



GORDON INSTITUTE  
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## **Institutional reforms: a catalyst for liabilities of foreignness in emerging markets**

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in partial fulfilment of the requirements for the degree of Master of Business Administration

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## Abstract

This research was motivated by the desire to understand how regulatory reforms affect the task environment in an emerging market. Regulatory reforms in emerging markets have been used amongst others to correct market failures, increase competition or grow economic sectors. However, on occasion unintended consequences arise from these interventions leading to “liabilities of foreignness” for some of the entities operating in the institutional environment. To this end, this study aimed to establish if these effects were prevalent in the South African mining environment by studying two cases of companies operating in the sector, represented by a foreign and a domestic entity.

An exploratory qualitative research design was followed since the researcher was unsure whether the phenomena being observed constituted LOFs or not. A literature study was conducted in order to define the construct of liabilities of foreignness and its impact on the task environment. Therefore the objective of the study was to;

Establish the effect of institutional reforms in facilitating the development of LOFs in emerging markets.

The research did show the regulatory reforms to alter the business environment somewhat, therefore leading to LOFs in the task environment. However, no entities appeared to be benefiting from the current regulatory reforms, as suggested by the literature. This is possibly due to organisational learning or the efficacy of the individual entities in applying coping strategies to mitigate against LOFs in the institutional context.

*Key words: Liability of foreignness, institutional distance, institutional theory*

## Declaration

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

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Thapelo Mokwena

.....

Date

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## **1 Chapter 1: Problem definition**

### **1.1 Introduction**

Emerging markets are known for their above average growth rates as well as their underdeveloped institutional structures (Peng, Sun, Pinkham, & Chen, 2009). A shared characteristic of most emerging markets is that their industrial and institutional environments are in a transitional phase (Luo, Shenkar, & Nyaw, 2002). Luo *et al* (2002), argue that this transitional phase presents enormous opportunities to investors while creating numerous challenges and uncertainties in the business environment. To this end, transitional environments are known to suffer from high “liabilities of foreignness” (Zaheer, 1995, p.342). These liabilities are caused by uncertainties in the industrial environment which tend to be structural, resulting in challenges in the institutional environments which typically are unpredictable (Luo *et al*, 2002).

The South African Department of Mineral Resources (DMR), previously known as the DME (Department of Minerals and Energy) enacted the Mine Health and Safety Act no. 29 in 1996 (MHSA), with the aim of improving the health and safety of employees and other persons working in mines (SA Mine Health and Safety Act 29, 1996). Subsequent to the MHSA, the DMR introduced the Mineral and Petroleum Resources Development Act no. 28 in 2002 (MPRDA). One of the key tenets of the MPRDA is to ensure that the nation’s minerals and petroleum resources are developed in an orderly and ecological manner whilst promoting justifiable social and economic development (SA Mineral and Petroleum Resource Development Act 28, 2002, p.18). Since the introduction of these regulatory reforms the dynamics in the mining industry has changed somewhat. Hence, it could be inferred that the introduction of these regulatory reforms, has altered the mining business environment. Consequently, this research aims to investigate if changes in institutional reforms do intensify the liabilities of foreignness (LOF) on foreign companies operating in the South African mining sector.

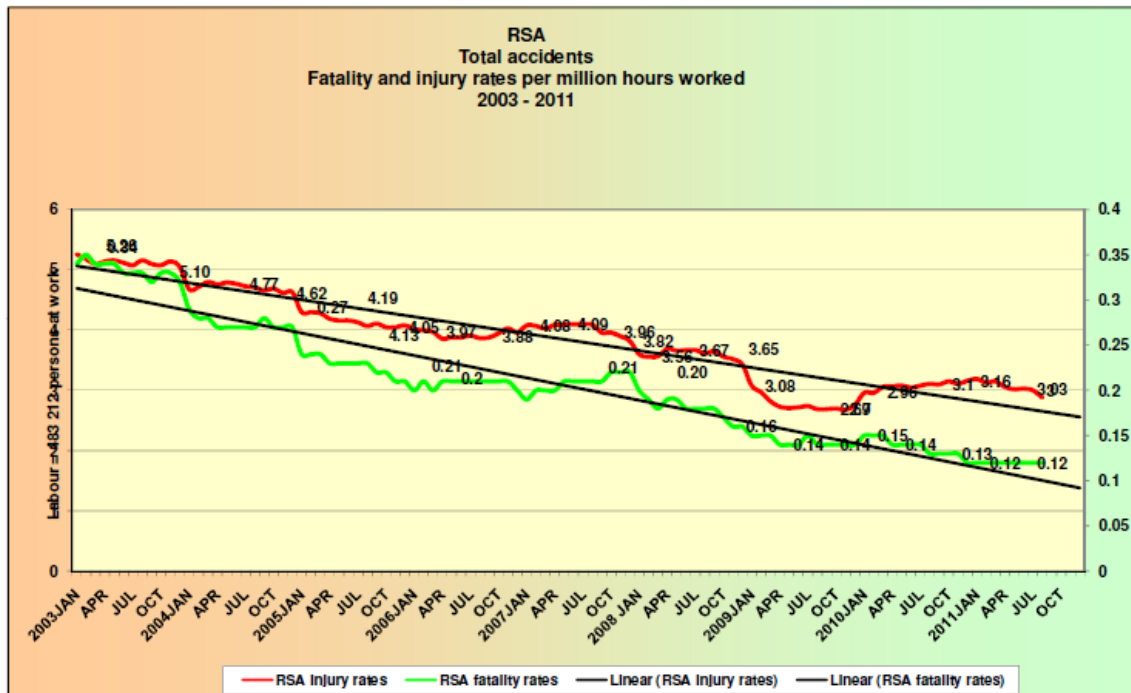
### **1.2 Research Scope**

The mining sector is one of the key economic sectors in the Republic of South Africa (RSA). To this end, the management and effective operation of the sector is of paramount importance to the South African government. As at the end of March 2012, the mining sector employed 522,000 individuals, equating to 6.2% of the total employed population in the RSA (Statistics South Africa, 2012). The collective contribution of the sector to the RSA’s gross

domestic product (GDP) for the year ending December 2011 was 5.4% (Statistics South Africa, 2012).

The mining industry as a whole has been characterised by high incidence rates of fatalities and injury to personnel. Figure 1.1 presents the prevalence rates of fatalities and injuries per million hours worked in the sector for the period 2003 to 2011.

Figure 1.1: Fatality and injury rates per million hours worked (2003-2011)

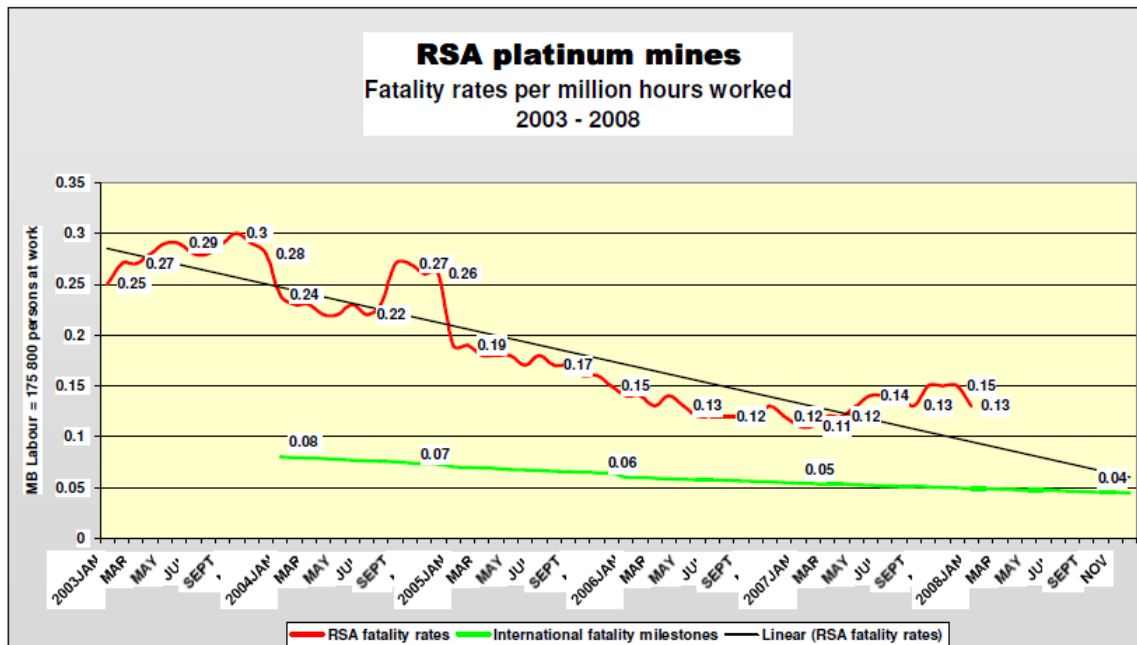


Source: *dmr.gov.za – Total accidents 2003-2011*

Figure 1.1 indicates a significant decline in the accident rate, which the DMR acknowledges, however when compared with international norms (see figure 1.2) the DMR asserts that the rate is still high.

A separate look at the platinum mining sector as presented in figure 1.2 supports the DMR's views on the rate of fatalities. Notably, the international fatality rates range between 0.04 and 0.08 per million hours worked, whereas the RSA platinum mines fatality rates range between 0.11 and 0.24 per million hours worked for the same period.

Figure 1.2: Fatalities in the Platinum sector for the period 2003-2008



Source: [dmr.gov.za](http://dmr.gov.za)- annual statistics 2007-2008

The platinum mining sector was purposively chosen as the research setting mainly because it is one of the sectors grossly affected by the enforcement of the MHSA by the Mine health and Safety Inspectorate (MHSI) of the DMR.

### 1.3 Research Motivation

The rationale behind this research was driven by the desire to gain an understanding of how regulatory reforms impact the business environment in emerging markets. The analytical setting will be the South African mining sector, with the research focusing primarily on the platinum mining sector.

Platinum mining is a capital intensive industry, and employs a large number of labourers after Gold mining, thus these two sectors combined constitute the largest employer in the South African mining sector (Statistics South Africa, 2012). To this end, this industry is viewed as strategic by the South African government (SA Mineral and Petroleum Resource Development Act 28, 2002).

The Republic of South Africa is endowed with some of the world’s richest Platinum Group Metals (PGM) deposits. The famous Bushveld Igneous Complex (BIC) which covers three provinces, namely the Northwest, Limpopo and Mpumalanga is known to host over half of

the world's platinum, chromium, vanadium and refractory minerals (Creamer Media, 2008). Thus, the RSA is the largest exporter of PGMs in the world (Creamer Media, 2008).

The South African mining industry is notorious for all the wrong reasons, such as large scale environmental pollution, with the gold dumps in the Gauteng and Northwest provinces standing as stark reminders. The acid mine drainage that plagues the Rand area is another major environmental aftermath of poor management of mining activity in South Africa (DWAF, 2010). To add to this, the accident and ill-health record of the mining sector compares poorly to that of other sectors of the economy, leading to mining's reputation as the most hazardous industrial sector (Hermanus, 2007).

As a result, organised labour has been advocating for more stringent regulations to curb this trend in the sector. Hence, the promulgation of the Mine Health and Safety Act no. 29 of 1996 and the Mineral and Petroleum Resource Development Act no. 28 of 2002.

### **1.3.1 Current reforms in the sector**

The Mine Health and Safety Act no. 29 of 1996 was enacted to provide for protection of the health and safety of employees and other persons working at the mines (SA Mine Health and Safety Act 29, 1996). Some of the key tenets of the Act include;

- promoting the culture of health and safety,
- to provide for the enforcement of health and safety measures,
- to provide for effective monitoring systems and inspections, investigations and inquiries to improve health and safety.

According to the DMR, the initial approach in enforcing the Act entailed the issuing of administrative orders to mines to impose compliance with the provisions of the MHSA. These interventions however did not translate into compliance from the sector. This led to the DMR taking a stern stance in 2004 on the enforcement of the MHSA in an effort to reduce the number of fatalities and injuries experienced in the mining sector. These enforcements are conducted under the provisions set out in section 54 of the Act, which empowers the MHSI to halt or suspend any operations deemed to be in contravention of the MHSA. Furthermore, section 55 of the Act empowers the MHSI to issue instructions to force mines found to be in contravention with the MHSA to comply or face temporary closures, (SA Mine Health and Safety Act 29, 1996).

To this end, mining companies have been hit hard by section 54 closures, with some mines reporting over 24 temporary closures per annum, this equates to an average of two closures

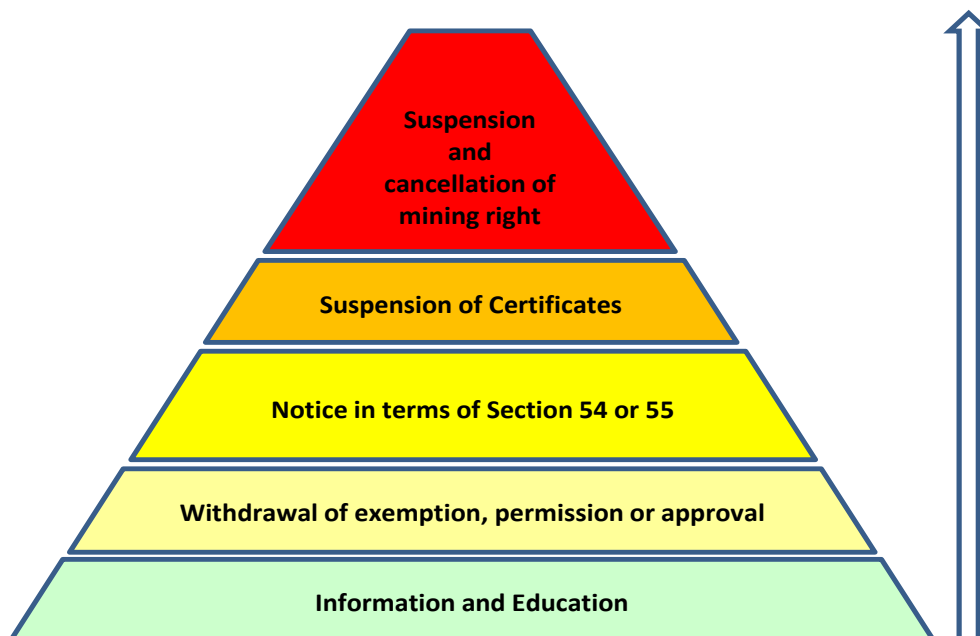
per month (Lonmin, 2011). Such extreme cases could drive a small mining operation out of business if not managed correctly.

The DMR asserts that the aim of applying sections 54 and 55 of the MHS Act is not to drive companies out of business, rather to enforce compliance to the prescribed mine health and safety regulations (DMR, 2011). Therefore, reducing the high incidence of fatalities and injuries experienced in the mining sector.

The DMR argues that fatalities that occur at mines could be averted in most instances if mines would simply adhere to the prescribed safety standards. However, some mines choose to ignore these standards. In extreme cases, failure to observe safety standards has in the recent past led to fatal injuries, which automatically trigger a mine closure to allow the DMR to conduct investigations. Furthermore, the fatality induced closures tend to last longer than the typical temporary section 54 closures. Therefore, from the DMRs point of view, mining companies should view adherence to the MHS Act as both an economic and a social imperative (SA Mineral and Petroleum Resource Development Act 28, 2002).

The DMR employs what they refer to as the graduated range of options or the enforcement pyramid in ensuring compliance to the MHS Act, this pyramid is supposedly familiar to the mining industry. An overview of the pyramid is presented in figure 1.3 below.

Figure 1.3: The DMRs enforcement pyramid guideline



Source: Adapted from the DMR MHSI enforcement guidelines

The DMR has adopted a five tier model to guide the MHSI in ensuring compliance to the MHSA. To this end, the regulator believes over the years it has invested a lot of effort in the bottom two tiers of the pyramid, therefore by now mining companies should know what the minimum requirements are.

Mining companies however have expressed concern over the rise in the issuance of section 54 closures, with some mining companies citing that the DMRs stern application of the regulation was slowing down production. The Platinum 2012 report estimates losses attributable to the section 54 stoppages at the three major platinum producers in South Africa to be in the region of 167 000 Oz of platinum for the 2011 financial year (Johnson Matthey, 2012).

### **1.3.2 Academic relevance of the research**

This research aims to build on work done by Insch & Miller (2005) and Kostova & Zaheer (1999), who argue that not only could foreignness be a liability but it could also be a benefit in some instances. The clarification of the impact the regulatory reforms have on the institutional context might be useful to law makers, whose intentions are well founded. However, at times result in unintended consequences such as limiting or restricting business development in emerging markets.

Furthermore, the research aims to contribute new insights to institutional theory in emerging markets.

## **2 Chapter 2: Theory and literature review**

### **2.1 Introduction**

The theory reviewed in this section defines and describes the construct of “liability of foreignness” (Zaheer, 1995, p.342) as well as an analysis of its effects on foreign owned companies relative to local companies. The research question that has been identified supposes that institutions are primary actors in shaping institutional environments in modern societies (Scott, 1987). Therefore, they could significantly alter the institutional context leading to an increase in LOFs for foreign entities in the host environment. To this end, an institutional perspective of the organisation will be used to explore if regulatory reforms in a host country do exacerbate LOFs for foreign owned companies/ subsidiaries operating in an emerging market.

### **2.2 Emerging markets**

Developing markets have been the focus of academic research in recent years with the focus mainly on entry strategies or how multinational corporations (MNC) respond to institutional hazards in these markets (Feinberg & Gupta, 2009). Although advanced economy MNCs are cognisant of the risks associated with developing markets, considerations such as rapid economic growth and lower factor costs are driving MNCs and foreign companies to significantly increase foreign direct investment (FDI) into high risk countries (Feinberg & Gupta, 2009).

Emerging markets such as Brazil, China, India and others have become important contributors to today’s global economy. According to Dhanaraj & Khanna (2011), the combined output of the emerging world accounted for 38% of the world GDP in 2010. Since 1985, FDI into developing countries has grown at a compounded annual rate of 15%, well above the growth rate of the GDP in these economies (Feinberg & Gupta, 2009).

As appealing as these markets are they come with challenges of their own, most conspicuously the difficult institutional environments (Cuervo-Cazurra & Genc, 2008). The growth opportunities attract investors, but the lack of transparency coupled with the ambiguity and uncertainty pervasive in these markets deter them (Dhanaraj & Khanna, 2011).

Therefore, the challenges and the unpredictability of the institutional context in emerging markets make them an ideal setting for this study.

### 2.3 Definition and Relevance of LOFs

The construct of LOFs is largely credited to phenomena first described in the work of Hymer on industrial organisation theory (Barnard, 2010; Elango, 2009; Mezias, 2002a; Zaheer, 1995). Although the construct of LOFs has been a subject of interest in academia for a while, it is worth exploring the various definitions from some of the leading scholars.

Zaheer (1995) broadly defines the liabilities of foreignness as all additional costs a firm operating in overseas markets incurs that a local firm would not incur. Furthermore she posits four aspects that could trigger LOFs namely;

- Cost directly associated with spatial distance (e.g. transportation costs and cultural distance),
- Firm specific costs, based on the unfamiliarity of the firm with the local environment,
- Cost resulting from host country environment (e.g. lack of organisational legitimacy and economic nationalism),
- And costs resulting from the home country environment.

Similarly Luo, Shenkar, & Nyaw (2002) expand on Zaheer (1995) definition by arguing that LOFs are extra costs incurred by a company once it enters a foreign market, which a domestic firm would not incur, on account of investing, operating and managing in the foreign countries task and institutional environment.

Mezias (2002a), also expands on Zaheer (1995) definition by arguing that LOFs are costs only foreign firms incur when operating abroad, costs foreign firms incur disproportionately to domestic firms, and benefits denied to foreign firms that are enjoyed exclusively by domestic firms.

In addition, Mezias (2002a) posits two potential causes of LOFs, the first source are costs that are not exclusive to foreign firms alone, he provides an example of a study he conducted on labour lawsuits in the United States (Mezias, 2002b). The second potential source or trigger being the advantages enjoyed by domestic firms that are not available to foreign firms. To this end, he argues that in establishing the presence of LOFs, the analysis should be more than just the costs incurred.

Inch & Miller (2005), offer a contrarian view and argue that there are positive and negative consequences that could be connected with the perception of foreignness in an institutional environment. On the positive side foreignness could improve a foreign companies products



stature, leading to benefits or opportunities as found in studies conducted by (Insch & Miller, 2005; Kostova & Zaheer, 1999).

Insch & Miller (2005) study, surveyed industrial buyers in the United States (US) and Mexico, and found Mexican buyers to have an affinity for foreign products as opposed to products designed locally or from culturally similar countries. Insch & Miller (2005), provide a rather elaborate example about the benefits of foreignness using a depiction of how German cars and French wine enjoy favourable country stereotypes in different institutional environments where these products are sold, despite being of foreign origin.

Kostova & Zaheer (1999), argue that benefits for foreign entities in the task environment, typically arise in situations where local firms have lost their legitimacy because of an economic, political or social cataclysm. They argue that the resulting public awareness of local firms misdeeds – whether it be links with organised crime or charges of nepotism and corruption serves to legitimate non local firms (Kostova & Zaheer, 1999, p.75).

In addition, they postulate the concept of legitimacy spillovers which they describe as a process which the institutional environment would use to judge the legitimacy of a particular organisational unit, by referring to the legitimacy of other organisational units that are similar to the focal unit, since they belong to the same cognitive category (Kostova & Zaheer, 1999). This spillovers could either be positive or negative, with the latter hurting legitimacy and being strong in its effect, whilst the former contributes to legitimacy albeit weaker than the former in its effect. To this end, it can be expected that organisations that suffer from negative legitimacy spillovers would take longer to restore their credibility in the institutional environment.

The negative effects of foreignness leads to LOFs, these are varied and could include but not limited to an increase in the cost of doing business, a reduction in profits, legitimacy problems, and in extreme cases organisational failures. These effects are highlighted in studies conducted by various scholars (Mezias, 2002b; Zaheer, 1995). Mezias (2002b) study showed labour lawsuits in the U.S to affect foreign subsidiaries disproportionately more than domestic companies. Zaheer (1995) reported similar findings, in her study she compared the performance of foreign currency trading rooms in Tokyo and New York, and found reduced profitability for Japanese trading rooms in New York.

It is thus clear that LOFs do exist in different institutional environments, even though they differ considerably from one institutional context to the other.

### **2.3.1 Identifying LOFs in an institutional setting**

Mezias (2002a) recommends assessing only disadvantages when identifying LOFs in an institutional setting. He argues that a foreign firm or subsidiary performance can be influenced by both LOFs and firm specific attributes/assets. To this end, he recommends methods that avoid aggregation of performance measures, as these have a tendency to include both effects. Furthermore, he provides a list of four challenges he considers important when identifying or establishing LOFs in an institutional setting, namely;

- The need to control for other liabilities unrelated to foreignness
- Matching foreign and domestic firms for comparison
- Not allowing different managerial approaches to be mistaken for LOFs
- As well as addressing locational issues within host countries

#### ***2.3.1.1 Controlling for other liabilities unrelated to foreignness***

The argument posited by scholars on age effects is that, young organisations irrespective of country of origin are generally at a survival disadvantage in an institutional setting (Elango, 2009; Mezias, 2002a). Mezias (2002a) further contends that newness is not the only liability caused by age effects. He posits the concept of imprinting as another factor that could create age related disadvantages not necessarily tied to youth. According to Stinchcombe, (as cited in Mezias, 2002a) organisations are imprinted by strong environmental forces at birth. Thus, dependent on particular environmental forces, organisations may be favourably or adversely affected by this imprinting (Mezias, 2002a, p.270).

Additional to newness and imprinting, size of the entity needs to be considered. Size has been shown to significantly affect firm performance, thus not controlling for size-effects could lead to a confusion of liabilities stemming from size effects being falsely classified as LOFs (Elango, 2009; Mezias, 2002a).

#### ***2.3.1.2 Correct matching of domestic and foreign firms for comparison***

For a reliable assessment of LOFs in an institutional environment, Mezias (2002a) recommends that a comparison be made between a domestic and a foreign entity in the same host environment. The argument posited is that comparing firm performance across countries does not control the numerous country specific environmental factors, which strongly affect performance and even survival (Mezias, 2002a, p.271).

### **2.3.1.3 Different managerial approaches mistaken for LOFs**

In describing this phenomenon Mezias (2002a) borrows from Bartlett & Ghoshal (1989), who recognised that firms from the same country often share some managerial approaches and organisational practices, which they refer to as administrative heritage. Leong & Tan (1993), define administrative heritage as the existing organisational attributes and the way of doing things, shaped by the company's founder or key executive, the norms, values and behaviours of managers in its national companies, and its historical context. Therefore, administrative heritages are expected to differ substantially between countries, “guanxi” which is a prevalent practice amongst Chinese firms could be considered as a form of administrative heritage (Elango, 2009).

To this end, Bartlett & Ghoshal (as cited in Leong and Tan 1993) argue that a company's administrative heritage can be a major asset, the underlying source of its key competencies, as well as a significant liability. Therefore, administrative heritage could lead to paralysis, with the firm resisting change and thereby preventing realignment of the firm's strategic capabilities (Leong & Tan, 1993). In light of this, care should be taken when assessing LOFs, namely misconstruing administrative heritage effects as LOFs.

### **2.3.1.4 Locational issues within the host countries**

Mezias (2002a), argues that empirical studies on LOFs have largely ignored the effects of locational effects when assessing LOFs. This he contends, could be problematic as country performance tends to vary by region. His claims are augmented by LOFs studies conducted by scholars such as Insch & Miller (2005), Mezias (2002b) and Zaheer (1995) who not only studied firms operating in the same institutional context, rather they matched firms by location within the host environment.

## **2.4 Identification of factors that minimise LOFs for the foreign entity in an institutional setting**

There is consensus amongst scholars that LOFs do affect the performance of foreign entities disproportionately more than domestic entities in the institutional environment. In cases where foreign entities endured LOFs, some scholars of LOFs identified strategies that these entities pursued to minimize these effects (Barnard, 2010; Elango, 2009; Mezias, 2002a; Luo *et al*, 2002; Sethi & Judge, 2009).

Mezias (2002a) posited four aspects that could potentially minimise the effects of LOFs on a foreign subsidiary/ entity namely; the foreign entities staffing strategies, the relationship between the subsidiary and the parent company and organisational characteristics. Lou *et al* (2002) grouped these approaches into two groups, and identified them as offensive and defensive strategies.

#### **2.4.1 Foreign entities staffing strategies**

Mezias (2002a) argues that expatriates appointments in executive roles influenced LOFs more than appointments at a junior level in the task environment. He therefore argues that expatriate rank or position is likely to be more important than the total number of expatriates used (Mezias, 2002a, p.274). However, he cautions against a blanket use of host country nationals citing that an analysis should first be conducted to assess what causes LOFs for the foreign entity. Based on this analysis correct action can then be taken to address staffing strategies. He provides a rather elaborate example using a functional production manager role, he argues that if liabilities stems from difficulties in understanding proprietary technology then employing an expatriate may be suitable. However where problems or challenges stems from adapting local materials or dealing with local suppliers then employing a host country national would be advantageous (Mezias, 2002a).

Similar sentiments were shared by Lou *et al* (2002, p.288), who refer to this phenomenon as “input localization” which they define as a process in which a Multinational Enterprise ( MNE) procures and uses host country production factors as major inputs for its production, operation and organisation.

#### **2.4.2 Organisational characteristics**

Mezias (2002a) presents a number of factors that are likely to affect the level and nature of LOFs as; age, size, level of globalisation and the level of involvement in the host country. On age effects, the argument put forward is that younger organisations are at a survival disadvantage mostly due to lack of experience than anything else, scholars refer to this effect as the liability of newness (Mezias, 2002a; Mezias, 2002b; Zaheer, 1995). Furthermore, Mezias (2002a) posits the concept of imprinting which was pioneered by Stinchcombe (as cited in Mezias 2002a). Imprinting refers to environmental forces that characterise organisations at a point in time, affecting both foreign and domestic organisations alike, thus its effects could be positive or negative dependent on the prevailing forces at the time (Mezias, 2002a).

On the impact of the size of an organisation, Kostova & Zaheer (1999) provide a rich explanation of how large MNEs can become soft targets of different interest groups in host countries. They argue that these groups can attack the legitimacy of organisations for political reasons and not because of any evidence of wrong doing. They refer to this effect as the liability of being large and visible. Mezas (2002a) further expands on this and argues that this liability would be unrelated to foreignness and therefore can be expected to affect domestic firms as well.

Mezas (2002a, p.275) argues that the level of global operations may proxy for international experience. It is argued that an MNC or foreign entities accumulated international experience helps it avoid common mistakes of foreignness when entering a new host country (Mezas, 2002a; Zaheer, 1995), therefore alleviating the impact of LOFs.

The level of involvement in the host country is also expected to affect the exposure to LOFs, with foreign companies that are affiliated with domestic companies least affected by LOFs (Mezas, 2002a). Lou *et al* (2002, p.288) refer to this as “legitimacy improvement” and suggest that legitimacy can be improved through social accomodation and organisational credibility. They define social accomodation as the extent to which an MNE has been responsive and contributive to the social needs or concerns of the host country. Organisational credibility “involves the degree of an MNEs trustworthiness as perceived by the host country public” Lou *et al* (2002, p.288). They argue that efforts to improve this two elements mitigate LOFs in the task environment.

Sethi & Judge, (2009) argue that the primary impact of LOFs is faced at the time of initial market entry, and thus can be expected to progressively reduce over time due to organisational learning and increasing host country openness trade. They also see the formation of joint ventures with local entities and isomorphism with the host countries environment as some of the strategies that can be used to minimise LOFs.

## **2.5 Do LOFs constitute the cost of doing business abroad (CDBA)**

Scholars of LOFs are at loggerheads on this argument, earlier studies equated LOFs and CDBA as one and the same (Zaheer, 1995; Lou & Mezas, 2002). Zaheer (2002) explained her earlier stance in using LOFs to describe CDBA, she argues that her intent was to refocus attention from the market-driven costs. To this end, she contends that she views LOFs as the structural/ relational and institutional costs of doing business abroad. She described these, as costs associated with the foreign firm’s network position in the host country and its linkages with important local actors (Zaheer, 2002, p.351). Zaheer (2002) further expands on

her definition arguing that while CDBA focuses on market driven economic costs, she sees the LOFs as focusing on the more social costs of access and acceptance.

Other scholars view LOFs as a subset of CDBA, notably Eden & Miller (2004) and Sethi & Judge (2009). Eden & Miller (2004), contend that LOFs refer to social costs in the host environment, caused by the unfamiliarity, relational and discriminatory hazards. Sethi & Judge (2009) posit that LOFs are incurred in the host country context, they characterise these into two forms namely, the discriminatory and incidental LOFs. They refer to the discriminatory LOFs as costs caused by explicit and implicit factors and provide an example of the host government regulatory restrictions as explicit costs, with implicit costs characterised by prejudices and economic nationalism practices inherent in the host environment (Sethi & Judge, 2009).

Although different views persist as to whether LOFs are equivalent to CDBAs or a subset thereof, one thing is common, LOFs are local and not multinational in nature, thus augmenting Mezias (2002a) views on locational issues.

## **2.6 Institutional theory perspective**

There are several variants of institutional theory, all with compelling arguments on organisational analysis. Scott (1987), presents a list of four views (although not exhaustive) of institutional theory as; one that views institutionalisation as a process of instilling value, institutionalisation as a process of creating value, institutional systems as a class of elements and finally institutions as distinct societal spheres. Although, the different schools of thought on institutional theory differ in their approach, they however agree on the two primary actors shaping institutional environments in modern societies, namely the state/ government and professional bodies (Scott, 1987).

### **2.6.1 Institutional context**

Kostova & Roth (2002) drawing from Scott (1987) posits the concept of institutional profile/ pillars as one of the factors behind LOFs, which they define as the issue-specific set of the regulatory, cognitive and normative institutions in a given country. Other scholars such as North (as cited in Peng *et al*, 2009) refer to these pillars as the formal and informal institutions.

Peng *et al* (2009) argue that these variation in definition of the institutional pillars complement rather than disagree with each other, with the regulative pillar referring to formal

institutions, whilst the informal institutions are characterised by the cognitive and normative pillars.

The three pillars are described as follows (Kostova & Roth, 2002; Kostova & Zaheer, 1999);

- The regulatory component of an institutional environment reflects on the existing laws and rules that promote certain type of behaviours and restrict others in a particular national environment.
- The cognitive component reflects the widely shared social knowledge and cognitive categories that are used by people in a given country (e.g. stereotypes).
- Whilst the normative component reflects on beliefs, norms and values about human nature and behaviour held by individuals in a given country.

Furthermore, they argue that although the three components present different facets of the same institutional environment, they may invoke different types of motivation for adopting social patterns, namely the coercive, mimetic and normative patterns, respectively (DiMaggio & Powell, 1983; Kostova & Roth, 2002).

Institutional theorists have postulated the influence the institutional environment has on the legitimacy of foreign companies in the host environment. To this end, it is argued that organisations may achieve legitimacy by becoming isomorphic with the institutional environment, that is by adopting organisational norms, structures and policies similar to the ones institutionalised in the host environment (DiMaggio & Powell, 1983).

Therefore, DiMaggio & Powell (1983) contend that in highly institutionalised settings organisational structures are strongly influenced by *coercive isomorphism* – the formal or informal pressure from other organisations for an entity to adopt local practices, *mimetic isomorphism* – this change is largely driven by uncertainty, with organisations imitating or modelling themselves on other organisations in the institutional context, and lastly *normative isomorphism* – where an organisation conforms to normative standards established by external professional and social structures.

## 2.6.2 Institutional distance

Drawing from institutional theory, Kostova (as cited in Xu & Shenkar, 2002) defines institutional distance as the extent of similarity or dissimilarity between the regulatory, cognitive and normative institutions of two countries.

Ghemawat (2001) expands on institutional distance by characterizing it into four distinct dimensions, namely the geographic, cultural, administrative and political as well as the



economic distance. He proclaims that institutional distance is broad and does not only cover spatial (geographic) distance alone. Furthermore he argues that, distance affect industries differently. To substantiate this argument he provides an example of how religious beliefs can shape peoples preferences in food but not their choice in cement or other industrial materials.

### *Cultural distance*

A country's cultural attributes determines how people interact with one another and with the companies and institutions (Ghemawat, 2001). Calhoun (2002) posits that the success of a MNEs action will be determined in part by the degree of the MNEs understanding of the informal/ unwritten cultural values, norms and ideologies. This argument is further supported by Ghemawat (2001), who argues that social norms, the deeply rooted system of unspoken principles that guide individuals in their everyday choices and interactions are often nearly invisible, even to people who abide by them. This statement asserts to the tacit nature of some attributes of cultural distance which can have detrimental effects on MNEs or foreign entities should they fail to identify them.

Furthermore, cultural distance can either be characterized as external or internal (Calhoun, 2002). The external institutional environment is fragmented, containing readily observable and more covert manifestations of cultural variation (Kostova & Zaheer, 1999). Calhoun (2002) augments this by postulating that whilst foreign firms might have difficulty in learning and understanding the local laws, descriptions are equally available to both the domestic and foreign firm. Thus the source of liability for foreign firms is caused by informal and unwritten norms, practices and procedures.

Internally a firm may experience liabilities as a result of misalignment between employees and management, for instance with employees questioning, challenging or ignoring management decisions. To this end, the greater the difference in values, the more likely it is that the foreign firm will be at a disadvantage in dealing with its employees (Calhoun, 2002).

### *Administrative and Political distance*

This dimension is facilitated by political association (e.g. preferential trade agreements) and government policies, laws and regulations. Ghemawat (2001, p.5) lists government policies in his CAGE (Cultural, Administrative, Geographic and Economic) framework as one of the attributes that create institutional distance in the business environment. To this end, he argues that governments are more likely to take unilateral decisions if domestic industries meet one or more of the following criteria;



- It is a large employer
- It is seen as a national champion
- It is vital to national security
- It produces staples
- It produces an “entitlement” good or service
- It exploits natural resources
- It involves high sunk-cost commitments

The South African mining environment, satisfy more than one of the criteria presented by Ghemawat (2001), namely being one of the largest employers, the exploitation of natural resources and involves high sunk-cost commitments. Ghemawat (2001) arguments clearly link regulatory reforms to institutional theory under the auspices of institutional distance.

Although the regulatory pillar in host countries is considered the easiest for foreign firms to observe, understand and interpret correctly, because it is formalised in laws, rules and procedures (Eden & Miller, 2004; Kostova & Zaheer, 1999). Failure to conform, could have dire consequences for foreign companies.

#### *Geographic Distance*

It is commonly accepted in institutional theory that the further away you are from a country the harder it will be to conduct business (Ghemawat 2001, Xu & Shenkar, 2002). “The distance in miles and kilometers should not be the only determinant of geographic distance, other attributes such as physical size of the country, average within-country distance to borders and access to waterways and the ocean should also be considered” (Ghemawat, 2001, p.7). In addition, he refers to the man made geographic attributes such as transportation and telecommunication infrastructures as some of the key attributes that needs to be considered under this dimension.

#### *Economic distance*

The economic distance has to do with wealth or income disparities between consumers of individual countries. Ghemawat (2001) in his framework posits that economic activity between rich countries tend to be higher than that between rich and poor countries. Furthermore, he acknowledges that economic distance is also industry specific, by alluding to the concept of economic arbitrage which is typical for companies looking to exploit costs and price differentials between markets.

Kostova & Roth (2002), also link institutional distance to the three pillars by concluding that in an institutional environment, the regulatory institutional distance would create coercive

isomorphism pressures, with the cognitive institutional distance creating mimetic isomorphic pressures, whilst the normative institutional distance create the normative isomorphic pressure.

Eden & Miller (2004) relate these pressures to LOFs as follows;

- When normative institutional distance is high, it results in high LOFs, creating normative pressures to conform to host country practices,
- Whilst a rise in cognitive institutional distance results in an increase in LOFs for a foreign entity,
- Whereas the regulatory institutional distance creates a pressure for local responsiveness to which foreign companies or MNC subsidiaries must conform to achieve external legitimacy. Failure to conform could result in loss of legitimacy in an institutional context.

## **2.7 Why study institutional reforms**

As highlighted in Section 2.3 above, perceptions of foreignness could either have a negative or a positive dimension, institutional reforms have this inherent trait. Depending on the objectives of the host country which typically aim to correct market failures, increase competition or grow economic sectors, promote employment and advance the social and economic welfare of all South Africans, to mention a few (SA Mineral and petroleum resource development Act 28, 2002). These interventions could carry benefits or liabilities for foreign companies operating in a given institutional setting.

The regulatory reforms instituted by the DMR are expected to induce some institutional distance on companies operating in the mining sector, with the regulatory pillar or component of the institutional distance most evident. To this end, it could be expected that the regulatory body would exert some form of pressure to force companies to adopt certain practices (Kostova & Roth, 2002).

Tools available to the regulator to ensure compliance in an institutional environment may include sanctions such as penalties. To this end, these sanctions might be viewed as coercive mechanisms, thus categorised as liabilities by businesses operating in the sector.

## **2.8 Conclusion**

The construct of LOFs is not an easy concept to comprehend, largely because it is characterised by explicit institutional attributes such as regulations and laws as well as the

implicit or less visible attributes such as social norms and values. Furthermore, LOFs do not only refer to costs incurred disproportionately more by a foreign entity, they could also arise from benefits denied to foreign entities in the host environment. Of interest though is that, LOFs need not only affect the foreign entity alone but could also affect a domestic entity, the analysis in this instance would be on the severity or disproportionate nature of such effects on a foreign entity.

Another element that complicates the identification of LOFs in the task environment is the possibility for firms to mitigate against them by applying offensive and defensive strategies. Thus, not only do researchers have to ascertain their presence in the task environment, they also need to be mindful of the use of these strategies by entities being studied by assessing company specific attributes and organisational characteristics.

### 3 Chapter 3: Research questions

This study will attempt to gain a deeper understanding into the effect of institutional reforms in facilitating the development of LOFs in emerging markets. To this end, questions arising from the arguments posed in chapter two of the report are;

1. How do changes in regulatory reforms intensify LOFs in emerging markets?
2. Who benefits the most from institutional reforms, local or foreign companies?
3. Does company performance drop as a result of regulatory reforms?
4. Does firm-specific attributes contribute to the disadvantages caused by regulatory reforms?

In other words this research aims to;

- Establish if the business environment is significantly altered by regulatory reforms,
- Establish whether regulatory reforms are precursors to either liabilities or benefits of foreignness,
- Establish if changes in regulatory reforms affect the performance of foreign companies disproportionately more than domestic companies in the host market,
- Establish how firm-specific attributes inhibit foreign companies from responding to the host environment.

## **4 Chapter 4: Research methodology**

### **4.1 Introduction**

The previous chapter outlined the research questions that were investigated in this study. The primary research question focused on understanding the effect of regulatory reforms in facilitating the development of LOFs in emerging markets.

The process began by scanning the environment for a suitable sector to test the theoretical construct of LOFs. Initially the telecoms sector was seen as a suitable sector due to the dynamic nature and the ongoing debates for the radio frequency spectrum allocation (MTN, 2012). However, due to lack of accessibility at some of the companies in the sector, the telecoms sector was abandoned as a research setting and by default the mining sector chosen due to ease of access for the researcher. Despite the ease of accessibility for the researcher, the mining sector has its own challenges with regulatory reforms, hence deemed suitable as a research setting.

A two phase approach was adopted in answering the primary research question. The phase one of the study focused on establishing if regulatory reforms did cause LOFs in the task environment. Two companies in the institutional environment were studied, namely a domestic and a foreign entity, with information sourced from professionals and practitioners at the receiving end of these reforms. Phase two of the study focused on controlling for firm specific attributes, with participants sourced from the foreign entity, envisaged to suffer the most from changes in regulatory reforms as supported by the literature. This chapter will explain the research method followed to answer questions that were modeled in the previous chapter and finish off by identifying the limitation of the research.

#### **4.1.1 The research approach adopted**

The existence of LOFs in a given institutional setting cannot be assumed, by merely looking at existing literature and empirical studies alone. It has been explained in the previous sections of the report that the perception of foreignness can lead to benefits as well, thus LOFs cannot be assumed to exist in an institutional setting rather they should be established.

The South African mining sector is known for its high incidence rate of fatalities and injury to personnel (Hermanus, 2007). Hence, the introduction of a number of reforms to try and reduce the number of fatalities reported by the sector, most notably the Mine Health and Safety Act no. 29 of 1996. In recent years the DMR has taken a stern stance in exercising

some of the provisions in the Act, particularly sections 54 and 55, respectively. Mining companies have lamented that the regulator has been rather harsh in applying the Act, mainly section 54 of the Act (McKay, 2012), which gives the MHSI the power to halt operations should it deem conditions unsafe at the mine (SA Mine Health and Safety Act 29, 1996). These events, cast a cloud of uncertainty with regards to observed phenomena.

The research question was approached using an exploratory qualitative research design, to gain better insights from the participants since there was uncertainty regarding the observed phenomena. Saunders & Lewis (2012, p.110) posit that “exploratory research is about discovering general information about a topic that is not understood clearly by the researcher”.

Hayhow & Stewart (2006, p.476) proclaim that qualitative research is largely concerned with studying things in their natural setting rather than in manipulating a particular element and then looking at changes that occur as a result. To this end, they argue that qualitative researchers study phenomena as they appear, interpreting or making sense of what is happening in terms of the meanings people apply to them (Hayhow & Stewart, 2006, p.476). Hence, an exploratory qualitative research design was deemed suitable for this study.

Identifying LOFs in a focal country requires that a comparison be made between a local entity and a foreign company or subsidiary operating in the same institutional environment (Mezias, 2002a; Zaheer, 1995). To fulfill this requirement, a comparative or multiple case study design was adopted (Ghauri, 2004; Hayhow & Stewart, 2006; Pauwels & Matthyssens, 2004; Yin, 2003), with two companies operating in the South African platinum mining sector studied. Ghauri (2004, p.114), stresses that the purpose of data collection in a comparative study method is to compare the phenomenon in a systematic way, to explore different dimensions of our research variable or to examine different levels of our research variables.

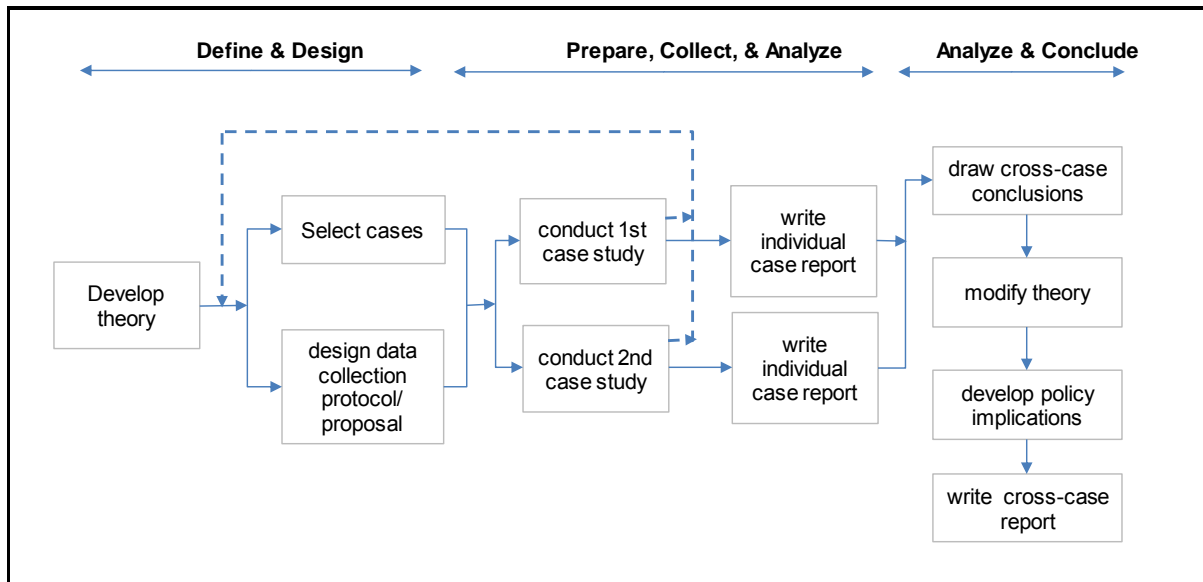
Yin (2003), views the strength of multiple case study research to be their application of the “replication logic” as opposed to a sampling logic. He asserts that each case must be carefully selected so that it either (a) predicts similar results (*a literal replication*) or (b) predicts contrasting results but for predictable reasons (*a theoretical replication*), Yin (2003, p.47). In the researcher’s case, the construct that was tested leaned more towards the theoretical replication logic.

Thus, the case study design was deemed appropriate because it allowed the researcher to get a detailed understanding of the context of the research and the activity taking place within that context (Saunders & Lewis, 2012, p.117). Yin (2003, p.14), also asserts that

“case studies are suitable when you deliberately want to cover contextual conditions, believing they might be highly pertinent to your phenomenon of study”.

The case study method followed in this study simulated the case study research method recommended by Yin (2003). A delineation of the method is presented in figure 4.1 below.

Figure 4.1: An outline of the case study method adopted



Source: Adapted from Yin (2003)

The individual stages in the method are discussed in the subsequent sections of the chapter to provide clarity on what transpired in each stage. The research process took the form of a two phase qualitative study, a description of the two phases is provided in the subsequent sections of the report.

## 4.2 The research process

**Phase one:** This phase involved the use of semi-structured interviews with participants from the two companies being interviewed. The aim of this phase of the project was to determine the existence of LOFs in the institutional environment. To this end, participants pursued were the ones at the receiving end or whose work was directly impacted by the regulatory reforms in the sector. These included production managers, safety managers and other related disciplines.

One major hurdle encountered during this phase of the research project was the unprecedented strikes that plagued the platinum mining sector, particularly at the two companies under investigation. These events forced some of the individuals to withdraw

from the interviews, particularly where participants could not be reached due to unrests at the mines.

**Phase two:** This phase involved the use of semi-structured interviews with the participants coming from the foreign company. The aim of this phase was to test for three areas of a foreign company's operation that were likely to affect the nature and level of exposure to LOFs (Mezias, 2002a, p.274). These areas include a foreign company's staffing strategies, subsidiary/parent relationship (in the case of foreign owned subsidiaries) and the organisational characteristics.

### **4.3 Phase one**

#### **4.3.1 Purpose**

Phase one collected data from production managers, safety managers and other related disciplines to determine if the regulatory reforms in the sector led to advantages or disadvantages for companies operating in the sector. This data was then used to establish if LOFs existed in the task environment.

#### **4.3.2 Population**

The population was the all mining companies that have been operating in the South African platinum sector for a period of no less than 20 years. To this end, invitations to participate in the study were sent to all platinum majors, i.e. the dominant platinum mining companies to afford them a chance of participating in the study. The first foreign and domestic entities that agreed to the study were accepted as suitable cases since they met the population criteria. The small platinum mining companies (junior miners) were purposively excluded to control for size effects, which could skew the results. Due to time limitations on the study, the study was confined to one domestic and one foreign company. The interviews were analysed using the content analysis, pattern matching and cross case analysis to compare results across the unit of analysis (Yin, 2003).

#### **4.3.3 Unit of analysis**

The unit of analysis was the platinum mining companies represented by the domestic and foreign entities.



#### **4.3.4 Sampling and size**

Eight interviews were conducted at company A, with five interviews being conducted at company B. The participants or interviewees were purposively chosen based on their direct involvement, either as recipients of the MHSA sanctions or for being custodians of the MHSA in their respective work areas.

#### **4.3.5 Data collection, data analysis and data management**

This phase involved the use of semi-structured interviews with participants from the two companies being interviewed. Data collection entailed a review of all available sources, with the information obtained used to formulate questions for the semi-structured interviews (refer to Appendix A of the report for the interview schedule). The interview questions were piloted using a group similar to the targeted participants to ensure that questions were understood as well as to refine the interviewer's technique (Saunders & Lewis, 2012).

#### **4.3.6 Data collection**

The interview schedules for phase one of the research were sent to the individual participants immediately after confirming the appointment, to allow interviewees an opportunity to reflect on the questions prior to the meeting. This was done in anticipation of rich insights being obtained from the sessions as well as to minimise the chance of making participants uncomfortable unnecessarily.

Semi-structured interviews were used for this phase of the study, with opened-ended questioning to allow the participants to express themselves freely. DiCicco-Bloom & Crabtree (2006), proclaim that semi-structured interviews are often the sole data source for qualitative research projects. This form of questioning allows the researcher to cover specific topics, as well as gain better insights from the participants (refer to Appendix A for the interview guide).

Most of the interviews were conducted at the participant's place of work with the exception of one which was conducted at restaurant due to unrests at the mines. Therefore, the process entailed a lot of travelling for the researcher since all participants are based in the platinum belt, situated in the BIC, which runs through the towns of Marikana and Rustenburg.

The data collection, data analysis and management followed the process outlined below as recommended by Saunders & Lewis (2012, p.159).

The first interview was conducted one on one at the participant's place of work. The participants were thanked for attending the interview and an explanation of the purpose of the research was provided, offering assurances of anonymity and confidentiality as appropriate. In addition, it was explained to the participants that they could withdraw at any time without penalty. Thereafter participants were asked to sign a consent form as acknowledgement of the above statements. Since a digital audio recorder was used, permission was requested prior to activating the device and where participant's refused to be recorded the device was not used. Notes were taken throughout the interview as back up to the recordings as well as to capture all interesting body language cues and non-verbal communication from the participants. At the end of the interview, participants were thanked for their time.

The notes from the interview were word processed/ transcribed as soon as possible, and an attempt was made to develop themes/ patterns using words that the participants used. Data was saved electronically in the interview folder, with notes and copies of the interviews filed to ensure that data is backed-up accordingly. To minimise data loss from electronic sources or risks of data being corrupted three sources were used to save data, namely the researcher's primary computer, an external hard drive as well as the Dropbox cloud facility.

Qualitative studies are known to suffer from validity and misrepresentation of data effects. To compensate for these effects Pauwels & Matthyssens (2004) recommend triangulation methods in data collection. Hence the synchronic primary source data technique was used in the study. Furthermore, a combination of primary and secondary data sources was used to check for consistency in the data.

#### **4.3.7 Data analysis**

The two cases were first analysed separately by sorting data according to concepts and themes (coding). Thereafter, pattern matching was used to compare empirically based patterns to predicted ones, Yin (2003) postulates that pattern matching strengthens case studies internal validity, if the patterns coincide.

After the individual case analysis, a comparative analysis or cross case analysis was conducted between the two cases looking for converging or divergent views (Ghauri, 2004; Yin, 2003).

The final component of the analysis involved a comparison of the core elements emerging from the individual cases, with themes derived from the reviewed literature.

## **4.4 Phase two**

### **4.4.1 Purpose**

Phase two of the study was aimed at assessing the effects of company or firm specific attributes (FSAs) on the foreign firm's response to regulatory reforms in the sector. Semi-structured interviews were used for phase two of the study as well, however with closed type questions to direct the participants to answer specific questions related to FSAs. Phase two of the research targeted a more heterogeneous group to obtain diverse views. The number of participants was guided by when data saturation was reached. Once data saturation was reached the interviewing process stopped and an analysis conducted on the data collected.

### **4.4.2 Population**

The population for phase two was all the employees of the international company who have been with the company for a minimum of five years. This was to allow for more insightful discussions as longer serving employees were more than likely to be familiar with the company's history and business activities.

### **4.4.3 Unit of analysis**

The unit of analysis was the firm specific attributes of the foreign platinum mining company.

### **4.4.4 Sampling and size**

Nine interviews were conducted at company B. The interviewees were purposively chosen based on their tenure at the company as well as their employee category level.

### **4.4.5 Data collection, data analysis and data management**

This phase involved the use of semi-structured interviews with participants from the international company only. Data collection entailed a review of all available sources, with the information obtained used to formulate questions for the semi-structured interviews (refer to Appendix B of the report for the interview schedule). The interview questions were piloted using a group similar to the targeted participants to ensure that questions were understood as well as to allow for the refinement of the interviewer's technique (Saunders & Lewis, 2012).

#### 4.4.6 Data collection

The interview schedule for phase two of the research was sent to the individual participants immediately after confirmation of the appointment, to allow interviewees an opportunity to reflect on the questions prior to the meeting. This was done in anticipation of rich insights being obtained from the sessions as well as to minimise the chance of making participants uncomfortable unnecessarily.

Semi-structured interviews were used for this phase of the study, with close questions to direct the participants to focus on FSA specific issues. DiCicco-Bloom & Crabtree (2006), proclaim that semi-structured interviews are often the sole data source for qualitative research projects. This form of questioning allows the researcher to cover specific topics, as well as gain better insights from the participants (refer to Appendix B for the phase two interview guide).

All interviews were conducted at the participant's place of work. Therefore, the process entailed a lot of travelling for the researcher since all participants were based in the platinum belt, situated in the Bushveld igneous complex, which runs through the towns of Marikana and Rustenburg.

The data collection, data analysis and management followed the process outlined below as recommended by Saunders & Lewis (2012, p.159).

The first interview was conducted one on one at the participant's place of work. The participants were thanked for attending the interview and an explanation of the purpose of the research was provided, offering assurances of anonymity and confidentiality as appropriate. In addition, it was explained to the participants that they could withdraw at any time without penalty. Thereafter participants were asked to sign a consent form as acknowledgement of the above statements. Since a digital audio recorder was used, permission was requested prior to activating the device and where participant's refused to be recorded the device was not used. Notes were taken throughout the interview as back up to the recordings as well as to capture interesting body language cues and non-verbal communication from the participants. At the end of the interview, participants were thanked for their time.

The notes from the interview were word processed/ transcribed as soon as possible, and an attempt was made to develop themes/ patterns using words that the participants used. Data was saved electronically in the interview folder, with notes and copies of the interviews filed to ensure that data is backed-up accordingly. To minimise data loss from electronic sources

or risks of data being corrupted three sources were used to save data, namely the researcher's primary computer, an external hard drive as well as the Dropbox cloud facility.

Qualitative studies are known to suffer from validity and misrepresentation of data effects. To compensate for these effects Pauwels & Matthyssens (2004) recommend triangulation methods in data collection. Hence the synchronic primary source data technique was used in the study. Furthermore, a combination of primary and secondary data sources was used to check for consistency in the data

#### **4.4.7 Data analysis**

The phase two data was analysed using some of the techniques recommended for case analysis, namely chronologies, coding, matrices and pattern matching. A comparative analysis was conducted to compare the unit of analysis across individual interviewees looking for converging or divergent views.

#### **4.5 Potential research limitations**

In qualitative methods the researcher has a potential to influence results, thus the method is open to researcher bias and perceptions therefore creating validity and reliability concerns. The sector being studied has major (dominant companies) and junior players in the institutional context as such the researcher is limited from a sampling point of view, thus the sample could be viewed as a convenient sample. Some of the companies being investigated were first to market, thus this may skew the results of the study somewhat. According to Hayhow & Stewart (2006), one of the major problems of qualitative methodology is the sheer volume of information of which the researcher have to make sense. And lastly the events of 16 August 2012 at Marikana, single-handedly altered the dynamics in South African mining sector. These events could influence the responses of participants from the two companies under study since they were central to these events, particularly those interviewed after these events took place.

##### **4.5.1 Data validity and Reliability**

According to Saunders & Lewis (2012), some of the caveats of qualitative research are its vulnerability to the researcher's bias, preferences and so on. These tend to influence the data collection methods, analysis and its interpretation. To compensate for the researcher's bias, the triangulation method was used when data was collected. Furthermore, a seasoned qualitative researcher was consulted and presented with data and asked to critique the

findings. It is believed that this would reduce the researcher's bias, thus providing rigor to the study.

## **5 Chapter 5: Results**

### **5.1 Introduction**

The previous section presented the methodology used to answer the primary research question. This chapter will present the findings of the two phases of the study with sparse commentary. The results section includes a report on the two cases studied namely, the foreign and domestic entities, respectively. The first case presents an analysis of the construct of LOFs from a foreign entities perspective, represented by company A, whilst the second case presents an analysis of LOFs from a domestic entities perspective represented by company B.

### **5.2 Phase one results**

Phase one of the research project was aimed at testing for the existence of LOFs in the institutional context, thus responses were solicited from participants at both companies.

#### **5.2.1 Overview of Company A**

In line with the promises of confidentiality and anonymity made to companies in this study, an overview of the individual entities in this study will not be provided as this would make it easier for the companies to be identified. Therefore, renegeing on promises made to the organisations and participants taking part in the study.

#### **5.2.2 Sample description**

Invitations were sent to 15 participants at company A, with eight participants agreeing to be interviewed. Of the eight interviewees, three represented the safety department, with the production and engineering departments represented by three and two participants, respectively. Production participants comprised the employee categories of mine manager, senior process engineer as well as the production middle manager. The engineering participants comprised the mechanical and electrical middle managers, whilst the safety department was represented by the safety manager, section ventilation manager and the safety middle manager.

All eight participants were intimately involved with the application of the MHSA, or as they describe themselves at the mines, they were legally appointed to fulfil the requirements of the MHSA in their respective work areas.

### **5.2.3 Do changes in regulatory reforms intensify LOFs in emerging markets**

The following questions in the interview schedule were aimed at answering research question one, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

#### **5.2.3.1 How would you say the MHSA has changed the dynamics of the mining business environment?**

Of all participants interviewed six out of eight agreed that the MHSA has definitely changed the dynamics in the mining business environment, with two participants having a dual view on the impact of the MHSA on mining. The predominant theme emerging from this question was the emphasis the MHSA placed on employee safety, with participants 1A, 3A and 6A mentioning this in their comments. Participant 1A commented that before the MHSA safety representatives were not engaged on safety matters by management, now the law requires that they be engaged on matters relating to their safety and that of their team members. Furthermore, he commented that “if they feel like the area is unsafe, they can actually direct the crew or team to move out of the unsafe area...previously it was the decision for, let say middle management”. Participant 3A commented on the safety campaigns that the organisation was running with respect to specific sections of the MHSA, he mentioned that the company “normally stresses section 23, which refers to the withdrawal of employees when in danger” augmenting the view of participant 1A. Participant 6A argued that “it has changed for the better, because the safety standard is much higher”.

Participants 2A and 4A saw positives and negatives from the MHSA, with participant 2A arguing that the Act added accountability at the highest level in organisations, ensuring that management embraced safety practices. However, he contended that “in some mining houses the changes to this effect has actually been seen as quite a challenge”. Participant 4A acknowledges that “it improved mining although, you know with the cost involved, I think it made it more expensive to mine”.

#### **5.2.3.2 Tell me about your organisations relationship with the regulator**

The dominant view was that company A had a good relationship with the regulator, with all of the participants interviewed attesting to this. Participant 1A, 2A and 3A described the relationship as very good. Participant 1A commented that “I think company A’s relationship with the DMR is very good for many reasons...when we go to the tripartite meetings as an example, you will hear the PI (principal inspector) of mines commending company A”. He



further argues that, the PI has in some instances asked other competitors to learn from company A's safety performance. Participant 2A proclaims that "we have a very good relationship with the DMR, we are in such a position with the DMR where we have on several occasions actually invited them to come visit our mines and come see what we are busy doing". Participant 3A also supported the arguments mentioned by participants 1A and 2A, commenting that "I would say to date company A is having a very, very good relationship with the inspectorate...there has never arose a situation where the inspectorate is not pleased with the reaction of company A concerning the MSHA requirements".

Participants 4A, 5A, 7A and 8A described the relationship as good. Participant 5A, proclaimed that "company A has a good relationship with the DMR... a year ago the DMR walked in and found a couple of things not according to standards and company A went in and fixed it, and gave them a report that conditions have improved". Participant 7A commented that "I think at some point, a year ago it was on shaky ground but I think now they have had meetings and stuff from what I hear, and things are getting better, so from where I stand I think it's a good relationship".

Participant 6A described the relationship as positive, mentioning that "the DMR is always welcome on the plant, we try to do our best to keep them satisfied, if there are any deviations they gave to us we try to rectify them in that specific time period they gave us, we try to rectify it before then actually".

### **5.2.3.3 How do other platinum mining companies feel about the regulator?**

The dominant view of the participants interviewed was that other platinum mining companies were having a negative view of the regulator, with five out of eight participants attesting to this. Participant 1A argued that "...our colleagues out there they will not be happy with the DMR", whilst participant 3A contended that "generally you know the industry is feeling somewhat not happy with the section 54 instructions [particularly] when they have to stand a lot of time". Participant 4A shared the same view, highlighting size as a major distinguishing factor, he contended that "the smaller the operation the higher the intensity of the section 54 closure", with participant 7A citing the regulator as being perceived as "too strict or too harsh".

The remainder of the participants were evenly split between being impartial, positive and having no comment. Participant 2A argued that the perception was largely driven by how the individual organisations viewed their relationship with the regulator, thus dependent on the relationship the feelings could be positive or negative. Participant 8A had no comment, citing

he cannot answer for the competition. Participant 6A alluded to one competitor's healthy relationship with the regulator as an example of this positive perception.

#### **5.2.3.4 Are you familiar with the DMR enforcement guidelines?**

Nearly all of the participants interviewed cited familiarity with the DMR enforcement guidelines, with seven out of eight attesting to this. The participant's assertions were taken at face value without testing the veracity of their knowledge regarding the MHSA guidelines. One respondent had no comment, arguing that this was not a requirement for his line of work.

#### **5.2.3.5 How does your organisation see the regulatory outlook in the sector?**

The dominant view from the participants was negative, with six out of eight participants seeing the regulatory outlook in the sector as becoming more stringent that is with the regulator seen to be moving towards applying more punitive measures to get companies to comply. Participant 1A argued that he expected "a lot of changes after what has happened in Marikana...not only to the MHSA but to the LRA and so on". Participants 2A contend that "it will get more stringent, not in terms of regulation or higher level of accountability but in a higher level of consequence". Participant 5A proclaimed that "well in my opinion they are too strict, I mean you can't expect people to enforce things from a guideline". He further argued that sometimes you had two inspectors from the MHSI interpreting the guidelines differently, therefore such actions not only frustrate people at operations but reduce the credibility of the enforcement process. Participant 7A believed the enforcement will tighten, with the MHSI being more stringent. Participant 8A put it more eloquently arguing that "you know I think the MHSA ... will get stricter and stricter until eventually we don't injure or kill people".

The remaining participants saw the regulatory outlook as positive, with participant 3A citing that the issue was largely behaviour based, and this was currently being addressed by the regulator. Participant 6A just simply remarked "I think that it will be in a positive way".

#### **5.2.3.6 Summary of research question one**

Table 5.1 summarises the themes that emerged for research question one - does regulatory reforms intensify LOFs? With the number of participants identifying each theme listed in the table.

Table 5.1: Emerging themes for research question 1 - do changes in regulatory reforms intensify LOFs?

Rank	Themes	Number of participants
1	The dynamics in the business environment changed	6
2	Challenges between regulator and competitors	5
3	Advantages were observable	4
4	Stringent approach from regulator was being envisaged in the future	4
5	Both advantages and disadvantages observable	3
6	Isomorphic behaviour	2
7	Size effects	1
8	Disadvantages were observable	1

The dominant themes for research question one were;

- The dynamics in the business environment changed
- Challenges between regulator and competitors
- Advantages were observable
- Stringent approach from the regulator being envisaged
- Both advantages and disadvantages were observable

#### 5.2.4 Who benefits the most from institutional reforms, local or foreign companies?

The following questions in the interview schedule were aimed at answering research question two, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

##### 5.2.4.1 Tell me about your organisations view on the quality of the enforcement of the MHSAs by the MHSI?

The dominant theme from the interviewees was that the quality of the enforcement was adequate, with five out of eight participants attesting to this. Participant 3A commented that “the quality I would say to date which we have seen is good, we would not have certain question marks about it”. Participant 6A commented that “I think the quality is quite good...because at the end of the day its people who are going to benefit from it and to work

in a safe environment is better for everybody”. Participant 7A mentioned that “I would say the quality is quite good, in terms of the drive and road shows and all that”. Whilst participant 8A asserted that “I would say you know the MHSA just improved the company by letting them become a much safer company...bringing us up to standard with the first world countries and maybe get investors in”. He further, substantiated his view by commenting that “I mean if a company is killing people...you wouldn’t want to go and invest your money there, but if you know a company has a good relation with the MHSI you would want to go and invest money there”.

Two of the participants had a contrasting view, notably participants 2A and 5A. Participant 2A cited “we have not fully agreed with the interpretation that the MHSI has on certain of the regulations and sections of the law....but once again based on the maturity of our relationship we have come to resolve them”. He further commented that “I believe the same as in any organisation, I think the inspectorate has grown in staff but not necessarily in competence, when you look at training, knowledge and experience”. Participant 5A was unimpressed, citing that “I feel it can be improved, instead of giving guidelines, [the regulator should] give facts.”

Participant 4A was impartial in his analysis alluding to the fact that it is all about managing relationships, he argued that “the way you approach him [the inspector] and the way you handle him is critical in ensuring that it can either be a section 54 or a section 55”.

#### **5.2.4.2 How do other platinum mining companies feel about the enforcement of the MHSA?**

There were mixed responses to this question, with three out of eight participants having no comment to the question. Reasons provided for declining to comment were either “they did not know” or “they can’t answer for the competition”.

Those that did comment were nearly evenly split, with two participants having a negative view and two participants being impartial, whilst one participant had a dual view. Participant 1A and 4A believed their peers had a negative view, with participant 1A arguing that “the general feeling was that, it’s more of punitive measures that are being put in place than more of preventative measures”. Whilst participant 4A bemoaned the size issue, citing that regulators were more inclined to visit a larger mining company than a smaller one, mainly because a section 54 closure was more detrimental to a smaller mining company than it was to a larger one.

Participants 3A and 7A were impartial in their views albeit for varying reasons. Participant 3A cited that the differences that existed were mostly for minor issues which were controllable, thus these did not constitute a standoff or disagreement with the MHSA practices. Participant 7A argued that the MHSA was necessary, “otherwise it’s going to be a free for all, because remember if you don’t enforce, management will just be interested in production and employees will be interested in safety, so I suppose you need a balance”.

Participant 2A argued that the feeling might be positive or negative dependent on the relationship between the regulator and the company in question. He referred to what he terms an “ontological relationship” that was necessary between the two parties. When asked to elaborate on this he quoted T.R Gruber who described ontology as “a guarantee of consistency, but not completeness, with respect to queries and assertions”.

#### ***5.2.4.3 Has the recent enforcement of the MHSA favoured some companies and prejudiced others in the sector?***

The dominating theme from the interviewees was that no companies were discriminated against or appeared to be favoured by the MHSI, with six out of eight participants stating this. Participant 7A put it eloquently citing that “I don’t think so, I think everyone is in the same boat”, this argument was augmented by participant 3A who argued that “I have not noticed or heard of that it has disadvantaged other companies and favoured the other”. Participant 2A also shared the same view arguing that he does not believe that “some mines are benefiting and some mines are getting the short end”. These sentiments were also shared by participant 5A. He commented “I don’t think so, I mean if you look at the DMR visits, they do not only visit company A...I think they are all over the place and not just one mine in particular”. Participant 1A cited the advancement in technology as another factor that played a part. To this end, he argues that companies with sophisticated technology were perceived to be favoured by the MHSI since they could fulfil most of the requirements with ease, whereas companies lacking behind were forced to mimic this trend setters often at an increased cost. Thus, the use of sophisticated technology could easily be misconstrued as favouritism by the MHSI in most instances.

Two participants shared a contrasting view citing that the MHSA did benefit some organisations. Participant 8A argued that new mines adapted easily to the MHSA requirements as they did not have legacy issues like older mines, therefore they developed very fast. Participant 6A argued that companies that initially ignored the MHSA guidelines find themselves having to play catch up and thus could view the MHSI as being bias against them.

#### 5.2.4.4 Summary of research question two

Table 5.2 summarises the themes that emerged for research question 2 – who benefits the most from institutional reforms, local or foreign companies? With the number of participants identifying each theme listed in the table.

Table 5.2: Emerging themes for the research question 2 – who benefits the most from institutional reforms, local or foreign companies?

Rank	Themes	Number of participants
1	No company was discriminated against	6
2	People issues (i.e. relationships)	3
3	Enforcement was inconsistent	2
4	Size effects	1
5	Imprinting effects	1

The dominant themes for research question two were;

- No company was discriminated against
- People issues
- Enforcement was inconsistent

#### 5.2.5 Does company performance drop as a result of regulatory reforms

The following questions in the interview schedule were aimed at answering research question three, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

##### 5.2.5.1 How has the enactment of the MHSA affected your company's performance?

The participants had mixed responses to the question, with four out of eight participants seeing lots of positives since the enactment of the MHSA. Participant 5A argued that “it has improved the performance, if you just look at it safety wise there’s a downward trend in accidents, incidents and fatalities”. This argument was augmented by participant 7A who commented that “I think safety wise, it has reduced incidents... so I think that it has brought change in terms of reducing incidents and injuries”. Whilst participant 8A asserts “I saw our safety become much better, if I go back years before we used to have seven or eight fatals

[sic] a year and they have come much down with the MHSA”. Participant 6A felt the organisations performance had changed for the better.

Two out of eight participants had an impartial view, arguing that they did not see the enforcement of the MHSA as having a significant effect on company performance, with participant 2A arguing that the “changes in the MHSA just joined the Company A’s philosophy that safety is not negotiable”. This view was supported by participant 3A who cited that “I can say not necessarily due to the enactment of the MHSA, but as far as I can remember when I was still at the inspectorate, company A used to have good performance on safety statistics”.

Participant 1A was the only one who highlighted both the negatives and positives. He asserted that “the thing that got affected more was the safety performance, because if you look into [safety] graphs...the graph is actually showing a hell of a decrease”. However, he also reflected on the negative impact citing that “unfortunately on the production performance it’s the other way around”. When probed on his assertions of a decline in production. He commented “I cannot really quantify as to the percentage decline, because if you have a section 54 for example you have to stop the whole operation, so by that it automatically means you are not producing anything”. He further commented that “some other shafts were like standing for three weeks, some for two weeks and some a week”. He contends, “In mining once you lost a week, it is very difficult for you to gain, because we are not really stockpiling”.

Participant 4A saw negatives particularly on the mining side of the business. He supported participant’s 1A assertions on the negatives, arguing that the company last achieved higher production numbers prior to the MHSI’s stern stance on the application of the MHSA. He argues “...so production from underground it was impacted, because most of the section 54 was issued to the mining and by doing so it affected the whole production of Company A”.

**5.2.5.2 *There has been an array of regulations passed in the sector in recent years, e.g. MPRDA of 2002. Does your organisation see these regulations as liberalising the sector or as barriers to business?***

The dominant theme from the interviewees was that company A was in support of regulatory reforms in the sector, with six out of eight participants commenting, the organisation does not see these as barriers to business. Participant 1A contends that the company was in support of these reforms. He mentioned that “my perception is that the company is in support of that because there wasn’t anything on the media that we have read of”. Furthermore he asserts that “when we look at our CEO address there wasn’t any sort of

issues related to things like this”. Participant 3A mentioned “I would say company A is actually seeing them as liberal”. Participants 4A mentioned that company A does not “see it as a barrier”, with participant 7A sharing a similar view. Participants 5A argued “it is a good thing that they did” whilst participant 8A felt “companies will benefit from these reforms”. Two participants out of eight did not comment citing they did not know the companies stance on this.

### 5.2.5.3 Summary of research question three

Table 5.3 summarises the themes that emerged for research question three – does company performance drop as a result of regulatory reforms? With the number of participants identifying each theme listed in the table.

Table 5.3: Emerging themes for the research question three – does company performance drop as a result of regulatory reforms?

Rank	Themes	Number of participants
1	Regulatory reforms not seen as barriers to business	6
2	Safety improvements	5
3	Drop in productivity	2
4	Operational cost increased	2

The dominant themes for research question 3 were;

- Regulatory reforms not seen as barriers to business
- Safety improvements
- Drop in productivity
- Operational costs increased

### 5.2.6 Overview of Company B

In line with the promises of confidentiality and anonymity made to companies in this study, an overview of the individual entities in this study will not be provided as this would make it easier for the companies to be identified. Therefore, renegeing on promises made to the organisations and participants taking part in the study.



### 5.2.7 Sample description

Invitations were sent to ten participants at company B, with eight participants agreeing to be interviewed. However due to the unrests in the platinum sector three participants could not be interviewed, reducing the number of participants to five. Of the five interviewees, three were safety managers with the other two participants representing the production and engineering disciplines, respectively. Production was represented by the production manager of the mine whilst the engineering was represented by the section engineer of the plant.

All five participants were intimately involved with the application of the MHSA or as they describe themselves at the mines, they were legally appointed to fulfil the requirements of the MHSA in their respective work areas.

### 5.2.8 Do changes in regulatory reforms intensify LOFs in emerging markets

The following questions in the interview schedule were aimed at answering research question one, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

#### 5.2.8.1 *How would you say the MHSA has changed the dynamics of the mining business environment?*

Five out of five participants interviewed agreed that the MHSA has definitely changed the dynamics in the mining business environment. However, there were differences on the perceived effects of the MHSA on the business environment. Two out of eight participants viewed these changes as positive, with the other two participants seeing the changes as having both a positive and negative effect on the business. The remaining participant viewed the changes in a negative light. Participant 2B viewed the decline in the number of fatalities as a major plus, with participant 3B mentioning the emphasis on employee safety as one of the tenets that appealed to him the most.

The participants viewing the changes as having a dual effect do acknowledge the impact the MHSA has had in reducing the number of fatalities and serious injuries at the mines. They saw the introduction of prescribed standards for the industry as a positive, as it outlined the minimum acceptable standards. Participant 4B commented that the MHSA was “centralising excellence” as it paired strong and weak mines to ensure inter-organisational learning. However they lamented the significant drop in production numbers, with participant 2B providing an example of how production could be delayed by up to 3-5 days in a bid to

secure a work area properly. He commented “if safety is deemed inadequate work comes to a halt, until corrections are made”. These kinds of delays he argues could really drop production numbers.

Participant 1B mostly viewed the changes brought about by the MHSa as a burden to business, he cited the aggressive manner with which the Act was being applied as a concern. He saw some of these changes as breeding tension between the MHSI and other stakeholders, commenting that, “dynamics wise it’s a challenge at this stage”. Participant 2B although he welcomed the MHSa, asserts that should negligence be found on the side of the mine in an inquiry, the manager may be summoned to court and in some instances charged with a criminal offense.

#### **5.2.8.2 Tell me about your organisation’s relationship with the regulator**

Surprisingly all participants viewed their organisations relationship with the regulator as being sound, phrases such as healthy, fair and good were used to describe the relationship. Participant 1B commented “there is definitely a good relationship going on between the company and the regulator...if I were to summarise it I would say it is a healthy relationship”. Participant 2B mentioned that “the relationship is quite fair”. He elaborated on this citing that “the DMR has actually demonstrated that the more injuries you have as a mine, more fatalities you have the more inspectors they will send to your section to... literally stop your mine from performing”. Participant 3B was more subtle in his choice of words commenting “I would say no major issues are there between our company and the DMR”. Participant 4B mentioned that top management preferred the operations team to be “outmost courteous with the DMR” and assist them when they visit the respective sites. He further added that it was “important for public relations”. Participant 5B was succinct in his commentary, mentioning that “we have a very good relationship, from the corporate office to operations”

#### **5.2.8.3 How do other platinum mining companies feel about the regulator?**

The participant’s responses varied widely on how their peers felt about the regulator. Three out of five participants believed their peers felt negative about the regulator. Participant 2B commented that “normally when the guys talk they will concentrate on the negatives rather than the positives”. He mentioned that “...they will always mention, there is this thing about, when somebody is having something against you, a certain inspector who will just be repeatedly just coming like that to give you sections 54, just to get back at that manager”. Participant 4B was more descriptive providing an example of how one of their peers got so disgruntled with the MHSI that they eventually took the regulator to court, a decision they

later rescinded. Participant 5B commented that “everybody feels that the regulator can opt for other means to enforce compliance or that the impact may be reduced to a certain portion of the operation”. The remaining two participants believed their peers felt similar to them, namely impartial. Participant 3B commented that “challenges are the same or similar, one cannot afford to be complacent when it comes to safety on site”. Whilst participant 1B commented “I cannot see that it is much different from what we have experienced”.

#### **5.2.8.4 Are you familiar with the DMR enforcement guidelines?**

All participants interviewed cited familiarity with the DMR enforcement guidelines. Most of the participants alluded to the fact that the DMR conducted workshops to familiarise all stakeholders with the regulations. Participant 3B commented that the MHSI always referred to the MHSA when issuing sanctions and where appropriate to your own standards and COPs (codes of practice). Participant 1B supported this view commenting that “I think most of the people are reasonably well informed with the guidelines”.

It should be noted that the participant’s assertions were taken at face value without testing the veracity of their knowledge regarding the MHSA guidelines. Participant 4B also added that these guidelines were still being reviewed commenting “they haven’t concluded them isn’t it, they are still working on them”.

#### **5.2.8.5 How does your organisation see the regulatory outlook in the sector**

Three out of five participants commented that company B saw the regulatory outlook as positive. Participant 3B cited that “the tripartite meetings between the regulator and industry do take place, therefore operations are never surprised when new regulations are issued”. He further explained that “at these meetings the regulator shares its challenges in the enforcement of the MHSA and makes the industry aware of how they intend enforcing these [challenges] in the future. Participant 4B commented that “the most important thing is the invitation for participation of stakeholders, previously you would just see a regulation being passed without your knowledge”. Participant 5B commented that the outlook still looked positive, whilst participant 1B was unsure.

Participant 2B had a dual view, he commented that “the mining industry does not see the MHSA as a problem, it is there and needs to be there, we need it”. He further commented that “now that it is also being driven from the CEO of companies, they meet once a quarter with the chamber of mines, the DMR and the minister of mineral resources to actually come up with top-down goals”. However, he sees the regulator increasing visits to mines as well

as becoming stringent when it comes to enforcement, particularly since the 2013 milestones were becoming due.

#### 5.2.8.6 Summary of research question one

Table 5.4 summarises the themes that emerged for research question one - does regulatory reform intensify LOFs? With the number of participants identifying each theme listed in the table.

Table 5.4: Emerging themes for the research question one - do changes in regulatory reforms intensify LOFs?

Rank	Themes	Number of participants
1	The dynamics in the business environment changed	5
2	Challenges between regulator and competitors	3
3	Regulatory outlook looked positive	3
4	Advantages were observable	2
5	Both advantages and disadvantages observable	2
6	Size effects	2
7	Isomorphic behaviour	2
8	Disadvantages were observable	1

The dominant themes for research question one were;

- The dynamics in the business environment changed
- Challenges between the regulator and competitors
- Regulatory outlook looked positive

#### 5.2.9 Who benefits the most from institutional reforms, local or foreign companies?

The following questions in the interview schedule were aimed at answering research question two, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

### **5.2.9.1 Tell me about your organisations view on the quality of the enforcement of the MHSA by the MHSI?**

There was no consensus on the quality of the enforcement of the Act by the MHSI. Of all participants interviewed two out of five were unhappy with the application of the Act. Participant 1B commented that “a lot of this stuff tends to be opinion based”. Participant 5B augmented this view by commenting that the “enforcement can be improved especially on the risk matrix that the regulator is using”. He expanded on this by arguing that “the manner in which the enforcement guidelines is applied, well it is not consistently applied by the inspectors”.

The remaining participants were split evenly between being positive, impartial and those having a dual response. Participant 2B believes the MHSI intentions are sound since they interact with various stakeholders in the sector, therefore well positioned to assist the organisation to achieve its quest for the zero harm target. Participant 3B had positive and negative views about the regulator, citing that “their strong and for that I take off my hat for them”, meaning he acknowledges their efforts. However, he lamented the lack of consistency from the MHSI as a major drawback, arguing that “some of them were a bit harsh in applying the MHSA”.

Participant 4B was impartial in his views on the enforcement and mentioned that “we believe a section 54 should read like the previous regulation where we say it is immediately life threatening, it is a gross violation of a standing safety regulation”. He provided an example of a situation where section 54 was issued for use of a wire on a winch instead of a split pin, besides the wire being thicker than the split pin. The reason being given was that this was not according to standards and not that it was life threatening. He further asserts that “we are also mindful that it’s got to do with relationships, at our specific mine we haven’t had a section 54 for the whole year, it is mainly because our trends are downwards”.

### **5.2.9.2 How do other platinum mining companies feel about the enforcement of the MHSA?**

There was no dominant theme for this question, with two out of five participants feeling their competitors shared the same view as them. Participant 1B proclaimed that “I don’t think there is any difference...the feedback that I’m getting is that the other people feel the way we do”. Participant 5B complimented this view by commenting that “I believe all companies feel the same because we share information... I mean we are learning from company A, we are learning from company C. We are basically doing almost what can I say, generic things”.

The other two participants believed views varied from negative to positive, with participant 3B proclaiming that “opinions are not the same”. Participant 2B mentioned that “I think the companies vary there, there are companies that feel the DMR is fair when coming to enforce the MHSA at their operations”. He further comments “... and then there are companies that feel no, these guys have actually hired a lot of young inspectors that are not experienced”. To this end, he argues they feel inspectors do not “come with the intention to come help fix the mine”. Participant 4B had no comment to the question.

### ***5.2.9.3 Has the recent enforcement of the MHSA favoured some companies and prejudiced others in the sector?***

The dominant theme from the interviewees was that the enforcement of the MHSA was mostly inconsistent, with three out of five participants attesting to this. Participant 1B proclaims that the MHSI tends to turn a blind eye to things they ordinarily would not turn a blind eye to at bigger mining houses. Participant 2B spoke about a gap that exist, which was open for abuse by the MHSI team, “...DMR is not a problem, what the problem is, is the people that go to mines to enforce that compliance”. He illustrated this with an example, “let’s take an example, we have three inspectors that target three managers that are working for the same company and they don’t target any manager that works for another company. So obviously that specific company will feel aggrieved and may feel they are being targeted”. Participant 4B proclaims that “there are people who think that enforcement is not consistent”. Furthermore, he substantiates the argument of the gap in the system raised by participant 2B, commenting that “there is a perception that people who were working at the mines and were victimised....as soon as they are with the DMR, they make sure they even the scores with the organisation that mistreated them”.

Participant 3B was neutral in his view, commenting that “other companies have a tendency to complain about such, I suspects that other companies or people fail to check non-compliance issues” and bad mouth the MHSI for no reason. He argues that in extreme cases the MHSI has found areas where conditions that were raised in earlier inspections for correction had actually been left to deteriorate even further.

Participant 5B commented that, no prejudice was evident, arguing that the MHSI goes to extreme lengths to explain its concerns in the sector and where they would like mining companies to focus on. To this end, he comments “they have made you aware that these are the things that are bothering us and we won’t tolerate [non-compliance], so you know exactly what is expected of you”. However he acknowledged the inconsistencies in its application, mostly at a regional level.

#### 5.2.9.4 Summary of research question two

Table 5.5 summarises the theme that emerged for research question two - who benefits the most from institutional reforms, local or foreign companies? With the number of participants identifying each theme listed in the table.

Table 5.5: Emerging themes for research question two - who benefits the most from institutional reforms local or foreign companies?

Rank	Themes	Number of participants
1	Enforcement was inconsistent	4
2	People issues	4
	Vengeance	2
	Complacency	2
3	Imprinting effects	2
4	Size effects	1

The dominant themes for research question 2 were;

- The enforcement is inconsistent
- People effects (spread evenly between vengeance and complacency)

#### 5.2.10 Does company performance drop as a result of regulatory reforms

The following questions in the interview schedule were aimed at answering research question three, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

##### 5.2.10.1 How has the enactment of the MHPA affected your organisations performance?

The dominant view from the participants was that the MHPA had a dual effect on the company, namely positive and negative effects. Participant 2B commented that “the number of deaths and serious injuries have been going down”. Participant 5B augmented this view by commenting “we have seen a decrease in the number of fatalities and injuries in general and we have also seen technology and best practice being implemented”. However, both participants acknowledged the impact the section 54 stoppages were having on production.



Participant 2B cited that “...we actually need two people to produce the same volume because of safety considerations”, whilst participant 5B commented that “the amount of stoppages... have an impact on the profitability of the company”.

The remaining participants were spread evenly between being negative, positive and being impartial. Participant 3B was impartial citing that “the fact that the mining industry is still experiencing fatalities and serious injuries is testament that the MSHA hasn’t put restrictions to the way mining companies operate”. Participant 4B was more positive commenting that “you can see a definite downwards trend [on safety statistics], also it is because of the provisions and specifications in the MSHA”. He further argues that, if it was not for the MSHA “we would not have our 2013 mile stones”. Participant 1B saw the effects in a negative light commenting that “the [negative] impact has been seen all over the business”

**5.2.10.2 *There has been an array of regulations passed in the sector in recent years, e.g. MPRDA of 2002. Does your organisation see these regulations as liberalising the sector or as barriers to business?***

Two out of five participants had no comment to the question or cited that these kinds of issues were dealt with at head office. Participant 3B saw the regulations in a positive light and highlighted that “the aim of regulations is always to balance operations and the social good”, as such he saw the information link as an issue and not the actual regulations. Participant 5B believes the company had a dual view to the regulations that were passed in the sector. He commented that the company “believes in ensuring that it develops the communities that it is operating within and their welfare”. However he lamented that some of the regulations are too strict and do affect the company negatively.

**5.2.10.3 *Summary of research question three***

Table 5.6 summarises the themes that emerged for research question three – Does company performance drop as a result of regulatory reforms? With the number of participants identifying each theme listed in the table.



Table 5.6: Emerging themes for the research question three – does company performance drop as a result of regulatory reforms?

Rank	Themes	Number of participants
1	Emphasis on safety	4
2	Safety improvements	3
3	Drop in productivity	3
4	Cost increased	2

The dominant themes for research question 3 were;

- The Emphasis on safety
- Safety improvements
- Drop in productivity

### 5.3 Phase two results

The phase two of the research project was aimed at controlling for company or firm-specific attributes which have a tendency to affect the organisations response to LOFs should they be deemed to exist in the task environment.

#### 5.3.1 Sample description

Invitations were sent to 15 participants at company A, with nine participants agreeing to be interviewed. Of the nine interviewees, three represented the safety department, with four participants representing the production department and two the engineering discipline, respectively. Production was represented by the employee categories of mine manager, senior process engineer and two production middle managers. The engineering participants were represented by the mechanical and electrical middle managers. The safety department was represented by the safety manager, the section ventilation manager and the safety middle manager.

All nine participants were employed for a period of no less than five years with company A.

### **5.3.2 Does firm specific attributes contribute to the disadvantages caused by regulatory reforms**

The following questions in the interview schedule were aimed at answering research question four, therefore results of each question will be discussed and a conclusion made on the responses relative to the primary research question.

Due to the nature of the questions being explored in this section, secondary data was sourced from public and other sources to verify information provided by the participants.

#### **5.3.2.1 Describe your organisations policy on expatriates in executive positions?**

The majority of the participants were not sure if such a policy existed at company A, with seven out of nine participants citing unfamiliarity with the existence of such a policy. Two participants did not have a comment to the question.

Since the participant predominantly cited unfamiliarity with the policy, the human resources manager at company A was contacted to verify the existence of such a policy. The manager confirmed that no specific policy on the employment of expatriates in executive positions existed at the company. However, she explained that a recruitment and selection policy built on the back of the Employment Equity Act no. 55 of 1998 (EEA) existed at the company. This recruitment policy covered all employee categories including positions at executive level.

The human resource manager supplied the researcher with the policy as reference. The policy explicitly states that it is committed to the provisions of the South African Employment Equity policy Act no 55 of 1998. The policy states that Historically Disadvantaged South Africans (HDSA) candidates will be given preference for management positions in the following sequence. First, internal candidates will be given preference then external candidates will be recruited if a suitable candidate cannot be sourced internally. In addition, non-HDSA South Africans will be next in line for management positions should suitable candidates not be available from the HDSA groups.

Furthermore the policy alludes to the socio economic upliftment and citizenship. An excerpt from the policy states that “preference will be given to the employment of South African citizens, with exceptions only being considered in instances where specialist, managerial or executive skills are required to ensure a strategic and competitive advantage for the business”.

### **5.3.2.2 What positions do they occupy?**

Again seven out of nine participants cited no knowledge of the positions occupied by expatriates at executive level. However, two participants commented that expatriates did hold senior positions in the company. Participant 1A commented that the executive level band comprised mostly of South Africans, however at the board level expatriates dominated. Participant 9A mentioned two positions, namely the CEO and CFO of company A.

A secondary data search to confirm the statements of the two participants confirmed assertions put forward by both participants. Company A's executive level comprises of seven positions. Four out of the seven positions were held by South African nationals, two by dual citizenship nationals (home country of company A and South African citizenship), with one position held by a home country national. At board level eleven positions were available, three of these positions were held by South African nationals, three by dual citizenship nationals (namely the home country and South Africa). Four positions were held by the home country nationals with one position held by a foreign national from a different country.

### **5.3.2.3 In how many countries does your company conduct business?**

There was no consensus on the responses to this question, with the participants evenly split between one or two countries as well as those that had no idea.

Secondary data was sourced to corroborate these claims. Company A conducted business on three continents, with exploration activities in three countries one in Africa, one in Europe and the other in North America, whilst their primary business was in South Africa. Furthermore, it sells finished metals products to countries in Asia, Europe and North America.

### **5.3.2.4 Is your organisation affiliated with any companies in South Africa? And if yes how many?**

The majority of the participants confirmed that company A did have affiliates in South Africa, with six out of nine participants asserting to this. The remaining three participants commented that they were not sure or simply did not know.

Of those that said yes, four commented that they believed existing affiliates were two, whilst one participant believed they were three, with the last participant not sure. The remaining three participants mentioned that they did not know.

#### **5.3.2.5 Summary for research question 4**

No clear themes emerged from the phase two interviews due to the participants unfamiliarity with the company's human resource policies or limited knowledge of company A's activities.

## **6 Chapter 6: Discussion of results**

### **6.1 Phase one - introduction**

The two companies explored in this study operate in the same institutional environment and as such should be subjected to the same challenges in the task environment. Both organisations are platinum majors, each having been in the industry for more than twenty years. To this end, they have had the experience of conducting business in the mining sector prior to and after the promulgation of the MHSA. Therefore, it is expected that the two organisations would provide valuable insights on observed phenomena in the sector.

The two cases under investigation will be individually analysed as indicated in the delineated multiple case analysis model by Yin (2003) as presented in chapter four. The analysis of each case will mainly focus on the dominant themes that emerged under each research question. Thereafter, a comparative analysis will be conducted across the two cases and pattern matching used to draw parallels or contrasts.

Once the comparative analysis is concluded, linkages will be made to the relevant theory as presented in chapter two.

### **6.2 Research question one – Do changes in regulatory reforms intensify LOFs in emerging markets**

#### **6.2.1 Company A**

There was consensus amongst participants from company A, that the promulgation of the MHSA did have an impact on the dynamics in the mining sector, therefore significantly altering the task environment. Furthermore, these changes appear to have had positive and negative effects on the company.

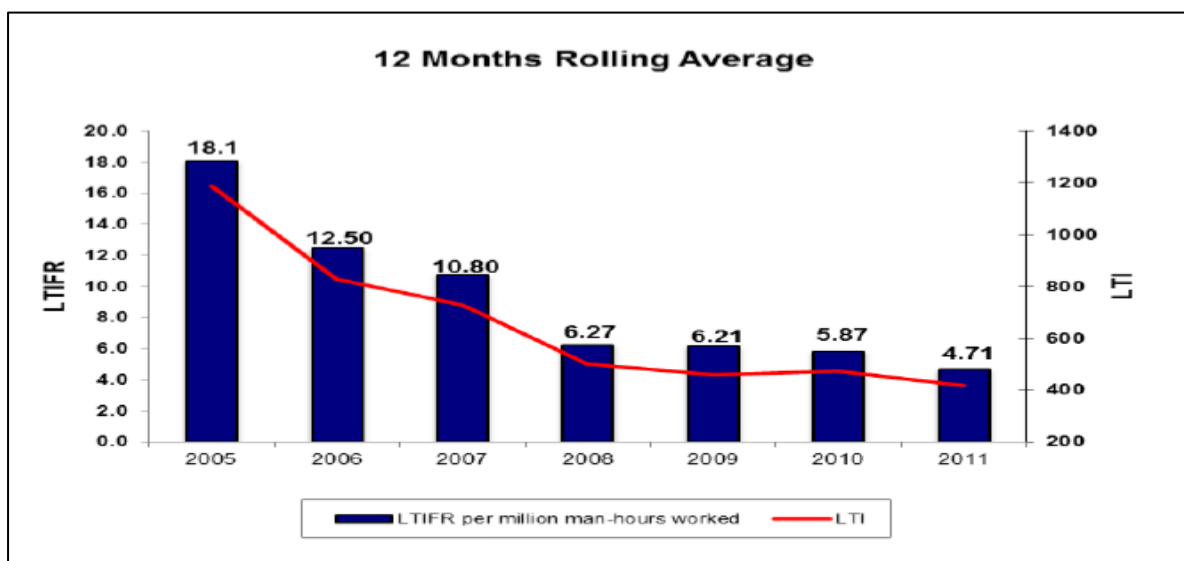
Advantages or positives effects were mostly visible on the company's safety performance, with the company being applauded by the regulator for its safety achievements. In addition, management appear to have taken a more active role in ensuring that safety management practices are adhered to across the organisation to make certain that the organisation fulfil the provisions of the MHSA. Another positive highlighted was the empowerment of employees particularly the safety and health representatives at workplaces who were now empowered to stop operations and evacuate employees should they deem conditions to be unsafe.

On the negative side though, some within the company bemoaned the drop in productivity that emanated after the promulgation of the MSHA. This drop was facilitated by activities such as additional checks and balances that needed to be put in place to ensure that workplaces met safety specifications. According to participants, failure to adhere to your organisations codes of practice (COP) for instance could lead to a section 54 closure, which dependent on the organisations size or operations could cut back production numbers significantly. Furthermore, with the 2013 milestones around the corner, the regulators stringent stance was expected to intensify in an effort to curb injuries and fatalities in the sector.

Another dominant theme that emerged was the challenges some competitors experienced with the regulator. Most participants believed some of their peers viewed the regulator in a negative light, particularly when it came to the issuance of section 54 instructions. One of the challenges highlighted revolved around the interpretation of the guidelines. Furthermore, they alluded to issues concerning relationships, with the MHSI inspectors that had worked at the mines before, being perceived by their peers as having failed to make it at operations level. Therefore, the perception exist that they are not sufficiently competent to be inspectors, hence their decisions are being questioned.

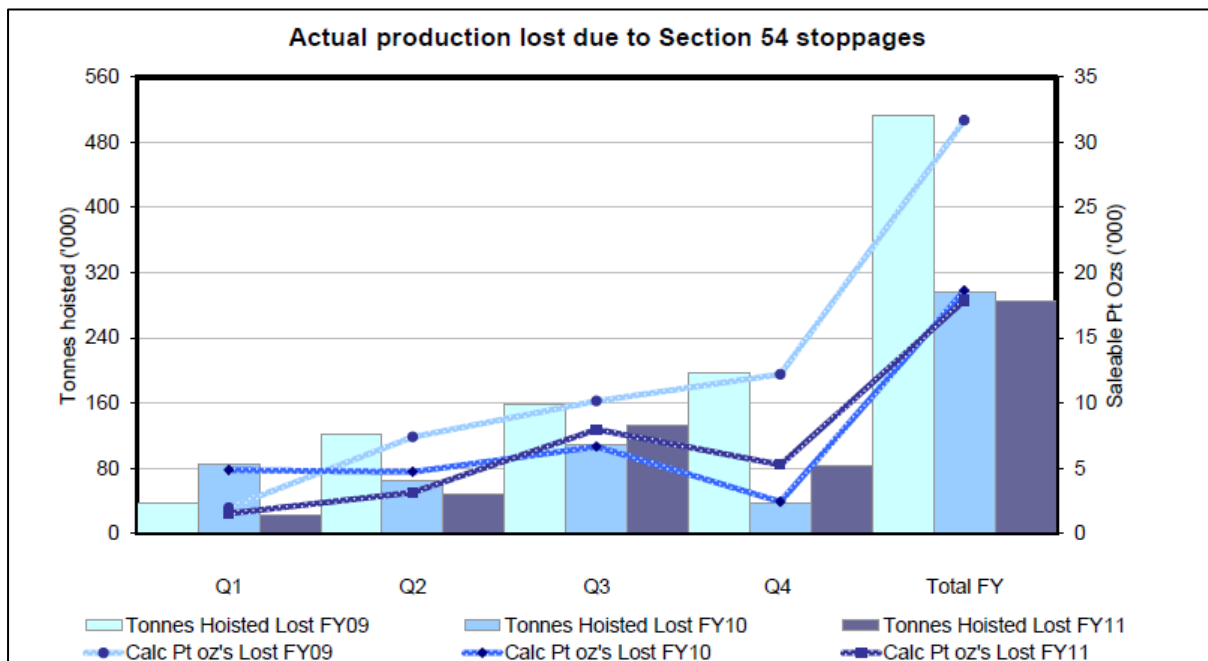
The veracity of the company performance arguments put forward by the participants was tested against secondary data from company A. The safety and production performance statistics for company A are presented in figures 6.1 and 6.2, respectively.

Figure 6.1: Lost time injury frequency rate (LTIFR) and lost time injury (LTI) trends for company A for period 2005 to 2011



Source: (Company A, 2011 annual results)

Figure 6.2: Production lost due to section 54 stoppages for period 2009 to 2011



Source: (Company A, 2011 annual results)

The data definitely corroborate the arguments presented by the company A's participants

### 6.2.2 Company B

There was consensus with company B participants regarding the impact of the MHSAs on the mining business environment. They all agreed that the MHSAs did change the dynamics in the mining sector, and highlighted the positives and negatives effects thereof.

One of the positives highlighted was the provision of the MHSAs that prescribed that management will be held accountable for safety management practices in their respective organisations. In addition, the inter-organisational learning was seen as a positive as it ensured that good practices were shared with peers and cascaded down to other companies during tripartite meetings, therefore "centralising excellence". The emphasis on employee safety and the subsequent empowerment thereof was seen as a positive as it increased safety awareness amongst employees. To this end, the reduction in injuries and fatality incidents was welcomed. The regulatory outlook was predominantly described as being positive, with the MHSAs being commended for the consultative approach it was adopting.

The MHSAs' provision that allowed for managers or any legally appointed individual to be criminally charged, subjected to fines or both if found guilty of an offence that resulted in a fatality was seen as a negative. Furthermore, being a large organisation was seen as a

negative by some of the participants who cited that it made an organisation a soft target for the inspectorate visits.

The majority of the participants believed there were challenges between the regulator and some of their competitors. It was commented by some of the participants that some companies had reservations with the way the DMR was conducting its work or that the regulator could opt for other means to ensure compliance.

### 6.2.3 Comparative analysis

Key themes emerging for the research question one for the two companies are summarised in table 6.1, these include common and contrasting views.

Table 6.1: Comparative analysis on research question one emerging themes

Theme	Company A	Company B
Positive	<ul style="list-style-type: none"> <li>• Company's safety performance improved</li> <li>• Management was held accountable for safety management practices</li> <li>• Employees were empowered</li> </ul>	<ul style="list-style-type: none"> <li>• Company's safety performance improved</li> <li>• Management was held accountable for safety management practices</li> <li>• Employees were empowered</li> <li>• Regulator appeared to be adopting a consultative approach</li> </ul>
Negative	<ul style="list-style-type: none"> <li>• Productivity dropped</li> <li>• Relationship issues</li> <li>• Challenges in the interpretation of the guidelines</li> <li>• Regulator was expected to be more stringent and punitive</li> </ul>	<ul style="list-style-type: none"> <li>• Productivity dropped</li> <li>• Relationship issues</li> <li>• Challenges in the interpretation of the guidelines</li> </ul>

Similarities exist between the two companies on the dominant themes for research question one, despite varying views pertaining the regulatory outlook in the sector.

### 6.2.4 Theoretical linkages for research question one

It is clear from the responses above that a misalignment does exist between company objectives and the regulators objectives. The notion that both companies see positives and



negatives from the enforcement of the Act, could be an indicator that things may not be what they seem. This is reflected by the regulators use of punitive measures to correct behaviour or enforce compliance. The use of punitive measures indicates the existence of the regulatory institutional distance between entities operating in the sector and the regulatory body, as argued by DiMaggio & Powell (1983) and Kostova & Roth (2002). DiMaggio & Powell (1983) refer to this phenomenon as coercive isomorphism.

In identifying LOFs Mezas (2002a) recommended controls be put in place to minimise the effects of other liabilities unrelated to foreignness namely size effects, newness and imprinting effects. Despite careful attention to control for these effects in the research design some of these effects were referred to by some of the participants namely, size, newness and imprinting effects. Despite this effects coming through during interviews, these were mentioned by a select number of interviewees and not the majority.

Mezas (2002a) argues that only disadvantages should be measured when establishing LOFs in an institutional setting. The enforcement of MHSA presents a challenge as it resulted in both advantages and disadvantages for both the domestic and foreign entity, respectively. However, it cannot be discounted that the MHSA does not cause LOFs merely because it led to benefits as well.

When one looks at the salient issues being mentioned by the interviewees, they lead to a different conclusion. The dominant themes from the interviewees were inconsistencies in the enforcement of the Act brought about by the different interpretation of the Act or guidelines, as well as relational issues. These comments support Zaheer (2002) view that LOFs are focused more on the social costs of access and acceptance, caused by structural/ relational and institutional costs. Sethi & Judge (2009) refer to this phenomenon as LOFs caused by incidental costs.

To this end, it is argued that the MHSA does lead to LOFs in the mining business environment.

### **6.2.5 Conclusion on research question one**

It can be concluded that regulatory reforms in this instance do lead to LOFs. The LOFs appear subtle because they are masked by the simultaneous improvements characterised by the individual company's safety performance. The notion that the MHSA disrupted the task environment is testament that the rules of engagement have been altered, thus leading to a change in the mining business environment.

In emerging markets, no company would like to be seen as putting profits before employee safety for fear of losing legitimacy in the institutional context. One participant put it bluntly mentioning “I do not think you can show me a company that would rather injure people to get their money”. These arguments are supported by the normative isomorphism effects as identified by (DiMaggio & Powell, 1983; Kostova & Roth, 2002).

To this end, the study affirms that the phenomena being observed does proxy LOFs.

### **6.3 Research question two – Who benefits the most from institutional reforms, local or foreign companies?**

#### **6.3.1 Company A**

The majority of the participants did not trust that there were companies that benefited from the current institutional reforms. Arguments being posited were that, such beliefs were mainly fuelled by perceptions rather than facts. To substantiate this stance, participants confirmed that the regulator held road shows regularly to familiarise all stakeholders with upcoming amendments or to clarify guidelines. Furthermore, at monthly tripartite meetings open discussions were allowed to take place, indicating transparency on the side of the regulator (refer to Appendix C for a sample of minutes from the tripartite meeting).

However, two participants made compelling arguments citing that size and newness did lead to benefits for some organisations, since new organisations did not suffer from legacy issues. Furthermore, by merely entering the market post the promulgation of the MHSA, these organisations were not tainted with the knowledge of how mines were operating prior to the MHSA, making compliance from a people’s perspective easier. Smaller companies were seen to be benefiting from leniency measures applied by the MHSI. One participant explained that a section 54 closure might be detrimental to a smaller mine, due to the scale of their operations. Therefore, the inspectorate was bound to overlook certain things, for which he would ordinarily issue a sanction at larger or more established mines.

People issues were another dominant factor that participants highlighted as an issue. One participant explained that people issues existed despite regulations, mining standards and training being readily available at companies. One of the common problems why mines could not contain fatalities across operations was the human element, with staff members not doing what was expected of them, proclaimed one participant. Hence this is now being looked at by the regulator together with the mines. Another aspect alluded to was the importance of building a relationship with the MHSI as it ensured that the organisation

worked together with the MHSI to address safety issues, thus bettering its performance as opposed to seeing them as law enforcement officers.

### **6.3.2 Company B**

The majority of participants at company B felt that the enforcement was inconsistent across companies, commenting that company B has on occasion engaged with the regulator particularly where they felt strongly against an instruction. Other participants thought a lot of the instructions issued were opinion based, thus open to various interpretations. Another issue raised was the MHSI's tendency to turn a blind eye on certain issues at struggling or smaller operations, which would ordinarily warrant a sanction at larger mining companies.

Another dominant theme was around people issues, particularly those pertaining to the relationships between the MHSI inspectors and people at operations. It was highlighted that one of the challenges revolved around the perceived competence of the inspectors particularly those that started their careers at the mines. A common trait of these individuals was that most of them were apparently ill-treated at the mines or not afforded opportunities, therefore they were perceived as disgruntled individual's intent on settling scores with those that ill-treated them. To this end, as one participant points out, personal issues could end up affecting the performance of the entire organisation.

Complacency from the mining side was also hinted, as one of the levers that led to strained relationships with the regulator. According to one of the participants, some managers would reluctantly make efforts to correct deviations, knowing they could always blame the regulator of biases if caught not complying. This he mentioned required more robust internal controls from mining companies.

### **6.3.3 Comparative analysis for research question two**

Key themes emerging from research question two are summarised in table 6.2, these include common and contrasting views between the two entities.

Table 6.2: Comparative analysis on research question two emerging themes

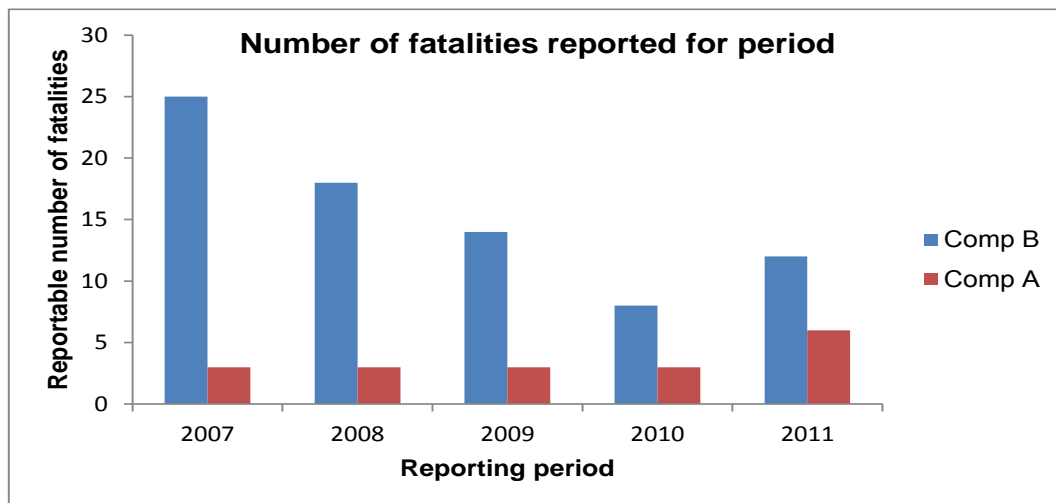
Theme	Company A	Company B
Other companies benefited	<ul style="list-style-type: none"> <li>No beneficiaries were evident</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Other factors (e.g. size, newness etc.)	<ul style="list-style-type: none"> <li>Smaller companies and new entrants could be beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>Struggling operations could benefit</li> <li>Enforcement was inconsistent (potentially there are beneficiaries)</li> </ul>
People issues (complacency, and relationships)	<ul style="list-style-type: none"> <li>People issues existed</li> <li>Forging relationship with the regulator was key</li> </ul>	<ul style="list-style-type: none"> <li>People issues existed</li> <li>Forging relationship with the regulator was key</li> </ul>

#### 6.3.4 Theoretical linkages for research question two

The literature reviewed in chapter two proclaims that foreign firms are likely to experience LOFs disproportionately more than domestic entities in an institutional setting (Mezias, 2002a; Lou *et al*, 2002; Zaheer, 1995). However, Mezias (2002a) also contended that LOFs need not only affect foreign entities alone, stating that they could also affect domestic entities in the same task environment. In this instance interviewees arguments that no one appears to be benefiting from the enforcement of the MHSA, clearly augment Mezias (2002a) views, since both entities production operations were adversely affected. These arguments however do not suggest that LOFs do not exist, rather these comments should be interpreted with caution as they could easily dissuade researchers from seeing the subtlety of the LOFs in this institutional environment.

Therefore are there beneficiaries in this task environment? Secondary data from company sources was evaluated to check for the veracity of the interviewee's comments, by assessing the number of reportable fatalities from the two entities. The rationale for choosing the number of fatalities was motivated by the DMR's zero harm stance for the sector by the year 2013, or commonly referred to as the 2013 milestones. A comparative analysis of the two entities number of reportable fatalities for the period 2007 to 2011 is presented in figure 6.3 below.

Figure 6.3: Number of reportable fatalities for the two entities



Source: (Company A and B annual reports)

The data clearly indicate a significant drop in the number of reportable fatalities for company B, with company A maintaining the status quo for the period 2007 to 2010. Zaheer (2002) has argued that institutional costs affect the legitimacy or acceptance of the foreign firm relative to local firms. In this instance it is evident that the domestic firm is doing reasonably well relative to the foreign entity. Therefore, the domestic entity would be expected to benefit somehow from the regulator due to its improving statistics on fatality rates which are at the centre of the MHSI's goals. However, from the participant's comments, this does not appear to be the case.

Kostova & Zaheer (1999) arguments on legitimacy spill over effects could also explain these effects. Relative to the foreign entity the domestic entity has been reporting a higher number of fatalities. To this end, the legitimacy of the domestic entity might be severed. Therefore, despite them making strides to restore legitimacy these effects are relatively small, in line with the positive spill overs impact as explained by Kostova & Zaheer (1999).

Sethi & Judge (2009) posited that LOFs progressively diminish over time due to amongst others, organisational learning. Therefore company A's resilience in maintaining its safety performance could be attributed to the efficacy of its coping strategies in the host environment. Hence, in identifying LOFs in this sector emphasis is made on their subtlety.

The other dominant issue reported by interviewees revolved around people related issues, with relationships between the mines and the regulator cited as one of the key challenges. This can be explained from a cultural institutional distance perspective as argued by (Calhoun, 2002; Ghemawat, 2001). Calhoun (2002) argues that the success of MNEs was determined in part by the degree of the entities understanding of the informal/ unwritten

cultural values norms and ideologies. Cultural distance can either be characterised as external or internal argues Calhoun (2002). Furthermore, he asserts that the source of LOFs does not emanate from the knowledge of local laws or the lack thereof, as these are readily available to all entities in the host environment. The source of LOFs is caused by the informal and unwritten norms, practices and procedures, which resonate with what participants are alluding to regarding the interpretation of the Act.

Another argument being posited was that of complacency within organisations, these effects according to Calhoun (2002) are caused by the internal cultural distance, which he refers to as misalignment between employees and management. Characterised by employees questioning, challenging or ignoring management decisions. The greater these difference in values, the more likely it is that the firm will be at a disadvantage in dealing with its employees, hence the human element as argued by one participant.

### **6.3.5 Conclusion on research question two**

In this task environment it is evident that no entity was at a disadvantage based on the participant's arguments. However, it maybe postulated that the foreign entity might be employing superior technology in its operations, therefore ensuring compliance with the provisions of the Act. This argument however was not tested for in this study to conclude on it. Another explanation could be organisational learning, company A has been in the host environment for nearly the same period as company B. Therefore, these effects might be driving participant's views that no one is benefiting from the promulgation of the Act. Another argument could be if company A safety statistics were similar to those of company B (or the domestic entity) would they receive the same treatment? To this end, it suffices to say an offensive strategy might be at play at company A, therefore ensuring that they are never caught on the wrong side of the law for fear of losing legitimacy in the task environment.

An extreme case would be that company A is not even aware of these benefits, therefore resorting to mimetic isomorphism behaviour as is the case in highly institutionalised environments as argued by (DiMaggio & Powell, 1983; Kostova & Roth, 2002), therefore deviating from its superior performance.

## **6.4 Research question three – Does company performance drop as a result of regulatory reforms**

### **6.4.1 Company A**

The dominant number of participants were pleased to see a decline in the number of injuries and fatalities, some arguing the company was moving towards first world standards. Another positive was the empowerment of employees, particularly the health and safety representatives who could now instruct employees to leave unsafe sites in the workplace.

However, despite positives on safety improvements being acknowledged and celebrated, the decline in productivity was lamented by some, notably those working in production. They cited that they were battling to repeat past good performances due to safety stoppages from the regulator and those induced by internal controls. These stoppages were sometimes caused by minor deviations which at times were frustrating for the production teams. Surprisingly, only two out of eight participants commented about operational costs directly, this was unexpected taking into account the argument pertaining to a drop in productivity.

Regulatory reforms were not seen as barriers or as affecting the business adversely. On the contrary most participants saw regulations as an imperative, creating a balance as well as ensuring that companies did not do as they please. In the case of the MHSA, they mentioned that mining used to be worse off in terms of safety performance than it is now. Therefore, safety improvements were touted as a positive development since it reduced the number of injuries and fatalities at the mines.

### **6.4.2 Company B**

An improvement in the company's safety performance was a welcomed change by most participants, as it reduced the number of injuries and fatalities. Furthermore, another welcomed change was the proliferation of new technology in the sector, which some saw as bringing best practices to the sector. In addition, the idea of best practices on safety being shared across companies was seen as a great innovation by the regulator.

However, as one participant commented it came at a cost, lamenting the drop in productivity as one noticeable change. It was claimed that the increased focus on safety was actually making it more challenging to mine, with work that used to be conducted by one person now requiring two people due to safety considerations. To this end, the operational costs have increased.

When it came to the companies view on regulatory reforms, most of the participants shied away from commenting. The select few that commented proclaim that regulatory reforms were seen in both ways (i.e. positive or negative) depending on the impact these had on the organisation. However, it must be stated that these views were from a select few and not the majority of the participants.

### 6.4.3 Comparative analysis on research question three

Key themes emerging from research question three are summarised in table 6.3, these include common and contrasting views.

Table 6.3: Comparative analysis on research question three emerging themes

Themes	Company A	Company B
Productivity dropped (costs increased)	<ul style="list-style-type: none"> <li>Productivity dropped</li> </ul>	<ul style="list-style-type: none"> <li>Operational costs increased</li> <li>Productivity dropped</li> </ul>
Safety performance improved	<ul style="list-style-type: none"> <li>Safety performance improved</li> <li>Less injuries and fatalities</li> <li>Safety stoppages increased</li> </ul>	<ul style="list-style-type: none"> <li>Safety performance improved</li> <li>Less injuries and fatalities</li> </ul>
Other changes	<ul style="list-style-type: none"> <li>Companies share information pertaining to safety</li> </ul>	<ul style="list-style-type: none"> <li>Best practices on safety were now widely shared</li> <li>New technology was introduced in the sector</li> </ul>

There appears to be a lot of commonalities in terms of performance, with both companies agreeing on the noticeable improvements on safety performance as well as the unintended consequence that resulted in the drop in productivity.

### 6.4.4 Theoretical linkages for research question three

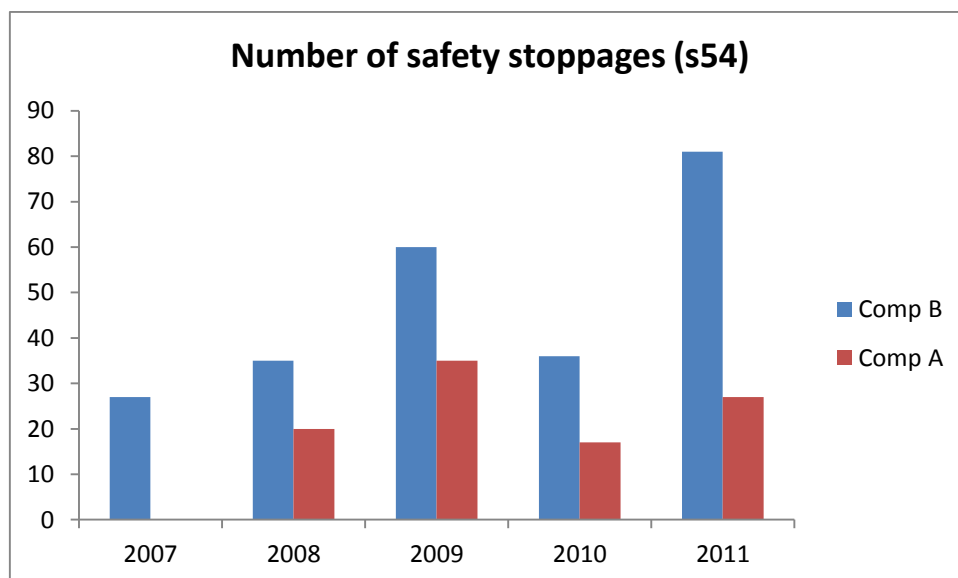
There is no doubt from both participants that company performance was impacted by changes in regulatory reforms notably the safety and productivity performance. The focus of this analysis will be on the disadvantages endured by either the foreign or domestic entity from a productivity performance point of view. First it is worth pointing out that the drop in productivity is an unintended consequence of the MHSA, the intent was largely to curb the increasing number of injuries and fatalities in the sector, hence noticeable improvements in



these areas. These measures however brought with them LOFs for companies operating in the sector.

Therefore to obtain an acceptable measure of productivity performance, the number of section 54 closures for the period will be taken as a measurement of productivity performance. A section 54 pertains to an order by the MHSI instructing mining companies to stop operations, therefore it suffices to say this would be a good proxy for productivity performance. It is believed that this will provide a more balanced approach to measuring the productivity performance, as it was cited by participants as a concern. Figure 6.4 present a comparative analysis of the section 54 orders for the two companies for the period 2007 to 2011.

Figure 6.4: Number of section 54 stoppages at company A and B for period 2007 to 2011



Source: (Company A and B annual reports)

The foreign entity appears to be doing relatively better than the domestic entity on productivity performance. This performance could be attributed to better use of coping strategies by company A (Sethi & Judge, 2009). Isomorphism with the host country environment is said to minimize the impact of LOFs on a foreign entity, this is achieved through organisational learning and use of local networks (DiMaggio & Powell, 1983; Sethi & Judge, 2009; Zaheer 1995). The fact that company A managed to sustain its fatality rates for four years running attest to the effectiveness of its coping strategies (refer to figure 6.3).

The companies sharing of information indicates the mimetic and normative isomorphism behaviour being exhibited by organisation in the mining business as identified by (DiMaggio & Powell, 1983; Sethi & Judge, 2009; Zaheer 1995).

#### **6.4.5 Conclusion on research question three**

The coercive methods used by the regulator in the sector definitely do affect company performance from a profitability perspective. Both companies recorded production losses as a consequence of section 54 closures at their operations (Johnson Matthey, 2012). To this end, it can be argued that regulatory reforms do affect company performance, as indicated by the MHSA which is driving companies in the mining sector towards achieving the zero harm safety targets. However, the unintended consequences of the Act need to be addressed as profits are required to fund these advances in safety performance.

#### **6.5 Phase two – introduction**

The research question four constituted the phase two of the study with the questions asked directed at the foreign entities participants, namely company A.

No clear themes emerged from the phase two interviews due to the participants unfamiliarity with the company's human resource policies or limited information on company A's activities outside of the host environment. Furthermore, despite the majority of participants agreeing to company A having affiliates in the host environment, there was no consensus on the exact number of these affiliates.

To this end, the data on phase two of the research was complimented with data from secondary sources to establish the reliability of comments made by some of the participants.

#### **6.6 Research question four – does firm specific attributes contribute to the disadvantages caused by regulatory reforms**

The majority of the participants did not know if a specific policy existed for the appointment of expatriates at company A, thus could not comment to the phase two research sub question one. Those that commented made reference to a recruitment policy however they were not certain if it also covered the appointment of expatriates in senior or executive roles. Secondary data on company A did indicate the existence of a recruitment policy which also included appointments at executive levels.

On the research sub question two pertaining to the roles held by expatriates, one participant commented about the positions of CEO as the position commonly held by expatriates, secondary information corroborated the participant's views. Information from company reports indicates the executive level to comprise of seven positions with four of these positions held by South African nationals and the remainder by company A's home country

nationals. At board level the situation was reversed with eleven positions being available and only three of these being held by South African nationals.

In terms of the research sub question three pertaining to company A's international experience, participant's comments did not converge with some citing operations in two countries, some three with other participants having no idea. Data from company sources indicated a few countries, in which company A was conducting business, a total of three countries was mentioned, excluding the RSA and the countries where the company sold its finished metal products. When these countries are included the total number rises to eight.

The dominant number of participants agreed that company A had affiliates in the RSA, again no consensus could be reached in terms of the number of affiliates. Four participants mentioned four, with one participant mentioning three and the others commenting they did not know. A validation of the data from company sources confirmed that company A did have affiliates in the RSA, with five affiliates mentioned. Of the five affiliates four are domestic and the other international with operations in the RSA.

### **6.6.1 Comparative analysis**

No common theme emerged from the participants comments, with only a few responding to the questions. However, the use of secondary data to verify some of the participant's comments did agree with some of the comments made.

### **6.6.2 Theoretical linkages for research question four**

The aim of phase two of the study was to evaluate FSAs that could influence company A's response to LOFs in the task environment. Staffing strategies of company A at executive level is nearly balanced with locals holding most of the positions, thus supporting arguments posited by (Lou *et al*, 2002 and Mezias, 2002a). Therefore, this could be the reason why company A has managed to lessen the impact of LOFs caused by the promulgation of the MHSA in the task environment. The dominance of expatriates and foreign nationals at board level has a lesser impact on the organisation. Executive managers are responsible for the day to day management of operations, therefore able to build local networks with important local actors (Zaheer, 2002).

Company A does not have a lot of international experience with the majority of their operations in the RSA. Furthermore, most of the operations outside the RSA are mostly in exploration, thus not requiring a large number of host country nationals. Measuring the level

of globalisation by the number of countries (Mezias, 2002a) company A had operations at, indicates that company A's global experience is limited.

Domestic affiliates of company A though not many indicate a level of commitment to the host country's objectives as posited by Lou *et al* (2002). Therefore, these efforts can be expected to increase company A's standing in the host environment, therefore boosting its legitimacy.

### **6.6.3 Conclusion to research question four**

Firm specific attributes do contribute to the resilience of a foreign entity to LOFs in the host environment. Company A's staffing strategies, seem to follow the logic of using locals at executive level, therefore ensuring that it has access to important local actors as well as leveraging off local networks available to its executives.

Furthermore, the existing joint ventures with the host environment entities, increases the legitimacy of company A. This may be seen by the general public and important local actors as being supportive of the host countries development initiatives. These efforts reduce the impact of LOFs in the task environment particularly in a strategic economic sector such as mining.

## **7 Chapter 7**

### **7.1 Introduction**

The previous chapter discussed the impact of regulatory reforms in intensifying the construct of LOFs in the institutional environment and their effects on the performance of organisations operating in the task environment. This chapter will discuss the background to the study and present a summary on the main findings, followed by recommendations for practitioners and mine management who interact with the phenomenon on a daily basis. In addition, the chapter will close off by discussing the limitations of this study and provide recommendations for future research on the construct of LOFs.

### **7.2 Research background and objectives**

This study was largely influenced by the phenomena currently being observed in the mining sector, with company management expressing displeasure at the regulators use of sanctions to correct safety related behavior in the sector. Furthermore, an unsavoury incident that occurred with one of the mining companies taking the regulator to task, by instituting legal proceedings against regulator arguing they are being targeted by the MHSI, did not make sense at the time. Hence the need to understand whether this phenomena being observed was indeed rooted in the institutional distance between the regulator and the companies in the sector or if mining companies were unnecessarily crying foul.

At a personal level being a young manager in an emerging market, characterized by institutions in a transitional phase (Luo *et al*, 2002), understanding how institutions related to industry appealed to me, particularly one that is so heavily regulated like mining.

Therefore, this study aimed to establish the existence of the regulatory institutional distance between the regulator and the entities operating in the sector, consequently establishing the impact these reforms had in intensifying LOFs in the sector. To this end, a foreign and a domestic entity were studied to ascertain if both companies experienced the same treatment from the regulator or if one entity was a disadvantage as argued by the entity that took the regulator to court.

### **7.3 Main findings**

The study did indicate the presence of a regulatory institutional distance between the regulator and the entities operating in the sector. The regulator on occasion has resorted to the use of the extreme form of sanction available to him/her namely the section 54 at the

operations of the two entities being studied. The evidence seems to suggest that there is misalignment between the entities objectives and the regulator, despite arguments to the contrary from the participants. Furthermore, traces of imprinting and size effects were mentioned by some of the participants, these however did not constitute the predominant view of the participants. Therefore, although acknowledged they could not explain the phenomena being observed thoroughly, as indicated by trends in figures 6.3 and 6.4.

To this end, the study did find LOFs to exist in the institutional environment. The nature of these LOFs is described as subtle due to the organisational learning and efficient use of coping strategies by the foreign entity. These arguments are motivated by the view that the foreign entity has been in the sector long enough, having been in the sector prior to the MHSA and after its promulgation. Therefore, this extended presence in the host environment allowed it to adapt to the domestic environment. This characteristic identified as isomorphic behaviour (Zaheer, 1995).

Besides the presence of LOFs in the sector additional institutional distances were detected in the sector, notably the external cultural distance between the MHSI and the entities studied. In addition, the internal cultural distance that was evident. Some of the participants referred to what they identify as the human element, which resulted in them being repeatedly sanctioned for non-conformances.

The main research question was not conclusively answered, yes LOFs did exist in the task or institutional environment. However, regulatory reforms did not intensify their development, as no evidence could be found from the participant's statement made to support this view.

#### **7.4 Recommendations for MHSI inspectors**

The regulatory institutional distance present in the sector requires some level of maturity to dissipate. The MHSI approach in this instance is commendable, particularly since it is said to be adopting a consultative stance with entities in the sector, as well as its efforts in encouraging inter-organisational learning by facilitating the tripartite meetings. Therefore to achieve the 2013 milestone the regulator should continue on this path.

Finalising of the enforcement guidelines should be expedited to avoid unnecessary confrontations between operations staff and the MHSI inspectors (refer to section 5.1 in Appendix C for a sample of minutes from the tripartite meeting). Until then inspectors are bound to use their own discretion to make judgments on certain contentious issues thus further severing relations with stakeholders in the sector. The achievement of 2013

milestones is a win for all stakeholders in the sector, therefore nurturing relationships between stakeholders is paramount.

## **7.5 Recommendations for management**

When employees leave their homes to go to work the expectation is that they will return home to their loved ones. The sector cannot continue with the current trend where employee families dread the prospect of seeing a company branded vehicle parking closer to their homes, with the knowledge that what's coming next might be the worst news a family could ever hope for. No amount of apology or money can replace a loss of life.

A work environment that is conducive to first class safety practices was required in order to change the widely held perception that mining is the most hazardous industrial sector of our economy (Hermanus, 2007). The regulators actions are well intended and thus they have created an environment that could lead to a win-win situation if only mining personnel attitudes could shift from tonnage hauled out of the ground, to did we all return home today. The regulatory institutional distance between the regulator and the mining entities could dissipate soon with everyone's objective met.

## **7.6 Limitations of the study**

This study concentrated on one Act or legislation which had a dual effect on the institutional context thus masking the unintended challenges brought about by the Act. Furthermore, the events of 16 August 2012 might have influenced the responses of the participants somewhat as the two entities being studied were central to these events. To illustrate this, despite assurances of anonymity some participants made it clear that he did not want the interview to be recorded.

As with any qualitative study the researcher's bias could influence the study, I certainly went into the study with some preconceptions which faded away as the study progressed.

## **7.7 Implications for future studies**

This study took the form of an exploratory qualitative study since the researcher was not sure if the phenomena being observed represented LOFs or not. Therefore, the outcomes of this study cannot be generalised across the sector, rather its only limited to the two entities studied. Thus, instead of exploring one set of law or legislation future researchers could incorporate a suite of all mining regulations promulgated in the sector since 1994 and test for

LOFs in the institutional environment. Another alternative is to design a quantitative study around LOFs in the sector again incorporating all regulations promulgated since 1994.

## **7.8 Conclusions**

The injury and fatality incidence plaguing the mining sector are viewed in a serious light by the regulator and correctly so, otherwise it will not be fulfilling its mandate as a public institution. Therefore, it is paramount that the mining sector joins the regulator as some of the participants mentioned. Fatalities are expensive for all parties involved, since operations come to a halt to allow the regulator to conduct investigations. Notwithstanding the cumbersome administration requirements associated with such incidents. Furthermore, mining companies find themselves forced to take moral decisions, with some companies committing resources to families that lost loved ones due to mining accidents. These costs could be avoided if safety practices were observed continuously.

Mining companies need to root out negative elements within their ranks to ensure that people entrusted with the roles of management genuinely care about their fellow colleagues. Therefore, ensuring that safety practices are followed at all times, this leads to the concept of shared value as posited by Porter & Kramer (2006).



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## 9 Appendices

### 9.1 Appendix A: Phase 1 interview questionnaire

No.	Question	Objective
1	What is your organisations opinion on the Mine Health and Safety Act 29 of 1996?	To determine the organisations view about the Act
2	How would you say the MHSA has changed the dynamics of the mining business environment?	Assess if the promulgation of the MHSA has altered the business environment
3	If yes, could you tell me more about these changes in the business environment?	Ascertain if there were disadvantages/ advantages associated with the promulgation of the MHSA
4	How has the enactment of the MHSA affected your company's performance?	Determine if the MHSA constitute an LOFs or a BOFs (benefit of foreignness)
5	Tell me about your organisations relationship with the regulator?	Establish legitimacy challenges
6	How do other platinum mining companies feel about the regulator?	Confirm if there is isomorphic behavior at play and legitimacy issues
7	Tell me about your organisations view on the quality of the enforcement of the MHSA by the MHSI?	To determine if the organisations view the regulator as being coercive in enforcing the MHSA
8	Are you familiar with the DMR enforcement guidelines? If yes, could you please elaborate	To establish alignment between the regulator and the mining sector
9	How do other Platinum mining companies feel about the enforcement of the MHSA?	Confirm if sentiments are shared widely or company specific, isomorphism determination
10	Has the recent enforcements of the MHSA favoured some companies and prejudiced others in the sector?	Establish if regulations favour some companies and prejudice others
11	There has been an array of regulations passed in the sector in recent years, e.g. MPRDA of 2002. Does your organisation see these	Establish the intensity of recent regulations on the Platinum mining industry.

	regulations as liberalising the sector or as barriers to business?	
12	How does your organisation see the regulatory outlook in the sector?	Establish if regulations stifle investment from existing Platinum mining companies

## 9.2 Appendix B: Phase 2 interview questions

No.	Question	Objective
1	Describe your organisations policy on expatriates in executive positions?	To establish foreign company staffing strategies
2	What positions do they occupy?	To determine rank of expatriates as it has a potential to influence LOFs
3	In how many countries does your company conduct business?	Establish globalisation/ international experience of parent/ foreign company
4	Is your organisation affiliated with any companies in South Africa?	Establish levels of involvement in the host country as well as determine the existence of local networks
5	If yes, how many?	Establish degree of involvement, the greater the level of involvement the higher the profile of the organisation

### 9.3 Appendix C – A sample of the tripartite meeting minutes

#### NW (RTB) HEALTH & SAFETY TRIPARTITE FORUM

##### MINUTES OF THE FORUM MEETING HELD ON THE 5<sup>th</sup> OF JULY 2012 HOSTED BY NORTHAM PLATINUM, ZONDEREINDE DIVISION

ATTENDANCE: as per list

APOLOGIES: as per list

#### MATTERS DISCUSSED:

The Department of Mineral Resources reviewed the proposed changes to the Mine Health & Safety Act. Therefore there was no Tripartite Meeting held.

Please find below the previous Minutes of the NW (Rtb) H&S Tripartite Meeting held on 7 June 2012:

#### NW (RTB) HEALTH & SAFETY TRIPARTITE FORUM

##### MINUTES OF THE FORUM MEETING HELD ON THE 7<sup>th</sup> OF JUNE 2012 HOSTED BY XSTRATA PLATINUM, ELAND MINE

ATTENDANCE: as per list

APOLOGIES: as per list

#### 1. WELCOME

Richard Vermeulen welcomed the Forum at Magaliespark. He also thanked Xstrata Eland Mine for hosting the Tripartite Meeting.

#### HOUSE RULES

All were informed wri house rules, exits etc.

## **MINUTE OF SILENCE**

**A minute of silence was held.**

## **NEW MEMBERS**

**Paul Marlin from Solidarity attended for the first time.**

## **2. REPRESENTATION**

**The attendance was a majority representation.**

## **3. MINUTES OF PREVIOUS MEETING**

**The Minutes were acknowledged.**

## **4. MATTERS DISCUSSED**

## **5. PRESENTATIONS**

### **5.1 *Hosting Mine: Xstrata Eland***

**The presentation was not held due to the Enforcement Guideline Discussion.**

### **5.2 MONTHLY DMR UPDATE**

- The Forum was updated on the Health & Safety Stats.**
- He commented that the issue of reporting is not done properly.**

### **CONSOLIDATION OF ENFORCEMENT GUIDELINE:**

**The Forum proposed the following changes to the Enforcement Guideline:**



**Enforcement Measures: Subsection 5.1 refers:**

- It was commented that the Risk Matrix of 0 – 5 to rate the seriousness of an offence is too harsh. A range of 1, 2, 3, 4 and 5 is proposed. The following two issues should be considered: The risk of the harm and the consequence thereof.
- It is also proposed that examples of these risks must be presented in the Enforcement Guidelines in order to measure against; for consistency of the offences.
- The risk of harm to stoppage should also be considered. The risks posed by a stoppage should be evaluated against the aggravation of health and safety to employees.
- It should be properly determined what the requirements are for a partial upliftment.
- There should be a guideline for mitigating an offence including the following 5 factors:
  - Improvement of the site / section.
  - Plan of Action already in place.
  - Evaluation of Risk caused by Section 54.
  - Managers approach towards the enhancement of health and safety on the site.
  - Opportunity for partial upliftment instead of blanket Sect 54.
- The Guideline is vague. Clearer guidelines or procedures is required with relation to how a stoppage should be derived at, or what determines the withdrawal of a certificate, etc.; i.e. how it is done in the US and UK?

**Enforcement Pyramid: Subsection 5.3 refers:**

- It is proposed that the Enforcement Pyramid should be revised in the following order of execution; read from the top:
  1. Mining License,
  2. Suspension of Competency Certificate,
  3. Prosecution,
  4. Admin Fines,
  5. Withdrawal of Exemption, Permission or Approval,



6. Section 54,
7. Section 55,
8. Information and Education.

**Statutory Instruction to deal with dangerous conditions (Sect 54): Subsection 6.4 refers:**

- The Forum propose also to replace the words “retrain” and “re-assess” to “refresh” and “re-instruct”.

**Recommending & Imposing of an Administrative fine (Sect 55A): Subsection 6.5 refers:**

- The Principal Inspector should handle the procedure of imposing an Administrative fine; instead of an Inspector of Mines.

**Suspension and Cancellation of Certificate of Competency: Subsection 6.6 refers:**

- It is proposed that the powers of suspension or cancellations of certificates remain with the Chief Inspector as per the Act and that the powers should not be delegated. Delegations of these powers will mean that the Principle Inspector becomes the Prosecutor and the Judge; which is an unfair judgment on guilt.

**Statutory Instruction to deal with dangerous conditions (Sect 54): Subsection 7.4 refers:**

- It should be added to the Enforcement Guideline that the Employer should do a presentation before the Inspector of Mines leave the site.
- Section 54 issues which can be remedied during the visit / audit, should be referred to section 55.
- Section 54 should attend to specific dangers, not interpretations or “feelings”.

**Form for issuing of Statutory instructions i.t.o. Section 54:  
Reference to the scale used in section B on the form:**

- The form and the reflecting scores, does not represent the intention of the law.

- The scale should be measured as per a risk assessment matrix i.t.o. likely hood and consequence – the risk associated with a specific task must be determined properly.  
Not all risks are the same, so the score cannot be 0 or 5. It must be measuring from 0 to 5, depending on the matrix as mentioned above.
- The “Overall Score” at the bottom of the table doesn't make sense.  
How was a 3<6 score derived at, and the 7<16 in order to determine the size of the operation that must be affected?  
What were the determinants of these figures?  
Some explanation / example is required in order to make sense and also to give guidance on the audits when Inspectors are alone on the sites.

### 5.3 UNION UPDATE

#### 5.3.i NUM

- Nothing reported.

#### 5.3.ii UASA

- A representative from UASA congratulated Lonmin with their excellent safety achievement.

#### 5.3.iii SOLIDARITY

- A representative from Solidarity also congratulated Lonmin.

### 5.4 MOSH UPDATE

- No update.

## 6. GENERAL

- Richard Vermeulen informed the Forum that at next month's Tripartite the Deputy Chief Inspector of Mines will do a presentation on the Review of the Mine Health and Safety Act.

## NEXT TOPICS:

- “Leadership towards Zero Harm”
- Wellness
- Innovative Tools
- Safety Campaigns

## “LEADERSHIP TOWARDS ZERO HARM”

### *Presentations offered:*

1. MOSH	–	Douw Cronjè
2. BRPM	-	Philip Coetzer
3. Anglo American	-	Philip Tobias
4. Impala Platinum	-	Frank O’ Toole
5. Lonmin	-	Terrence Miller
6. Xstrata Chrome	-	Martiens Prinsloo
7. Aquarius	-	Wessel Phumo

## NEW ISSUES:

- No new issues.

## 7. CLOSURE

The meeting closed at 10:00.

The next meeting will be held on the 5<sup>th</sup> of July 2012, hosted by Northam Platinum, Zondereinde Division