**The role of proximity to the State and its institutions on South African organisations' internationalisation process**

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# ABSTRACT

In today's business world, expanding the reach of emerging market organisations beyond their domestic borders is a strategic move. These organisations can unlock new growth opportunities and boost their bottom lines by tapping into new markets and diversifying their customer base. Moreover, expanding into international markets can positively impact the economy of their home country by generating additional tax revenue, creating new jobs, and attracting foreign investment. This complex process involves multiple factors, including the relationship between the state and the company.

The Chinese model is an example of how the state's support can influence internationalisation. This model reflects the closeness of the company to the state and how this proximity to the state can shape a company's strategy. In contrast, South Africa has implemented the Broad-Based Black Economic Empowerment (B-BBEE) program to promote diversity in the mainstream economy. Implementing B-BBEE has brought the state and companies closer but has not translated into significant international expansion for many black-owned South African companies. Despite the benefits of B-BBEE, such as increased access to funding and resources, the lack of internationalisation limits the potential for growth and economic impact. The research aims to understand the complex relationship between the South African government and organisations and how this relationship influences internationalisation.

The study used a qualitative exploratory approach to obtain deeper insights into the subject matter. The eight C-suite executives from three industries in the country, namely mining, telecommunications, and financial services, were interviewed to gather their perspectives and insights. The aim was to obtain valuable information from experienced individuals who hold crucial decision-making roles in their respective companies and who are accountable for formulating and executing strategies for expanding their business internationally. The outcome of the research was a set of propositions that could potentially pave the way for further investigations and future studies. The study builds on the existing knowledge of internationalisation by delving into the proximity phenomenon through an agency theory, providing a more nuanced and in-depth understanding of the topic from the South African perspective.

*Keywords: Proximity, B-BBEE, Black-owned, Internationalisation*

# DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy [insert programme name here] 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.

27 November 2023

## LIST OF ABBREVIATIONS

| AfCTA | African Continental Free Trade Area |
|-------|-------------------------------------|
| AGM | Annual General Meeting |
| ANC | African National Congress |
| BEE | Black Economic Empowerment |
| B-BBEE | Broad-Based Black Economic Empowerment |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| DIRCO | Department of International Relations and Cooperation |
| DRC | Democratic Republic of Congo |
| EMNE | Emerging Markets Multi-National Enterprises |
| FDI | Foreign Direct Investment |
| GEPF | Government Employee Pension Fund |
| IDC | Industrial Development Corporation |
| ISP | Internet Service Provider |
| JSE | Johannesburg Stock Exchange |
| MNE | Multi-National Enterprises |
| NYSE | New York Stock Exchange |
| OFDI | Outward Foreign Direct Investment |
| PIC | Public Investment Corporation |
| SME | Small and Medium Enterprises |
| SOE | State Owned Enterprises |
| SPV | Special Purpose Vehicle |
| TMT | Top Management Teams |

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**CHAPTER 1: INTRODUCTION**

## 1.1.    Background

It is acknowledged that the internationalisation of emerging markets multinational and small enterprises is essential for survival, growth, and acquiring knowledge and technology (Jafari-Sadeghi et al., 2020). However, the structural paradigm setting in which companies originate has a significant role in their strategy and approach to the outside world (Angulo-Ruiz, Pergelova, & Wei, 2019); this approach of the government and Multi-National Enterprises (MNEs) working together was termed "business ecosystem approach"  by Angulo-Ruiz et al. (2019). This collaboration between the state and business was also captured by Barnard and Luiz (2018) as "institutional alignment", and an excellent example of this is the "Go Global" policy by the Chinese (Parente et al., 2019). Angulo-Ruiz et al. (2019) further argue that governments have an essential role in policy that will aid Emerging Market Multinationals (EMNEs). In addition, for Small and Medium Enterprises (SMEs) to internationalise, they need resources such as finance (cheap capital) and "lobbying." However, the institutions can also be seen as a risk that organisations need to invest themselves out of or escape  (Angulo-Ruiz et al., 2019; Arikan et al., 2021; Barnard & Luiz, 2018).

Internationalisation is a complex process that involves multiple factors, including the relationship between the state and the company. The Chinese model is an excellent example of how the state's support can influence internationalisation (Parente et al., 2019). This model reflects the closeness of the company to the state and how this proximity can shape a company's strategy. In contrast, South Africa has implemented the Broad-Based Black Economic Empowerment (B-BBEE) program to promote diversity in economic development. However, the role of B-BBEE in building companies has not resulted in many South African companies expanding internationally. This highlights the importance of understanding the relationship between the state and internationalisation to promote successful global expansion.

Since the transition to democracy in South Africa, various measures have been taken to ensure that previously disfranchised individuals participated in the mainstream economy; therefore, the BEE Act of 2003 (Southall, 2007). After this legislation was ratified, Patel and Graham (2012) indicated that approximately 1,399 B-BEE transactions were concluded between the years 2004 and 2009; banks mainly funded these transactions

through Special Purpose Vehicles (SPV), Industrial Development Corporation (IDC), the Public Investment Corporation (PIC) and other developmental financial institutions. The business landscape underwent a significant change after the implementation of the Employment Equity Act No. 55 of 1998. This Act mandates that all demographics of South Africa should be fairly represented at all levels within an organisation. According to Tangri and Southall (2008), this policy and the BEE Act have predominantly benefited individuals with political connections to the ruling party.

This would create a relationship between the state, the ruling party, and the business. This relationship has not produced the same outcomes as those seen in China and other developing economies. Sawant et al. (2021)pointed out the positive and negative influence that proximity to the state may have on an organisation due to their perceived preference for domestic investment, therefore, creating employment, increasing tax revenue, and this will perpetuate the rent-seeking for politicians (p. 813). However, Wang et al. (2019) contradicted this and argued that proximity to the state or being politically connected might assist organisations with the internationalisation process and mitigate specific risks they may encounter in their host countries (Wang et al., 2019).

## 1.2.    Theoretical Framework

Agency theory forms the theoretical basis for this research. This theory is primarily concerned with analysing the various interactions between different individuals within an organisation. It focuses on examining the influence that directors, management, local investors, and government entities exert on the internal operations of the organisation. By delving into these interactions, the research aims to gain a deeper understanding of the dynamics within organisations and how they impact decision-making processes and, therefore internationalisation. By understanding these dynamics, it becomes possible to develop strategies on internationalisation of an organisation (Shapiro, 2005; Yadav, 2021). Wang et al. (2019) looked at political embeddedness and suggested that the impact of political embeddedness can be both positive and negative, depending on where it takes place and on organisational internationalisation strategy, which supports this theory. Angulo-Ruiz et al. (2019) pointed to the benefits of proximity by giving the Chinese model as an example, which indicates the positive outcome of the proximity state.

Although the theories provide some insights toward internationalisation, they do not address the full extent of economic changes that have transpired following the

establishment of democracy in South Africa. Furthermore, there appears to be a death of research regarding the influence of B-BBEE on the internationalisation process, which by default creates proximity to the state, its institutions, and the ruling party. The agency theory is an appropriate approach towards examining and analysing the phenomenon that is currently observed within the context of South Africa, it deals with the characteristics of all stakeholders in an organisation and, therefore, proximity.

The topic of proximity to the state has been debated in the literature, with arguments for and against it. However, these discussions mainly pertain to homogenous countries like China, Russia, Brazil and India. In the South African context, where the country and its organisations have undergone a transformation, and the previously disfranchised population has been integrated into the mainstream economy. Although, this is a noble idea, it has created organisations that only operate in the confines of South Africa. This research will investigate what is the role of proximity to the state and its institutions in the internationalisation process of South African organisations.

This research seeks to provide a comprehensive understanding of the benefits and drawbacks associated with an organisation's home country and how state resources can either facilitate or impede its internationalisation efforts (Angulo-Ruiz et al., 2019; Wang et al., 2019; Weng & Peng, 2018). Furthermore, it aims to analyse the different characteristics of all stakeholders involved in the organisation. Through this research, the hope is to gain valuable insights into the complex nature of B-BBEE's impact on internationalisation of business and, therefore, contribute to the knowledge base.

Secondly, Although the theories provide some insights toward internationalisation, they do not address the full extent of economic changes that have transpired following the establishment of democracy in South Africa. Furthermore, there appears to be a death of research regarding the influence of B-BBEE on the process of internationalisation, which by default creates proximity to the state, its institutions, and the ruling party. The goal of this study is to enhance agency theory by investigating the impact of proximity following economic transformation from a South African (Yadav, 2021). The author further emphasise the importance of analysing the traits and features of stakeholders in the process of developing an organisation's internationalisation plan. By understanding the perspectives, interests, and expectations of stakeholders, organisations can tailor their strategies to meet their needs and expectations and ensure a smoother implementation of the plan.

## 1.3.    Research Problem

There are two school of thought regarding the internationalisation of organisations. The first is emphasised by Angulo-Ruiz et al. (2019),  which points to the positive role of Chinese state ownership on organisations' internationalisation. Their "Go Global" policy and, subsequently, the strategic view of Chinese organisations on growth and what they termed Outward Foreign Direct Investment (ODFI),  Chinese firms were investing in both undeveloped and developed economies for the benefit of firms and the country (natural resources in Africa and technology in the West) to borrow from. According to Barnard and Luiz (2018), this is "institutional alignment" were the state and organisations have the same strategy or when the involvement of state influence the strategy of the organisation. The second is emphasised by Nuruzzaman et al. (2020) that in countries such as  Taiwan, the state's involvement in the business in one form or another might deter the ability of organisations to internationalise as it may be seen as capital flight. Sawant et al. (2021) further highlighted this, indicating prevailing politics that prefer domestic growth over OFDI.

Since South Africa became democratic , previously disfranchised individuals have acquired or started many organisations, mainly with the help of legislation, developmental financial institutions, and banks. For their growth, these organisations need to internationalise (Jafari-Sadeghi et al., 2021; Nuruzzaman et al., 2020). Although state policies can enhance organisations' internationalisation strategies, as in China, it may also be viewed as a capital flight (Wang et al., 2019). In emerging countries, internationalisation may also depend on the level of development in the country. In South Africa, growth has slowed, unemployment has risen to 32.7% (StatsSA, 2023), and with the general political ambience, the government is more concerned about national dynamics such as; lack of economic growth and unemployment. Therefore, companies were established for the intervention of government policies. Although some have internationalised, there has been a limited appetite for internationalisation compared to their counterpart as they may believe this will be seen as a betrayal of the same government that created them.

Scholars have indicated the importance of internationalisation, its economic significance, and growth; there needs to be more recognition of the influence of governments on the internationalisation process (Campose et al., 2018), specifically in South Africa. In

addition, the focus needs to be more on the understanding of drivers of internationalisation in South African organisations, specifically those that result from B-BEE legislation. Although, this topic of internationalisation has been researched, this was from the developed economy point of view and recently from emerging economies. In emerging economies, more focus is on China, Russia, and India, with a narrow focus on Africa and South Africa being the main focus in Africa (Kujala & Owusu, 2022). However, most research focuses solely on organisations based in South Africa without taking into account the country's internal dynamics, such as the effects of legislation and the involvement of politically influential individuals in business organisations.

## 1.4. Research Purpose

The proposed research explores the role of proximity to the state and its institutions in the internationalisation of South African black-owned organisations. Scholars have dealt with the internationalisation of emerging market MNEs and SMEs and the influence of state and political connections in internationalisation strategy of an organisation (Campos et al., 2018; Sawant et al., 2021; Wang et al., 2019). Although scholars accept that the strategy of internationalisation may vary from country to country, most of the research focuses on Brazil, Russia, and China (BRIC) (Kujala & Owusu, 2022). Those looking at Africa and South Africa mainly focus on the business at large, with less focus on the role of the state and the ruling party in the internalisation process.

The rapid internationalisation of South African MNEs and SMNEs took place after the advent of democracy, coupled with the transformation of industries, which led to B-BBEE were many SMEs and MNEs owned or managed by previously advantaged individuals were created (Klein & Wöcke, 2007, p. 320). Although scholars have highlighted the advantages and disadvantages of organisations that have proximity to the state and its institutions (Nuruzzaman et al., 2020; Wang et al., 2019), the focus was homogenous nations, and this research will focus on South African black-owned organisations bringing into the theory demographics and influence.

## 1.5. Context of the study

This research will focus on understating how proximity to the state and its South African institution impacts Black-owned organisations' internationalisation. Compared to its other African counterparts, South African businesses have been at the forefront of creating

many MNEs and SMEs that have become versatile to attempt internationalisation, outperforming other African countries (Luiz & Ruplal, 2013). The setting will look at organisations based on their proximity level to the state, politicians, or the ruling party, guided by Wang et al. (2019) and Sawant et al. (2021). Although their research focus was embedded on embeddedness of TMTs, their proposition of focusing on ownership were Executives and board appointments will be used.

## 1.6. Motivation for the research

Internationalisation of emerging markets MNEs and SMEs is essential for the country's economy and organisations' growth. This benefits not only the organisations but the citizens as well; with the internationalisation of South Africa comes better technology, knowledge, and skills (Jafari-Sadeghi et al., 2021; Nuruzzaman et al., 2020). However, for internationalisation to occur, there needs to be institutional alignment with all stakeholders (Barnard & Luiz, 2018). For example, in 1965, when Singapore got its independence, the government of the day decided that for the country to be prosperous, they had to implement policies that would encourage growth (Chang, 2003). However, Nuruzzaman et al. (2020) also highlighted the opposite of the involvement of the state as it may hinder internationalisation as they see it as capital flight, Wang et al. (2019) also supported this view indicating politically connected managers and directors may have more pressing issues like job creation, economic growth or rent-seeking rather than internationalisation.

Internationalisation is not a new phenomenon in South Africa; as early as mid-90's companies embarked on the internationalisation (Klein & Wöcke, 2007). Since the advent of the democratic dispensation, various programs were developed to bring previously disfranchised individuals, in which the majority are Black people, into the mainstream economy and B-BBEE Act. 2003 was enacted (Republic of South RSA, 2003). After rectifying this Act, Black individuals acquired several companies in whole or part. Patel and Graham (2012) estimates the total number created after this legislation was introduced to be approximately 1,399. The state institutions funded these transactions includes; IDC, PIC, and banks, through SPVs. Further to this, one component of the Act., required that Black people have representation in both management and board of companies operating in South Africa; it was noted how this would benefit only politicians or politically connected people (Tangri & Southall, 2008).

Although scholars have looked at emerging economies' internationalisation, the focus is more on countries such as; China, India, and Russia.However, recently scholars have looked at Africa, specifically South Africa (Kujala & Owusu, 2022). The countries that are mainly researched have a homogeneous population and do not experience legislation like B-BBEE. Although, there is research on internationalisation focusing on South Africa, there is sparse focus on the impact of B-BBEE legislation on internationalisation and the impact of their proximity to the state and its institution by organisations. The significance of the study is to bring to light the dynamics embedded in organisations due to the B-BBEE legislation, therefore adding to the agency theory debate two constructs: internationalisation of organisations in a heterogenous population country that has undergone a racial transformation and secondly where legislation forces organisations to act in a certain way. The assumption is that all organisations with proximity to the state and its institution will behave the same; however, some will still be different based on the characters of individuals made to be in organisations.

## 1.7.    Research Outline

The research will comprise seven chapters. The first Chapter will be an extensive introduction to the research question and study, highlighting all the essential details. In the second chapter, a thorough literature review will be conducted to investigate the current theories on the history of Black-owned organisations, culminating in the theory of internationalisation. The third Chapter will provide a comprehensive outline of the research question and sub-questions, while the fourth chapter will expand on the research methodology employed. In Chapter five , the research results will be presented, and in the last two chapters, an in-depth analysis of the results will be provided. Chapter six  will carefully scrutinise the presented results, while the final Chapter, Chapter seven, will be the conclusive chapter of the research and, if necessary, suggest topics for further research.

## CHAPTER 2 : LITERATURE REVIEW

### 2.1.  Introduction

This Chapter will explore the history of previously disadvantaged individuals in South Africa and how they became involved in the mainstream economy. The Chapter will further explore  various factors that led to their success, including the role of the state and its connections with government institutions. Additionally, analyse the most used theories when researching internationalisation and the significant role played by the state in this process. Finally, explore the challenges that emerging market organisations have faced in the era of globalisation and how they have managed to overcome them.

### 2.2.  The relationship of business and state in South Africa

The B-BBEE legislation creates a relationship between the organisation, the state, and the ruling party (Tangri & Southall, 2008). This relationship may lead to the positivist agency theory phenomenon, where the organisation's management aims to maximise profits, expand market share, and create value for shareholders. However, the government has broader goals, including economic development, national security, trade balance, and regulatory compliance (Eisenhardt, 1989). These differing objectives can result in potential conflicts of interest between the two parties. The agency theory primarily focuses on examining the impact of directors, management, local investors, and government entities on the internal operations of the organisation.

It is common practice in emerging markets for organisations to have proximity to politicians and the state. This allows them to influence politics and receive preferential treatment when resources and support are needed (Arreola & Bandeira-de-Mello, 2018). There are varying stages or levels of proximity, "organisational linkages, interpersonal relationships, personal-organisational linkages and managers-political institutions" (p. 847). In South Africa, proximity was accentuated by the institutionalisation of the BEE (Bowman, 2019). Southall (2004) provided a  perspective when alluding that "The African National Congress (ANC) adopted the BEE policy to provide a relatively market-friendly means of redistributing wealth and gradually deracialising control of the private sector, envisaging the formation of a 'patriotic' Black capitalist class who would align the industry with government at the economy's 'commanding heights', around a progressive developmental agenda" (p. 313), Subsequently, this assertion was supported by

additional evidence by Bowman (2019, p. 224). These Black capitalists primarily were individuals who were actively involved in political activism were detained in Robben Island and held a greater degree of allegiance to the ANC (Bookbinder, 2021; Southall, 2004).

The emergence of Black capitalists in South Africa was a direct result of the government's efforts to ensure that the previously marginalised black majority (Black, Coloured, Indians and recently Chinese) had equal economic opportunities following the transition to democracy (RSA, 2003). The process of implementation was in two parts: The first part of BEE transactions focused on the ownership, either outright purchase of existing companies or transfer of 26% of the ownership to disfranchised persons (Gqubule, 2021; RSA, 2003). Inclusive in this stage was the implementation of the Employment Equity Act No. 55 of 1998. This Act mandates that all demographics of South Africa should be fairly represented at all levels within an organisation.

The second part of BEE legislation was after realising that the initial transaction only benefited a few, the government reviewed the legislation, therefore, B-BBEE was enacted in 2003; this was expanded to include procurement, women, youth, and community development and investment, therefore the B-BEE scorecard (Patel & Graham, 2012; Sanchez, 2006). According to Patel and Graham (2012), around 1,399 B-BEE transactions took place from 2004 to 2009. Most of these transactions were in the mining industry, finance, and banks, as well as real-estate, accounting for 40% of the total.

According to Tangri and Southall (2008), these policies implemented to propel the disfranchised population in the mainstream economy have mostly favoured individuals with political affiliations to the ruling party, This opinion is also shared by Gqubule (2021), Bowman (2019) and Southall (2004). Unfortunately, it has led to a belief that the BEE has created a system that focuses solely on domestic affairs and disregards the internationalisation of South African organisations. Sawant et al. (2021) pointed out the positive or negative influence that proximity to the state may have on an organisation due to their perceived preference for domestic investment, therefore, creating employment, and increasing tax revenue, and this will perpetuate the rent-seeking for politicians (p. 813).

The acceleration of creating Black-owned businesses was accompanied by a significant role played by affirmative action in the creation of "Black Executives" in previously White-

owned organisations (Southall, 2007). By actively promoting diversity and inclusion in the workplace, affirmative action has helped to create more opportunities for individuals from underrepresented communities, ultimately contributing to a more equitable and just society. However, this saw more former activists from the ruling party liberations struggle recruited into organisations, therefore creating the link between businesses and the state (Bookbinder, 2021; Southall, 2004).

These organisations, due to their process during inception, have a strong connection to the state, which is evident in two distinct ways. Firstly, the organisation was established through state legislation, specifically the B-BBEE, making it a product of the state's efforts to promote economic empowerment. Secondly, the organisation lacked the necessary financial resources to conduct transactions and therefore relied on developmental institutions to fund its activities. As a result, even though some of them may now have grown to be multinational enterprises, they face significant challenges in competing on an international level due to their limited resources (Panibratov & Michailova, 2019). It is important to note that the organisations that were formed due to the B-BBEE legislation were primarily given to politicians instead of business people. As a result, they faced difficulties due to a lack of resources and management expertise, which made it challenging to compete in the global market or expand internationally. Three factors must be considered for successful internationalisation, as discussed by Bianchi et al. (2018) firstly, managerial drivers of internationalisation performance, government support of internationalisation and internationalisation barriers.

## 2.3. Organisational political proximity in emerging markets

Political connections are important and prevalent in any economy around the world, they play a significant role in the success of businesses, especially in emerging markets where the regulatory environment can be complex and challenging to navigate. Such connections can help organisations expand their influence and reach in these markets, facilitating their internationalisation efforts (Wang et al., 2019). In countries such as China, where businesses are constantly seeking to establish and expand their presence, reliable connections and networks are essential for seamless processes and ultimately drive growth and success (Wang et al., 2019). The network of relationships within an organisation and the state may not be readily apparent to those outside of it. Juxtaposing this analogy, Sharma et al.(2020) argue that political connections at any level can hinder the internationalisation of an emerging market company.

In sub-Saharan Africa, the development of political networks plays a significant role in determining the success and growth of organisations. These networks, which are composed of influential individuals and groups, can provide valuable access to resources, information, and opportunities that can help organisations achieve their objectives. As such, building and maintaining strong political networks is often a top priority for organisations operating in this region (Adomako & Danso, 2014). It encompasses not only formal structures such as hierarchies and reporting lines, but also informal relationships and connections between individuals and teams. These connections facilitate communication, collaboration, and the sharing of knowledge and resources, ultimately contributing to the organisation's internationalisation process (Deng et al., 2018 ; Johanson & Vahlne, 2003; Wu et al., 2021). There are some organisations that operate in developed countries with the support of their respective governments. One such example is Petronas, which is a Malaysian company that engages in various business activities with the backing of its government (Deng et al., 2018).

The proximity of an organisation can be determined in two distinct ways. Firstly, it can be defined by the presence of state and developmental institutions as shareholders, an example of this is the Chinese companies. Secondly, proximity can be measured in terms of management and Directors' closeness to the state or the ruling party. This means that an organisation can be considered as being in close proximity to these institutions if its management is closely associated with them either through personal ties or professional affiliations (Deng et al., 2018; Nuruzzaman et al., 2020; Wang et al., 2019).

When an organisation decides to expand its operations internationally, it can benefit from two distinct advantages of this proximity. The first is access to resources, such as funds, intelligence on a host country through state and diplomatic arrangements, that may be available in the host country (Deng et al., 2018). This can give the organisation an edge in international markets and help it establish itself more quickly by leveraging the available resources from home country state institutions, however, (Wu et al., 2021) has cautioned against this kind of proximity, that it may create bilateral tension between countries, citing the tension between the United States of America and Huawei.

The second advantage relates to the home country and its dependence  on the political climate at the time, this normally only works in the home country as it may help an organisation get information on new regulations and strategies of the country. This advantage can take various forms, such as preferential treatment from government

agencies or a more supportive public perception. However, the nature of this advantage may change over time, depending on shifts in the political paradigm of the home country (Wang et al., 2019; Wu et al., 2021). Having a personal connection with the government is highly advantageous for organisations operating in their home country. This close relationship allows them to stay informed about the latest policies and regulations, giving them an edge when dealing with state business. Additionally, such proximity often leads to preferential treatment, further enhancing an organisation's ability to operate successfully within the state (Wu et al., 2021).

It is well documented that, the internationalisation success of organisations in emerging economies such as China, Malaysia, and South Korea has been influenced by politicians and the state or the involvement of the state. However, there is a lack of literature on the impact of such involvement in African organisations, especially in South Africa, even though the country has undergone a transition, creating a clear connection between the state and organisations, research on the effects of the transition and the influence of legislation like BEE is lacking. It is crucial to evaluate these effects and  this research can shed light on the potential of African organisations and how they can benefit from the involvement of the state and politicians.

## 2.4.    The role of management proximity and internationalisation

### 2.4.1.  Proximity created by employment equity between management and state.

An organisation is also considered to have proximity to politics when its senior management team has direct or indirect connections to the ruling party and the state through their political affiliations, prior government roles or influential networks in political institutions. This can result in the organisation having access to inside knowledge, preferential treatment, or the ability to influence policy decisions that benefit their interests (Chen et al., 2018; Lu, 2021).  In South Africa, the B-BBEE Act of 2003 was introduced as a follow-up to the Employment Equity Act of 1998. The former initiative had the objective of providing chances for South Africans who were previously marginalised, to take up either complete or partial ownership of organisations that already existed. The latter initiative aimed to appoint individuals who were disenfranchised to Director and management positions (Southall, 2004) or allowed fair competition for all levels of employment.

However, in practice, the employment equity benefited the political elites who were close to the ruling party and were initially favoured over those with relevant business management experience and technical skills. These elites were mostly activists with no prior experience in business. On the other hand, educated exiles were given roles that either facilitated business operations with the government or positions that made them engage with Black employees (Patel & Graham, 2012; RSA, 1998; Southall, 2007; Tangri & Southall, 2008). The emergence of this phenomenon resulted in the formation of a specific group of people. These individuals were either appointed to key executive positions or management and held close relationships with the ruling party and its management. This group wielded significant influence and power within the state, contributing to a unique dynamic within the political landscape of organisations.

### 2.4.2. Management role in the internationalisation of an organisation

When organisations from emerging markets expand their operations globally, it becomes imperative to consider the various management characteristics that are needed to effectively navigate and succeed in the international market. These characteristics play a vital role in shaping the organisation's approach to global business operations, including cross-cultural communication, adapting to new legal and regulatory frameworks, and developing effective strategies to compete in a global marketplace (Johanson & Vahlne, 2003, 2015, 2017; Ponomareva et al., 2022; Vahlne, 2020). As internationalisation became more prevalent, it became apparent that Top Management Teams (TMTs) needed to have the right skills. The TMT's limitations in dealing with complex internationalisation challenges were seen as a hindrance to the globalisation of an organisation, therefore, it is crucial to train and equip TMTs with the pre-requisite capabilities to successfully navigate through the intricacies of the internationalisation (Bany-Ariffin et al., 2014; Hutzschenreuter & Horstkotte, 2013).

### 2.5. Proximity to the state and internationalisation

The company's origin and structural paradigm significantly impact its approach and strategy when it comes to interacting with the global economy (Angulo-Ruiz et al., 2019). this approach of the government and MNEs working together was termed "business ecosystem approach" by Angulo-Ruiz et al. (2019). This partnership between the government and businesses is referred to as the "business ecosystem approach" by Angulo-Ruiz et al. (2019), while it is termed by Barnard and Luiz (2018) as "institutional alignment" and an excellent example of this is the "Go Global" policy by the Chinese

(Parente et al., 2019). Angulo-Ruiz et al. (2019) further argues that governments have an essential role in policies that will aid Emerging Market Multinationals (EMNEs). In addition, Small and Medium Enterprises (SMEs) to internationalise they need resources such as finance (cheap capital) and "lobbying."

However, the institutions can also be seen as a risk that the organisations need to invest themselves out of or escape  (Angulo-Ruiz et al., 2019; Arikan et al., 2021; Barnard & Luiz, 2018). Research conducted by Parente et al., (2019) discovered that internationalising an organisation involves collaboration among all stakeholders, including the government and its institutions. This collaboration helps shape organisations' direction through policies that facilitate international expansion.

For example, Angulo-Ruiz et al., (2019) noted that China's "Go Global" policy had enabled businesses to expand internationally more quickly, The need for collaboration was highlighted in a quote from  Parente et al. (2019) which stated; "The business ecosystem approach entails the application of a biological metaphor to understand how organisations from different industries coevolve and interact within a shared marketplace. Its basic premise is that a firm cannot create value alone; it needs the input of upstream and downstream players, complementary asset providers, and institutional agencies. They are seen as an interconnected network of actors that can influence each other" (Parente et al., 2019, p. 277).

Furthermore, the state's role and political connection in countries such as China have been seen as the prompt for business growth and international expansion (Wang et al., 2019); this is mainly to show the country's geo-political standing and to set the country's pride. Nuruzzaman et al. (2020) indicated that although states like China and India have OFDI, other countries may see it as capital flight. In the research, the author  highlighted that countries such as Taiwan see OFDI as the capital flight and may encourage companies to have limited investment in their home country, thus impacting economic growth.

Scholars have indicated that the environment in which an organisation operates has a significant impact on its internationalisation strategy (Angulo-Ruiz et al., 2019; Cuervo-Cazurra et al., 2018; Nuruzzaman et al., 2020; Weng & Peng, 2018). This environment includes the involvement of the state in business to enhance their internationalisation processes (Arreola & Bandeira-de-Mello, 2018). State ownership can facilitate the successful expansion of a company's operations beyond its borders, as in cases of South Korea, Japan, and China. This was achieved through a combination of state involvement

in the development of institutions and regulatory frameworks. By utilising state resources and expertise, these countries were able to effectively navigate the complexities of international markets and establish themselves as major players in various industries (Schüler-Zhou & Schüller, 2009).

Cuervo-Cazurra et al. (2018) explored how both the home country and host country institutions can influence an organisation's internationalisation strategy, especially in emerging markets. Some scholars suggest that a state's participation in an organisation's internationalisation process is a vital factor for its success (Panibratov & Michailova, 2019). Although, Arreola and Bandeira-de-Mello (2018), have argued that state ownership or ownership by any of its agencies could serve two purposes – internationalisation and provision of local and public welfare. However, their findings suggest that state ownership might impede internationalisation due to susceptibility to local pressures for "public good." Such pressures may result in rent-seeking, which can be detrimental to the overall growth of the enterprise (Arreola & Bandeira-de-Mello, 2018; Schüler-Zhou & Schüller, 2009).

There are two significant frameworks that attend to the impact of the home environment, namely "institutional leverage" and "institutional escapism." Institutional leverage highlights the advantage of proximity to state and politics in the country, which in return provides access to key resources that may help an organisation's internationalisation process (Nuruzzaman et al., 2020; Panibratov & Michailova, 2019). China is a frequently cited example of a country that has achieved success through state intervention or in the emerging economies (Voss et al., 2010). However, one of the key factors that sets China apart from other countries is that a majority of the large corporations in China are state-owned.

This has led to the government having a significant stake in promoting the global expansion of these companies, which in turn enables them to acquire valuable skills, technology and natural resources (Schüler-Zhou & Schüller, 2009). Ultimately, this arrangement has proven to be a highly effective strategy for the Chinese government in terms of economic growth and development (Buckley, 2019). This level of ownership has been cautioned by Arreola and Bandeira-de-Mello (2018) that it could have a harmful impact on the growth and progress of the company and, therefore, internationalisation of the company.

Institutional escapism occurs when organisations engage in OFDI as a means of escaping their home country's environment (Nuruzzaman et al., 2020). However, it has

also been indicated that some developing countries view outward OFDI as a form of capital flight. A study conducted on "Escapism FDI from developed economies," by Kottaridi et al.,(2019) with a focus on Greece, Portugal, and Italy, revealed that a significant number of organisations engage in internationalisation to cope with the uncertainties present in their local environments.

This uncertainty could be related to economic, political, or social factors, and organisations seek to mitigate the risks associated with such uncertainties by expanding their operations to foreign markets. In emerging economies, escapism may be due to factors such as political stability, labour protectionism and legislation (Weng & Peng, 2018). Losada-Otálora and Andonova (2022) stated that to preserve their competitive edge in the face of changing domestic legislation, companies may choose to participate in OFDI, or what they term "Domestic Institutional Weakness (DIW)".

This strategy allows companies to expand their operations into foreign markets, diversifying their sources of revenue and mitigating the risks posed by changes in home country regulations. Losada-Otálora and Andonova (2022) indicated that there are two escapism strategies that organisations use, the first strategy is partial escapism, which involves expanding certain aspects of the business beyond the home country, and the second strategy is to create a new competitive advantage by relocating the entire organisation's competitive advantage to a new location abroad. Both approaches have their unique advantages and challenges, and the choice of strategy will depend on several factors, such as the nature of the business, target market, and available resources.

While internationalisation is a crucial aspect of global business, the majority of research in this area primarily concentrates on developed economies such as Europe and the USA (Bianchi, Carneiro, & Wickramasekera, 2018). However, there has been research conducted on the process of internationalisation for organisations originating from emerging economies. Examples of such research, include research conducted by Angulo-Ruiz et al. (2019) and Parente et al. (2019). The impact of an organisation's proximity to state institutions has been examined in studies by Cuervo-Cazurra & Li (2021), Sawant et al. (2021), and Yaprak et al. (2018). These studies focus on emerging economies like China, India, and Russia, which have predominantly homogenous populations. However, there has yet to be much research on the same topic in South Africa, a country that has undergone significant social and business transformation and, legislation such as B-BEE.

## 2.6.    Internationalisation of emerging markets organisations

The concept of internationalisation has been a subject of interest among scholars for years. One of the earliest theories on the matter was presented by Dunning (1991), known as the eclectic paradigm. According to this framework, an organisation needs to meet three specific requirements in order to successfully expand globally: ownership advantages, location advantages, and internationalisation advantages.

Expanding a business internationally according to the eclectic paradigm requires these three factors to be considered. The first of the key factors that can influence this decision whether the organisation has a competitive advantage that can be explored in the host country, this could be in the form of unique products or services, specialised knowledge, or a strong brand reputation. Another factor that may come into play is whether there is an attraction to the location where the organisation is investing, this could include factors such as favourable economic conditions, a strategic geographic location, or access to key resources such as raw materials or skilled labour. Finally, a cost-benefit analysis can also be a crucial factor in deciding whether to expand globally. The organisation may be able to streamline its processes or achieve downward integration, resulting in cost savings and increased efficiency (Dunning, 1991; Whitelock, 2002).

The OLI model ensures that the organisation has a solid foundation in the new market and reduces the risk of failure due to a lack of understanding or experience of the business environment when internationalising. However, their perspective mainly focuses on multinational corporations from developed nations. The universal application of Dunning (1991) to emerging markets organisations has been criticised for lack of context specificity. This theory may not be suitable for emerging economies due to the unique landscape in which the organisation operates. Therefore, it is crucial to consider other factors, such as the tendency of investors to avoid risks associated with their home country, before implementing these theories (Neubert, 2018), therefore, the Uppsala model.

The Uppsala Internationalisation Model, this model was created as a response to the inflexibility that was observed in the eclectic paradigm. It was developed with the aim of providing a more adaptable and dynamic approach.  Wu and Vahlne (2020) stated  that the advantage of the Uppsala model  is in its dynamic capabilities. The Uppsala internationalisation model proposes that internationalisation should be seen as an

incremental process. This process begins with establishing a presence in neighbouring countries, preferably those with a similar governance system to the organisation's home country, this helps to overcome the psychological distance that may exist due to differences in culture, language, or business practices. Then comes learning and gaining market knowledge, which reduces risk by understanding "the way of doing business in a target country", which leads to the adaptation of the product, company strategy and culture to suit the host country, followed by creating networks in the market and finally making commitments to the host country growth (Johanson & Vahlne, 2015; Whitelock, 2002; Wu & Vahlne, 2020).

Further to this, the model considers the capabilities of the management team (business experience and network relationship development), and the impact of entrepreneurship on driving internationalisation (Johanson & Vahlne, 2003; Wu & Vahlne, 2020). It is acknowledged that internationalisation is crucial for the survival and growth of emerging markets, multinational corporations, and small enterprises. By expanding their operations across borders, they gain access to a wealth of knowledge and cutting-edge technology that they can leverage to remain competitive and thrive in their respective industries (Jafari-Sadeghi et al., 2021; Nuruzzaman et al., 2020). Emerging markets have undergone a significant phase of international expansion. Despite the observable impact of this trend, there has been limited research aimed at understanding the dynamics that drive the behaviours of these markets, (Bangara et al., 2012).

## 2.7.   Conclusion

According to Patel and Graham (2012), Black-owned organisations were created in South Africa to empower those who have been disenfranchised. Mohamed (2020) notes that the concept of internalisation has existed in the region for some time. While scholars emphasise the importance of government involvement in the process, they also warn of the benefits and drawbacks of state participation. Internationalisation is crucial for organisational sustainability, and governments in emerging economies can help by enacting regulations that expedite the process. Although there is literature on internationalisation and the impact of proximity to the state, there is limited research on the South African environment. Chapter three will thoroughly explore the research question and its sub-questions to help address the phenomenon in South Africa.

**CHAPTER 3 : RESEARCH QUESTION**

## 3.1.    Introduction

This Chapter, will delve deeper into the research question and its sub-questions by conducting a thorough investigation of the existing literature. The aim is to provide a detailed and comprehensive answer to the main question under study while considering all the relevant aspects and factors that may influence the outcome. By exploring the research problem from various angles and perspectives, this research will  shed new light on the topic and contribute to the existing knowledge in the field.

## 3.2.    Research Questions

The B-BBEE Act, enacted in 2003, aimed to bring previously disfranchised people into mainstream economic activity (Patel & Graham, 2012; Vilakazi & Bosiu, 2021).  There were three methods through which this occurred. The first was the integration of individuals who were previously marginalised into management positions within established companies that were owned by white individuals. Second, previously marginalised individuals are now being given the opportunity to acquire a share in existing White-owned companies, and lastly, previously marginalised individuals were given an opportunity to outright acquire some of the existing businesses or divisions that large organisations deemed non-core. Initially, politically connected individuals from the ruling party were favoured, resulting in these companies aligning with the government (Gqubule, 2021).

Despite the efforts of BEE to bring representatives of the marginalised majority into the mainstream business sector, the expected growth and progress have not been realised. The pace of development in a country may influence internationalisation. In South Africa, the economy's growth has slowed down, unemployment is at 32.7%, and crime rates are on the rise (StatsSA, 2023). Consequently, the government's focus is more on addressing national dynamics than on developing and implementing policies that support the organisations they have helped establish therefore, can view internationalisation as capital flight, which can hinder their domestic development (Wang et al., 2019). State policies can either facilitate or hinder an organisation's internationalisation strategy. In China, policies such as "Go Global" have propelled most Chinese organisations to internationalise, while in Taiwan, internationalisation is frowned upon (Arreola & Bandeira-de-Mello, 2018; Cuervo-Cazurra & Li, 2021; Sawant et al., 2021). When a

business decides to internationalise its operations, it can face various challenges, including the policies of the state in which it operates. These policies can have a significant impact on the success of the organisation's internationalisation strategy. Therefore, it is crucial for businesses to establish and maintain a positive relationship with the state to ensure that their operations are not hindered and can thrive in the foreign market.

### 3.2.1. Research Question One

In the realm of international business, scholars have put forward a proposition that highlights the advantages of being in close proximity to the state (Angulo-Ruiz et al., 2019). Specifically, it has been suggested that organisations from emerging economies can benefit from the proximity to the state as they can tap into available resources and funding support to streamline their internationalisation process. By using state resources, organisations can establish themselves in the global market more efficiently and effectively, thus ensuring their long-term success (Angulo-Ruiz et al., 2019; Arikan et al., 2021; Barnard & Luiz, 2018).

Organisations may encounter obstacles in their development and expansion into international markets when their attention is diverted from the global arena due to domestic political issues. In addition, diplomatic relations between the host and the home country can also impede the process of Internationalisation (Wang et al., 2019). Research conducted by Parente et al., (2019) discovered that internationalising an organisation involves collaboration among all stakeholders, including the government and its institutions. This collaboration helps shape organisations' direction through policies that facilitate international expansion. For example, Angulo-Ruiz et al. (2019) noted that China's "Go Global" policy had enabled businesses to expand internationally more quickly.

In South Africa, the B-BBEE legislation establishes a complex relationship between organisations, the state, and the ruling party (Tangri & Southall, 2008). This relationship can give rise to positivist agency theory, where the primary goal of an organisation's management is to maximise profits and create value for shareholders, while the government pursues more extensive goals related to economic development, national security, and regulatory compliance (Eisenhardt, 1989), especially taking into consideration the state of the economy where growth is below expected figures and the rate of unemployment is high. Although some literature suggests that there are benefits

when organisations are aligned with the state, it is perceived that B-BBEE could create conflicts. These differing objectives can lead to conflicts of interest between the two parties, potentially resulting in tension and challenges for both organisations and the government.

**How does proximity to the State and its institutions impact Black-owned organisations and hinder internationalisation?**

### 3.2.2. Research Question Two

Another way that organisations can be considered to have political proximity is when their senior management team has direct or indirect connections to the ruling party and the state through political affiliations, prior government roles, or influential political networks (Chen et al., 2018; Lu, 2021). In South Africa, initiatives like the B-BBEE Act of 2003 and the Employment Equity Act of 1998 aimed to address past disparities by promoting the ownership of organisations by previously marginalised individuals and appointing them to director and management positions. However, in practice, these initiatives initially favoured political elites close to the ruling party, often without relevant business or technical skills (Tangri & Southall, 2008). This resulted in the emergence of a specific group of politically connected individuals who held influential positions within both organisations and the state, creating a unique dynamic within the political landscape of these organisations.

This may have created the perception that the state's wishes precede the organisation's development. This argument is discussed by Sawant et al. (2021) when they stated that the preference of the prevailing politics is a more local investment, which is perceived to create employment and may also increase revenue collection in the form of taxes. FDI's are seen as capital or revenue "flight," which may hinder politicians' influence on the institutions and, therefore, less rent-seeking. However, Wang et al. (2019) contradicted this view urging that state involvement and the presence of politically connected individuals in Director and management positions assist the organisation with internationalisation and limit the risk.

Effective internationalisation requires considerations such as cross-cultural communication, adapting to new legal and regulatory frameworks, and developing strategies for global competition (Bany-Ariffin et al., 2014). The TMTs need to possess the right skills to navigate internationalisation successfully. The limitations of TMTs in

dealing with complex internationalisation challenges can hinder an organisation's global expansion. Therefore, it is essential to provide TMTs with the necessary training and capabilities to address the intricacies of internationalisation, not only that they have political proximity (Gupta et al., 2021; Hutzschenreuter & Horstkotte, 2013). This question will deal with the perception and the influence of management proximity to the state and their impact on the internalisation of the organisation in South African Black-owned MNEs and SMEs, therefore the question,

**How does the characteristics of management with proximity of to the state impact the internationalisation process?**

## 3.3.    Conclusion

In this Chapter, the research questions were carefully analysed and discussed in relation to the literature review. These research questions address the complex dynamics between South African organisations, the state, and politically connected individuals in South Africa and how these relationships can either facilitate or hinder the Internationalisation efforts of these organisations.  Chapter four, will provide a detailed explanation of the research strategy.

## CHAPTER 4 : RESEARCH METHODOLOGY

### 4.1. Introduction

In this Chapter, the research plan is presented, which covers various essential aspects of this research. These include our philosophical approach, research assumptions, design objectives, strategies, research methods, targeted population, unit of analysis, sampling techniques, and sample size. Additionally, it discusses the proposed measurement instruments, data collection procedures, data analysis techniques, data quality control measures, ethical considerations, and limitations that are addressed during the study. Overall, our research plan aims to answer the research question that is introduced in Chapter three.

### 4.2. Research Philosophy

The research philosophy adopted for this thesis is interpretive, with the goal of gaining a more profound understanding of the phenomenon under investigation. More precisely, there is a death of well-elaborated research on the effect of proximity to the state and its institutions on the internationalisation of South African-empowered organisations. Therefore, the goal of this study is to establish a theoretical foundation for comprehending the behaviour and influence of the environment on black-owned organisations. The concept of interpretive philosophy has been explored in previous works by Darby et al. (2019)  and Edmondson & McManus (2007), which will serve as valuable references for this research.

### 4.3. Research Assumptions

### 4.3.1. Ontology

The ontological assumption in interpretive research is rooted in the belief that individuals gain an understanding of a particular phenomenon through their daily experiences. This understanding is achieved by making connections between cause and effect, which allows individuals to develop a unique perspective on the subject matter (Bleiker et al., 2019; Dowling, 2004). This approach differs from the positivist assumption, which takes a realist view that is not necessarily tied to an individual's experience. Essentially, interpretive research acknowledges the subjective nature of human perception and seeks to explore the various ways in which people make sense of the world around them (Darby et al., 2019).

### 4.3.2. Epistemology

The epistemological assumption in interpretive research assumes that the external world affects researchers' views. It focuses on understanding the meanings and experiences behind a phenomenon to create a comprehensive description (Bleiker et al., 2019; Darby et al., 2019). Unlike positivism, which assumes objectivity and limited influence of individual experiences, interpretive research prioritises the process of developing theory through understanding the phenomenon.

### 4.3.3. Axiology

The axiological assumption in interpretive research assumes that the researcher and the subject being studied have an interactive relationship. This means there is a mutual connection between the individual and the external world. This differs from the positivist approach, which requires the researcher to maintain a detachment from the subject to avoid any outside influence (Darby et al., 2019). This research is interpretive and assumes a fundamental understanding of the nature of reality that pertains to the subject being researched, as well as how participants perceive the interactions around them in relation to the state, this is an ontological assumption that deals with reality (Darby et al., 2019). The epistemological assumption is that their understanding or reaction is based on the reality (ontological assumption) that they exist in (Darby et al., 2019). This approach allows for a more in-depth exploration of the underlying principles and concepts that shape the investigated phenomena, by delving into the meanings and interpretations that individuals attribute to their experiences.

### 4.4.  The purpose of the design

The research being conducted is exploratory in nature. Although there is existing documentation on the internationalisation of emerging market organisations, particularly those from countries like China, Russia, Brazil and India, there is a lack of theory related to the internationalisation process of South African organisations, particularly those owned by previously disenfranchised individuals. Exploratory research aims to provide a deeper understanding of new topics and uncover new areas for further study in the field (Casula et al., 2021).

## 4.5. Research Strategy

The research used the interpretive qualitative research philosophy as the methodological framework. This area of research has not been extensively studied in the context of South Africa. Therefore, the objective is to contribute to the body of knowledge by adding to agency theory discussion on the behaviour of black-owned organisations in South Africa and how their socio-political environment plays a role in their internationalisation strategy to guide this approach, insights were drawn from the works of Edmondson and McManus (2007) and Darby et al. (2019). In the data collection process, interviews were conducted with senior management personnel from organisations that have been selected based on their proximity to the state, the ruling party, and its institutions, as outlined in section 1.4. The aim was to shed light on the intricacies of black-owned businesses in South Africa and how they navigate their socio-economic environment when internationalising.

## 4.6. Research Method

The research method employed is a multiple case study (qualitative). This approach is particularly useful when the researcher seeks to gain an in-depth understanding of a particular phenomenon by examining the experiences of the participants involved. By doing so, it enables the researcher to identify similarities and differences in the views of the participants. This method helps to unravel complex issues and provides a more comprehensive and detailed analysis of the research problem (Casula et al., 2021; Fabregues et al., 2019). According to Marshall (1996), qualitative studies are particularly useful in answering humanistic questions about why and how things happen, and the research is focused on answering the "how." The research will use a single data collection technique, which involves interviews with a select group of participants.

## 4.7. Population

The population for this research was chosen using a purposive non-probability sampling method, which involves selecting individuals with specific characteristics (Mishra & Alok, 2022), using this technique, the researcher was able to ensure that the sample selected was the most suitable for the research objectives. Organisations were divided into different sectors namely, mining resources, financial services, telecommunication, and logistics. The selection of these sectors was based on their proximity criteria to ensure

that the feedback collected was relevant and representative of the industry as a whole. The criterion for proximity is as follows:

## 1. High level of proximity

These are organisations that are either owned by black individuals or have most voting shares held by black individuals. They also have managers and directors who rely on the state and the ruling party for the organisation's progress and are funded through developmental state institutions. According to Wang et al. (2019), when considering the internationalisation of organisations, it's important to take into account the impact of politicians, state ownership, management, and funding, this was highlighted on page 393 of  Wang et al. (2019)'s research.

## 2. Medium level of proximity

These organisations receive funding from state institutions but have their own management and directors. The PIC and IDC funded some B-BBEE transactions, while banks would only provide top-up funding. According to Gqubule (2021), these were considered to be purely commercial transactions with developmental institutions and had no political implications.

## 3. Low level of proximity

These organisations have directors from previously disfranchised groups and can be politically connected. This was initially meant to fulfil transformation requirements as defined in the Employment Equity Act. (South RSA, 2003).

## 4.8.    Unit of analysis

Thematic analysis was used to examine the data. This involves identifying themes by assigning codes to the information gathered. According to Field Kiger and Varpio (2020), thematic analysis is a technique for both describing and interpreting data. It can be applied to any framework or study question and considers cultural and social contexts that may impact experiences. The aim is to gain a deeper understanding of a particular phenomenon and believe that this analysis method is best suited for achieving that goal.

The analysis focused on the meso level. This type of analysis is used to explore and understand complex phenomena within individuals, organisations, and politics. Due to

the vast number of organisations established between 2004 and 2009 (approximately 1400), and the projected doubling of this number by 2023, our research will only evaluate a limited number of organisations (Patel & Graham, 2012). To ensure a diverse sample, four organisations were selected from different industries.

## 4.9. Sampling techniques and sample size

This research employs an interpretive design using a non-probability purposive sampling method. This involves selecting individuals with specific characteristics to represent the targeted sample, as defined by Mishra and Alok (2022). Onwuegbuzie and Leech (2007) refer to this process as non-random sampling, where the researcher purposefully selects individuals. While the cases used in this study may not be entirely representative of every sector of the South African economy, it does encompass a wide enough range to allow for a thorough investigation and provide ample data on the effects of being in close proximity to the state, its institutions, and the ruling party.

Preferably, a total of three individuals per organisation was targeted from the three selected business sectors making a total of eight participants. There are two factors that assist in determining the sample size. The first factor is the time available for completing the research. In contrast, the second factor is the homogeneity of the cases , as all the interviewees will be at the same level across all organisations (Saunders & Townsend, 2016). The reason for selecting three participants per organisation is to enable triangulation of the data received, therefore, enhancing the validity and credibility. The interviews were conducted based on the experience and ability of the selected population and sample to answer related questions (Duffy, 1987; Triangulation, 2014). The seniority level of those interviewed included C-suite and senior management officials of the organisations.

The researcher used their professional network, the MPhil cohorts, and the company database at the PIC to identify the organisations for the study. The selection process was strategic and deliberate, ensuring that only the most relevant and appropriate organisations were chosen for the research base. Participants were invited via email, where the researcher and research topic were introduced. For those who were contacted without a prior introduction, an explanation was provided on the reason for the contact, alongside an explanation of the process and their confidentiality. Follow-ups were conducted on a weekly basis through both email and telephone calls. A total of eight participants were interviewed. Only one participant from the telecommunication

organisation withdrew on the interview day, citing prior confirmed work-related travelling commitments.

## 4.10. Measurement Instrument

The instrument of measurement for this research will be semi-structured interviews using a pre-prepared interview guide. Semi-structured interviews offer flexibility in improving the interview process to best suit the research needs, as noted by Horton et al., (2004). The guide will be divided into two sections, with the first section focused on collecting demographic information. The second section will delve into the research questions, with a total of 17 questions Table *1*: Interview Guide is the interview guide that was used as a measuring tool in this research. These questions were carefully crafted based on available literature and were open-ended to encourage respondents to provide fully detailed answers. The interview focused solely on the topic being researched in order to avoid any ambiguity or confusion.

Table 1: Interview Guide

| Demographic Information | |
| --- | --- |
| In the opening section, detailed demographic information will be asked to help place the organisation according to its proximity level. | 1. Name and Surname; Company Name, Position at the company, and demography<br>2. The industry that the company operates.<br>3. Description of the company, Number of employees<br>4. Is it a SOC or Private Company, or is there any shareholding by a state institution?<br>5. Please provide some background on your organisation. Has the state played a role? |
| **Research Questions** | **Interview Questions** |
| 1. How does proximity to the state and its institutions impact South African organisations | 1. Are you presently involved in or considering expanding your business internationally?<br>2. What role did the state play in your decision to internationalise your organisation?<br>3. What is your shareholders' perspective on internationalisation?<br>4. How do you view internationalisation as a capital flight or expansion<br>5. Do the country's political dynamics play into the organisation's strategy?<br>6. What is it that the state can do to encourage internationalisation<br>7. Why do you think there is a slow uptake on internationalisation in South Africa |
| 2. How does the proximity of management and directors of an organisation to the state impact its internationalisation process | 1. Are there politically connected individuals at the management and board level?<br>2. How are they influencing the company's internationalisation process?<br>3. How many executives have political are politically connected, and what are their perspective in internationalization?<br>4. What is the perspective of black directors and management on internationalisation?<br>5. Does their presence in your organisation influence the direction it takes regarding strategy? |

The interview process was carefully planned, with the first set of questions specifically aiming at gathering demographic information. This serves multiple purposes, first, confirming the participant's position, was to confirm the level of authority as per sample selection. Secondly, creating a comfortable atmosphere that eases the participant into the interview, and finally, helps the researcher to correctly position the organisation based on the proximity criteria. By starting with these questions, the participant can easily provide the necessary information without feeling overwhelmed, and the researcher can obtain a clearer picture of the organisation's location and context.

An interview guide was used, which comprised two key research questions. These questions were further divided into interview questions to make it easier for the respondents to understand them. This was done by using simple language that is commonly used in South Africa, for instance, the term "politically connected" was used to describe a subject in a manner that is easily comprehensible. The interview questions were then grouped into categories to ensure that they provided specific answers to the research questions. The interview guide was designed to last no more than an hour, with a time range of 45 minutes to an hour. The goal was to make sure that the interviews were efficient, yet thorough enough to gather all the necessary information without inconveniencing the participant's daily routine.

The researcher had planned to conduct a pilot interview before submitting the ethics clearance committee, however, due to time constraints, it was not done. The pilot interview serves two purposes: fto practice the flow of questions and ensure that they are presented logically and effectively, and second, to determine whether the questions and responses are effectively addressing the research question. If any changes are necessary to the questions or the interview process, they will be made at this time. After the first interview, the researcher reviewed the feedback and concluded that modifications were necessary. Two additional questions were added to the research question one interview question bringing the total number of questions to 17 from 15 questions. The additional questions were included to provide a comprehensive conclusion to the section, enabling the participants to have a well-rounded understanding of the research.

## 4.11. Data collection process.

When researching a phenomenon, multiple approaches to data collection are used, e.g., interview, observation, documentation, and taking notes of any reaction during the

interview (Horton et al., 2004). Through these techniques, the researcher better understands the subject matter and gathers valuable insights. The data collection technique for this research method was a combination of face-to-face and online interviews that lasted between 45 minutes to an hour if the respondent granted permission. The instrument used was an interview guide, as indicated in the guide with questions, which guided the interview. The ethics approval was obtained on the 7th of August 2023 from the GIBS Ethics Committee. Before the interview commences, a consent form was either signed for face-to-face participants or recorded for online participants detailing the participants' confidentiality, enabling them to participate in the interview honestly.

The interviews were recorded with prior approval from the participants. For the importance of privacy, and as such, the interviews were only recorded with prior consent of the participants. In cases where the participant is not comfortable being recorded, handwritten notes will be taken instead. The average interview duration was 48 minutes, ranging from 28 minutes to 1 hour and 22 minutes, with the total number of participants being eight. Before the interview started, all participants were requested to sign a consent form that outlines the confidentiality of the information they share. This allowed them to feel more comfortable and at ease during the interview, ensuring that they could freely express their thoughts and ideas. This approach enabled comprehensive and meaningful information gathering that was of benefit to all involved parties.

To ensure the confidentiality of the collected data, a trusted third party was appointed to transcribe the data, and they were requested to sign a confidentiality agreement before accessing the information. The raw data is then securely stored in the Apple cloud, with access restricted to the researcher alone through a password known only to them. This way, it guarantees the safety and protection of the data collected during the research process. Interviews were conducted both virtually and face-to-face. Some participants preferred face-to-face interviews as they felt it helped create a sense of trust and connection with the interviewer, especially those from resource companies, this may be because mining is a hands-on industry where physical interaction is required. Others preferred virtual meetings via Microsoft Teams, which have become a common way of conducting meetings since the COVID-19 pandemic.

During the interview process, most participants agreed to have their responses recorded. However, two interviewees expressed a preference for their responses to be scribed,

however, all participants did sign a consent form, participants either gave their consent online or provided their physical documents before the interview.

## 4.12. Ethical considerations

Prior to beginning any data collection, the researcher sought approval from the university's ethics committee to ensure that the research did not violate the privacy of any interviewees. This guarantees that the respondent's identity and confidentiality are protected. Thus, the proposed interview guide underwent evaluation by the university ethics committee for approval (Ramrathan et al., 2017). Prior to submission, the researcher first contacted the organisations targeted for participation to secure their agreement to be part of the sample and to provide individuals for the interview. The organisations also need to furnish a letter of consent to confirm their agreement with the university.

To ensure high-quality research responses, it is recommended that consent for organisation interviews comes from senior management and that the interviewees remain consistent. The submission included the organisation's consent letter along with the interview questions. Due to time constraints, the plan to conduct a pilot interview before the actual interview was abandoned. According to the initial plan, if the pilot interview required changes of more than 15% of the interview guide, the researcher would have to reapply for ethical clearance. However, since the pilot interview was not conducted, the first actual interview was used to correct the interview guide. Two additional questions were added, which amounted to a 13% change in the interview guide. Therefore, there was no need to reapply for ethical clearance.

## 4.13. Preparation of data

After each interview was conducted, the recorded file was sent to an appointed transcriber for transcription. In order to ensure the security and privacy of sensitive information as well as the anonymity of the participants, the transcriber was obliged to sign a legally binding non-disclosure agreement before accessing any data. The researcher decided to employ one individual to transcribe the recordings and to edit the written content, this helped to ease understanding when editing because the scriber would have had a view of the information and logic when scribing.

Upon receipt of the transcripts, the researcher read the transcripts while simultaneously listening to the corresponding recordings. This was done to ensure accuracy and to familiarise oneself with the data. This is an essential first step in effectively interpreting the data at hand (Maguire & Delahunt, 2017), at this stage, any errors were fixed. The researcher reviewed the transcripts once more, the researcher took great care in ensuring the anonymity of any individuals or organisations mentioned by assigning unique codes to them. This extra step was taken to protect the privacy and confidentiality of those involved in the research.

## 4.14. Data Quality

Assessing data quality involves determining whether the data is appropriate and relevant to the research question. This evaluation process depends on the type of research and available literature in the field being studied (Stenfors et al., 2020). To ensure comprehensive data collection and minimise potential bias, the researcher selected a sample that represented a wide range of companies, both big and small, including a diverse range of organisations which provided a more nuanced understanding of the subject matter while minimising potential gaps in the data that might arise from limiting the sample size or diversity (Kirkevold & Bergland, 2007).

To ensure research quality, it is important to clarify any uncertainties with respondents, share transcripts or findings with interviewees for confirmation and feedback, and seek input from a supervisor for further reflection. To optimise the process and ensure maximum efficiency, the follow-up interviews was requested only with one individual per organisation. However, when further clarification or information is required in a specific area, interviews were conducted with another specific representative from the organisation to address those concerns.

## 4.15. Data Analysis

The case study approach is a comprehensive method of analysing data that provides in-depth insight into the dynamics and phenomena within a single case. This methodology involves collecting data from a variety of sources, including interviews, archives, and observations (Eisenhardt, 1989). This approach is particularly useful for investigating complex and nuanced phenomena, where more than a more superficial analysis may be required (Eisenhardt, 1989; Qureshi, 2018). This approach starts with defining the research question, followed by the selection of cases, which is meant not to be random.

After conducting interviews raw data was prepared and provided to a transcriber who converted the voice recordings to text. Subsequently, the text was subjected to coding.

The codes were methodically organised into categories and subcategories, which facilitated the identification of themes based on these groupings (Braun & Clarke, 2006; Maguire & Delahunt, 2017; McIntosh & Morse, 2015; Sundler et al., 2019). Close attention was paid to all aspects of the data, including its quality, completeness, and reliability, to ensure that the analysis was thorough and accurate

*Table 2: Process of building theory from case study* research below shows a summary of the phases of case study analysis. To aid in this process, Atlas ti. software was used to assist in analysing data, which is widely recognised for its ability to analyse qualitative data. To ensure a diverse representation of experiences, the researcher deliberately sought to cover all interests within the sample. As the sample was not homogenous, the focus was on achieving a broad range of perspectives rather than reaching a saturation point.

Table 2: Process of building theory from case study research: source Eisenhardt, 1989)

| Step | Activity | Reason |
|---|---|---|
| Getting Started | Definition of research question Possibly a priori constructs | Focuses efforts Provides better grounding of construct measures |
| Selecting Cases | Neither theory nor hypotheses Specified population | Retains theoretical flexibility Constrains extraneous variation and sharpens external validity |
| | Theoretical, not random, sampling | Focuses efforts on theoretically useful cases-i.e., those that replicate or extend theory by filling conceptual categories Strengthens grounding of theory by |
| Crafting Instruments and Protocols | Multiple data collection methods | Strengthens grounding of theory by triangulation of evidence |
| | Qualitative and quantitative data combined Multiple Investigators | Synergistic view of evidence Fosters divergent perspectives and strengthens grounding |
| Entering the Field | Overlap data collection and analysis, Including field notes | Speeds analyses and reveals helpful adjustments to data collection |
| | Flexible and opportunistic data collection methods | Allows investigators to take advantage of emergent themes and unique case features |
| Analyzing Data | Within-case analysis | Gains familiarity with data and preliminary theory generation |
| | Cross-case pattern search using divergent techniques | Forces investigators to look beyond initial impression and see evidence through multiple lenses |
| Shaping Hypotheses | Iterative tabulation of evidence for each construct | Sharpens construct definition, validity, and measurability |
| | Replication, not sampling, logic across cases | Confirms, extends, and sharpens theory |
| | Search evidence for "why" behind relationships | Builds Internal validity |
| Enfolding Literature | Comparison with conflicting literature | Builds internal validity, raises theoretical level, and sharpens construct definitions |
| | Comparison with similar literature | Sharpens generalizability, improves construct definition, and raises theoretical level |
| Reaching Closure | Theoretical saturation when possible | Ends process when marginal Improvement becomes small |

## 4.16. Research quality and rigor

To ensure the credibility and impartiality of the study, the researcher took necessary measures to eliminate any potential bias in the codes used for analysis. Therefore, the researcher sought the assistance of a sibling who possesses ample knowledge and experience in coding to scrutinise and verify the codes for any potential bias (Jackson et al., 2019). Ensuring the validity of assumptions drawn from codes is crucial in qualitative data analysis. Quality checks play a significant role in achieving this goal, as they help to identify any potential subjective biases that may exist in the coding process. Collaborative coding is particularly effective in reducing subjectivity bias, as it allows for diverse viewpoints and standpoints in interpreting the data. By incorporating collaborative coding, researchers can improve the overall reliability and accuracy of their qualitative data analysis (Saldaña, 2021).

### 4.17. Reliability and validity of the study

#### 4.17.1. Reliability

To ensure the accuracy and dependability of the research, two methods were used. Firstly, to establish consistency in data collection by employing an interview protocol. This approach allowed them to gather high-quality data from each participant in a standardised manner. Secondly, detailed records of every step of the research process are kept, including data collection transcripts and interview recordings (Coleman, 2022; Jackson et al., 2019). This helped them maintain a clear overview of the data collected and ensured that the findings were traceable and replicable. To further confirm the validity of the results, triangulation by comparing the findings among the participants was done. This approach helped them to identify any discrepancies that might have arisen from individual differences in responses and ensured that the findings were reliable.

#### 4.17.2. Validity

The validity of the research findings was of utmost importance. To ensure this, the research team used three methods. The first method involved recording all interviews and keeping them for future auditing. This was to ensure that the data collected was accurate and could be verified if needed. The second method involved sending transcripts of the interviews back to a few selected participants per case. This was done to confirm the accuracy of the findings and validate the data collected (Coleman, 2022). Lastly, the team used triangulation of the findings by comparing the results between participants in different cases. This ensured that the findings were consistent across different cases and that the conclusions drawn were valid. All these methods were employed to ensure that the research was reliable and could be trusted (Coleman, 2022).

### 4.18. Limitations of the study.

According to a study by Roberts et al. (2019), using thematic analysis in qualitative research can have limitations in terms of coding development due to the time it takes. Additionally, duplication of the research findings may be difficult because emerging market organisations may experience the same phenomenon differently. However, researchers can overcome this challenge by being rigorous in their process from data collection to analysis, as noted by Board (2021). While South Africa is classified as an emerging economy alongside other nations such as China, Brazil, Russia, and India, it

is important to acknowledge that research findings and processes may not necessarily be directly applicable to other emerging markets. This is largely due to various factors such as geopolitical dynamics, local politics, and differences in economic trajectories. Thus, it is crucial to approach each emerging market individually and with a contextual understanding of their unique circumstances.

While the population in South Africa may be diverse, it's important to note that this diversity may not accurately reflect the dynamics of all MNEs and SMEs in the region. As a result, research outcomes may differ and it is important to consider the unique factors that may impact these businesses. It is essential to conduct thorough research that takes into account the nuances and complexities of each business to ensure that the findings are accurate and representative of the broader business landscape. Due to the researcher's lack of experience in using Atlas.ti software and conducting qualitative research, the interview process may have been influenced by personal biases or limitations in the researcher's knowledge. As a result, the validity and reliability of the data collected through the software may be limited.

## 4.19. Conclusion

In this Chapter, a comprehensive strategy has been presented to address the research question in detail. The chosen approach is qualitative and interpretive, which involves using a well-crafted interview protocol to guide the process. The sample size consists of eight individuals from three diverse industries, ensuring a fair and thorough comparison of the internationalisation process. This approach will enable a deeper understanding of the underlying factors and complexities involved in the internationalisation process. Chapter five provides a comprehensive overview of the research findings obtained from conducting interviews and analysing the data using Atlas ti. Chapter six goes on to provide an in-depth discussion of the research results, drawing connections and highlighting key trends and patterns. Finally, Chapter seven concludes the research by summarizing the main findings and suggesting areas for further exploration or focus.

# CHAPTER 5: PRESENTATION OF RESULTS

## 5.1. Introduction

The Chapter presents research findings on how proximity to South African state institutions affects the internationalisation processes of local organisations. Following the introduction of democracy, the B-BBEE legislation has been instrumental in the establishment of many companies. Additionally, the same legislation has facilitated the appointment of previously marginalised individuals to the boards of White-owned organisations. This has created a link between the ruling party, government, and businesses. This chapter will start with a thorough discussion of the sample, which will serve two important purposes. Firstly, it will establish credibility for the research, and secondly, it will demonstrate the appropriateness of the chosen sample in Chapter three presents the results that align with the research question.

## 5.2. Population Description

To select the sample frame, judgment sampling was used, as recommended by Marshall (1996). This technique allowed the researcher to target a suitable sample to answer the research question. For a phenomenon commonly experienced by a group, a homogenous sample is required, as stated by (Creswell & Poth, 2016). For this study, the population's homogeneity is their proximity level. The research intends to delve into the experiences and perspectives of executives and senior management personnel from selected organisations as specified. In order to guarantee the authenticity and validity of the information gathered, a comprehensive approach was taken, whereby three representatives from each organisation were supposed to be interviewed, allowing for triangulation and a more nuanced understanding of the data.

The researcher carefully selected sample of organisations with varying sizes, considering their proximity and other relevant characteristics such as the demography of management and the board of Directors. Table 3 below indicates the distribution of companies based on their size and proximity, providing a clear understanding of the sample selection process. Moreover, the number of interviewees per industry has been included to give a comprehensive overview of our data collection process and to ensure that our sample is representative of the industry as a whole.

Table 3: Level of proximity and industry distribution

| CASE | INDUSTRY | LEVEL OF PROXIMITY | COMPANY SIZE | NUMBER OF PARTICIPANTS |
|------|----------|--------------------|--------------| -----------------------|
| A | Mining | Medium | Large | 3 |
| B | Telecommunication | High | Large | 2 |
| C | Financial Services | Low | Medium | 3 |

### 5.2.1. Case A: Mining Resources

This resource company, listed on the London Stock Exchange, has established a reputable presence in the mining industry by operating gold mines in South Africa. As part of its expansion strategy, the company recently acquired a greenfield project in South Sudan, a significant move towards increasing its global footprint. The company used to have a partial ownership by a well-known South African politician's company. However, it has since distanced itself from the politician's company and has established its own path. Currently, the company has no connections or affiliations with any political organisations. One of the developmental institutions owns 10% through the Johannesburg Stock Exchange (JSE). The company was chosen for its unique experience in navigating the challenges of operating in both proximity and without it. This company is viewed to have a medium level of proximity.

### 5.2.2. Case B: Telecommunication

This is a telecommunications company that is currently listed on the JSE, showcasing its significant influence in the South African market. Previously, it was also listed on the New York Stock Exchange (NYSE), however, it has since been delisted from the NYSE, bringing its focus back to its home country. It had a stint in Nigeria, and although that did not work out, it still has satellite branches through its subsidiaries in other African countries. This company was among the first to engage in OFDI following the country's transition to democracy. However, it has since divested from ventures, especially those that face regulatory challenges.

The company is mainly owned by the state and a developmental institution, accounting for a total of 55% ownership. This highlights its strong connection to the country's economic and political landscape. The company was originally a State-Owned

Enterprise that was later listed on the JSE and evolved into a private company. It is known for its high level of proximity to the state due to its history of government ownership. The level of proximity is high.

### 5.2.3. Case C: Financial Services

This company is a Black-owned and managed boutique investment banking firm that specialises in providing corporate financial advisory services to a wide range of clientele. With a focus on delivering tailored solutions to businesses of all sizes and across various industries, the company has significantly grown from its inception and earned a reputation as a trusted and reliable Financial Advisor. Their team of experienced professionals work closely with clients to understand their unique needs and develop strategies that are aligned with their business goals. After the advent of democracy, individuals of African descent were granted the freedom to create and manage their own enterprises. Despite this newfound autonomy, a significant portion of the population remained convinced that their prosperity depended upon the approval and support of the political power in charge.

This company has a unique history of being established solely through the efforts of its founders, without any assistance from the state or BEE regulations. It is an independent entity with no political affiliations, ensuring that its operations are solely based on merit. The decision to select this company was based on two compelling reasons. Firstly, the fact that it is owned and managed by individuals from the Black community provides a unique perspective that would be unavailable from an organisation with political affiliations. Secondly, the aim was to determine if the management identifies themselves with the ruling party and the state. It is viewed as having a low level of proximity.

### 5.3. Participants Overview

The list below outlines the final participants who were interviewed. Two participants were from a telecommunication company, three were from a mineral resources company, and three were from a financial services company. To protect their identities, all participants and organisations were given codes. Additionally, three groups were created to identify different clusters respectively. The objective of the groups was to triangulate to ensure the accuracy of responses obtained from different industrial sectors. Additionally, the groups aimed to enable easy comparison of these responses, thus providing valuable insights into the similarities and differences between industries.

Table 4: Participants Overview

| | Interviewee | Company Size Industry | Industry | Private or Public | Position |
|---|---|---|---|---|---|
| 1 | MINGA1 | Large | Mining Resources | Public | Chief Executive |
| 2 | MINGA2 | Large | Mining Resources | Public | Executive Head of Corporate Services |
| 3 | MINGA3 | Large | Mining Resources | Public | Senior Manager |
| 4 | TELGB1 | Large | Telecommunication | Public | Chief Executive |
| 5 | TELGB2 | Large | Telecommunication | Public | Chief Financial Officer |
| 6 | FINSGC1 | Small | Financial Services (Private Equity) | Private | Managing Director |
| 7 | FINSGC2 | Small | Financial Services (Private Equity) | Private | Executive |
| 8 | FINSGC3 | Small | Financial Services (Private Equity) | Private | Executive |

## 5.4. Results Per Case

There were two research questions that the participants were to answer, the first question dealt with the organisation itself and was: **How does proximity to the State and its institutions impact black-owned organisations' hinder internationalisation?** The question aimed to gain insight into how organisations maintain a balance between fulfilling perceived regulatory requirements in South Africa and formulating an effective internationalisation strategy, it was divided into seven guiding questions.

The second question dealt with individuals in the organisation, and it was: **How does the characteristics of management with proximity to the state impact the internationalisation process?** This question was to gain insight into the perspectives of those in management and Director positions within an organisation regarding internationalisation. This question had five guiding questions; however, these were complementary questions and were collapsed into two.

### 5.4.1.     Case A : Mineral Resources Organisation

### 5.4.1.1.     Results for Research Question One:

**How does proximity to the state and its institutions impact Black-owned organisations hinder internationalisation?**

#### 5.4.1.1.1.  Current and plan of internationalisation

During the discussion about their internationalisation efforts, the participants of MINGA shared that they are involved in projects that extend beyond South Africa's borders. These projects are part of their ongoing efforts to expand their reach and establish a global presence, **MINGA1**, the CEO of case A, highlighted this.

"We are busy with a project in Sudan. The project is on hold due to the regional conflicts as much as the other companies, such as Sibanye; we are looking at opportunities outside of South Africa" _MINGA1

**MINGA1** further stated,

"The company has decided to invest in a green field project in South Sudan, which promises to bring the much-needed development to the area and create new opportunities for the local population. Despite the challenges posed by the conflict, the company remains committed to seeing this project through and contributing to the growth of South Sudan" _MINGA1

To support this country **MINGA2** stated,

"MINGA is currently involved in a project in Sudan; this is, however, stopped because of the conflict in the area" _MINGA2

During the conversation, the participants emphasised that while they invest in multiple countries, South Africa holds a significant place in their investment portfolio. They gave an example of their investment in the Soweto area, where they are undertaking an important task of reclaiming the gold dump and rehabilitating the area. This investment is not only a reflection of their commitment to the economic development of the region but also their dedication to sustainable practices. **MINGA3** emphasised this;

"So yes, we are looking to expand, but we are still very much involved in South Africa and investing in South Africa. I mean, we have a project where we have only spent a

billion Rands this year, and it is an underground project. We have another project that we are rehabilitating, the Mohale tailings in Soweto, for which we have spent about 2.5 billion Rands" _ MINGA3

**MINGA2** supported MINGA3 stating,

"It should be noted that we also invest in South Africa; we just invested two billion Rands in a dump reclamation" _MINGA2

### 5.4.1.1.2. The states' role in internationalisation strategy

Participants were asked about the role of the state in the internationalisation strategy of their organisations in South Africa. The responses indicated that the company's decision to invest in countries such as South Sudan was made without any influence from the state's 10% ownership through developmental institutions. The executives and the board had complete control over the company's strategy and business operations, and the state had no role in the decision-making process.

The company's view of the state's role was that it should create a conducive environment for conducting business rather than being involved directly. This meant that the state's involvement was limited to providing support rather than exercising control. The company's confidence in its ability to make independent decisions that align with its strategy was evident from the interviews. Overall, the interviews revealed that the company's internationalisation strategy was driven primarily by its internal decision-making processes, with little or no influence from external factors such as the state's ownership or involvement. This was brought forth by MINGA 1, the CEO stating that,

"The decision to internationalise was decided by with foreign investors, they always consider the country's economy. Our shareholders are invested in return on this investment. Even the PIC, which manages Government Employees Pension Fund (GEPF) funds, is looking at the return of investment for their stakeholders" _ MINGA1

**MINGA2** added,

"The state did not play any role. I don't see the state playing any role because I believe that the state should create a conducive environment for businesses to prosper. The state cannot create jobs, but private businesses can" _MINGA2

In support of the above statements, participant **MINGA3** continues to state that,

"They do not drive out company strategy; we have to report back to say this is the money you gave us and the value we have returned from your investment. They can decide if they want to sell their shares if they do not like it. Then, the voting comes in with the annual general meeting because all those shareholders have to vote to say do we believe in this management or not, do we believe in this company, whether we are selling our shares, or what we are going to do. If they need more information, like i said, we call them in and explain everything on what we have done. I mean, we have like investor analysis visits, and we take them to our site so that they can see and validate what we have reported" _MINGA3

### 5.4.1.1.3. Shareholders' perspective on internationalisation (Capital flight or expansion)

Participants view expanding business operations across international borders is considered a crucial step towards achieving sustainable growth and mitigating risks associated with operating in a single country, according to interviewees. Shareholders anticipate a substantial return on their investments, which is best achieved by having a diversified revenue stream. Additionally, developmental institutions advocate for revenue diversification as a means of reducing risk and promoting long-term financial stability.

"Internationalisation is not capital flight but a more balancing effect of our South African business. No, the strategy of the company is determined by the value creation for the investors and Shareholders" _ MINGA1

The CEO's views were supported by **MINGA2**

"Our shareholders have no problem; they support us with our current strategy. The PIC, which owns 10%, has always indicated that they want a return on their investments" _MINGA2

**MINGA3** argued that in today's global economy, businesses that are managed effectively must not overlook the importance of internationalisation. By investing in forward-looking opportunities abroad, organisations can stay ahead of the competition and capitalise on new markets and growth potentials. **MINGA3** strongly believes that internationalisation should be an integral part of every organisation's strategic plan, and that the benefits of expanding into new territories are too great to ignore.

"So for me, if I were to run my own business, I would have diversity, so I would not just invest in my company, so for me, international investment is also important, and because we are a mining company, I am going to come back to like resources for example you know, if we can get a gold mine let's say in the Democratic Republic of Congo (DRC) or Senegal or wherever you know, then we can get the gold, then there is that diversity, or we mostly go through or maybe let's say find resources in better jurisdictions because the jurisdictions here are just different"_ MINGA3

Participant **MINGA3** explained that South Africa's expensive business environment is due to legislation such as BEE, causing capital flight.

"In South Africa, if you had to come to do business here already, there is a prerequisite for you to have your license to operate to have a BEE partner. So, it is difficult for companies to understand why they should take their money come and invest money where they are firstly going to give away 30% of their companies" _MINGA3.

During the interviews, one of the participants (MINGA3) placed great emphasis on the significance of earning in U.S dollar. This was underscored by the observation that the value of the South African Rand is depreciating at a higher rate, thus making it more advantageous to earn in a more stable currency. This approach was deemed favourable for the beneficiaries, such as the PIC, as it ensures the safety of their investment, which further benefits their beneficiaries who are public servants. Furthermore, the participant went on to highlight the fact that internationalisation is not viewed as capital flight and, in fact, it is preferred as a means to further de-risk the investment in the company.

### 5.4.1.1.4. Does a country's political dynamics influence internationalisation decisions?

Participants in this organisation have expressed concerns about South Africa's unfavourable image in the investment world. Businesses operating in South Africa face discounts due to the corruption that has been widely publicised and other legislative issues like BEE. Moreover, due to the instability in the country, many companies are contemplating international expansion to earn more in foreign currency.

"The decision to institutionalise was decided by the organisation; although the organisation is aware of South African discounts when you deal with foreign investors, they always consider the country's economy" _MINGA1

This was supported by **MINGA2** stating,

"You know that South Africa is seen as a risk when you talk to investors about South Africa. There is always that South African discount; this may be due to the corruption and processes that are hindered by politicians. Yes, to a certain extent, we do see South Africa as indifferent and have to balance our basket" _MINGA2

**MINGA3** provided a brief explanation of the executives' perspective on de-risking the organisation from South African political dynamics.

"We thought we are exposed politically in South Africa, so it is our strategy to actually strike that balance between investing in South Africa and investing somewhere else because the jurisdiction is different, we earn in Rands  here, they earn in U.S dollar and all that stuff" _MINGA3

In more detail, **MINGA3** clarifies that;

"The company operates and owns mines in South Africa, so if there is any political instability and the country has to shut down, it means all our operations are gone, so we are too exposed. So, there needs to be more diversity" _MINGA3

**MINGA3** perceive South Africa as a risky place to conduct business and believes that regulations such as the B-BBEE Act deter business operations in the country. As a result, companies are considering internationalisation as a way to balance their income and manage risks.

**5.4.1.1.5.  What can the government do to encourage internationalisation?**

According to the participants, the growth and success of businesses depend largely on the government's ability to provide a supportive and encouraging environment, this can be achieved through enacting policies that encourage businesses to expand. The government has already taken steps in this direction through the Department of International Relations and Cooperation (DIRCO), which is aimed at linking businesses with key decision-makers and relevant officials in countries of interest. However, it is crucial that the government refrain from engaging in business operations itself. Instead, it should focus solely on providing the necessary resources and support to help businesses thrive internationally.

According to **MINGA1**, the government is not supposed to create jobs or interfere with businesses but to create an accommodating environment and stated,

"I don't see the state playing any role because I believe that the state should create a conducive environment for businesses to prosper. The state cannot create jobs, but private businesses can" _MINGA1

To support this, **MINGA3** made the following statement:

"So I don't think that the government has like so much influence in terms of that but what the government does through DIRCO is that if you are a South African business person and you want business somewhere else they have ambassadors there, and they have offices, and they will sit with you and arrange with you go to another country and get opportunity and present so you can expand, so the government offers that if like you want to do international business and that is the good thing that they do. But for me, what they can do is for foreign direct investment" _MINGA3

### 5.4.1.1.6.  Why is there a slow uptake of internationalisation in South Africa?

The interviewee believes that the low rate of internationalisation is not caused by race, but rather a question of capability. They believe that BEE companies were handed over to individuals who lacked the necessary skills to manage and expand them globally. However, it is important to note that many companies find it difficult to succeed in the global market, which may make some businesses hesitant to pursue internationalisation due to the fear of failure.

**MINGA3** expressed perspective on BEE companies that are inclined to operate within the confines of the country,

"Okay, the question is, we have Black-owned companies. We need to be specific and categorise the Black-owned companies that are competent and run by competent businesspeople. There are Black companies that were formed like there is **MINGA3**; she is a black woman; legislation requires 8% of women to be that. I feel like the people are not trained enough as business people, especially Black people; few are competent, but most Black-owned companies in South Africa are not competent business people" _MINGA3

**MINGA3** emphasises the importance of acquiring skills for organisations that aim be successful and to expand globally.

"So yeah, when you say Black companies, it needs you to be clear; there are black companies that are run by professional, competent people. When you ask Black, you have to be specific because in South Africa has a huge disparity, like you are talking chalk and cheese. So, the professionals know what they are doing. It is easy for them to go and establish businesses elsewhere because they need to understand how business works; they know where to go and who to ask" _MINGA3

**MINGA3** has added additional perspective,

"But the most important thing is understanding where you are doing business; for example, Murray & Roberts has been operating in South Africa, and they have contracted all over the world. They went to Australia, but because they did not understand the business there, they did not make it. So, it is not even white or black, just understanding business and understanding where you are going" _MINGA3

In the interview, the interviewee expressed their scepticism about the possibility of internationalisation due to a perceived lack of experience and professionalism in managing companies in BEE situation. The interviewee also acknowledged the challenges that businesses face when trying to expand overseas, as not all companies are capable of accomplishing this successfully. However, the interviewee emphasised the essential role of having an entrepreneurial mindset in achieving success on a global scale.

### 5.4.1.2.    Results for Research Question Two:

**How does the characteristics of management with proximity to the state impact the internationalisation process?**

#### 5.4.1.2.1.  How do politically connected individuals influence internationalisation?

South Africa's political environment plays a crucial role in shaping the business landscape. The first phase of BEE was marked by the dominance of politically connected individuals who were appointed to senior positions in organisations. However, the

interviewee emphasised that their organisation's listing status and merit-based system for appointing managers and board members ensure that all decisions are made based on professional criteria, without any undue political influence. Despite the possibility of political interference, the organisation's commitment to meritocracy ensures that it operates with the highest standards of professionalism and integrity.

"We are listed; if you are a Director, you must be ethical because it is like ethics and governance. You are by aspects of things you can and cannot disclose; there is a difference between being politically connected, let's say like you are the president, and you are my friend, versus me taking advantage because of your position and benefiting the company from it, so with us we do know that we have access. Still, we do not influence the government's decisions, or politicians do not influence us; we are independent, and we are listed, and we have to declare, and there is no such we are listed."

**MINGA3** explained the potential benefits that the company could receive if they expressed interest because of their affiliation with the sitting president.

"For example, our company, **MINGA**, was a baby of Shanduka, and the current President was once a chairperson of **MINGA**; if we ever have to have an issue, we can arrange for a meeting to say we have an issue; please can we sit down and can you advise what intervention can we have because are running a business and we want SA to work for everybody, how can you advise and where can get the support you know"_ MINGA3

**MINGA3** provides a detailed account of the procedures and processes involved in transmitting information within the organisation, in a manner that is independent of communication channels involving the president of the company.

" But we communicate, even if that perspective is there about the company going international,  our CEO will communicate back to us because like, we would have put motivation forward to say, we would like to ask the board for permission to go here, and if the board votes against it, they have voted against it, and if they vote for it, it will stick" _MINGA3

### 5.4.1.2.2. How does the Black executive see internationalisation?

Participants expressed that all Black executives or board members he had encountered had a strong sense of professionalism and dedication to the company's success. He

emphasised their desire to see the business expand and grow and viewed Internationalisation as a crucial aspect of achieving this goal. Overall, the interviewee noted that their entrepreneurial mindset and strategic outlook demonstrated a clear commitment to driving the company forward.

"It has nothing to do with politics, whether black, white, orange, or blue, and the thing is, we love this company so much that every individual treats it like it's their own business because what would you do in your own business? So, you won't say oh you do not have tomatoes I am going to sell my shares to get you tomatoes; bad example, I know. We are entrepreneurs and legit care; we ensure we incentivise our staff properly and create jobs. look now: we are rehabilitating mine in Soweto. people have been struggling there with the dumpsite" _ MINGA3

### 5.4.2. Case B: Telecommunication

### 5.4.2.1. Results for Research Question One

**How does proximity to the State and its institutions impact Black-owned organisations' hinder internationalisation?**

#### 5.4.2.1.1. Current and plan of internationalisation

According to the responses provided by the participants involved in Case B, their organisation is not actively considering international expansion at the moment. However, in the past, the company did participate in OFDI in Nigeria and East Africa. Unfortunately, they were not adequately prepared for the level of competition they encountered in those regions. Currently, the organisation has partnerships established through its subsidiaries. **TELGB1** provided insightful details about their approach towards internationalising their business. They also shed light on the difficulties they encountered during the process, which could potentially be of great value to others who are embarking on a similar journey.

So, Nigeria, it's a series of wrong commercial decisions and Nigeria has a strong competitive market, so we were there on the wrong spectrum and wrong technology, and from a go-to-market and distribution I do not think we were fully geared up to operate in that Internationalisation market and so we exited that market. It was not an easy market to trade in and the group made a number of strategic errors entering Nigeria" _TELGB1

According to **TELGB1**, who is the CEO of TELGB, the notion held by TELGB regarding their competitive advantage was deemed inaccurate. **TELGB1's** statement suggests that TELGB's understanding of their strengths in the market may not be aligned with the actual competitive landscape of the countries that targeted for OFDI,

"On the East Coast, it was a satellite Internet Service Provider (ISP) type provider connectivity via satellite, and again something that was evident was that it was a market we could not go any further operating in I think we bought a business from Naspers if I remember correctly so we could not grow the business and it did not do anything for the group as well and we decided to exit that market"_TELGB1

The company has strategised to re-enter the international market. The approach involves collaborating with local entities and establishing small offices in the same markets that they had previously left. This action plan enables them to gain valuable insights into the foreign business landscape while mitigating risks. By setting up a presence in the local market, the company can gain a better understanding of their customers' needs and demands, and tailor their offerings accordingly. This customer-centric approach can help the company build a stronger brand and increase its chances of long-term success; this was expressed by **TELGB2** who the Chief Finance Officer (CFO)of the consumer business for TELGB is.

"Ya, we have satellite offices in the continent via our IT company, BCX, which is also in some neighbouring states. So yeah, we are considering expanding beyond that, but at this stage, nothing in the immediate future" _TELGB2

Participants believed that the company should first strengthen their balance sheet domestically before expanding internationally. If they don't strengthen their business at home, they are likely to repeat their mistakes.

### 5.4.2.1.2. States' role internationalisation strategy

China's economic landscape has been a subject of interest for many scholars who examine how the country's government plays a crucial role in the globalisation of organisations. As the majority shareholder in many companies, the state's influence on business operations cannot be ignored. Despite this, there is a growing belief that companies should prioritise the interests of their shareholders and focus on generating profits. One example of this is TELGB which is mostly owned by the government but is listed on the JSE  and considered a private entity. However, the government has not

shied away from attempting to interfere in the company's operations, despite its status as a privately owned business. It is a complex situation where the government's interests and the interests of private shareholders collide, and where finding a balance between the two is crucial.

**TELGB1**, the CEO of the telecommunications company, commented on the involvement of the state in crafting strategy.

"Not really right. I think we usually do not need the government to set up an office in a foreign country from a consulate support perspective; however, businesses is businesses they do their own feasibility studies for the market of their goods and services and what is the business case for opening operations in that country its usually driven by that. From a support perspective, you will reach out to the consulate right, but you really don't rely on them. In some really tough countries, like Nigeria, you could do with some government support because they can be highly political and inconsistent in how they apply the law" _ TELGB1

**TELGB2** supported **TELGB1**'s statement.

"So, through the board of directors, the state will come and vote at the Annual General Meeting (AGM) and either support or reject the idea. It was not specifically involved, and I was at a very junior level at the time so I cannot say if there was a discussion at that level at the time, but I presume the state supported it and did not stop it let's put it that way. There was no interference, because just after that KT Korean tried to buy TELGB and they did not stop that deal" _TELGB2

However, **TELGB1**, further indicates that the government tries to interfere because of a lack of understanding about the companies as a listed entity.

"No, it depends on the Ministers; the previous Minister tried, and they were given clarity on the arrangement of TELGB because it was only done in 2006 before TELGB  went semi-private. So whenever there is a new Minister, they try to come for TELGB  because I also did not understand that even the President is not aware and does not fully understand the arrangement, and I am not sure if they keep documents of these things or not and also realistically you cannot have an State Owned Entity (SOE) that is listed in the Stock Exchange as a company, yeah they do list bonds to raise money like Transnet, but if it listed it means"_TELGB1

The state and its developmental institution are treated as equal shareholders, possessing the same voting rights as any other shareholder. They are entitled to participate in the AGM and exercise their voting power. However, despite their majority shareholding, the company's executives and board members are entrusted with the responsibility of managing the company's strategy and global expansion initiatives. Despite being a publicly listed company, the government persistently tries to influence the company's affairs through the Minister of Communication, indicating a potential conflict of interest.

### 5.4.2.1.3. Shareholders' perspective on internationalisation (Capital flight or expansion)

Participants highlighted that the government ministers have different viewpoints regarding internationalisation, which are influenced by the political party in power. The interviewees noted that during President Mbeki's tenure, internationalisation was not disputed as the African Renaissance was his brainchild, which resulted in most companies expanding into African countries and globally during that time.

This point of view was highlighted by **TELGB2**,

"So, there was no interference at that time to stop the company from going into Nigeria. I think the state was supportive of the African dream, so it was in the time of President Mbeki, so the company was trying to embed itself in the African continent" _TELGB2

Expanding a countries organisations internationally was seen as a way of promoting the nation as a brand or utilising its influence to collaborate with other countries on the continent for mutual benefit. In the past, many companies that ventured into countries such as Nigeria did so at the indirect request of the government of that time and this was supported by strength of the country's currency and growth of the economy, as highlighted by **TELGB2**."That is a very good question. So, you have to contextualise it at the point in time as I said at that point in time, the Rand was strong, there was a surplus of cash in the country, and I think at the time the government was supportive of its national companies expanding on the African continent and even globally as well. I never got a sense that they were against the ideas because it made sense to internationalise the South African economy at the time because this was around 2007 when the Rand was like R6 to the U.S.dollar, the economy was pumping, we had growth, strong" _TELGB2

However, recently there have been subtle interferences where the government has expressed their views on internationalisation. Nonetheless, as the company is publicly listed, it does not require their permission, and the government does not view internationalisation in a negative light. The interviewees emphasised that for organisations to go global, a stable country with a healthy exchange rate is crucial. This point was indicated by **TELGB1**,

"They do express views, but we do not necessarily need their permission. They do express views usually; they will express views in other forums, right, but do not deem it capital flight" _TELGB1

Participants shared their insights on whether internationalisation could be considered as an expansion of business or a form of capital flight. They highlighted that although some government officials may have expressed their preference for domestic expansion, they did not discourage businesses from pursuing internationalisation. Moreover, they did not perceive internationalisation as a form of capital flight.

### 5.4.2.1.4. Does a country's political dynamics influence internationalisation decisions?

Regarding country political dynamics in internationalisation decision, the participants expressed that the political climate has a limited impact on the organisation's efforts to expand globally. As for business decisions, the company prioritises creating value for its shareholders. The company strives to strike a balance between profitability and sustainability, while also remaining vigilant for emerging opportunities in the market. The organisation's approach is geared towards identifying and capitalising on new business prospects while ensuring that its operations remain profitable and sustainable.

"In terms of the political situation, we consider it; however, it is not a light decision to say because of the social and political situations, I therefore want to go out, no! Even in those instances, we still want to invest locally" _TELGB1

**TELGB1** further explained,

"For example, with the issue of unemployment, companies should become good corporate social responsibility and invest in jobs locally. So, you never get to a point

where you say no, I am going out because of political instability, right, and the high unemployment we see in the country, so that is not really a consideration. Unless you are an international company that came to South Africa, and you invest big money. You realise that there is political instability and say, let me take my money elsewhere because you are not from here, and most do that a lot, and you could accuse them of capital flight, so if they are not from here, they will decide when to come and when to leave" _TELGB1

Despite the participant's understanding of the complexities of the local situation, they held the belief that the challenges could be resolved by the influx of foreign dividends paid in U.S dollar, therefore growing the economy using China as an example.

### 5.4.2.1.5.  What can the government do to encourage internationalisation?

Participants opinions are that the role of the government should primarily be focused on establishing and maintaining a business-friendly environment. This means reducing bureaucratic hurdles that can hinder business operations, while also refraining from interfering in the day-to-day activities of businesses. To achieve this, the government's main focus should be on formulating appropriate legislation that promotes a fair and transparent business environment. However, it's important for the government to avoid taking on the role of a player or referee in the business world, allowing businesses to operate independently while following the law. Overall, the government's primary responsibility is to create a supportive environment that encourages businesses to grow and thrive, while also ensuring that the rules of the game are clear and fair for all players.

**TELGB1** emphasised this point.

"Yeah, I mean, if you look at economic development and the influence and the role that the government should really play a small part in the economy is for them to create an enablement through legislation, make sure you create a conducive environment for businesses to thrive, but you cannot be the one creating SMMEs and employment" _TELGB1

**TEGB1** highlighted the issue of the state being the largest employer rather than creating an environment for SMEs to thrive.

"We have the biggest issue in South Africa where the government is the biggest employer should not have ever happened and should not happen. Enterprises and SMEs

should be the biggest employers right, and what the government should do is create a conducive environment for businesses to prosper. For example, the process of registering a company in South Africa can take you anywhere between three days to three months, right? The process of registering for tax purposes is quick, but the process of claiming it back, good luck to you" _TELGB1

**TELGB2** elaborated regarding the hindrance of South African companies, specifically black-owned companies, and what the government can do to mitigate this.

"That is a tough one you know because we just came out of the Zondo Commission. So, it's tough to say because now international companies themselves are not covered in glory. So, you are in a way caught between a rock and a hard place. How do you create this strong industrial black organisations that are not only South African but have a global footprint" _TELGB2

Regarding what government can do **TELGB2** stated,

"So basically, the government should facilitate business and get out of the way of business, let businesses do what they do, regulate as far as possible and allow for freedom of capital and people and make the legislation less bureaucratic, and lessen the red tape of doing business in South Africa so those are the basic three things. I think those are the basic and well as obviously from society it should be education, transport, and reliable services so those are basics from society as a whole. So, from a corporate perspective, it's freedom of capital and people, limiting red tape and regulating where it needs to regulate, not be both referee and player. I think the government has been trying to be a referee and player" _TELGB2

The participants shared their strong conviction that the government has a crucial role in facilitating business growth. They stressed the significance of establishing an environment that nurtures and encourages growth, instead of expecting the government to both regulate and participate in the global expansion game. Their opinion was that the government should serve as a facilitator, creating the necessary conditions for businesses to thrive and expand.

### 5.4.2.1.6. Why is there a slow uptake of internationalisation in South Africa?

One of the key factors that determine the success of international expansion for an organisation is the presence of management experience. In South Africa, it has been observed that companies that have individuals with international exposure are more likely to venture into the global market. However, this is a challenge for most Black-owned companies, as they lack this crucial factor that could be instrumental in their global expansion efforts.

**TELGB1** explained the phenomenon using the following words.

"Is it not maybe institutional memory, and other people coming from other organisations and having institutional memory of investing offshore? Unless you came from the older big mining conglomerate like your Anglo-American BHP Billiton, the international commodities, and your preferences with what you know, and we have not actually had these multi-national organisations. I am also trying to think on why and I like your example with Exxaro and all that. Like Exxaro has a lot of cash on its balance sheet, why not use it to expand offshore" _TELGB1

To support this **TELGB2** further explained that most of black people prior to 1994 they were not exposed to international life let alone businesses.

"So, the DNA of South African companies is really made up of surviving locally and making money in South Africa. For starters, we have never had a cohort of leaders that has gone international. It's only coming now, and some of us got opportunities in the early 2000s to go work elsewhere, so you understand how the Nigerian market looks like, how the East African market Africa is like, how London is and even Hong Kong right or even the Indian space or Chinese so when you are sitting at the top and say let me look at the opportunities externally and you go through a risk matrix, where I am more comfortable, so I have to make sure I am comfortable. For example, if you look at Shoprite, it got out, and FNB went there as well and got out within six months, and we also went there and got burnt, Tiger Brand and got burnt, so there is a list of companies that went to Nigeria and got burnt, but MTN is still there right, but even with them they have to face a regulator now and then that wants to take money out of them" _TELGB2

Regarding companies managed and owned by black individuals, the interviewees emphasised that a significant number of black people have not had the opportunity to experience the international business world and they are surpassed their white counterparts. This exposure has given critical insights and expertise that one can

leverage to succeed in entrepreneurial ventures not only locally but also globally. The exposure also enhances understanding of diverse cultures, increased their adaptability, and honed their problem-solving skills, giving them a competitive edge in the business world.

**TELGB2** expressed this lack of skills regarding internationalisation as follows

"A colleague of mine normally says we still suffer from poverty mentality because that is what we are used to and have always known, we cannot see the world beyond what we know with different demographics. We somehow still see South Africa as the whole world" _TELGB2

### 5.4.3.2.    Results for Research Question Two

**How does the characteristics of management with proximity of to the state impact the internationalisation process?**

#### 5.4.3.2.1.  How do politically connected individuals influence internationalisation?

In the context of an organisation's internationalisation efforts, it is often thought that the political affiliations of individuals holding key positions within the organisation do not play a significant role. Nevertheless, their presence can be beneficial in mitigating external interference in the organisation's business operations. In other words, their involvement can help the organisation to navigate political and regulatory challenges in the domestic and international field.

According to **TELGB2**, the internationalisation process of the organisation is not influenced by politically connected individuals.

"No, not at all. I have not seen such; maybe when it was state-owned that you might have seen. I have only been here five years, and most are recent. We only have one senior who has been here for about 20 years. So, there is not much interference from the government, and now and again they still do try; other than that, most people believe that TELGB is an SOE, which it is not, so yeah, there is no influence" _TELGB2

Currently, the participant indicates that there are no plans for international expansion within the organisation.

"Look at the moment, there is not much of any interest regarding offshore investments, we operate and trade in South Africa we don't have much exposure offshore, There is not much appetite, I think he is the right person, at the right time for TELGB given his experience and ability to draw the line between what is commercial and what is government" _TELGB2

### 5.4.3.2.2. How does the Black Executives see internationalisation?

In pursuit of expanding their businesses, many executives recognise the significance of venturing beyond their domestic markets. Internationalisation presents an exclusive opportunity for them to explore new markets, attract new customers, and diversify their revenue streams. However, they understand that internationalisation is a multifaceted process that demands thorough planning, strategic thinking, and a profound comprehension of local customs, cultures, and regulations. Therefore, they approach internationalisation with a cautious and meticulous mindset, striving to maximise benefits while minimising risks and ensuring that their business strategy remains aligned with their long-term objectives.

**TELGB1** stated that Black board members and Executives view internationalisation as a business decision that looks only at maximising profits for shareholders.

"I think the view is yes, we are in business, but it exists to make a profit for shareholders, including the government, so it's purely from an investment point of view that we continue local and look for opportunities elsewhere, and it's a combination of both" _TELGB1

According to **TELGB2**, Black Executives have a deep appreciation for the fact that when an organisation ventures into the global market, it not only promotes its own growth but also represents a symbol of national pride.

"It can only be good for South Africa there more we allow our national companies to go abroad. Because we have some corporations that have gone on to compete globally with the best in the world. I mean MTN and Vodacom have done well, Astral has done well, Woolies has done well in Australia, PnP is still struggling, and TFG is doing well in London. So, if we do not play in these foreign markets" _TELGB2

### 5.4.3. Case C: Financial Services

Case C is an exclusive investment banking firm that prides itself on being owned and managed by a team of highly skilled and experienced Black professionals. They offer a range of corporate financial advisory services that are tailored to suit the specific needs of their clients. With a focus on delivering customized solutions that are aligned with the business goals of each client, Case C has earned a reputation as a trusted and dependable financial advisor. Their team of experts work closely with businesses of all sizes, across various industries, to understand their unique needs and provide them with strategic advice that helps them achieve their objectives.

### 5.4.3.1. Results for Research Question One

**How does proximity to the State and its institutions impact Black-owned organisations' hinder internationalisation?**

### 5.4.3.1.1. Current and plan of internationalisation

The financial advisory organisation operates only within South Africa despite having a clientele in nearby countries. They have not established any physical offices outside of South Africa, but they still maintain a strong presence in those countries through remote communication channels. The organisation's team of experts provides valuable financial advice and services to clients in those countries, leveraging advanced communication technologies to bridge the geographical gap. Despite the lack of physical presence, the organisation has built a reputation for being reliable and responsive to its client's needs.

The CEO of the organisation, **FINSGC1**, indicated this,

"We do have mandates and business development discussions on the continent outside of S.A. However, the uniqueness of our situation is that operationally that is       we call it case banking; we do not necessarily need to have standing operations in those countries" _FINSGC1

This was supported by **FINSGC2**,

"Not at this stage, probably international on the continent; yes, we do consider assignments outside of South Africa within Africa so I suppose we can classify that as internationalisation" _FINSGC2

According to **FINSGC3**, the organisation does not view cross-border interaction as a form of internationalisation. As of now, the organisation has not yet established any international involvement.

"Just because of the sheer size of activity that is in S.A., we have not seen the need to explore what is outside the borders of South Africa at this point in time. Not to say in the future, we will not consider expanding into the rest of the African continent" _FINSGC3

During interviews, every participant emphasised that their boutique financial firm operates exclusively from a single location and does not see the need to establish offices in foreign countries. Nonetheless, they reported generating business through partnerships, highlighting the role of their network in expanding their reach beyond their physical location.

### 5.4.3.1.2.  The states' role internationalisation strategy

Participants were asked about the role that states play in internationalisation strategy. Their responses indicated that their organisation relies on something other than the government's support to acquire business outside the national boundaries. Nonetheless, they expressed their belief that the state can play a crucial role in aiding such companies by supporting institutions like the PIC and encouraging local businesses to be mindful of the opportunities available through initiatives like AfCTA. These organisations invest in companies that have the potential of doing business outside South Africa, providing them with the necessary funding and support to expand their operations globally. The interviewee stressed the need for local businesses to be aware of these institutions and take advantage of them to increase their operations beyond the national borders.

"From the South African context, the state plays no role, but you mentioned Lesotho, the projects we are engaging in are the components of the highland's projects which obviously from the Lesotho perspective a driven discussion in terms of our involvement in that process" _FINSGC1

"So, from a perspective of going beyond borders, the decision of the government to affiliate itself rather, again I am going to cross reference much closer to home with your multinational bilateral institutions like we have now, AfCTA and other similar initiatives, that in itself say to local companies in South Africa, have to think about how to exploit

opportunities outside to actually foster and give meaning and effect and also benefit in those types of arrangements." _FINSGC2

To elaborate, **FINSGC2** further states,

"So, from that perspective, government has a huge role to play in discerning some of these opportunities that are beyond our borders, and by intention, companies look to extend their footprint over what they have locally to other regions beyond our borders, which is essential to some degree or to a large degree is facilitated by government policies and initiatives to look at S.A. becoming a leader or footprint in those geographies beyond S.A. So that is the role of government and importantly as well" _FINSGC2

### 5.4.3.1.3. Shareholders' perspective on internationalisation (Capital flight or expansion)

Participants highlighted that the existing atmosphere of uncertainty in South Africa has had a significant impact on the focus of larger companies. These companies are now keen on consolidating their existing position, and they are resorting to internationalisation to achieve it. This approach is advantageous for two reasons. Firstly, it allows them to expand into stable countries and secure their business in the long run. Secondly, it helps them transfer funds from a country that has a weak currency and high inflation, thereby minimising their financial risks. In contrast, smaller to medium-sized companies that are still in the process of expanding their business are more likely to opt for OFDI as a potential means of facilitating their growth. The OFDI is a strategic move for these companies as it enables them to tap into new markets, gain access to new technologies, and develop new business capabilities.

This theme is centered around the reality that the South African economy is facing, which is a large number of private companies shifting their investments and funds to international markets to maximise their business returns and move away from the unstable economy. This kind of behavior is known as capital flight, where local businesses invest significant amounts of money overseas instead of directing it towards local investments. The main intention behind capital flight is for companies to save themselves financially and continue to grow financially. Another driver behind capital flight is the perceived precarious economic state of the country. Local businesses believe that investing internationally seems more promising. When it comes to internationalisation and capital flight, participants made the following statements:

"I would put them into two categories, there are very mature companies that are principled are at a very mature stage in terms of their growth, their focus, I would say, is more around capital flight and identification of a capital outside of SA" _FINSGC1

To support the previous statement, the participant further explains that well-established companies aim to maintain their success by investing overseas, either without or with limited attempts to operate within the South African currency system (the Rand). Participant **FINSGC1** elaborates on this by stating the following:

"I would say the established ones are expanding but remember that there are guys who want to do both because for instance, if I were to earn as a growing company, we see ourselves as a growing company. If we were to earn money in Mauritius and it would be in USD, the question, is whether we will be thinking both ways, we will be thinking we are growing, but also, let's keep money on that side so we can continue working in dollars and not keep converting money into Rands" _FINSGC1

Participant **FINSGC1** goes on to emphasise that the goal of local businesses investing internationally is to save themselves financially. In other words, making investments in local markets is perceived as detrimental to them. Furthermore, it is reported that capital flight comes with political elements as it is reported not to benefit the country's economy. Accordingly, participant **FINSGC1** makes the following statement:

"For the capital flight guys, it is about preservation over a certain amount of capital, and the question is given the political dynamics and their impact on the economy, the rand, and inflation" _FINSGC1

Participant **FINSGC2** states that it is not fully accurate to deem investing internationally as capital flight. From this participant's standpoint, there are other factors in the country that are perceived to be driving local businesses to conduct business internationally. According to the participant, the deterrent effect of these factors may also be seen in some foreign businesses' hesitant stance towards conducting business with local businesses. In this regard,

"Do not think from a prism of government to deem any foreign investment as capital flight in its isolation it would probably be incorrect, but that said, we really appreciate it and know the issues that are affecting, as you said, it's 60% unemployed are youth, and it's

that in itself poses a sovereign risk in terms of how our international partners more so those that are meant to bring in the capital in the country look at us"_FINSGC2

In line with the above statement, Participant **FINSGC2** reiterates that there is a level of validity behind local businesses investing internationally and that it is not a mere case of capital flight. According to this participant, the current state of the country is not favorable enough for businesses to continue operations. In this regard, the participant makes the following statement:

"Some of the internationalisation is not driven by the maturity of the economy, as I said earlier on but by a mere fact or not creating the right environment being conducive to retaining your capital locally and rather looking elsewhere" _FINSGC2

In addition, Participant **FINSGC2** goes on to state that they are allowed by policy stipulations to conduct business internationally. Therefore, it is not, again, merely a case of capital flight. In this regard, Participant **FINSGC2** states the following:

"I mean the government are the ones that set the tone in terms of policy point of view, and therefore, private companies like us in-suite in terms of what can we do to take advantage of that, so I do believe that a narrow view of capital flight cannot be a just one only" _FINSGC2

Another participant, **FINSGC3,** asserts that the international move made by local businesses is for them to grow better as the state of foreign markets is deemed favorable. Accordingly, participant **FINSGC3** states the following:

"In essence, you had a primary company that was changing its *domicile* into a foreign country, and the cost of capital primarily drove it. So, the cost of capital that they would be able to raise in foreign markets would be a lot cheaper than it would be in SA" _FINSGC3

Furthermore, participant **FINSGC3** goes on to state that international moves made by local businesses are around capital flight. Participant **FINSGC3** makes the following statement:

"People who are internationalising their operations seem to be doing the point you mentioned earlier around capital flight" _FINSGC3

### 5.4.3.1.4. Does a country's political dynamics influence internationalisation decisions?

Participants expressed that a considerable number of businesses have acknowledged the increasing instability of the country. Consequently, these businesses are actively exploring opportunities to participate in OFDI. The primary objective of this approach is not only to diversify their investments but also to mitigate risks and reduce their dependence on the domestic market. By participating in OFDI, businesses can expand their customer base, gain access to new resources, and take advantage of favourable economic conditions in other countries. Moreover, OFDI also provides companies with the advantage of asset preservation, which is a crucial aspect of risk management.

"Absolutely, so I think from an expansion perspective, I think people are really starting to realise how important it is to diversify outside of S.A. because essentially the dynamics on S.A. politically are quite uncertain, we are moving into, and we know what corruption has done to S.A. and its growth prospects" _FINSGC2

**FINGC2** highlighted the concern regarding the direction towards which the country is currently moving. The insights shared shed light on the country's potential trajectory and provide a useful point of reference for future analysis.

"We are also going toward uncertain territory in terms of coalition politics. So, there is that concern that if you are growing will industries be able to sustain themselves? For the capital flight guys, it is about preservation over a certain amount of capital, and the question is given the political dynamics and their impact on the economy, the Rand, and inflation" _FINSGC2

### 5.4.3.1.5. What can the government do to encourage internationalisation?

The participants shared their strong conviction that the South African government should take a leading role in facilitating the internationalisation of companies based in the country, especially those owned by Black individuals. However, they recognised that South Africa is currently falling behind China and Europe in the field of education, leading to a less educated populace. Therefore, the participants recommended that the government should prioritise the education system first, by developing a skilled and knowledgeable workforce that can effectively compete on the global stage, before extending support to organisations seeking to expand their presence internationally.

"So, looking at China, they have taken a lead of what Europe has always done, and that is essentially exporting their skills set overseas, meaning putting part of their export GDP, skills set, and the employment obligations to other countries in order to procure full employment of their people. Now for us, internationalisation is important, especially from the point of the continental perspective" _FINSGC1

**FINSGC1** explains the benefits of creating an educational base that can be internationalised, like what China and India are doing,

"We have an opportunity to essentially influence the business environment within our neighbouring countries and their development, especially because if you look at these countries are severely underdeveloped and their ability to create and employ their own people and create jobs is extremely limited. So, for us there is that opportunity however for us to be in a position to export our companies requires stability within the South African context. I think for me it is to enable the business environment within the country from a stability perspective so that businesses can focus on their growth, expansion, and diversification" _FINSGC1

**FINSGC2** added;

"So, as to what the government can do to emulate the black-owned companies to venture into those geographies is a tough one Mr. Sithole because the only way to provide some sort of incentive or cushion is through either direct intervention, meaning the government actually supporting or promoting core investments with those companies which perhaps in our constitution it must be deemed in a very negative light"_FINSGC2

To support the other two participants, **FINSGC3** stated;

"I think what is important is that given the challenges that the South African companies have faced in operating in other African countries if they can facilitate more ease of doing business in the rest of the African continent because for South African companies doing business out of South African has proven to be a challenge particularly around changing tax reviews, to the extent that the government can facilitate diplomatic conversations that will make it easier for South African companies to consider doing business with the rest of the continent and would facilitate for more interest in seeing activities being across the border and particularly for our clients as well, they would consider operating outside the

borders of South Africa as a way because they find that the ease of doing business outside of South Africa proves to be challenging"_FINSGC3

During the interview, the participants emphasised that it would be unconstitutional for the government to provide selective support to Black-owned companies while neglecting others. They pointed out that such a move would put non-Black-owned companies at a disadvantage and contradict the principles of fairness and equality.

### 5.4.3.1.6.  Why is there a slow uptake of internationalisation in South Africa?

During the interview participants were asked about the slow pace of internationalisation by South African businesses, particularly those owned by Black individuals, and participants shared their observations. They highlighted that the business model of these enterprises was not built on entrepreneurship but rather on "racial factors" or the perception that they were gifted. Nevertheless, there is a noticeable shift in these businesses as they move from being exclusively owned by Black individuals to becoming regular businesses. This transition marks a significant change in the business landscape as it enables these enterprises to thrive and compete on a global level.

"So, the issues we have with what you termed as Black business, and I think Black business is evolving. So, if we look at the initial Black business and say, what is this operating model, how do they start, with some business that we can say, for lack of a better word, "gifted" or acquired by principals who did not really understand the industries that they were buying. So, you have someone with a bit of mining experience buying or a cohort of people buying a business that was already quite evolved, so in that essence, this is what BEE was" _FINSGC1

**FINSGC1** provided additional details about their perspective regarding the contrasting approaches of Black-owned and White-owned companies towards expanding their international presence.

"Well, I would not use strong language like that, but effectively I mean, and that is the thing the operating model was number one being black. So, you mentioned Neal Froneman started mining from a technical perspective; he grew through the ranks and built a network from a strategic perspective; he has colleagues who he knows and has moved around the world. He has explored opportunities probably since he was a youngster. From what you can recall, he ran a 200-million-dollar business and moved to

a multi-billion-dollar business. He has gotten a way of operating in a business model he knows, and that is how a normal business works" _FINSGC1

**FINSGC 1** adds,

"That is how he was able to expand because he is expanding a business model, a way of working and operating, so that is how the world works. You take an Exxaro, for instance, that you mentioned was acquired by a cohort of BEE players who acquired something that was already established. So, their operating model was really around BEE. Now I will argue that they will probably in their shareholders and develop us as black people to understand the underlying operating model" _FINSGC1

According to **FINSGC2,** companies owned by black people have never built anything from scratch, leading to a lack of appreciation for internationalisation or growth

"They have never ventured into what I call organic growth i.e., starting from the green fields all the way to an operating asset and growing that. That is the philosophical issue I have with how BEE has manifested itself as such" _FINSGC2

**FINSGC3** placed a strong emphasis on the importance of open diplomatic engagement as a means to facilitate and support the internationalisation process for South African companies. By leveraging diplomatic channels, companies can more easily navigate the complexities and challenges of expanding their operations into new markets and establishing relationships with foreign partners.

"I think it is the whole issue of having clear diplomatic relationships so that it makes it easier for businesses to operate outside of S.A because there have been challenges historically in S.A companies operating outside our borders, particularly when it pertains to African operations. So, it is the idea of ensuring that diplomatic relationships are so strong that the ease of doing business is actually heightened in the respective markets" _FINSGC3

Participants emphasised the crucial role of experience in management and business ownership in the context of internationalisation. They underscored the fact that those who possess the ability to build companies from scratch are more likely to succeed in expanding globally. Conversely, most BEE transactions are awarded to individuals who lack a thorough understanding of the business and are only entrusted with the task of

preserving the existing status quo of already established companies. This highlights the importance of having deep knowledge and expertise in the field of business to achieve success in international markets.

### 5.4.3.2.    Results for Research Question Two

**How does the characteristics of management with proximity of to the state impact the internationalisation process?**

#### 5.4.3.2.1.  How do politically connected individuals influence internationalisation?

The interviewee brought attention to the significant role played by politically connected individuals in board and management positions in driving job creation. However, there is a concerning trend where companies that received funding from FDIs are facing employment quotas. This has resulted in a detrimental impact on the competitiveness of these companies in the market.

According to **FSGC1,** there are certain legislative implications of conducting business in South Africa that displease funders. Specifically, they suggest that the country's business environment can be costly and potentially burdensome.

"So, I will speak to, and this also comes across to the funders, so there is quite a focus on job creation and a lot of these politically exposed persons, especially when you go look for funding, so they seem to really like to impose some of the developmental aspects that are withing government into private business. I will say that sometimes it is instilled into the culture of those companies, and sometimes that is why these companies that are funded by the FDI end up not being competitive because you are meant to hire x amount of youth, x amount of women, and x amount of men, and it sounds well intended, but you must still be competitive" _FINSGC1

#### 5.4.3.2.2.  How does the Black Executives see internationalisation?

The participants expressed their perspective on the importance of internationalisation for achieving growth, particularly in underdeveloped African countries. They emphasised the need for South Africa to share their business knowledge and skills with these countries. Overall, they believed that this approach could lead to mutually beneficial partnerships and contribute to the advancement of the African continent.

"We see internationalisation as an important growth for our business because effectively know for us that we need to export our skills is relatively less from a capital perspective. We see ourselves as being able to especially were the underdeveloped nature of our continent, build relationships with those countries because it is less competitive and grow that; so, for us now, it's not super critical, but going forward, we see it as an important point of growth for our business" _FINSGC1

**FINSGC2** supported this view.

"I do not think there is any reservation from Black leaders or, for that matter, those that have close proximity to the government or its institutions, I don't think there is any feeling of discomfort around that" _FINSGC2

**5.5.    Additional Findings**

The research question one: Does proximity to the State and its institutions impact Black-owned organisations' hinder internationalisation? Produced additional sub-themes and they are discussed below.

**5.5.1.    Case A:  Mineral Resources**

**5.5.1.1.    Country stability**

The following participant expresses their perception about the previously mentioned economic state of the country and the way certain companies were positively impacted. Accordingly, participant **MINGA3** stated,

"The company operates and owns mines in South Africa, so if there is any political instability and the country has to shut down, it means all our operations are gone, so we are too exposed." _MINGA3

**5.5.1.2.    Risk as an outsider**

**MINGA1** highlighted that South Africa is seen as a global risk, so internationalisation is a way to balance their portfolio.

"You know that South Africa is seen as a risk when you talk to investors about South Africa. There is always that South African discount; this may be due to the corruption and processes that are hindered by politicians." _MINGA1

He further stated that the company sees South Africa as an indifferent country therefore internationalisation,

"Yes, to a certain extent, we do see South Africa as indifferent and have to balance our basket." _MINGA1

**5.5.1.3.    Entrepreneurship**

On the hand **MINGA3's** made a point that regardless of a company's decision to expand globally or not, it is crucial to maintain a mindset that fosters innovation,

risk-taking, and creativity. This type of entrepreneurial spirit can help companies stay competitive and adapt to changing markets.

"We are entrepreneurs and legit care; we ensure we incentivise our staff properly and create jobs. look now: we are rehabilitating mine in Soweto. people have been struggling there with the dumpsite." _MINGA3

### 5.5.2.  Case B: Telecommunication

### 5.5.2.1.  Stability of the country

The economic condition of the country played a significant role in the internationalisation of the organisation, as mentioned by **TELGB1**.

"That is a very good question. So, you must contextualise it at the point in time, as I said, at that point in time, the Rand was strong, there was a surplus of cash in the country, and I think at the time the government was supportive of its national companies expanding on the African continent and even globally as well." _TELGB1

### 5.5.2.2.  Global Ecosystem

The information presented under the following theme relates to perceptions by organisations in South Africa of being significant parts of the global market. In this regard, it is perceived that economic decisions are made with that knowledge and that it is only natural for local markets to be given the freedom to transcend local economic boundaries and go on to explore international economies for sustained growth. Accordingly, involvement in the global economy includes financial investments into other markets, allowing for more success and growth of local markets. Regarding being stakeholders in the global economy, participants share their views as follows:

"To be able to defend our home market, we have to be able to go attack offshore and I think it only makes us stronger, and also although capital might leave for investment purposes, remember there is a dividend repatriation that takes place" _TELGB2

In addition to the above statement, participant **TELGB2** provides an instance by referencing a nation like China that has been successful in penetrating international

economies, thereby multiplying economic opportunities for its people. In this regard, participant **TELGB2** goes on to make the following statement:

"They wanted to create opportunities for their own people due to the high population, to say If you cannot employ me in China, take Huawei, for instance first they built mobile networks, and they said go and expand outside and also take our people with you and create opportunities in those countries and by so doing they are actually invested in the R&D capabilities of government and Huawei for example so companies can develop their technologies locally and that is what the Chinese do right."_TELGB2

### 5.5.2.3. Saturation in the current market

The following theme relates to the need for local businesses to seek opportunities and growth beyond local borders when such a need arises. It is reported that such a need happens when local opportunities and markets have been taken advantage of to such an extent that there is no longer room for further growth. Accordingly, international expansion becomes an avenue ripe for exploration. Participant **TELGB1** makes the following statement:

"I say this being mindful that all sectors are necessarily matured." _TELGB1

Participant **TELGB1** states that businesses operate with the intention to make profits, whether locally or otherwise. Put differently, if businesses fail to make enough profits in South Africa due to local markets being crowded, international moves to achieve their goals will be made. In this regard, Participant **TELGB1** makes the following statement:

"If you understand the commercial intention of business, for every revenue you invest, you want it back with more right, and if that can be achieved locally, yes, we do that; if the market is saturated, we then look externally." _TELGB1

Participant **TELGB1** goes on to provide an instance of one nation that promotes international business ventures when investments in local markets no longer lead to desirable outcomes. In this regard, Participant **TELGB1** makes the following statement:

"If you go back to China on, why they encourage their local businesses to go international was because the market was saturated in China, and they have a billion people." _TELGB1

### 5.5.2.3.   Local opportunities

Participants added that internationalisation is quite a foreign topic to local businesses or is not explored due to the opportunities that the country is currently presenting to those businesses, and living what you know and are comfortable with can be quite difficult.

"The idea of internationalisation becomes very secondary to the fact that the opportunities that are available in South Africa are quite vast, and one would want to take advantage of the whole market and operating in your home market and being successful in your home market ahead of trying other international markets, but it does not say companies, for instance." _TELGB1

In addition, participant **TELGB1** echoed similar views and suggested that currently, from the mine perspective, the country has enough resources to produce enough coal, so they have not seen the need for internationalisation as yet. Also, as soon as opportunities cease that's when they will rethink expansion.

"It just depends on whether those companies can raise capital and take Exxaro as an example. It is primarily black-owned and it's a coal mining company. They can go outside right and get more coal or expand into gold or whatever, but they have remained in S.A. because there is so much coal in S.A. before you can even go to Zimbabwe, and there has not been a barrier. It's a question of opportunity if it still exists locally continue, and if you go outside, they will do that. So, there has never been a barrier, actually, if we think about it." _TELGB2

### 5.5.2.4.   Knowledge, education, and skills

Participants in this study also advocated for internationalisation in an effort to grow the knowledge pool, education, and skills quality in the country. **TELGB1** states that the opportunity they received to work in other parts of the continent and abroad gave them an overview and understanding of how various markets work.

"It's only coming now, and some of us got opportunities in the early 2000s to go work elsewhere, so you understand how the Nigerian market looks like, how the East African market Africa is like, how London is and even Hong Kong right or even the Indian space or Chinese so when you are sitting at the top and say let me look at the opportunities externally and you go through a risk matrix, where I am more comfortable."_TELGB1

### 5.5.3.  Case C: Financial Services

### 5.5.3.1.  Global business ecosystem

The following participant's statement is aligned with participant's **TELGB2** statement above regarding their ability to penetrate international markets by virtue of their connection to the global economy. In addition, this current participant refers to the investments and profits that are a major part of partaking in the global economy. Therefore, participant **FINSGC2** states that:

 "We have always been appreciative that we are in a global ecosystem." _FINSGC2

In support of the above statement, participant **FINSGC2** continues to state that:

"No matter how we look at it, whether through part of BRICS or AfCTA or any other international setups, we are part of the global ecosystem, you know, and therefore, decisions are also made in that context that we are part of the broader ecosystem and therefore we allowed to explore opportunities beyond our border." _FINSGC2

### 5.5.3.2.  Patriotism of organisations

The following theme alludes to the level of patriotism that some local businesses hold towards their country, South Africa. According to this theme, businesses that are intent on pursuing internationalisation are fundamentally not in full support of promoting the growth of the country. Based on this, it would be expected of these businesses to support South Africa and indicate this by pursuing local investments. In terms of the patriotism of organisations, participant **FINSGC3** hold the following perceptions:

"I think for most people, the view from internationalisation is that some companies are not essentially being patriotic towards SA." _FINSGC3

### 5.5.3.3.  Risk of being an outsider

The following theme relates to the challenges that are faced by South African businesses when making investments in international businesses. According to this theme, the sole reality of being foreign when venturing into international spaces is one challenge that prevails. Another challenge relates to regulations that international businesses are

required to abide by. For instance, local businesses are required to pay higher taxes when operating internationally. Accordingly, participant **FINSGC2** makes the following statement:

"Both human, financial, etc., before you start to do that, there is always a significant concern about the risks of the unknown in those geographies." _FINSGC2

In support of the above statement by participant **FINSGC2,** participant **FINSGC3** agrees that there are challenges. According to this participant, another issue related to the tax regulations that are imposed on foreign businesses, which, to a certain extent, acts as a barrier to expansion. In this regard, participant **FINSGC3** makes the following statement:

"I think there are other issues as well, which includes the regulatory environment of those countries as well but tax one is what you've gotten quite large to operating in those markets, but you do find that the other issues as well which prohibits South African companies from actually expanding into the rest of the African continent." _FINSGC3

### 5.5.3.4.    Self-preservation

The following theme relates to the driving force behind local businesses striving to become international. This driving force relates to attempts to protect and prevent the demise of certain businesses. Participant **FINSGC2** makes the following statement:

"You are forced to internationalise for reasons that are, again, self-preservation principles as a company or shareholders to say that we are not going to deploy money because we feel that government and it can only be government because they drive these policies.**" _**FINSGC2

### 5.5.3.5.    Networks

Some interviewed participants contended that it is due to the networks established, lack of global networks and fear of not knowing whom to contact during the venturing to expanding the company. Participant **FINSGC1** explained before:

"That comes with time, relationships, and experience. Who to gravitate towards and who not to gravitate towards, even on a strategic level, works the same." Build relationships with those countries because it is less competitive and grow that; so, for us now, it's not

super critical, but going forward, we see it as an important point of growth for our business." _FINSGC1

Participant **FINSGC** maintained that the reason could be the established ties within the country and also poor information about how things work internationally worries business owners.

"Maybe it's comfort and not having a global view, because I come from, we are not used to seeing people operate offshore, we come from townships, within our neighborhoods' that we knew off who travelled or operate offshore and I am speaking in terms of where I come from" _FINSGC3

Moreover, the participant **FINSGC3** explained that further:

"So, either two ways: either a partnership with a local company or an outright acquisition of an existing business in that market. For us, green field operation is not necessarily going to work." _FINSGC3

### 5.5.3.6. Infrastructure development

The interviewed participant **FINSGC1,** maintained the issue of resources is a factor that affects business and in order for the country to be in good standing and attract international investments it is advisable that they improve infrastructure and strengthen it.

"The is a lot of issue that is coming into this country, Transnet to give an example, I think at least 8 billion has additional investment around its security railway network, and that cascade all the way down to other industries. These are the things the government should focus on to make sure that South Africa is an investable country."_FINSGC1

### 5.5.3.7. Knowledge, education, and skills

Participants in this study also advocated for internationalisation in an effort to grow the knowledge pool, education, and skills quality in the country. **TELGB1** states that the opportunity they received to work in other parts of the continent and abroad gave them an overview and understanding of how various markets work.

"It's only coming now, and some of us got opportunities in the early 2000s to go work elsewhere, so you understand how the Nigerian market looks like, how the East African market Africa is like, how London is and even Hong Kong right or even the Indian space or Chinese so when you are sitting at the top and say let me look at the opportunities externally and you go through a risk matrix, where I am more comfortable."_TELGB1

This converges with the sentiments of **FINSGC1,** which uses the example of China utilising the resources of European countries to grow their skills and employment opportunities of their citizens through internationalisation.

"So, looking at China, they have taken a lead of what Europe has always done, and that is essentially exporting their skills set overseas, meaning putting part of their export GEP, skills set, and the employment obligations to other countries in order to procure full employment of their people." _FINSGC1

Furthermore, the participant recalls how BEE has been used to educate and skill semi-knowledgeable business owners and equip them with the skills they require to run their own establishments.

"If we look at the initial Black business and say, what is this operating model, how do they start, with some business that we can say, for lack of a better word, "gifted" or acquired by principals who did not really understand the industries that they were buying. So, you have someone with a bit of mining experience buying or a cohort of people buying a business that was already quite evolved, so in that essence, this is what BEE was." _FINSGC1

The participant gives an example of Neal Froneman, who grew their technical skills and explored through this initiative.

"I mean, and that is the thing the operating model was number one being Black. So, you mentioned Neal Froneman started mining from a technical perspective; he grew through the ranks and built a network from a strategic perspective; he has colleagues who he knows and has moved around the world. He has explored opportunities probably since he was a youngster." _FINSGC1

**5.6.    Conclusion**

The tables presented below provide a comprehensive summary of the data analysis results and facilitate a detailed comparison. Additionally, the tables incorporate supplementary findings pertaining to complementary themes that enhance the main results, leading to a more profound comprehension of the analysed data. Chapter six will discuss the results in relation to Chapter two.

Table 5: Cross Comparison of finding

| ORGANISATIONS | PROXIMITY BY OWNERSHIP | PROXIMITY BY TMT's |
|---|---|---|
| **CASE A:** Mineral Resources | State ownership does not influence internationalisation of the organisation.<br><br>The organisation believes that the state interferes too much in business and should focus on conducive legislation and policies.<br><br>Policies such as BEE create risk for organisations when they interact with international business.<br><br>Internationalisation is viewed as expansion rather than escaping the country.<br><br>The strategy of the organisation does not take into consideration local politics and its return on investment-focused. | There is no influence by the TMS who are closer to the state. They operate as professionals.<br><br>TMSs are appointed on merit rather that affiliation to the state and ruling party. |
| **CASE B:** Telecommunication | As previously an SOE the is<br>The state does try to influence the business strategy, although the institution is a private company.<br><br>The government drives internationalisation through policies and diplomatic support due to the political dynamics in certain regions<br><br>The organisation needs home country stability before internationalisation.<br><br>Internationalisation is driven from the country's point of view as it will bring dollarised revenue therefore a growing economy. | Although some of the TMTs are close to the ruling party the is no influence on the company strategy. |
| **CASE C:** Financial Services | Government's role is to create a conducive environment for organisations to flourish.<br><br>Internationalisation is both escape and expansion depending on the maturity of the organisation, where large are escaping to safeguard their assets and small organisations an expansion. | The organisation does not have TMTs that have proximity to the state |

Table 6: Cross finding of additional findings

| ORGANISATIONS | CASE A: Mineral Resources | CASE B: Telecommunication | CASE C: Financial Services |
|---|---|---|---|
| **Country Stability** | The organisation indicated that the country's political stability is crucial for two reasons, it makes it easy to have a strong home country stability and you can internationalise due to instability. | The stability of the country and the currency is important | NA |
| **Risk of an outsider** | When conducting business, a South African company there is a premium in everything you do in another country | The state can help the internationalisation of small organisations to avert the risk of outsideness in countries such as Nigeria. | The regulatory environment countries may hinder entry into or internationalisation of black-owned organisations. |
| **Entrepreneurship** | Knowledge and skills may be lacking in black owned organisation because BEE did not look at skills | Exposure to international organisations does give a different view on the world, most of black-owned organisations are led by TMTs that have never run any company internationally therefore slow take up. | Black-owned companies are slow to internationalise due to luck of entrepreneurship, skills and knowledge |
| **Global Ecosystem** | NA | Although there is being a good corporate citizen, that does not mean internationalisation is an escape, because we live in a global platform | The state cannot hinder internationalisation because we operate and live in a global ecosystem |

# CHAPTER 6 : DISCUSSION OF RESULTS

## 6.1.    Introduction

The following chapter will provide an in-depth analysis of the findings in Chapter five and compare them with the literature review presented in Chapter two. The comparison will be based on the research question, and each question will be thoroughly explored in relation to the literature. Furthermore, there are additional findings that will be dealt with according to the research question.

The primary objective of this chapter is to thoroughly examine the existing literature, with the goal of validating or refuting the findings in Chapter five  through further research and analysis. By scrutinizing the current body of knowledge in detail, the aim is to gain a deeper understanding of the subject matter and identify any gaps or inconsistencies that may require further investigation. Ultimately, the goal is to contribute to the advancement of knowledge in our field and provide valuable insights that can inform future research and decision-making.

## 6.2.    Research question one

### 6.2.1.  Proximity by ownership

#### 6.2.1.1.    Current and plan of internationalisation

Scholars have suggested that in emerging markets, the state plays a major role in the internationalisation of organisations. Being close to the state can provide emerging market organisations with access to valuable resources (Arreola & Bandeira-de-Mello, 2018).  During discussions about the current state of internationalisation and plans for the future, participants held contrasting views. MINGA and FINSGC argued that state ownership does not affect their organisation's ability to expand internationally. Participants brought attention to the fact that the perception of the country's image was being used to devalue the organisations operating from South Africa. This suggests that the overall reputation of the country is a significant factor in determining the perceived value of the organisations, which is in line with, However, Wang et al. (2019) who expressed the notion that the proximity to the state can create a negative image of the organisation.

**Proposition 1:** The relationship between the South African government, the ruling party, and businesses hinder internationalisation.

On the other hand, TELGB participants believed that the state could play a crucial role in driving internationalisation by enacting policies to stabilise the market. They cited China as an example of a country where this has been successful when it created the "Go Global" policy in the early 2000s, which saw many chinses organisations internationalise rapidly. This view is in line with Arreola and Bandeira-de-Mello (2018) and Wang et al. (2019), who suggested that the state plays a role in the 82 internationalisation of the emerging markets organisation.

**Proposition 2:** The state policies have a significant impact on a business's decision to internationalise.

### 6.2.1.2. State role in internationalisation strategy

Organisations that have proximity to the state can reap numerous benefits. Firstly, they can easily access a wide range of resources that can aid in their growth and development. Secondly, they can obtain valuable intelligence about the target country field, which can help them make informed decisions and stay ahead of their competitors. As pointed out by Deng et al. (2018), this intelligence can be crucial for organisations looking to expand their operations globally. Furthermore, state policies can play a significant role in driving internationalisation and aligning organisational needs with the state's growth strategy. For instance, the Chinese global strategy is an excellent example of how the state and organisations can work in tandem to achieve their respective goals (Angulo-Ruiz et al., 2019; Parente et al., 2019).

Participants were asked to share their thoughts on how proximity affects an organisation's strategy. MINGA, one of the participants, expressed that the state should not be directly involved in businesses, but should focus on creating policies that encourage a business-friendly environment. TELGB, another participant, shared similar views and supported MINGA's opinion. However, FINSGC had a distinct perspective and agreed with the notion put forward by Field (Angulo-Ruiz et al., 2019; Parente et al., 2019) that there should be a convergence of interests between the state and organisations on an internationalisation strategy.

### 6.2.1.3. Shareholders' perspective on internationalisation (Capital flight or Expansion)

The process of internationalisation of organisations from emerging markets can be viewed from different perspectives. Those in positions of political power, as well as the state, may perceive it as either an escape or an expansion of the EMNEs. "Escape" refers to organisations seeking stable countries with reliable economic conditions, where they can secure their income from the instability and lack of growth in their home countries (Kottaridi et al., 2019; Nuruzzaman et al., 2020). "Expansion," on the other hand, refers to small and medium-sized enterprises (SMEs) looking to broaden their reach and access new markets in foreign countries. Both escape and expansion strategies are adopted by organisations to achieve their desired goals and maximise their growth potential (Losada-Otálora & Andonova, 2022).

Participants divided escapism into two perspectives when it comes to internationalisation. The first perspective is a mature organisation, one that is not solely driven by economic maturity, but by companies that have already established themselves domestically. According to participants, these organisations consider internationalisation as a form of capital flight. They expand their operations to areas where their revenues or profits will not be affected by volatile currency fluctuations, which allows them to keep their money dollarised. This approach is seen as a way to protect their financial interests and maintain financial stability. The second perspective is those that view Internationalisation differently. They see it as an opportunity for growth and expansion, with a focus on earning profits in U.S dollars. By capitalising on the weak rand, they can maximise their returns upon repatriating their earnings back to their home country. The former is supported by Kottaridi et al. (2019), who argued that organisations may look to OFDI due to political stability to mitigate instability (Wang et al., 2019). The latter is supported by Nuruzzaman et al. (2020), who view internationalisation as a means to gain more knowledge and technology therefore expanding the revenue streams for the organisations.

**Proposition 3:** The maturity of an organisation is crucial in determining whether to Internationalise  to safeguard its interests or seek growth.

### 6.2.1.3.1. Internationalisation as a growth point

Internationalisation plays a vital role in providing emerging markets organisations with opportunities to obtain knowledge, advanced skills, and technology. Additionally, it

serves as a growth catalyst for organisations from these markets, enabling them to expand their reach and establish a significant presence on the international stage, therefore improving their revenue streams (Jafari-Sadeghi et al., 2021; Nuruzzaman et al., 2020). The participants shared a common view with Jafari-Sadeghi et al. (2021), that for a country's domestic economy to thrive, organisations must explore opportunities for expansion beyond their home country. This approach can bring about benefits not only for the organisation but also for the country in terms of earning foreign currency. Additionally, the participants highlighted that the fundamental purpose of any business is to generate profits. Thus, having a growth strategy plays a pivotal role in achieving that goal. Nonetheless, while pursuing growth, organisations must bear in mind their responsibility to act as good citizens and pay their taxes, thereby contributing to the country's growth and development (Nuruzzaman et al., 2020). Participants emphasised the significance of OFDI in stabilising the South African economy. They noted that when profits from OFDI are brought back to the country, they can be utilised for the development of the nation. The participants cited China as an example of a country that has supported the internationalisation of its organisations, which has resulted in increased revenue generated through OFDI. This additional revenue, in turn, has allowed China to invest in its domestic development (Angulo-Ruiz et al., 2019).

**Proposition 4:** The country's unstable situation prompts established organisations to quickly expand their operations internationally.

### 6.2.1.3.2. Organisational growth

The FINSGC recognised that in order to make a meaningful impact in their community, it was vital for their organisation to expand internationally and evolve. They emphasised the significance of internationalisation as a means of achieving growth and progress in South Africa, by prioritising organisational growth and embracing global perspectives.

### 6.2.1.3.3. Organisational expansion

This theme is related to the organisational growth above, which recognises that organisations from emerging markets are aware of the benefits of global expansion. In turn, this expansion will benefit the home country. The argument is further made that, as some parts of the South African economy have matured, the opportunities now lie in energy transition. Therefore, in the areas that have matured, organisations need to look beyond the borders.

### 6.2.1.3.4. Organisational stability

The previous themes two themes discussed the significance of internationalising for an organisation's survival or stability. However, this theme emphasises the importance of organisational stability before venturing into internationalisation. This resonates with Dunning's (1991) argument that the organisation needs to have a competitive advantage that it can use when internationalising. This advantage provides organisational stability provides the necessary time to enhance competitive advantages such as resources, skills, and technology, which can later be leveraged in the international market. In other words, organisations must first focus on establishing a stable foundation before expanding into the global market.

Financial stability is a crucial aspect of organisational success and growth, as emphasised by both FINSGC and TELGB. A strong balance sheet serves as a foundation for international expansion and sets the stage for prosperous outcomes. Without this stability, attempts at internationalisation become challenging and are likely to fall short of expectations. Therefore, it is imperative for organisations to prioritise financial stability to ensure they are well-positioned for success in the global marketplace.

**Proposition 5:** The level of organisational stability in a home country is closely linked to the extent to which an organisation is internationalised.

### 6.2.1.4.   Does the country's political dynamics influence internationalisation decisions?

Organisations operate within a larger environment that has a significant impact on their stability. Specifically, the environment of their home country can influence their strategy for international expansion. This was highlighted by Cuervo-Cazurra et al. (2018), who noted that organisations must consider their home country's environment when deciding to expand globally. Additionally, Kottaridi et al. (2019) observed that the political dynamics of a country play a major role in an organisation's decision to pursue internationalisation. These factors highlight the intricate relationship between a company's environment and its internationalisation strategy.

Participants' potential plans for internationalisation, which they explained were influenced by the current political situation. Their views align with the findings of Kottaridi et al. (2019) and Cuervo-Cazurra et al. (2018). The participants also mentioned that they

are considering internationalisation as they believe there is a company discount when operating from South Africa. They provided further insight into the reasoning behind this decision, highlighting the current depreciation of the Rand, corruption, and legislative challenges as factors that are fuelling their desire to expand.

**Proposition 6:** The negative reputation of the country, coupled with widespread corruption and poor governance, forces many organisations to internationalise to protect themselves.

### 6.2.1.5.   What can the government do to encourage internationalisation?

China, being an emerging market, relies heavily on the government to provide strong support and guidance to local organisations. The Chinese government plays a crucial role in implementing policies that are favorable to the country's economic growth and development, therefore their 2006 go global policy. By ensuring that these policies are in place, the government provides a conducive environment for businesses to thrive and succeed (Cuervo-Cazurra & Li, 2021; Nuruzzaman et al., 2020).Participants believe that the South African government must take a leading role in encouraging organisations to internationalise , this supports (Cuervo-Cazurra & Li, 2021; Nuruzzaman et al., 2020). The participants from MINGA believe that the government should play a crucial role in creating an enabling environment that fosters the growth and success of businesses. They emphasised that the government should provide the necessary infrastructure, create policies that promote fair competition, and establish a regulatory framework that ensures businesses operate ethically and sustainably.

**Proposition 7:** The involvement of the South African government in the internationalisation process can increase the success of South African organisations in foreign countries.

### 6.2.1.6.   Why is there a slow uptake of internationalisation in South Africa

Regarding the slow adoption of internationalisation, particularly among Black-owned organisations, participants attribute this to the way these companies were initially established. They indicate that these companies were handed over to individuals who needed to gain expertise in building companies from the ground up.

**Proposition 8:** Organisations that were created with the goal of promoting BEE in South Africa tend to show a reluctance to expand internationally, preferring domestic business, where they have a better understanding of local laws, customs, and markets.

## 6.3.    Research Question two

### 6.3.1.1.    Proximity through TMTs

A well-crafted international strategy is crucial for the expansion and growth of any organisation. However, the success of such a strategy does not solely depend on the strategy itself but also on the role played by the top management team. These teams are responsible for ensuring that the strategy is relevant and adaptable to the dynamic and diverse international markets (Hutzschenreuter & Horstkotte, 2013; Ponomareva et al., 2022). They must be proactive in identifying and seizing available opportunities for growth, while also mitigating the risks and challenges that come with internationalisation. With effective leadership and guidance from the top management, an organisation's internationalisation efforts may stay strong. Their "embeddedness" to politics and the state determines the influence of the state in organisations.

#### 6.3.1.1.1.    How do politically connected individuals influence internationalisation?

The participants expressed that the management and Directors within the organisations, while some may hold strong political affiliations, do not exert their influence on the decision-making process in a political manner. This suggests that the decision-making process is free from political bias and is instead based on objective and rational considerations.

**Proposition 9:** The process of developing an organisational strategy in South African organisations is not influenced by political affiliations or proximity of management, but rather is based on a thoughtful and thorough approach by management.

#### 6.3.1.1.2.    How does the black executives see internationalisation?

Academic experts have emphasised the importance of having a comprehensive understanding of internationalisation, along with relevant skills and experience, to increase the likelihood of success (Gupta et al., 2021; Hutzschenreuter & Horstkotte, 2013; Lu, 2021). Although many Black executives recognise the potential of

internationalisation to drive growth, there seems to be a deficit in their knowledge and skillset that could hinder their ability to expand their organisations globally.

**Proposition 10:** Black-owned organisations have limited knowledge and experience in terms of expanding their businesses to international markets.

## 6.4. Additional Findings

### 6.4.1. Country stability

Kottaridi et al. (2019), investigated the correlation between the instability due to uncertainty in policies in a home country, specifically looking at Greece, Italy and Portugal, and the tendency of companies to participate in OFDI. They aimed to explore how these factors influence the decision-making process of firms when choosing to invest in foreign markets, and to what extent they affect the flow of outward foreign direct investment.

When this point was discussed with participants, TELGB and FINSGC held contrasting views on the importance of home country stability for an organisation's internationalisation. The organisation TELGB felt that the stability of the country is important in order for the company to internationalise, therefore the strength of the local currency and the policies that the country chose to make it easy for the country to "Go Global". The organisation FINGC's perspective on internationalisation is that it is primarily influenced by the organisational viewpoint rather than the stability of a country. Meaning that, in their view, the success of internationalisation strategies is more dependent on factors within the organisation rather than external factors related to the country's political or economic stability. The reason for this difference could be attributed to the fact that one of the companies has a global presence, operates in an industry that may have reached saturation, operates branches in various countries and sees stability as important because it impacts on how much it can spend on diversification. In contrast, the other is a smaller enterprise that primarily operates within South Africa and is still in a growth trajectory.

**Proposition 11:** The process of internationalisation for an organisation is significantly affected by its size since larger organisations have more momentum and a broader reach than smaller ones. international partnerships and compete with other players in the global market.

### 6.4.2. Global business ecosystem

South Africa is an integral part of the global economy, and as such, any economic decisions made by the country are influenced by its interactions with other nations. The participants believe that this factor is of utmost importance when devising a strategy for an organisation or when the government is enacting policies. Taking into account the impact of international economics on the local economy is crucial for the success of any business or government entity.

The global business ecosystem can be better explained by employing the Uppsala model, which highlights the significance of networking in acquiring knowledge. In other words, expanding one's business on a global scale involves building reliable connections with other businesses and individuals in the industry to enhance their understanding and expertise (Johanson & Vahlne, 2015). When the state passes a policy, this needs to be taken into consideration, this can be explained by Parente et al. (2019), the authors stated that China implemented the "Go Global" policy to broaden its business ecosystem across the world. During a discussion, participants pointed out that South Africa's inclusion in BRICs serves as evidence that the country operates within an open and inclusive business system.

During the discussion, the participants mentioned an interesting point about South Africa's former president's African Renaissance. They emphasised the significance of the number of organisations that engaged in OFDI to other African countries as concrete evidence of these organisations operating in a global ecosystem, where the state made policies that were driving globalisation, this is better explained by Angulo-Ruiz et al. (2019) as "business ecosystem approach". This suggests that South Africa is willing to engage in international business and collaborate with other countries in the global market.

**Proposition 12:** The principal idea behind internationalisation is that both the state and the organisation are integral parts of a global ecosystem and must adapt and evolve with changing trends and demands.

### 6.4.3. Patriotism of organisations

Many participants hold the belief that certain organisations lack patriotism and resort to internationalisation as a means to subvert the state's authority whenever it enacts legislation that does not align with their interests.

### 6.4.4. Risk mitigation

Organisations face a number of risks that can impact their operations, especially in their home country. These risks can include political instability, economic volatility, and currency depreciation. To mitigate these risks, many organisations opt to expand their operations beyond their borders and internationalise. This not only helps them to diversify their operations but also provides them with access to new markets, customers, and resources. By doing so, organisations can ensure their stability and growth in an increasingly competitive business environment (Kottaridi et al., 2019).

Participants expressed their opinion that a growing number of companies in South Africa are realising the significance of expanding their operations globally. However, this realisation is often a result of the current uncertain environment prevalent in the country. Despite these challenges, many companies are still willing to explore internationalisation as a means to grow and diversify their businesses. This is the same phenomenon that was researched by Kottaridi et al. (2019) in Portugal, Italy and Greece.

### 6.4.5. Risk of an outsider

Johanson and Vahlne (2003) identified the risks that organisations face when expanding internationally and proposed a strategy to address them. Their suggestion is that businesses should first focus on investing in neighbouring countries with similar management or governance structures to their home country. This step allows them to gain a deeper understanding of the local culture, business practices, and regulations before they take on larger investments or acquisitions. By following this approach, organisations can reduce the risks associated with foreignness, such as cultural differences, legal issues, and financial constraints. Moreover, this helps them establish a foothold in the new market and build relationships with local businesses, which can be crucial for their success in the long term.

Participants concur with Johanson and Vahlne (2003) with regard to South African organisations that tried to go beyond the borders, they cite the organisations that went to countries such as Nigeria where they are expected to pay higher taxes or penalised to do so. Some of these organisations expanded offshore only to find that there is high competition in those countries, in this instance, they cite Old Mutual's investment in the United Kingdom.

**Proposition 13:** The reluctance of Black-owned organisations to expand internationally is often due to concerns about being seen as foreigners in a foreign country, and This leads to a lack of engagement with international.

### 6.4.6. Saturation in the current market

One of the factors that force organisations to internationalise is that businesses become competitive in their domestic markets, which can lead to a saturation of opportunities. As a result, organisations are compelled to look beyond their borders and explore the international market for growth and expansion. By expanding internationally, businesses can tap into new markets, access a wider range of customers and suppliers, and benefit from economies of scale (Jafari-Sadeghi et al., 2021). This not only helps organisations to diversify their revenue streams but also allows them to mitigate risks associated with a single market, thereby ensuring long-term sustainability and success. Participants aligned with Jafari-Sadeghi et al. (2021). For example, TELG B1 explained that their organisation went international due to the crowded local market, highlighting the push factor for South African businesses to expand globally. FINSGC2 supported this that organisations are mindful of the maturity of the markets.

### 6.4.7. Self-preservation

When organisations decide to expand their operations internationally, they carefully evaluate numerous factors to ensure that their venture is successful. Among these factors are self-preservation, which involves safeguarding the organisation's interests, risk mitigation to minimise potential hazards and uncertainties, growth, which involves increasing the organisation's market share and profitability, and stability, which entails maintaining a steady course of action. These factors are taken into consideration whether the organisation is seeking to move capital overseas or expand its operations to new markets. (Ibid, p66 & 67).

### 6.4.8. Proximity to the state

The proximity of an organisation to the state can have both positive and negative effects. On one hand, it can facilitate rapid internationalisation by leveraging the resources provided by the state. On the other hand, being in close proximity to the state can also have a negative impact on the organisation, as the state may perceive it as a means to advance its own welfare and engage in rent-seeking activities. This can lead to conflicts

and challenges that the organisation may have to face (Arreola & Bandeira-de-Mello, 2018).

Participants expressed their opinion that the proximity to the state does not pose any hindrance in the process of internationalising an organisation in South Africa. However, they also mentioned that the state does not provide any assistance or support to organisations in their efforts to expand internationally. Despite this, organisations continue to expand due to the favourable conditions in the country, this can be better explained or supported by looking at what scholars have said about the environment that the home country (Angulo-Ruiz et al., 2019; Cuervo-Cazurra et al., 2018; Nuruzzaman et al., 2020; Weng & Peng, 2018).  The environment in which an organisation operates has a significant impact on its internationalisation strategy. Participants drew attention to the positive business environment that was established by the previous president of the country. This environment encouraged companies to invest in other African nations, which contributed to the growth and development of the entire continent.

### 6.4.9.  Networks

The Uppsala model of internationalisation emphasises that an organisation should take a step-by-step approach when expanding to other countries. First, the organisation should consider moving to a nearby country that shares a similar governance system with its home country. This approach allows the organisation to build networks with local businesses and gain a better understanding of the culture and the system before expanding further. By taking these steps, the organisation can mitigate the risks associated with internationalisation and increase its chances of success in the new market (Johanson & Vahlne, 2003).

Participants argued about the difficulties that Black-owned companies face when trying to expand to international markets. They pointed out that most of these companies struggle to establish networks that are necessary to support their internationalisation efforts, both locally and internationally. This makes it hard for them to leverage their networks when the time is right. Moreover, the participants noted that having a good understanding of the systems and processes involved in international trade is key to success. However, due to the historical lack of travel experience among most Black people, they find it challenging to navigate the intricacies of international trade. The Uppsala model of internationalisation is an excellent framework that highlights the

importance of networking as a crucial factor in achieving sustainable internationalisation (Johanson & Vahlne, 2003).

### 6.4.10. Local opportunities

Participants highlighted that certain Black-owned companies have yet to fully embrace the concept of internationalisation due to their inward focus. For such organisations, expanding within their own country is a priority before venturing out into the global market.

### 6.4.11. Liability of foreignness

The Uppsala model of internationalisation suggests that most organisations face the liability of foreignness when expanding into new countries (Johanson & Vahlne, 2015). Therefore, the selection of the country where an organisation targets for expansion is crucial. This phenomenon was observed in the case of South African organisations venturing into Nigeria. The unfamiliar culture and operating business system posed significant challenges for organisations such as Shoprite, Tiger Brands, and FNB. Consequently, these companies were unable to operate successfully in Nigeria due to the liability of foreignness.

### 6.4.12. Home market advantage

Participants highlighted that internationalising an organisation requires a strong, well-established foundation. This foundation can serve as a crucial competitive advantage, helping the company to expand its horizons and explore new opportunities in other countries. To illustrate this point, the participants cited the example of Chinese organisations, which are reputed for their stability and robust financial position. This enables them to take advantage of state support and resources to make international expansion into developing and developed countries more feasible. The emphasis on building a solid foundation highlights the importance of careful planning and preparation before embarking on any global expansion initiatives, as it can mean the difference between success and failure in the competitive world of international business. This assertion is in line with Dunning (1991) that organisations should create a putative advantage before expanding internationally.

**Proposition 14:** The lack of internationalisation in Black-owned organisations is due to the instability of the South African economy.

### 6.4.13. Good corporate citizens

Participants highlighted the current dire state of the country and emphasised the gravity of the situation that the country currently faces, with high unemployment and lack of development. While acknowledging the significance of internationalisation, they stressed the importance of organisations being socially responsible and contributing to the country's development by repatriating their revenue. The example of China was cited, where many Chinese companies operating in foreign countries bring back their profits to ensure the long-term sustainability of their country.

### 6.4.14. Entrepreneurship

Participants expressed their belief that in order for Black-owned organisations to succeed in internationalising, they must be actively involved in the production of goods. The current perception is that B-BBEE is a standalone business model with no consideration for production, which poses a significant challenge to internationalisation. Participants believe that a competitive advantage can be gained by engaging in physical production of goods in countries such as China and India, which have demonstrated their prowess in this area. China, for example, has established a strong industrial material production capability, while India is known for its robust IT industry. The government needs to assist black-owned companies to move away from being parasitic to an entrepreneurship mindset.

**Proposition 15:** The lack of internationalisation in Black-owned organisations emanates from a limited entrepreneurial mindset among black individuals.

### 6.4.15. Government outward looking.

The government's outlook towards the globalisation of domestic organisations plays a critical role in determining the success of such initiatives. Therefore, establishing a robust partnership between organisations and the government is of utmost importance. This was exemplified in China, where the government facilitated a favourable business environment for companies to expand internationally (Angulo-Ruiz et al., 2019). The Chinese government recognised that for the country to thrive, local organisations must be encouraged to venture into international markets and bring back revenue to benefit the country (Parente et al., 2019) . This approach was particularly significant given the

vast population of China, which further emphasised the need for local companies to participate in the global economy.

Participants agreed that the government's view of the business world is crucial in promoting the globalisation of local businesses. One instance of this was cited when the former president championed the African Renaissance, leading to increased involvement of various organisations in OFDI activities, not only in Africa but also beyond the continent. As one participant pointed out, not all the organisations that participated in OFDI were successful, but some did get successful, MTN being one example.

**Proposition 16:** For South African organisations to internationalise, it is essential for the government to take the lead and provide necessary guidance and support.

### 6.4.15. The OFDI decision

The cooperation between the government and businesses in certain Asian countries has been identified as a key factor in their success in Internationalisation. Specifically, the government provides clear policies to guide businesses through the process, resulting in successful expansion into foreign markets. This collaborative approach has been well-documented and serves as a model for other countries looking to achieve similar success in international business (Angulo-Ruiz et al., 2019; Parente et al., 2019).

According to the participants, the involvement of the government in the decision of an organisation to participate in OFDI was viewed differently based on their proximity to the government. The organisation with less proximity claimed that the decision was purely a business one, with no interference from the government. On the other hand, organisations with a high level of proximity stated that the government tried to interfere with their decision to participate in OFDI. However, the government did not help, but rather questioned the reason behind the company's participation. This phenomenon has been better explained by Arreola and Bandeira-de-Mello (2018), who suggested that state ownership can hinder progress due to inward-looking practices, this is supported by Sawant et al. (2021), noting that BEE may be a system that is more inward-looking. Additionally, the participants noted that such interference was often conducted through individuals who were closer to the governing party, such as the chairman of the board or the CEO of the company (Sharma et al., 2020).

### 6.4.16. Support through DIRCO

According to the participants, the government's assistance to organisations during internationalisation processes is limited to the provision of support through their consulates in the target countries. The participants did not find on-site assistance necessary for the success of their internationalisation efforts.

### 6.4.17. Internationalisation with government support

All participants considered state support to be crucial and emphasised the need for it in the context of the internationalisation of South African organisations. Similar to China, the state should incentivise institutions that want to go international, while being aware that some organisations may want to relocate their headquarters outside the country. Therefore, measures should be put in place to ensure that organisations that receive state support to expand internationally remain in the country (Angulo-Ruiz et al., 2019).

In the realm of emerging markets, it has been suggested by scholars that the state plays a crucial role in aiding organisations to expand their reach on an international level. As a result, the interdependence between the state and organisations operating in these markets is of significant importance (Deng et al., 2018; Nuruzzaman et al., 2020; Wang et al., 2019). This idea is further supported by the proximity literature which emphasises the geographical, cultural, and economic factors that play a role in shaping the relationship between the state and organisations.

### 6.4.18. Knowledge, education, and skills

Participants believe that networking and internationalisation can provide opportunities to acquire necessary skills to run multinational organisations. For instance, China's government encourages organisations to participate in OFDI in developed countries, enabling them to access western resources and improve employment prospects for their people. According to Jafari-Sadeghi et al. (2021) and Nuruzzaman et al. (2020), internationalisation can provide organisations with access to knowledge and cutting-edge technology, helping them remain competitive and thrive in their respective industrieThe second factor highlighted by participants is that the government created BEE to ensure that it is utilised for educating Black people on business and equipping them to run their establishments. However, this has become an operational business model where Black people expect to gain ownership in existing organisations without creating any industries, making it difficult to internationalise the model.

In order to successfully expand a business internationally, it is essential to have individuals with the skills to effectively manage a global organisation. For instance, individuals who have a strong business background and are familiar with the demands of entrepreneurship are well-suited for international expansion, an example was given of Neal Froneman, who started at the bottom level and gained a deep understanding of the intricacies of the business he runs, enabling him to globalise it. They possess the necessary knowledge and experience to navigate the complexities of global markets and effectively manage a company's operations across borders. Therefore, having such individuals on board can increase a company's chances of success in the international arena.

**Proposition 17:** The lack of international management skills, exposure, and experience hinders black-owned organisations in South Africa from internationalising.

### 6.4.19. State legislation and policies

The participants believe that the government should have a role in business, but its responsibilities should be limited to creating legislation that enables organisations to expand and support small businesses to grow and reach international markets. They also argue that it is challenging to establish a solid foundation due to the strict legislation in South Africa that hinders stability. In 2006, the Chinese government implemented the "Go Global" policy, which granted permission for organisations to expand their reach worldwide (Parente et al., 2019). This move was not in line with the country's communist ideology; however, the government came to realise that to grow the Chinese economy to cater for the large population, it should facilitate global growth and development of Chinese organisations.

### 6.4.20. Challenges encountered by SMEs and EMNEs

Participants highlighted the culture of rent-seeking by both the government and the members of the ruling party. Attempts to gain strategic control in the organisations even though one of the organisations is the listed entity. This is due to the state effectively owning more than 50% of the organisation. This confirms the views highlighted by certain scholars that proximity to the state and politicians or state ownership might impede internationalisation due to susceptibility to local pressures for "Public Good." Such pressures may result in rent-seeking, which can be detrimental to the overall

growth of the enterprise (Arreola & Bandeira-de-Mello, 2018; Schüler-Zhou & Schüller, 2009).

**CHAPTER 7 :CONCLUSION AND RECOMMENDATION**

## 7.1. Introduction

This Chapter presents the conclusion of the study, which is drawn from the analysis in Chapter six. The primary objective of this study was to investigate the impact of proximity to the state and its institutions on the internationalisation process of Black-owned organisations. The study focused on organisations operating in South Africa. These organisations were selected based on the levels of proximity, ranging from low to high. The selected organisations included those from financial services, telecommunications, and mining resources sectors and only the individuals with executive power were interviewed for this research.

## 7.2. Summary of findings

The focus of this research was to address the research problem outlined in Chapter one. The Chapter is structured around the five themes that emerged from the findings in Chapter five and were further elaborated in analysis Chapter six. This Chapter will also discuss the implications that arise from the findings for both the corporate world and the academic community. Additionally, it will offer a thorough analysis of the potential areas for further study, thereby providing a comprehensive understanding of the subject matter.

## 7.3. Research Question One

### 7.3.1. Proximity by ownership

#### 7.3.1.1. Current and plan of internationalisation

A multitude of factors shapes the decision of South African companies to expand their global operations, and the influence of proximity to the state depends on various contextual and industry-specific elements. While research, including the study by Arreola & Bandeira-de-Mello (2018), indicates that proximity to the state in emerging markets can be advantageous by providing access to crucial resources and stabilising internationalisation, a nuanced perspective is necessary. The extent to which state proximity impacts internationalisation efforts is influenced by industry dynamics, the regulatory environment, political stability, and firm-specific strategies. Understanding this complexity requires an in-depth analysis of South African companies' motivations, their relationship with the government and their experiences in global expansion within diverse emerging markets.

### 7.3.1.2.  State role in internationalisation strategy

Businesses in South Africa are not influenced or directed by the state in their strategic planning. There are two main reasons for this. Firstly, organisations that are in close proximity to the state can sometimes enjoy certain benefits. However, unlike in China (Angulo-Ruiz et al., 2019; Parente et al., 2019), where the state has its own internationalisation strategy that affects the strategies of private businesses in the same field, there is no such arrangement in South Africa. Secondly, there needs to be more trust between the government and businesses, which creates a divide where anything done by the state is scrutinised, and the government is also distrustful of businesses, leading to misalignment.

### 7.3.1.3.  Shareholders' perspective on internationalisation (Capital flight or expansion)

Participants highlighted that regarding shareholder's perspectives on internationalisation, there are two viewpoints: "escape" and "expansion." The "escape" perspective, supported by Kottaridi et al. (2019), suggests that organisations may pursue OFDIs in politically stable regions to mitigate economic instability. In contrast, the "expansion" perspective, as viewed by Nuruzzaman et al. (2020), sees internationalisation as a way for organisations to acquire knowledge and technology, as well as diversify their revenue sources. In summary, the internationalisation strategies of EMNEs can vary, with some companies using internationalisation as a form of risk mitigation and wealth preservation. In contrast, others see it as a growth and knowledge acquisition opportunity. These strategies are influenced by factors like currency stability, political conditions, and the desire to access new markets and technologies.

### 7.3.1.4.  Does the country's political dynamics influence internationalisation decisions?

The environment of an organisation's home country significantly shapes its international expansion strategy. Cuervo-Cazurra et al. (2018) emphasised the importance of the organisation's home country's environment when expanding globally, whereas Kottaridi et al. (2019) highlighted the influence of political dynamics on internationalisation decisions. Participants' potential internationalisation plans were conspicuously influenced by the current political situation, aligning with the findings of scholars such as Kottaridi et al. (2019). Participants mentioned that they consider internationalisation due

to a perceived country discount when operating from South Africa. This decision is driven by factors like the depreciation of the Rand, corruption issues, and legislative challenges, which are motivating their desire to expand internationally. The relationship between a company's environment and its internationalisation strategy is thus underscored, as the organisation's external context plays a crucial role in shaping its expansion decisions.

### 7.3.1.5. What can the government do to encourage internationalisation?

Participants believe that the government should take a leading role in promoting internationalisation, aligning with the findings of Cuervo-Cazurra & Li (2021) and Nuruzzaman et al. (2020). These participants, particularly from MINGA, stress the importance of the government in creating an environment conducive to business growth and success. They emphasise that the government should provide necessary infrastructure, develop policies that encourage fair competition, and establish regulatory frameworks to ensure ethical and sustainable business operations. This highlights the perceived significance of government involvement in facilitating the internationalisation and overall success of businesses in South Africa, akin to the role played by the Chinese government in supporting their local organisations (Cuervo-Cazurra & Li, 2021; Nuruzzaman et al., 2020).

### 7.3.1.6. Why is there a slow uptake of internationalisation in South Africa

The slow adoption of internationalisation, especially among Black-owned organisations, can be attributed to their historical establishment processes. These companies were often handed over to individuals who needed to develop expertise in building and scaling businesses from the ground up. This unique founding context has resulted in a slow approach to internationalisation as these organisations work towards building the necessary capabilities for global expansion.

## 7.4. Research Question two

### 7.4.1. Proximity through TMTs

### 7.4.1.1. How do politically connected individuals influence internationalisation?

The participants indicated that despite some management and directors having political affiliations, their influence on the decision-making process is not politically driven. This suggests that the decision-making within the organisations is characterised by objectivity and rational considerations rather than political bias.

### 7.4.1.2. How does the Black executives see internationalisation?

Gupta et al. (2021), Hutzschenreuter & Horstkotte (2013), and Lu (2021), have stressed the significance of possessing a comprehensive understanding of internationalisation, as well as relevant skills and experience, to enhance the chances of success in global expansion efforts. However, a notable observation is that while many Black Executives acknowledge the potential of internationalisation as a growth driver for their organisations, there appears to be a knowledge and skillset gap that could potentially impede their ability to effectively expand their businesses globally.

## 7.5. Additional Findings

### 7.5.1. Country stability

The research emphasises that stability in an organisation's home country significantly enhances its ability to operate effectively in foreign markets. A stable home country environment provides the necessary foundation for organisations to plan, invest, and succeed in international expansion. In contrast, organisations facing instability at home may resort to "escape OFDI" to protect their interests and ensure business continuity. These findings emphasise the complex link between a company's domestic environment and its internationalisation journey, reinforcing the importance of a stable home base for global success.

### 7.5.2. Global business ecosystem

The research on the global business ecosystem and networking of South African Black-owned organisations aligns with the findings of Johanson and Vahlne (2003). Similarly, when it comes to a country operating within the same ecosystem and implementing policies that promote internationalisation, the research is consistent with study by Angulo-Ruiz et al., (2019).

### 7.5.2.1. Networks, knowledge, education, and skills

The success of an organisation's internationalisation process depends on the expertise and skills of its management team, particularly in areas such as effective networking, deep knowledge of international business, and refined skills in this field. The organisations created through the B-BBEE legislation seem to be lacking in certain key characteristics, which are necessary for their growth and success. The research findings

are consistent with existing literature, as exemplified by Cuervo-Cazurra & Li (2021), Jafari-Sadeghi et al. (2021), Johanson & Vahlne (2015), and Nuruzzaman et al. (2020). The research findings suggest that the proficiency of managers is a pivotal factor for the successful expansion of businesses into international markets. The studies emphasise the importance of having skilled and knowledgeable managers who possess the ability to navigate the complex landscape of global business operations and make strategic decisions that lead to positive outcomes.

## 7.6.    Research contribution

Emerging markets are an important area of research when it comes to the challenges faced by organisations. However, the focus of such research has been relatively narrow, with most attention given to Asian economies like China, India, and Russia. Little attention has been given to South Africa's internationalisation process despite the country's unique history and challenges. One of the critical factors that have impacted South Africa's development is the transaction that occurred in the 1990s. This transaction brought previously disenfranchised people into the mainstream economy through legislation. However, most of the beneficiaries were politicians or individuals with high proximity to the ruling party. It is worth investigating the impact of this transaction on the internationalisation process in South Africa.

Another factor that makes studying South Africa's internationalisation process unique is the country's heterogeneous population, divided into different ethnic groups. This diversity makes it more challenging to study the country's internationalisation process compared to the homogenous populations of other countries typically studied. Despite these challenges, it is essential to understand how South Africa's unique history and diverse population shape its internationalisation process. The research aimed to investigate and analyse the role of senior leaders in organisations and how they curve strategy based on their proximity to the government, the ruling party, and developmental institutions that are either affiliated with or part of the state. In addition, focusing on the heterogeneity that drives the country, the study aimed to shed light on the diverse factors that impact the country's economy. The study also aimed to identify the effects of the transition of the economy and how it influences the decision-making process of senior leaders on internationalisation.

## 7.7.  Recommendation

### 7.7.1.  Implication for organisation

In the mid-90s, South Africa witnessed a major shift in its business landscape. The country passed a law called BEE with the aim of bringing previously marginalised people into the mainstream economy (RSA, 2003). However, the implementation of this law was not without its challenges. Most of the beneficiaries of this legislation were politically connected individuals who lacked the necessary business skills and experience to effectively manage the businesses they were acquiring. The prevailing situation resulted in a scenario where the numerous opportunities for economic empowerment remained unfulfilled, and the potential benefits to society were left untapped in two significant ways (Patel & Graham, 2012). Firstly, the companies never experienced enough growth to create employment opportunities, and secondly, the newly established organisations were limited to the domestic market and never ventured beyond the country's borders for expansion.

Despite the organisation's proximity to the state and ruling party, which was created by BEE, it did not receive significant support from the government, or encouragement to internationalise. This lack of support may have been due to various factors, such as conflicting interests or competing priorities (Sawant et al., 2021) . To improve the economic situation and reduce unemployment in South Africa, it is imperative for this organisation to prioritise growth and look outside the country for growth and lobby for government support to assist in growing the organisation internationally (Deng et al., 2018). By doing so, the organisation can unlock new opportunities for the country, attract foreign investment, and create jobs for citizens. This will lead to a more prosperous future for South Africa and its people, as it has been seen in China.

### 7.7.2.  Recommendation for organisations

a) Some organisations in South Africa, particularly those that are in close proximity to the state, and some are black-owned, face a challenge tending to operate within the confines of their borders. They need to learn how to effectively use their proximity to the state to expand internationally. By doing so, they can grow their businesses and reach new markets outside of South Africa.

b) The organisations that were established because of the implementation of BEE had individuals in management or ownership positions who had little to no experience or

knowledge of how businesses operate. Many of these individuals were primarily politicians. As pointed out by participants, businesses have undergone significant changes and advancements, and it is essential for individuals to upskill themselves by creating networks, including expanding their reach internationally.

### 7.7.3. Imperception for the state

After the advent of democracy, the new government embarked on a drive to bring previously disenfranchised people into the mainstream economy. However, more importantly, the ruling party aimed to create a black elite that would support them. As Southall, (2004) summarised, "The ANC adopted the BEE policy to provide a relatively market-friendly means of redistributing wealth and gradually deracialising control of the private sector. They envisaged the formation of a patriotic Black capitalist class who would align the industry with the government at the economy's commanding heights, around a progressive developmental agenda" (p. 313). In 2006, China initiated the "Go Global" policy to support its organisations in acquiring technology and skills beyond its borders, leading to a significant boost in employment opportunities and the country's economy (Parente et al., 2019). This was not the case for South Africa, they did not adopt a similar approach, which resulted in a slower growth rate for the country's economy.

### 7.7.4. Recommendation for state

a) The country stands at a crossroads and must make a crucial decision on the path it wants to take. As a member of BRICs, it has the potential to become a dominant force in the African economy. To achieve this goal, it needs to focus on developing its business and economy, through support to business that want to internationalise, it cannot afford to pursue two different approaches simultaneously. The country must make a deliberate choice and devote its full resources to nurturing its chosen path to fruition. Ultimately, this decision will shape the country's future and determine its place in the world.

b) The state-business relationship is a crucial factor for economic development and internationalisation. There may be growing concern by the state that allowing organisations to internationalise their operations might be detrimental to the country's economy. They fear that this could lead them to move their capital out of the country. This, in turn, can further weaken the trust between the two parties. Therefore, the state needs to take measures that will not only build trust but also encourage

businesses to invest both domestically and globally. By doing so, the state can create a favorable environment that will enable businesses to thrive, which will ultimately benefit the country's economy and its people.

## 7.8. Limitations

The section discusses the limitations in addition to those that were discussed in Chapter four of this research.

a) The aim of the research was to investigate the role of proximity of South African organisations to the government and its institutions in affecting their internationalisation process. The study was conducted on a sample of organisations from the mining resources, telecommunications, and financial services sectors in South Africa. While the findings shed light on the sectors, it is important to note that the results may not be applicable to other sectors of the economy that were not included in this research.

b) The purpose of selecting a heterogeneous sample was not to achieve saturation. As the sample contained diverse characteristics, the findings derived from the research cannot be applied to the entire population and are limited to the specific sample studied.

## 7.9. Suggestions for future research

Although there has been significant research on the internationalisation of emerging economies and the role of government literature, there is limited research on the impact of political paradigms on South African organisations' behaviour and the effect of policies such as BEE. It is important to note, although most of the research focuses on China, that China is a homogeneous country with a one-party role that makes it "easy" for it to enforce or make decisions on certain policies. To enhance our understanding of the impact of transition and policies, future research should focus on these areas.

a) Future research can investigate how BEE  Act has created an economic model that is too narrow-minded, failing to take advantage of opportunities for growth beyond the country's borders, therefore limiting the potential for economic development, which could have otherwise been achieved through a more globally oriented strategy.

b) For South African organisations seeking to expand their operations internationally, it is important to understand the impact of management skills on their internationalisation efforts. Specifically, effective management skills, such as cross-cultural communication, strategic planning, and adaptability, are critical for successful expansion into international markets. Without these skills, organisations may struggle to navigate the unique challenges posed by global markets, such as language barriers, cultural differences, and varying legal and regulatory environments. Therefore, how can transformation in South African organisations develop and leverage these management skills to successfully internationalise and compete in the global marketplace.

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