endure week or poor institutions. According to the United Nations Conference on Trade and Development (UNCTAD/WIR, 2019) research conducted in the international business space, this phenomenal is slowly changing to the positive for some emerging markets as they become more exposed to globalisations and corporate governance. The dynamic relationship between organisations and institutions become key to ensuring stable markets and economic growth (Meyer & Peng, 2016; Donnelly & Manolova, 2020). Therefore, the above scholars seem to share the same ideology on the important role played by institutions in an attempt to positively influence the decisions of multinationals on location decisions. Therefore, the relationship between organisations and institutions is key and may be an important driver for formal and informal factors on society, politically and economically.

Xiao and Park (2018) suggest that institutions give structure and character to economic activities and this tends to inform most business strategies in looking into formal and informal rules that play themselves out in the country of interest for investment. Therefore, the argument for this study will be anchored within institutional theory as it is best positioned to explore the environmental factors created by formal and informal institutions of countries with historical ties.

Bailey (2018) finds a positive relationship between institutional factors and FDI and suggest that a number of institutional factors have received attention. These have been cited and reviewed by scholars with a specific outlook on the cost implications with cross-border trade exchange on whether the cost increases or decreases, with potential results that could either attract or deter FDI. Such factors are; *1) rule of law; 2) corruption; 3)* *democratic institutions; 4) cultural distance; 5) tax rates/rebates and 6) political stability*. It is clear that both host and home government have formal and informal roles to play when it comes to FDI flows. To bring context to the study, we explore these formal and informal factors in relations to an African context with developing countries with different colonial histories and different legal systems, official languages & social factors, business behaviours, institutional arrangements, and economic growth but having profound historical ties.

2.3 Historical ties on FDI

Makino and Tsang (2011) investigated whether historical ties between countries are a probable determining factor for inward foreign direct investment. The analysis and findings on this study indicates that historical ties are a considerable factor for FDI entry decision, even after taking control of the effects of distance variables (Makino & Tsang, 2011). Kedia and Bilgili (2015) examined the direct effects of historical ties on foreign equity ownership.

Chowdhury and Maung (2018) examined the historical ties between nations in relation to their importance in cross-border mergers and acquisitions and found that historical relations between countries play a vital role in international economic transactions. Thus, it is important to maintain pleasant bilateral relations to secure the future economic exchanges between countries. However, this paper takes a slightly different approach to the above three papers in that it introduces an African context flavour in states with different colonial histories with a regional outlook with deep historical ties to establish the implications these ties have on FDI flows.

2.4 FDI flows

Capital flows, especially foreign direct investment, continues to be an important economic driver for international business activities. The flows are either inward or outward and have remained the core interest of study by scholars in the international business space (Nielsen, Asmussen & Weatherall, 2017).

Alvarado, Inigueze and Ponce (2017) suggest that FDI can act as a catalyst to the host country in accumulating physical capital and transfer of human capital with a possible impact of increasing economic growth. FDI also plays a key role in technology transfer between developed and developing nations and generates gains for investors (possible reduction in cost and market expansion). The host country benefits through employment creation, labour transfer and technology transfer resulting in production efficiencies (Alvarado et al., 2017).

Alguacil, Cuadros and Orts (2011) argue that although FDI has been shown to have both beneficial and detrimental effects on growth, it has also shown no effect in other studies. Accordingly, it continues to be the focus of study and investigation depending on the sending and receiving country specifics. Lucke and Eichler (2016) suggest that economic factors and favourable institutional environment have over the year inspired investors to pursue foreign direct investment in both developed and developing countries. Added to this is the uniqueness of host countries as they play an important role in attracting FDI.

2.5 The implications of historical ties on FDI flow

Bailey (2018) suggests that foreign direct investment is a long term, highly considered, investment made by a multinational corporation (MNC) in a foreign country in a form of acquiring long term interest such as wholly owned operations, joint venture and or partnership. The significance of FDI flows in developing countries has in the past been key as it creates access to economic development. However, it could sometimes bring about undesirable conditions as not all foreign capital induces positivity in a country (Busse & Hefeker, 2007; Alguacil, Cuadros & Orts, 2011).

Long lasting relationships between two countries can either be formal or informal. Formal relations such as trade agreements, innovation and security alliances are normally guided by agreements, alliances and treaties to stimulate mutual national interests between countries. Informal relations evolve over a period of time and are linked to cultural similarities in the form of language, religion, ethnic and social norms relations between individuals and nations (Makino & Tsang, 2011; Chowdhury & Maung, 2018). These are generally characterized by immigration arrangements and geographic proximity.

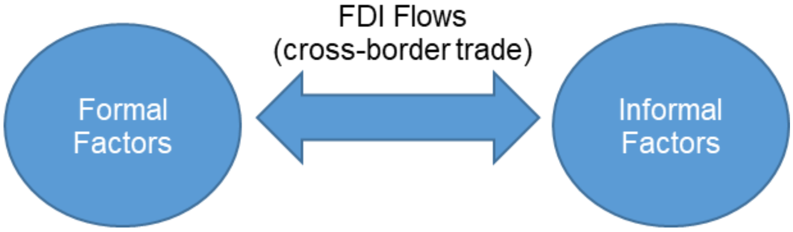

Figure 1: Historical ties relations
Source: Makino and Tsang (2011)

In their study, Chowdhury and Maung (2018) suggest that the “*how”* question on historical ties has not been explored in full. They, accordingly, address a number of aspects on the “*how*” in relations to enhancing cross-border investments. They also note that previous literature has been able to give empirical data on the positive relationship historical ties have on enhancing foreign investment. However, they maintain that a deeper understanding of how and to what extend history matters still need to be explored in a more dynamic context (Chowdhury & Maung, 2018). This study examines historical ties not based on colony and colonizer relationship and characterized by different laws based on which country was the colony master of each country of focus.

Makino and Tsang (2011), Kedia and Bilgili (2015) suggests that historical ties play and important role in guiding a country on the foreign direct investment decision issue and thus should not be left out when comprehensive analysis and decision making on whether to invest or not to invest is made. The understanding of cross-country relations and their historical background has become an important topic in international business studies, especially developing countries (Bailey, 2018; Chowdhury & Maung, 2018). There are complexities that exist with developing countries. These are characterised by many factors such as invasion, colonisation, occupation and alliance that the country might have with other countries. These will have a substantial influence on the country’s cultural and institutional development (Makino & Tsang, 2011; Chowdhury & Maung, 2018).

Chowdhury and Maung (2018) identify institutional based theory as a solid theory to explore historical ties and their role & impact in cross-border economical exchanges. They suggest that historical ties may help countries to have less behavioural uncertainties while they enhance bilateral social networks, trust, shared values and beliefs.

A literature gap identified by Chowdhury and Maung (2018) on the question of the importance of historical ties in an effort to enhance cross-border trades, hints and provokes a future contribution into literature through an investigation onto formal and informal ties between countries. This research will investigate the formal and informal factors that could be positive or negative contributors to FDI flows between South African and Mozambique. The formal and informal factors, as depicted in Figure 2 below, will be investigated in the case of South Africa and Mozambique.

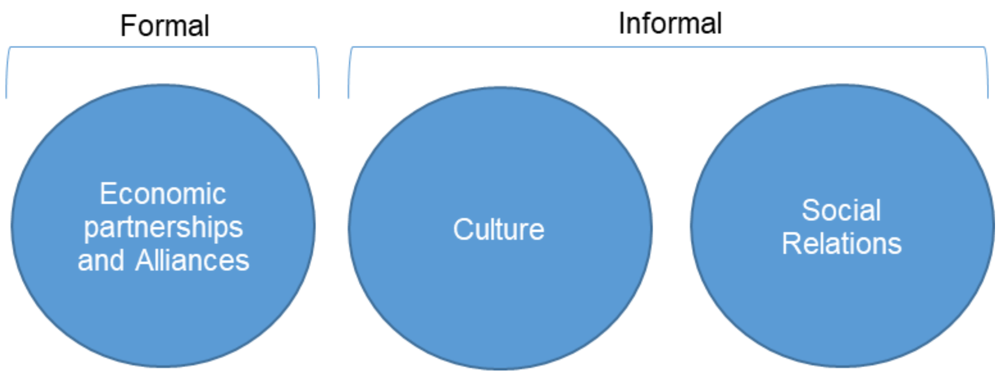

Figure 2: Formal and informal relations classification

The debate around historical ties still holds validity within international business studies (Kedia & Bilgili, 2015; Chowdhury & Maung, 2018). These ties are country specific and unique in nature. This brings about an in-depth exploratory interest to study South African and Mozambique in an attempt to understand and establish the factors that inform the two countries historic ties and how they have played themselves out in drawing or deterring foreign direct investment between the two nations. This study seeks to contribute to literature on country specific factors that exist due to historical ties between two nations, in order to strengthen and or enhance economic exchanges. The research approach into historical ties will investigate the country specific historical ties with a focus on formal institutions, cultural and social relations.

Below, we explore and synthesise recent literature on the formal and informal factors triggered by formal and informal institutions in an attempt to investigate their impact on FDI flows between South Africa and Mozambique.

2.6 The role of formal institutions on FDI

The role of institutions in developing economies is to mitigate risk and uncertainties in foreign investment transactions (Rottig, 2016; Kim & Song, 2017). A country with legal and regulatory systems is able to lower the costs associated with investing as they offer stable institutional environments. Some emerging markets that are still dealing with underdeveloped institutions tend to have higher transaction costs (Kim & Song, 2017).

Kim and Song (2017) state that foreign firms may use strategic alliance and cross-border alliances to enter foreign markets. This is done to mitigate the inability of institutions to perform their regulatory task. Thus, it is important to ensure that strong and efficient institutions exist to complement the transactions that will lead to FDI flows.

Scholars like Rottig (2016) and Cuervo-Cazurra and Ramamurti (2017) highlight the importance of ensuring that countries create developed institutions that may be pro-market and policies that enhance business exchanges or growth. They suggest that these have become key aspects for emerging markets. As some developing countries would mostly be challenged with having underdeveloped institutions, ensuring the balance of good institutions also allows for an opportunity to manage the foreign investor behaviours in the host country (Cuervo-Cazurra & Ramamurti, 2017).

Kedia and Bilgili (2015), Cuervo-Caurra and Ramamurti (2017) as well as Donnelly and Manolova (2020) argue that institutional based view provides a dynamic and in-depth approach to understating the ability and capabilities of host country institutions in encouraging FDI flows. We adopt this theoretical approach in investigating the historical ties relating to formal and informal relations between two countries.

It is therefore an important consideration for organisations as they seek foreign direct investments to understand these formal relations at host country environments. According to Xiao and Park (2018), institutions are classified into two types, formal and informal institutions and both these types shape most of the strategies for foreign investment decisions and their performance within society. Institutions that deal with laws and regulations in a country are regarded as formal institutions, they set the tone for economic activities. The laws and regulations can either positively or negatively impact FDI flows in the country.

Donnelly and Manolova (2020) argue that scholars have undertaken to study the influence of these institutions in guiding the investment decisions of multinationals. Foreign direct investment has been rather slow towards emerging markets as a result of institutionally related concerns (Donnelly & Manolova, 2020).

Kedia and Bilgili (2015) make interesting findings on the influence of institutional distance between acquirer and target nation linking to equity sharing. However, they suggest considerations of future in depth exploration of the types (negative or positive) of historical ties that exist between the countries and their influence into institutional factors with a focus on other continents or countries.

It’s important to note what the above scholars are arguing and emphasising the importance of institutions of host countries as they have a shared common responsibility to facilitate FDI flows. Therefore, this study will explore some of these literature aspects in the investigation of South Africa FDI flows to Mozambique taking into account the historical ties between the two countries as a moderator. These have business implications for multinational enterprises seeking to expand their trade to Mozambique and will also contribute significantly to the institution-based view literature on international business studies.

2.7 Informal institution on FDI

According to Chowdhury and Maung (2018), informal institutional factors are mainly based on behaviour and natural relations such as proximity, immigrations, similar culture traits, social relations based on individuals or nations, ethnicity related relation and cultural heritage that arouse in a natural way.

FDI studies in the past have explored more formal relations based on the rule of law and regulations (Lucke & Eichler, 2016; Mondolo, 2019). Informal institutions have seen less interest. However, informal institutions have since become an interesting subject in the school of international business as measurements and observations can become challenging (Mondolo, 2019). Recent studies have seen informally based relations or institutions play an important role on FDI flows and have seen different explanations (Chowdhury & Maung, 2018). This still opens the topic for more exploration to contribute to the informal institution literature and also to ensure that business is able to position itself well for cross-border economic exchanges (Mondolo, 2019).

A meta-analysis conducted by Mondolo (2019) indicates that informal factors have the ability to attract foreign direct investment. Using South Africa and Mozambique, this study seeks to understand the unique historical ties, based on informal relations, that encourage or deter foreign direct investment between two nations. For the purpose of this study, focus is on historical cultural and social relations in an attempt to grow and increase cross-border economic exchanges between the two countries.

Witte, Burger and Pennings (2020) argue that ties between two countries can act as an additional factor that could potentially assist in reducing liability of foreignness. They indicate that these relations have developed historically between the two countries and are underpinned by intercountry flows and relationships, immigration and export dependency. The ties, according to Witte et al., (2020) are historic and colonial (Makino & Tsang, 2011; Kedia & Bilgili, 2015; Gao, Wang & Che, 2018). However, in the context of South Africa and Mozambique we investigate countries that have no colonial relations.

Firstly, this approach contributes to the importance of informal societal factors that increase opportunities for FDI looking at country specifics. Secondly, it also contributes to the institution-base theory as it explores factors driven by institutions covering society and its environment. Thus, it is important to understand the country's informal institutional frameworks that underpin the strategies to engage and draw FDI flows.

2.7.1 Cultural distance

Foreign direct investment has become the focal point in international business with developed and developing nations. The investment decisions taken by multinational companies have in the past, according to literature, been based on economic factors. The institutional environment (Dunning, 1998), and unique informal factors, have started gaining momentum and are seen as creating favourable conditions in enhancing FDI flows. Culture as an informal factor based on society suggest that foreign investors will have to find ways to engage with foreign culture and ways of doing business. Thus, cultural determinants are becoming a prominent area of interest (Lucke & Eichler, 2016).

Contractor, Lahiri, Elango and Kundu (2014) suggests that literature studies suggest that entrance to foreign markets presents challenges to multinational enterprises in that entering markets with dissimilar cultures requires them to be flexible, adjust and adapt to new environments to necessitate integration.

Cultural distance between two countries can be a potential challenged for countries seeking to invest in cross-border economic exchanges as it may lead to communication and interpretation issues creating social integration challenges for any multination enterprise (MNE) seeking foreign investment (Quer et al., 2017). The investigation on cultural distance by Quer et al. (2017) is based on secondary data and therefore has limitations as MNE managerial perception was not considered in establishing an in-depth understanding of the institutional variables. They may have implications on cultural distance and the author suggests that future research may be considered to investigate and understand the institutional cultural distances as perceived by multinational enterprise management. This will allow for a greater understanding of the targeted nation for investment (Quer et al., 2017).

Therefore, the above authors seem to share the same sentiments on the importance of culture and how it structures society's behaviour. Therefore, MNE should be aware of the environment in which they seek to invest in. Cultural similarities and traits that form the bases of a relationship should be well understood to ensure a balanced integration between countries.

In their investigation on whether culture drives FDI, Kayalvizhi and Thenmonzhi (2018) argue that culture talks to social values and belief systems of society and is regarded as an informal driver of a country's economy and may influence the performance of the country and/or multination corporation. Therefore, cultural adaptability of the investing country may influence the relations with the host country and also the understanding of country needs and thus increase the possibilities to FDI flows (Kayalvizhi & Thenmonzhi, 2018).

Therefore, an importance to expansion and contribution of literate is noted by this study in the form of specifically investigating country specific cultural traits based on historical ties to foster cross-border trade. This will also ensure that South African and Mozambican organisations are best positioned to seize economic opportunities brought about by cultural similarities. According to Quer et al., (2017) and Kayalvizhi and Thenmonzhi (2018), developing markets have to focus on how to use culture as a tool to expand their governance capacity in an attempt to enhance their destinations to foreign investment to deliver long-term sustainable growth.

2.7.2 Social Relations

Recent literature indicates that social networks, trust and corruptions have been some of the actors that have been studied by scholars (Bailey, 2018; Mondolo, 2019). Trust-base and social incline environment have tendencies to encourage FDI flows as they provide ease for investors to integrate than in an environment that is not socially encouraging (Mondolo, 2019). A socially responsive environment tends to foster and encourage networking and ability for acceptable between nations and it allows a natural integration either informed by religion, culture, language, and based on individual or national acceptance (Mondolo, 2019)

Garrone, Piscitello and D'Amelo (2019) argue that the quality of institutions in a country can either create a positive or negative environment. Past studied have focused on formal institutions. However, this study explores and expands the informal institution literature by exploring the unique aspects of informal relations specific to South Africa and Mozambique to increase FDI flows.

For this research, the objective is to better understand the social interaction based on historical ties between South Africa and Mozambique and what is unique between the two countries to foster foreign direct investment. Society behaviours plays an important role in shaping these socially based relations. It is therefore important that multinationals seeking foreign investment should understand the societal social environmental factors to inform the decision processes. Garrone et al., (2019) argue that in emerging markets, informal institutions have become central to country's economic activity and may be seen as enabling conditions and may carry the social capital of the country.

Strong links between individuals and groups is normally due to social capital relations. This phenomenal may create opportunities for lower transactional costs and can facilitate combined and structured vision. Strong social relations between two countries may foster possibilities for economic exchanges as individuals and/or groups within the countries would enable ease of entrance and sustainable investment opportunities due to their level of interaction as a result of trust and collectivism (Garrone et al., 2019).

2.8 Conclusion

This chapter illustrated and synthesised a theoretical approach on the formal and informal factors triggered by host country institutions in a drive to enhance FDI flows. From the literature review it is quite evident that formal and informal institutions play a considerable role and influence on FDI flows. The next chapter will explain the context in detail of the research questions and sub-questions that underpin this research. This chapter is an expansion of chapter 2 and must be read in that way.

Chapter 3: Research Questions and Sub-Questions

3.1 Introduction

The aim of the previous chapter was to provide an academic context of the research using recent written research literature. Chapter 3 provides an outlook on the research purpose, the main research question and its sub-questions. When each sub-question was formulated, the researcher was steered by the use of literature review.

The emphasis is placed on the review of existing literature looking into formal and informal historical tie factors that influence FDI flows. Based on the research sub-questions, the intention was to narrow the scope for this exploratory investigation. It must be noted that this chapter does not introduce any new angles as it is an extension of the literature review in Chapter 2. This chapter should be read and understood in concurrence with Chapter 2.

3.2 Research Objective

- To explore and identify historic tie factors specific to South Africa and Mozambique.
- To identify which of these factors enhance or deter FDI flows between the two countries.
- To contribute to the body of knowledge on aspects of historical ties and FDI flows with unique contextual focus into Africa.

3.3 Research Main Question

Research Main Question: How can FDI flows be advanced through formal and informal relations influenced by historical ties?

3.4 Research Sub-Question

Research Sub-Question 1: What are country specific historic tie factors that induce or deter foreign direct investment between a pair of countries?

Academic scholars argue in their findings as discussed in chapter 2 of this paper, that generally, historical ties play an important role in influencing foreign direct investment. However, a number of factors need to be considered by the host and home country. They mention that these factors are normally country specific, and that historical ties could be formal and informal. Bailey (2018), Kedia and Bilgili (2015) as well as Chowdhury and Maung (2018) suggest that these factors can be based on economic systems or evolve naturally.

Country relationships based on formal ties are mainly guided by continent or regional political economic issues. Chowdhury and Maung (2018) suggest that the country specific ties should be well understood as they may differ from country to country depending on how relations have played themselves out in the past. With this question, we explore the implication the ties have had on the bilateral trade between South Africa and Mozambique and, most importantly, how these relations, in the form of treaties and economic agreements, a can be used to enhance FDI flows for the future. Country institutions play an important role on corporation's and most importantly as policy drivers and compliance safekeepers (Rottig, 2016).

Research Sub-Question 2: How do these multiple historical effects interact with FDI flows?

Chowdhury and Maung (2018) argue that the various and varying historical relations between two countries has a positive impact and are significant to both countries in that they promote cross-border trade. However, they state that the relations must be known and understood in order to enhance their relationship with FDI flows.

Research Sub-Question 3: What is the influence of historical ties to cultural distance, political stability, and institutional distance?

Social factors play an important role in a country's economic activities, especially foreign direct investment. The home and host country social factors that influence stability, cultural effects, beliefs, geographic proximity, value systems and how institutions behave is key for foreign investment (Makino & Tsang, 2011). We explore this question as we look at how countries use these ties to influence FDI flows, with the specific focus on the deep informal ties between South Africa and Mozambique.

Makino and Tsang (2011) and Kedia and Bilgili (2015) suggest that historical ties create an institutional framework within which trade exchanges and social interactions between two countries may exist. We investigate the variable that inform the relationship between South Africa and Mozambique and their implications to FDI flows.

The table below gives a summary of the links between the theories and respective research questions and sub-questions.

Table 1: Applicable theories and research questions

Theories & Constructs / **Research Questions**	Institutional theory	Historical ties	FDI Constructs	Emerging Market Entry
Main Question	Y	Y	Y	Y
Sub-Question 1	Y	Y		
Sub-Question 2	Y	Y	Y	
Sub-Question 3	Y	Y		

3.5 Conclusion

This chapter presented the research sub-question and gives literature context to each question. Chapter 4 will outline the research design, methodology and selection process. The researcher also provides some of the identified research field concerns and limitations thereof.

Chapter 4: Research Methodology and Design

4.1 Introduction

The research methodology for this research has been selected on the basis of exploring an in-depth understanding of the role and impact of historical ties between two nations in enhancing or deterring FDI flows. The literature reviewed and synthesised previous studies carried out on this topic looking at different variables. Most of the research was designed and carried out using the quantitative approach.

Therefore, to establish and explore the in-depth human opinions and perceptions, this research adopted a qualitative approach. Kedia and Bilgili (2015), Rottig (2016) and Chowdhury and Maung (2018) suggest that for a detailed study to answer the "*how*" on formal and informal historical tie factors, it is necessary to explore perceptions and opinions. Therefore, qualitative approach is best suited to investigate and explore the experience, perceptions and opinions. An explanation and reasoning on the selection will be detailed in the methodology and design approach.

4.2 Research Methodology & Design Approach

For the purpose of this study a qualitative approach was adopted to assist the scholar to identify factors on historic ties between South Africa and Mozambique in understanding and establishing the unique factors that informed those ties and how they play themselves out in FDI flows from South Africa to Mozambique. Kedia and Bilgili (2015) as well as Chowdhury and Maung (2018) suggest that a deep contextual understanding is required to study the historical tie factors detailed in the relationship between nations, as these might be of help when looking at FDI flows between the countries. Hence, we opt for a qualitative study to capture the opinions and perspectives through an interview process to obtain detailed and contextual data.

Therefore, a study of South Africa and Mozambique seeks to contribute to the already limited institutional body of knowledge based on the qualitative approach. Saunders, Lewis and Thornhill (2019) suggest that an exploratory investigation is a technique used by researchers to ascertain what is happening and gain much needed insight through asking open ended questions. In a case where one seeks to clarify and understand a particular phenomenon, issue or problem, this approach becomes particularly handy (Saunders et al., 2019).

Due to the fact that this research project was about exploring opinions and insights, an exploratory study was best suited purely because it is flexible and adapts to changes emanating from new data and perceptions that arises to the researcher. Exploratory research can be conducted in a number of ways such as interviews with industry subject matter experts, interviews with individuals or focus groups as well as through literature relevant to the subject under investigated. This approach was adopted for this research in order to open the research to new opinions and insights received from respondents. The dynamics from one emerging market to another might be different, and data received from within one market might offer different perspectives (Bengtsson, 2016).

Pham (2018) describes research philosophy as a system of assumptions and opinions and or beliefs regarding knowledge development. Academic researchers have throughout the years been doing precisely this when embarking on research studies, knowledge development in a specific field of interest or embarking on research to address a particular organizational problem (Saunders et al., 2019).

Saunders et al., (2019) identifies and defines five major philosophies that exists in management and business, namely in no particular order of importance, critical realism, positivism, postmodernism, interpretivism and pragmatism. The research philosophy approach for this study was based on an interpretivism approach. The following scholars, Thanh & Thanh (2015), Pham (2018) suggest that humans are different from physical phenomena, as humans shape society thus it is key to understand and interpret how they think, what they think and how they see things. Therefore, the reasons for the selection was that through engaging, both the researcher and the respondent have the ability to respond to the research problem independently as the study seeks to obtain human opinions and perceptions.

4.3 Population selection

Kedia and Bilgili (2015) suggests that population identification is triggered and highlighted by the research objectives and questions.

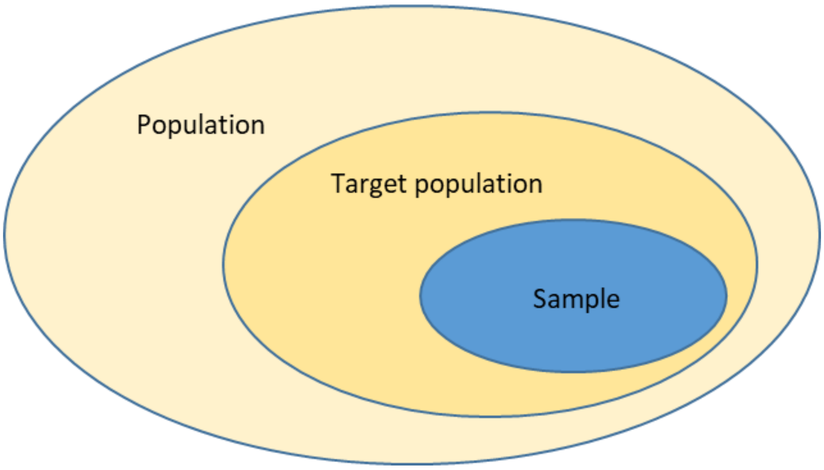

Figure 3: Population, target population, sample

Source: Saunders et al (2019)

Figure 3 above shows the process levels that exist with regards to the researcher understanding the universe for the research purposes. The target population for this study came from individuals working in the private multinationals and public sectors in South Africa. The characteristics of these sectors provided the necessary information and knowledge in respect to FDI which was intended to help in answering the research questions.

This created an opportunity to evaluate historical ties as countries with such ties tended to have major investment (Kedia & Bilgili, 2015). The respondents were from the senior management of the manufacturing sector, financial & investment sector and government department officials (see 4.2.3 below). The industries are best suited since they mostly pursued different investment opportunities. The individuals from these sectors, were best qualified to respond to the research questions as they had experience on FDI and in dealing with formal and informal institutions in the identified countries.

4.4 Unit of analysis

The unit of analysis for the research was the information given by the individuals from private companies and government entities dealing with foreign direct investment dealings or activities in Mozambique. These were senior management individuals with extensive knowledge on foreign direct investment in the South African Developing Countries (SADC) region.

4.5 Sampling method and size

Saunders et al., (2019) state that there are two most commonly used sampling techniques available. These are probability and non-probability sampling. According to Sharma (2017) in probability sampling technique the probabily of selecting a participant is either the same or at least known, while non-probability sampling technique looks at the proportional representation of the population being studied.

Scholars such as Guest, Bunce & Johnson (2005) suggest that when embarking on qualitative research studies, data gathering process through interviews could be an open-ended engagement. Accordingly, data saturation should be taken into account as it has an impact on the quality and content validity of the research. It is important for the researcher to establish and answer the question on how many interviews are enough to reach data saturation. Data saturation can also be used as a validation method, as it indicates a particular point within the study where there's enough information to replace the study (Fusch & Ness, 2015).

For the purpose of this research, non-probability sampling technique underpinned by purposive sampling was used by the researcher to identify the research participants that will partake, in an attempt to answer the research questions. The reasons thereof for selecting this sampling technique, was to interview individuals with experience within the private multinationals and public sector in South Africa.

The sample size for data collection was drawn from the research populations identified. Most of the role players in private multination's and government entities operating or dealing with Mozambique were contacted. Individuals from the financial sector, investment sector and manufacturing sector were contacted. Some individuals refused to avail themselves for interviews. A total of 09 respondents participated in the interviews. These were senior management people within the entities; 5 individuals were from private sector and 4 from government SOE's. All the interviews were on an individual basis, except one interview from a government SOE which was conducted with two participants.

The list and details of participants is given below. The information provided is limited to maintain confidentiality and anonymity of the participants. There was no direct relationship between the researcher and any participant that could have represented a conflict of interest.

Table 2: Summary of participants and demographics (for detailed list see Appendix 1)

Participants	Type	Description	Duration	Participant Location
Participant 1	Private Company 1	Head: Oil & Gas South Africa	30:34	South Africa
Participant 2	Private Company 1	Chief Economist	38:10	Mozambique
Participant 3	Private Company 1	Manager: Client Cover / Oil & Gas	31:50	South Africa
Participant 4	Government Institution 1	Senior Economist	1:11:32	South Africa
Participant 5	Government Institution 1	Senior Underwriter: Africa Investment portfolio	1:11:32	South Africa
Participant 6	Government Institution 2	Senior: Investment Deal Originator	52:47	South Africa
Participant 7	Private Company 2	Chief Financial Officer	51:07	South Africa
Participant 8	Private Company 3	Chief Investment Officer	1:09:57	South Africa
Participant 9	Government Institute 3	Head: Continental Coverage		South Africa

4.6 Measurement instrument

The instrument used for the research to collect and analyse the data were both the researcher and the formulated Semi-structured interview guide (see Appendix 3). The interviews mostly lasted under one hour and were structured in such a way that the main research question and the sub-questions were answered.

4.7 Data collection

The data for this research was collected in order to answer the research question and also attempt to deal with the predetermined propositions as deliberated on in chapter 3.

As a primary form of collecting data, the researcher selected semi-structured interviews which were carried out using the “Microsoft Teams” virtual platform. This created an opportunity to engage in in-depth discussions with the participants to explore their opinions, experiences and perceptions. The questions were open-ended which allowed the researcher to ask follow-up questions for clarity and were designed in such a way that they offered high quality information. The interviews were carried out in English with all participants.

4.7.1 Primary data collection procedure

With the review of academic literature and reports, the researcher developed interview guide questions to help initiate the conversation with participants. All the questions could be answered by the intended participants and were not specific to a particular calibre of participant. The researcher compiled a list of potential organisations as prescribed by the population and individuals within those organisations. Participants were contacted via email to request for an interview. The following documents were attachments to the email for ease of preparation by the participant: i) consent form (see appendix 2); ii) student confirmation letter; iii) interview guide questions (see appendix 3). Once the request was accepted, the researcher requested two possible date from the participant and selected one of them. After confirmation of the date and time, a formal meeting request for 1 hour was sent to the participant.

Interviews were conducted after a written and verbal consent was given. In each interview, the researcher obtained consent to record the interview from the participant. Also, the researcher reminded each participant of the rights in that; i) the participant’s identity and information provided was deemed confidential; ii) they could withdraw anytime during the interview without any penalty; iii) if there was any question that was uncomfortable to answer, the participant must indicate.

The interview session commenced with the researcher giving a background of who they were and subsequently the background of the research and purpose. Participants were also asked to give some background information on themselves. Thereafter, a total of 6 main interview guide questions were asked (see appendix 4). The primary objective was to explore the influence and implications of formal and informal historical ties to FDI from South Africa to Mozambique. The questions were open-ended to explore the themes intended to shed light on the research questions as described in Chapter 3. At the end of the interview, participants were thanked. The interviews were recorded using Otter transcribing software and all recorded interviews were transcribed by the researcher.

One interview was carried out with two participants from the same organisation. While this resulted in a great and intense discussion, the downside was the potential interjection by another participant creating a possibility of not capturing each participant, however we were able to manage by create a sequence of responses as this was not a big group of people.

4.7.2 Secondary data

As a supplement to the primary data which emanated from the interviews, secondary data in the form of, 1) policy reports; 2) web-based sources; 3) press releases; 4) Technical reports; and 5) SADC trade information sources was gathered to assist with a comprehensive and holistic review of South Africa and Mozambique. The secondary data created an opportunity for a comprehensive discussion and understanding of the formal and informal relationship between South Africa and Mozambique.

4.8 Data Analysis approach

The approach for this research was based on analysing and transcribing the recorded interviews and coding them to present and represent the views of the respondents. Saunders et. Al. (2019) state that analysis is an important and integral part of the research project and thus should not be taken lightly or misinterpreted.

Based on the recordings, transcripts were organised. The researcher listened to each interview against the transcribed manuscripts in order to ensure that the transcription accurately reflected the recordings. , The transcribed manuscripts and the secondary data were critically analysed to sift relevant data that to answer the research propositions before generating codes using AtlasTI software. Irrelevant data was not coded to eliminate unwanted voices. A deductive approach was deployed in examining the data and arriving at themes. This provided an opportunity to critically analyse and interpret the data accordingly.

Each interview transcript was analysed and interpreted individually. Once each transcript was analysed, the researcher moved to the next interview to ensure consistency and ease of reporting.

The data handling was as follows; i) each interview transcript was coded in line with the sequences of the interviews; ii) using AtlasTI, codes were created with relevant themes identified to capture areas of the research; iii) additional themes were also created as they emerged from the data and with each additional transcript new codes were created; iv) a total count on the codes was done to establish the stage at which saturation was reached; v) at a stage where new codes were not created, it was noted to be the saturation stage and these codes were merged to form themes; vi) the themes were also narrowed to a relative number relevant to the research questions.

After the completion of the coding and theme identification process, data was analysed, discussed and conclusions formulated in line with research questions. The data was presented in accordance with the sequence of the interviews and research questions and supported by quotations from each respondent's feedback. This process was followed by literature support as discussed in chapter 2 to validate the feedback of the respondents in answering the research questions.

4.9 Validity / Quality Assurance

According to Noble & Heale (2019) triangulation is a technique deployed to ensure validity and credibility of the study findings and rich data that is unbiased and could easily be understood. Validity refers to how the study accurately reflects the concepts being investigated, while reliability refers to credibility and/or trustworthiness and how believable the research study is. The researcher has used a combination of the theoretical and observers' triangulation approach.

Firstly, interviews were carried out to obtain an in-depth understanding of the experiences, perceptions and opinions of the participants on the historical tie factors; secondly, the participants were observed. Thirdly, the data collected was analysed and coded by the researcher and a professional coder was used to verify. The themes arising from the data analysis were then confirmed through a review of the research questions, literature review and existing available public data and policy frameworks. A combination of data collected and sourced from government agencies and multination enterprise records on FDI flow from South Africa to Mozambique was used to corroborate data from participants for triangulation. In addition, the researcher also used official reports, company reports and data on formal treaties to validate the study.

4.10 Ethical concerns

Ensuring ethical considerations throughout the research study was an important integral part of the study. The research journey execution was guided by ethical principles acceptable to GIBS. As part of the process, before participant interviews were carried out, an application for ethical clearance was submitted on the 16th of September 2020 and approved by the GIBS Research Ethical Clearance Committee on the 30th of September 2020.

Each participant was sent a student confirmation letter and a consent letter which explained the purpose of the research; how the interview would be conducted and also disclosing that the researcher was a student at GIBS. During the interview process, as part of the introduction, the researcher gave a brief personal background, gave a detailed account of the purpose of the study and also explained the ethical considerations to the participant. This approach assisted in establishing trust and credibility, which in turn allowed participants to be free and to open up fully during the interview process. The relationship also assisted in obtaining referrals for new participants who could be interviewed.

4.11 Field concerns and limitations

Gaining access to government entities relevant to the study was particularly difficult as most individuals were either not available or didn't want to take part. The study was also undertaken during a deadly global Covid-19 pandemic, in response to which the South African government introduced regulations to control the surge of the pandemic. This made it difficult to get hold of individuals directly from their offices as most people were working from home as part of the organisation's response to the Covid-19 pandemic. Some participants didn't even respond to emails. These presented a great limitation to the study.

The primary data was collected through interviews, which was wholly depended on the ability and skills of the researcher to ask questions and the participants ability to articulate themselves well. Most participants were able to articulate themselves quite well and were able to comprehend the questions asked, including the follow-up questions.

4.12 Data Storage

All the data collected as part of the interview process, be it transcripts and recordings, will be handed over and stored electronically without identifiers for a period of 10 years by The University of Pretoria's Gordon Institute of Business Science.

4.13 Transferability

The data uniformity, data credibility and how the data is interpreted in a qualitative study is important for the research quality. Sousa (2014), suggest that all these aspects are critical with how the actual data interpretation by the researcher will seek to contribute to furthering the body of knowledge on the subject of study.

To guarantee transferability of the study and the results, the researcher ensure that the research assumptions and context were described well and guided by theory and literature to create an opportunity for the study to be able to have a possibility of being applicable to a different setting.

4.14 Conclusion

In the next chapter the research findings which were drawn from the methodology as discussed in this chapter will be presented. The table below provides a summary of the methodological approach undertaken by the researcher in this study.

Table 3: Research design approach

Components	**Selected Parameters**
Method	Qualitative – exploratory study
Philosophy	Interpretivism
Strategy	Literature review
Approach	Deductive approach
Data collection	In-depth unstructured recorded virtual interviews using Microsoft Teams

Chapter 5: Presentation of Results

5.1 Introduction

The outcomes of the interviews conducted as part of the proposed research are discussed in this chapter. In total, nine interviews were conducted with diverse industry experts engaged in South African-Mozambique foreign investment activities. This chapter presents a brief overview of the interviewees, the data collection and measurement methods used by the researcher to ensure data quality and reliability, and the concepts on how historical ties between South Africa and Mozambique have progressed FDI flows across formal and informal relations. In Chapter 6, the concepts described in this chapter are further examined and evaluated with the literature presented in Chapter 2.

5.2 Description of the Interviews

A total of nine online interviews were undertaken. Interviewees were currently working at financial institutions, investment institutions and government institutions. Just a few portions of the audio transcripts were inaudible, but this had little bearing on the materiality of the transcribed notes. To ensure the quality of the recordings, the researcher tried to conduct interviews in silent areas. On average, most interviews ranged between 30 and 60 minutes. The interviewees were given a set of questions ahead of time by the interviewer to ensure that they were well informed and familiar with the topic of discussion. The formal interviews were conducted and recorded (with permission of the interviewee), after which the audios were transcribed by the researcher for analysis purposes.

5.3 Data Collection and Measurement

The transcribed verbatim interviews were checked for correctness by going through audio recordings before the process of the thematic analysis. For identification, the researcher used a bold font for the interviewer and the standard font for the interviewee when transcribing the interview recordings. Also, where key trends and observations were found, the researcher highlighted them during the pre-analysis process. The interview questions were administered using a qualitative approach and the data obtained processed and coded using the Atlas.ti Version 8.4.19.0 qualitative analysis program, which uses conceptual and relational analysis. This approach defined similar themes in the data and used coding to organise these themes into constructs. Data collection came to an end when theoretical saturation was achieved, i.e. no new constructs were emerging from the data being collected (Fusch & Ness, 2015).

5.4 Presentation of Results

The main constructs and position of the data were determined using frequency counts of the occurrences. This gave the researcher an understanding of the perceived value that participants gave to a particular subject. However, since some of the participants may not have commented or replied to any of the interview questions, some of the frequency counts did not add up to the total number of respondents which was nine.

The main overarching question underpinning this study was: *How can FDI flows be advanced through formal and informal relations influenced by historical ties?*

To answer this question, three sub-questions were proposed and asked within the interviews. These sub-questions are presented in Table 4 below.

Table 4: Interview sub-questions

Sub-question 1. What are country-specific historic tie factors that induce or deter foreign direct investment between a pair of countries?
Sub-question 2. How do these multiple historical effects interact with FDI flows?
Sub-question 3. What is the influence of historical ties to cultural distance, political stability and institutional distance?

5.4.1 Findings for Research Sub-question 1

Research sub-question 1: What are country-specific historic tie factors that induce or deter foreign direct investment between a pair of countries?

With this question, the researcher attempted to explore the impact of historical ties, in the form of treaties, economic agreements and bilateral trade on FDI flows between South Africa and Mozambique and, most importantly, how they could be used to enhance FDI flows for the future. Key constructs from the interview question revealed that historical ties did influence the implications of trade and foreign direct investment flows. Table 2 presents the factors identified in relation to the participant response frequency.

Table 5: Main themes for sub-question 1

Rank		Frequency	Participants
1	Economic and institutional growth	7	P1, P2, P3, P6, P7, P8, P9
2	Globalisation	7	P1, P2, P3, P5, P6, P7, P8
3	Proximity	6	P1, P2, P3, P6, P7, P8
4	Protocols and legal frameworks for tax exemptions	4	P5, P6, P7, P8
5	'Big Brother' attitude	3	P1, P6, P7

5.4.1.1 Economic and institutional growth

This was a recurring theme highlighted by seven participants. Market expansion was a phase in which a company had reached the point of maturity and was looking for new ways to increase profits. Participant 2 suggested that organisations that were already established in Mozambique *"create additional opportunities" for* other organisations to expand out of South Africa. This was highlighted by Participant 2:

"This of course creates additional opportunities for a company that is South African that is thinking about expanding into the greater region."

According to Participant 6, there were already *"around three hundred South African companies that operate in Mozambique right now".* Consequently, as a result of this market expansion and business growth, FDI between countries had improved significantly. Similar sentiments were shared by Participants 3 and 9 who indicated that the urge to "*find economic opportunities" to* further enhance FDI flows between South Africa and Mozambique. This was shown by Participant 3 stating the presence of diverse investments made into Mozambique saying:

"…some of the projects that we have supported include Mozal Aluminium Smelter… gas pipelines… tourism… construction… ports… rail project… mining. I think our experience even just from an export credit insurance perspective just as credit insurer it has also been very, very diverse."

Additionally, Mozambique and South Africa had seen increased FDI flows and growth over time as a result of these *“anchor projects” that* had boosted the GDP and revenue of the countries as suggested by Participant 1. The same notion was shared by Participant 7 who viewed services as an investment into projects, such as the gas project, as growth trajectories stated that:

“as South Africa, we looked at Mozambique as a growth trajectory.”

This, in turn, would reflect on increased FDI flows between the countries. Participant 9 suggested that economic growth, particularly in Mozambique would also affect the political economy. According to Participant 9:

“South Africa became an outlet for Mozambique to be able to export some of its good to, and this is an important point, it’s more about Mozambique political economy; Mozambique political economy is going to be heavily influenced by the new projects.”

Overall, economic and institutional growth was seen to be a factor that enhanced FDI flows between the two countries.

5.4.1.2 Globalization resulting in industrialization and increased competition

According to seven participants, expansion into Mozambique became a way of venturing into both emerging and expanding emerging markets. Insights by participants highlighted constructs that were closely related to increased industrialisation and competitiveness as a result of globalisation.

Participant 2 acknowledged a potential threat to FDI flows between Mozambique and South Africa as a result of competitiveness. Existing bilateral agreements did not assure increased or maintained FDI flows as suggested by Participant 2 because of increased competition. Participant 2 said:

“So as much as we as South African companies have got this opportunity, so does is Zimbabwe, so does Tanzania, so does Zambia. Everybody in the region will be able to take part in an opportunity like this…”

Interestingly, Participant 9 suggested that FDI flows could still be enhanced even when South Africa did not invest in Mozambique. Other countries could invest in South Africa and use its proximity as a corridor or channel to transport goods and services to Mozambique, indirectly enhancing FDI flows. Overall, globalisation could have a detrimental impact on FDI flows between two countries as there was more competition between countries, at the advantage of the country into which the FDI was being directed.

5.4.1.3 Proximity

Six out of the nine participants highlighted how proximity was an advantage for FDI investment. According to findings, close proximities between countries enabled more effective trade and ease of business.

Participant 1 suggested that sharing a border with Mozambique offered South Africa an advantage for FDI flow.

"…location from the starting off point of view is very strategic for South Africa for the simple reason that it's another country bordering South Africa that is an ocean economy…", said Participant 1.

With this advantage, South Africa and Mozambique had alternative destinations for their goods and services that require ports. Also, South Africa extracted FDI flows from Mozambique mostly via transport and infrastructure through the Maputo corridor. Again, as suggested by Participant 1;

"The port of Maputo, it's called the Maputo corridor, actually with the inflow it's always been strategic for South Africa, just for a simple reason of using that port or as well accessing inputs via Maputo as well…it's always been a secondary or an anchoring port for some of our imports and exports, where Richards Bay or Durban's port cannot meet good demand."

This implies that proximity enhanced the flow of FDI as a consequence of easier trade and business.

Ideally, proximity is supposed to enhance FDI flows and improve the ease of doing business. However, according to Participant 6, continued dependency of the Mozambican community to the former colonizer, Portugal, remained a factor that staggered growth and trade in Mozambique. As an attempt to improve the ease of doing business, Participant 5 suggested that various laws and protocols had been put in place to attract investment and improve FDI flows between Mozambique and South Africa.

Overall, there was consensus from participants that proximity provided an advantage to trade and business opportunities, hence countries that were within proximity of each other had better FDI flows, i.e. closer proximities enhance the flow of FDI between countries.

5.4.1.4 Protocols and legal frameworks for tax exemptions

Another factor that came to light was that of protocols and legal frameworks. Four participants highlighted this construct. According to Participant 5, since South Africa and Mozambique were part of the same region, treaties had been signed to assist with investment opportunities. According to Participant 5:

"…we all have the treaties that we have signed which also assist with ensuring that entities are not taxed twice, which ensures that there's still an opportunity for a shareholder to see that investment opportunity as an attracted investment opportunity."

This ensured that there were opportunities for FDI enhancement and growth through the use of these protocols to attract investment opportunities. FDI flows were indirectly enhanced by the realisation of an influx of expatriates moving to Mozambique from South Africa and companies setting up in Mozambique because the treaty facilitated tax exemption. This offered more incentives for FDI investments. According to Participant 5:

"…because you are part of SADC which Mozambique forms part of that list it means that South African entities only taxed in Mozambique and it is not subject any additional tax in South Africa because of that double tax agreement between the countries."

Participant 8 alluded that companies from South Africa tended to invest more in Mozambique when these protocols and legal frameworks were in place. Participant 8 agreed with participant 5 stating:

"…a double taxation agreement between the two countries so that the countries could avoid double taxation and that has substantial business implications because companies tend to invest more when you have that kind of arrangements because it saves them the money, it makes investments more profitable."

However, Participant 8 noted the lack of implementation, or rather understanding, of these protocols as a deterrent to investment and a potential threat to enhanced FDI flows.

"…there is a lot of business complaints that these agreements are not being fully understood or properly implemented", said Participant 8.

Overall, there was an understanding among participants that protocols and legal frameworks that promoted tax exemptions and tax cuts incentivised FDI investments.

5.4.1.5 'Big brother' attitude

Participant 1 identified an element of monopoly in the investments between South Africa and Mozambique. According to this participant, FDI flows had:

"been moving in one direction, the import versus export of economic opportunities."

This suggested that the benefits of FDI flow were perceived to be unequal, only flowing to South Africa. Within the joint ventures as well, South Africa was perceived to be influential and exhibiting a 'Big Brother' attitude. Participant 7 suggested how South Africa had leveraged this notion to its benefit by saying*:*

"being seen as a big brother type of thing we ended up having a lot of say. So, what we did, we used Mozambique as our extension for South Africa. And what we did use as South Africa, we use the Industrial Development Corporation."

This had also resulted in ignorance and non-realisation of depleting FDI flows as suggested by Participant 9 who stated:

"I'm worried that the South Africa of today is still viewing Mozambique with a lens of the past than a lens of the future and therefore from a political international relations they are not realizing that the political position of Mozambique in the next few years in SADC will change because of the change of its relative worth."

Participant 1 suggested that the negative implications of such attitudes were apparent especially in projects. As mitigating factors to salvage the project and relations, Participant 6 suggested that South Africa was now seen to have a shift in attitude.

"I'm sensing a shift from that posture, and certainly a seek to understand a seek to comply, an appreciation for the need for local participation", said Participant 6.

This in turn would result in improved FDI flows.

5.4.1.6 Summary of the findings for sub-question 1

This research question intended to uncover the factors influenced by formal historical relations that induce or deter the flow of FDI between South Africa and Mozambique. Five main constructs were identified from the findings. It was evident that the main advantage of historical ties was the growth and expansion of economic activities and the enhancement of FDI flows. Proximity of countries in relation to each other and legislations were also seen to be facilitators and enablers of growth. With that in mind, there were also factors that potentially posed a threat to FDI flows. These included increased competitiveness as a result of globalisation, and a general reluctance to be proactive as a result of the 'Big Brother' attitude that was perceived to be shown by South Africa. Figure 1 summarises the main findings of sub-question 1.

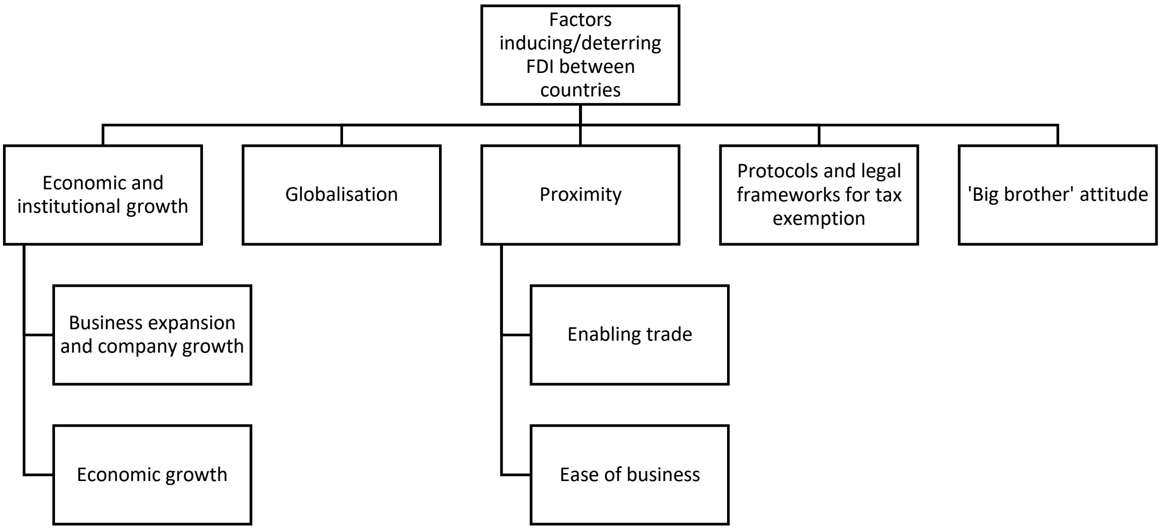

Figure 4: Summary of factors influencing FDI flows

5.4.2 Findings for Research Sub-question 2

<u>Research sub-question 2: How do these multiple historical effects interact with FDI flows?</u>

Sub-question 2 was formulated to establish the varying historical ties that had an impact and were significant to both countries when it came to promoting cross-border trade. Furthermore, the question sought to establish how to mitigate and catalyse growth through FDI flows. Table 3 depicts the main constructs uncovered in this question.

Table 6: Main themes for Research Question 2

Rank		Frequency	Participants
1	Effect of bilateral and political links	6	P1, P2, P3, P5, P6, P9
2	Effect of structural economic reforms and legislation	6	P1, P2, P4, P5, P8, P9
3	Effect of the two-way collaboration	5	P4, P5, P6, P8, P9
4	Effect of institutional capabilities	5	P1, P4, P5, P6, P9
5	Effect of sponsor or mentor relations	2	P3, P5

5.4.2.1 Effect bilateral and political links

Although ties between South Africa and Mozambique have been impacted by bilateral, economic and political links, there was consensus that there was a need to have government at the centre of everything and constant government-to-government negotiations. This was regarded as important because, as suggested by Participant 2, rules of engagement were initiated and set out by government:

"I guess it should be government to government negotiation to set the platform to say, to set the rules of engagement…"

Participant 3 supported this notion by indicating that:

"I still say to you, you have to have government at the centre of everything…"

According to Participants 2, 3, and 6, there needed to be constant engagement and constant restructuring of agreements. In fact, according to Participant 2, on top of the discussion points, should be *"how do we make this happen, what are the rules and how do we compete? I think that that will be an important catalyst for this to work,"* before agreeing to invest. From a political level, having such discussions today would be advantageous as it would eliminate competition and demystifies discrepancies as laws were contradictory. Participant 2 *stated that:*

"we already have a number of agreements between the two countries, some are very specific to projects, they will and those ones that are advantageous, because those ones already say South Africa will develop projects, A, B, C. So, I think that's sort of like eliminates the competition for you."

Participant 5 supported leadership involvement suggesting*:*

"I think there needs to be a discussion amongst the Presidents first, on how to define in terms of the laws, because sometimes the laws are contradictory."

If such constant engagement was not possible, then FDI flows could be adversely impacted. Also, South Africa had been changing from a FDI investor to focusing on localisation. This was perceived to be bringing confusion, making South Africa look untrustworthy. To avoid such assumptions, bilateral and political links could ensure that modes of operation were discussed and modified clearly and transparently without blindsiding any one of the parties involved. Additionally, Participant 6 suggested that new bilateral agreements were redundant and not needed by saying that the two countries need to*:*

"…recycle the key areas of priority with the greatest impact that we can focus on, we don't need to do everything, but focus on the most critical areas of opportunity that will provide the greatest benefit…" as already bilateral agreements that cut across sectors existed.

These bilateral agreements were identified as key to the interaction of historical ties with FDI flows. Broken historical ties were alluded to result in failed projects. However, with historical bilateral agreements in place, there was a notion that many South African investors perceived that any investment opportunity would start by being presented to South Africa. Participant 3 highlights that investors with this attitude were not aware that more often than not, scouting did occur, and their scouting capabilities were backed by more capital mobility and transparent intent. Hence, this kind of attitude could also hamper FDI flows. According to Participant 3:

"*other people do a lot of scouting. So, when these opportunities are presented, does Africa collaborate and see, you know, how we can maximize the opportunities other countries…"*

Overall, the effect of bilateral, economic and political links proved advantageous to both South Africa and Mozambique in terms of FDI flows. However, taking these links for granted could have adverse consequences to FDI interactions.

5.4.2.2 Effect of structural economic reforms and legislation

Structural economic reforms were identified by six participants as being influential in enhancing FDI flows between Mozambique and South Africa. These structural reforms included the relaxation of border restrictions and investment protection laws. These attributes attracted investors within the SADC region, in particular South Africa. Participant 8 spoke from a perspective of reduced bureaucracy saying*:*

"Mozambique could improve the ease of doing business, reduce bureaucracy that could facilitate South African investments coming here."

Reduced travel and border restrictions had facilitated South African investment in Mozambique. According to Participant 8:

"…there is a very strong traffic at the border between Mozambique and South Africa and there is an agreement to unify the boarders so that there is a smooth process of having trucks up and down from one country to the other."

Furthermore, with the ease of doing business particularly in Mozambique, Participant 5 suggested that as Mozambique worked on building its economy gained from its former colonizer, it did not have adequate resources. According to Participant 5:

"*it doesn't have the resources to have their own entities there. So that's why the government is very open to investments"* by having mature legal structures, reduced bureaucracy and free trade.

Further emphasis was that mature legal structures and easy business registration did not mean that the process was not lengthy in terms of the host country trying to establish the intent of the business. Differences in the legal frameworks that involve localisation and free trade had influenced investment and growth in Mozambique, as the rules of engagement were slightly different and easier. However, Participant 2 still identified the need for collaborating with Mozambican companies. This collaboration was set to result in:

"…a good way for South Africans to be able to do skills transfer in Mozambique, and at the same time taking an opportunity of what of what's happening in Mozambique…", said Participant 2.

Also, legislations that protected investments were put in place as identified by Participant 5. According to Participant 5:

"…the political aspect is a big, big, big factor when it comes to foreign investments because any investor wants to be comfortable that my money will be in a safe country."

Overall, the legislations and minimal restrictions placed on trade as a result of the structural economic reforms, had interacted positively with FDI flows for both South Africa and Mozambique.

5.4.2.3 Effect of the two-way collaboration

South Africa was seen to be a consumer of electricity and agricultural products coming from Mozambique while Mozambique was seen to be a consumer of goods and services coming from South Africa in the form of retail and financial systems. The identified impetus and catalyst of such trades were the Mozal Oil and Gas projects that had opened avenues for other sectors. FDI flows between Mozambique and South Africa had facilitated the extraction and beneficiation of unutilised resources.

As suggested by Participant 5,

"I can say it's a two-way because I can say it's a win-win. So obviously South Africa is not doing it for free."

The back-and-forth two-way trade between Mozambique and South Africa had brought about a win-win situation making both economies benefit from the trade. Participant 6 agreed with the notion by saying:

"Mozambicans also want the same things that we want. They want local participation, they want beneficiation, they also want to create and deepen industry in their jurisdictions."

Participant 2 suggested that understanding cultural and language differences was important to improve the way in which South Africa and Mozambique could improve their communication strategies to enhance win-win situations.

"We never took time to understand how the Portuguese instilled the way of doing things in Mozambique, so that we can take advantage of that," said Participant 2.

Participant 2 also pointed out that projects within the country had pivoted growth through investment, especially with the oil and gas sector being a *"catalyst for all sectors".* Participant 4 suggested that through these projects in Mozambique, FDI flows into South

Africa could rise. This meant that economic growth would also be seen in South Africa through the Mozambican oil and gas projects. Participant 9 also agreed with the notion and further suggested that South Africa needed to rethink its industrial base strategy. As most investors in Mozambique were foreign nationals, it was suggested that South African industries should leverage the opportunity to become producers of goods and become an *“increasingly important local supplier”* of projects in Mozambique. Furthermore, inward investment into Mozambique was accompanied by skills transfers and the creation of jobs. According to Participants 4 and 5, South African companies had already started investing in expanding into Mozambique with banks and some retail shops already having a presence at the South African funded mall thereby creating jobs. This development was purposeful and was catalysed by the collaboration made when the Mozal project started. Participant 4 stated that the:

“Mozal project was supposed to be in South Africa. But Mandela said, no. Let the project be located in Mozambique, so that it can create jobs.”

The discovery of LNG gas in the remote Northern locations of Mozambique was perceived to provide opportunities for investment and job creation in all sectors of service delivery.

So, through economic collaboration, Mozambique gets to acquire resources that would enable the country to deepen its industry. Resources, as suggested by Participant 5, include:

“expertise in resources. So, resources, I'm talking about cash and your equipment, anything that will assist to ensure that those natural resources are extracted,” that they can use to better their economy.

Overall, the effect of collaboration in projects enhanced as a result of historical ties have seen the movement of resources, talent and FDI between the two borders as a result of shared visions.

5.4.2.4 Effect of institutional capabilities

Institutional capabilities, according to respondents, were the methods, expertise, and procedures that enabled the implementation of operational strategies and actions. Action plans were seen as escalating from organisations trying to expand into new and emerging markets. Participants emphasised cooperation between the government and the private sector in penetrating emerging markets in foreign countries. The private sector was identified by participants as having knowledgeable *“business persons.”* This was supported by Participant 1 stating that:

“I think if you are an astute business person you know where to start to look for then I guess the nuggets that would help you to clinch and economic opportunity.”

One of the starting points suggested by Participant 7 was having a political feasibility study that was used alongside the economic feasibility study. This would reduce situations whereby investments were accepted from an economic perspective but did not get government support. When institutional capabilities were catered for, project execution became easier. This theme was seen as emerging from the interaction of historical ties and FDI flows. This talked to continuous improvement, whereby past mistakes were recognised and mitigated for future investments.

5.4.2.5 Effect of Sponsor or mentor relations

Two participants highlighted that South Africa was seen as being a sponsor and a mentor to Mozambique. As a result of the historical effects and ties between the countries, South Africa could offer mentorship or sponsorship roles to Mozambique. According to Participant 5, Mozambique:

“…has a lot of resources but it lacks, it needs a mentor if I can say, and South Africa has been a lead.”

However, other factors, such as lack of proactiveness, and South Africa’s historic nature of dominance were perceived as issues that hampered the mentoring process and as such, had a detrimental impact on FDI flows between the countries. Additionally, xenophobia within South Africa had fuelled how other countries perceived South Africans and how South Africans related with other nationalities. Participant 5 indicated that the history of xenophobic violence had cautioned Mozambique as South Africa was perceived to be a xenophobic country utilising its influence to bully the host country by stating that:

“…from a social side we know that South Africa is a xenophobic country. So, from that perception, I think it also affected on how we relate to the other African countries.”

Once again, the result of these historic effects gave rise to negative attitudes towards the propagation of projects. Since South Africa was the donor country, there was an entitlement and inherent dictatorship. As a mentor, this attitude gave rise to negative retaliation towards income-generating projects.

5.4.2.6 Summary of the findings for sub-question 2

Overall, bilateral and political links formed had enhanced FDI flows between the two countries. However, there was a need for more active engagement and discussions about these trade agreements. Participants also indicated that the two-way collaboration had enhanced the skills and flow of FDI between South African and Mozambique. South Africa was seen as a mentor and sponsor to Mozambique. However, South Africa's dominant attitude and the perception that all investment opportunities would initially be offered to it could have a detrimental impact on the current status of FDI interactions between the two countries.

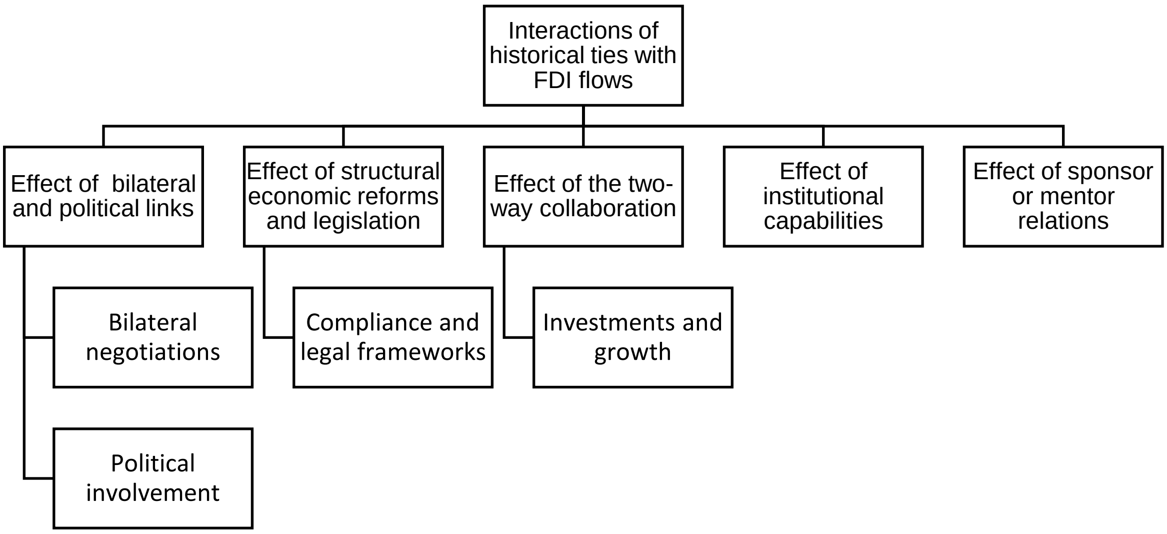

Figure 5: Interactions of historical ties with FDI flows

5.4.3 Findings for Research Sub-question 3

<u>*Research sub-question 3: What is the influence of historical ties to cultural distance, political stability and institutional distance?*</u>

The final sub-question sought to identify the influence of historical ties on cultural distance, political stability and institutional distance. The question probed participants to look at how countries used historical ties to influence FDI flows, with the specific focus on the deep informal ties between South Africa and Mozambique. Table 4 represents the main constructs identified in this sub-question.

Table 7: Main themes for Research Question 3

Rank		Frequency	Participants
1	Influence on institutional distance	6	P2, P3, P4, P5, P8, P9
2	Influence on cultural distance	5	P2, P3, P5, P8, P9
3	Influence on political stability	2	P4, P8

5.4.3.1 Influence on institutional distance

Six participants commented on the influence of historical ties on institutional distance. Constructs that emerged focused on tourism, a form of historical tie between the two countries, transfer of skills and employment and the movement of expatriates across the two borders.

According to Participant 9, through tourism business, the relationships have become strengthened between South Africa and Mozambique. This was also supported by Participant 5 who emphasises that *“there’s a lot of South Africans that go to Mozambique on holiday”.* These constructs indicate that as a result of historic ties, the movement of tourists between the two countries had strengthened businesses, resulting in the establishment of similar organisations in both countries, thereby reducing institutional distance. When it came to employment and skills transfer, Participant 4 identified historical ties to as resulting in increased knowledge and skills transfer between South Africa and Mozambique, thereby increasing FDIs for both countries and decreasing institutional distances.

Another construct highlighted by Participant 9 was that of proximity. According to this participant, *“proximity and geopolitics”* have bolstered FDI flows between the countries and South Africa was investing more into Mozambique. An implication that institutional distances were decreasing as a result. However, Participant 9 also indicated that:

“it's not so much about whether SA invests more, its more about if SA is able to take advantage of strengthening the relationship because of its proximity to Mozambique so to speak.”

Additionally, Participant 5 identified challenges and inclusively stated that:

“As Africans, we need to definitely do better and see how we can improve ensuring that we take those opportunities first…. we need to be on the forefront of those deals, ensuring that those investments are for the enrichment as well as the empowerment of the African continent.”

If not acted upon, this impacted negatively on business practices that existed between South Africa and Mozambique as FDI flows would start coming from non-African countries. This was also highlighted by Participant 4 under the theme of indigenisation. As investments were governed by financing institutions Participant 4 said “*to participate, 50% of that loan must form part of SA content”.* This in turn cultivated business growth within South Africa. Participant 3 also alluded that *“including local locals to participate in some of the key things”* would result in increased FDI flows. Proximity, as alluded by Participants 5 and 9, resulted in *“easy movement of goods between the countries which assist the import and export market”.* Business practices that took place between Mozambique and South Africa had also resulted in *“expats that are from South Africa. They've been there for years working in Mozambique”* moving to Mozambique according to Participants 4. Participant 4 also pointed out that historically, miners used to come from Mozambique to South Africa seeking employment. According to Participant 4, South Africans were the ones now moving to Mozambique to seek employment:

“…back in the days… you'd have your miners, if I can say all those people from Mozambique coming to seek employment and better opportunities in South Africa. But now, things are flipping.”

Participant 4 also stated that the historical ties that exist have:

“…created jobs in the projects that we've supported that are going to Mozambique and it has changed many lives in Mozambique because of this FDI flows that we have supported projects.”

Overall, historical ties between the two countries had resulted in the migration of tourists, skills, and organisations that have decreased institutional distances between the two countries.

5.4.3.2 Influence on cultural distance

Five participants commented on this construct. Participants mainly alluded to the influence of Portuguese cultural influences resulting in language barriers and cultural differences as well as the role of attitudes in maintaining historical ties.

Participant 9 said from a cultural perspective, historical ties that exist had not been affected by cultural distance but could be strengthened and improved. According to Participant 9:

"…on the cultural side I don't know if I have seen a lot in my experience, but I think it could be a lot more I do feel South Africans have not seen Mozambique as a point of focus in a way and I think those on a cultural side could be strengthened."

This was supported by Participant 1 who suggested that *"culture has not been a barrier"*. However, Participants 2 and 3 identified Mozambique as a Portuguese colonized country heavily influenced by Portuguese culture. They suggested that this affected understanding and created the language barrier and cultural difference. Participant 8 also indicated that there was a trend among the newer generation to be ignorant of historical ties. According to Participant 8:

"…it looks like there is a change going on with the new generation not acknowledging historical ties and embracing this sad I would say, xenophobic movement that happens, reflecting poverty in South Africa and as well the difficult economic conditions that South Africa is facing."

This was perceived as destroying established historical ties. Participant 5 identified the existence of cross cultures as *"African languages are Nguni languages"* and were relatable, particularly with people near the Mozambican-South African borderline. Four participants further identified a "*cultural divide that exists"* between South Africa and Mozambique. Participant 1 stated:

"…there's a cultural divide that exist, and part of it from my experience of overcoming that divide is actually amassing yourself in that country or the system of that country."

From this point, it was suggested that one of the key areas exacerbating the cultural divide was around the legal framework. Mozambican legal framework was based on Portuguese law and South African legal framework was based on English law as indicated by Participant 4. Due to this difference in frameworks, investors:

"…need to come and do proper due diligence before they invest, they need to perhaps understand the cultural situation so that the investment increases the rate of success." said Participant 8.

Participant 1 also believed that there was a lack of understanding of the Portuguese culture.

Participant 1: "the biggest issue is that lack of understanding of this Portuguese way of doing things. That will always be the overhang that stalls any excitement or maybe any clear efforts into going into Mozambique like the same way somebody would go somewhere else in Africa."

It was, however, indicated that it was not only South Africa that needed to understand the cultural situation. As the host nation, Mozambique also needed to understand South Africa from an English law point of view as they were the donors.

Interestingly, Participant 3 highlighted culture to be insignificant when it came to business transactions as it was about having the right attitude and respecting how business was done. According to Participant 3:

"It's not just a matter of language, but it's understanding, respecting how business is done in those particular countries, as well as coming with the best approach by including local locals to participate in some of the key things".

The same was iterated by Participant 1 who indicated that cultural and social aspects did not affect trade relations between Mozambique and South Africa in the financial markets saying one was:

"highly unlikely to find the same in the JSP were unfortunately, that's where the business sector is known to be controlled from."

Participant 5 also identified a shift in mindset whereby people were open-minded and appreciated the beauty of the African continent. Concerning South Africa and Mozambique, this enhanced the tourism sectors of both countries. Participant 3 suggested that a shift in attitude was needed to close deals within Mozambique.

Participants also described uncertainty avoidance as a society's tolerance for complexity and uncertainty and that it highlighted how countries processed their lines of thought to comprehend scenarios. It showed how much a culture enabled individuals, organisations, and economies to feel insecure or at ease in informal environments. According to the notions raised by two participants, culture had a limited influence on understanding how business was done. However, this was perceived as a weakness for South African investors who believed that they could just mimic South-African business investments in Mozambique. Participant 3 alluded that South African investors wanted to replicate existing ideas:

"…just want to copy paste those ideas to investments in Mozambique that does not work. I mean, even from the local participants that were there whether it was private

sector, whether it was government sector, the emphasis is in Mozambique there's a different culture of doing business.".

Participant 3 further suggested that:

"culture speaks to building relations first, understanding their culture, employing local people to participate at higher levels then we can synthesize the two cultures and get the best of both."

From these relations, individuals were comfortable to partake in business through mutual understanding. Participant 3 suggested that the understanding of cultures and having a successful *"metamorphosis in terms of adapting to the way of doing business in certain countries in certain cultures",* whereby one had to engage and embrace another's culture. Participant 3 added that in *"French culture, when you do business, it's like courting a woman, you know, you first court her then you do the Tango, and only then do you express but we see quite a lot of investors coming and just wanting to marry the woman*", meaning that delving straight into business with no mutual understanding of culture was disastrous.

5.4.3.3. Influence of political stability

Participant 8 suggested that the difficult economic situation in South Africa had influenced the relationship that existed between Mozambique and South Africa. According to Participant 8:

"because of South Africa going into a very difficult economic situation at the moment, what we have seen over the past few years was this event of let's say xenophobic attacks and xenophobic events coming out of South Africa affecting Mozambicans and creating a negative sentiment towards South Africa, making people commenting 'but how come this is happening, if Mozambique was home to South Africans struggle members' and Mozambique historically helped South Africa so how this xenophobic event has evolved to a sad situation."

This perspective was also supported by Participant 5. Xenophobic attacks in both South Africa and Mozambique had given rise to a decrease in FDI, as an investor would want to protect their investment. According to Participant 4, the existence of bilateral relations and political stability would lead to poverty alleviation in both Mozambique and South Africa as job creation within Mozambique had helped change many lives.

5.4.3.4 Summary of the findings of research question 3

This research question intended to uncover common sub-themes amongst respondents regarding how historical ties influenced cultural and institutional distance. Most of the themes spoke towards normative and cultural cognitive attributes of institutional distance. More emphasis was placed that South Africa had to do more as an investor going into Mozambique. This related to finding out more information on values, attributes, attitudes, beliefs, and traditions of both host and donor countries. Language differences, as a barrier, was perceived to have had little influence on FDI flows due to the fact that on a social basis, languages were relatable and on a business basis, interpretation could be sourced when needed. Figure 3 summarises the findings of sub-question 3.

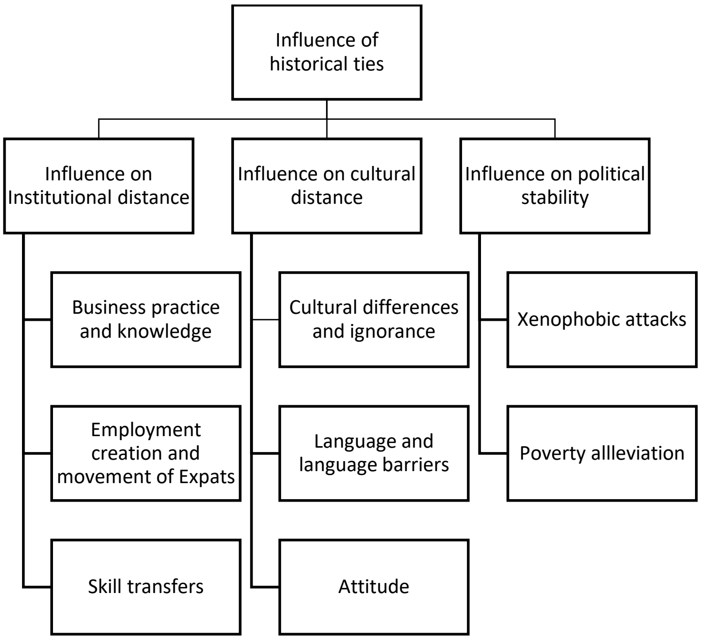

Figure 6: Influence of historical ties on culture, institution, and political stability

5.5 Conclusion

This chapter presented the main constructs established on how FDI could be advanced through formal and informal relations influenced by historical ties. It is evident that there are a number of factors such as economic and institutional growth, globalisation and proximity, which played a role in either incentivising or deterring FDI flows between two countries. To note was the fact that globalisation introduces an element of competitiveness among countries, which could benefit the host nation (country receiving FDI). Similar countries within close proximity to each other incentivise easier trade across the border as well as possible tax exemptions which further enhance FDI flow. The findings also indicated that, overall, the presence of historical ties, in the form of political links, legislations and bilateral agreements, have helped enhance trade between countries like South Africa and Mozambique. However, it was noted that cultural differences and political instabilities (in the form of xenophobia) between the two countries posed challenges in the acquisition of projects and FDI flows. Interestingly, differences in language were not considered to play a role in FDI flows between the two countries. Overall, there was consensus that both formal and informal historical ties between the two countries contributed to advancing FDI flows between the countries.

Chapter 6: Discussion of Results

6.1 Introduction

The previous chapter presented the results of this research with the focus on the themes that emerged during the interview process. In this chapter, the results of the research are discussed. This discussion will follow the main themes as identified during the data analysis process with the aim of understanding the role of historical ties on FDI flows between countries.

The research focused on formal and informal ties, with formal ties mostly informed by policy documents, possible treaties, protocols, trade agreements, collaboration, labour exchanges, etc. that are intended to establish a vibrant and sustainable economic relationship between the countries. The informal ties relate to naturally formed ties such as proximity, cultural interactions, language, religious relations, political struggles. The research sought to identify these country unique factors in developing markets with a focus on the African continent to understand how they affect economic relations through FDI flows. The structure of the chapter follows the chronological presentation of the research questions as presented in Chapter 5. The findings are corroborated with literature to assess whether there is alignment or contradictions to extant literature, and to identify if there are any new insights to add to the body of knowledge.

6.2 Discussion of results for research sub-question 1

Research sub-question 1: What are country-specific historic tie-factors that induce or deter foreign direct investment between a pair of countries?

Research sub-question 1 was intended to establish historical tie factors that have a potential impact on FDI flows between two countries. The data analysed for this question revealed enablers and deterrents for FDI between the two nations. This was achieved once it became noticeable that there were country-specific variables that had a significant effect on an investor's decision to invest. From the findings, many participants agreed that bilateral relations had a positive impact on FDI flows. Globalisation and the big brother attitude represented by South African investors are two constructs that were perceived to have a negative impact on FDI flows. According to some participants, cultural diversity was not thought to be relevant when it came to business projects. The inability of South Africa to adjust and maneuverer in foreign lands have motivated blatant stereotyping, causing South Africa to lag behind in the competitive economy. This suggested that investors would rush to invest in Mozambique, even though it meant overlooking the country's cultural background.

6.2.1 Economic and Institutional growth

Economic and institutional growth was the most frequently mentioned construct illustrating the factors that influence FDI flows and as the major reason bilateral ties existed between Mozambique and South Africa. Economic and institutional growth was regarded as the main driver for foreign direct investments aimed at growing the economies of the donor or host country. According to the institutional theory (Peng et al, 2008; Meyer & Peng, 2016, Rottig, 2016), the ability to conform and regulate the environment in which an organisation operates in ensures that such an organisation becomes relevant, acceptable, and legitimate within the host country's environment. This was aligned with the findings of this study. Participants indicated that market expansion and the perception of South Africa as a mentor to Mozambique promoted economic and institutional growth. This was in turn perceived to enhance FDI flows between the two countries. It was suggested that it was because of this that there are more than 300 South African organisations hosted by Mozambique. Participants suggested that the establishment of collaborative or 'anchor' projects such as the Mozal gas-pipe line project have further improved FDI flows between the two countries. This was also supported in literature. Meyer and Peng (2016) suggest that mutual interest in collaboration between institutions enhances business atmosphere, especially within the emerging markets. Interestingly, participants also indicated that an increase in economic activity also contributed to a changing political climate. This was consistent with Bailey's (2018) findings. Bailey (2018) found a positive relationship between institutional factors such as politics and FDI flows.

Over the last decade, export margins from goods coming from Mozambique to South Africa have increased. Participants also indicated that there was also more investment coming from Mozambique. This corroborated Burger and Pennings' (2020) assertion that increased exports are linked to economic development. Both Mozambique and South Africa act as growth trajectories for each other's economies. Overall, it could be concluded that institutional and economic growth was a key determinant in FDI flows, i.e., increase in institutional and economic growth leads to increased FDI flows between countries such as South Africa and Mozambique because of changing political landscapes, collaborative mergers or projects and market expansions.

6.2.2 Globalisation

This research established that globalisation had an impact on the flow of FDI between nations. Interestingly, globalisation was also perceived as a double-edged sword as I was seen to be both a deterrent to FDI flows from certain nations, but also a form of investment strategy into emerging markets. As local governments and economies expanded, so would the opportunities for existing South African companies with regional expertise and proximity to market their goods in Mozambique. South Africa would benefit from the expansion as participants indicated, while Mozambique would benefit from through industrialisation. Participants suggested that with an intensely competitive environment in all sectors, developing new lucrative opportunities in South Africa was proving to be a challenge. Mozambique was being perceived as one of the only alternatives remaining for regional market expansion. This expansion viewed to have the potential to increase FDI flows between Mozambique and South Africa.

As indicated by Rahman (2015), FDI is a process of globalisation where an organisation from a developed economy would engage in an investment strategy in a developing market to expand their operations. Globalisation provides a competitive advantage for the emerging market nation or host nation which requires FDI because of exposure to international markets (Meyer & Peng, 2016; Donnelly & Manolova, 2020). However, this could hamper relationships between existing nations because of increased competition from other countries to invest. This aligns with Chirilă – Donciu's (2012) findings which indicates that investors could potentially look to invest in countries that provide more return for their investment. Some participants suggested that complacency and expectation of investment from some countries could result in the severance of business relationships leading to the termination of mergers and agreements, rather than competition because of globalisation.

6.2.3 Proximity

Another key construct that emerged from the findings was that of proximity. Participants suggested that in certain situations when multinational businesses are first establishing a global footprint, the proximity of the host country to the donor country was considered significant. Essentially, most participants accepted that as long as there was adequate infrastructure i.e., telecommunication, transport, oil and gas, retail, between the nations, and in some situations, if physical access to markets was good, spatial proximity was not a deterrent for FDI flows. They suggested that language and cultural distances were far more detrimental to FDI flows particularly when skills had to be transferred from the donor country to the host country. These findings were substantiated in literature. According to Makino and Tsang (2011) as well as Chowdhury and Maung (2018), proximity was one of several factors that could lead to the formation of longer-lasting relationships between two countries. The findings of this study support this conclusion. It was evidenced that the proximity of South Africa to Mozambique enhanced the flow of FDIs because of easier border access which facilitated easier trade between the two countries. This was in line with extant studies. Makino and Tsang (2011) indicate that factors such as proximity influence how institutions behave and is key to foreign investment. Mondolo (2019) shares similar sentiments by indicating that proximity allowed businesses to position themselves well for cross-border economic exchanges. What was highlighted from the findings of this research was that protocols and ties to Portugal, Mozambique's coloniser, deterred growth and trade in Mozambique. Accordingly, proximity can enhance FDI flows only in the event that protocols were in place to enhance and enable trade across the two nations' borders.

6.2.4 Protocols and Legal Frameworks

According to ECIC (2020), South Africa and Mozambique follow different legal systems as a consequence of their colonial histories. South Africa was colonised by the British while Mozambique was colonised by the Portuguese. The findings of this study indicate that the presence of protocols and legislations for tax-exemptions and easier cross border access had promoted FDI flows between the two countries despite the differences in the legal systems. As indicated by Kim and Song (2017), a country's legal and regulatory systems can lower the cost associated with investments as they offered more stable environments for trade. Similarly, Cuervo-Cazurra and Ramamurti (2017) suggested that policies or frameworks enhanced business exchange or growth for emerging markets. Participants also highlighted that the strategic alliances and cross-border agreements in place between the two nations enhanced investment into Mozambique by South Africa. As suggested by Rottig (2016), this mitigates risks and uncertainties in foreign investment transactions. This once again aligns to findings in extant literature (Kim & Song, 2017; Rottig, 2016; Cuervo-Cazurra & Ramamurti, 2017).

6.2.5 Big Brother Attitude

The "Big Brother" attitude was an interesting insight that came to light in this study. Participants suggested that South Africa displayed an attitude of "Big Brother" which result in an element of monopoly when it came to foreign investment transactions.

Participants suggested that this attitude could deterr FDI flows. According to Contractor et al., 2014, it was vital for an organisation to be able to integrate itself and ensure a sustainable relationship with the host nation without challenging their beliefs and attitudes. At the same time, Moss, Ramachandran and Shan (2004) note that prevailing attitudes to FDI are often the result of history, ideology and politics. If care was not taken, such attitudes from investing nations could sever historic relationship between nations, and therefore deter FDI flows.

6.2.6 Conclusive findings for research sub-question 1

Overall, there was alignment between the findings of this study and that of existing literature, particularly in defining the factors that enhance FDI between countries. Participants indicated that an integration of a few factors for foreign investment was needed. These included using proximity to both the investors and host nation's advantage by leveraging protocols and legal frameworks to enable easier trade and flow of investment. The impact of globalisation was perceived to be two-fold in that it at times enhanced competition among investors to the benefit of emerging markets (Meyer & Peng, 2016; Donnelly & Manolova, 2020) while it could result in investors looking for 'greener pastures' (Chirilă – Donciu, 2012).

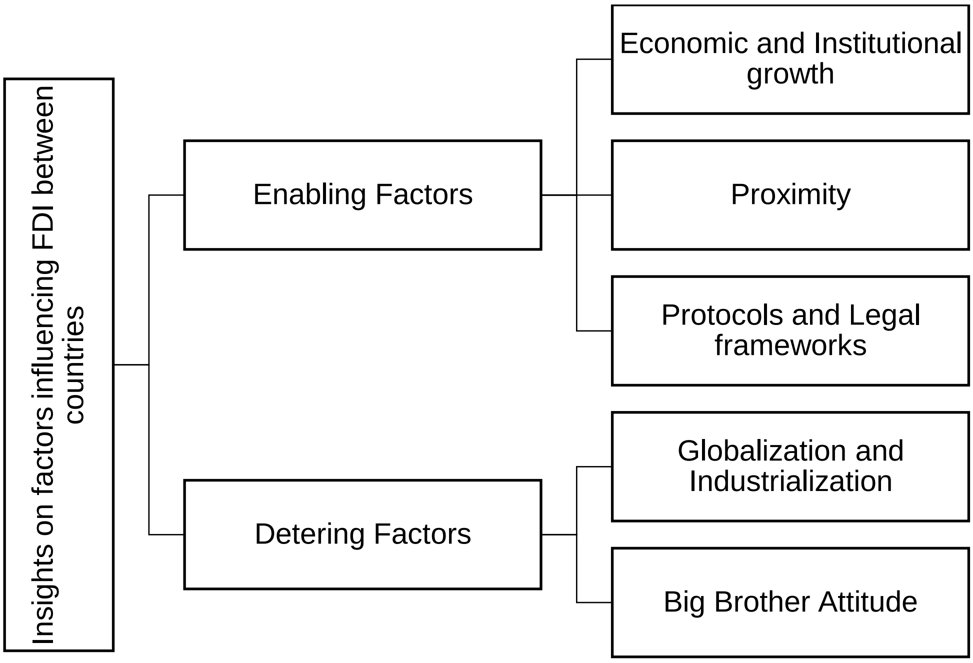

Figure 7: Country-specific factors that enable and deter FDI flows

6.3 Discussion of results for research sub-question 2

Research sub-question 2: How do these multiple historical effects interact with FDI flows?

As indicated by Kedia and Bilgili (2015) and Chowdhury and Maung (2018), historical ties play a critical role in economic activities and have a substantial impact in promoting foreign investment between nations. Through this research sub-question, the study aimed to find similarities and/or differences to literature on how historical ties interacted with FDI flows.

6.3.1 Effect of bilateral and political links

Using the case of South Africa-Mozambique relations, this section examined the causality between bilateral relations and FDI flows to see the effect of bilateral relations on FDI inflows or outflows. This contributed to responding to Chowdhury and Maung (2018) who asserted that country specific relations have specific influences. The findings strongly suggest that bilateral relations and FDI flows are related and influence investment. These findings corroborate those of Makino and Tsang (2011) as well as Alguacil, Cuadros and Orts, (2011). Alguacil, Cuadros and Orts, (2011) suggest that bilateral relations have both a beneficial and a detrimental effect on economic growth, i.e., bilateral relations have both positive and negative effects on FDI, depending on the input given by both countries.

Dirco (2020) proposes that good country leadership engagement strengthens and fosters sound bilateral agreements that contribute to mutual benefit. As South Africa has bilateral agreements with Mozambique, this has fostered an ongoing cordial relationship between the two countries (Dirco, 2020) and has enhanced investments between the two countries. Both Makino and Tsang (2011) and Kedia and Bilgili (2015) agree with the notion that historical ties lay the principles that guide and enhance FDI flows. However, not all foreign capital induces unfavourable conditions as suggested by Busse and Hefeker (2007) and Alguacil, Cuadros and Orts (2011). This was supported in this study. Participants indicated that bilateral relations may facilitate business activity when there is financial capacity. UNCTAD/WIR (2019) further indicate that in light of increased investments from developed countries, bilateral agreements, are necessary to offer countries with incentives. Castel-Branco (2014) identified projects like the Mozal and Sasol as some of the anchor projects that have benefited from various sorts of significant fiscal incentives as well as from free repatriation of capital following bilateral agreements between the two countries. Due to robust bilateral ties, the period for which incentives are awarded could be extended beyond the limits set in the original agreement (Castel-Branco, 2014).

6.3.2 Effects of structural economic reforms and legislation

The relaxation of border restrictions and investment protection laws were identified by participants to have a positive impact on FDI flows. Environmental factors said to be considered before investing in both South Africa and Mozambique included local and regional policies and regulations. Participants identified the presence of a robust and transparent monetary system as vital to understanding political security in a region, while the effect of tax and funds repatriation laws was also listed as a significant element, particularly when seeking to determine the effects on investment returns. Kim and Song (2017) state that foreign firms may use strategic and cross-border alliances to easily enter foreign markets. This was in line with the findings of this study. As postulated by Bailey (2018), removed visa requirements, tax rates and rebates were used as incentives to attract trade. A robust judicial system was perceived as vital, particularly in areas where firms needed to take legal action to collect accrued payments or in cases where suppliers neglected to provide adequate service. This included state-sponsored export incentives such as lower corporate taxation and incentives, as well as prohibitive policies, such as border entry restrictions. The findings identified agreements such as double taxation treaties, bilateral trade treaties, and membership in regional economic groups such as SADC as considerations for this factor. Also, as indicated by Chikanda and Raimundo (2017), the implementation of the visa exemption for Mozambicans played a key role in minimizing illegal migration from Mozambique and smoothing out the process of trade. Chikanda and Raimundo (2017) cited corruption as the most severe border or customs-related problem. Corruption limited government customs tax collection and could also cut cross-border merchants' profit margins, reducing opportunities for market growth. According to Dietsche and Maria Esteves (2018), corruption was one of the factors that contribute to the development of an unfavourable business environment.

6.3.3 Effects of two-way collaboration

According to Bailey (2018) FDI is a result of partnerships. To achieve efficiency and effectiveness based on the competitiveness of a production process, FDI requires collaboration with consumers and suppliers as well as internal collaboration within an organisation for business growth. This was supported by Kedia and Bilgili (2015), ECIC (2020), as well as Alvarado, Inigueze, and Ponce (2017), who established that two-way partnerships or collaborations affected capital, labour, skills, technical, and commodity mobilities. Collaborative projects, according to Gqada (2013), could bring in billions of dollars to the economy and propel Mozambique into becoming a top exporter and a host country to South African investments. When FDI flows are expanded, these projects could catalyse economic development and a transition of personnel. ECIC (2020) notes that Mozambique's focused exports to South Africa, as well as a trade of South African exports to Mozambique, have benefited from Mozambique's increasing urbanisation and growing economy.

6.3.4 Effect of institutional capabilities

Institutional capabilities were recognised in the study to be a result of historical ties impacting FDI flows between the two nations. These findings agree with Makino and Tsang (2011) as well as Chowdhury and Maung (2018), who suggest that factors such as invasion, colonization, occupation, and alliance that the country might have with other countries will have a substantial influence on the country's cultural and institutional development. The findings of this study highlighted the importance of knowledgeable 'business persons' to impact institutional capabilities, and as a consequence impact the state of investments. This was also in line with Kedia and Bilgili (2015), Cuervo-Caurra and Ramamurti (2017) as well as Donnelly and Manolova (2020) who argued that dynamic and in-depth approach to understating the ability and capabilities of host country institutions encouraged FDI flows. Dunning (1998) also supports this by indicating that institutional capabilities are seen as creating favourable conditions in enhancing FDI flows.

6.3.5 Effect of sponsor/mentor relations

There are few studies indicating the impact of sponsor or mentor relations on the flow of FDI. Hence this construct provided some insights into the effect of mentor relations as a result of historical ties on FDI between countries. Organisations respond to changing business environments by clinching opportunities as indicated in the results. The findings established that South Africa had been influential in assisting growth and development in Mozambique. Gqada (2013) is of the view that South Africa had strongly supported Mozambique in its economic growth, particularly through projects such as the Mozal. These sentiments are aligned to the findings in this research that the Mozal project was meant to create employment opportunities as well as becoming a vehicle to facilitate further investment. According to Kaiser Associates Economic Development (2014), mentoring support in terms of tender preparation and business improvement enhance investments between countries. At the same time, however, the findings also illustrated that this mentoring/sponsorship ability could see countries such as South Africa exhibiting ‘big brother’ attitudes, which could also adversely impact FDI flows.

6.3.6 Conclusive findings for research sub-question 2

This research question was intended to uncover how bilateral ties interacted with FDI flows existing between Mozambique and South Africa. It was established that bilateral agreements greatly influenced economic activity interactions by facilitating a channel that could be referred to for setting rules of engagement and opening up more investment opportunities (Busse & Hefeker, 2007; Alguacil, Cuadros & Orts; 2011; Dirco 2020). Furthermore, institutional capabilities and two-way collaboration, enhanced through bilateral agreements, positively impacted foreign investment. Additionally, the viewing on one country as a sponsor/mentor, enhanced through historical ties, evidently improved FDI between countries. The insights provided and discussed are illustrated in Figure 2.

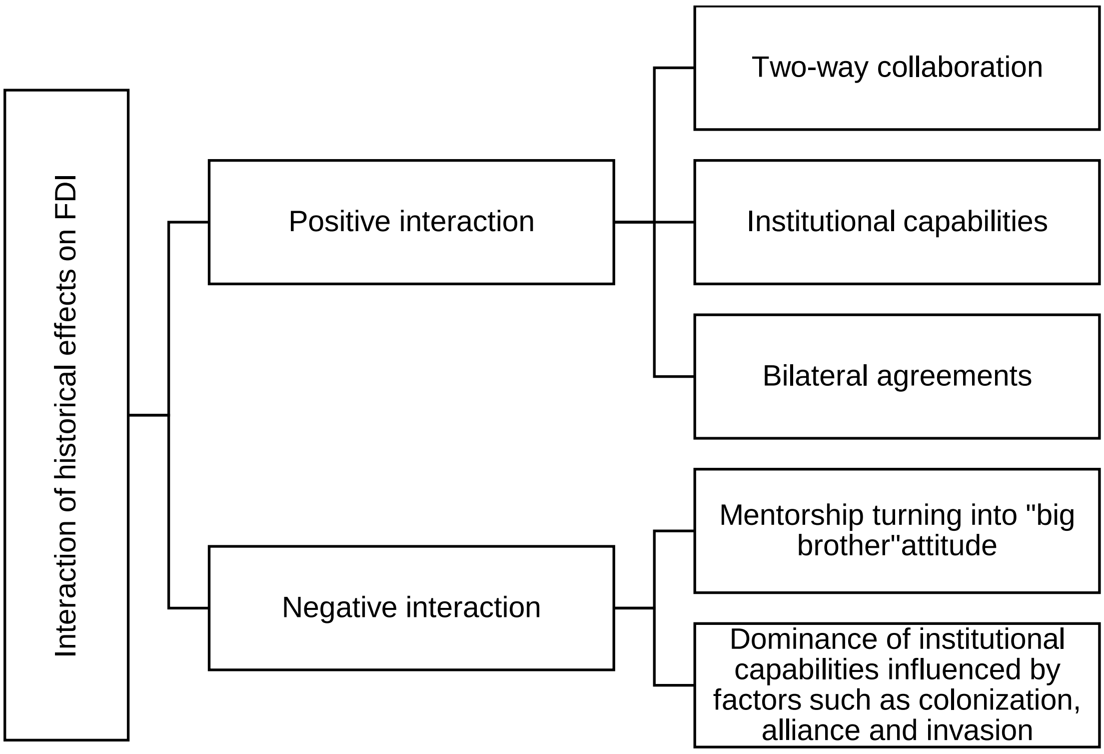

Figure 8: Insights from discussion of research sub-question 2

6.4 Discussion of results for research sub-question 3

Research sub-question 3: What is the influence of historical ties to cultural distance, political stability and institutional distance?

The third research question sought to identify the informal factors that influence a country's economic activities, especially foreign direct investment. The aim was to determine the importance of cultural distance, institutional distance, and political stability in influencing FDI flows.

6.4.1 Influence on institutional distance

This research established that proximity is a variable of institutional distance that induces a risk on creditors. As a result, when trading across borders, borrowers must collaborate with banks to secure credit and full administrative, bureaucratic, and legislative frameworks. From the perspective of Rottig (2016) and Kim and Song (2017), risk mitigating institutions are vital to eliminating risk and uncertainty. Furthermore, the supply of resources to deal with these techniques is improved by institutional proximity as well. It is proposed that institutional distance has a direct effect on a business's ability to engage internationally as well as the sum of funds it invests (Bailey, 2018).

Since costs rise as the distance between source and host countries grows, the competitiveness threshold at which FDI is more lucrative than exporting as a means of accessing a foreign market is determined by institutional distance. Increases in institutional distance increase this threshold, resulting in a reduction in the number of companies pursuing FDI (Contractor et. al, 2014). The overall amount of FDI conducted by the source nation in the host economy is also influenced by institutional distance, which affects the firm’s profitability. According to Mondolo (2019) and Donnelly and Monolova (2020) it remains a task for any firm to consider when making an entry decision to a market, as well as to analyse the best conditions that will improve investment.

Institutional distance was also seen to influence outward and inward FDI in various ways. Participants stated that the institutional distance between Mozambique and South Africa brought both inward and outward FDI. This was similar to the findings of Alguacil, Cuadros and Orts (2011) and Nielsen, Asmussen and Weatherall, (2017). This means that FDI flows between the countries are not ambiguous. The assumed institutional distance between an industrialized and an emerging market is not comparable. South African firms are better capable of competing with the expenses of institutional distance, which explains why FDI flows from South Africa are stronger than those from

Mozambique. According to Rottig, (2016) and Alvarado et al., (2017), skills mobility is seen to be enhanced by institutional distinct, as well as labour mobility (UNCTAD/WIR 2019). Labour mobility was said to involve skilled workers moving to Mozambique, whilst, South Africa benefited from labour coming from Mozambique, working mostly in mines.

6.4.2 Influence on cultural distance

This requires identifying cultural customs, political and commercial practices, customs, religions, and languages. Even though there were perceptions that cultural distance had little impact on economic activities, this was perceived as being significant overall. While not as important as other economic considerations, a country's culture and belief system to a large extent determined how an organisation operated, from how alliances were formed, to how its reputation was viewed to how businesses were run in that country. Lalbahadur and Otto (2013) suggested that this should be carefully examined when entering a foreign market. This view was predominantly conveyed in the results of this study. The language spoken by locals was recognised as the most important cultural factor. Conducting business in a language other than the operating company's native tongue, in this case, English, could be challenging, resulting in high control costs and increased potential for misunderstandings. According to Lalbahadur and Otto (2013), Mozambique's membership in the Commonwealth helped the country to engage regionally, promoted investment and skills transfer, and demonstrated the country's dedication to sustaining and adapting to a diverse range of ties. Kayalvizhi & Thenmonzhi (2018) suggest that cultural adaptability may have an impact on interactions between donor and host country as well as comprehension of country needs, resulting in improved FDI flow opportunities. Quer, Claver and Rienda’s (2017) suggestion that culture plays a major role in the decision-making process for foreign investments will confirm the perceptions of some participants who recognised the presence of cultural distance but believed that economic factors outweighed it.

Geographic proximity and deeper economic relations between South Africa and Mozambique have enabled a better awareness of the countries' cultures and also regulatory and legislative attributes. This provides South African companies with an advantage over other non-African multinationals when assessing risk. However, as participants suggested, the failure of South Africa's attempts to create a borderless society by imposing English as the common language and country sovereignty by xenophobia has negatively impacted South Africa's capacity to mentor and support

Mozambique. This validates Kubota’s (2016) assertion that learning a language leads to a mastery of the language but not to an understanding of the nuances of the language.

FDI flows between South Africa and Mozambique were affected by cultural distance, despite its limited influence. Cultural distance may not significantly affect the rules of engagement, but may, in a subtle way, affect the social aspect of conducting business. According to the findings of this research, cultural diversity must be holistically considered without silos to improve economic activities and communication - that is, language, norms, traditions, and religion must all be understood together. The same sentiments are shared by Mondolo, (2019) highlighting the need for a natural integration of these cultural factors to foster an ability to accept.

6.4.3 The influence of political stability

One of the key elements that have an effect on a country's perceived political stability are included in this factor. Based on the results of the analysis, political stability was perceived as being significant. Given the effect of political stability on all facets of a country, particularly its economy, and the importance of creating conditions that facilitates the growth and development of local markets, this element was initially regarded as crucial. It is impossible to foresee or rely on a sustained long-term growth opportunity, which FDIs rely on, in the absence of a stable political climate. According to Meyer and Peng (2016), Rottig (2016), Kedia and Bilgili (2015), Mondolo (2019), and Lucke and Eichler (2016), political turmoil has a detrimental impact on FDI. As a result, detrimental consequences, such as high unemployment, perpetual warfare, inequality, and the lack of formal or informal structures inhibit FDI flows (Rottig, 2016). As part of social relations, Bailey (2018) and Mondolo (2019) indicate that social networks, trust and corruption are some of the key destabilizers of economic growth. These sentiments were in accordance with what participants said. Political insecurity, in the context of xenophobia, was shown to have a detrimental effect on perceived perceptions and desire to collaborate. A change in political stability, according to Lucke and Eichler (2016), deters investors from seeking foreign direct investment because it affected economic factors and the regulatory framework. As a result, instability discouraged FDI flow interactions and allowed for turmoil, as well as a lack of predictability. Trust-base is key to encouraging FDI flows (Mondolo, 2019). With ambiguous and unpredictable modes of conducting business clinching business deals becomes a challenge.

6.4.4 Conclusive findings for research sub-question 3

All three constructs from the results of research question 3 support literature that indicates a relation between FDI and institutional distance, cultural distance, and political stability. Businesses must recognise the three constructs simultaneously to safeguard their investments. While it has been argued that cultural distance has a small effect on FDI flows, Mondolo, (2019) indicates that cultural distance has an impact on business activities, which in turn influences FDI flows. The findings of this study corroborate with findings in Meyer and Peng (2016), Rottig (2016), Kedia and Bilgili (2015), Mondolo (2019), and Lucke and Eichler (2016).

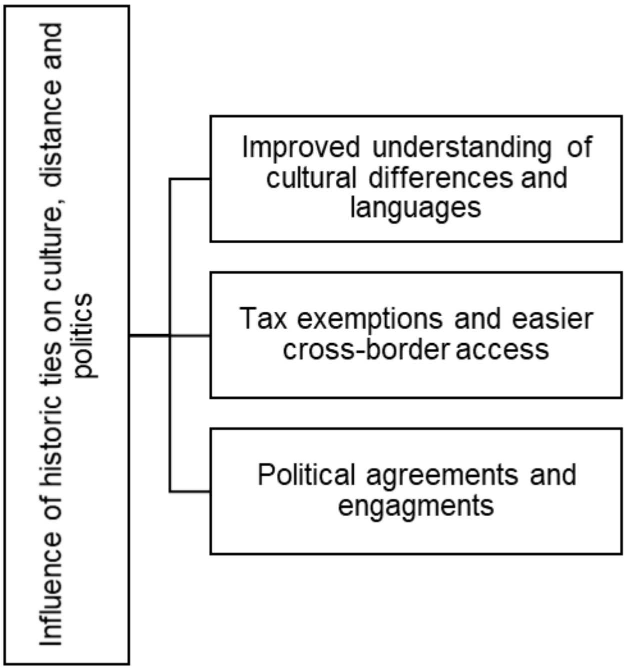

Figure 9: Insights from discussion of research sub-question 3

6.5 Conclusion

This chapter intended to link the findings of this study to established literature, with the ultimate goal of understanding how formal and informal relationships affected by historical ties would advance FDI flows. It was apparent that current literature offered a view of formal and informal relationships informed by historical ties, which corresponded to the study's results.

The role of historical ties, institutions, and policy decisions in multinational corporations' decisions has been thoroughly researched as some of the determinants of FDI. In developing economies, foreign direct investment was shown to have a positive impact on economic growth. Economic growth is also realised from the existing bilateral ties that exist (Makino & Tsang, 2011; Kedia & Bilgili, 2015). There were, suggestions that issues such as globalisation and the element of being entitled and ignorant, perceived to be portrayed by South African investors, deterred economic growth. Despite the fact that informal institutions and cultural distance were increasingly being recognised as essential factors that accounted for emerging economies' poorly developed institutional capacity, cultural distance appeared to have been neglected as a significant factor influencing the way economies expand and adapt among the cultural and political constructs. Similar cultures, therefore, provide a better understanding of the social rules and standards that govern how businesses operate and develop their capabilities (Meyer & Peng, 2016; Rottig, 2016; Kedia & Bilgili, 2015; Mondolo, 2019; Lucke & Eichler, 2016). South Africa and Mozambique, on the other hand, have very different cultures which have a major impact on economic activity. As a consequence, these are expected to have a negative impact on FDI flows if not attended to.

As a mitigating factor, both literature and the findings alluded to a need of understanding informal ties to be able to harness the benefits of FDI flows. Being knowledgeable of social and cultural constructs have been linked to increased FDI and increased production and export growth of firms. However, the influence of FDI on economic growth continues to be dependent on the host economy's human capital and absorptive capacity. The role of historical ties, frameworks, and policy choices in assessing multinational corporations' decisions on location has been thoroughly researched in emerging economies.

Chapter 7: Conclusion and Recommendations

7.1 Introduction

This chapter presents the conclusion reached in this study on the basis of the findings presented in Chapter 5 and discussed in Chapter 6. The chapter will also present the implications of this study and possible recommendations for consideration by policy makers or business investors. The contributions made to literature are also identified. Suggestions for possible future research considerations in the international business field are also made.

7.2 Principle conclusions

The researcher's intention was to investigate how historical ties impacted FDI flows, with a specific focus on both formal and informal ties. A number of themes emerged from interviews and had been presented in the previous chapters. These key themes revealed that the historical ties do affect and influence the trade and foreign direct investment flows between two countries both positively and negatively. In this instance South Africa and Mozambique. Below we consolidate the findings and conclude.

7.2.1 Research Question 1

It was evident that the main advantage of historical ties was the growth and expansion of economic activities and the enhancement of FDI flows. Proximity of countries in relation to each other and legislations were also seen to be facilitators and enablers of growth. With that in mind, there were also factors that potentially posed a threat to FDI flows. These included increased competitiveness as a result of globalisation, and a general reluctance to be proactive as a result of the 'Big Brother' attitude that was perceived to be shown by South Africa.

Overall, there was alignment between the findings of this study and the findings made in existing literature. This was particularly so in defining the factors that enhance FDI between countries. Participants suggested the integration of a few factors for foreign investment. These included using proximity to both the investors and host nation's advantage by leveraging protocols and legal frameworks that enable easier trade and flow of investment. The impact of globalisation was perceived to be two-fold. On one hand it was perceived to enhance competition among investors to the benefit of emerging markets (Meyer & Peng, 2016; Donnelly & Manolova, 2020). On the other hand, it was perceived to result in investors looking for 'greener pastures' (Chirilă – Donciu, 2012).

7.2.2 Research Question 2

This research question aimed to uncover how bilateral ties interact with FDI flows existing between Mozambique and South Africa. Through this research question, it was established that bilateral agreement greatly influence interactions with economic activities by facilitating a channel that could be referred to for setting rules of engagement and opening up more investment opportunities (Busse & Hefeker, 2007; Alguacil, Cuadros & Orts, 2011, Dirco 2020). Furthermore, institutional capabilities and two-way collaboration enhanced through bilateral agreements positively impacted foreign investment. Additionally, the viewing on one country as a sponsor/mentor, enhanced through historical ties evidently improves FDI between nations, as with South Africa and Mozambique.

Overall, bilateral and political links formed had enhanced FDI flows between the two countries. However, there was a need for more active engagement and discussions about these trade agreements. Participants also indicated that the two-way collaboration had enhanced the skills and flow of FDI between South African and Mozambique whereby South Africa was seen as a mentor and sponsor to Mozambique. However, South Africa's dominant attitude and the perception that all investment opportunities would initially be offered to it could have a detrimental impact on the current status of FDI interactions between the two countries.

7.2.3 Research Question 3

Most of the themes spoke towards normative and cultural cognitive attributes of institutional distance. More emphasis was placed on the fact that South Africa had to do more as an investor going into Mozambique. This related to finding out more information on values, attributes, attitudes, beliefs, and traditions of both host and donor countries. Language differences, as a barrier, was perceived to have had little influence on FDI flows due to the fact that, on a social basis, languages were relatable and on a business basis, interpretation could be sourced when needed.

All three constructs from the results of research question 3 supported literature that indicated a relation between FDI and institutional distance, cultural distance, and political stability. Businesses must recognise the three constructs simultaneously to safeguard their investments as these constructs influenced payoff. While it has been argued that the effect of cultural distance on FDI flows was small, Mondolo (2019) indicates that cultural distance has an impact on business activities, which in turn influences FDI flows. The findings of this study corroborate the findings of Meyer and Peng (2016), Rottig (2016), Kedia and Bilgili (2015), Mondolo (2019), and Lucke and Eichler (2016).

7.3 Study Contribution

There is not a lot of latest literature in the international business field on historical ties. The last paper was written by Chowdhury and Maung (2018). Before this is a paper written by Kedia and Bilgili (2015). The studies of these authors were conducted using the quantitative approach. To the best of the researcher's knowledge this study is the first investigation on historical tie factor implications on FDI flows conducted using the qualitative method through in-depth interview process. Secondly, the study focused on countries within the African continent, making it the first time of its kind to be conducted in Africa, Southern Africa, with a specific focus on South Africa and Mozambique. The qualitative study provides deeper and richer insights to the study of formal and informal historical tie factor implications to FDI flows.

While other studies, through a quantitative approach, give an indication to some of the historical factors relating to colonization basis, they however, recommend that an in-depth study be done to establish country unique formal and informal factors. This study makes a contribution to the in-depth recommendations and relies on primary data which reveals other factors that were not considered or thoroughly investigated as a result of the methodological approach by other scholars. The study findings reveal interesting concepts for governments and multinational enterprises to consider in order to influence the economic growth and institutional growth or stability of countries seeking to enhance FDI flows between them.

7.4 Implications of the study

The study sought to investigate the formal and informal historical ties that positively or negatively influence FDI flows. The findings, as presented in the previous chapters, identify important factors that should be considered and mitigated when seeking to grow FDI flows between two countries. Therefore, the study has a practical significance for private entities of any MNE's who seek to explore and expand their trade into a foreign country. The study also has some important implications for the governance of both countries on how they collaborate, formulate, execute and monitor the effectiveness of their policies or strategies that seek to influence FDI flows.

7.5 Limitations of the research

It must be noted that some of the research limitations are highlighted in Chapter 4. It is meaningful to mention that the investigation was mainly done with South African entities and the findings might be biased to a South African context on what should be happening to enhance or improve South Africa's participation in Mozambique to strengthen its economic position or partnership. The investigation was limited to only 9 participants and did not cover a broad spectrum of sector. More in-depth investigation to involve other active industries beyond the banking and investment sectors would assist.

7.6 Suggestions for future investigation

As discussed in the literature review in chapter 2, formal ties are characterized by many factors such as trade policies, reforms, bilateral, protocols and labour exchanges, while informal ties are based on cultural traits, social relations, religious relations language, etc. The qualitative analysis was to obtain in-depth feedback from the research participants on their experiences, opinions and beliefs on the topic. The approach was general and broad in considering all sectors from an investment perspective, with Mozambique in the same region as South Africa.

Future research should deep dive the following topics to enhance the concept of historical ties in the international business literature:

- A region to region study might be of interest in understanding how these formal and informal ties play out considering that Africa has four diverse regions (South, East, West, North) and measure the growth impact.

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APPENDIX 1: INFORMATION ON PARTICIPANTS

Participant No.	Organisation / Industry	Position	Gender	No. of years of Service	Interview type	Interview date	Interview Time
1	Standard Bank	Head: Oil & Gas South Africa	M	7	S	27-Nov-20	30min34sec
2	Standard Bank	Chief Economist	M	10	S	27-Nov-20	38min10sec
3	Standard Bank	Manager: Client Cover / Oil & Gas	F	8	S	30-Nov-20	31min50sec
4	ECIC	Senior Economist	F	3	C	08-Dec-20	1hr11min
5	ECIC	Senior Underwriter: Afrika Investment Portfolio	M	5			
6	DBSA	Senior Investment Deal Originator	M	4	S	08-Dec-20	52min47sec
7	Global Alliance Seguros SA	Chief Financial Officer	F	3	S	09-Dec-20	51min07sec
8	Chancellor House Investment	Chief Investment Officer	F	4	S	21-Jan-21	1hr10min
9	Independent Development Corporation	Head: Continent Coverage (Deal Origination)	F	5	S	19-Feb-21	33min05sec

Interview type:

S: Single person

C: Combine persons

APPENDIX 2: PARTICIPANT CONSENT FORM

Gordon Institute of Business Science
University of Pretoria

Dear Participant

Request to conduct an academic interview

I am conducting research on ***Foreign Direct Investment*** and am trying to find out more about the “formal and informal historical ties” between countries as means to enhance FDI flow. Our interview is expected to last about an hour and will help us understand how FDI flow between South Africa and Mozambique. Your participation is ***voluntary***, and you can ***withdraw*** at any time without penalty. All data will be stored and reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher Details:	Research Supervisor Details:
Mpelo Sikhwatha	Prof Johan Olivier
Email: 19182814@mygibs.co.za	Email: olivierjo@gibs.co.za
Phone: +27 61 315 1614	Phone: +27 83 452-5539

Signature of participant: ___________________________ Date: ________________

Signature of researcher: __________________________ Date: ________________

APPENDIX 3: INTERVIEW SCHEDULE

INTERVIEW GUIDE SCHEDULE

3.1 Proposed Interview Questions

3.1.1 Section A: General information

This section will collect general information on the participant age, country, sector, ethnic group, position, year of service.

3.1.2 Section B: Research Questions

This section contains the interview questions which will gather the participants' opinions and perceptions in an attempt to answer the research questions. The interview questions will be open ended.

Question 1: What are the historical ties between South Africa and Mozambique?

Question 2: What are the economic alliances or treaties between SA and Mozambique?

Question 3: What are the cultural and social factors that exist between SA and Mozambique?

Question 4: How have these factors contributed to FDI flows from SA & Mozambique?

Question 5: Having discussed the factors above. What would you say are the factors that have either slowed down or deterred FDI flows?

Question 6: What would you recommend as a way forward for SA and Mozambique?

APPENIDX 4: ETHICAL CLEARANCE APPROVAL

Gordon Institute of Business Science
University of Pretoria

Mpelo Sikhwatha <19182814@mygibs.co.za>

Ethical Clearance Approved
1 message

MastersResearch2020 <MastersResearch2020@gibs.co.za> 30 September 2020 at 12:19
To: "19182814@mygibs.co.za" <19182814@mygibs.co.za>

Gordon Institute of Business Science
University of Pretoria

Ethical Clearance Approved

Dear Mpelo Sikhwatha,

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

EthicalClearanceReport.pdf
417K

APPENDIX 5: CODING LIST

RQ1

1.1 Economic and institutional growth	1.1.1 Expansion of South African businesses	
	1.1.2 Increased GDP and country growth	
	1.1.3 Open business transactions and leadership involvement	1.1.3.2 Improved communication
		1.1.3.1 Improved communication with leadership involvement
	1.1.4 Increased Exports	
	1.1.5 Company growth	
	1.1.6 Economic expansion	
	1.1.7 Growth in exports	
1.2 Globalization and industrialization	1.2.1 Diversification of investments	
	1.2.2 Expansion of multinational companies	
	1.2.3 Improved commodity supply	
	1.2.4 Improved industrialization	
	1.2.5 Urbanization	
	1.2.6 Diverse imports into Mozambique	
	1.2.7 Competitiveness	
	1.2.8 Export of gas and electricity	
	1.2.9 Failure to keep up with the competition	
1.3 Proximity	1.3.1 Geographic location enabling trade	
	1.3.2 Geographic location enabling ease of business	
	1.3.3 Geographic location, near the source	
	1.3.4 Robust logistics corridor	1.3.4.1 Alternative trade route
1.4 Protocols and legal frameworks for tax exemptions	1.4.1 Double taxation agreement making business profitable	
	1.4.2 Governance and compliance issues	
	1.4.3 Tax exemptions	
	1.4.4 Ease of doing business	1.4.4.1 Easy flow of business
		1.4.4.2 Access to free trade areas
1.5 Big brother attitude	1.5.1 South Africa being ignorant	
	1.5.2 South Africa as a dictator	
	1.5.3 South Africa creating monopoly	
	1.5.4 South Africa underestimating Mozambique growth	

RQ2

2.1 Effect of bilateral and political links	2.1.1 Investments and growth	2.1.1.1 Improved growth and industries
		2.1.1.2 Leading to increased investment
		2.1.1.3 Expansion strategy affected by pandemics
		2.1.1.4 Lack of continental growth; inequality
		2.1.1.5 Social aspect; Xenophobia; terrorism
	2.1.2 Bilateral negotiations setting rules of engagement	
	2.1.3 Constant negotiations; reframing's of relations; strategy reforms	
	2.1.4 Enhanced communication and leadership involvement; political leader influencing political links	
	2.1.5 Alignment at a political level; political perspective required	
	2.1.6. Ease of business causing FDI	
2.2 Effect of structural economic reforms and legislation 1 2 4 5 8 9	2.2.4 Conforming to laws	
	2.2.1 Easy legal requirements; Free trade enhancing trade; limited restrictions; reduced bureaucracy leading to improved ease of doing business	
	2.2.5 Lack of idea implementation	
	2.2.2 Legal framework understanding; Political aspect; Investment protection; understanding the legal frameworks	
	2.2.3 Localization; 2 Localization and mentoring	
	2.2.6 Political perspective required	
2.4 Effect of institutional capabilities	2.4.1 Consideration of institutional capabilities; Improved institutional relations	2.4.1.1 Entity owners becoming knowledgeable
		2.4.1.2 Business savvy
		2.4.1.3 Improve on donor country infrastructure
2.5 Effect of sponsor or mentor relations	2.5.1 SA being ignorant towards competition	
	2.5.2 SA dictating business ideas	
	2.5.3 SA mentoring Mozambique	
	2.5.4 SA perceived as a bully	

RQ3

3.1 Influence on institutional distance	3.1.1 SA showing a dominating mentality; 3 indigenization
	3.1.2 Forming partnerships; 3 Creation of jobs; 3 skills transfer
	3.1.3 Culture; SA not viewing Mozambique as a focus point
	3.1.4 Proximity; easy movement of goods
	3.1.5 Tourism
	3.1.6 Tourism creating linkages
	3.1.7 Proximity creating opportunity but not stopping competitiveness
	3.1.8 Labour mobility
	3.1.9 Proximity enabling easy migration
3.2 Influence on cultural distance	3.2.1 Cultural differences; Portuguese ties deterring growth
	3.2.2 Cultural ties missing when business is involved
	3.2.3 Cultural ties present from a labour migrant point of view
	3.2.4 Culture not being a barrier
	3.2.5 Cultural affinities
	3.2.6 Language is relatable
	3.2.7 Language barrier
3.3 Influence on political stability	3.3.1 Xenophobia; Social aspect; Xenophobia; Terrorism