Y’ELLO AFRICA

INTERNATIONALISATION OF AN EMERGING MARKET MULTINATIONAL

A Case Study of South Africa’s MTN Group

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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ABSTRACT

Motivation for this research was driven by the fact that even though telecommunications is regarded as the primary sector driving overall infrastructure development in emerging economies, it is acknowledged that the area of telecommunications internationalisation is relatively new.

The MTN Group’s internationalisation strategy on the African continent was used as the object of study. Drawbacks to traditional theories were explored in terms of fast-paced internationalisation. A conceptual framework (figure 2.1) was created from loosely-held concepts extracted from the literature review. Qualitative data analysis of the in-depth interviews conducted with 15 respondents in executive and senior roles, revealed a validation of the constructs in the conceptual framework as factors influencing MTN’s internationalisation strategy.

The conceptual framework that emerged from the findings was found to represent an integrated view of the dynamism in which micro (entry mode, entry timing, firm size, and entrepreneurial proclivity) and macro (institutional development, culture, and country of origin effects) level constructs simultaneously influenced MTN’s rapid internationalisation on the African continent.
DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of 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.

_________________________                               ________________________
Shasika D. Singh                                                    Date
ACKNOWLEDGEMENTS

To my supervisor Dr. Martyn Davies, your guidance, support, expert advice and insights into the business environment of emerging markets will always be appreciated. *Toa Chie.*

To Ramona: we are slowly learning everyday that letting go is part of the healing process. I will love you always.

‘Standing on the Shoulders of Giants’ - To Mum and Dad and Uncle Francis and Aunty Rita: your support during these past 2 years is appreciated far more than you can imagine. Thank you.

To Donovan: for love, laughter, happiness and togetherness, I thank you.

‘Your courageous spirit has inspired me with joy.

Your tender faithfulness has been a rock of security and comfort.

I have felt for you all kinds of love at once.

I have asked much of you and you have never failed me.

You have intensified all colours, heightened all beauty, and deepened all delight.

There can be no greater happiness than simply being by your side’.

(Adapted from Duff Cooper – 1890 – 1954)
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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 INTRODUCTION

“Growth means change and change involves some risk, stepping from the known and comfortable to the unknown and somewhat uncomfortable. These words epitomise MTN’s journey thus far” (Phuthuma F. Nhleko, MTN Group CEO).

This research report examines the factors that have influenced the internationalisation process of the MTN Group Limited (MTN Group) on the African continent. The MTN Group is a global communications company and world-class cellular network head-quartered in South Africa and with a global footprint in twenty one countries in Africa and the Middle-East.

According to Ahmad and Hashim (2007), internationalisation is an utmost important factor for firms to grow and develop economically and technologically. Within the telecommunications industry, internationalisation allows early entrants to gain substantial first-mover advantages due to the transient nature of the windows of opportunity, and the potential to influence the regulatory process as an incumbent. To capture these strategic and economic advantages, firms follow a strategy of pre-emption, both of markets and partners (Sarkar, Cavusgil and Aulakh, 1999).
Elango (1998) states that a number of theories or explanations have been offered to explain why a firm internationalises its operations. “Market power”, “unique assets”, and “transaction cost” explanations have been used to rationalise the decision by a firm to operate internationally (Hymer, 1976; Rugman, 1980; Buckley, 1985). Dunning’s (1981, 1988) Eclectic Paradigm expands these ideas by suggesting that a firm’s tendency to own foreign investments is a function of three factors referred to as OLI advantages (ownership, locational, and internalisation advantages). Furthermore, a significant number of empirical studies have been carried out in related fields, which support these views (Kindleberger, 1969; Hymer, 1970; Lall, 1980; Rugman, 1980, 1989; Dunning, 1981, 1988, 1993; Teece, 1981; Caves, 1982; Buckley and Casson, 1985; Buckley, 1988).

The story of international expansion in the cellular industry has been dominated by Western protagonists. The past decade has seen the leading players from developed European markets – Vodafone, Orange, Telefonica, Deutsche Telekom, TIM, Telenor – take their domestic experiences and operations and replicate them in neighbouring countries, before heading even further afield. The world’s advanced mobile markets, perhaps understandably, draw a major share of industry attention. In numerical terms, however, this level of attention could be judged disproportionate since there are now more mobile users in developing markets than in developed (ITM, 2008).
According to Pyramid Research, operators around the world will add 1.4 billion subscribers by 2010, raising the total base of mobile subscribers from 2.8 billion to 4.2 billion. Of the 1.4 billion subscribers added, roughly 87% will come from emerging economies (Analyst Insight, 2007).
1.2 RESEARCH MOTIVATION

Investment in telecommunications is a prerequisite for broad based economic development (Lin, 2008) and has been identified as the flagship sector that is driving much of the overall interest in private infrastructure investment in developing countries (Kambhato, 1998). Despite the growing importance associated with infrastructure developments like telecommunications in emerging economies, it is acknowledged that the area of telecommunications internationalisation is relatively new in terms of building and testing theories (Javalgi and Martin, 2007).
This field of study is pertinent because to date, entrepreneurial investigations of South Africa, and Africa on the whole, in major academic journals have been painfully absent. Africa has approximately the same population as Europe, is one of the largest sources of untapped natural resources left in the World, but remains the World’s poorest region (Khavul et al., 2007). Traditional market selection analysis relies on purely macroeconomic and political factors and fails to account for an emerging market’s dynamism and future potential (Sakarya, Eckman and Hyllegard, 2007). It is hoped that by analysing a single company’s successful approach to expansion in Africa, the findings could assist other multinationals in successfully investing in the African continent.

As the object of this study on telecommunications internationalisation, the MTN Group offers several advantages. First, the speed of its transition is akin to an accelerated experiment, and allows events to be observed over a short period of time, providing control over extraneous factors. Second, the fact that internationalisation came off a very low base and proceeded rapidly allows for a wide spectrum of activities to be captured. Third, the recency of events allows for a key informant approach to tap into the views of key decision-makers who were largely responsible for the events (adapted from Klein and Wöcke, 2007).

1.3 RESEARCH SCOPE

The scope of this research report is structured according to the micro and macro level forces driving telecommunications internationalisation in an emerging
market context. The scope of the research is guided by the definition of the following terms.

### 1.3.1 EMERGING MARKETS

The phrase “emerging markets” (EMs) has been adopted in place of the previous lexicon of “less developed countries”, “newly industrialising countries”, or even “third world countries” which emphasised a country’s sources of cheap raw materials and labour rather than their markets (Arnold and Quelch, 1998). The definition of emerging markets that will be used in this research report is a term that refers to countries that have undertaken transition in its political or economic systems and have experienced rapid economic development (Fan, 2008).

### 1.3.2 EMERGING MARKET MULTINATIONALS

Emerging market multinationals (EMMs) are also commonly referred to as third world multinationals.

The definition of emerging market multinational that will be utilised in this study is any domestic enterprise head-quartered in developing countries that control assets and/or exert influence in the decision making process of one or more cross-border subsidiaries and/or affiliates (Yeung, 1994).
The reason why the term “emerging market multinational” is preferred over other phrases is quite succinctly summarised by the 1981 book by author Krishna Kumar in which he writes that “the typical reaction to the title *Multinationals from Developing Countries* is genuine scepticism if not utter disbelief. We are so accustomed to associating multinationals with nations of North America and Western Europe that we react negatively to the possibility suggested by the title of this book” (Kumar, 1981, p. pxv). Yeung (1994) expands on the phrase “third world multinationals” and points to a lack of sensitivity in its definition. He argues that the use of the umbrella term can be misleading because of the great controversy centred on the imperialistic concept of “third world”.

In many respects, multinationals are a defining invention of Western economies. But like much else in the multi-polar world, they are no longer the preserve of the West (Accenture, 2008).

### 1.4 TELECOMMUNICATIONS BACKGROUND IN SOUTH AFRICA

The South African government has followed many other developing countries in undertaking a programme of corporatisation, privatisation, and liberalisation of telecommunications services (Makhaya and Roberts, 2003). The “managed liberalisation” policy for the telecommunications sector has seen the partial privatisation in 1996 of 30% of fixed-line operator, Telkom, with the stake sold to a strategic equity partner, and then the subsequent floating of another 28% of the company on the Johannesburg Stock Exchange (JSE) in March 2003. The
granting of a third mobile license to Cell C in 2001 brought further competition to
the duopoly between Vodacom and MTN – both licensed in 1993 to provide
mobile communications. Competition for the fixed-line incumbent, Telkom, was
introduced in 2004 with the granting of a Second Network Operator (SNO)
license to Neotel. The Value-Added Network Services (VANS) market, which in
South Africa includes the Internet Service Providers (ISPs), has been liberalised
since 1996. Telkom’s monopoly on access to the international data gateway was
broken in 2002 with the granting of multimedia and international ‘carrier-of-carrier’
licenses to Sentech, the parastatal broadcast signal provider (Gillwald, 2005).

From a regulatory perspective, ICASA (Independent Communications Authority
of South Africa) is clearly ahead of the curve in terms of liberalisation of the
market compared with other African countries. ICASA was established in 2002 to
replace SATRA (South African Telecommunications Regulatory Authority) and
the Independent Broadcasting Authority. It now has oversight over the
telecommunications, broadcasting and postal service sectors. However, some of
ICASA’s rulings have been perceived as lacking transparency. Sentech and
Telkom, the two operators partially owned by the government, for example, were
among the first four companies to acquire WiMAX (worldwide interoperability for
microwave access) spectrum licenses, while four others had to wait (Pyramid
Research, 2007).
In terms of revenue, South Africa is the third largest telecommunications market in the Africa/Middle-East region, after Turkey and Saudi Arabia. South Africa is also one of the most advanced markets in Africa in terms of penetration rates, with fixed telecommunications reaching 9.9% and mobile reaching 88% by year-end 2007 (Pyramid Research, 2007). Annexure one shows the size of the South African telecommunications market relative to other markets in the Africa/Middle-East region.

1.5 INTRODUCING THE MTN GROUP

“Imagine a company that is just 14 years old. Then, imagine that in that brief period it had expanded into 21 countries, achieved a market capitalisation of more than 222 billion rand and more subscribers than the whole population of South Africa. If you were to imagine such a thing, you’d be calling that company MTN” (Renee Bonorchis, ITWeb, 2008).

Mobile Telephone Networks (MTN) is the corporate equivalent of a freedom child. Born in 1994, the year of South Africa’s first democratic elections, MTN had a glamorous and highly respected parent – M-Net, the first pay-television channel in Africa. As a multinational telecommunications group, MTN now operates in twenty one countries in Africa and the Middle-East. As at August 2008, the group recorded 74.1 million subscribers with revenues of 46.1 billion rand and EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of 19.6 billion rand. Annexure two provides a brief timeline of MTN (www.mtn.com).
MTN’s telecommunications expertise in network roll-out, focusing on developing suitable communications solutions and innovative products for its customers, has yielded international acclaim and numerous global technology patents. Succeeding in emerging markets prescribes that investors make long-term commitments to socio-economic development while balancing economic returns and building lasting partnerships with all stakeholders. To this end, in addition to investing in excess of 60.1 billion rand in telecommunications infrastructure to date, MTN has invested $65 million in the 2010 FIFA World Cup South Africa™. With this sponsorship, MTN has become the first ever African company to be a global sponsor of the FIFA World Cup™. MTN’s growth philosophy is manifest in a two-fold expansion strategy of leveraging existing business and exploring growth opportunities in new markets (www.mtn.com). Annexure three provides a snapshot of the company’s operations as at June 2008.

1.6 CONCLUSION

The overall aim of this research report is to determine the factors that have influenced MTN’s internationalisation strategy on the African continent. An analysis of MTN’s internationalisation process indicates a strong interconnected interface between micro level (firm differentiation) forces and macro level (country/environment differentiation) forces. Together, these micro and macro level forces have prompted MTN to aggressively pursue international
opportunities presented by the opening up of markets that have been traditionally closed.

This research report is organised as follows: within the literature review, the micro and macro level forces driving telecommunications globalisation are discussed. Two established schools of literature dealing with international expansion, namely the internationalisation and internalisation theories are reviewed to understand their predictions as applicable to the pace of internationalisation, modal choice, and firm size within the telecommunications industry. A conceptual framework is developed within the literature review after which the research questions are formulated. The data and methods used to examine MTN’s African expansion are highlighted. Following this, data on MTN’s investments in Africa is examined to ascertain relevant patterns. This research report finally concludes with a conceptual integration of arguments that may be applicable to industries sharing similar characteristics (adapted from Sarkar et al., 1999).
CHAPTER 2: LITERATURE REVIEW

“A new breed of ambitious multinational is rising on the world scene, presenting both challenges and opportunities for established global players. These new contenders hail from seemingly unlikely places, developing nations such as Brazil, China, Russia, and even Egypt and South Africa. They are shaking up entire industries, from farm equipment and refrigerators to aircraft and telecom services, and changing the rules of global competition” (Business Week, 2006, p. 42).

2.1 INTRODUCTION

A review of the internationalisation literature was conducted in order to determine the dominant philosophies on internationalisation theories. The focus of the literature review was on recent schools of thought on internationalisation and internalisation as applicable to mobile telecommunications providers and telecommunications foreign direct investment (FDI). The literature review was extended to establish a theory base for analysing the research problem as introduced in Chapter 1. The literature review was conducted within the context of the emerging markets of Africa, Asia and Latin America.

The investigation of the international expansion of firms necessitates the study of not only individual investment and entry decisions, but also strategic and process aspects, such as the pace of internationalisation, the evolution of market commitment as reflected through investment volumes, and the strategic choice of
markets and partners (Sarkar et al., 1999). The objective of the review was to determine the critical factors influencing telecommunications internationalisation within an emerging markets framework.

2.2 MARKET EXPANSION AND INTERNATIONALISATION ISSUES

Internationalisation issues have been one of the most discussed areas in international business and global marketing. Since the early 1970s, prominent researchers such as Buckley, Casson, Caves, Dunning, Guisinger, Kogut, Roth, Rugman, Stopford, Vernon, Wells, and others have contributed to this inquiry (Anwar, 2003).

According to Mintzberg (1989), it is a widespread assumption that firms can improve their profitability through international expansion. However, academic literature has provided insufficient details on different patterns and processes for internationalising a company or on general strategies for expansion. There are a few notable exceptions: The Uppsala Model of Internationalisation and The Internalisation Theory.

2.2.1 THE UPPSALA MODEL OF INTERNATIONALISATION

Johanson and Vahlne’s internationalisation process model has been one of the most dominant ideas developed in the Journal of International Business Studies in the 1970s. The Uppsala Model of Internationalisation, which has its theoretical
base in the behavioural theory of the firm (Cyert and March, 1963; Aharoni, 1966) and Penrose’s (1959) theory of the growth of the firm, indicates that firms exhibit an evolutionary process, gradually internationalising in an incremental manner through a series of evolutionary stages (Johanson and Vahlne, 1990). Based on an empirical research of the internationalisation process of four Swedish firms, this model identifies different stages in the process of a firm’s internationalisation. Firms were presumed to begin their international activities via exporting by targeting ‘psychically close’ countries, and through confidence, accumulation of business knowledge and acquisition of international experience, firms committed greater resources and begin to target countries more ‘psychically distant’. This model emphasised the importance of gaining knowledge and experience about the characteristics of foreign markets along the internationalisation path, leading to reduced levels of uncertainty in unfamiliar foreign environments before investing (Ahmad and Hashim, 2007).

2.2.2 INTERNALISATION THEORY

The roots of internalisation theory go back to Ronald Coase (1937) who argued that there are conditions under which it is more efficient for a firm to create an internal market rather than enter foreign ones; one such condition is the transaction cost of foreign activities. According to internalisation theory researchers, market failures (such as information costs, opportunism, and asset specificity) are the main reasons an MNE (multinational enterprise) must use
direct investment instead of licensing. FDI occurs when the benefits of internalisation outweigh its costs (Fina and Rugman, 1996).

Internalisation theory argues that MNEs represent an alternative mechanism of arranging value-added activities across national borders. This is necessary through market imperfections such as government intervention or buyer uncertainty. The theory shares some roots with transaction cost (TC) theory, which shifted attention to predicting when contracts are more efficient, or not, than using hierarchy to organise economic activity in foreign markets (Axinn and Matthyssens, 2002).

### 2.2.3 ECLECTIC THEORY

This theory by Dunning (1977, 1979, 1988) was investigated because it combined roots and elements (hence the term eclectic) from industrial organisation theory, internalisation theory and transaction cost theory to explain why firms invest and produce overseas. According to this approach, the decision by a firm to engage in foreign direct investment depends on the interplay of three variables: ownership-specific advantages, locational attractiveness of countries and internalisation advantages (Axinn and Matthyssens, 2002).

### 2.2.4 CRITIQUE

The Uppsala Model has weathered various criticisms. Zander (1994) stressed that some firms, especially those with larger resources, do not necessarily follow
any consistent pattern in their international expansion. Firms can ‘leapfrog’
stages and transfer learnings from one market to another (Zahra and George,
2002). The argument against the stages process is further enhanced by the
‘born global’ theory as postulated by Oviatt and McDougall (1994). According to
this theory, growing global competition and accelerating technological
development are now forcing firms to internationalise more rapidly (in some
cases from the beginning) without necessarily following an incremental process.
These firms are, by theoretical definition, international (or ‘born global’) almost
from inception. The incremental and sequential approach of the Uppsala model is
perceived as being too deterministic and path dependent and does not recognise
the role of other firm profile factors such as the path-breaking strategic choices of
internationally-orientated entrepreneurial owner-managers that leads to
accelerated internationalisation (Weerawardena, Mort, Liesch, and Knight, 2007).
Hirsch and Meshulach (1991) further argued that in explaining the
internationalisation process, the Uppsala model focuses more on the firm’s
internal resources (market knowledge and experience from foreign activities) and
completely ignores other external factors such as market potential and
competitive conditions (Ahmad and Hashim, 2007).

Both the Uppsala model and the internalisation theoretical streams incorporate
the spatial dimension or the geographic scope of foreign activities through
evoking the concept of psychic distance, albeit in somewhat different ways. While
in the internalisation theory, psychic distance increases costs of coordination and
uncertainty, and therefore impacts on the choice of governance structure, the internationalisation model argues that firms will first enter and commit resources to markets in countries with similar economic, cultural, social, and political systems. Subsequently, firms expand into countries with greater psychic distance. Both these theories have been criticised for neglecting issues concerned with timing of investment (Sarkar et al., 1999). Furthermore, the concept of ‘psychic distances’ and cultural proximity is difficult to maintain in light of an increasingly culturally homogenous world (Axinn and Matthyssens, 2002).

For theories relying on economic theory as a foundation, there is an undervaluing of the important role played by managers in making internationalising decisions. In today’s marketplace, with flatter hierarchies, business unit structures and more flexible inter-firm relationships, managers play an increasingly important role in the development of firms’ internationalisation strategies (Axinn and Matthyssens, 2002).

2.3 A CONCEPTUAL FRAMEWORK AS A RESEARCH GUIDE

Notwithstanding extensive critiques (Itaki, 1991; Dunning and Rugman, 1985; Anderson, 1993; Ohmae, 1989), the contributions of these theoretical bodies have been fundamental to the evolution of international business research. However, international expansion associated with telecommunications is relatively current and has arguably received less attention. Questions arise as to whether existing frameworks need to be augmented so that contextual
idiosyncrasies are explicitly incorporated into sector-specific theories (Sarkar et al., 1999 citing Bohlin and Granstrand, 1994).

Given the lack of research on internationalisation of telecommunication firms and conflicting viewpoints about the applicability of existing theories, a conceptual framework is introduced to better understand the key variables possibly influencing the rapid pace of internationalisation of telecommunication firms in emerging economies. The proposed framework (figure 2.1) is intended to be suggestive and can be further modified and empirically tested. It incorporates a range of conditions that might influence and lend explanations to a firm’s internationalisation decisions, actions, and dynamic approaches (Jones and Coviello, 2005).

As can be seen from figure 2.1, the key variables of a model of rapid internationalisation of telecommunication firms in emerging economies are guided by micro level or firm differentiation forces and macro level or environment/country differentiation forces (Javalgi and Martin, 2007). Although some analysts argue that multinational telecommunication firms are increasingly independent and detached from macro level constraints (Loveridge and Mueller, 1990; Ramamurti, 2001), MNCs in sensitive telecommunications infrastructure industries are still subject to the vagaries and pressures of host country governments (Wells and Gleason, 1994), making analysis of both the host
government (environment) and investing firm equally important (Doh and Teegan, 2003).

**Figure 2.1: Conceptual Framework of Rapid Internationalisation of EMMs in the Telecommunications Sector**

The conceptual framework is introduced as a guiding template in an attempt to explain the ‘unique’ behaviours motivating fast-internationalising emerging market multinationals in the telecommunications sector.

A review of the extant literature of the framework constructs is conducted below.
2.4 MICRO LEVEL FORCES

2.4.1 ENTRY MODE

Internationalising firms can enter foreign countries through different entry modes, ranging from contractual modes such as direct exports and licensing, to equity modes such as greenfield joint ventures (JVs), and full acquisitions (Slangen and Hennart, 2007). The mode of entry affects how a firm faces the challenges of entering a new country and deploying new skills to market its product successfully (Gillespie, Jeannet, and Hennessy, 2007).

An extension of the transaction cost/internalisation theory contends that a multinational enterprise’s choice between greenfields and acquisitions depends on a comparison of the costs associated with exploiting or obtaining immediate inputs through these two foreign establishment modes (Slangen and Hennart, 2007). One input that MNEs may want to exploit or obtain abroad is firm-embedded technological knowledge, which is often tacit and hence costly to exchange through the market (Hennart, 1982). MNEs that possess this type of knowledge may want to exploit it abroad to realise economies of scale or scope in research and development (R&D) or production. The transaction costs associated with exploiting such knowledge through greenfield investments are generally lower than those associated with exploiting it through acquisitions, as greenfields enable MNEs to install their technologies from the outset and to transfer the accompanying skills to a carefully selected workforce capable of and willing to absorb them (Hennart and Park, 1993).
The above view is supported by resource-based theories (Gatignon and Anderson, 1988; Isobe, Makino and Montgomery, 2000; Arnold, 2004) which state that as the degree of foreign control increases, the firm’s chances of success increase because the firm can deploy key resources that are essential to success. These resources can be intangible properties, such as brand equity or marketing knowledge, or tangible properties, such as a patent or process blueprint. Control over such properties gives a firm the freedom to deploy resources flexibly, thus enhancing its chances of success. In the context of emerging markets, control provides three key benefits. First, it safeguards key resources from leakage, such as patent theft. Second, it allows for internal operational control, which is essential to a firm’s success in emerging markets. Third, a firm can control key complementary resources, such as access to local distribution channels, which can be important to a firm’s success in any country (Johnson and Tellis, 2008).

According to the 2008 World Investment Report (WIR), as published by the United Nations Conference on Trade and Development (UNCTAD), telecommunications is the only infrastructure industry in which FDI has been the dominant form of transnational corporation (TNC) entry in developing and transition economies.
2.4.2 ENTRY TIMING

According to Khavul, Bruton, Congcong, and Wood (2007), traditional theory from international business has argued that firms benefit from internationalisation when they are older (Johanson and Vahlne, 1977; 2003). During the 1990s, international entrepreneurship researchers challenged the description of internationalisation as a slow process that unfolds over time (McDougall, Shane and Oviatt, 1994). Instead it was argued that entrepreneurial firms that initiated internationalisation earlier in their lives would outperform those that internationalised later since entrepreneurial firms would not suffer from structural inertia (Hannan and Freeman, 1977; 1984), dominant logic (Bettis and Prahalad, 1995), and cognitive blinders (Walsh, 1985, 1995; Walsh and Fahey, 1986).

Literature on market entry timing suggests that early entry into international markets could favour or hurt success. Johnson and Tellis (2008) point out that on the one hand, early entry has many advantages. First, the early entrant can lock up access to key resources, such as distribution channels and suppliers. Second, early entrants have the opportunity to set the pattern of consumer preference. Third, early entrants can benefit from being the first to exploit governmental concessions and incentives, which governments often offer to attract such entrants. Lastly, early entrants can time their entry to exploit the ‘strategic window’ of an expanding market. On the other hand, Golder and Tellis (1993) find that pioneers are often not the long-term winners in the market. Such pioneers may fail for several reasons. Firms that rush in may not be aware of the
pitfalls of the newly opened emerging market. Later entrants have a flatter learning curve because they can learn from the early entrants’ errors.

Nakata and Sivakumar (1997) agree that early entrants enjoy lower costs in production, distribution and marketing. The predominance of low quality goods and services in emerging markets and the support of government often allow pioneers to seize the best production sites, distribution channels, and market niches. Furthermore, customers tend to be strongly loyal to the first-mover brands. However, in the same study, Nakata and Sivakumar expand on the issues that managers need to be aware of in emerging market conditions. These include low capita income, fragmented distribution systems, tariff and import limits, and minimal patent and trademark protection.

The advantages and disadvantages of entering markets early (or late) are now well understood. However, it remains unclear why some firms are able to benefit from pioneering while others are not.

2.4.3 FIRM SIZE

According to Johnson and Tellis (2008), literature is not unanimous about the role of firm size in international expansion: some researchers assert that large size helps, whereas others assert that it hurts. There are several reasons why larger firms might have greater success than smaller firms. First, larger firms have recourse to more resources or can commandeer more resources than smaller
firms. Second, larger firms are more likely to possess a greater wealth of product-specific and marketing-specific knowledge than smaller firms. Third, larger firms are more capable of sustaining periods of negative performance on entry into a host country than smaller firms.

However, where larger, long-established firms usually experience substantial bureaucratisation that hinders their innovative activities, smaller or younger firms are more flexible, less bureaucratic and generally enjoy internal conditions that encourage innovativeness. The flexibility of young and agile firms enhances the ability to transform product and process innovations into business activities that support superior business performance (Knight and Cavusgil, 2004). Another key aspect of flexibility includes the ability to launch attacks on geographically focused rivals or fend-off rivals’ attacks (Pangarkar, 2008). For young or start-up firms, keenly aware of the importance of global competition and customers, emerging markets often represent a more attractive way of being ‘born global’, because of the high growth rates, less established brand preferences, more fragmented industry structures and less intense competition (Arnold and Quelch, 1998).

2.4.4 ENTREPRENEURIAL PROCLIVITY

Zhou (2007) defines entrepreneurial proclivity as the firm’s predisposition to engage in entrepreneurial processes, practices, and decision making, characterised by its organisational culture for innovativeness, risk taking, and
proactiveness. These three dimensions of a firm’s proclivity collectively facilitate the firm’s willingness and ability to engage in market learning activities. In new and dynamic foreign markets, entrepreneurial proclivity was found to play an even more important role in determining an international firm’s behaviour and performance. Citing Toyne (1989), Zhou (2007) states that entrepreneurial behaviour provides international firms with dynamic capabilities to engage in cross-border activities and trade.

A considerable number of recent research contributions on firm specific drivers of internationalisation focus on the level of entrepreneurial thinking amongst the decision makers of a firm’s internationalisation strategy. Findings of these studies reveal a positive relationship between entrepreneurs’ international attitude, orientation, experience, network, and positive international development (Zucchella, Palamara, and Denicolia, 2007, citing Ibeh and Young, 2001; Kuemmerle, 2002; Preece et al., 1998; Westhead et al., 2001). Reuber and Fischer (1999) demonstrated that internationally experienced top managers move a small firm towards internationalisation more quickly than their counterpart firms which cannot use competitive advantages gained through previous work experiences, high level of education, knowledge of foreign languages, and personal life experiences.

Perlmutter (1969, p. 11) argued that ‘the more one penetrates into the living reality of international firms, the more one finds it necessary to give serious
weight about the way executives think about doing business around the world’. Rapid internationalisation is argued to be driven by entrepreneurial owner-managers with a geocentric or a global mindset that enables them to seek and exploit international market opportunities (Weerawardena et al., 2007).

2.5 MACRO LEVEL FORCES

In the 1990’s, emerging economies all over the world deregulated, privatised and liberalised their domestic markets. These regulatory punctuations caused radical institutional changes for emerging market firms (Perez-Bates and Eden, 2008). Emerging markets are attractive for several reasons. One is the potential for immediate added sales. Firms that have strong global reputations can sometimes gain new customers relatively quickly in new markets (Nakata and Sivakumar, 1997). Another reason is the rising strength of emerging market economies with FDI inflows reaching $500 billion in 2007 – a 21% increase over 2006 (World Investment Report, 2008).

2.5.1 INSTITUTIONAL DEVELOPMENT

International firms succeed through the creation and pursuit of opportunities and in doing so, they necessarily incur risks and they confront uncertainties. Systematic risk and return occurs in the macro environment and affects all firms within that environment similarly. It comprises risks and returns that arise in the wake of macroeconomic phenomena such as national economic events,
exchange rate fluctuations, political risks and government-imposed market imperfections (Liesch, Steen, Knight, and Czinkota, 2006).

Khanna, Palepu, and Sinha (2005) state that part of the problem why many multinational corporations (MNCs) are struggling to develop successful entry strategies into emerging markets is the absence of specialised intermediaries, regulatory systems and contract-enforcing mechanisms – termed institutional voids. However, analysing those companies that are able to enter emerging markets successfully shows that it is possible to work around institutional voids. These companies develop strategies for doing business in emerging markets that are different from those they use at home and often find novel ways of implementing them. They also customise their approaches to fit each nation’s institutional context. Firms that take the trouble to understand the institutional differences between countries are likely to choose the best markets to enter, select optimal strategies, and make the most out of operating in emerging markets.

2.5.1.1 COUNTRY RISK

Citing Erb *et al.* (1995), Johnson and Tellis (2008) define ‘country risk’ as uncertainty about the environment, which has three sources: political, financial and economic.
Political risk manifests itself in threats of civil disorder, creeping expropriation, mercurial governmental policies, funds restrictions, limited patent and trademark protection and regulatory changes (Nakata and Sivakumar, 1997).

Financial and economic risks manifest in several ways. They could take the form of (1) recessions or market downturns, (2) currency crises, or (3) sudden bursts of inflation (Johnson and Tellis, 2008).

2.5.1.2 OPENNESS

The term 'openness' refers to the lack of regulatory and other obstacles to entry of foreign firms (Johnson and Tellis, 2008). Khanna et al. (2005) note that the more open a countries economy is, the more likely it is that global intermediaries will be allowed to operate there. Working hand in hand with trade agreements and privatisation, market reform or liberalisation aims to enhance economic efficiency through the elimination of market distortions caused by restrictive or discriminatory governmental measures. Countries are opening their doors to international trade, external financial transactions, technology transfers, and foreign investment in ways never witnessed in history (Nakata and Sivakumar, 1997).
According to the WIR (2008), the top 10 leading FDI host countries in Africa shared a number of common features: large reserves of natural resources and/or active privatisation programmes, liberalised FDI policies and active investment promotion activities.

**Figure 2.2: Top 10 Recipients of FDI Inflows in Africa, 2006-2007, billions of dollars**

Source: WIR (2008), UNCTAD

The first privatisation of an incumbent telecommunications provider took place in the United Kingdom in 1981 with the sale of Cable and Wireless. Among developing countries, the government of Chile was the first to privatise in 1988. By the end of 2006, about half of all developing countries had sold all or part of their incumbent operators, often to TNCs (WIR, 2008).

**2.5.2 CULTURAL DISTANCE**

Culture is a kind of collective programming of the mind that distinguishes the members of one human group from another. Culture is usually shared by people
from the same country. Thus a country becomes one boundary to differentiate humans’ collective programming (Wang and Schann, 2008).

Slangen and Hennart (2007), citing a Hofstede 2001 study, state that several studies have used the extended version of the transaction cost/internalisation theory to argue that an MNE’s establishment mode choice is affected by cultural distance, defined as the extent to which the shared values in one country differ from those in another. The costs of transferring practices to greenfield subsidiaries will hardly increase with cultural distance, because MNEs can staff such subsidiaries with fresh employees who are not yet used to any practices and hence more willing to accept those of the MNE. Citing Cho and Padmanabhan (1995) and Larimo (2003), Slangen and Hennart (2007) conclude that an MNE’s preference for greenfields over acquisitions should therefore increase with the cultural distance to the target country.

2.5.3 COUNTRY OF ORIGIN EFFECTS

Several factors exist as to why home country influences should be factored into internationalisation studies. First, the notion of comparative advantage established in the early to middle 19th century has shown that some countries have higher productivity and efficiencies relative to other countries. This notion is pushed further by Porter (1990), in his work on the competitive advantage of nations, wherein he shows how industry conditions in a home nation can help derive competitive success (or failure) of firms in the international arena based on
the quality of four factors, namely, demand conditions, firm strategy and rivalry, related and supporting industries, and factor endowments. Second, every company, however global in scope, exists first in a local environment (Elango and Sethi, 2007).

Competitive conduct amongst firms in the international arena is influenced by three sets of factors: firm resources, industry structure and home country effects. Firms originating in different countries draw from a different set of factor endowments, cultural traits, and socio-political infrastructure thus giving them unique competitive advantages when compared with firms originating in countries that are less hospitable in those areas. A country's physical and human resources and political institutions, as well as culturally based characteristics, could provide its firms with superior competitive advantage in comparison with firms from other countries. This combination of factors is referred to as 'country of origin effect' or COE. These COE-based factors induce MNCs from different countries to exhibit differential behaviour in their strategic choices and operational modes (Sethi and Elango, 1999).
Table 2.1: Attributes and Salience of the Elements defining COE

<table>
<thead>
<tr>
<th>Elements of COE</th>
<th>Components</th>
<th>Attributes</th>
<th>Saliency of the Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural values and institutional norms</td>
<td>Cultural norms and social values, societal expectations, institutional norms, and corporate governance and control</td>
<td>Passive</td>
<td>Internalised</td>
</tr>
<tr>
<td>Economic and physical resources, and industrial capabilities</td>
<td>Country resources comprise: physical resources, legal and political structures, accumulated wealth of skills and knowledge in a society, linkage capabilities and skills levels of its workforce</td>
<td>Evolving</td>
<td>Set boundaries for firm strategy</td>
</tr>
<tr>
<td>National government’s economic and industrial policies</td>
<td>The nature and extent to which a nation’s government commits itself to directing that nation’s physical resources as well as its sociopolitical infrastructure in pursuit of certain economic goals</td>
<td>Active</td>
<td>When policy is positive, it expands a firm’s strategic options; when policy is prescriptive it sets boundaries for firm strategy</td>
</tr>
</tbody>
</table>

Source: Sethi and Elango (1999)

2.6 CONCLUSION

The literature review conducted above clearly highlights the fact that established internationalisation theories are still unable to explain the fast-paced internationalisation of telecommunication firms from emerging markets. Based on case study research, Axinn and Matthysens (2002), citing Crick and Jones (2000), argue that although the internationalisation paths of high technology companies differ somewhat among each other, in general they all feel an urgent need to internationalise quickly. Hence, models on internationalisation have to be adapted, or developed, to accommodate the dynamism in which entrepreneurial
(key decision-maker’s profile and experience, and shareholding influence), internal (company size, entry timing, and entry mode), and external (market, industry, and culture) factors influence a firm’s internationalisation patterns and processes simultaneously.

Traditional theories are unable to account for changing environmental transformations, high technology start-ups and the increasing focus on entrepreneurial proclivity in internationalisation. Any researcher has to ask: Whose behaviour were the traditional theories trying to explain – developed country firms, EMMs, service delivery firms, small and medium sized businesses, product manufacturing firms or all firms?

Investing in emerging markets, like Africa – which the Economist called ‘The Hopeless Continent’ in 2003, prescribes an entry strategy framework whereby firms must do their homework and spend much time and effort getting to know the continent and not just a single country or sector. Furthermore, companies must develop strategies to compensate for the institutional voids present in emerging markets. According to Lamond Godwin, former senior director at American Express, “Africa’s problems are man-made problems, and therefore, they are solvable” (Peak, 1992, p.52).
CHAPTER 3: RESEARCH QUESTIONS

3.1 INTRODUCTION

The purpose of this research report was to determine the factors that influenced the internationalisation patterns and processes of the MTN Group on the African continent. MTN is an emerging market multinational within the telecommunications sector with a global footprint in 21 countries in Africa and the Middle-East.

Rapidly growing emerging economies are producing business giants at a staggering rate: Samsung of South Korea, China Mobile, SABMiller of South Africa and of course, MTN of South Africa. While these businesses share the scale and ambition of their developed-world counterparts, their processes and patterns of growth are often dissimilar to those of their competitors in the developed world. They are success stories that are changing the narrative rules as they go along (Accenture, 2008).

3.2 RESEARCH QUESTIONS

The literature review conducted in Chapter 2 highlighted the need for more research into the internationalisation of EMMs in specific sectors. The following questions were therefore researched in an attempt to analyse the genesis of the MTN Group on the African continent.
3.2.1 RESEARCH QUESTION ONE
Does success in entering emerging markets increase or decrease with the degree of control?

3.2.2 RESEARCH QUESTION TWO
Does success in internationalisation increase or decrease with early entry?

3.2.3 RESEARCH QUESTION THREE
What is the effect of firm size on internationalisation?

3.2.4 RESEARCH QUESTION FOUR
What is the effect of entrepreneurial proclivity on internationalisation strategies?

3.2.5 RESEARCH QUESTION FIVE
What is the effect of institutional development on internationalisation strategies employed within an emerging market context?

3.2.6 RESEARCH QUESTION SIX
What is the effect of cultural distance on internationalisation?
CHAPTER 4: RESEARCH METHODOLOGY

4.1 DESCRIPTION OF METHODOLOGY

This research report was based on a longitudinal, in-depth case study that traces the factors that influenced MTN’s international expansion into Africa in the mid 1990s.

The case research methodology tends to usually address research problems within the realism or constructivist paradigms rather than the positivist paradigm (Perry, 2001 citing Perry et al, 1998a). It is an extensive examination of a single instance of a phenomenon of interest and is often described as exploratory research, used in areas where there are a few theories or a deficient body of knowledge (Hussey and Hussey, 1997).

Selecting a single instance of the phenomenon of interest allowed the researcher to intensively study critical factors.

4.2 MOTIVATION FOR SELECTED METHODOLOGY

“MTN makes it look easy. Many international cellular operators get it wrong – overpaying for licences, failing to beat out entrenched competitors, making the wrong technology calls. But MTN now has more than 74.1 million users across Africa and the Middle-East. And it’s growing that number by a third every year” (McLeod, FM, 2008). 

________________________________________________________________________

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The sheer size and complexity of MTN’s internationalisation process into Africa necessitated a dedicated focus and intensive study to understand the factors that have influenced its internationalisation. Hence the case study methodology was appropriate in this instance.

Exploratory case studies based on primary data are deemed to be appropriate when the existing knowledge base is poor (Yin, 1994). Citing Gummesson (2000) and Silverman (1997), Hutchinson, Alexander, Quinn, and Doherty (2007), state that the adoption of a qualitative approach provides for a holistic means of data gathering, analysis, interpretation, and understanding that is particularly suited to research that investigates the ‘why’ and ‘how’ of management decision making in organisations.

4.3 UNIT OF ANALYSIS

According to Hussey and Hussey (1997), a unit of analysis is a kind of case to which the variables or phenomena under study and the research problem refer, and about which data is collected and analysed.

The unit of analysis for this case research was the internationalisation process of MTN on the African continent.
4.4 POPULATION OF RELEVANCE

According to Zikmund (2003), a population is defined as a complete group of entities sharing some common set of characteristics. The population of relevance was defined as all stakeholders directly involved in MTN’s Africa expansion and who actively contributed to key decision-making. Stakeholders included members of the executive team, legal advisors, engineers, investment analysts, consulting advisors, and facilitators.

4.5 SAMPLING METHOD AND SAMPLE SIZE

The non-probability sampling type method, termed judgemental sampling was used to obtain a sample size. Judgemental sampling occurs when the participants are selected by the researcher on the strength of their experience of the phenomenon under study. With judgemental sampling, the researcher makes the decision prior to the commencement of the interview and does not pursue other contacts which may arise during the course of the study (Hussey and Hussey, 1997). Research articles, newspaper reports, internally published documents, and investor reports were used to identify the sample which consisted of, in total, 15 current and past executive board members of MTN Group and senior members across various business units within MTN-SA.
4.6 RESEARCH INSTRUMENT

In a phenomenological study, the researcher may be referred to as a research instrument to emphasise his or her close involvement under that paradigm (Hussey and Hussey, 1997). Within this case research, the researcher was responsible for gathering, capturing and analysing all data.

4.7 DATA COLLECTION METHOD

The primary method of data collection was in-depth interviews conducted with individual members of the sample as described in section 4.5. Interview questions were structured according to the research questions as stated in Chapter 3. Interview questions were constructed in a simple format, free of ambiguity or influence, to allow the interviewees to respond at length. The interviews typically lasted for about 30 minutes. The researcher took notes during the interviews which were then transcribed into formal data almost immediately after each interview. Annexure four provides the complete list of questions asked during each interview. Due to the sensitive nature of the subject content, all the interviewees were guaranteed anonymity.

Data was gathered from three different sources – MTN (open-ended interviews, annual reports, press releases, and internally published documents), the regulator (regulatory policy documents), and independent industry analysts (investment reports by financial analysts, comments and analysis in the media) – which allowed for data triangulation (Yin, 1989).
4.8 DATA ANALYSIS

Since this research report adopted a phenomenological approach, it was not practical to use quantifying methods to analyse the qualitative data. To induce structure and de-textualise the data, the method of cognitive mapping was employed. Cognitive mapping is a method of analysis used to make sense of written or verbal accounts of problems. The main stages in cognitive mapping are as follows (Hussey and Hussey, 1997):

- An account of the problem was broken into phrases of about ten words which retain the language of the person providing the account. These were treated as distinct concepts which were then reconnected in a graphical format. This revealed the pattern of reasoning about a problem in a way that linear text cannot.

- Pairs of phrases were united in a single concept where one provided a meaningful contrast to the other.

- The distinct phrases were linked to form a hierarchy of means and ends.

Cognitive mapping allowed the main themes to interact across findings and was dependent on the researcher’s ability to be able to identify and connect varying degrees of information.

The interview data was then analysed using the content and frequency analysis technique to identify any themes that the researcher might have overlooked in the cognitive mapping process. The content analysis was conducted in a
template created for each research question in an Excel spreadsheet. This allowed each response to the measured constructs, as introduced in figure 2.1 in Chapter 2, to be captured in a row under the research question that it pertained to.

The data analysis was concluded with basic sample profiling statistics to identify themes emerging from demographic profiling. This included age, education, marital status, work experiences in various parts of the world, and foreign language skills.

### 4.9 EVALUATION OF DATA ANALYSIS

Hussey and Hussey (1997) citing Lincoln and Guba (1985), suggest four criteria that can be used to assess the quality of analysis to ensure validity:

- **Credibility** demonstrates that the research was conducted in such a manner that the subject of enquiry was correctly identified and described. Credibility can be improved by the researcher through triangulation by using different sources and methods of data.

- **Transferability** is concerned about whether the findings can be applied to another situation which is sufficiently similar to permit the generalisation.

- **Dependability** should show that the research processes are systematic, rigorous and well documented.

- **Confirmability** allows assessment of whether the findings flow from the data.
The credibility criterion was met because published sources of information were used to develop a framework to analyse MTN's internationalisation pattern and process. Furthermore, data was used from multiple sources to comply with the triangulation criterion. The transferability criterion was met because this case research was conducted within an emerging markets context and the findings can be applied to similar situations. The dependability criterion was met because, in conjunction with the use of published sources of information, the recency of events allowed for informants to correctly recall events and actions. Furthermore, all interviews were transcribed into formal data almost immediately after each interview which allowed the researcher to re-call information without bias and without the possibility of mis-interpretation. The confirmability criterion was met because at least two sources of information were used to investigate each internationalisation construct and the analysis of the data was conducted in a two-step process; first by the researcher in the form of cognitive mapping and second by the content and frequency analysis technique in an Excel spreadsheet.

4.10 RESEARCH LIMITATIONS AND FURTHER RESEARCH

The following limitations are acknowledged in this research study that could benefit from further research.
First, none of the constructs, as introduced in figure 2.1 in Chapter 2, are statistically measured in this research report. Further insights and findings could result from a study that empirically tests these constructs within a similar context.

Second, this report was based on MTN’s internationalisation strategy on the African continent and hence constitutes many elements of greenfield investments. Subsequent merger and acquisition activities (e.g., the 2006 acquisition of Investcom LCC by MTN) were not incorporated in this research report.

The increasing speed of internationalisation, and the ‘born global’ phenomenon, necessitates richer and deeper measures of internationalisation speed as a time-based evaluation of entrepreneurial proclivity, ex-ante and post hoc internationalisation. This research study concentrated on these constructs only ex-ante internationalisation.

4.11 CONCLUSION

The research design and the selected methodology were intended to meet and support the objective of this research report which was to identify the factors that influenced MTN’s internationalisation on the African continent. The interviews, combined with extensive secondary data, provided unique insights into the remarkable way that MTN sailed through the obstacles of rapid internationalisation.
CHAPTER 5: RESULTS

5.1 INTRODUCTION

This chapter presents the research results collected over a three month period from MTN (open-ended interviews, annual reports, press releases, and internally published documents), the regulator (regulatory policy documents), and independent industry analysts (investment reports by financial analysts and comments and analysis in the media).

The results are presented according to the conceptual framework developed in Chapter 2, figure 2.1 and structured according to the research questions as specified in Chapter 3.

The presentation of the results begins with the cognitive mapping process which was designed around each of the research questions. Results from the content analysis are then presented. Finally, the basic sample profiling statistics are presented for the demographic profiling.

5.2 COGNITIVE MAPS

5.2.1 RESEARCH QUESTION ONE

Research question one considered the preferred mode of foreign entry as utilised by MTN. The specific research question was: Does success in entering emerging markets increase or decrease with the degree of control? The results obtained for
research question one relates specifically to the aggregated data collected from interview questions three and seven.

**Figure 5.1: Cognitive Mapping for Degree of Control**

- Allows MTN to experiment with the technology in different countries
- Easier to implement network changes
- Allows for MTN’s unique and unusual approach to using technology to solve problems
- MTN has history and experience of maintaining full control in SA

**Greenfield the Preferred Option - Availability of Licenses**

- Firm embedded technical knowledge
- Tacit knowledge of people
- Brand awareness and respect
- Flexible use of resources
- Internal operational control
- MTN had the cash
- Other established operators suffering from 3G financial fatigue

**Easier to Control**

- liability of foreignness means that MTN would have to rely on the acquired entity to deal with local issues
- MTN does not have the time or resources to re-train established mindsets
- Did not want to deal with issues of assimilating the new company into MTN
- MTN did not have the support structure to enable takeovers

**Cost Advantage**

- MTN’s Can-Do attitude is thought at the outset and sets the tone of business with all new local employees
- MTN brand not negotiable
- Manage the MTN way
- Allows for MTN’s unique and unusual approach to solving common problems
- No need to haggle with negative comments and people who say ‘it can’t be done’

**M&A not Preferred**

- Dictates Business Culture
5.2.2 RESEARCH QUESTION TWO

Research question two examined the entry timing construct. The specific research question was: Does success in internationalisation increase or decrease with early entry? The results obtained for research question two relates to the aggregated data collected from interview questions five and nine and supported by interview questions six and ten.

The results are presented overleaf and indicate a clear penchant for MTN to enter foreign markets, devoid of substantial competition, very early. This allows the company to set consumer behaviour, build relationships of substance, and build barriers to entry of its own.
Figure 5.2: Cognitive Mapping for Entry Timing

- Quick to realise in SA that people attached a high level of emotion to their cell phones
- Early mover advantage in Africa meant signing up more customers who would remain loyal to the brand
- MTN’s social upliftment programmes in each Africa operation gained huge support amongst the local people who would remain MTN customers for life purely because MTN took the effort to bring access to them
- Arriving in a village first meant signing up 80% of the people as subscribers
- Since urban pickings were rich, no attention was paid to rural areas. When MTN went into Transkei, now part of the Eastern Cape, the network carried the heaviest traffic in months – this gave MTN the first indication of pent-up demand in rural areas
- in meeting license obligations, MTN specifically targeted areas with no infrastructure and hence built the skills to achieve the same in Africa.

Loyal Customers → Rural Demand in SA was a Predictor of Demand in Africa

ENTRY TIMING

Entrepreneurial Proclivity

- No analysis-paralysis
- No structural inertia
- No cognitive blinders
- No preconceived ideas of how a business should be run in Africa
- No ethnocentric behaviour
- Visionary leaders who were actively seeking the next business idea and constantly asking ‘what’s next?’

Absence of Competitors

- MTN specifically went into African markets where the big players were absent
- Early entry meant that MTN could develop the market, set consumer behaviour, and benefit from government concessions and incentives
- MTN could build high barriers to entry by aligning with big businesses, consumers, distributors, and the governments
5.2.3 RESEARCH QUESTION THREE

Research question three evaluated the effect of firm size when companies internationalise. The specific research question was: What is the effect of firm size on internationalisation? The results obtained for research question three relates to the aggregated data collected from interview question five and supported by interview questions three and ten.

The results indicate that MTN did not see its small firm size as a restraining factor in its internationalisation plans. As a small, high-technology start-up, its firm size actually helped, instead of inhibited, its expansion plans because the company did not develop any cognitive blinders or structural inertia that usually accompanies the larger corporate establishments. The cognitive map is presented overleaf.
Figure 5.3: Cognitive Mapping for Firm Size

**Entrepreneurial Proclivity**
- As a small, high-technology start-up, MTN did not have the necessary access to finance. However, it did have leaders with powerful business and financial acumen to be able to secure funding.
- Relationships built with Ericsson and Standard Bank of South Africa during the days of securing access to finance, are still maintained till today.
- Looking at the business leaders at MTN; they were young, innovative, passionate, hardworking, universal citizens having lived and worked in many parts of the world.
- Environment of innovation encouraged.
- MTN was intellectually self-reliant.
- No inhibiting factors.
- Unconventional way of doing business.
- No standardised business model—each Africa operation is treated as unique with its own nuances.
- MTN did its own research prior to going into Africa, instead of hiring third party research houses.
- Pathfinder culture the norm.
- Always asking ‘what’s next’—even in 1994 when operations just started in SA.
- Hunters.
- Self-starters.
- Only the best people were sent into Africa—unlike other operators who saw Africa as a way to ‘park’ unwanted people.

**Culture**
- Competitive spirit.
- Working, sleeping, eating, and dreaming MTN.
- Not an 8 to 5 culture.
- Setting trends, shaking up the industry.
- Changing people’s lives.
- Can-do and get-on-and-do-it attitude.
- No analysis-paralysis.
- Experimental.
- Trust.
- Strong, independent thinkers.
- Flexible.
- ‘Conquer the world’ syndrome.

**Shareholders**
- Whether by accident or by some tactical planning, but MTN had some strategic shareholders; US and UK partners for the GSM technology and politicians in SA who helped to work around institutional voids.
- Looking at the key decision makers at MTN, the majority of them had political or union affiliations and had enough power themselves to help MTN deal with the many risks and insecurities of operating a business in somewhat volatile territory.

**FIRM SIZE**
**The right team at the right time allowed for rapid, early internationalisation.**
5.2.4 RESEARCH QUESTION FOUR

This research question assessed the concept of entrepreneurial proclivity. The specific research question was: What is the effect of entrepreneurial proclivity on internationalisation strategies? Interview question two was used to gather more information on the interviewee’s education and whether they had lived or worked in various parts of the world.

The results presented overleaf indicate that MTN had the unique situation of having both entrepreneurial shareholders and entrepreneurial business leaders who viewed expansion into volatile areas in Africa as just ‘natural’ progression of their business.
Figure 5.4: Cognitive Mapping for Entrepreneurial Proclivity

- Ability to use local government influence to work around institutional voids
- Expansion into Africa seemed natural by building on SA’s inspirational transformation from an apartheid government to a democratic one – leverage off SA’s good world citizen record
- Young politicians with heavy political clout on the African continent
- Achieved democracy in SA and were now looking for ‘what’s next?’

- MTN executives considered universal citizens, having lived and worked in many parts of the world
- Exposure to various languages and cultures
- Specifically employed people who had a passion for Africa and learning from her different cultures
- No hierarchy
- Open door, open floor policy
- Hunters
- Pathfinders
- Self-starters
- Pioneering
- No preconceptions brought to the table

 Entrepreneural Shareholding

The right team at the right time

Organisational Culture

- No analysis-paralysis
- Unrelenting pressure yet penchant for hard work
- It may sound like a paradox but the clarity of the Group’s vision comes from gearing for the unknown
- Innovation is a critical element of what we do
- Can-do and get-on-and-do-it attitude
- Competitive spirit
- Setting trends and shaking up the industry
- Working, living, eating, sleeping, and dreaming MTN
- Intellectually self-reliant
- No inhibiting factors
- Strong first job culture
- Proactive, fast
- ‘conquer the world’ syndrome
- Creative synergies
- Trust very important
5.2.5 RESEARCH QUESTION FIVE

Research question five evaluated the effect of institutional development on internationalisation strategies. These institutional risks consisted of country openness and country risks which in itself consisted of risks associated with political, financial and economic upheavals. The specific research question was: What is the effect of institutional development on internationalisation strategies employed within an emerging market context? The results obtained for research question five relates to the aggregated data collected from interview question eight which is supported by interview question four.

The results presented overleaf show that MTN did develop unique strategies to work around institutional voids.
Figure 5.5: Cognitive Mapping for Institutional Development

- MTN’s SA launch in 1994 born out of political instability and changes in governmental policies
- MTN dictates the highest level of governance in each Arica operation
- SA was considered a risky place to invest – MTN did not see the Eurocentric perception of risks in Africa
- Political risk not a concerning factor — by giving access to people politicians gained the favour of active voters
- With the right local partners and alliances you can learn to work around institutional voids
- MTN complies with all legal and regulatory requirements
- MTN uses its technical know-how and innovative thinking to solve credit problems in Africa
- Rapid rollout ensured MTN could meet its community obligations faster which resulted in good favour with the regulators and the governments
- GSM is a mass market technology—hence it was perfect for Africa
- SA was a learning ground in everything that was done in Africa

- Availability of greenfield licenses based on liberalised government policies geared towards encouraging foreign investment
- Emerging markets multinationals instinctively turn to other emerging markets when expanding

**Country Openness**

**MTN Shareholders**

**INSTITUTIONAL DEVELOPMENT**

**Country Risk:** Political, Financial, Economic

- Since inception, there is evidence of MTN shareholders using their political influence to deal with uncertainties
- MTN did lean on the African National Congress (ANC) elite in expansion north of the equator
- Aligned with business people and local partners of substance and influence who could deal with in-country issues
5.2.6 RESEARCH QUESTION SIX

Research question six measured the effect of cultural distance on expansion strategies. The specific research question was: What is the effect of cultural distance on internationalisation? The results obtained for research question five relates to the aggregated data collected from interview question eleven and supported by interview questions six and ten.

The results show that MTN was highly cognisant of the cultural distinctions in each African country it expanded to. These results are presented overleaf.
Figure 5.6: Cognitive Mapping for Cultural Distance

Cultural Sensitivities
- Community buy-in through social investment programmes
- MTN not about margins but about people
- MTN launched community payphone programmes, ahead of schedules stipulated by regulators, in each Africa operation to stimulate entrepreneurship
- Ad amant that no single unit be patronising to another
- Real transfer of skills, local people employed
- Management clear on zero tolerance to ethnocentric behaviour
- Life-enhancing, social upliftment programmes; MTN Foundation in each Africa operation
- MTN strategically launched commercial operations on very special days in each country
- MTN brand enjoys respect for its social commitments
- Much effort is put into localisation of products to each operation
- Symbiotic relationship with the consumers; what is good for the consumer is good for MTN and vice versa
- MTN cognisant of the high level of emotion that people attach to their cell phones
- ‘When in Rome….’ – MTN has high regard of the cultural nuances in each operation
- MTN cognisant of the East /West battle in ideology and this translates into acceptable business practices in all aspects; from signing on vendors/distributors to the type of people employed
- Emerging market multinationals instinctively turn to other emerging markets for expansion
- MTN's strength lies in its ability to deal with diversity

CULTURAL DISTANCE

Entrepreneurial Proclivity
- Management teams always cognisant of the various cultural distinctions
- Management learnt about the local cultures themselves instead of hiring others
- In each Africa operation, emphasis is placed on innovation, risk taking with accountability and experimentation
- Allows MTN to dictate the business culture at commencement in each Africa operation
- MTN brand not negotiable
- Own the customer, own the relationship
- Allows for easy control and implementation
- Allows MTN to transfer knowledge and business know how
- Allows MTN to manage the MTN way

Preference for Greenfield Investments
- in SA, Fabcos proved its worth when it helped MTN through its own network of entrepreneurs and distributors
- Intellectually self-reliant
- No inhibiting factors or behaviours
- Local partners were strategically sought to assist with cultural nuances
- Expatriate staff sent for intensive training prior to being sent to an African country
- Expatriate staff selected on their willingness to work and live in Africa
- MTN aligned specifically with those local businesses and partners of substance and influence to deal with local issues

Strategic Shareholders and Local Partners
5.2.7 COUNTRY OF ORIGIN EFFECTS

The results captured in all the cognitive maps shown above indicate that there is a direct relationship between each of the measured constructs (entry mode, entry timing, firm size, entrepreneurial proclivity, institutional risks, and culture) and the country of origin effects (COE) construct. This indicates that MTN developed its firm specific advantages in South Africa which helped the company in its expansion strategies in Africa. MTN traded on capabilities developed and tested within domestic markets.

Figure 5.7: Country of Origin Effects
5.3 CONTENT ANALYSIS

Table 5.1: Content Analysis for Research Question One

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The MTN brand is not negotiable – hence the preference for greenfield investments.</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>MTN’s strength lies in managing the MTN way.</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Greenfield investments allow MTN to dictate the business culture. It sets the tone of how MTN will conduct itself in the country.</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Availability of greenfield licenses.</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Cost advantage associated with rolling out, operating and managing your own network.</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Greenfield investments are just easier to control – from managing staff to experimenting with local technology to solve everyday problems.</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Even in SA, MTN has a history of wanting to own the complete value chain. MTN built its expertise with having complete control.</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>MTN did not have the required support structure to enable takeovers.</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Greenfields ensured a longer term investment.</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 5.2: Content Analysis for Research Question Two

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Forecasts showed that the SA market was fast nearing saturation and since we could not compete with Vodacom in SA we had to look elsewhere for growth.</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Absence of huge competitors in Africa was a consideration for early expansion. MTN built its expertise in SA in rapid rollout in rural areas which was transferable to Africa.</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>In entering markets early, MTN could develop the market, set consumer behaviour and benefit from government concessions and incentives. Thus, MTN could erect huge barriers to entry of its own.</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Rural demand in SA was a predictor of the latent demand in Africa. If we could get in early, we could easily be the dominant mobile player in each African country.</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>An early mover advantage we saw in SA in the rural areas was the extreme brand loyalty from customers just because we entered their village first.</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>MTN had visionary leaders who were constantly seeking the next growth level and constantly asking ‘what’s next?’</td>
<td>7</td>
</tr>
</tbody>
</table>
Table 5.3: Content Analysis for Research Question Three

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>As a small company, MTN had a very competitive spirit. People were working, eating, sleeping and dreaming MTN. Innovation and experimentation were encouraged from the beginning.</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Being small in size meant that MTN had not developed the cognitive blinders and structural inertia that you would usually find in very big companies. As such we were flexible in our business ideas and this translated into how we manage the business – using unique/different/innovative solutions to solve problems and not having a standardised business model but incorporating local nuances into the business model. Trust was an important trait.</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>MTN was intellectually self-reliant – there were no inhibiting factors.</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>MTN executives were young, vibrant, hardworking, passionate and innovative – they embraced business ideas and growth plans without the analysis-paralysis.</td>
<td>11</td>
</tr>
</tbody>
</table>

Table 5.4: Content Analysis for Research Question Four

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pathfinders, hunters, self-starters, pioneering, ‘conquer the world’ – these are some of the words people use to describe the teams that actively sought new licenses in Africa.</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>MTN executives considered universal citizens, having lived or worked in various parts of the world. They were highly cognisant of the various cultures and languages.</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>Culture of setting trends and shaking up the industry was instilled by the executive team.</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>Entrepreneurial shareholders were strategically used to work around any risks or issues that arose when MTN started expanding into Africa.</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Clarity of the Group’s vision comes from gearing for the unknown.</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>No preconceptions on how to run a business were brought to the table.</td>
<td>5</td>
</tr>
</tbody>
</table>
Table 5.5: Content Analysis for Research Question Five

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MTN did not see the same risks that other people saw when it came to investing in Africa. There was always a Eurocentric view of how risky it was doing business in Africa, and this was inclusive of SA.</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Emerging market multinationals instinctively turn to other emerging markets for expansion because of the proximity in culture, geography and history.</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Where others saw risks, we saw opportunities. And this was probably because we had the experience of dealing with uncertain political risk in SA or dealing with issues arising from regulatory constraints or dealing with the risks associated with rolling out a network in regions with zero infrastructures.</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>MTN also relied on its shareholders with political clout who helped MTN work around the institutional voids.</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>Political risk reduced because many governments realised that they were giving access to active voters.</td>
<td>11</td>
</tr>
</tbody>
</table>

Table 5.6: Content Analysis for Research Question Six

<table>
<thead>
<tr>
<th>Rank</th>
<th>Response</th>
<th>Total Counts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Emerging market multinationals instinctively turn to other emerging markets for expansion because of the proximity in culture, geography and history.</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>MTN’s social development and life-enhancing programmes in each African operation results in community buy-in and brand loyal consumers. MTN Foundation is present in each African operation. Community PayPhone programmes actively encourages entrepreneurship behaviour.</td>
<td>13</td>
</tr>
<tr>
<td>3</td>
<td>MTN uses local businesses and/or other local partners of substance and influence who assists MTN in understanding local cultural nuances.</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>MTN is highly cognisant of the unique cultures in Africa. The executive team members travelled themselves to understand the cultural nuances and influences instead of hiring other third party research houses. MTN launched commercial operations on days that had significant cultural associations.</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>Management clear on zero tolerance towards ethnocentric behaviour and that no single unit be patronising to another. Expatriate staff sent on extensive training, prior to going to an African operation, to learn about the local cultures and the languages. Expatriate staff chosen on their willingness to work and travel in Africa.</td>
<td>11</td>
</tr>
</tbody>
</table>

59
Cisco (an American company), to install equipment in areas that are predominantly Islamic. We have to employ the conditions of ‘When in Rome…’

5.4 SAMPLE PROFILING STATISTICS

Figure 5.8: Respondent Age and Marital Status

The average age of the ‘pathfinders’ was found to be 25.9 years old. Of the 15 respondents, only two were married.
Figure 5.9: Degree of International Orientation of Respondents

- 86.6% of respondents who worked/lived/studied in various parts of the world
- 13.3% of respondents with no international experiences

Figure 5.10: Previous Work Experience

- 66.7% of respondents whose first job was with MTN
- 33.3% of respondents who previously worked for other companies
Figure 5.11: Foreign Language Skills

Figure 5.11 shows that all interview respondents had foreign language skills which proved to be of extreme importance when MTN started its rapid internationalisation.

5.5 CONCLUSION

The results from the six research questions in Chapter 3 have generated aggregated results of importance and validity. The results demonstrated little support for existing literature on internationalisation of EMMs. The results reflect the need for more research into sector specific studies of fast-internationalising EMMs.

In Chapter 6, these results are discussed in finer detail. The conceptual framework of rapid internationalisation of EMMs in the telecommunications sector, as introduced in Chapter 2, figure 2.1, depicts a model of internationalisation in which entrepreneurial (key decision-maker’s profile and experience, and shareholding influence), internal (company size, entry timing,
and entry mode), and external (market, industry, and culture) constructs influence a firm’s internationalisation patterns and processes simultaneously. The results obtained in this chapter together explain the ‘unique’ factors motivating the fast-internationalisation of EMMs in the telecommunications sector.
CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

The research findings are discussed in finer detail in this chapter and are directly linked back to the literature review as conducted in Chapter 2. The research questions and in-depth interview questions were formulated within the context of the existing literature on internationalisation strategies. The data achieved was gathered through a systematic process of 15 interviews conducted with past and present executive team members of MTN Group and senior members across various business units within MTN-SA. The data analysis allowed for the aggregation and refinement of the data, providing unique insights into the individually measured micro and macro level constructs, resulting in relationships across many of these measured constructs.

As more firms from emerging economies enter global markets, and strive for global leadership, questions arise regarding the applicability of existing theory and whether such firms follow the same evolutionary paths that their developed country counterparts followed in an earlier era (Klein and Wöcke, 2007).

The discussion of the findings that follow below show that EMMs indeed follow their own unique patterns of internationalisation which are significantly different from their developed country counterparts.
6.2 RESEARCH QUESTION ONE

Research question one considered the preferred mode of foreign entry as utilised by MTN. The common theme was indeed the preference for greenfield investments.

MTN's venture into greater Africa began with a tentative and unsuccessful attempt to enter the Zimbabwean market in 1994 – the same year that the company launched commercial operations in South Africa. For MTN, operating on a continent where more than 70% of the population had never made a phonecall, a move into other African markets seemed natural (MTN Yearbook, 2004).

6.2.1 COST ADVANTAGE

MTN saw a cost advantage to greenfield investments. It allowed the company to exploit its firm embedded technical knowledge and manage its resources in a flexible manner. The tacit knowledge of its people and the availability of GSM licenses contributed to the preference for greenfield investments. Besides, the executive team members held the view that greenfield investments ensured a longer term investment. When MTN bid and won the Nigerian license in January 2001, analysts remarked that it was probably because cellular operators from the UK and Europe were suffering from 3G financial fatigue and did not want to overspend for licenses in Africa (Interview, 6 October 2008).
The above findings are in direct contradiction of the transaction cost theory, which has its roots in the internalisation theory, which holds the view that costs increase with increasing control in the mode of entry. According to Johnson and Tellis (2008), transaction cost theory suggests that the higher the resource commitment and desired control of entry mode, the higher is the cost. Higher costs imply that higher levels of investment are needed for the firm to break even and make a profit.

According to Doh and Teegan (2003), in the case of greenfield investments, almost all firms use build-own-operate (versus build-own-transfer) project structures, reflecting the new reality that investors seek to maintain control of the asset over its usable life, and host countries wishing to attract investment in telecommunications infrastructure can no longer demand that investors turn over the asset to their operation, as was often the case in earlier periods of infrastructure investment.

6.2.2 MAINTAIN CONTROL

Greenfield investments ensured that MTN had complete control. MTN had a history of maintaining complete control even in South Africa (SA). In 1996, MTN acquired full control of M-Tel, the biggest service provider in the country, from M-Net. The strategy was that if MTN was to meet the increasing demand for mobile subscriptions, it would have to own the customer and thereby own the relationship (Interview, 8 October 2008).
Maintaining full control enabled the company to manage its operations according to ‘the MTN way’. This allowed the company to deploy services faster and use technology and its unique, somewhat unusual, approach to solve everyday problems. For example, in the Kangala district on Lake Victoria in Uganda, the mains power supply was highly erratic. To deal with this problem, MTN erected a solar powered payphone on Lake Victoria. Full control permitted MTN to use innovative solutions to solve everyday problems and not have to deal with the pessimistic perceptions of others who said ‘it can’t be done’.

**Figure 6.1: MTN’s Famous Solar Powered Payphone on Lake Victoria**

6.2.3 DICTATES BUSINESS CULTURE

Greenfield investments allowed MTN to dictate the non-negotiable business culture and the high level of governance it required from each of its operations. While MTN had the working capital to invest in mergers and acquisitions (M&A) in the late 1990s, the company realised that it did not have the required support structure to enable takeovers and it did not have the time or the resources to assimilate the acquired entity into the organisation. In every aspect of its African expansion, the MTN brand was not negotiable.

All of the above results find support in the resource-based theories of Gatignon and Anderson (1988), Isobe, Makino and Montgomery (2000), and Arnold (2004) which state that as the degree of foreign control increases, the firm’s chances of success increase because the firm can deploy key resources, in a flexible manner, which are essential to its success.

6.2.4 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION ONE

In summary, the predominant advantages associated with greenfield investments made by MTN are characterised by:

- Cost
- Control
- Culture
Together they have guaranteed successful entry into other emerging markets. MTN did not gradually build up its international portfolio of investments as suggested by Johanson and Vahle (1977), but in a spectacular manner of foreign direct investment.

The findings for research question one have contributed to and extended the existing literature in the area of entry mode choice in the internationalisation process of EMMs in the telecommunications sector. For MTN, success in entering emerging markets increases with the degree of control. Hence, the objective of research question one has been met.

6.3 RESEARCH QUESTION TWO

Research question two sought to analyse the effect of entry timing on internationalisation. In investigating MTN’s expansion into Africa, it was found that the company internationalised at an extremely rapid pace almost from inception. This rapid expansion was as a result of the entrepreneurial proclivity of both MTN’s business leaders and its shareholders. Although MTN was unable to capitalise on the Zimbabwean bid, it did realise the incredible potential of the opportunities that telecommunications privatisation was going to offer in Africa. The creation of International Business Development (IBD) set the foundation for MTN’s future Africa ventures.
Academic literature on entry timing suggest that while there are advantages that accrue to early-movers (Carpenter and Nakamoto, 1989; Mitchell, 1999) there are however risks associated with pioneering strategies (Golder and Tellis, 1993).

6.3.1 RURAL DEMAND IN SOUTH AFRICA WAS PREDICTOR OF DEMAND IN AFRICA

When MTN started rolling out its network in SA in 1994, the company quickly realised that arriving in a village or small town first meant signing up 80% of the people as subscribers. Furthermore, urban pickings for the cellular operators were rich in SA with little interest being shown in the regions known in apartheid South Africa as independent homelands or bantustans. MTN’s entry into the former homeland of Transkei (now part of the Eastern Cape province) was driven by the group’s need to meet its license requirements. This legal obligation became an important factor in MTN’s international business development. Much trepidation accompanied this move. Was it going to be economically feasible? It was. The results astounded everyone. For months, Transkei carried some of the heaviest traffic recorded on MTN’s network. Prevailing sentiment was that cellphones were only for the rich – but here was an indication of the hunger for cellular telephony in under-serviced areas (MTN Yearbook, 2004).

MTN thereafter, in meeting licence obligations, specifically targeted areas with no infrastructure and quickly built the technical skills in rapid rollout in difficult areas.
These skills were to become a very important intangible asset for the company when MTN began rolling out networks in Africa.

6.3.2 ABSENCE OF COMPETITORS

When expanding into Africa, MTN specifically bid for markets where there was an absence of big telecommunications players. MTN’s entrepreneurial leaders realised that telecommunications FDI, as a regulated entity, was subject to the transient nature of the windows of opportunity – the company had to act fast now or loose out on the investment entirely. By moving early and quickly into these markets, MTN helped develop that market, set consumer behaviour and benefit from concessions and incentives that governments often offered to attract foreign direct investment. In so doing, MTN built its own high barriers to entry by locking up access to key resources, such as distribution channels and suppliers. Post-entry, early mover advantages compound as the incumbent firm benefits from the opportunity to arbitrage and leverage the political process to create a favourable regulatory environment (Sarkar et al., 1999).

6.3.3 ENTREPRENEURIAL PROCLIVITY

MTN had young, visionary leaders who were constantly asking ‘what’s next?’ As such, an organisational culture of innovation, experimentation and risk taking was encouraged. None of these leaders brought preconceived ideas on how to run a business to the table. As such, they did not have the cognitive blinders and
structural inertia that usually accompanies internationalising businesses. The executive team members were flexible in their thinking and actions. As can be seen with MTN, young firms with a strong innovative culture and a proclivity to pursue international markets tend to internationalise rapidly.

According to Nakata and Sivakumar (1997), early entrants accrue advantages in lowered costs in production, distribution and marketing, government support in access to the best production sites, distribution channels and market niches and customers who tend to be strongly loyal to first-mover brands.

MTN managed to benefit from early and rapid internationalisation because:

- Its pioneering strategies had the full support of the executive team members.
- It targeted those countries that had an absence of major telecommunications players.
- Country of origin effects: rural demand in SA was a predictor of demand in Africa and the unique skills developed in rapid network rollout in mountainous and rugged areas in SA provided MTN with the required skills to do the same in Africa.

MTN’s early and fast internationalisation does not find support in the Uppsala internationalisation model which states that a firm proceeds abroad through temporally defined, sequential, and stage-wise processes and that foreign market
expansion is incremental and dependent on a firm’s experiential learning (Sarkar et al., 1999). Observed phenomena of MTN’s rapid internationalisation are consistent with the phenomenon of born global firms.

6.3.4 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION TWO

The findings from research question two has contributed to the existing literature on the timing and pace of foreign emerging-market entry. In the case of MTN, success in internationalisation increased with early and rapid entry. Hence, the objective of research question two has been met.

6.4 RESEARCH QUESTION THREE

Research question three sought to identify the effect of firm size on internationalisation. Based on the analysis of the in-depth interviews it was found that MTN was young enough to see opportunity without potential tunnel vision, cognitive blinders, and biases, yet was mature enough to have layers of routines which facilitate interpretation and integration of knowledge (Khavul et al., 2007 citing Cohen and Bacdayan, 1994). This was as a result of the entrepreneurial proclivity of both the company’s owners and managers.

MTN’s smaller firm size, typical of young, high-technology start-ups, had a direct impact on the company’s organisational culture of setting trends and shaking up the industry, can-do and get-on-and-do-it attitude, experimental, and ‘conquer the
world’ mindset. As a small company, MTN had to be intellectually self-reliant (Interview, 29 September 2008). This meant that while the company encouraged an environment of innovation, experimentation and risk taking, the company also expected its people to be strong independent thinkers who could be trusted without hesitation. MTN mimicked all the characteristics of a small firm but its actions, in bold African expansions, belied its youth. This could only have been achieved through the entrepreneurial mindsets of its owners and managers.

According to Knight and Cavusgil (2004), born globals progress to internationalisation relatively rapidly – the period from domestic establishment to initial foreign market entry is often 3 years or less. The smaller size typical of young firms appears to confer a sort of flexibility that provides key benefits for succeeding in foreign markets. According to Wright et al. (2005), recent research on the notion of ‘strategic flexibility’ of firms emphasises that the continuously changing market conditions in emerging economies require the development of ‘strategic flexibility’ that should help firms to take advantage of existing and new opportunities. Strategic flexibility depends jointly on the inherent flexibility of resources available to the organisation and on the managers’ flexibility in applying those resources to alternative courses of action.

As the literature review in Chapter 2 has shown, larger firms might have greater success in international expansion because they can commandeer more resources, are more likely to possess a greater wealth of product-specific and
marketing-specific knowledge, and are more likely to have access to powerful financial and business acumen (Johnson and Tellis, 2008).

### 6.4.1 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION THREE

An analysis of MTN’s internationalisation strategy and its firm size reveals that youth and lack of experience, as well as a scarcity of financial, human and tangible resources, are no longer major obstacles to large-scale internationalisation and global success of a firm. Consequently, the objective of research question three has been met and these findings have positively contributed to existing literature on the effect of firm size in internationalisation strategies.

### 6.5 RESEARCH QUESTION FOUR

Research question four sought to identify the effect of entrepreneurial proclivity on internationalisation strategies. The findings from the in-depth interviews showed that entrepreneurial proclivity appears to provide added knowledge and awareness that render individuals less risk averse towards internationalisation. Interviewees highlighted the importance of entrepreneurial and innovative culture in the pursuit of foreign markets.

After a rapid succession of Chief Executive Officers (CEOs), Phuthuma Nhleko took the job as MTN Group CEO in 2002. One of first audacious moves he made
was the unbundling a cumbersome shareholding structure that made bold-decision making difficult. Nhleko’s driving ambition has been international expansion and he has even been praised by Alan Knott-Craig, CEO of Vodacom, MTN’s competitor in SA, who admitted that his group was too conservative in its approach to opportunities in the rest of the continent (FM, 2008).

Zucchella et al. (2007) point out that studies investigating the entrepreneurial thinking amongst decision makers of a firm’s internationalisation strategy revealed a positive relationship between entrepreneurs’ international attitude, orientation, experience and network and the firm’s positive international development. Reuber and Fischer (1999) have demonstrated that internationally experienced top managers move a small firm towards internationalisation more quickly than their counterparts.

Lumpkin and Dess (1996) have found that entrepreneurial orientation might include the propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities. Doh (2000) extends this saying that in the case of privatisation, one-time industry reconfiguration presents a unique anomalous circumstance that generates pressures for firms either to participate or lose out. Of the most significant findings of this research deals with the entrepreneurial proclivity construct. Looking at it within the MTN lens, it is found that entry mode,
entry timing and the rapid pace of internationalisation (born global) are direct corollaries of entrepreneurial proclivity.

Based on the findings of the sample profiling conducted in Chapter 5, it can be seen that the average age of MTN’s pathfinders was 25.9 years old. Of the 15 interviewees, only two were married. Furthermore, 86.6% of these interviewees were considered universal citizens, having lived, worked, or studied in many parts of the world. For the majority of the interviewees, working for MTN was their first real job which highlights the fact that MTN had a strong first job culture and hence enjoyed company loyalty.

Developed country multinationals who do get it wrong in emerging markets often blame such failures on not being able to find skilled market research firms to inform them reliably about customer preferences so that they can tailor products to specific needs and increase people’s willingness to pay for them (Khanna et al., 2000). Lack of economic data on income distribution levels actually forced MTN to conduct its own primary research to estimate market size. This again draws attention to the entrepreneurial mindset prevalent within the company; if MTN could not find reliable people to provide reliable information, then MTN would just do it on its own.

MTN had the unique situation of having the right team at the right team to enable rapid internationalisation. MTN’s entrepreneurial shareholders were mostly young
politicians who helped achieve democracy in SA and were now looking at ‘what’s next?’ They were able to use their political influence to work around institutional voids. MTN’s entrepreneurial managers were young, vibrant, and passionate about South Africa and the African continent. They were innovators, risk takers, and also constantly asking ‘what’s next?’

6.5.2 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION FOUR

An analysis of the sample profiling of the interviewees reveal that the majority of the interviewees lived, worked or studied in different parts of the world. Entrepreneurial proclivity, evident in both MTN’s shareholding and management teams, had a direct influence on the firm’s organisational culture which promoted a global mindset characterised by openness to, and an awareness of, cultural diversity and markets. Consequently, the objective of research question four has been met. The results show a synergy with existing literature on entrepreneurial proclivity and internationalisation and have added to existing literature by showing that entrepreneurial proclivity influences other constructs such as entry mode, entry timing, and the rapid pace of internationalisation.

6.6 RESEARCH QUESTION FIVE

As the first macro construct to be investigated, research question five sought to analyse the effect of institutional development on internationalisation strategies employed within an emerging market context.
It would be logical to assume that as markets near penetration in Europe, the UK, and even the US, that the attention of network operators would be drawn to Africa for two main reasons. First, the low penetration rates in mobile and fixed-line communications and second, the potential to sign up millions of new customers with minimal advertising and marketing since these customers have never been approached before. However, such investors were cautious about investing in Africa and those that did invest in Africa summarily withdrew their investments.

As an example, American mobile operators were active investors in emerging markets during the 1990s. In 1995, SBC (South Western Bell Communications), an American telecommunications company, bought a 16% stake in MTN for $90 million. However, the plunge in telecommunications and dotcom stocks in 2000 led to many of these American investors quickly exiting emerging markets. SBC sold its stake in MTN after only two years – had it retained its shareholding that portion of MTN would cost about $6 billion today (The New York Times, 2008). Whatever the reason may be, in hindsight it was best, certainly for MTN that Africa was left to African investors who did not share the same perceptions of risks or lack of institutional development that developed country investors associated with Africa.

One of the most significant findings in this research report was the fact that MTN's inception in South Africa was fraught with immense political and social
instability and its mobile license to operate in SA would not have been issued without the political influence of its shareholders.

6.6.1 COUNTRY RISK (POLITICAL, FINANCIAL, ECONOMIC)

By 1990, there were drastic changes on the political front in SA with Nelson Mandela being released from prison in February of that year. SA’s first democratic elections were held in 1994, electing the African National Congress (ANC) into power. The ANC did not believe that SA’s best interests would be served by two cellular operators because firstly, cell phones were seen as a luxury item only for the elite (predominantly white) classes and secondly, nationalisation was seen as a socio-economic option for SA with the state wholly owning just one mobile telecommunications provider.

Enter the legendary Dr. Nthatho Motlana who, as Chairman of NAIL (New Africa Investments Limited) which owned a 20% stake of M-Cell (as MTN was known then), intervened and subsequently spent nine months lobbying the ANC on the future of telecommunications in SA with the result being that in September 1993 MTN was issued its cellular license. NAIL played a major role in convincing both foreign partners, Cable and Wireless and SBC, to invest in MTN. Incidentally, Dr. Motlana is famous for being Nelson Mandela’s personal physician (MTN Yearbook, 2004).

When MTN started to meet its license obligations in SA through the rollout of its community payphones programme, many of the rural people were weary of
schemes involving telecommunications. Fortunately, FABCOS (Foundation of African Business and Consumer Services), formerly the South African Black Taxi Association, which purchased a 5% stake in MTN in 1993, provided a good platform. With its vast network of entrepreneurs, including taverners and shebeen owners, the powerful black consumer group helped create a wide band of MTN supporters (MTN Yearbook, 2004).

The above incidents were the first, in a long line of more incidents, in which MTN used its shareholding with political clout to influence business decisions in its favour.

Another interesting finding of this research report was about the acquisition of the Nigerian license. MTN already had an existing Nigerian mobile license prior to the famous bid by auction in 2001. The change in government in Nigeria resulted in that license being null and void. MTN had to re-apply, along with other operators, for a new license which according to the people interviewed almost bankrupted the company. However, in re-applying for the new license MTN had the support of the ANC elite in the South African government. When MTN lost its first Nigerian license and had to re-apply in a bid for a second license, the company started with a limited network rollout until it became more certain of the political stability (Interview: 3 October 2008).
Furthermore, at that time, there were restrictions on South African companies investing north of the equator in Africa. MTN, again, used its shareholders’ political influence and was granted special permissions to move north.

Studies analysing entry strategies in deregulated markets assert that local partner alliances can represent a way of complementing and reinforcing the competitive positioning of a firm (Doh, 2000). While many of these are state mandated, these partnerships are serving to distribute risk, secure capital, enable individual firms to take advantage of emerging market opportunities, and strategically position collaborators as global players in a radically restructuring market (Sarkar et al., 1999).

Despite its experiences, MTN did not share the same Eurocentric perceptions of risk that developed countries had of Africa. With a powerful shareholding and an adherence to the highest standards of governance, uncertainty was reduced through proactive management and local partner relationships.

6.6.2 COUNTRY OPENNESS

MTN expanded into specific African countries based on the availability of greenfield licenses spurred by liberalised governmental policies that encouraged foreign direct investment. A remarkable finding from the in-depth interviews conducted was that MTN was initially prevented from actively pursuing African expansion by its UK shareholder, Cable and Wireless who saw Africa as ‘squalor
and potholes’. It was only when Cable and Wireless exited its MTN shareholding that MTN gained the momentum to actively pursue licenses on the African continent. By this time the company had lost out on several significant licenses. Incidentally, Tim Lowry, the current Managing Director of MTN-SA, was part of the Cable and Wireless team when it became MTN shareholders in 1993. It remains to be seen, and only time will tell, what sort of mindset Tim Lowry will bring in his management of the South African operations.

In pursuing international goals, emerging market multinationals instinctively turn to other emerging markets for growth. This is as a result of proximity in geography, culture, market reciprocity and historic colonial ties.

6.6.3 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION FIVE

MTN’s Africa expansion signalled a strategy to move away from the South African market, which was reaching saturation, and re-allocate investments in areas with potentially higher growth rates. The Africa expansion represented an opportunistic attempt to reap the benefits from newly liberalised governments and deregulation in telecommunications FDI. Africa was a high growth market with very low penetration rates. However, part of the African success is as a result of over-regulation in some markets. This proves that the telecommunications sector operates better in an environment of protected de-regulation and state interference. Furthermore, MTN had the capacity for accommodating true uncertainties through managerial judgement, shareholders with substantial
political influence, and local partnering strategies proving that a combination of these various factors has the effect of being able to work around institutional voids and thereby secure long-term success of the business.

The research objective as defined by research question five in Chapter 3 has therefore been met.

6.7 RESEARCH QUESTION SIX

Research question six sought to analyse the effect of cultural distance on internationalisation. The results from the in-depths interviews showed synergy with the existing literature.

According to Slater and Narver (1999), market oriented firms seek to understand customers’ expressed and latent needs, and develop superior solutions to those needs. Among the capabilities, market orientation highlights most clearly the need for an organisation’s culture to be oriented around its customers. The mobile industry is highly region- and product-specific because of industry standards and regulations (Anwar, 2003).

Cultural distance has an effect on entry mode choice only if the choice of entry is not a greenfield investment. As discussed in the literature in Chapter 2, the costs of transferring business practices to greenfield subsidiaries will hardly increase with cultural distance, because MNEs can staff such subsidiaries with brand new
employees who are not used to any business practices and hence more willing to accept those of the MNE.

MTN’s success in Africa is attributed to the cultural sensitivities that the company takes extreme effort in trying to understand. The leaders have said that the business is not about margins, but about people. As such, management at MTN was adamant that no single unit would be patronising to another, that there would be a real transfer of skills with local people employed, and that there was zero tolerance towards ethnocentric behaviour.

MTN concentrated on life-enhancing, social-upliftment programmes in all the regions it had moved into. For example, in Uganda, MTN launched the MTN villagePhone which was based on the Grameen Foundation’s well known villagePhone concept in Bangladesh. This gave entrepreneurs the opportunity to become villagePhone operators. Furthermore, each African operation had an MTN Foundation supporting various social development programmes of relevance to that particular country. As such, the MTN brand enjoyed a lot of respect for its social commitments.

Community buy-in, for MTN, is of utmost significance. “In the rural areas in SA, we learnt that community buy-in minimised vandalism, reduced theft of equipment, and ensured the safety of MTN’s engineers” (Interview, 3 October 2008). MTN consulted with local organisations, community forums, and even village elders to seek their advice and support. The interaction with these
communities was so strong that even in violence-ridden KwaZulu-Natal, just prior to SA’s 1994 democratic elections, MTN managed to recover nine of its ten hijacked vehicles purely because it had community buy-in.

Instead of using a single business model and incorporating local market conditions into it, MTN used local market conditions to delineate its business model which was different in each African operation. This allowed the company to super-localise its products and services. For example, MTN-Swaziland offered a 6-month prepaid option catering for the needs of contracting workers in the country and in MTN-Nigeria, customer care centres are known as friendship centres, they play music from Nigeria’s own rank of young and talented musicians, and they are infused with the scent of lemon – as are all sim cards in Nigeria (MTN Yearbook, 2004). MTN’s early successes in Uganda and Rwanda were due to immense product localisation and active community involvement both spurred on by latent demand for telephony services.

MTN strategically launched commercial operations in some African countries to coincide with special days of significance. For example, commercial operations kicked off on the 4 July 1998, Liberation Day in Rwanda. The delivery of technology was seen as boosting the liberation of a country still recovering from the recent horrors of genocide.
Entrepreneurial proclivity, evident in both MTN’s shareholding and management teams, had a direct influence on the firm’s organisational culture which promoted a global mindset characterised by openness to, and an awareness of, cultural diversity and markets. Expatriate staff was chosen on their willingness to live and travel in Africa and were the given required training about the local cultures prior to going to these countries. MTN’s strength lay in its diversity.

Entrepreneurial proclivity also provides managers with the ability to strategically deal with issues like the battle of ideologies between the West and the East (militant Islam). When operating in countries of significant Islamic influence, MTN is careful in selecting the right equipment vendors and suppliers. For example, MTN selects the Chinese manufactured Hauwei equipment over the US manufactured Cisco equipment. Similarly, open source RedHat operating systems are used when Microsoft cannot be used. Its strategy of dealing with very sensitive local issues is ‘When in Rome…’

6.7.1 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION SIX

According to one of the interviewees: ‘The clarity of the group’s vision came from gearing for the unknown’ (Interview, 3 October 2008). The conditions that have precipitated MTN’s successful entry into culturally diverse countries included super-local knowledge, entrepreneurial mindsets cognisant of the cultural nuances of each country, product and service localisation, symbiotic relationships with consumers, and community support through social development
programmes. Consequently, the research objective as defined by research question six in Chapter 3 has been met and contributes to the existing body of knowledge on the effect of cultural distance on internationalisation.

6.8 COUNTRY OF ORIGIN EFFECTS

As defined in the literature review in Chapter 2, the elements of COE are cultural values and institutional norms, economic and physical resources, and national government’s economic and industrial policies.

Cultural and institutional norms of a society influence a firm’s strategy formulation. As shown earlier, entrepreneurial proclivity promotes a mindset that is cognisant of, and open to, learning from different cultures. MTN’s history of dealing with, and learning from, different cultures in South Africa enabled it to do the same in Africa on a grander and more elaborate scale. As the corporate equivalent of a freedom child, MTN also benefited from the national respect South Africa earned on the global stage in its transition to a democratic nation.

Economic and physical resources are national capabilities that vary across countries. GSM was a new technology. The South African environment allowed MTN to experiment with this technology with the result being that the company developed highly technical skills in rapid network rollout in areas with no infrastructure but which were still economically viable. MTN realised in SA that by going into remote villages and towns first, it gave the company first-mover
advantages by signing up 80% of the people as subscribers. The latent demand
for cellular telephony in SA was a predictor of demand in Africa. As a small, high-
technology start-up, MTN did not have the luxury of an established global player
as a partner. As such, MTN learnt to be intellectually self-reliant. This meant that
there were no inhibiting factors and the company could experiment with
innovation.

This resulted in MTN being the first network in the world to launch prepaid
services and it was the first network in SA to launch the text sms (short message
service) service. The ability to capitalise on the prepaid market was driven by the
realisation that there still existed a large cash-based society, generally the
informal trading sectors, in SA who did not have access to bank accounts, either
by choice or because they just could not afford it. The prepaid service also
protected MTN against credit fraud which was a major factor precipitating MTN’s
entry into other African markets.
National government’s economic and industrial policies refer to the political and regulatory environment conducive to positive economic activity. As has been shown, MTN dealt with huge political and regulatory issues even prior to its inception in SA. Through this, the company developed the required expertise to be able to work around institutional voids in other African countries. The results show that MTN traded on capabilities developed and tested within domestic markets.
6.9 CONCLUSION

This study makes a contribution to the literature on international business expansion and strategy research by linking entrepreneurial proclivity to entry mode, entry timing, the rapid pace of internationalisation that is indicative of born global firms, firm size, and the required intellect and sensitivity to deal with cultural remoteness. These findings also indicate that country of origin effects play a dynamic role in helping firms work around institutional voids and build hard to imitate skills. These major findings are relevant more so because it was researched within an emerging market context and hence challenges the prevailing stereotypes in literature on EMMs that they are inherently weak, their advantages derived from conventional cost savings and are labour intensive, often unable to compete internationally and if they do, then they follow an incremental process.
CHAPTER 7: CONCLUSION

“Nina sema na dunia”.

(I talk to the world – Swahili)

7.1 INTRODUCTION

For a continent that is notorious for its inability to build high technology enterprises, it is pleasantly ironic that African home-grown multinationals are increasingly becoming the leaders in the mobile telephony service industry (Business in Africa, 2008). This shows that the telecommunications sector has undergone a rapid transformation itself from an engineering dominated sector to one that is commercially oriented.

In this chapter, the conceptual framework of rapid internationalisation of EMMs in the telecommunications sector is briefly described in terms of the findings. Recommendations based directly on the findings are presented for MTN managers. This chapter concludes with recommendations for future research.

The purpose of this research report was to determine the factors that have influenced MTN’s internationalisation strategy on the African continent. These factors are summarised below.


7.2 SYNTHEsis OF RESEARCH DATA

This research report combines preceding, established academic literature which has been integrated with the research findings to build a framework that is more suited to explain the rapid internationalisation of EMMs in the telecommunications sector. The framework represents micro and macro level variables depicting:

- Entry mode
- Entry timing and the pace of internationalisation
- Firm size
- Entrepreneurial proclivity
- Institutional development
- Culture
- Country of origin effects

These depictions link back directly to the six research questions presented in Chapter 3.

The research findings presented in Chapter 6 are relatively inconsistent with the existing literature on internationalisation, international business, and emerging markets. However, this study contributes to broader theory in a number of ways.

The first contribution relates to the entry mode construct:
While developed country multinationals see increased costs associated with increased control, MTN had developed unique and novel ways of using control to minimise cost while maximising ownership.

‘To thine own self be true’ – maintaining control allows complete accountability and adherence to the highest code of governance. MTN will not compromise on its ethics or ‘grease palms’ with policy makers.

The MTN brand is never negotiable.

The second contribution of this study relates to entry timing and the pace of internationalisation. MTN is a born global firm and it attained that prestigious status because its entrepreneurial owners/managers, when expanding into Africa, specifically targeted those countries that had an absence of significant competition. This was because scale matters – economies of scale are achieved through a bigger network which allows MTN to serve ancillary customers better. Country of origin effects enabled MTN to innovatively tailor solutions to specific environments.

The third contribution of this study relates to firm size. An analysis of MTN’s internationalisation strategy and its firm size reveals that youth and lack of experience, as well as a scarcity of financial, human and tangible resources, are no longer major obstacles to large-scale internationalisation and global success of a firm.
The fourth contribution of this study relates to entrepreneurial proclivity which is evident in both MTN's shareholding and management teams, and has a direct influence on the firm's organisational culture which promotes a global mindset characterised by openness to, and an awareness of, cultural diversity and markets. Most significantly it is found that entry mode, entry timing and the rapid pace of internationalisation (born global) are direct corollaries of entrepreneurial proclivity.

The fifth contribution of this study relates to institutional development within emerging markets. It was found that the Africa expansion represented an opportunistic attempt to reap the benefits from newly liberalised governments and deregulation in telecommunications FDI. However, part of the African success is as a result of over-regulation in some markets. This proves that the telecommunications sector operates better in an environment of protected deregulation and state interference. Furthermore, MTN did not share the same Eurocentric perceptions of risk that developed countries had of Africa. With a powerful shareholding and an adherence to the highest standards of governance, uncertainty was reduced through proactive management and local partner relationships.

The sixth contribution of this study relates to cultural distance. The conditions that have precipitated MTN's successful entry into culturally diverse countries included super-local knowledge, entrepreneurial mindsets cognisant of the
cultural nuances of each country, product and service localisation, symbiotic relationships with consumers, and community support through social development programmes.

The final contribution of this study relates to country of origin effects and the results show that MTN traded on capabilities developed and tested within domestic markets.

7.3 IMPLICATIONS FOR MTN

This research report has highlighted the inimitable strengths that MTN has developed in greenfield investments while pursuing its international expansion in emerging markets. However, as the availability of such greenfield telecommunication licenses become extremely rare, it necessitates that MTN build further inimitable strengths in other areas of potential growth.

MTN’s 2006 acquisition of Investcom LLC was not without its own share of problems. MTN Benin’s network was suspended for two months in 2007 until the operator agreed to pay an additional license fee to the authorities. In September 2007, a charge of major fraud was brought against Ghana’s Scancom, another network that MTN inherited through its takeover of Investcom. During 2008, MTN failed to secure two consecutive M&A deals with Bharti Telecommunications and Reliance Communications; with similar emerging market characteristics and high-growth potential, what went wrong?
These points highlight the fact that while MTN has built spectacular skills in greenfield investments, it may not necessarily have the required skills set to support M&A activity going into the future. The company will have to redesign around an organisational structure that now supports M&A activity. MTN is no longer a small, young, start-up – as a multinational player it remains to be seen if the company can successfully sail through a redesign of the strengths that created the company in the first place.

Local and international politics also present problems. Turkcell, MTN’s predecessor in the Irancell consortium, was forced out of the deal by Iranian politicians who were of the opinion that Turkey’s links with Israel presented a security threat to Iran. There is also the issue of Iran’s nuclear programme – while it has not manifested beyond political plays, the risks still exist which could severely impact MTN’s operations there. MTN Nigeria, long considered the darling of all MTN’s operations, has been targeted by local politicians because it is foreign-owned. As a result, MTN sold a 5.9% stake of MTN Nigeria to Nigerian investors in February 2008, reducing its shareholding to 76.08%.

Then, there is the issue of Globacom, a telecommunications service provider founded by Nigeria’s Dr. Mike Adenuga, widely acknowledged as one of Africa’s most accomplished entrepreneurs. It is in Globacom that MTN’s number one leadership position in Africa faces its biggest and most imminent challenge. Globacom today exhibits many of the characteristics of the young MTN of 1994;
young, entrepreneurial management, organisational culture of ‘Africans solving Africa’s problems’, and an inherent desire to internationalise fast! This was evident when Globacom launched in Nigeria in 2003, two years after MTN, and in a very short space of time has signed on 18 million subscribers. MTN-Nigeria, as at June 2008, had 18.5 million subscribers. Globacom is now set to do battle with MTN in Ghana. Globacom competes with MTN in markets where MTN’s service quality is notoriously bad (MTN has even been fined for this in late 2007). Globacom has, not surprisingly, developed its expertise on service quality.

Many of the high spirited, young and competitive ‘pathfinders’ and ‘hunters’, who were largely responsible for unique solutions to difficult problems, have subsequently left MTN and there is the risk that with them leaving, MTN might no longer be able to capitalise on the entrepreneurial mindset that it had depended on so much during its expansion into Africa. And even if these innovators had to return to MTN, it is likely they will experience immense problems assimilating into the current organisational culture because it is no longer the same MTN.

Nonetheless, the story of MTN is, without doubt, a true African success story.

7.4 RECOMMENDATIONS FOR FUTURE RESEARCH

If the study of internationalisation of EMMs in specific sectors is ever to gain momentum, it is clear that more research efforts in theory development, measurements, and practice are required to develop a body of literature, and
school of thinking, comparative to that of developed country multinationals. In the spirit of guiding future research, the conceptual framework has been presented with the hope that the investigated micro and macro level forces guiding a firm’s rapid internationalisation in an emerging market context will be empirically tested. The findings of this study can be validated through more vigorous quantitative research of the constructs mentioned, and replicated in similar regulated industries, like banking and airlines, to explore their generalisability.

Future research could benefit from investigations into the degree of internationalisation of emerging market multinationals and its effect on firm performance. Emerging markets are high growth markets but is there a point when an emerging market firm’s degree of internationalisation negatively impacts its firm performance?

Lastly, the increasing speed of internationalisation, and the ‘born global’ phenomenon, necessitates richer and deeper measures of internationalisation speed as a time-based evaluation of entrepreneurial proclivity, ex-ante and post hoc internationalisation. This research study concentrated on these constructs only ex-ante internationalisation.

7.5 CONCLUSION

This study makes a contribution to the literature on international business expansion and strategy research by linking entrepreneurial proclivity to entry
mode, entry timing, the rapid pace of internationalisation that is indicative of born
global firms, firm size, and the required intellect and sensitivity to deal with
cultural remoteness. These findings also indicate that country of origin effects
play a dynamic role in EMM’s practical approach to risk – EMMs have often
experienced political volatility, infrastructural restrictions, and interventionist
governmental policies in their own home countries with the result being that they
are able to internationalise with a greater degree of risk simply because they
perceive risk differently.

The conceptual framework of rapid internationalisation of EMMs in the
telecommunications sector offers an integrated framework for a new area of
study (telecommunications internationalisation) and provides insights into the
factors most likely to influence an EMM’s internationalisation strategy.
TO the MTN family: Congratulations on your 10th birthday. You have reached this milestone with a great sense of accomplishment and joy.

I commend you for the way in which you have grown from being a fledgling start-up operation in South Africa to becoming a cellular giant on the continent. You have shown the world what we, the people of Africa, are capable of. Dreams have the power to bring out the best in people. In 1994, when I took office as President, and MTN was established, I challenged all of you:

“Our daily deeds as ordinary (South) Africans must produce an actual (South) African reality that will reinforce humanity’s belief in justice, strengthen its confidence in the nobility of the human soul and sustain all our hopes for a glorious life for all.”

It is gratifying for me to think you were listening and have acted upon these words – because there can be no doubt that your achievements have inspired others. Ten years may have passed, but those words remain close to my heart. I thank you and salute you for giving life to them. You have shown what happens when we wish for something and are prepared to work together to attain it. You have done this country and this continent proud. MTN is a torchbearer. It is my wish that you continue to achieve and to inspire others.

Happy birthday!
Nelson Mandela

“Let your light shine on others”

Source: MTN YearBook (2004)
REFERENCES


ANNEXURES

ANNEXURE ONE

The Size of the Telecommunication Services Market in Selected Africa and Middle-East Regions, 2007 (US$m terms)

Source: Pyramid Research, 2007
ANNEXURE TWO

MTN History: Pathway to Success

1994

- M-Cell incorporated in South Africa and owned 25% of MTN Holdings.

1995 – 1996

- M-Cell converted to a public company with investments that include a 25% shareholding in MTN Holdings and a 60% shareholding in M-Tel (now MTN Service Provider).
- MTN Holdings acquired Service Provider M-Tel.

1997 – 1999

- MTN International expands into Africa, acquiring licenses in Uganda, Rwanda and Swaziland.
- MTN South Africa awarded ISO 9001 accreditation for the network.
- MTN South Africa awarded ISO 14001 accreditation for environmental management.
- M-Cell increases its stake in MTN Holdings to 72%.

2000

- MTN International acquired a National GSM 900 license in Cameroon.
- M-Cell acquired the remaining shareholding in MTN Holdings from Transnet.
- Johnnic Communications acquired 4.6% of M-Cell from Transnet, consolidating the Johnnic Group’s control of M-Cell.
2001


- M-Cell acquired CiTEC, a tier-one Internet Service Provider (renamed MTN Network Solutions in May 2002), to increase the range of data services provided to corporate customers.

2002

- M-Cell was renamed MTN Group Limited to reinforce African presence and awareness of the brand.

- MTN Nigeria commenced with construction of Y’hellBahn, a 3,400 kilometre long countrywide microwave radio transmission backbone.

- MTN management and staff acquired an 18.7% interest in M-Cell (now MTN Group) through the acquisition of the interest held by ICE Finance BV/Transnet – the shares are held in trust by Newshelf 664 which in turn is owned by a Trust for the benefit of management and staff.

2003

- MTN Group free float increase to just under 76% after Johnnic unbundled a 31.9% stake.

- MTN Nigeria secured a 395 million US dollar loan to fund further expansion of its infrastructure in the country.

- First Sustainability Report published.

2004
MTN celebrates 10 years of operations.
MTN records almost 10 million subscribers across all its operations.
MTN qualifies for inclusion in the JSE Socially Responsible Investment (SRI) Index.

2005
MTN records 14 million subscribers across its operations, 8 million of whom are in South Africa.
MTN capital investments amount to 7.6 billion rand.
MTN International opens office in Iran (April).

2006
MTN Group Limited acquired Investcom LLC for a total of 5.526 billion US dollars. This transaction led to MTN operating in 21 countries and serving in excess of 28 million subscribers.
FIFA 2010 sponsorship announced. MTN Group will be the exclusive mobile sponsor of the 2010 FIFA World Cup South Africa™.
Rural Telephone Project (“Phone Lady Initiative”) of the MTN Nigeria Foundation won the 2006 GSM Association award in the category of Best Mobile Community Service.
MTN Group recognised as the African Mobile Operator of the Year at the inaugural CommsMEA Awards in Dubai.

Source: http://www.mtn.co.za
ANNEXURE THREE
Snapshot of MTN operations as at June 2008

Source: http://www.mtn.com
ANNEXURE FOUR

Interview questions

1. How would you describe MTN when operations started in South Africa in 1994?

2. What was your work experience prior to joining MTN?

3. Academic literature on international expansion highlights regionalisation and staged approaches to internationalisation. MTN, however, began investing in Uganda and Rwanda, countries located half-way up the African continent and this when MTN was barely 4 year old. What do you believe where the primary drivers of MTN's African expansion?

4. Why Africa?

5. Why consider expansion at such an early stage?

6. What was the mindset like amongst the team members and decision makers in the Africa expansion?

7. Why did the company specifically choose greenfield investments in Africa?

8. How did MTN manage risks associated with doing business in Africa?

9. How did MTN anticipate the latent demand for cellular telephony in Africa?

10. What type of organisational structure was required within MTN to support this expansion into Africa?

11. How did management manoeuvre about the cultural distinctions of the different Africa operations?