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Research Report

How institutional voids influence liability of foreignness for Multinationals operating in emerging markets

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Abstract:

Multinational corporations operating in emerging markets have to be able to operate within the institutional context of those markets. Emerging markets institutions are mostly in transition or remain undeveloped and create a variety of institutional voids. International Business scholars have also been grappling with understanding how multinational corporations deal with liability of foreignness in the host environments in which they operate. The research canvassed the views from multinationals operating in South Africa as an emerging market. This study relies on institutional theory to understand how the institutional voids in emerging markets create specific liabilities of foreignness for the multinational corporations. How multinational corporations respond to these liabilities of foreignness is investigated.

Key words: Emerging Markets; Institutional Voids; Liability of Foreignness; Multinational Corporations.

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List of Abbreviations

ACSA: Airports Company of South Africa.

BEE: Black Economic Empowerment.

CEO: Chief Executive Officer.

CFO: Chief Financial Officer.

COO: Chief Operating Officer.

CSI: Corporate Social Investment.

DM: Developed market.

DMNC: Developed market multinational-corporation.

EM: Emerging market.

EMNC: Emerging market multinational-corporation.

Exco: Executive Committee.

FDI: Foreign Direct Investment.

GDP: Gross Domestic Product.

HQ: Headquarters.

IB: International Business.

IMF: International Monetary Fund.

IV: Institutional void.

LoF: Liability of Foreignness.

MNC: Multinational-corporation.

NGO: Non-governmental organization.

NPA: National Prosecuting Authority.

OLI: Ownership, Location and Internalisation.

SARS: South African Revenue Service.

SOC: State Owned Company.

TACT: Trustworthiness, Auditability, Credibility and Transferability.

U.K: United Kingdom.

USA: United States of America.

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Chapter One – Introduction to the research problem.

1.1 Introduction

According to Khanna and Palepu (1997), the gap between the current state of institutional development and the ideal required to support business operations is characterised as institutional voids (IVs). According to Khanna and Palepu (1997), institutional voids refer to the weakness or lack of institutions to support the conduct of business in an economy. Multinational Corporations (MNC) moving into emerging market countries find that institutional voids are more pervasive there where the institutions are either underdeveloped or non-existent (Doh, Rodrigues, Saka-Helmhout & Makhija, 2017).

As part of their economic environment, developed markets have established clearly understood rules and institutions relating to the conduct of business which are understood by organisations operating in those markets. As North (1993, p.12) points out “Institutions are the rules of the game and organisations are the players”. For their operations to succeed, MNCs must therefore be able to operate within the institutional environment of host countries.

Due to the pervasiveness of institutional voids in emerging markets, it is important to understand how they influence the liability of foreignness (LoF) experienced by Multinational Corporations operating in emerging markets. Mezias (2005) defines the liability of foreignness as costs incurred by MNCs in host markets which local businesses are not exposed to.

This study explores how institutional voids influence liability of foreignness for Multinationals operating in emerging markets. Understanding how institutional voids in emerging markets influence liabilities of foreignness creates an opportunity for emerging markets to identify how best to improve their own institutions in order to close the institutional gaps between them and developed markets.

Relying on institutional theory this study seeks to understand how the weak institutional environment in emerging markets influences the liability of foreignness and the responses that MNCs have adopted in response. The liability of foreignness concept has been used by International Business scholars to describe impacts experienced by foreign, as compared to local businesses. The research, therefore, seeks to focus on those liability of foreignness that arise from or whose nature is influenced by the existence of institutional voids in emerging markets. South Africa is used as the basis of the study.

This chapter introduces the research problem, explores its academic context and relevance to international business as well as introducing the emerging market context. South Africa is selected as subject for this study. Firstly, it provides a rich canvas for the research due to having the second biggest and most diverse economy on the African continent. MNCs operating in South Africa are represented in a variety of business sectors, including banking, financial services, management consulting, hospitality, aviation, heavy manufacturing and education. Secondly, it is home to subsidiaries of MNCs from developed and emerging markets. Thirdly the economy is still in transition from a closed economy under apartheid to an open economy. Institutional voids are therefore likely to be experienced in numerous sectors such as the health sector (Wöcke and Moodley, 2015). Fourthly there is an acceptance that institutions in South Africa are at different development levels where, for example, the legal system is very advanced but regulatory enforcement is weak. Finally, corruption, high crime levels and policy uncertainty which are normally related to institutional voids (Roxas, Chadee & Erwee, 2012; Luiz & Callum, 2014) are present in the South African economy and are likely to be adding costs for MNCs. This combination of factors relevant to South Africa is provides an excellent opportunity to advance an understanding of these phenomena in the context of emerging markets. Finally the chapter outlines the research questions that the study is seeking to answer.

1.2 Background

Research on liability of foreignness impact on MNCs in emerging markets has tended to focus on the large emerging markets of China, India, Russia and Mexico (Yildiz & Fey, 2012). The ever-increasing complexity and nuances emerging from studies on liability of foreignness have highlighted a need to investigate the phenomenon in different countries. Research on other emerging markets continues to identify further concepts and thus justify the need to undertake further studies (Kuznetsov and Kuznetsova, 2014; Wöcke and Moodley, 2015; Mbalyahore, Lawton, et.al, 2017). In this case such a concept is institutional voids.

Emerging markets differ from each other in terms of size, level of economic development, legal and regulatory systems, culture and history. In terms of institutional theory, it can be assumed that the above factors may result in differing outcomes for MNCs (Cantwel, Dunning & Lundan, 2010; Kutsova, Roth and Dacin, 2008). Liabilities of foreignness arising from institutional voids therefore manifest differently in different emerging markets. The literature indicates a clear need for further country specific analysis to be undertaken in order to advance research into the phenomenon of liability of foreignness (Mezias, 2002; Mbalyohere, Lawton, et.al, 2017).

Domestic firms and MNCs operate within the same institutional voids when competing in the same country but due to liability of foreignness they experience the impact differently. In economies characterized by a huge presence of institutional voids, as institutions improve the profitability of local firms improve while that of foreign firms deteriorate (Kafouros & Aliyew

2016). Luiz & Ruplal (2014) argue that the existence of institutional voids in not always negative for the MNC, in some markets it may be an attraction factor for investors who are able to take advantage of institutional voids. Not all institutional voids result in liability of foreignness so it is essential to understand how MNCs experience these phenomena and the responses that they have adopted to mitigate the liabilities of foreignness that they have identified.

MNCs and the institutional environment within which they operate have an influence on each other (Cantwell, et al 2010) due to the existence of a dynamic relationship between them (Doh, et al, 2017). MNCs have their own identities even prior to entering new markets (Rottig, 2016; Edman, 2016; Bhaumik, et al 2016) and have different prior experiences of internationalization (Zhou & Guillen, 2015). Furthermore MNCs are not homogeneous and therefore characterize liability of foreignness differently (Mbalyohere, et al, 2017). MNCs therefore have agency in terms of how to respond to liabilities of foreignness in the host market (Barnard, 2010; Wocke & Moodley., 2015; Rottig 2016; Mbalyohere et al, 2017). Understanding how MNCs respond to liabilities of foreignness adds to the understanding of how they are impacted by them.

1.3 Problem statement.

According to Akram, Faheem, Dost, and Abdullah, (2011), the nature of business has become international and the rate of further internationalisation is continuing unabated. Customers, suppliers, workers, products, supply chains and regulations are increasingly no longer confined to national boundaries (Moeller, Harvey, Griffith and Richey, 2013). According to Dunning (2015), multinational Corporations (MNCs) continually seek new markets into which they can leverage their existing advantages. Countries, on the other hand, are looking to attract as much foreign direct investment (FDI) as possible to maintain economic growth. This need for FDI is expressed with much more urgency in emerging markets (Meyer, 2003) as they seek to close the economic performance gaps between themselves and developed markets.

As emerging market countries are mostly in transition in terms of their economic, social or political systems, economic nationalism, corruption, crime, social instability, policy uncertainty, nationalisation and insecurity of tenure tend to be more prevalent to varying degrees (Kafouros & Aliyev, 2016). These factors together with the transition that these economies are undergoing result in institutional voids which in turn create uncertainty for businesses operating in those markets. Emerging markets are not homogenous and contain idiosyncrasies due to different levels of institutional development and the nature of their institutions. Institutional Voids in each emerging market are therefore likely to differently impact liabilities of foreignness experienced in such markets.

The phenomena of liabilities of foreignness and of institutional voids are identified in the literature and are accepted as having an impact on the operations of MNCs and potentially imposing additional costs on the MNC (Yildiz & Fey, 2012; Mezias, 2002). It is however not explicitly established in the literature whether institutional voids, which relate to emerging markets, influence liabilities of foreignness. It is also unclear whether MNC responses to liabilities of foreignness are determined by the characterisation of the link of the liabilities of foreignness to institutional voids. The study therefore seeks to understand the effect of institutional voids on liabilities of foreignness for MNCs operating in emerging markets and how the characterisation of the liabilities of foreignness in this regard determines the response by the MNCs. Further insights, especially in emerging markets, are necessary in the face of increasing globalisation.

1.4 Benefits of the study

In addition to making a contribution to the body of knowledge on the liabilities of foreignness, especially in relation to emerging markets, this study has value to MNCs seeking to understand challenges that they face in emerging markets. It also has value to policy makers in emerging markets who are accountable for maintaining FDI flows or retaining MNC business presence within their economies by enabling them to understand how institutional conditions are perceived by investors as being responsible for the liabilities of foreignness experienced in their economies.

Emerging markets are not homogeneous and research into how liability of foreignness manifests in these markets will be enriched by studying different countries (Mezias, 2002; Mbalyohere et al, 2017). An examination of liability of foreignness focusing on South Africa was on whether it exists in the South African pharmaceutical industry (Wöcke and Moodley, 2015). The study did not find significant liability of foreignness impact for MNCs when they were contrasted with local firms. The study however found that each group tended to adopt different political strategies in dealing with regulatory uncertainty. The study was specific to the pharmaceutical industry and did not undertake a broader analysis on the nature of liability of foreignness in South Africa. It will be useful to apply institutional theory to investigate how liability of foreignness manifests in the broader South African economy.

1.4.1 Academic basis of the research.

The academic contribution of this research is to add to the body of knowledge on the liabilities of foreignness focusing on emerging markets where such liabilities occur as a result of institutional voids. The objective is to help understand how multinationals respond to reduce such liabilities of foreignness. Literature on liabilities of foreignness has focussed mainly on developed markets (Hayman, 1976; Zaheer, 1995; Ramamurti, 2002; Barnard, 2010; Denk, Kaufmann and Roesch, 2012).

What still needs to be answered is how MNCs are impacted by liabilities of foreignness, when they operate in emerging markets. Determining which liabilities of foreignness emanate from institutional voids existing in those markets remains a gap in the liabilities of foreignness literature. Establishing the influence of institutional voids on liabilities of foreignness in emerging markets also requires that we understand the responses that MNCs have adopted to minimise the type of liabilities of foreignness that they experience.

1.4.2 Implications for International Business.

Internationalisation presents two broad types of costs to the MNC. Other than once-off spatial and cross border establishment costs in the new country MNCs also incur ongoing liability of foreignness costs arising from a lack of understanding of the local economy, politics, regulations, culture and language as well as hostility to foreigners (Hymer, 1976). Luo & Mezias (2002) contend that by understanding the disadvantages faced by MNCs, we are better able to minimize the liability of foreignness and improve foreign direct investment (FDI) flows.

1.4.3 Implications for policy makers

A challenge facing many countries participating in the global economy is one of attracting FDI (Meyer, 2003). Having a high prevalence or intensity of liabilities of foreignness may be a deterrent to attracting FDI or may force MNCs to cease operations in the host countries with a high prevalence or intensity of liabilities of foreignness. MNCs are a conduit for FDI and using them as a unit of analysis is a good way of understanding elements that are relevant to FDI.

1.5 Research questions.

Based on the research problem the primary and secondary research questions have been formulated as follows.

Primary research question:

Research question 1: How do institutional voids influence liabilities of foreignness of MNCs operating in emerging markets?

Secondary questions:

Research question 2: What are the liabilities of foreignness experienced by MNCs in emerging markets?

Research question 3: How do MNCs respond to liabilities of foreignness arising from institutional voids in emerging markets?

1.6 Conclusion.

The rest of the report structured as follows, Chapter two is the Literature review. Chapter three is the Research methodology. Chapter four is the summary of the research data and chapter five is the analysis of the data. Chapter six is the conclusion and recommendations.

Chapter Two – Literature Review.

2.1 Introduction.

The aim of this chapter is to review literature related to the topic of the influence of institutional voids on the liability of foreignness for MNCs operating in emerging markets. According to Boote and Beile (2005), the purpose of reviewing literature is to identify what is known in the field being studied and what still needs to be known and thereby justify the purpose of the research. The purpose of this research is to establish how institutional voids influence the liability of foreignness of MNCs operating in emerging markets.

Therefore, this chapter deals with institutional voids in the context of institutional theory which is the theory underpinning this research. This is followed by a review of the impact of the liability of foreignness on MNCs. Thereafter the chapter explores the influence of institutional voids on liabilities of foreignness experienced by MNCs in emerging markets. This is followed by a discussion on MNC responses to liability of foreignness. Propositions are advanced based on the literature and with a view to answering the research questions. Finally, conclusions are drawn from the review of the literature and the gaps that have been identified.

2.2 Theoretical Underpinnings

The Ownership Location Internalisation (OLI) paradigm (Dunning, 2001) and the internationalisation theory (Johanson & Vahlne, 2009) informed much of the original research explaining why firms internationalised. According to the OLI paradigm (Dunning, 2001) firms seek to internationalise in order to find location advantages or to leverage ownership and internalisation advantages that they already have. The theory focussed on developed market MNCs (DMNCs) based on the perception DMNCs possessed strong ownership and internalisation advantages and were expanding to leverage on these (Dunning, 2001). Later research introduced a focus on emerging market MNCs (EMNCs) that were internationalising successfully and competing with DMNCs (Barnard, 2010; Ramamurti, 2012). It is now accepted that both DMNCs and EMNCs may possess ownership advantages or be able to acquire capabilities that they do not have (Barnard, 2010).

Institutional theory has been applied in much of the literature to understand the environment in which businesses, and other organisations have to operate (Kostova, Roth & Dacin, 2008). The theory has its roots in other disciplines (DiMaggio & Powell, 1983) but has become important to the understanding of international business following the contributions of Scott (1987) and North (1990). Scott (1987) advanced the understanding of the theory by proposing an analytical approach that is based on regulative, normative and cognitive-cultural pillars that are related but operate quite independently. North (1990) on the other hand demonstrated how institutional theory is able to explain the development economies, countries and societies. Arising from institutional theory it is accepted that the ability to conduct business effectively in any market depends on the availability and strength of institutions to support business activity.

2.2.1 Institutional theory.

Institutional Theory has been developed as a way of understanding how the state and professional bodies shape the institutional environment (Scott, 1987). The theory has undergone some variations, but in essence it is based on a view that institutions are receptables of group idealism derived from interaction and adaptation and are, for that reason, less expendable than organisations. Due to the broad ambit of the theory it is necessary, for purposes of application, to determine what version of institutional theory is being applied.

North (1990) makes a critical contribution to the current understanding of the theory by demonstrating that institutions have been the greatest influence on the development trajectory of economies. Countries that have been able to build political, social, legal and economic institutions that were also allowed to evolve have far better economic outcomes over time than those whose institutions are rudimentary and have not evolved (North, 1990). He identifies the relationship between institutional frameworks, resulting organizational structures and institutional change as having been key to many European economies advancing ahead of the other regions. Significantly, he uses the example of Spain, the initial European economic powerhouse, to explain of how the absence of evolution of institutions led her to be an economic laggard for centuries, compared to her neighbours. Of relevance to this study is his contention that the reason why institutional frameworks matter is that they significantly reduce transaction costs and have allowed for development of techniques to reduce risks (North, 1990).

It became clear that various theoretical approaches to institutional theory needed to be revisited so as to identify commonalities, contradictions and meanings. Scott (2015) reported on work that was undertaken in this regard and made a key conclusion that institutional environments are not monolithic and that various components of an institutional framework are not always aligned. The second observation was that actors in any institutional environment retain their agency and are therefore likely to react differently to similar institutional frameworks.

Scott (2008), made the proposition that “All organisations operate in both technical (market) and institutional environments, but that the extent of pressure posed by each, varied across differing types of organisations.” (p436, par 3). He proceeded to advance on the work of Di Maggio & Powell (1983) which had broken the institutional environment into three components, which are coercive, normative and mimetic. Scott (2008) in this regard restated that institutional theory has three pillars which are regulatory, normative and cognitive-cultural. The influence of these pillars vary in each case vary in terms of combinations and time. He further argued that these pillars influence each other even though they originate differently. This iteration is suited to providing a framework for analyzing international business concepts. The three pillars of institutional theory approach advanced by Scott (2008) consisting of regulative, normative and cognitive-cultural pillars is used as a basic framework for this study. For convenience the pillars are also referred to in this study as legal and regulatory, human capital and culture, respectively.

The three pillars are defined by Scott (2008) at p 428 in the following terms

- Regulatory are “rule setting, monitoring and sanctioning activities.”
- Normative are “prescriptive, evaluative and obligatory dimension into social life.”
- Cognitive-Cultural are “shared conceptions that constitute the nature of social reality, the frames through which meaning is made.”

The dominant approach previously advanced in the literature, as observed by Rottig (2016), interprets the institutional environment as one in which the firm must comply with if it wants to survive and in which there is a very nominal role for agency by the firm. This approach, implies that for an MNC to succeed in the host market it must adapt to local conditions through striving towards local isomorphism. Rottig (2016) challenged the validity of this view in light of the fact that MNCs have at their disposal an array of options to respond to institutional voids. Kostova, et al (2008), also expressed a view there was a need to challenge conventional assumptions that the MNCs only role is to fit in with the local environment and its institutions. They referred to these conventional assumptions as part of a neo-institutional approach. They contended that MNCs are a distinct group that bring a different dynamic into local institutional environments. MNCs therefore influence the development of the local institutions as a player or in some cases ceremonially conform to local practices while finding alternatives to compliance with them. Concepts of local isomorphism, fields, legitimacy and decoupling are therefore not necessarily valid in most MNC institutional contexts.

The only area in which isomorphism is necessary and can be achieved is in relation to the regulatory and legal domains. In other aspects relating to norms and culture, it is impossible to achieve isomorphism and it is also unnecessary to do so. Kostova et al, (2008) conclude that elements of neo-institutionalism and classic institutional theory remain valid but must be infused with new approaches that acknowledge that MNCs in many cases have a significant role in structuring local institutions. Rottig (2016) concedes that even though MNC operating in emerging markets are captive to the institutional idiosyncrasies of those markets they still have an array of responses that they can deploy in order to preserve their businesses. He identifies social and political adaptability, formal and informal institutional arbitrage as well as forming local partnerships among the possible responses.

Other literature approaching the subject from the perspective of institutional voids articulates a dynamic relationship between the MNC the institutional environment (Khanna & Palepu, 1997; Doh, Rodriguez, Saka-Helmhout & Makhija, 2017; Pinkham & Peng, 2017; Kafouros & Aliyev, 2016). The approach is premised on the acknowledgement that institutions are not always legitimate or complete. MNCs are therefore able to respond to such institutional voids in a variety of ways in order to minimize the impact on their operations. Rottig (2016) further suggests that institutional voids present opportunities that MNC managers can exploit.

Ongoing research into international business activity points to a requirement for a deeper understanding between firms and their institutional environments as well as an appreciation of how each influences the other (Cantwell, Dunning & Lundan, 2010). The authors demonstrated that the nature of MNC practices are influenced by their institutional environments and, equally, institutional environments keep changing shape partly due to the influence on MNCs.

Institutional theory as it evolves provides a methodical framework for analyzing the interaction between the MNCs, Liabilities of foreignness and institutional arrangements in the host countries in which they operate. In applying institutional theory one must therefore be cognizant of additional concepts that become relevant as the theory itself evolves, context of each institutional environment and how the MNC responds to it. The MNC response is likely to be influenced by whether the MNC believes it has agency or not, in which case it might participate in structuring. If it believes that it has no agency it may ceremonially subject to local institutional dictates but then pursue mitigating strategies if it experiences LoF.

2.3 Emerging Markets.

A broad approach that is adopted for this study is that emerging markets are those countries that have functioning economies but are not yet regarded by the IMF as advanced economies (International Monetary Fund: World Economic Outlook, 2018).

Rottig (2016)suggests that, unlike developed markets, emerging markets lack established institutions able to provide adequate information to consumers and labour-market employers; have misguided regulations that place politics above economic efficiency; have judicial systems that do not consistently and effectively enforce contracts; and lack intermediary institutions to facilitate economic activity. As Chipp, Wocke, Standberg and Chiba (2019) point out, emerging markets are not homogeneous. Therefore no single institutional void, as identified by Rottig (2016), can be said to apply to all emerging markets. Context is therefore important.

2.4 Institutional Voids.

Khanna and Palepu (1997) first characterised an environment of weak or non-existent institutions to support business as institutional voids. According to Khanna and Palepu (1997), institutional voids affect all businesses operating in emerging markets. In fact Rottig (2016) identifies institutional voids as one of the characteristics of emerging markets. It is, however, worth noting that because emerging markets are not homogeneous they exhibit institutional voids that differ in depth, type and degree as Chipp, et al (2019) point out. As Yildiz & Fey (2012) argue, there is a need conduct research into liabilities of foreignness in emerging markets because of the institutional voids in these economies result in varying degrees to which MNCs should seek legitimacy.

In their theoretical argument, Yildiz & Fey (2012), indicate that emerging markets are a suitable place for research to gain a deeper understanding of liabilities of foreignness. They however did not indicate whether institutional voids prevailing in those markets influence the nature of liabilities of foreignnesss that are experienced. Yildiz & Fey (2012) further note that foreignness does not necessarily result in a liability for MNCs even in the presence of institutional voids and may be an advantage in some cases. They do, however, provide the strongest suggestion in the literature of a link institutional voids and liability of foreignness and propose a contingency theory arguing that MNC subsidiaries have varying degrees for the need to conform within the host environment and will therefore respond depending on the level of their need.

Khanna & Palepu (1997) had characterized the concept of institutional voids by identifying that emerging markets differ from developed markets in that they suffered from a weakness or absence of institutions to support the conduct of business operations. Pamagrian & Rivera-Santos (2015), using a supply chain approach, refined the concept further by distinguishing product markets, labour markets, capital markets, regulations and contracting as types of institutional voids that are prevalent in emerging markets. Mankandan & Ramachandran on the other hand defined institutional voids as resulting from absence of reliable market information. The availability of credible information from formal institutions makes it easier for business to be conducted in developed markets whereas the absence of such formal institutions or intermediaries in emerging markets forces MNCs to rely on relationships and informal institutions (Khanna & Palepu, 1997).

The absence of strong institutions, on its own, is not necessarily a problem for businesses and only becomes a problem depending on the size of the investment or the extent to which the business activity is localized (Pamagrian & Rivera-Santos, 2015). In conducting business MNCs look beyond the apparent institutional voids and innovatively design their activities in a manner that fills the voids existing in the host market (Manikandan & Ramchandaran, 2015). For instance, they work with affiliates who are in a more privileged position when the voids relate to access to resources or rely on job rotation among affiliate firms if the voids relate to people and skills (Manikandan and Ramachandrian, 2015).

Doh, et al (2017), commenting on the current state of institutional voids research, indicated that new forms of institutional voids are coming to the fore as well as MNC responses to them. Pamagrian and Rivera-Santos (2015) provide a more detailed description of the types of institutional voids by breaking them down into two main categories. The first type are dyadic voids, relating to product markets and contracting and affect relationships between buyers and sellers. The second type is voids which include labour markets, capital markets and regulations and affect the whole network. The categorization is significant as it informs how MNCs characterizes the institutional voids and how they are likely to respond to them.

Luiz & Stewart (2014) focus on institutional voids in the African markets and argue that MNCs operating in these markets are not neutral “institution takers” but also play a role in terms of how institutions in those markets are shaped. This process of institutionalization includes the institutionalization of corruption. International Business literature does not provide much light on how MNCs get involved in corruption and how they use third party agents in this regard (Luiz & Ruplal, 2014).

Roxas, et al (2012) conducted a study on the effects of the rule of law on business performance in South Africa and concluded that institutional improvements are required in dealing with crime and theft, corruption and implementation of tax enforcement. The study however found that the court system and political stability did not present businesses with any concern. Broadly speaking, in terms of the study, the regulatory voids that were identified could be mitigated through improved enforcement by the authorities.

It accepted in the literature that institutional voids are a feature of emerging market economies due to the fact that institutions in these markets are in a state of transition. Rottig (2016) describes the existence of institutional voids as one of the features distinguishing emerging markets from developed markets. Institutional theory has been a good lens to classify the types of institutional voids and how they are characterized by MNCs in the process of determining how fill the voids or respond to them. Institutional voids do not lead to liability of foreignness for MNCs in all instances and also impact MNCs to varying degrees depending on the markets (Chipp et al, 2019).

2.5 Liability of foreignness impact on MNCs.

Since the initial identification of internationalization hazards by Hymer (1976), the literature continues to identify new liabilities of foreignness and refine those that are already identified (Yildiz & Fey, 2012).

The concept of liability of foreignness has evolved from simply being about the costs that MNCs incur when starting operations in other countries. Its origins are in internationalization theory (Hymer, 1976) and stated that MNCs incur costs which local firms are not exposed to. In addition to the obvious costs of establishing operations and of travel, occasioned by spatial distance, scholars identified lack of understanding local language, culture and regulatory requirements as sources of additional costs. Acheampong & Dana (2017) identified deep seated political and social resentment for foreign businesses as another form of liability of foreignness. The concept has been greatly enhanced through further refinement and categorization of liabilities of foreignness (Zaheer, 1995; Mezias, 2002). Mezias (2002), indicated that liability of foreignness must not only be seen in the context of the cost incurred by the MNC but should also as the costs that local firms are exempt from. Recent research is pointing to a much more complex and dynamic content of liability of foreignness that is driven by globalization and changing political dynamics, particularly in emerging markets.

In their seminal article Johanson & Vahlne (2009) distinguished LoF from liability of outsidership. LoF refers to costs incurred due to psychic distance while Liability of outsidership refers to costs incurred due weak relationships and not being part of local networks. The latter phenomenon views networks and relationship as having a bigger impact of the prospects of a business surviving in a new market than an understanding of the laws, regulations and language. This approach is an advance on existing theories of internationalisation and results from observations that the practice of internationalisation by firms is changing rapidly. Significantly, the authors suggest further research is required to reconcile static approaches to internationalisation (Hymer, 1976; Zaheer, 1995) and the more dynamic learning approaches (Hsu & Perreira, 2008) without necessarily integrating them. Fiedler, et al (2017) cautioned that in attempting to overcome outsidership in an environment of institutional voids outside firms must avoid taking quick routes based purely on relying on building affective relationships. They recommend long term learning and experimenting as a more sustainable route achieve the objective. Yildiz & Fey (2012) on the other hand challenged the then prevailing view that isomorphism is necessary to overcome liabilities of foreignness and they identified different factors that militate against the MNC having to adopt local isomorphism as a strategy for survival. In their model they include the host country's need for FDI, stereotypes about the quality of foreign goods and diversity within the host country culture as militating factors. It is therefore useful to understand whether the liability which the MNC is facing is one of foreignness or of outsidership and whether it matters in the particular context to overcome liability of foreignness.

Internationalization by Emerging Market MNCs (EMNCs) has created a need to understand how their experience of liabilities of foreignness in emerging markets differ from those of DMNCs. Early analysis of liability of foreignness was grounded on the OLI paradigm and resource-seeking theories. It focused on the relationship between the MNC and the host country environment. Later refinements introduced the impact of the MNC's country of origin (COO) as a factor in understanding liabilities of foreignness (Moeller et al, 2013). Edman (2016) introduced the firm's individual identity as a further dimension and he also redefined foreignness as being more nuanced than pure geography. These studies have strengthened the notion that the MNC itself is a key component of understanding liability of foreignness and not just a passive participant without agency.

How liabilities of foreignness impact on an individual firm is a function of multiple factors. The impact is determined primarily by the nature of the liability of foreignness hazard. Where the cause of the liability of foreignness is spatial distance (Zaheer, 2005), it can be exacerbated or be moderated by home country or home base (Zhou and Guillen, 2015). Liabilities of foreignness can be tangible or intangible (Moeller et al, 2013). MNCs internationalizing from home base are more likely to be adaptive when moving to an additional host country as compared to those that have only operated from their home country. Whether the home country is a developed market or an emerging market bears influence (Barnard, 2010; Ramamurti, 2012). The literature suggests that EMNCs adapt better to other emerging markets than their developed market counterparts because of the specific competencies that they may have developed through operating in their home markets (Ramamurti, 2012; Bhaumik, 2017). Research also points to the firm's own internal capability and identity as a factor (Moeller et.al, 2013; Edman, 2016; Bhaumik, 2017). It can be concluded that the impact of liability of foreignness in each country may differ from firm to firm or may vary in extent.

Table 2.1 is a literature summary of causes of liabilities of foreignness have been identified using the different pillars of institutional theory. The table illustrates that liabilities of foreignness can be materialize due to any of the pillars of the institutional framework. For the purposes of the study it will be relevant to explore all the three pillars.

TABLE 1: AN INSTITUTIONAL THEORY FRAMEWORK LITERATURE ANALYSIS OF LOF

Author	Regulatory (Laws and Regulations)	Cognitive (Human Capital)	Normative (Culture)	Causes of LoF
Barnard, H. (2010).	No barriers in host country.	Purchase skills and knowledge.	Accessible in host country	Access to local knowledge.
Bhaumik, S.K., Drieffield, N., & Zhou,Y. (2016).	No barriers in host country.	Use home country advantages.	Not a barrier.	Technology.
Denk, N., Kaufmann, L., & Roesch, J-F. (2012).	Low impact.	Lack of international experience.	Low social and cultural embeddedness.	People and culture.
Edman, J. (2016).	Low impact.	Language, managerial culture, practices and formal systems.	Foreign assumptions, mindsets and interpretive frames.	Role of organizational identity and managerial action.
Hymer, S.H. (1976).	Restrictive and hostile laws. Low	Language differences and discrimination	No cultural fit and discrimination of outsiders.	Laws, economy, language,

	political and economic fit.			suppliers and customers.
Kuznetsov, A., & Kuznetsova, O. (2014).	High impact. Economy and society in transition.	Language differences have an impact on sensemaking and building professional networks.	Severe differences in culture and sensemaking	Lack of language equivalence and incompatible idiomatic frameworks.
Mbalyohere, C., Lawton,T., Boojihawon, R.,& Viney, H. (2017).a	High impact. Regulatory and political framework in transition.	MNCs have superior skills advantages.	Not a barrier.	Regulatory voids.
Mezias, J.M. (2002).	Low impact.	Subsidiary staffing policies and the use of expatriates.	Extent of visibility and its relationship with the level of compliance with local norms.	The subsidiary may not always be at fault for the extent of LOF so the role of parent company is important.
Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013).	Differences in home and host country institutional frameworks.	Relationships between leadership and employees from home country with those in host country.	Cultural distance between home and host country.	Perception of MNC's home country.
Ramamurti, R. (2012).	EMMNCs better able to adapt in fluid regulatory environments.	Readiness to integrate local workforce.	Highly culturally adaptable.	Differently defined ownership advantages.

Wocke, A., & Moodley, T. (2015).	MNC's and local companies are faced with the same regulatory voids but MNCs have more focused Corporate Political Strategies.	MNCs have greater skills and have operated longer in host country than local companies.	Not a barrier.	Regulatory voids.
Zaheer, S. (1995).	Low impact.	When there is no differentiation between products and brands the performance of foreign employees exhibited LOF.	Practice based devolution of value adding activities to local subsidiaries.	Challenge of choosing between administrative heritage and local isomorphism.
Zhou, N., & Guillen, M.F. (2015).	Ability to operate in different regulatory environments is improved by having diverse previous international exposure.	Internationalization tends to lead to more flexible adaptation of HRM practices.	The more experienced the MNC is with internationalizatio n the better it adapts to new cultures.	Lack of Previous international experience by the MNC.

The above two propositions will help us answer the first two research questions which are firstly how do institutional voids influence liability of foreignness for MNCs in emerging markets and secondly what are the institutional voids that result in liabilities of foreignness experienced by MNCs in emerging markets. Answering these questions is important for understanding liability of foreignness within an Institutional theory framework. It will contribute to our understanding of the interrelationship of the MNC and the institutional arrangements in the host country (Cantwell, Dunning & Lundan, 2010).

Studies on liabilities of foreignness identify generic impacts that apply broadly to MNCs as well as specific factors applicable to individual firms. Peculiarities due to political and socio-economic transitions in emerging markets offer a rich canvas for the advancement of theory (Kuznetsov, 2014; Mbalyohere, 2017). Applying the most commonly accepted institutional theory framework (Scott, 2008), the study is designed to answer the research questions based on how the MNCs experiences regulatory, cognitive and normative liabilities of foreignness. The liabilities of foreignness identified in the literature are explored with individual MNCs and are incorporated in the research design.

2.6 Institutional Voids and Liability of Foreignness.

The summary in Table 2.1 shows some of the causes of liability of foreignness that have been identified in the literature using an institutional theory framework. Following upon the view that that institutional voids are predominantly an emerging market phenomenon (Khanna & Palepu 1997), we attempt to isolate liabilities of foreignness that have been identified in the context of emerging markets in the list. These relate to nationalistic and social factors (Acheampong & Dana, 2017), lack of technology by EMNCs (Bhaumik, et al, 2016), lack of host country institutional knowledge (Denk, et al, 2012), communication and sensemaking (Kuznetsov & Kuznetova, 2014), immature regulation (Mbalyohere, et al, 2017), political hostility (Wocke and Moodley, 2015), institutional legitimacy (Yildiz & Fey, 2012). It appears that some of these concepts in liabilities of foreignness in emerging markets are also relevant to the analysis of institutional voids discussed earlier. Conclusions can be drawn that institutional voids exist within emerging market operating environments and that some liabilities of foreignness are experienced by MNCs in the same environments. It is also established that a high prevalence of institutional voids is an impediment to economic development (Khanna & Palepu, 1997). The missing link is how, in a market, liabilities of foreignness are influenced by institutional voids.

It is apparent from the literature that some of the liabilities of foreignness relevant to emerging markets that have been identified warrant further investigation into their content. For the purpose of this research, I focus on how institutional voids influence the liabilities of foreignness that have been identified. The following proposition relating to the first research questions is therefore put forward.

Proposition 1: A high prevalence of institutional voids increases liabilities of foreignness experienced by MNCs in emerging markets.

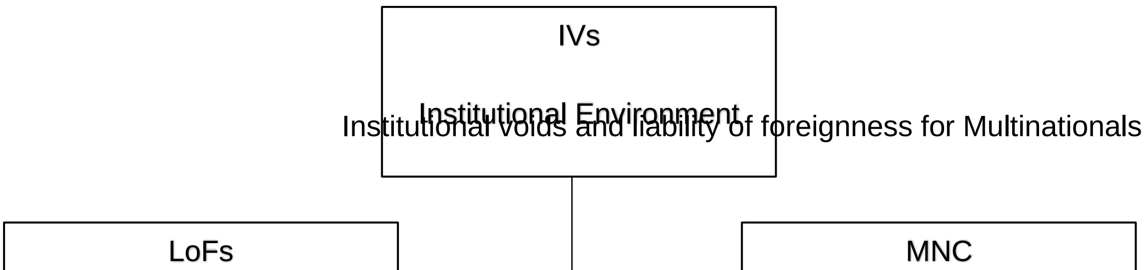
The second aspect that was explored relates to the impacts of liability of foreignness on MNCs resulting from institutional voids. The literature suggests that certain factors, exogenous to the MNC, may moderate or exacerbate the manner in which the MNC is impacted by liability of foreignness. Home country, home base (Moeller, et al 2013) cultural distance Johanson & Vahlne, 2009) language (Kuznetsov & Kuznetsova, 2014), prior internationalization (Zhou & Guillen, 2015) , length of time operating in the host economy (Wocke and Moodley, 2015) as well as experience of operating in emerging markets (Ramamurti, 2012) are identified as potentially having a moderation or exacerbation impact. The conclusion drawn from the literature therefore is the impact of liability of foreignness on MNCs might differ.

Stahl, et al (2016) challenge the prevailing thinking in International Business that foreignness is automatically a burden for MNCs. They argue that the view of foreignness as a liability is merely a part of the story and not the entire story. More research is required to understand the positive side of International Business. Edman (2016) also posits that markets are dynamic and foreignness may provide positive and negative outcomes at different times and under different circumstances. He argues that the MNCs must have a dynamic strategy that continuously analyses when to minimize or accentuate strategy. In the light of these views it is useful for MNCs to understand how they are impacted by liability of foreignness and building on the first research question determine this on the basis of liabilities of foreignness that arise from institutional voids. .

A second proposition related to the second research question is put forward.

Proposition 2: MNCs are impacted negatively by liabilities of foreignness that arise due to institutional voids in emerging markets.

Liabilities of foreignness incurred by MNCs that occur as a result of prevalence of institutional voids may require MNCs to respond differently to how they respond to liabilities of foreignness influenced by other factors. The conceptual model of the relationship between the two concepts and the MNC is presented in figure1. In terms of the conceptual model liability of foreignness impacts on the MNC while institutional voids influence the nature and character of the impact. The model relates to our first proposition.



2.7 MNC responses to Liabilities of Foreignness.

The literature shows that MNCs are confronted with liabilities of foreignness in different forms and to varying degrees. To survive and be profitable, MNCs adopt strategies and actions that are appropriate to mitigate the nature of the hazards they face. Two broad categories of responses were initially identified. The first category, linked to the OLI paradigm, is for the MNCs to rely on their ownership and internalization advantages, including the MNCs culture, to gain an upper hand over local competitors as well as over other MNCs active in the host country (Bhaumik, et al, 2016; Moeller, et al, 2013; Ramamurti, 2012). The second category requires adaptation to the local environment (Barnard, 2010; Wöcke and Moodley, 2015). Closely related to the latter is corporate political action (Wöcke and Moodley, 2015; Mbalyohere, 2017) by which the MNC participates in structuring the local institutional environment to be more favourable. Crilly, Ni & Jiang (2015) identified Corporate Social Responsibility (CSR) as another strategy to increase legitimacy and achieve local acceptance.

Yildiz & Fey (2012), applying an institutional theory lens, argued that transforming economies are by their nature moving from existing institutions and are replacing them with new ones. The transformation process results in institutional voids and the existence of a multiplicity of norms. Isomorphism as a strategy to overcome liability of foreignness in this context is not effective in helping the MNC to gain legitimacy. They suggested that in such a fluid institutional environment a reduction in reliance on local suppliers, emphasis on consumer amity as well as taking advantage of variations cultural dimensions and government eagerness to attract FDI as bases for alternative liability of foreignness mitigation strategies.

Johanson & Vahlne (2009) previously made an important point that in seeking to respond, businesses must distinguish whether they are experiencing liability of foreignness or Liability of outsidership. The former may require a better understanding of laws, regulations, language and business practices whereas the latter requires that the business look to understand and improve its networks and relationships within the host environment. Friedler, et al, (2016) caution that in overcoming liability of outsidership in an environment of institutional voids MNC must not rely entirely on building individual trust relationships but that they are better off focusing on learning and experimentation which have a more reliable longer term impact. Outsidership as an additional marker of liability of foreignness, in addition to geographic and psychic foreignness will requires that MNCs look at additional options in evaluating the nature of the liabilities of foreignness that it is experiencing.

The strategic choices that MNCs adopt depend on their analysis of the liability of foreignness hazards and their experience of the impact. There may be instances where foreignness is regarded by the MNC as an advantage, in which case the firm's actions may result in a selective accentuation and minimization of components of its foreignness (Moeller, 2013; Edman 2016). Fig 2.2 summarizes the responses to liability of foreignness that are identified in the literature and draws indications of the gaps that are identifiable from the discussion of the different responses that have been adopted.

TABLE 2: LITERATURE ANALYSIS OF THE IMPACT OF LOF AND MNC RESPONSES

Author	Liability of Foreignness	Context	Impact of LOF	Response	Gap
Acheampong, G. & Dana, L-P (2017).	Nationalistic and social factors.	Emerging Markets.	Higher exposure to crime.	Increased expenditure on security.	Alternative strategies for reducing LOF.
Barnard, H. (2010).	Lack of ownership advantages	Developed Markets	Inability of EMMNCs to achieve their knowledge seeking objective.	Bought skills that they lack in the host market	Possibility of the host market not having the requisite skills.
Bhaumik, S.K., Drieffield, N., & Zhou,Y. (2016).	Lack of technology advantages by EMMNCs	Emerging Markets	Products cannot command a premium price and are therefore forced to compete in low price segments.	Chinese electronic firms used their huge home market manufacturing base to create manufacturing cost advantages.	Differences between firms with the same home country advantages.
Crilly, D., Ni, N. & Jiang, Y (2015).	Negative attribution by host country stakeholders.	Developed Markets.	Investment in CSR not resulting in a positive disposition towards the MNC.	Bias to do-good CSR as opposed to do-no-harm CSR to attract positive attribution.	Focused on perceptions of secondary stakeholders.

Denk, N., Kaufmann, L., & Roesch, J-F. (2012).	Costs related to lack of embeddedness, low International experience and lack of host country institutional knowledge.	Emerging Markets/ Developed Markets	Business failure or reputational damage	Diversify research to use other theories, such as organizational learning theory to enable MNCs to develop more appropriate responses to LOF.	Biased towards Developed Markets
Edman, J. (2016).	Stigmatization.	Developed Markets	Higher transaction costs.	Have a dynamic strategy to determine when to accentuate or minimize the identity of foreignness.	Explanation of when to accentuate or minimize foreignness.
Hymer, S.H. (1976).	Disadvantages relating to language, law and politics as compared to local firms.	Developed Markets	Additional costs arising from dealing with discrimination.	Accept inevitability Internationalization costs and factor into strategies.	Proposition is too broad.
Johanson, J. & Vahlne, J-E. (2009).	Disadvantages due to not being part of local networks and relationships.	Developed Markets.	Failure of the internationalization effort.	Build local relationships and be part of local networks.	Theory has tended to focus on manufacturing companies.
Kuznetsov, A., & Kuznetsova, O. (2014).	Gaps in communication due to language and lack of sensemaking.	Emerging Markets	Inability to build professional discourse with local management and entrenchment of differences.	Invest more resources into bridging how local managers understand global concepts.	Does not deal with MNC responses.
Mbalyohere, C., Lawton,T., Boojihawon, R.,& Viney, H. (2017).	Institutional void due to immature regulation.	Emerging Markets	Inability to conduct business due to unclear regulations.	Adopt corporate political action strategies and be part of the transition process.	Focused on a changing regulatory environment.

Mezias, J.M. (2002).	Subsidiary business objectives may conflict with parent firm strategies.	Emerging Markets/ Developed Markets.	MNCs struggle to understand how to operate weak methodological approach in analyzing LOF.	First determine the specific LOF and only then determine an appropriate strategic response.	Does not give attention to the intra firm analysis.
Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013).	Hostility by host market customers, vendors and distributors.	Developed Markets	Higher transaction costs.	Understand tangible and intangible LOFs and strategically determine when to accentuate or minimize them.	Focused on developed markets.
Ramamurti, R. (2012).	Competitive disadvantage.	Developed Markets	EMMNCs unable to compete in EMs due to lack of Ownership advantages	Deploy different set of ownership advantages to those of DMMNCs.	Articulation of EMMNC ownership advantages.
Wöcke, A., & Moodley, T. (2015).	Political hostility.	Emerging Markets	Higher costs of implementing a corporate political strategy.	Implement adoption or adaption strategies	Focused on a single element of the institutional environment.
Yildiz, H.E. & Fey, C.F. (2012).	Institutional legitimacy.	Emerging Markets	Social costs arising from lack of legitimacy thus reducing the chances of survival.	Apply strategies and practices that minimize or eliminate the need for isomorphism.	Study is purely theoretical.
Zaheer, S. (1995).	Spatial distance, unfamiliarity with host environment, lack of legitimacy and home country impacts.	Developed Markets	Competitive disadvantage.	Choose when to compete on parent company strengths or adopt isomorphism.	When to rely on parent company strengths or on isomorphism.
Zhou, N., & Guillen, M.F. (2015).	Dynamic distance	Developed Markets	Home country LOF impacts are more severe than home base impacts.	Adopt a gradual approach to internationalization	Narrowly focused on Chinese firms.

				to increase home base legitimacy.	

The ability of MNCs to make the correct strategic choices in responding to liabilities of foreignness is constrained by the institutional environment within which they operate. Institutional voids are not static (Yildiz & Fey, 2012) and present an additional challenge for MNCs seeking to develop strategies to respond to liabilities of foreignness. To understand the responses adopted by MNCs and answer the third research question a third proposition is therefore put forward.

Proposition 3: MNCs respond to liabilities of foreignness within an institutional environment based on their characterization of the impact of the liability of foreignness.

This proposition helps us answer the third research question of how MNCs respond to liabilities of foreignness arising from institutional voids in emerging markets. Are the responses based on the assessment of the liability of foreignness as experienced by the MNC based on impact on their operations. The literature postulates various ways in which MNCs respond and the study seeks a deeper understanding of which options MNCs have chosen and the reasons therefor.

2.8 Conclusion.

In the process of internationalization MNCs face liability of foreignness in new markets. Research into liability of foreignness has revealed that liability of foreignness manifests in an extensive variety of ways influenced simultaneously by the nature of the MNC and the environment in which it operates. As the global business environment becomes more integrated the manner in which the concept of foreignness is viewed has changed in character. Geographic and psychic distance were the original markers of foreignness. Recent scholarship has identified outsidership, which focusses on relationships and networks within markets, as an additional factor. In their analysis of liability of foreignness MNCs have to determine whether they are dealing with foreignness, outsidership or a combination of both before determining the appropriate strategic responses.

Institutional theory offers a suitable framework for analyzing how emerging markets differ from developed markets in the manner in which liability of foreignness manifests. From the literature it is apparent that the existence institutional voids is a major differentiator between developed and emerging markets. This view from the literature and the first research question lead to a proposition that a high prevalence of institutional voids increases liabilities of foreignness experienced by MNCs in emerging markets. .

The manner in which MNCs are impacted by liability of foreignness is a result of factors exogenous to the MNC such as its home country, its home base and the environment in the host country and endogenous factors such as its management structures, culture and brands. These factors have been extensively explored in the context of developed markets but less so with regard to emerging markets. To answer the second research question about how these liabilities of foreignness impact MNCs a second proposition is advanced that MNCs are impacted negatively by liabilities of foreignness that arise due to institutional voids in emerging markets.

The literature deals extensively with the manner in which MNCs respond to liabilities of foreignness and to operating in environments with institutional voids. The third research question which follows from the second proposition is how MNCs respond to liabilities of foreignness in markets characterized by institutional voids. Research is providing an ongoing expansion in the identification of, and complexity of additional liabilities of foreignness. Growing research based on emerging markets and their institutions point to a conclusion that it is no longer sufficient for MNCs to respond to liabilities of foreignness without fully understanding the institutional context and thus tailoring their responses accordingly. A third proposition is therefore advanced that MNCs respond to liabilities of foreignness within an institutional environment based on their characterization of impact of the liability of foreignness.

Chapter Three - Research design and methodology.

3.1 Introduction.

The purpose of this chapter is to outline the research design and methodology adopted for this research. The research design and the methodology were aimed at answering the research question and were guided by the purpose of the research which was to gain insights into how MNCs are impacted by liabilities of foreignness in an environment of institutional voids and how MNCs respond to impacts that they have identified. Saunders, Lewis and Thornhill (2016) define research design as the general plan which you will be applying to answer the research question. Methodology on the other hand is how you will be collecting and analyzing the relevant data. This sequence of design and methodological choices explained in this chapter followed the research onion, (Saunders, et al, 2016) starting from the outer layers working inwards. While the research onion provides a useful sequence, it is incumbent upon the researcher to explain the choices made regarding each step and demonstrate the coherence of the entire research process.

3.2 Philosophy.

Research philosophy consists of beliefs and assumptions adopted by the researcher in the pursuit of knowledge (Saunders, et al, 2016). An interpretivist philosophy was adopted to underline this study based on the view that meaning, in relation to the subject matter, will be derived from interaction with human subjects.

Liability of foreignness by its nature is likely to be experienced differently by individual firms. How it is experienced may be impacted by the institutional, political, social or economic dynamics of the host country and the nature of the industry in which it operates. Due to the level of development of the institutional environment emerging markets are likely to exhibit institutional voids. The relationship between host country and the firm's home country or home base as well as the firm's own capabilities and structure will determine how it responds to liabilities of foreignness facing it. Recent studies have also highlighted the dynamic nature of liability of foreignness based on how long the firm has operated in the host country and the impact of its mitigation strategies. Representatives of MNCs are deemed as best placed to articulate the meanings on behalf of the firms.

To build an understanding of the impact of these phenomena the researcher must extract experiences of different MNCs that are impacted and give them meaning. "The purpose of interpretivist research is to create new, richer understandings and interpretation of social worlds and contexts" (Saunders, et al, 2016. p 140).

3.3 Methodological choices.

The research design adopted for this research is qualitative to enable the researcher to obtain and make sense of the subjective views of the research subjects (Saunders, et al, 2016). The qualitative nature of this study does not require a determination of the number of MNCs operating in South Africa but rather a deep insight of how they are affected by the relevant phenomena. Research choices are guided by ontological and epistemological stances of the researcher in terms of his view of the nature of reality and of what is acceptable knowledge (Johnson, 2014). Ontology refers to assumptions about the nature of reality (Saunders, et al, 2016) and in the current study an assumption was made that liabilities of foreignness are influenced by institutional voids and that MNCs have to respond in order to mitigate possible negative impacts. This ontological stance guided the development of the research questions and related propositions. Epistemology on the other hand refers to assumptions about knowledge. (Saunders, et al, 2016). The representatives of MNCs were assumed to be best placed to provide information and insight about how the liability of foreignness impacts on the MNCs operating in emerging markets. The research is therefore designed to obtain data from the representatives of MNCs

The semi structured interview approach was selected as the single data collection method. The selection of a qualitative approach and the epistemological stance that has been adopted dictate that the nature of the information required for this research could best be obtained directly from the human subjects (Antwi & Hamza, 2015). This enabled the achievement of the research purpose which was to understand the nature of the LoF experienced by MNCs operating in South Africa. The research was informed by the insights obtained from the interviewees.

3.4 Purpose of research design.

The purpose of the research design was to be explorative. Sunders, et al (2016) indicate that explorative research is useful if the intention is to clarify understanding of an issue, problem or phenomenon. The aim of the study was to explore firstly the views whether MNCs believe that there are institutional voids in the South African market, secondly whether the institutional voids had a bearing on the liabilities of foreignness they experienced and thirdly how they respond to the liabilities of foreignness.

3.5 Strategy.

The study aimed to gain information from the interviewees related to the purpose of the study in a reasonably sequenced fashion. The strategy that is best suited for this approach is narrative inquiry in which the interviewee is the narrator, sharing the information is a sequenced way that has significance to the narrator and meaning to the researcher (Saunders, et al, 2016). Narrative inquiry is normally used with small, purposive samples (Saunders, et al, 2016) and has the potential to generate a large amount of data in the form of interview transcripts which may, in cases, not be structurally coherent.

Information was obtained from representatives of purposively selected MNCs. Questions were put to them using an interview schedule to guide the sequence but with enough flexibility for them to narrate their stories in a manner that they deemed significant. Follow up questions were used to keep the information as meaningful as possible in order to make sense to the researcher. The narrative Inquiry approach in interpretive qualitative research allows the researcher to analyse linkages, relationships and meanings in a manner that is coherent with the purpose of the research. In the analysis of the transcripts the researcher had step in to rearrange some of the meanings to achieve a level of theoretical coherence.

3.6 Time horizon.

A cross-sectional approach was adopted as the intention was to establish the observations and experiences of the subjects in relation to liability of foreignness at the time of the interview. The interviews took place during a period of three months.

3.7 Techniques and procedures.

The research was undertaken through semi structured, face to face interviews where I was guided by an interview schedule based on the themes that I wanted to explore.   The interviews were audio recorded with the permission of the interviewees. The interview schedule was structured to test the propositions developed through of the literature review and stated in Chapter 2. Saunders, et.al (2016) suggest that it is permissible in semi-structured interviews to vary the order of questions depending on the flow of the interview. The interviews therefore endeavoured to cover all the aspects in the interview schedule but flexibility was allowed in their sequence to enable maximum input from the interviewees.

3.8 Population.

The population for this research is subsidiaries of MNCs operating in South Africa. MNCs in South Africa originate from emerging and from developed markets and are operating in a wide variety of industries. Any MNC with operations in South Africa formed part of the population, notwithstanding its country of origin or whether it originates from an emerging or developed market.

3.9 Unit of analysis.

Unit of analysis is the MNC subsidiary responsible for operations in South Africa. The research was aimed at understanding how the relevant phenomena impact MNCs. Exploring the experience of the MNC for this research is consistent with the epistemological choice that places the MNC at the centre of the reality of the knowledge being developed.

3.10 Sampling method and size.

Sampling method used is purposive. Purposive sampling is deemed useful when seeking cases that are particularly useful to gain insight into the research question (Saunders, et.al 2016). A heterogeneous variation approach was adopted to ensure that that I obtain data from a sufficiently diverse group within the sample. Based on the research questions and the literature review it is desirable to have variations based on countries of origin as well as developed and emerging markets. The intention was to have EMNCS and DMNCs with not more than two from a single country. The criteria that was used to select the MNC was firstly that it has a significance within its industry, secondly that it has operations in South Africa and thirdly that the head of the South African subsidiary was based in South Africa. Preference was also made that the head of the business be the interview representative failing which a member of the executive team would be interviewed this was primarily due to a practical consideration that the head may not always be easily available.

A sample size of 12 to 15 interviews was targeted, based on literature relating to sampling in qualitative research, and deemed adequate to achieve an acceptable level of data saturation. Sim, et al (2018) argue that determining data saturation upfront in qualitative research is unhelpful and analogous to the real purpose of the research which is to uncover meanings and insight. They do however recognise that for the purpose of funders and ethics committees a priori indications of sample size are usually indicated. The number of interviews targeted in this research is based on a number conventionally mentioned as adequate for similar type of research. Data saturation for the research was however reached after 10 interviews. Saunders, et al. (2018) express a view that there a number of ways how saturation is approached in the literature. It can be that now new codes or themes are emerging in the process of coding the data or it could be that the complete range of constructs that constitute the theory are covered in the data. A final description of saturation relates to information redundancy in terms of which the researcher keeps hearing the same information over and over again. Marshall, et al (2013) caution about the tendency of qualitative researchers to justify their sample sizes by merely stating that they had reached saturation without justifying this averment. In their view the ambiguity about how sample size is determined in each research study impacts the credibility of qualitative research and its attractiveness to some researchers. For the purpose of the current research progressive coding was applied after the transcription of each interview. Using Atlas.ti, codes were created out of the data and when additional interviews were no longer yielding new codes a decision was made that saturation has been reached. The process is dealt with in detail in the next chapter.

The key point, however, is that once saturation is reached the researcher stops collecting additional data and starts analysing. The research itself is the guide of which definition of redundancy should be applicable to their own research. In the case of this current research the aim was to get insight into the specific phenomena and it was therefore deemed that saturation will be when no additional codes are emerging. Codes that were identified were deemed to be representative of the insights offered by the interviewees.

The table 3.1 below is arranged in terms of the sequence with which the interviews took place. The number of new codes was diminished with subsequent interviews indicating that the insights were approaching a point of saturation. Interview 8 bucked the trend and was inconsistent in terms of the new codes that were added. The interview also turned to be different to the others due to the time that the interview took. Whereas the other interviews averaged forty five minutes this one took an hour and twenty minutes. The possible explanation from the researcher observation is firstly that the MNC has Zimbabwe as its country of origin which is a close neighbour of South Africa. Secondly at the time of the interview violence had erupted in South Africa during which a number of Zimbabwean citizens had been attacked by locals in what was broadly labelled as xenophobic attacks. The researcher observed that the MNC Representative felt quite strongly about the matter and that led to him identifying additional issues relating to culture and human resources as they relate to South Africa's institutional environment that he would probably not have identified under different circumstances. It was however felt that the issues were relevant and enriched the research and were therefore coded accordingly.

TABLE 3: CHRONOLOGICAL SUMMARY OF THE CODING OF INTERVIEW DATA

Interview	Date	Total codes	Duration (Minutes)	New codes
Interview 1	01 - 08 - 2019	30	50.25	30
Interview 2	05 - 08 – 2019	43	37.16	13
Interview 3	12 - 08 – 2019	61	36.02	18
Interview 4	17 - 08 – 2019	76	37.19	15
Interview 5	20 - 08 - 2019	84	36.43	8
Interview 6	29 - 08 – 2019	88	46.30	4

Interview 7	30 - 08 – 2019	98	33.05	5
Interview 8	26 - 09 – 2019	103	80.50	10
Interview 9	09 - 10 – 2019	105	35.20	2
Interview 10	14 - 10 – 2019	105	31.16	0

Using a heterogeneous purposive sampling approach reduces the perceived weakness that purposive samples have a low likelihood of being representative. It is accepted that purposive sampling is not representative of the target population. Extreme care is required from the researcher on how the sample is selected otherwise the results may lack credibility (Saunders, et al, 2016). The selection criteria stated above enhanced to the richness of the data.

To achieve enhanced heterogeneity, the interview subjects were selected on the following criteria. Firstly, on emerging and developed market origins of the MNC, secondly on the variety of countries of origin and thirdly the nature of their business activity in order to have a wide variety of views. Further considerations were to interview MNCs that have had different prior internationalisation experiences and distance from South Africa.

3.11 Measurement instrument.

The Measurement instrument to obtain relevant data was semi structured interviews mostly lasting under one hour. The interview schedule was used as a guide for the interviews and is attached as Appendix A.

The interviews were non-standardised but were be based on predetermined themes. Based on the research questions and the literature review the following themes were used to develop the interview schedule.

- Institutional voids.
- Liabilities of foreignness
- Influence of institutional voids on liabilities of foreignness
- Impact of liability of foreignness on MNCs
- MNC responses to liability of foreignness

Sunders, et al (2016), defines the respondent interview as one during which the interviewer is in control but is aimed at allowing the interviewee’s views to be captured. The approach for this research was to gather the views of the respondents but the interviewer was in control of the themes that were covered. It is also congruent with the exploratory nature of this research (Sunders, et al, 2016).

3.12 Data gathering process.

The data was gathered through the interviewing process. Undertakings were provided that the names of the MNCs and of the interviewee will not appear in the research report but will be kept securely for the record. All the interview subjects gave consent to the voice recording of the interview and for the interview to be reported as promised. All the interviewees completed and signed a standard consent form.

The researcher always has to be aware of the advantages and disadvantages of the use of audio recording and manage the interview accordingly (Saunders et al, 2016).The interviews were audio recorded with the permission of the interview subjects and subsequently transcribed. The audio recordings and transcripts have been provided to the University for record- and safe-keeping. The interviews were based on themes that had been identified from the literature and aimed at answering the research questions. The interview schedule guided the interview process. Where semi structured interviews are used as a method of collecting data, an interview schedule consisting of well-chosen and well phrased questions. In the interview these questions must be delivered mostly in set order but with flexibility and provision for probing (Rowley, 2012).

The aim was to conduct semi-structured interviews, consistent with the research philosophy and design. The broad themes that were covered in the interviews were based on the research questions outlined in chapter 1. To access the relevant managers of MNC subsidiaries operating in South Africa, approaches were made through trade organisations representing foreign companies. This was tactic was not successful. Companies were thus approached directly with the view of widening the multiplicity of possible insights in line with the heterogeneous purposive sampling approach of this research. The companies were selected on the basis of widening the type of industries and countries of origin. In seeking to interview senior managers of MNCs, their availability and willingness to participate in the research interview did present a challenge. The sample of MNCs representatives is very heterogeneous with no more than two being operating similar businesses or originating from the same country.

All interviews were conducted during working hours. The one interview that was not face to face was conducted over the phone due to practical reasons affecting the interviewee. The process applied to the particular interview, including the recording, was identical with all the other interviews, bar the face to face aspect. The view was that when the interviews are conducted during working hours in the working environment the interviewees they are most likely to provide an accurate representation of the MNC’s views.

In preparation for each interview every interviewee was personally contacted to confirm their availability and secure the one hour that was requested of their time. The purpose of the interview was explained and a high level explanation of the research topic was shared with them. This was done to confirm their availability and to assure them of the confidentiality that will apply to the information that they will be sharing. This telephone discussion was followed up with an email attaching the consent form which would be signed at the beginning of the interview. The consent form served the purpose of reinforcing what was discussed during the telephone discussion. These pre interview steps ensured that doubts about their participation are cleared ahead of time and the allocated interview time is used optimally for the subject matter of the research.

The researcher must be mindful, when interviewing globally diverse interviewees, of possible reasons for apprehension in participating (Flick, 2014). Some interviewees, depending on the culture where they originate from may view interviews as a form of interrogation which may end in the hands of local authorities or regulators. Part of the pre interview preparations was an extra precaution to assure the interviewees of the academic and confidential nature of this research.

The interview schedule included a number of questions structured in accordance with the main themes of the research and aimed at answering the research questions and testing the related propositions. The interview schedule gave structure to the interviews in order to ensure that questions that are essential to the research are covered. In addition, follow up questions were asked to clarify and amplify the answers given by the interviewees. In other cases, and where it was deemed relevant, questions were asked to explore certain insights that had been provided by previous interviewees. As a general approach, and once the interviewees were comfortable with the topic of the interview they were encouraged to add any relevant insights that they deemed relevant.

3.13 Reliability, validity and credibility of the data.

A concern that is commonly raised with regard to qualitative research relates to reliability, validity and credibility of the data that is used (Daniel, 2019). These concepts comprise the quality of the research and emanate primarily from a quantitative research paradigm. Methodological differences between qualitative and quantitative research require that the application of these concepts be evaluated carefully.

Qualitative research is based on in-depth understanding of phenomena. The respondents are the source of the data and for that reason they are likely to express different experiences from the same situation. Qualitative data is intended to be insightful rather than generalizable. Reliability in qualitative research derives from the validity of the data being gathered, in other words whether the measures being applied are appropriate for the intended purpose (Saunders, et al, 2016). Validity reflects the extent to which the data represents the experience of the interview subjects in relation to the purpose of the research.

To ensure that the data to be gathered is credible the researcher must ensure there is consistency between the research design and data collection strategies that must aim at ensuring that adequate input is obtained from interviewees. In addition to having a transparent coding process the researcher must demonstrate that the conclusions are derived rigorously from the raw data (Zhang & Wildemuth, 2016). A conscious effort is needed to ensure that the researcher's preconceived outcomes do not enjoy preference (Saunders, et al, 2016). Use of clarity questions, probing of meanings and exploration of responses helps to ensure that the meaning of what the participants intended is not lost (Saunders, et al, 2016). The interview schedule used to gather data was structured along the themes of the research outlined in 3.11, the themes guided the coding that was used to analyse the information derived through the interviews. During the interviews all the themes were covered but follow up questions were used to clarify and to test the responses of the interviewees. The coding process validated that the responses from the interviews related to the themes relevant to the study.

A further consideration that has a bearing on the validity of the research is ensuring that the questions are understood by the respondents. This requires that the interviewer ensures that the questions are not leading, too vague or too general as well as not being invasive (Rowley, 2012). To ensure that the above objectives are achieved a pilot interview was conducted. A full interview with a representative of a MNC based on the interview schedule was conducted, recorded and transcribed with the intention of testing the clarity of questions, reasonableness of time requested as well as the practicality of the interview process. This pilot interview was not coded and is not included in the research analysis.

The TACT framework (Daniel, 2019) provides a detailed guide on how rigour can be achieved in qualitative research. Trustworthiness, auditability, credibility and transferability are essential elements of the framework which the researcher must demonstrate in the conduct and reporting of the research process. The framework was applied in the following manner to the research

- Trustworthiness was achieved through ensuring that the MNCs selected as the unit of analysis meet the criteria of having South African operations, the head of the MNC is based in South Africa, each representative signed the consent form indicating that they are participating voluntarily and that they have not been offered any inducement to participate. Ontologically the expectation that institutional voids lead to liability of foreignnesss and that foreignness is a disadvantage for MNCs were dealt with openly in the process and with the interviewees while objectivity was retained to ensure that the interviewees' narratives are not drowned out.

- Auditability was ensured through the use of audio recording, with the permission of the interviewee as well as transcriptions of the audio recordings both of which have been provided to the University for record-keeping.
- Credibility requires that the tools processes and data are appropriate to the central purpose of the study. Care has been taken in terms of the research strategy, unit of analysis, data collection and analysis to ensure that the research studied what it was intended to do.
- Transferability in qualitative studies does not imply generalisability (Daniel, 2019) but must indicate how the outcomes are typical or atypical to the participants based on how they were chosen and how the data was gathered. The research limitations for this study are articulated in terms of only involving MNCs operating in South Africa and their own lived experiences.

Applying the TACT framework has been useful to test the rigour of the research process and confirm the reliability, validity and credibility of the data.

3.14 Analysis approach.

In applying direct content analysis of data, the researcher starts with initial coding based on the theory or relevant research findings and as he gathers more data he discovers new information that validates or extends the initial framework or theory Zhang & Wildemuth (2016). This is the approach that was deemed the most appropriate to the research problem which is best approached abductively. The abductive approach requires that the researcher constantly adjusts his approach between theory and new research data as the research progresses. The intention was to code the data as guided by the interview schedule along themes identified from the literature and improve the coding with new themes that emerge during the research process.

In line with the interview schedule a coding framework was created which covered the broad areas that are relevant to the research topic namely the MNC, institutional voids, liability of foreignness and MNC responses. The second element of the coding framework was to code responses relating to the research questions and related propositions within the relevant framework. The abductive approach to this research and the insights offered by the interviewees led to the codes being constantly reviewed and validated as the coding process proceeded. As familiarity with the data in the transcripts meanings, recurring themes and patterns was emerging (Saunders, et al, 2016) the codes were constantly adjusted. This helped to reduce the codes to those related to the research questions and propositions.

To assist with the management of the coding process Atlas.ti was used as a coding management tool. The tool allowed for using transcribed data to find meanings, themes and patterns in the responses of interviewees. The responses were classified in terms of more specific themes guided by the interview schedule and the literature. Quotations were then extracted and used to create codes relating to the broad themes that had already been identified. In the process new codes emerged and were added to the code list. The constant review and validation process also meant some of the codes were subsequently merged into fewer codes as it became apparent that some interview statements are not creating a new codes but are expressing the same idea using a different logic.

This analysis followed on the data gathering process. The data was transcribed and read to fully acquaint the researcher with the essence of the responses that were recorded. The data was coded using Atlas.ti, categorised and reported in terms of themes that have emerged. The data was coded and reported in the following steps.

- Each transcript was coded following the chronological order of the interviews.
- Codes were created prefixed with the predetermined themes and relevant areas of the research.
- Additional themes and codes were created as they emerged from the data.
- With each additional transcript the information was included into existing codes or a new codes were added.
- A tally was kept in terms of how many new codes were emerging from each sequential interview to determine the stage at which saturation would be reached.
- As saturation was reached with no new codes emerging the codes were reviewed and where necessary merged.

Thereafter the data was discussed and analysed before conclusions were made in relation to the research questions and propositions that underpin the study. The data was reported following the structure of the research questions using quotations from the interview transcripts as a narrative to support the views of the interviewees. The analysis was structured in accordance with the research questions, the literature review and the propositions to determine whether the data supported the propositions or led to their confirmation, revision or invalidation.

3.15 Limitations.

A key limitation of this study is that the data is cross sectional and is based on MNC experiences at a point in time. It is therefore not definitive on whether the liability of foreignness experienced by MNCs is dynamic and changes over time. Secondly it is confined to MNCs operating in South Africa and the results are not necessarily transferable to other emerging markets. Finally this study has not attempted to establish emerging market characteristics that are applicable to South Africa which create the specific institutional voids that influence liabilities of foreignness.

Qualitative research seeks to understand the lived reality of the participants. The extent of transferability of the data will therefore be limited. A full description of the data and research findings are therefore provided in the report to enable the reader to make an appropriate judgement (Saunders, et al, 2016).

Chapter Four - Results.

4.1 Introduction.

The purpose of this research was to understand how institutional voids influence liabilities of foreignness for MNCs operating in emerging markets. The MNCs that were interviewed for the purpose of this research operate in South Africa, which is the emerging market chosen for analysis in this study. As outlined in the previous chapter the research is intepretivist and aims at getting a deeper understanding from the representatives of the MNCs on how the MNC experiences liability of foreignness and the extent to which they believe it is influenced by institutional voids.

In this chapter the results of the semi-structured interviews conducted with the representatives of MNCs will be presented. All the interviews, except for one, were conducted face to face at the offices of the interviewees, which is the local office of the MNC. The chapter begins with detailing the demographics of the interviewee MNCs as the MNC is the unit of analysis for the study and are central to the narrative inquiry strategy adopted for this research. The rest of the chapter is structured in line with the research questions and the propositions relating to each of the research questions. The responses have been coded and grouped under the themes that were identified earlier. The three pillars of Institutional Theory, namely regulative, normative and cognitive-cultural provide the theoretical underpinning of the analysis.

4.2 Demographics of research participants.

The following table is a summary of the interviewees interviewed for the purposes of this research. The purpose of the summary is to indicate the chronological sequence of the interviews, the levels of seniority of the representatives who were interviewed, the COO of the MNC, how long they have operated in South Africa as well as their senior management composition. These elements were deemed to be relevant to understanding the context of the responses to the various elements of the research. A further objective was to demonstrate credibility in terms of the sample and the narrators in line with the epistemological stance of this research.

TABLE 4: DEMOGRAPHICS OF RESEARCH PARTICIPANTS

Interview	Date	Title of Interviewee	MNC country of origin	Length of operations in South Africa	Management Composition
Interview 1	1-08-2019	Exco - Past Chairman	United Kingdom1 (DM)	6	Entirely local
Interview 2	5-08-2019	CEO	India (EM)	25	CEO local Majority local
Interview 3	12-08-19	CEO	USA (DM)	5.5	CEO- expatriate, rest local
Interview 4	17-08-19	General Manager	Switzerland (DM)	25	CEO expat Majority local
Interview 5	20-08-19	Regional Manager	Angola (EM)	20	RM and Majority Expatriate
Interview 6	29-08-19	Local Head	United Kingdom2 (DM)	28	Head- Expatriate, rest local
Interview 7	30-08-19	Exc0 Member	Germany (DM)	45	CEO expat and rest equal split
Interview 8	26-09-19	Exco-Former CEO	Zimbabwe (EM)	19	CEO, CFO expatriate majority local
Interview 9	9-10-19	Regional Manager	Qatar (EM)	13	RM – Expatriate and rest equal split
Interview 10	14-10-19	National Sales Manager	Italy (DM)	23	Entirely local

All the interviewees were aware that they were interviewed in their capacity as representatives of the MNC and signed a consent form to confirm (Appendix D). They were all part of the top management team of the MNC subsidiary in South Africa and were based in the country. Six of the ten MNCs are from developed economies and four from emerging markets. The split has no methodological bearing and is simply a result of who was available for the interviews. The only methodological consideration was to make sure that representatives of MNCs from both developed and emerging economies are interviewed. No differences in approach were introduced into the interviews by the researcher on the basis of the country of origin of the MNC.

The MNCs who participated in this research have had operations in South Africa for periods between five and half years to forty five years. A significant portion, seven of them, commenced operations in South Africa nineteen to twenty eight years ago. This is within ten years of each other. For the purpose of this research they were not canvassed on the reasons why operations were established in South Africa at the time they were. I noted that South Africa's change to a democratic political system in 1994 is now twenty five years old and it was also accompanied by the end of the international trade embargo. It appears therefore be that the MNCs participating in this study started operations in South Africa in the period leading to the opening up of the economy to closely thereafter.

Eight have a management teams consisting mostly or entirely of locals. The CEO or head of operations in six cases is an expatriate. Some of the reasons mentioned for this composition was that it was the policy of the MNC to appoint an expatriate as the head of the business. In explaining the reason why the MNC appoints expatriate CEOs an interviewee mentioned that -

> "I think it's more for strategic reasons, obviously, you need someone that has got a very strong network globally. Because obviously, the mother company here is based overseas, and someone who has a wider network within the HQ corridors".

A different explanation by another interviewee is that he believed that the reasons for bringing a CEO steeped in the MNC's culture is because-

> "I think it is making sure like that the [the MNC] culture comes here and of course there will be adaptations to it because it does need to be South African, but the [the MNC] culture is very specific. Is very defined and that is what enables our success".

A further reason advanced relates purely to the MNC's practices which was articulated by the interviewee as follows-

> "What the group has done is, generally, in emerging markets we always have an expat, so all the African countries have an expat, with the only exception being Tanzania. So, all the African countries, most of the Far East countries have an expat, and then

> Europe is generally locals, and the US is locals and then we have a mix of locals and expats in South American countries".

The Expatriate heads of the local MNC subsidiaries do not necessarily originate from the MNC country of origin. The Swiss MNC interviewee shared that-

> "They are not specifically from Switzerland. We've had an expat here from Kenya. We, I think, South Africa in general, has more expats from Switzerland".

In the sample for this research MNC subsidiaries from Switzerland, Germany and Angola are headed by expatriates from the U.K. There does not appear to be a particular reason why the CEOs were from the U.K.

The CEO of the Indian MNC explained that his team

> "It's a mix, currently, I've got, in my senior team one, two, three, four, five expats, which four of them are from India and then one is from Dubai, and the rest is South Africans".

In addition the interviewees shared the reasons why the majority of the top management team is composed of locals. Understanding of local culture seems to be a primary consideration. The representative of the Zimbabwe MNC explained it in the following terms-

> "Number one because, bringing in expatriates can be quite expensive, then there are also regulatory issues but there are cultural issues that you need to take into account, especially if you are going to engage with a particular community. I'll take from an Africa wide experience. Okay, so when we went into Burundi, and these are lessons from the very early stages. We recruited, we just asked for the best people and that's what we were recruiting and it was a local recruitment but we found that a school was regulated at some stage, and they said you guys have got a Tutsi business in a Hutu environment".

The representative of the Angolan MNC had a similar sentiment that-

> "I think it's over time, my recommendation, once I've finished here is that we should be hiring a local manager and for the simple reason that in the past they used to bring people from head office, who understood the head office mentality, but didn't understand the local market".

In contrast the Middle East based MNC indicated that they experienced a lack of suitable skills in the local environment and for that reason they had to bring in skilled expatriates. The interviewee stated that-

> “We would not need to be looking at expatriates if we could find the right level of people, with the knowledge, with the experience and in the field of business that we are doing. You know, there's only a few, and of course it becomes more difficult to attract them ……….but there is lately a lack of resources and that’s why we have to bring in expats”.

It appears from these views that understanding of local culture is the explanation for MNCs having locals as a bigger number in the composition of their senior management teams. The CEO is considered by some as a key appointment for making sure that the HQ objectives of the MNC are implemented and it is for that reason that expatriates are sometimes appointed to that particular role. An important insight is that the expatriate CEO is not necessarily from the MNC country of origin but is versed in the strategy of the MNC.

The literature identifies language barriers and absence of sensemaking as a barrier to communication and building professional networks between the MNC and local managers in the host market. In the South African environment understanding of local culture seems to be an equivalence to language barriers and sensemaking in terms of being a barrier to communication. Appointment of locals as managers appears to recognize the problem and thus structuring the business approach to mitigate the specific problem. The perceived higher costs of expatriate employment provides an additional justification for employing mostly locals but these costs do not appear to be a significant factor in the context of this research.

4.3 Research Question 1 - How do Institutional Voids influence Liability of Foreignness for MNCs operating in emerging markets?

The insights sought with regard to this section were intended to test the proposition that a high prevalence of institutional voids increases liabilities of foreignness experienced by MNCs in emerging markets. The interviewees’ insights were sought regarding the underdevelopment or absence of aspects of the institutional framework namely the legal and regulatory, human resources and culture.

4.3.1 Level of institutional development.

The phenomenon of institutional voids was explained to the interviewees as the underdevelopment or absence of legal and regulatory, culture and human resources institutions in South Africa in so far as they relate to doing business. The question posed to them was, in their capacity as representatives of the MNC, how the MNC experienced the level of development of institutional frameworks in South Africa. This question was followed by questions specifically relating to legal and regulatory, cultural and human resources institutional frameworks.

a. Legal and regulatory institutional frameworks.

Interviewees provided varied responses to the broad question on the development of South Africa's institutional frameworks. The overall experience on the legal and regulatory framework seems to be broadly positive. In this context political uncertainty on legislation relating to expropriation of land without compensation was mentioned as concern. The following quotes reflect the differences in responses as well as mixed views contained within some of the responses.

> U.S.A MNC: "look I think like here in South Africa it is still quite a developed market in many regards and like of course it is still an emerging market, but by way of institutional framework and rules and regulations there is a lot in place".

> Angola MNC: "With regard to us operating here in South Africa, as far as I am concerned, the infrastructure is there in all of the areas you've covered, and you know, I would not say that there is anything in South Africa that I would say is sub-standard".

The Africa based MNCs went even further in terms of stating that the strength of the regulatory framework in South Africa sets the standard for the rest of the continent.

> Angola MNC: "some of the practices that are used here in South Africa are now implemented in Angola. So, actually we're learning from here and that's moving up northwards in Africa".

> Zimbabwe MNC: "I think, you know, when I look at the Pan African landscape, South Africa actually has some very strong institutions. Probably the other markets where you find this kind of, is Botswana, Rwanda, where they've got strong institutions where they can stand on their own. So, South Africa has generally been very good from that perspective".

The rigour of the justice system and the stability of the legislative framework are particularly well regarded.

> Indian MNC: "I think the justice system is pretty rigorous, it's one of the institutions which is quite strong here".

> German MNC: "I think South Africa since 1994, pre 1994 legislation was different under the apartheid government. Post we have seen a much more, I would say, stable

> legislative framework, the legal framework in South Africa is quite strong on these traditional structures".

> Swiss MNC: "The basic conditions of employment is a very well written document. I think, in South Africa, employees are far more protected".

> U.K MNC: "There is good company laws, good constitutional laws. If you're talking about the capture of the NPA, or the judiciary, that's a very different thing from the quality of the written laws".

The view that legal and regulatory institutions are strong is tempered by instances or practices that weaken the implementation or enforcement of the laws that are in place.

> Angola MNC: "SARS [South African Revenue Services], again, I wouldn't say they're terribly professional, but they've not been unprofessional. OK, but it hasn't stopped us from doing business and carrying on doing business".

> U.K MNC: "So, state capture was a highly considered, well-constructed assault on the structure of all those institutions aiming to play fairness".

Political debates about possible expropriation of land created an additional uncertainty relating to security of tenure.

> Swiss MNC: "We've also seen very recently land expropriation without compensation and what foreign company will invest if they don't have a secure future and foreign companies employ local people".

Arbitrariness in the implementation of regulations also adds to uncertainty.

> Middle East MNC: "So, whenever, for instance, we are applying for charters, we are never sure of what is the actual process. So, this can sometimes undermine our ability to doing business in order to assist South Africa earn foreign revenue because we are losing opportunities on export, you know, but basically the process is not clear".

The insights indicate that the legal and regulatory framework, in so far the laws are concerned, is very good and that MNCs are satisfied with it. There are concerns in relation to enforcement and implementation of processes. The possible causes for weak enforcement are state capture, unprofessionalism of tax officials as well as arbitrary application of some processes. Expropriation of land without compensation which is under consideration by the legislature creates an uncertainty with regard to security of tenure. Insights from emerging market MNCs from Africa see the legal and regulatory framework as quite advanced and rigorous. Developed market MNCs were more likely to acknowledge that the laws and regulations are adequate but qualify this by identifying gaps in terms of enforcement of laws and implementation of processes.

Two conclusions arising with regard to the interviews in this section which define a different kind of institutional void. Firstly a good legal and framework can be significantly weakened by weak enforcement. Secondly an unsettled political view on key issues creates uncertainty which then undermines confidence in the existing laws.

b. Black Economic Empowerment (BEE).

The legislation and practice relating to BEE was mentioned as a specific concern which is experienced as an institutional void in the South Africa's legal and regulatory framework. The Broad Based Black Economic Empowerment Act and Regulations is a law applicable in South Africa which is aimed at redressing a historical past in which Black citizens were deliberately excluded from economic participation as part of the apartheid policies. The legislative framework restricts access to government related contracts by businesses that do not meet rating thresholds and also stipulates BEE rating as an evaluation criteria for issuing of certain state issued operating licenses. The MNCs understand the rationale for BEE but expressed their discomfort with its implementation. Some did not believe that it affects them significantly and responded as follows.

> U.K MNC: "although they [MNCs] have an idea, I think they have a superficial idea of BEE".

> U.S.A MNC: "Like I don't view it as being a particular risk at least, all can certainly be managed, right things like BEE, if you don't pay attention to that it can put your business at risk".

Some did not believe that it not achieving the intended purpose.

> Swiss MNC: "Yeah, I think that we have a thing in place that is legal compliant and that is the BB-BEE, the employment equity and BEE and [the MNC], as a company, have no objection to employment equity, but the way the government has introduced BEE has only benefitted very few people, not benefitted the people it was intended to".

> Zimbabwe MNC: "The challenge that we face, obviously is, when you start going into issues of empowerment and how the empowerment has been approached, you understand it because you are an African organisation but it has some very significant impact on the extent to which you can go with in the investment because in a way it's

> almost discriminatory but it forces you to go into partnerships that you would normally never go into".

Other MNCs whose businesses are not directly impacted by BEE regulations were more generous in their assessment but believed that it will evolve and better understood.

> German MNC: "Look the legislation, to be quite honest…It's still fairly young, if we have to be honest, I think there is a misrepresentation on the legislation, people think it is. The legislation itself was the act endorsed in 2003, for it to be implementable since 2007. So, it's been over 10 years since the legislation has been there. We've seen it being amended from time to time, but that is fair, because if the country is not seeing any type of growth, or changes within the issues of inequality, obviously, it will adapt".

> Middle East MNC: "what we were also told is that we have work through a local company to do the application for a charter, which makes no sense. Since we've found this solution, all our charter applications are being approved, but are these really what it should be".

The Broad Based Black Economic Empowerment Act and it regulations (referred to as BEE) seems to be a matter of specific concern in relation to the overall legal and regulatory framework. MNCs understand the intention but do not always understand how it is executed. In some cases they strongly believe that it is unlikely to achieve the objectives set out but creates a major uncertainty for MNCs to the extent that some are weighing their options about continuing to operate in the country. The concern is experienced particularly by MNCs who rely on government for operational licenses. Both EMNCs and DMNCs expressed concern about BEE and have a perception was that it discriminates against MNCs.

BEE is unique to South Africa and for that reason is not specifically referenced in the broader literature on institutional voids or liabilities of foreignness. It however fits with the broader theme of institutional voids in transition economies which are characterized by immature regulations. The literature refers to transitioning frontier economies where the legislation is still in the process of being formed. The primary legislation on BEE in South Africa was passed in 2003 and various regulations and guidelines were approved over the years in order to operationalize it. The regulations and guidelines are significant in that they determine matters such as BEE ratings, applicability to specific industry sectors and how foreign companies have to be evaluated. It can be argued therefore that BEE can be characterized as an immature regulation applicable to a transitioning frontier economy.

4.3.2 Culture.

The interviewees were asked to provide their insight on institutional aspects of South African culture relating to the conduct of business which they believe need development. This topic seems to have elicited the most responses in terms of being a challenge. In addition to MNCs having a view about their challenges in understanding and operating within the local cultural framework they highlighted the attitude of South Africans to foreigners, race dynamics and prevalence of crime as things that specifically concerned them. The culture of the MNC itself was highlighted as being relevant to how the MNCs experienced local culture in relation to their operations.

a. Culture is a challenge.

The MNC representatives identified culture as a challenge for MNCs operating in South Africa, each identified the challenge posed by culture differently, for some the disappointment was that they had not done enough groundwork to understand the nuances of culture in South Africa. One noted that there were differences that they had to manage while another seems to have anticipated the challenge of cultural differences and put a lot more effort into understanding it and being aware of potential missteps. There was also an attempt to share the culture challenge within a historical context. The following quotes illustrate the different ways in which the interviewees were able to share their experiences

> U.K MNC: “Yes, the issue of culture has been a very big challenge. Under normal circumstances, when a person…when a company wants to do business in an emerging market, one would expect that the multi-national company should try before they set-up, to understand what's happening on the ground. They should understand the people, they should understand how things happen, they should understand the legal framework and also be prepared to defer to their partners who originate or operate in the emerging market, because it is important that they educate themselves as to what happens, otherwise their businesses will be failures and that’s a mistake that often happens”.

> Indian MNC: “The one thing which we struggle a little bit as South Africans is that Indian companies still a little bit old school, they still have this very strong belief, hierarchy, it must be respected. I think South Africa is typical like the Western companies, in that sense, is that you call people on their first name, just because he’s your manager, he still has to earn your respect, so it doesn’t just come by naturally”.

> U.S.A MNC: “I don’t find it to be obtrusive or anything like that. It just takes a while to understand the way in which locals work and monitor and interact. So, I have spent a

> lot of time reading about South Africa, studying South Africa, immersing myself into this market. I didn't have such a challenge of trying to figure out this culture and making it really difficult and of course South Africa is a really dynamic market".

In trying to grapple with the challenge of understanding culture some reasons were advanced in order to explain what makes it difficult. History of the country and the structure of the MNC itself were offered as possibilities.

> Zimbabwe MNC: "Even though you can't blame it on apartheid completely because Botswana also has similar. It's the level of productivity. Their cultural issues, I think that make it similar, and by cultural I'm not talking black or whatever".

> Indian MNC: "You see, structure plays a role, but its true for any company, if you don't have proper checks and balances in place and if you don't have the right culture in place then you (will not be able to operate)".

Each MNC has a different perspective on the challenges posed by local culture to MNCs. They acknowledged the importance of understanding local culture as an important aspect of successfully conducting business operations in South Africa. Understanding of local culture is perceived my MNCs as something that applies in all markets where MNCs chose to operate. Peculiarities in South Africa's cultural practices do however remain difficult for foreigners to fully understand. The challenges posed by local culture was highlighted by MNCs from both emerging and developed markets. The interviews also indicated that culture is perceived relative to where the MNC or the MNC management originate from, history of the country or the structure of the MNC itself.

The literature identifies lack of embeddedness and host country institutional knowledge as a challenge for MNC management. The different ways in which MNCs articulate the difficulty of dealing with local culture illustrates how elusive and nuanced the issue can be. It can therefore be concluded that the research aligns with the views in the literature that culture is one of the main challenges facing MNCs in host markets.

b. Foreigners and South African culture.

There was no specific question put to the interviewees in relation to their personal, rather than organizational, experience in relation to South African culture. It emerged during the interview process that expatriate CEOs regarded their personal roles in relation to local culture as an important factor. They gave views on how they believe foreigners should, at a personal level, approach the differences in culture. The views below relate to how the expatriate CEOs understood their personal role in relation to navigating local culture.

> U.S.A MNC: "I think the success of a foreigner coming into a market and leading the office, particularly in a market like South Africa is largely dependent on their ability to come in and embrace the culture and be a part of it and you know learn and understand the culture more than anything. So, I think that the role of that cannot be overstated like it is just absolutely critical. So, I can't come in as an American thinking I know everything and tell everyone what to do because I believe that I am smarter than everyone else, that would not fly. So, I think it is about taking time forcing yourself to take time initially to step back and understand and learn. It has been so important".

> U.K MNC: "the other thing I think you need to do as an expat, is you need to do a lot more training and social engagement than you're used to. So, something that might look like an extra tax on you. It's not necessarily an extra tax, because all the other companies are needing to do this as well".

The insight that they provided was that foreigners have to accept that they cannot assume knowledge of South African culture and should therefore do a lot of homework in studying the culture. Expatriate managers also need to accept that they more than usual training and social engagement if they are to be able to operate within the local cultural framework and not be victim to nuanced missteps.

This is an interesting observation highlighting the personal role of MNC expatriate management with regard the extent to which cultural institutions impact MNCs. It also highlights the assumption of an agentive role that MNC expatriate management as opposed to being passive objects in relation to local cultural institutions.

c. Culture and race.

During the interviews a number of the interviewees highlighted the interrelation of culture and race in South Africa. For instance, the U.K MNC had observed race based cultural sensitivity which he believes is not entirely rational. The Zimbabwe MNC commented on how it seems that individuals responded to workplace issues on the basis of their racial background. The views are illustrated by the following quotations from the interviews.

> U.K MNC2: "I think you're going to get a similar thing in any country where there's a performance issue, it will be very quickly classed into a race issue. Where…where there's any, if there's a white person who was telling black person what to do or doing

it in a way that might be, again, a family wagging a finger, sometimes that happens, they have no understanding of how patronizing abusive that it truly is".

Angola MNC: "I've seen amongst some of our African staff, that's where I feel there is a feeling that they can't move, you know, and I think, there's two groups, there's a group that feels that they should have this job, you know, but at the end of the day it's down to ability".

Zimbabwe MNC: "I'm just saying that just the way people do things in South Africa is slightly different to white South Africans is, you know, it's more defined in black South Africans where the way things are done, lowers the rate of productivity".

The comments indicate that MNCs have a sense of frustration about how to manage the way racial differences manifest in South Africa. They have noticed that sometimes people behave in a particular manner, react to performance issues or interpret workplace opportunities using race as a lens. A measure of their frustration seems to come from the fact that in South Africa race is both a deep cultural and historical issue. This observation is shared by MNCs from emerging and developed markets.

The literature relating to MNCs and the institutional frameworks is silent on impacts of race or ethnic divisions within specific host markets. While it is not inconceivable that race or ethnicity could be a factor in some markets, South Africa is unique in that racial discrimination was previously part of the statutes. The discrimination laws were removed from the statutes twenty five years ago but the political, economic and social effort to reverse their effects is a matter that is discussed very openly in the country. MNCs and expatriate management find the discussion on race and ethnic differences to be an awkward one. Race differences and their role within the cultural institutional framework is uniquely South African and it can be argued that it constitutes a special type of institutional void.

d. MNC Culture and value systems.

During the interviews some of the MNC representatives pointed that the culture and value systems of the MNC was an important aspect of helping to navigate local culture. From the statements that they made it is clear that in their belief strong internal culture and values of the MNC do make it easier for local management to operate within the South African cultural environment.

Indian MNC: "we've got a very, very high value system. So, we distance ourselves very quickly from anything which will touch that value system and that really helped us, because we kind of stayed distant".

> U.S.A MNC: “By and large I think it is making sure like that the [the MNC] culture comes here and of course there will be adaptations to it because it does need to be South African, but the [the MNC] culture is very specific, is very defined and that is what enables our success. It’s this entrepreneurial spirit it’s the way everyone rolls up their sleeves”.

Where MNCs undertake positive activities within the local market such as corporate social investment or demonstrating good values such as refusing to be involved in corrupt activities they ascribed this to the core values of the MNC. Reference was constantly made to the values of the MNCs which guide activities in all jurisdictions in which they operate. While there have been many reports of unethical behavior by MNCs in South Africa no reference of unethical conduct relating to any of the MNCs who participated in this research was apparent. Reliance on the core values of the MNC seems to apply irrespective of whether the MNC originates from an emerging or developed market.

According to the literature MNCs decide whether to accentuate or attenuate their foreignness depending on their assessment of what is beneficial to them. It appears from the views here is that it certainly to the benefit of MNCs to accentuate their foreignness and at the same time ensuring that the foreignness is beneficial to the host market. The responses are consistent with what has been articulated in the literature.

e. Crime.

High levels of criminal activity was mentioned as a concern within South African culture. The pervasiveness of criminal activity was having such a significant impact to the point that one MNC was considering withdrawing part of its South Africa based operations as a result.

> Middle East MNC: “the level of crime in this country makes people think twice before they want to come and but again, I think it’s not only with regards to the field of activities we are in, but it’s to do with foreign investors……, we are facing a lot of issues with pilferages, with contrabands, so basically the level of safety and security”.

> U.K MNC: “So, where the violence is particularly problematic is obviously around theft and extra security costs”.

The impact of crime is experienced at the organizational level where there are high incidences of pilferage and contraband in the logistics system. Secondly foreigners are particularly sensitive to crime at an individual level where they are affected as tourists or as members of the public. The element of crime in South Africa that is highly problematic is that crime affecting individuals tend to be accompanied by violence.

In so far as it relevant to this study the theory distinguishes instances where MNCs higher levels of crime compared to local businesses. In those cases that is attributed to a resentment to foreigners. In the case of South Africa crime is seen as more pervasive and not necessarily aimed at MNCs or foreigners.

4.3.3 Human Capital.

The interviewees were asked to provide their views on how they experienced the institutional environment with regard to the availability of adequate human capital to support their business operations. Similar to the responses on culture, there were a number of views indicating that MNCs had different experiences. The areas that were mentioned related to quality of the education system, inadequacy of high level skills, low level of confidence within the workforce and sometimes showing a propensity to resort to violence. Recruitment of expatriate skills is identified as a possible mitigation of the skills deficit but the experience of MNCs is that South African processes makes it extremely difficult to bring in expatriate skills through what appears to be a deliberate and overly bureaucratic approach to issuing of work permit visas.

a. Education system not fit for purpose.

The interviewees provided insights that indicated an institutional void in South Africa relating to the educational system, which is not fit for purpose in so far as business is concerned. The responses pointed to an inadequate education system that is not producing students who have the skills that MNCs expect. Their insights are captured in the following quotes.

> Angolan MNC: “I just get the impression that we’re not training people enough to, yeah, I think you’ve got the group at the top that have got the power and I don’t think there’s enough being done to generally develop the younger ones upwards”.

> German MNC: “So, all I'm saying is if you look at the quality of what the education system gives out generally to the economy. And basically, the type of skill sets that we require, sometimes they tend to be a mismatch. If you have to compare us with other developed countries, when someone leaves schooling, they are at a particular level and those countries or companies that operates in the developed market, they spend less on having to capacitate staff further. If you compare us with those plants, wherever they are, the cost parity becomes an issue because it requires that we then spend more money rather than on other technical activities”.

> U.K MNC: “There's are voids, I think that are created in terms of these voids in talent and capability. So poor schooling, poor apprenticeship, poor access to facilities of learning, has created partial intellectual development”.

> Middle East MNC: “I must say that it’s not on the required level, we’ve had a lot of issues”.

The comments point to a belief that the schooling system is poor in terms of producing fit for purpose human capital skills and secondly the lack of an apprenticeship system exacerbates the problem. The result of this, according to the interviewees is that there is a mismatch between the skills that the education system produces and what is required to effectively operate businesses. This concern is shared by emerging market and developed market MNCs.

The theory does not deal with this particular institutional void where the host country does not have an education system that is adequate to meet MNC needs. Assumptions in the literature are that firms that are concerned with accessing skills are more likely expand into developed rather than emerging markets. Expectations relating to educational standards by MNCs in a developing markets is an important insight that warrants further study. The institutional void that the educational system is not producing employees who are fit-for-purpose affect MNCs and local businesses and thus does not create liability of foreignness.

b. Inadequate high level skills.

In addition to the previous point relating to skills produced by the educational system the interviewees specifically raised a concern relating to inadequacy of high level human capital skills. The skills identified are technical, strategic or business skills. The interviewees also identified how this inadequacy of high level skills leads to inefficiencies and additional training costs.

> U.K MNC1: “I think South Africa does have people that are in those positions, but whether they are the right people is something else. In our situation for instance, we’ve got a CEO but all intentional purposes, that person should be COO. This is not a person that you can never be seen as a CEO, because he does not have the capacity to think strategically”.

> Indian MNC: “So, when you need that kind of critical skills, you have to bring it, and don’t see them as negative, because they are going to help you speed up the project and on top of that, they do spill over”.

U.S.A MNC: “finding top talent is very difficult and I’ve told that you will only be able to grow as fast as you can find talent and by and large like we have sort of overcompensated to overcome that challenge.”

U.K MNC2: “We've got people who come in, when you have fast acceleration of people without the depth of management skills that might say you have people fast tracked into senior positions quite often. And there's no middle managers who can actually manage. So, they actually have a management skill void, a middle management skill void throughout the country”.

Zimbabwe MNC: “An Accountant with five years’ experience from Nigeria, from Kenya and from Zimbabwe, will have twice the level of experience that a South African with five years’ experience will have, okay. So, the qualifications are there, but the experience is not entirely there”.

U.S.A MNC: “We also have to spend a lot of time on things like learning and development and like training and education to ensure that when we get good talent, we are continually up skilling them and teaching them their roles”.

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There was a sense among the interviewees that even though the shortage of requisite skills is more about accessibility and difficulty in getting them. This impacts the costs of recruitment in the following terms.

Zimbabwe MNC: “South Africa has got some very highly skilled people. It’s getting them that is the issue, accessing them, that’s the big issue”.

Indian MNC: “Here in South Africa, if you look at it, we will tell you that availability of skilled people is not bad, it’s reasonable. I compare it now against the rest of the countries where we operate”.

U.S.A MNC: “the work that this office is doing is on par with [the MNC] work in New York, London or Singapore but it is because we have had to go and spend extra time finding talent”.

The above concerns are also contradicted by another view that local skills come in at a cheaper price than expatriate skills.

U.K MNC: “the cost of employment here is probably less than you pay. And we have a pretty good welfare system and now as a nation, but that is, but maybe it is less than some organizations that they would have to another jurisdictions”.

> Middle East MNC: “we would not need to be looking at expatriates if we could find the right level of people, with the knowledge, with the experience and in the field of business that we are doing. You know, there's only a few and of course, you know it becomes more difficult to attract them. I think it could well be people, South African people you know, but there is lately a lack of resources”.

This particular concern is about the shortage of technical, strategic and management skills. The manner in which this concern was articulated points to a sense that many of the people in South Africa who are already occupying the relevant high level positions are in some cases not good enough. They are in the positions due to the fact that there is a shortage of these skills in the pool. The reasons that are proffered for this state of affairs include lack of structured development within companies, narrow experience based on job descriptions and the existence of a big gap between junior employees and senior management.

Similar to the concern relating to inadequate education the theory does not anticipate that the emerging market will provide high level human capital skills for the MNC. The literature however recognizes that in developed markets MNCs expect that skills are available and can be accessed through buying them or through other collaborative initiatives. South Africa is regarded as a mid-tier economy emerging market. It is therefore the likely reason for the expectations of the MNCs for skills that are higher and seen in a similar light as in developed markets. Similarly to the point about the schooling system, this institutional void affects MNCs and local businesses and does not constitute liability of foreignness.

c. Workforce confidence.

A number of the interviewees identified lack of confidence by the workforce in South as another void that they had experienced. The essence is that employees were not willing to explore additional possibilities within the workplace and would rather stay in their comfort zones. This was articulated it in the following manner.

> Angola MNC: “What I’m also picking up is I feel there is also a resistance amongst some groups, to have the nerve and the courage to push themselves to the next level”.

> Zimbabwe MNC: “there’s a young lady I offered a job to join us here at [MNC subsidiary], and she said, I cannot take the job because I’m still doing another job and I won’t have the capacity to, I can’t do two jobs at the same time. I said, but it’s pretty much, you are rolling over and you’ll be finished with this other job at the end of the month and you’ll be retrenched”.

Closely related to this aspect is the concern about the high turnover levels by the workforce. The sense is that people tend not to stay long enough in their jobs.

> Middle East MNC: “I mean the staff turnover in South Africa is one of the highest in my region”.

This observation that local employees lack the confidence to stretch themselves was interestingly highlighted by two emerging market MNCs with the third agreeing and attributing the cause to an abnormally high employee turnover in the local market. It appears that the concern is related to the fact that the emerging market MNCs who participated in the research were much smaller companies compared to the DMNCs and therefore expect employees to cover a broader scope in terms of their work.

This observation is an anomaly and is not referenced in the literature. From the perspectives of the MNC representatives it appears to be an intersection of culture and human resources. For the purposes of this research I have determined that it is a human capital void that results from training and practices in the working environment. The void is articulated broadly as a reluctance to acquire the skills and the experience to operate more effectively, particularly in an emerging market context.

d. Violence.

A matter that was highlighted as a particular concern by MNCs is the fact that violence sometimes becomes an element of the dispute solving mechanisms in the work environment. Others noted the existence of violence within the society but also that they have not experienced it with regard to their own workforce. The views were expressed in the following manner.

> Swiss MNC: “if there’s a dispute, or a union issue, the South Africans are very violent and they will burn down the schools or burn down the factories, burn the equipment, put sugar inside the tanks, whereas in all the other countries when the union has dispute it’s a peaceful strike, and that is very clear, we very, very violent”.

> U.K MNC2: “think that this is a far more violent society”.

> German MNC: “So, we haven't really experienced (violence) from our own workers”.

> Zimbabwe MNC: “Now because parents are saying if my children are going to go anywhere in South Africa on school trips, so forth and so forth, and there’s this thing around, if my children get killed there, can I justify it”.

It appears that the question of violence is a concern that the MNCs worry about as they observe South African society. It has not directly impacted their own operations but creates the feeling of lack of safety, particularly by expatriate employees. One MNC indicated that an expatriate employee requested to be sent back home after witnessing a situation that she regarded as potentially violent even though not directly concerning her. Due to the nature of violence, expatriates and their families may not want to wait until they experience it before deciding to leave the country. This applies to both emerging market and developing market MNCs.

The IB literature does not specifically deal with the question of societies with high levels of violence other than violence emanating from organized conflict. The nature of violence highlighted in the research is general propensity in the society to be violent and is not directed specifically at foreigners.

e. Difficult for expats to get work permits.

The representatives generally felt that the Human Capital void is exacerbated by the difficult process in place for getting work permits for expatriates who are needed to supplement identified skill voids of fill a strategic MNC role. They expressed their views differently in the following statements.

> Swiss MNC: “we often really struggle with the Department of Home Affairs in getting a working visa for our expats and that goes for most foreign companies here. That is a real struggle”.
>
> Angola MNC: “So, I then went to apply for my visa and it was a song and dance about getting the visa, I did get the comment “so, you’re taking a job from a South African?” which I thought was a bit unprofessional”.
>
> Middle East MNC: “Visa work permits, for, well it’s getting more complicated by the (day), you know for instance you need police clearance for the last so many countries that you work into”.

A number of the MNCs highlighted the cumbersome work permit visa process as one of their biggest frustrations. MNC global business strategies require that expatriate managers should be rotated between countries and also that certain key positions in the local operations should be occupied by expatriate managers. Their sense is that the relevant authorities believe that expatriates take jobs away from locals. This does not make much sense as only a handful number of expatriates are likely to be brought in and in specific roles. Failures or delays in obtaining the necessary documentation for expatriate managers to be able to work in South Africa makes the country less than ideal in terms of these strategies. Interviewees who are expatriates themselves indicated they do not plan to be in South Africa permanently and therefore do not understand the logic of the country’s officials to try and keep such people out.

Although this matter is raised specifically as a void in the South African environment it appears from the detailed comments of the MNC to be related firstly weak enforcement of regulations which is dealt with earlier in the report secondly it relates to a bias against foreigners which is discussed later. The reason it is given separate attention is that it appears to be an institutional void which creates direct liability of foreignness for MNCs. The MNCs highlight that the need to bring in expatriate skills is a consequence of the other human capital related institutional voids. It is therefore more complex for MNCs to deal with.

4.4 Research Question 2: What are the Liabilities of Foreignness experienced by MNCs in emerging markets?

Liability of foreignness (LoF) was explained to the interviewees as costs incurred by MNCs operating in South Africa which local companies are not necessarily exposed to. A number of questions were put to them to explore how their firms experienced liabilities of foreignness arising from South Africa's institutional voids. The questions were put them in an open ended manner and their responses indicate that they see foreignness as a disadvantage in some cases and as an advantage in others.

The questions asked in this section were intended to test the proposition that MNCs are impacted negatively by liabilities of foreignness that are influenced by institutional voids in emerging markets. The open ended approach to the questions allowed the interviewees to articulate whether aspect of foreignness which are influenced by institutional voids result in liabilities of foreignness or not. The intention was to ensure that the questions are not leading so that the characterization of liabilities of foreignness by the interviewees is valid.

4.4.1 Foreignness as disadvantage.

In a number of responses MNCs detailed instances where foreignness created a disadvantage for MNCs in the South African business environment. BEE framework was highlighted as one of the primary challenges.

a. BEE rating.

The relevant legislation stipulates that a BEE rating is an evaluation criteria for issuing of certain contested operating licenses. It is a score, determined on criteria in the legislation, to measure the extent to which a business has participation by black South African citizens in it. Although MNCs are somehow exempted from the ownership component in the calculation of their rating the other elements such as the control of the business, number of black South African employees and training still apply and have a bigger weighting. Some MNCs indicated that the relevant framework created a disadvantage for them as foreigners.

U.K MNC1: “we started getting being told that people who were doing competition law in our corporate is all whites. We got affected and we had to do certain things to ensure that you're in line, and you must know that your BEE rating is below three, you don’t get work. We have actually lost work”.

Zimbabwe MNC: “You can operate in South Africa without having a BEE status but you could never then get the bigger business that you would want unless you had a BEE status”.

Zimbabwe MNC: ”You’re looking for guys that will add value to what you are trying to achieve. You’re looking for guys who have the resources to put in because a lot of guys come in and say: I want 20% free carry and you say, but you can’t have 20% free carry, I mean, you can never have more than 5% free carry”.

The MNCs highlight that BEE creates an uneven playfield as compared to local companies. Secondly their experience is that it does not seem to be able to achieve its stated objectives in that its implementation leads to artificial rent seeking as MNCs feel compelled to acquire local partners who do not necessarily add value to the business operation or share their strategic vision. Thirdly MNCs seem to have a discomfort with the race based prescripts underlying the BEE framework, understandably so due to race discrimination being such a sensitive global issue. Finally African MNCs seem to have a particular dissatisfaction in that the framework applies only to empowering citizens of South Africa whereas they believe that African MNCs should have the same treatment as local companies.

b. Bias against foreigners.

Interviewees indicate that they experienced that in some ways South Africans showed bias against foreigners and MNCs by virtue of them being foreign. This type of bias is not legislative or formal but manifests itself in the manner in which state functionaries sometimes carry out their duties. State officials take much longer to respond to requests for operating licenses, permissions and work permits by MNCs and when the response is received it is inevitably accompanied by further bureaucratic requests. It is a matter of personal biases and unwritten rules being applied.

U.S.A MNC: “I have gone to some meetings and because I am a white American, I have no credibility, right and the thought from the client of the prospect is well what do you know of South Africa and what we’ve been through (as South Africans)”.

U.K MNC2: “I think public pressure is saying, our public institution which we are paying for through our tax, they are being exploited and undermined by these corporations

International. Unfortunately, truth is that the public and private universities can be really good or really bad".

U.K MNC2: "there are other systemic disadvantages as well, because the, when we go to the bump of higher education to credit programs, we have a two or three year wait to do that. When I worked for a public university, which was the University of Cape Town, 15 years, we were able to self-accredit at that time, the same program, so we could quickly launch new programs, we had a blanket self-accreditation capability".

Indian MNC: "your customer base behave in a certain way, but people buying a truck, if it is an Afrikaans speaking guy out of a rural area, you must be able to connect with him and I think that is the changes we had to make. That was definitely quite a bit of a liability for us. It's one of the reasons why our market share is so poor, is that we actually, kind of, limited ourselves where we play".

The U.K MNC2 which is an educational institution lamented on how their applications for accreditation were subjected to much more scrutiny as compared to local institutions in the same areas of operations. The reasons for this are founded on mistrust based on historic associations with colonialism and exploitation, among others. The Indian MNC on the other hand experienced more trust from South Africans of Indian descent, who are not key participants in their target market, but struggle to grow market share among the other sections of the population even though, by all accounts, there are no expressed concerns about the products offered.

Bias against foreigners is a key characteristic of liability of foreignness in the literature which is characterized as hostility by host market customers, vendors and distributors. It is also articulated as negative attribution by host country stakeholders. The research indicates that this phenomenon which had been identified in developed market contexts applies in emerging markets as well.

c. Inability to win government or state owned company business.

The interviewees indicated that due to their foreignness they are not able to get business from the state or state owned companies. This concern is related to the concerns about BEE ratings and a bias against foreigners which dealt with earlier in this section. The experience is that functionaries in government and in state owned companies only award business to MNCs if they are absolutely unable to appoint local companies.

U.K MNC1: "Yeah, definitely. There are companies, especially SOCs who, without understanding and not bother themselves to ask. If we call ourselves [the MNC] they say, this is not a South African company. We can't give work to a foreign based company, although you've got an office in South Africa. They don't see you as a South African law firm having connections or links to the UK foreign company. They see you as an international law firm".

Swiss MNC: "for any foreign company to get any state-owned equity business, the company has to be a minimum level four BEE contributor. So, fortunately [the MNC] has not ever had a problem of being a minimum level four but there are companies that are less than level four, and they cannot get any government contracts".

U.S.A MNC: "for government work and that you know type of work we don't even try to pursue it because we know we can't. We know it would be far too difficult for us to go and try and win a contract with say Transnet right it's going to be a local firm, so we will focus on other things".

This particular disadvantage is felt particularly strongly because government and state owned companies are significant participants in the South African economy. In addition to direct contribution to GDP by government services, state owned companies operate monopolies in the electricity, railways, airports, sea ports and defense procurement. Other state owned companies are dominant in aviation, fixed line communications and government IT procurement. The representatives feel that this disadvantage is not only unfair to them but stifles opportunities for the country.

Hostility to MNCs by host market customers, vendors and distributors is identified in the literature based on developed markets. There is no specific discussion relating to government or state owned companies. This research highlights significance in an environment where the government and state owned companies are a significant sector in the economy. It also reinforces the notion of bias against foreigners which is discussed in the previous section by introducing government and state owned companies as an additional element.

d. Doing or turning down business to fit with the parent.

Some interviewees expressed the view that the MNC subsidiary was at a disadvantage vis a vis local competitors because it sometimes has to take on business that is important to the parent but puts them at a disadvantage compared to local competitors. The other side of this is that they cannot do certain business for similar considerations.

U.K MNC1: "We've lost lots of this work because of these conflicts, because we are part of a global law firm. For instance there are clients, work that we could not take because we want to act against certain clients but we can't take that work, because the client that we want to act against, is a client of some office in Denver or wherever, whatever. We've lost a lot of those Even when there is no legal conflict, they will say

> commercially, because this client gives us such a lot of work, even though, in relation to the matter that we want to do against this client, it's not a legal conflict, it's doable, but because we get so much work from these guys, we don't want to even do it".

Although this was raised as a disadvantage of by the MNC representatives it is much more a result of the global strategy followed by the MNC and would be implemented in all the jurisdictions where the MNC operates. This perceived liability is a double edged sword because the constraints that are placed on the local MNC subsidiary, arising from international affiliation, are also a necessary condition for the MNC subsidiary being able to win certain business that local companies cannot win. The reason why the local subsidiary experiences it as a disadvantage compared to local companies is that the MNC local subsidiary has accountability for local profitability and for that reason may feel aggrieved by having to compromise profit opportunities in order to comply with HQ dicta.

The observation is in line with existing literature which indicates that this challenge applies in both developed and emerging markets and is an inherent consequence of operating in multiple markets.

4.4.2 Foreignness as an advantage.

It came out in the interviews that foreignness is not experienced by MNC as entirely a disadvantage and in some cases it is an advantage. A number of ways were mentioned in which foreignness is an advantage. These include broadened access to business opportunities, access to capital and access to higher professional standards. The aspects in this section do not constitute liability of foreignness but help to give a more complete perspective on the impact of foreignness experienced by MNCs. It also moderates the dominant assumption underlying much of the literature that foreignness represent a liability for MNCs.

a. Broadened access to business.

MNCs subsidiaries in South Africa have experienced that being global businesses they are in many cases able to use their MNC status to access business outside of the country that local companies are not able to access. They also have access to additional local business generated through the parent's network.

> U.K MNC1: "Now that the, 1994 has opened the doors for investors to put their money into South Africa, they obviously needed local lawyers who understand the environment, the legal environment and framework. So, it opened and enabled us to have a footprint and have clients which we would otherwise not have had".

> U.S.A MNC: “we have this huge stable of clients, right and clients that also have offices in Africa and in South Africa, in Kenya, in Nigeria that if they are working with [the MNC] in New York or Chicago and they say hey I need to have support in Kenya like it is very easy for them just to bring us on in Kenya right, so [the MNC]’s network and scale is actually quite helpful as long as we have dudes on the ground”.

> U.K MNC2: “you've got brand advantages as international brands. So, as an international brand, you're probably going to be attracting people”.

From developing market MNCs the sentiment was similar but nuanced differently.

> Zimbabwe MNC: “It’s easier for me to do business in South Africa as a Zimbabwean, than it will be for me doing business in the Congo for instance”.

> Indian MNC: “I do feel, because I think the one thing which work on our side is the name [the MNC’s brand] because it’s a number one brand in India, and in India it is being seen as, really, the aspirational company”.

> Middle East MNC: “so we’ve got a very strong brand, [the MNC] is becoming more and more known and we found that we are getting more now, people want to know about what we do and things like that and they associate our name with, I would say you know a very high level, I mean high brand and also service levels, you know. So, to answer your question I think it is an advantage to be working for a company such as [the MNC] and working in South Africa”.

The broadened access to business is due to the power and brand of the parent company, a perception that as an MNC they are able to provide goods and services in multiple jurisdictions and in the case of support services they are seen as being able to support other MNCs. A further point about South Africa is that it is seen as a suitable base for accessing business in other parts of Africa. This is a counterpoint and moderates the observation made previously that MNCs are restricted by the parent company in terms of pursuing certain business opportunities that could enhance profitability of the local subsidiary. It is not a purely emerging market phenomenon.

b. Ability to attract capital.

Some of the interviewees pointed out that being an MNC made it easier to attract capital investment from other markets and thus contributing to FDI inflows into the country.

German MNC: “South Africa, as emerging market has, has tried its best to really create an environment where investors could come in and obviously benefit”.

U.K MNC1: “Obviously, when an international company sets up their business here, they put money into it and the money, mainly, that is put is to ensure that their standards are maintained, even if they are operating in a foreign jurisdiction. For instance, they gave us a loan, which will only be payable after five or six years”.

U.K MNC2: “But you have significant advantages of being International, you often have capital”.

Compared to the local competitors MNC subsidiaries have got access not only to raising capital locally like their competitors but also capital supplied by the parent. Additionally the parent’s global network gives the local subsidiary better options for accessing capital and other resources from a wider variety of markets. This advantage is more applicable to DMNCs than EMNCs, particularly African, ones.

c. Access to higher professional standards.

MNCs that emanate from developed markets and have already operated globally have the experience of applying global professional standards. They are therefore able to deploy those systems and people for competitive advantage in their local operations. The maintenance of these professional standards by the MNC in the local environment is tied to the investment that MNCs are making in the local economy.

U.K MNC2: “But you have significant advantages of being International, you often have capital, got access to experienced management sources in multinational employee, what people do experience working big system, and be surrounded by efficiencies, and by numbers of highly experienced managers, and capable managers from different countries. That doesn't always transplant as well. You know, but sometimes it does”.

U.S.A MNC: “But on the flipside I will go into some meetings and I will be talking to potential clients about some prospects and simply because I am American they will think I have all the answers”.

Middle East MNC: “we have to work with these institutions, like SARS and, and customs. But the way that we do it, and the way that we do it electronically, gives, will give us basically a better leverage with customers”.

MNCs are already exposed to global professional standards and their local subsidiaries have to adopt these as part of the MNCs operating models. The local subsidiary is then also compelled by the parent to adhere to these standards as they are part of the global reputation of the MNC. Funding local initiatives is also tied to the maintenance of the standards. Compared to local competitors who either have to develop their own standards or buy them MNC already have a major advantage in this regard.

4.5 Research Question 3: How do MNCs operating in emerging markets respond to institutional liabilities of foreignness?

Interviewees were asked about responses the MNC had put in place to mitigate liabilities of foreignness resulting from institutional voids. The questions asked in this section were intended to test the proposition that MNCs respond to liabilities of foreignness within an institutional environment based on their characterization of the impact of the liabilities of foreignness.

The questions focused on aspects of foreignness that MNCs had characterized as disadvantages vis a vis local companies. A major challenge for MNCs had been identified as compliance with the BEE legislation. They were also specifically probed on whether certain of their practices which appear in the literature as possible responses to liability of foreignness were implemented as responses to mitigate liability of foreignness and, if not, what is the motivation behind implementing such initiatives. The MNCs were specifically probed on CSI, political action and isomorphism. During the course of the interviews employment of local management emerged as a significant response adopted by MNCs.

4.5.1 BEE rating.

In response to the challenges posed by having to comply with BEE legislation MNCs have endeavored to find means to improve their BEE rating score. Their views in relation to this issue are as follows.

> Swiss MNC: “And our spend on procurement is where we try and always buy from a locally-owned business. If we cannot buy from a locally-owned business, we contribute to NGOs, children’s homes, hospitals, schools. So, by doing that we get points and what we also are very good at is we have a lot of internships, and we bring these youngsters in and, especially in cargo, I think out of the fifty interns that we’ve had in the last three or four years, I think we’ve employed forty of them”.

In terms of the South African government directives the potential supplier’s BEE rating is a factor in order to be considered for procurement. Potential suppliers to government or state owned companies must have a BEE rating of four or lower. To be competitive in terms of this business companies do as much as they can to improve their rating. Ownership, Control and

Procurement involving black people and black women in particular carry the most points for improving a company's BEE rating. MNCs have established local subsidiaries where local black people are shareholders and also exercise substantial control. They also endeavor to maximize procurement from other businesses with high BEE ratings in order to garner maximum BEE points.

This can be classified as a direct response to address the problem that the MNC has encountered. In terms of the literature it is a form of regulatory isomorphism which the MNC adopts even if does not agree with it but it does not really have any other option. Seeking to improve the MNC's BEE rating is also consistent with an adoption or adaption strategy that MNCs pursue in order to fit with local norms depending on what they see as best for their business. BEE rating is dealt with separately from the other forms of isomorphism the next section due to its uniqueness to the South African context.

MNCs that are not dependent on government or state owned company business who have no need to apply for contested operating licenses tend to acknowledge the existence of the legislation but do not attempt to obtain BEE ratings. This is referred to in the literature as ceremonial adoption of host country laws.

4.5.2 Isomorphism.

The interviewees were probed about the extent to which they adopted isomorphism as a response to liability of foreignness. None of the participants in the research indicated that isomorphism was part of the MNC strategy. The extent of the liability of foreignness that they experienced did not warrant that they disguise their foreignness or aspire to adopt particular local practices. This response appears to be consistent with the views that foreignness in the South African market presented both advantages and disadvantages. It is also congruent with responses on cultural and human capital institutional frameworks most of which, by their nature, placed no pressure on MNCs to conform to local norms.

The only area where they deemed that it was necessary to conform was on the legal and regulatory aspect of the institutional framework. While this can be characterized as form of isomorphism it is deemed by the MNCs as compliance to which they do not have options. Where the MNC felt strongly that it did not agree with the legal provisions impacting on its business it successfully approached the courts to have the rule nullified. The approach was described in the following terms.

> UK MNC1 “the situation became very, very acrimonious, to the extent that we, being [the local firm before it was acquired by the MNC], had to approach the courts to test, we challenged that regulation that is anti-competitive and it is not in tune with what's

happening across the globe. So, to cut a long story short, the courts agreed with us, that we can use that name [the MNC]. Now, you see that after the judgment which I can call a landmark judgment, other firms followed in South Africa, based on the outcome of that case".

The approach is interesting in that it is a two stage process involving legal action followed by adaption. It validates legal action and adaption as two possible responses that MNCs can pursue. Interestingly, the literature does not however reference legal action challenging local regulations as a response to liability of foreignness.

4.5.3 Corporate Social Responsibility.

The responses in this section are specific to the probe about Corporate Social Investment (CSI) as a response to liability of foreignness. The view, supported by the literature was that CSI, particularly do-good CSI, is widely adopted by MNCs to gain positive attribution in the host market. It was anticipated that CSI will be a significant response in view of the fact that bias against foreigners has been identified to exist in the South African environment and also it is a contributor to gaining BEE rating points. The perspectives offered by MNCs were very interesting in that they indicated commitment to CSI but characterized differently to what was anticipated.

> Indian MNC: "Social responsibility is a big deal by [the MNC], and so we've got quite a number of programs which we run".

They reference it back to the history and ethos of the company stating that-

> Now one of the big things when the company was started, 150 years ago, the founder it was a big deal for him that how do you make Indians independent from the Brits. So, one of the things which he saw was science. So, therefore, he spent a lot of his focus and social responsibility in creating a science institution in India, so even today we are still very heavily involved in science, so typically we would go to the department of science ….. where we recognize women in science….. We have to find ways to plough back into the community…. We give away about R2.5million a year in these scholarships".

> U.S.A MNC: "So, we support a local foundation the Winnie Mabasa Foundation and we do things there quarterly like donating food and painting and working with the children and all that". It is something that like, look [the MNC] believes that we have to do-good within the community and the societies that we operate in".

They reference it back to the MNCs internal strategies-

> "it is also something like for the team, it helps to build culture and comradery like they want it. They want to know that [the MNC] supports these things and they can go out and have an impact in these communities so therefore like we are happy to support it".

> German MNC: "what we have as a group is, irrespective of where we operate, we do have a firm commitment on social upliftment wherever we operate, because every country has got it's, you know, social dynamics, which needs to be addressed".

A slightly different view is taken by other MNCs indicating that CSI is done for altruistic reasons as well as compliance with BEE in terms of improving the ratings, supporting their own business requirements and tapping into local values.

> Swiss MNC: "To be very honest with you, it's really a combination of both. I think it's slightly more to comply, because it is difficult to reach the level four status".

> German MNC: "for example, that clinic that we have opened up in the town, near the area that we operate in, in social movement, which has been set up to benefit the community, and we continue to support the clinic. We have a clinic in our production facilities, which is aimed at making sure that the staff that works for us is basically servicing them, you know, from an educational point of view, focus on a lot of projects and programs on maths, science and technology".

> U.K MNC2: "to make ourselves comfortable in the in the value system of the country, then we do… well, I've set up an NGO called MBAid, we've worked with 328 NGO's, we've got, we gave 30 MBA scholarships last year, which we paid for".

The challenge with establishing whether CSI is a response to LoF is that MNCs seem somewhat reluctant to characterize it in that manner. They prefer the characterization that their CSI initiatives are internally generated in line with the MNCs ethos. Only when probed further do they acknowledge that overcoming LoF is a consideration in CSI strategies. The responses are that CSI was not necessarily implemented as a response to LoF but was more part of the MNC's ethos even though LoF was a secondary consideration. Developed market MNCs appear more likely than emerging market MNCs to have a comprehensive CSI programmes. Interestingly much of the CSI focus of the MNCs in this study relates to education, which was identified as a major institutional void earlier in the study.

Do-good as opposed to do-no-harm CSI is indicated in the literature as more effective for MNCs in mitigating LoF by MNCs. The MNCs in this research who are involved with CSI all lean towards a do-good approach focusing on education, science, health and the youth.

4.5.4 Employment of local management.

What also appears to have been an approach to mitigate the impact of liability of foreignness is the composition of the local management team. Most of the senior management of MNCs who participated in the research consisted entirely or predominantly of locals. This was mentioned as a practical way of overcoming liability of foreignness especially in relation to culture. Additional reasons for having locals as senior management were to avoid exorbitant costs of hiring expatriates or dealing with the frustration relating to work permit visas. The point was articulated in the following terms.

> Angola MNC: “my recommendation, once I’ve finished here is that we should be hiring a local manager and for the simple reason that in the past they used to bring people from head office, who understood the head office mentality, but didn’t understand the local market. My view is far better that we understand the local market, because the customers are more important to us, you can always deal internally afterwards”.

> Zimbabwe MNC: “We’ve also found that it is more effective, sometimes, when you’ve got a local person engaging with local stakeholders ….it is more for effectiveness, for relevance and for, you know, speed of execution, in terms of, different things that take place”.

The MNC’s manage the concern of head office losing control having the practice of appointing the CEO and sometimes the CFO as well who is not local. Other mechanisms that are implemented to ensure that head office maintains control include establishment of a head office based management committee to oversee the local operation.

> U.K MNC1: “This committee called Samanco [South Africa Management Committee], is responsible for monitoring the day-to-day operations. In other words, the South African office representatives sitting in that committee shares information about what is happening here so that the people in London and America know what is actually happening”.

4.5.4 Political action.

The MNCs were probed on the extent to which they embarked upon political action to influence changes in regulations and policies that were having a negative impact on their business operations. MNCs consciously take a decision not to embark on political action, those that embarked on it characterize it in a limited fashion and the majority would rather stay away from discussing political action as a response to liability of foreignness.

> UK MNC2: “we've been extremely successful by the result of refusing to be involved in that and taking public an active stance with Pravin Gordhan (Minister of Finance regarded as a crusader against state corruption) and others of no more corruption, corporate activism”.

They accepted that by not being more active they were unable to influence positive outcomes in the country and stated that:

> “But that, of course becomes the cost but it's unavoidable cost in many respects. We often don't have to do it”.

Political action can also be disguised by indirect participation with lobby groups in the following example.

> Italian MNC: “one of our directors is very involved with BUSA [Business Unity South Africa, a business group that lobbies stakeholders on behalf of business]. She sits there, [Director’s name] one of our directors. She sits with SAAFF [South African Freight Forwarders Association]. She sits with FIATA [Federation of International Freight Forwarders]. So she’s on all these bodies. But for her, it was a personal thing, just to add value”.

In repose to further probing on whether the participation was aimed at influencing policy the MNC responded that “To influence policy I would say, in certain sectors, you can get your voice heard. I don’t think an influence the policy, but you can, you can make your voice heard”. Although the answer is tentative it is clear that participation in the industry lobby groups that consistently engage with policy makers is to make sure that they are able to put their views across.

Political action by its nature is very sensitive for MNCs who do not want to attract additional host market hostility by appearing to interfere in domestic policy matters. Being part of local industry groups provides sufficient protection for the MNC should it believe that it is necessary to try and influence policy in some way. Emerging markets are particularly sensitive to any perceived interference in local political matters by DMNCs.

4.6 Conclusion.

The interview schedule that guided the interviews was designed to obtain the insight of the interviewees who are representatives of MNCs. The structure of the interview schedule is based on answering the research questions and testing the related propositions. To ensure that the interview schedule was adequate for the intended purpose a pilot interview was conducted under the same conditions that were intended for the rest of the interviews that were planned. The pilot interview validated that the questioned were understandable, enabled the interviewees to respond openly and that the time allocated for the interviews was reasonable. The information gathered in the pilot interview is not included in the report nor will it be taken into account in the analysis.

The selection of MNCs to be interviewed was intended to achieve a purposive sampling as outlined in the design portion of the research methodology. The intention was to ensure a diversity of insight by ensuring that MNCs from emerging markets and developed markets are in the interview sample. Furthermore it was planned that not more than two MNCs from the same country or same industry are interviewed. This objective was achieved and has contributed to the diversity of insights.

The process of planning the interviews as outlined at the beginning of the chapter was intended to reduce interviewee apprehension and ensure that MNC representative is the person that is able provide the necessary insights. The MNC representatives who participated in the interviews are all part of the senior management team of the local subsidiaries of the MNCs and are based in South Africa. To ensure that they understood the purpose of the interviews they each signed a consent form in which they confirm that they participated voluntarily in the interview and that that no incentive was offered or given them. This process has ensured that the insights obtained are the valid views of the interview subjects.

The responses reported in this chapter relate to the three research questions and the related propositions that were put forward based on the literature review. The focus of this chapter is merely to summarize the responses of the interview subjects. The researcher’s comments are to provide context to the responses where it is necessary to help in understanding the responses. Additionally the researcher has sought to create cohesion of the responses by grouping the responses according to the research questions, propositions as well as the codes that were generated to support the process of analysis.

The analysis of the data summarized in this chapter will be undertaken in chapter 5 where meanings, relationships and consequences of the data will be dealt with, in relation to the purpose and objectives of the research.

Chapter Five – Analysis.

5.1 Introduction.

In the previous chapter the results of interviews conducted with representatives of MNCs were presented in accordance with the themes of the research.

The purpose of this chapter was to discuss the results of the research in line with the research questions, the literature, the related propositions and results from data gathered through the interviews. The analysis focusses on the key themes of this research which are institutional voids, liability of foreignness, the influence of institutional voids on liability of foreignness in emerging markets, impact of liability of foreignness on MNCs and how MNCs have responded to these liabilities of foreignness. The structure of the chapter follows the sequence of the research questions and seeks to show the extent to which the propositions have either been validated or disproved by the research.

5.2 Research Question 1.

Research question 1 is intended to establish how institutional voids influence liability of foreignness of MNCs operating in emerging markets. In order to do this, the research sought to understand the nature of institutions in emerging markets and the extent to which the institutions are either underdeveloped or do not exist. Proposition 1 that a high prevalence of institutional voids increases liability of foreignness experienced by MNCs was advanced in order to answer the research question.

The underdevelopment or non-existence of institutions constitute the institutional voids (Khanna & Palepu, 1997; Manikand & Ramachandran, 2017). Institutional voids are a distinguishing factors of emerging markets but do not always result in disadvantages for MNCs, as had been assumed in earlier literature based on research in developed markets (Pamagrian & Rivera-Santos, 2015). Research focusing on emerging markets has gained momentum as these markets have grown in significance. Much of recent studies on LoFs in emerging markets have focused mainly on India, China, Mexico and Russia (Yildiz &.Fey, 2012). This research question aimed to test whether the constructs, as have been extensively researched in developed markets, exist in emerging markets characterized by institutional voids.

The insight provided by MNCs with regard to institutional voids is summarized in chapter 4 using the three pillars of institutional theory (Scott, 2008) which are; legal and regulatory, normative (human capital) and cognitive-cultural (culture) as a framework. The research validated the existence of some institutional voids identified in the literature. The interviews also indicated that some institutional voids create liabilities for all companies operating in the market but not all institutional voids create liabilities exclusively for MNCs. The study therefore started by examining institutional voids very broadly and those that lead to negative impacts on MNCs were identified.

5.2.1 Regulatory Voids.

The literature indicates that the regulatory framework applies to all business in the country and regulatory voids tend not to create negative impacts which are exclusive to MNCs (Pamagriani & Rivera-Santos, 2015). Immature legislation or weak enforcement of laws and regulations also create regulatory institutional voids. Where societies or regulatory and political frameworks are in transition there tends to be a higher prevalence of institutional voids (Acheampong & Dana, 2017). Unlike in the case of discriminatory laws, immature legislation or weak enforcement affects all businesses and does not create liability of foreignness for MNCs operating in that market.

With regard to MNCs themselves, the difference between home country and host country institutions exacerbates the extent to which they experience the impact of institutional voids (Moeller et al, 2013). Prior international experience on the other hand moderates the severity which they experiences negative aspects of institutional voids. Prior internationalization by MNCs introduces the concept of home base, which is where the MNC operated prior to coming into the host market (Zhou & Guillen, 2015). This is distinct from home country which refers to the MNCs original country of incorporation. Finally, in emerging markets, EMNCs are better able to navigate the institutional voids in other emerging markets compared to their DMNC counterparts by virtue of their experience in similarly fluid institutions in their own home markets (Luiz & Luplal, 2014).

The research indicates that in South Africa laws and regulations pertaining to the conduct of business are regarded by MNCs as sound. This is consistent with a previous study that found that in relation to the rule of law in South Africa, businesses are not concerned about the court system and political stability (Roxas, et al, 2012). The same study however identified crime and theft, corruption and the tax system as areas of regulatory concern for Businesses. In the interviews with the MNCs these concerns were identified as applicable across the spectrum affecting both MNCs and local businesses, thus not constituting liability of foreignness.

Weak implementation of laws is a matter that permeates the entire system and affects MNCs and local businesses in the same manner. For this reason it does not influence liability of foreignness. A further question is whether EMNCs experiences differ in any way from DMNCs on their experience of the impact of weak implementation of laws. There are no significant differences between EMNCs and DMNCs on how they experienced weak implementation of the laws. There is also no indication that prior internationalization mitigates or exacerbates the experience of institutional voids by the MNC. All the MNCs who participated in the research, except for the German MNC, had prior international operations before starting operations in South Africa.

It can therefore be concluded that in South Africa, weak implementation of laws create an institutional void. This institutional void is experienced by all the businesses operating in the economy. The second conclusion in this regard is that weak implementation of laws does not influence liability of foreignness.

BEE applies to all businesses that operate in the country and, at face value, does not seem to discriminate against MNCs. The legislation is aimed at redressing historical racial discrimination and it is structured to benefit black South African people. Ownership of the business is only one of the six pillars of the legislation and it carries a significant weight in the calculation of the BEE rating. Management control of the business is the second significant pillar. These two pillars create difficulties for MNCs with regard to retaining full ownership and control of the subsidiary. MNCs are aware of the purpose of the legislation but they are unable to fully understand its full import and, in some cases, do not believe that it is appropriate for the intended purpose.

The race dimension of BEE legislation is unusual, though not unique, in the global environment and as such creates a level of discomfort for MNCs. For MNCs it creates an unusual complication in that they not only have to deal with being foreigners but have to grapple with racial differences within the host environment. MNCs believe that they cannot meet the requirements of BEE without losing their essence, particularly with regard to ownership and control. Failure to have local black people as significant owners and controllers of the business means that they are out of contention in competing for government and SOC business which is significant in the South African economy. They are also unlikely to be granted certain operating licenses. Liabilities of foreignness only arise from institutional voids if laws are designed to discriminate against MNCs or foreigners as in cases of laws aimed at historic redress such as BEE.

5.2.2 Culture Voids.

The literature indicates that culture is one of the main liabilities of foreignness that confront MNCs in most countries. By its nature culture is very complex and manifests in multiple ways. In the context of institutional theory culture refers to “shared conceptions that constitute the nature of shared reality" (Scott, 2008, p 428). These conceptions accepted by actors in the country as the way in which things are done in the conduct of business. The norms relate to matters such as language, manner in which people dress, how they relate to hierarchy, how they treat outsiders and how business deals are made. This list is not comprehensive. Hymer (1976) identified language and hostility to foreigners as among the main components of hazards faced by MNCs in host markets.

MNCs in the research sample have identified culture as an important aspect that they have to manage in order to succeed in the host economy. How much of the local culture they need to understand is a more difficult question to answer. MNCs vary from those that believe in a deep study of local culture to those that do not spend any resources to understand the culture. Those that have not taken the trouble to understand the culture show a greater level of disappointment and have a negative assessment of the local culture. The literature identifies lack of embeddedness as a source of additional costs that the MNC incurs by not understanding the local culture. MNCs that demonstrate this weakness have not spent the resources to understand local culture or do not have local people in their management teams.

Local heads of MNCs who accept the importance of culture tend to take personal responsibility for ensuring that they themselves understand it. They immerse themselves in local culture by personally reading and obtaining additional training for themselves and their management teams. MNC heads who appreciate the complexity of culture also understand that cultures are not absolute but are relative and dynamic. In their responses they tend to reference to other localities in which the MNC operates be it in Africa, emerging or developed markets. This conclusion confirms the view of Scott (2015) that institutional environments are not monolithic and that each actor has to affirm their own view of how they experience the host country institutional logics in order to be able to determine how to respond.

A particularly complex aspect of South Africa's culture which MNCs find difficult to deal with is the significance of race within society. There is an appreciation of the long history of legislated and structural racial discrimination in South Africa. The racially discriminatory legislated system was abolished twenty five years ago but full integration of the races on a practical and conceptual level has not taken place. Foreigners do not fully understand when people respond emotionally on issues of race and often get surprised when it happens in work performance discussions, evaluation of opportunities and day to day communication. Matters relating to race are made more confusing to outsiders because the country is still in transition and the rate of the transition is not happening uniformly and as such even among locals there is no consensus on how to deal with matters relating to race. The complexity affects local companies as well as MNCs but locals have different expectations on how foreigners should participate in ongoing debates. Racial differences in South Africa create an institutional void but in reality it affects local businesses as well and it does not therefore create a liability of foreignness.

MNCs are concerned about high rates of crime in South Africa. The literature does not point to generalised crime as problematic in the context of institutional voids. A study in relation to Ghana alludes to MNCs experiencing higher levels of pilferage in the stores as compared to local businesses and concluded that this was due to negative attribution to foreigners. In the current study the MNCs raised crime as issue of concern and saw it as pervasive and violent. Crime is a concern for the MNCs and foreigners are more apprehensive about crime, it does not constitute liability of foreignness as it affected foreigners and locals indiscriminately.

The literature identifies CSI as a strategy that MNCs adopt to achieve acceptance in host markets. A distinction is made between do-good and do-no-harm CSI and a conclusion is made that do-good CSI is more effective in helping the MNC to achieve positive attribution (Crilly, et al, 2015). MNCs appear reluctant to characterize their CSI as an attempt to achieve acceptance and articulate it as a part of their ethos. Evaluation of MNCs' CSI activities shows that they broadly prefer do-good CSI which fits the literature as the best way to achieve positive attribution. The initiatives mostly relate to education, training and health. The bulk of the initiatives are located in the areas where the MNC operates and tend to focus on the youth and children. It can be argued therefore that by focusing on the geographical location where they operate, the MNCs ensure that they support families and communities of their own employees thus strengthening positive attribution among this group.

CSI by MNCs achieves the objectives identified in the literature of positive attribution and the company's ethos helps to determine what type of do-good CSI would be easier to embark upon. It is easier for the MNC headquarters to approve CSI that resonates with the MNCs ethos. Local management are responsible for achieving positive attribution and must therefore ensure that CSI initiatives resonate with host country needs. Finally they have to reconcile the CSI with identified business needs. Education, training, health care and youth development achieve all the above objectives. The MNC's ethos is therefore a significant factor in minimizing or masking the perception that there are institutional voids in the host market.

5.2.3 Human Capital Voids.

According to the various theories, particularly the OLI paradigm, that explain Internationalization by MNCs these firms seek to take advantage of their own superior capabilities where these comprise a business advantage in the host market (Dunning, 2015). When DMNCs go into emerging markets the OLI paradigm assumes already possess superior knowledge skills. EMNCs on the other hand are assumed to venture into developed markets because they are seeking, among other things superior knowledge skills that exist in those markets. Based on this logic it can be assumed that DMNCs operating in an emerging market like South Africa already have superior knowledge skills and would therefore not be searching for knowledge skills. EMNCs on the other hand could be having equivalent or lower levels of skills and could potentially be seeking find knowledge skills in South Africa. Ramamurti (2012) questioned this logic and demonstrated that EMNCs are also expanding into other markets, including developed markets. He accepted the base premise of the OLI paradigm but argued that EMNCs have capabilities that are defined differently. Human capital related capabilities are not, generally a strong part of EMNCs and human capital institutional voids should therefore be a bigger concern for EMNCs as compared to DMNCs.

The MNCs participating in the research distinguished between skills that the workforce should have as they leave the schooling system and higher level managerial, technical and strategic skills. What is interesting is that EMNCs and DMNCs have similar views in relation to the skills categories. Both these two broad categories of skills are perceived as creating institutional voids. The concern about the skills of school leavers is that the schooling system is not equipping students with skills that are fit-for-purpose in terms of modern business. Managerial, technical and strategic skills are perceived by MNCs to be available but in short supply. The shortage of school leaver and of high level managerial, technical and strategic skills creates a human resources institutional voids but do not constitute liability of foreignness.

MNCs believe that to overcome the skills gaps they have to recruit expatriate skills. All expatriates working in South Africa are required by law to have work permits issued by the Department of Home Affairs. According to the MNCs the bureaucracy and inefficiency of the Department of Home Affairs turns this task into a nightmare. The amount of information requested, the paperwork and the times it takes is out of kilter with other jurisdictions and is a source of a huge amount of frustration. Applicant businesses have to demonstrate that the skills that the expatriate possesses in is not available in the country. Officials use this provision to justify their attitude of keeping expatriates out and to decline many of the requests. MNCs have identified this as an institutional void but not as a liability of foreignness, as it affects local businesses similarly.

Workforce lack of confidence and a propensity to resort to violence are two other institutional voids that have been highlighted by MNCs in the research. They associate the lack of confidence by the workforce with an unwillingness to stretch themselves and also a culture of changing jobs before acquiring sufficient experience relating to the jobs. They see the violence as part of the broader South African society and they are also affected by the reputation of the workforce to resort to violence to resolve work disputes. Foreigners feel particularly vulnerable to violence even though they may not have experienced it in their operations. Lack of confidence by the workforce and the society’s propensity for resorting to violence are not experienced by MNCs uniquely. For this reason they also do not constitute liability of foreignness.

5.2.4 Summary of Research Question 1

Institutional voids are predominantly an emerging market phenomenon are described in great detail in the literature using institutional theory as a lens. Institutional theory as articulated by Scott (1987) breaks institutions into three pillars which are regulatory (laws and regulations), normative-cultural (culture) and cognitive (human capital). The research was therefore organized to explore institutional voids using the framework of these three pillars and determine the extent to which they create liability of foreignness. The aim was to test the proposition that a high prevalence of institutional voids increases liabilities of foreignness experienced by MNCs in emerging markets.

The research indicates that regulatory voids do not generally result in liability of foreignness and only lead to liability of foreignness where a law is specifically designed to be discriminatory to achieve a domestic political outcome, such as in the case of BEE legislation. Cultural voids are more likely to result in liability of foreignness especially where the MNC has not adopted an attitude of ensuring that its local leadership immerse themselves in understanding local culture or are a part of it by virtue of being locals. Human capital voids do not result in liabilities of foreignness primarily because all businesses in the market have access to, and are competing for the same pool of human resources.

The proposition is therefore restated as follows:

Revised proposition 1a – Normative-cultural institutional voids increase liabilities of foreignness for MNCs operating in emerging markets due to lack of sensemaking and embeddedness by the MNC in local culture.

Revised proposition 1b – Regulatory institutional voids result in liability of foreignness for MNCs operating in emerging markets when specific discriminatory laws and regulations are put in place.

5.3 Research question 2.

Research question 2 is intended to establish what liabilities of foreignness are experienced by MNCs in emerging markets? In order to answer this question the research explored ways in which MNCs as foreign businesses were at a disadvantage compared to local businesses. To help in exploring this question, Proposition 2 that MNCs are impacted negatively by liabilities of foreignnesss that arise due to institutional voids in emerging markets was advanced.

The literature defines liabilities of foreignness as costs that MNCs incur which local businesses do not necessarily incur when operating in the same host market (Hymer, 1976; Zaheer, 1995). Liability of foreignness, as is defined, impacts MNCs irrespective whether they operate in emerging or developed markets and notwithstanding that they themselves originate from developed or emerging markets. A summary of the literature in table 2.2 illustrates that there is a substantial number of types of liability of foreignness that have been identified (Acheampong & Dana, 2017; Barnard, 2010; Bhaumik et al, 2016; Crilly,et al, 2015, Denk, et al, 2012; Kuznetsov and Kuznetsova, 2014, Mbalyehore, et al, 2017, Moeller, et al 2013). The table also illustrates that many of the liabilities of foreignness have been researched in the context of developed markets. Having established under research question 1 how institutional voids influence liability of foreignness research question 2 seeks to establish what aspects of foreignness of MNCs have a negative impact on them in this context. The related proposition was therefore tested by asking MNCs whether elements relating to their foreignness created a liability for them.

The process followed was to evaluate the disadvantages of foreignness to determine which of them are influenced by institutional voids. In this process we eliminate consequences of foreignness that do not create disadvantages or do not constitute liabilities of foreignness. Secondly we eliminate liabilities of foreignness that are not influenced by institutional voids. Finally we reconcile whether any liabilities of foreignness that are applicable to developed markets are relevant to emerging markets

The responses indicated that foreignness in South Africa presents advantages and disadvantages to MNCs which accords with the identity framework proposed by Edman (2016). The disadvantages constitute liabilities of foreignness but depending on the firm's identity, attributes of foreignness could present more advantages than disadvantages. Other than the question of BEE ratings, the other disadvantages identified by MNCs in the interviews are also confirmed in the literature. Bias against foreigners, difficulty in winning government or state owned company business and restrictions to doing business that is not compatible with the wishes of the parent are identified in the literature.

It is important to make an observation that disadvantages are more likely a function of the business of the MNCs (Edman, 2016) or its organizational characteristics (Mezias, 2002). In the case of state owned companies their business compels them to rely MNCs as suppliers because their needs cannot be met by local suppliers. This applies to the major state owned companies involved in electricity supply, rail transport and aviation. Reports in the public domain also indicate that that government relies on MNCs for consulting, accounting firms for services. The general impact of liabilities of foreignness is therefore significantly moderated by this reality.

The liabilities of foreignness have to be contrasted with the advantages of foreignness which include broadened access to business due to stronger branding, ability to supply goods in multiple jurisdictions and the perceived ability to support other MNCs. Other advantages mentioned are an ability to attract capital and better access to higher professional standards. From an MNC business perspective the advantages appear to be more significant compared to disadvantages in the South African market.

As per the discussions relating to RQ1, BEE is the only regulatory void that leads to liability of foreignness. Human capital voids do not lead to liabilities of foreignness. Culture voids on the other hand significantly lead to liabilities of foreignness. The elements of culture voids that could lead to liability of foreignness are identified as lack of embeddedness (Hymer, 1976), negative attribution (Crilly, et al, 2015) culture and race, propensity to resort to violence and pervasiveness of crime. As discussed under research question 1 lack of embeddedness is one potential source of liability of foreignness. It is however not a result of institutional voids but rather an attribute of the MNC. It can therefore be concluded from the research that normative liabilities of foreignness that were identified through the interviews with MNCs do not result from institutional voids. Proposition 2 that MNCs are impacted negatively by liabilities of foreignness that arise due to institutional voids in emerging markets is not supported. In its place the following revised proposition is put forward.

Revised Proposition 2 – Liabilities of foreignness that impact MNCs in emerging markets are not a direct result of institutional voids in those markets and are more likely to result from spatial, psychic, dynamic or cultural distance.

5.4 Research Question 3.

Research question 3 is intended to establish how MNCs operating in emerging markets respond to liabilities of foreignness arising from institutional voids. In order to do this the research sought to establish what responses have been adopted MNCs in response to liabilities of foreignness. Proposition 3 was put forward that MNCs respond to liabilities of foreignness within an institutional environment based on their characterization of the impact of the liability of foreignness,

The literature on liability of foreignness identifies a number of responses that MNCs adopt to minimize their liability of foreignness (Acheampong & Dana, 2017; Barnard, 2010; Johanson & Vahlne, 2009; Mbalyohere, et al, 2017; Wocke & Moodley, 2015). MNCs responses are however not always aimed at minimizing their foreignness, there are occasions when accentuation is of foreignness is a preferred strategy (Edman, 2016, Mbalyohere, et al 2017; Yildiz & Fey, 2012). Table 2.2 summarizes the liabilities of foreignness that have been identified in the literature and responses that have been adopted with regard thereto by MNCs. For the purpose of this analysis I deal only with liabilities of foreignness that are relevant to emerging markets and to the research finding, (Acheampong &.Dana, 2017; Bhaumik, et al, 2016; Denk, et al, 2012; Kuznetzov & Kuznetsova, 2014; Mbalyohere, et al, 2017; Wocke & Moodley, 2015; Yildiz & Fey, 2012).

The literature identifies crime in the liabilities of foreignness context as arising from nationalistic and social factors (Acheampong & Dana, 2017). The research characterizes crime in South Africa as more pervasive and not targeting MNCs specifically and as such is not a liability of foreigness. Increased expenditure on security applies to all businesses as a cost of operating in the country.

The literature identifies political hostility (Wocke & Moodley, 2015) and lack of institutional legitimacy (Yildiz & Fey, 2012) as LoFs facing MNCs in emerging markets. These liabilities of foreignness result in higher costs for MNCs by way of a need for increased political and social actions. Failure of the response strategies can be dire and reduce the chances of survival of the business. The interviews with MNCs did not identify either political hostility or lack of institutional legitimacy as liabilities of foreignness facing MNCs in South Africa. In markets where these liabilities of foreignness are present the responses had been isomorphism, adaption or adoption (Wocke & Moodley, 2015). MNCs operating in South Africa have not had to rely on them in this context.

Gaps in communication due to language and lack of sensemaking arise when managers in the host market have a different understanding of business concepts as compared to MNCs (Kuznetsov & Kuznetsova, 2012). This is typically what was experienced by MNCs venturing into previously closed economies of Eastern Europe where local managers did not have the benefit of western business school concepts. The MNCs operating in South Africa did not identify this as a concern.

Costs arising from lack of embeddedness and lack of host country institutional knowledge are identified in the literature (Denk, et al, 2012). The premise is that if the MNC does not understand how the institutions in the host economy operates and it is likely to make mistakes that end up being costly and damaging to the MNC's reputation. The research demonstrated that MNCs are particularly sensitive about understanding local institutions particularly as they relate to culture. They understood that missing cultural nuances could be very costly for the MNC due to the poor market share or loss of business. It is in this area that MNCs who participated in the research implemented responses. The first type of response is to appoint management teams consisting predominantly or entirely of locals. The second response is to spend time and resources on reading about getting training to ensure that they have a good understanding of local culture. Thirdly they ensure that the local head of the business takes personal responsibility to immerse himself in the local culture.

The literature identifies liabilities of foreignness arising from immature regulation (Mbalyohere. et al 2017). The cost of this for the MNC is the difficulty in doing business in frontier markets due to the fluidity of the regulatory environment. Political action has been identified as the appropriate response to influence policy and achieve a level of political legitimacy (Mbalyohere, et al, 2017). In South Africa the MNCs have identified that the only regulatory void that creates liability of foreignness is BEE legislation. MNCs have however elected not to pursue political action as a way of influencing a change to this legislation. Information in the public domain indicate that MNCs could be abrogating direct political but privately doing it through their countries' business and political representative bodies in the form of indirect political action. With regard to BEE regulations some MNCs also make a point of having a rating in order to be seen to be making an attempt to comply. This is in line with the construct of ceremonial compliance which is mentioned in the literature.

MNCs faced with the challenge of institutional legitimacy end up incurring social costs in the host markets (Yildiz &Fey, 2012) and in many cases resort to CSI in order to achieve positive attribution (Crilly, et al, 2015). The challenge that they face in determining which CSI initiatives to adopt in this regard is that host market stakeholders tend to minimize the positive initiatives by foreigners and accentuate their negative actions (Crilly, et al, 2015). MNCs have agency and are not helpless players in their host markets (Kostova, et al, 2008) and have choices in how to respond to potential negative attribution and to hostility from host market stakeholders (Moeller, et al 2013). When adopting CSI initiatives to help achieve positive attribution they have a choice between do-no-harm and do-good CSI (Crilly, et al, 2015). Do-no-harm does not appear to result in positive attribution as it is expected of MNCs to behave in that manner. Do-good CSI has more of a positive impact on attribution by local stakeholders.

The MNCs operating in South Africa generally undertake do-good CSI and appear to focus on education and training. This can be seen as self-interest when viewed from the perspective that education and skills is a key institutional void that they have identified. This type of CSI also resonates with stakeholders particularly when the education and training is broader than the MNCs own needs such as the UK MNC's bursary schemes for students studying MBAs or the Indian MNCs sponsorship of a government driven women in science awards. The MNCs further accentuate the impact by avoiding the characterization of CSI in terms looking to achieve positive attribution but want it to be viewed as part of the MNCs ethos. In addition to their focus on education and training MNCs CSI targets the youth and health for communities around their geographical area of operations which are informed by the same logic.

Isomorphism is also identified in the literature as an important response by MNCs to minimize their foreignness (Moeller, et al, 2013; Edman, 2016). These studies however focused on developed markets where EMNCs, in particular, had to disguise their foreignness in order to gain legitimacy in the market. In emerging markets institutions and norms are in a state of transition and it is for that reason not possible nor necessary to achieve isomorphism (Yildiz & Fey, 2012). The research bears this out and none of the MNCs indicated isomorphism as a response that they have pursued.

Liability of foreignness not only results from spatial distance (Zaheer, 1995) or dynamic distance (Zhou & Guillen, 2015) but can also be a result of outsidership (Johanson & Vahlne, 2009). These factors diminish the ability of the MNC to be embedded in the local environment or be part of local networks and relationships (Johanson & Vahlne, 2009). These studies have however been in the context of developed markets. To overcome these liabilities of foreignness MNCs tended to take a gradual approach to internationalization (Johanson & Vahlne, 2009; Zhou & Guillen, 2015), choose when to capitalize on parent company strengths or adopt isomorphism (Zaheer, 2005). In emerging markets Kuznetsov and Kuznetsova (2014) were able to identify gaps in sensemaking as a relevant liability of foreignness which prevented the building of a professional discourse with local management. These liabilities of foreignness can be classed as spatial, psychic, dynamic or cultural distance.

The literature has identified these LoFs predominantly in developed markets they MNCs indicate that they would apply in South Africa as well. To overcome them, MNCs operating in South Africa have adapted the strategy of employing mostly or entirely local management teams. Secondly they have given a real focus on immersing their leaders in South African culture where these leaders are expatriates. To ensure that the ethos and culture of the parent company is retained some of the other MNCs have appointed expatriates steeped in the MNC's culture as the head of the local operation.

It can be concluded, based on the above, that MNCs respond to liabilities of foreignness not only on the characterization of the liability of foreignness but also on the MNCs own attributes and strategic interests. The third proposition is therefore revised as follows.

Revised Proposition 3 – MNCs respond to liabilities of foreignness based on their characterization of the liability of foreignness as well as the MNC's own ethos and strategic interests.

5.5 Summary of the analysis.

The research questions posed at the beginning of this study provided direction for the study and analysis of the literature. Institutional theory was used as a lens through which research problem was analyzed. The analysis of the literature led to the refinement of the initial propositions that were put forward and were used to guide the design of the interview schedule. Insights were obtained from the interviews with representatives of MNCs operating in South Africa and these are summarized in the study. The study sought to understand how institutional voidss existing in emerging markets influence liabilities of foreignness experienced by MNCs in these markets.

The study focused on South Africa as a representative emerging market due to its status as the most diverse market in and second biggest in Africa. South Africa is also a member of BRICS, with the biggest and most influential emerging markets of Brazil, Russia, India and China. MNCs, which were chosen as a unit of study and due to the diversity of MNCs operating in South Africa the sample was chosen purposively to obtain a sufficient level of diversity in terms of countries of origin as well as industries in which they operate.

As a result of the analysis the initial propositions were revised and are presented in this study as revised propositions relating to each of the research questions. Fig 5.1 is a summary of the research questions, initial propositions and revised propositions.

TABLE 5: SUMMARY OF RESEARCH QUESTIONS, INITIAL PRPOSITIONS AND REVISED PROPOSITIONS

Research Questions (RQ)	Initial Propositions (P)	Revised Propositions (RP)
RQ 1 - How do institutional voids influence liabilities of foreignness of MNCs operating in emerging markets?.	P 1 - A high prevalence of institutional voids increases Liabilities of foreignness experienced by MNCs in emerging markets.	RP 1a – Cognitive-cultural IVs increase liabilities of foreignnesss for MNCs operating in emerging markets due to lack of sensemaking and

		embeddedness by MNCs in local culture. RP 1b – Regulatory institutional voids result in liability of foreignness for MNCs operating in emerging markets when specific discriminatory laws and regulations are put in place.
RQ 2 - What are the liabilities of foreignness experienced by MNCs in emerging markets?	P 2 - MNCs are impacted negatively by liabilities of foreignness that arise due to institutional voids in emerging markets.	RP 2 – LoFs that impact MNCs in emerging markets are not a direct result of IVs in those markets and are more likely to result from spatial, psychic, dynamic or cultural distance**.**
RQ 3 - How do MNCs operating in emerging markets respond to institutional liabilities of foreignness?	P 3 - MNCs respond to LoFs within an institutional environment based on their characterization of the impact of the liability of foreignness.	RP 3 – MNCs respond to LoFs based on their characterization of the liability of foreignness as well as the MNC's own ethos and strategic interests.

As identified earlier in this study the literature does not explicitly link the concepts of institutional voids and liability of foreignness. It is argued that institutional voids and liability of foreignness have a lot of aspects in common and that a studies to understand how the one influences the other are therefore warranted. Of the three pillars of institutional theory cognitive-cultural aspects appear to have a stark influence liability of foreignness. The reason for this is that most of the elements of culture are unwritten and are best understood by insiders who, naturally, tend to be locals. The notion of outsidership, has helped in advancing the understanding of liability of foreignness and added to the cognitive-cultural perspectives.

Significantly the study advances a contention already raised in the institutional theory literature that institutional voids do not constitute a liability for MNCs in all cases. The study has identified instances under which institutional voids lead to liabilities of foreignness as well as other conditions that may lead to MNCs experiencing liabilities of foreignness. The study also identifies instances under which institutional voids provide opportunities for MNCs. In emerging markets MNCs are able to use their brands, expertise and experience to achieve advantages in the host market.

Chapter 6 – Conclusion.

6.1 introduction to conclusions.

The objectives of this study was to understand the following

- How the existence of institutional voids in emerging markets influences the liability of foreignness.
- Secondly it was to understand which liabilities of foreignness that are a result of institutional voids impact on MNCs.
- Thirdly to understand how MNCs respond to these specific liabilities of foreignness.

Institutional theory was the lens through which the study was undertaken and in terms of which the three pillars of institutional theory namely regulatory, normative and cognitive-cultural were used to understand the nature of institutional voids and liabilities of foreignness in the emerging market context. Institutional voids are a weakness or absence of institutions to support the conduct of business operations is a market (Khanna & Palepu, 1997). LoFs on the other hand are costs or disadvantages experienced by MNCs which local companies do not incur (Zaheer, 2002).

The first gap that underlie the objectives of this study was that the literature does not explicitly indicate how institutional voids which are an emerging market phenomenon result in liabilities of foreignness for MNCs operating in those markets. The second gap was identified through the literature which called for more studies in emerging markets to reduce the gap between how liability of foreignness was experienced in emerging markets as compare to developed markets. Liabilities of foreignness studies in emerging markets are in the nascent stage and have tended to focus on the major emerging markets of China, India, Russia and Mexico.

The purpose of this chapter is to present conclusions in relation to the study. Firstly the results of the study are consistent with the literature that institutional voids are prevalent in emerging markets. Secondly the study establishes that institutional voids influence liabilities of foreignness which are experienced by MNCs, but only in limited circumstances described in the study. Thirdly the study confirms that the MNC has options in responding to liabilities of foreignness, dependant on the MNCs characterisation of the liabilities of foreignness.

In each environment the three pillars identified by Institutional theory occur together but not necessarily dependent on each other (Scott, 2008). In emerging markets it can therefore be anticipated that institutional voids will exhibit different levels of pervasiveness. Luiz and Stewart (2014) best describe institutions in emerging markets as not being dysfunctional but rather lacking regulatory effect.

6.2 Principal Conclusions.

This section details the principal conclusions in relation to the main themes of the study. Institutional voids are reported in accordance with the three pillars of institutional theory which was used as a framework for the analysis.

a. Regulatory voids.

Regulatory voids in South Africa are exhibited by uneven enforcement of well-designed and clearly crafted laws (Roxas, et al, 2012). The unevenness of enforcement is related to elements of state capture and arbitrary behaviour by state officials. The judiciary, however, seems untainted by this arbitrariness. In this regard the regulatory weakness differs to some of the arbitrariness and lack of clear laws that is prevalent in many of the African economies (Luiz & Stewart, 2014). Uneven regulatory enforcement affects all businesses and does not present a burden that is exclusive to MNCs. The conclusion, therefore, is unevenness in the implementation of laws is not aimed at MNCs and for that reason it does not fit the definition of liability of foreignness.

BEE legislation is characterised as a regulatory void of a special kind. The legislation is restorative by design and therefore inherently discriminatory. MNCs experience it as a void for the primary reason that they do not have the ability to be local businesses owned by black South Africans. They are, to a limited extent, able to improve their BEE rating scores through the other elements provided for in the legislation but are technically not able to get a maximum rating. State officials also have a tendency to exercise arbitrary discretion when they grant licences and when it comes to allocating government or SOC business. They put emphasis on the ownership aspect and instinctively discriminate against foreign MNCs on the obvious ground that they are not owned by black South Africans. BEE by virtue of being a law designed deliberately to be discriminatory constitutes meets the definition of LoF. Secondly it is a result of an institutional void arising from immature regulation (Mbalyohere, et al 2017).

b. Normative voids

Normative voids are very prevalent in the South African economy and are expressed by MNCs as a shortage of managerial, technical and strategic skills. They also manifest in the view that the educational system is not equipping students with skills that are fit for purpose. These normative voids, identified by MNCs impact businesses in that they increase costs in terms of additional training costs and low productivity. MNCs typically manage this void through job rotation within their global affiliations (Manikandan & Ramachandran, 2015) but in South Africa this is thwarted by the extreme difficulty in obtaining work permits for expatriate employees. Normative voids in the form of a shortage of high level skills and an inadequate schooling system affect all businesses and do not in themselves result in costs that are exclusive to MNCs. In this regard they do not the definition of liability of foreignness. Businesses attempt to mitigate this problem by recruiting expatriate employees. In this process a related void arises in the form of attitudes by officials who create a lot of red tape when it comes to the issuing of work permit visas for expatriate employees. The ostensible reason seems to be a view that foreign employees will take jobs away from locals. All businesses who wish to employ expatriate employees are similarly affected and the institutional void also does not fit the definition of liability of foreignness. It can be concluded therefore that normative institutional voids in South Africa do not result in liability of foreignness.

c. Cognitive-Cultural voids.

Cognitive-cultural voids are more experienced by MNCs as very much prevalent in the South African economy. MNCs tend to find South African culture, in so far as it relates to the conduct of business, to be complex. The complexity results from a number of factors including history, racial identities, politics, transitioning economy status, geographic location in the African context and disparities in wealth. For MNCs it does not seem to fit squarely with the rest of Africa nor the East or West hence DMNCs and EMNCs, including African MNCs, find the culture challenging. This complexity has led to heads of MNC operations in South Africa believing that they have to personally invest time and resources in understanding the culture in order for them to be able to operate effectively. The diverse cultural aspects that manifest in South Africa fortunately create opportunities for MNCs to invoke their own culture and value systems as these are likely to find some resonance somewhere within this complex environment. The most concerning element of the South African culture for MNC and their expatriate employees is the high prevalence of crime. They accept that crime is not targeted at them specifically but they, as outsiders, react much more acutely to it.

Overall the cognitive-cultural void seem to be the most severely felt by MNCs, due their lack of embeddedness and local knowledge (Denk et al, 2012). Cultural norms unlike regulatory and normative aspects of the country are not written down nor are they perceived in similar way by different groups of the population or geographical region in the country carry a trepidation of missteps which MNCs dread. Cognitive-cultural institutional voids are perceived by MNCs as resulting in liability of foreignness.

d. Institutional Voids, Liabilities of Foreignness and MNCs.

Liabilities of foreignness, including liability of outsidership, exist in both developed and emerging markets and are a function of internationalisation of business (Mezias, 2002; Johanson & Vahlne, 2009) and are experienced by the MNC. Institutional voids on the other hand are a phenomenon of developing markets and all businesses operating in the market are subjected to them. MNCs are therefore subject to institutional voids in their host markets but are in addition subjected the reality of their foreignness. Unlike early assumptions in the literature foreignness does not automatically translate into a disadvantage. In some markets it turns out that foreignness is more likely an advantage (Moeller, et al, 2013; Ramamurti, 2012; Yildiz and Fey, 2012). This seems to be the case particular in emerging markets where DMNCs possess strong brands. Liabilities of foreignness and institutional voids do not have a linear or clear relationship and how liabilities of foreignness are influenced by institutional voids is function of the attributes of the individual MNC and its relationship with the host environment. Conclusions in this study are peculiar to South Africa and the MNCs in the study and more research is necessary in different emerging markets for definite relationships to be established with a level of confidence.

e. MNC responses.

The complexity of the relationship between the MNC and its host environment requires the MNC to always decide on how to respond. In the context of this study the assumption is that the MNC responds in order to eliminate a negative impact to its business. Scott (2008) indicated that the MNC is not a helpless hostage to its institutional environment but an active player in the development of the host country institutions. Much of the other research has also highlighted that the MNC has agency on how to react to challenges in its institutional environment (Cantwell, et al, 2010; Rottig, 2016). The important determinant of how the MNC responds is the MNCs characterisation of what it is faced with. When faced with institutional voids, for instance it can rely on it inherent OLI advantages (Dunning, 2015), identity (Edman, 2016), actively close the gaps (Parmigiani & Rivera-Santos, 2015), rely on alternative institutions (Pinkham & Peng, 2017) or rely on affiliates and other resources to close the gaps (Manikandan & Ramchandaran, 2015). Where the MNC characterises its challenges of foreignness as LoF options for responding are more specific and include legal action, political action (Mbalyohere, et al, 2017), buying of local skills (Barnard, 2010), isomorphism (Moeller, et al 2013), adaption or adoption (Wocke & Moodley, 2015) and implement CSI (Crilly, et al 2015).

6.3 Implications of the study.

The study has significance for management of MNCs who have to navigate their operations in other jurisdictions for policy makers in emerging markets.

a. The academic implications of the study is to confirm that institutional voids in any emerging market results in liability of foreignness only in certain instances. Emerging markets are not homogeneous (Chipp, et al, 2019) and liabilities of foreignness arising from their institutional voids will therefore differ. The identity of the MNC and its relationship with institutional environment is important in determining the extent to which the MNC is impacted by liability of foreignness (Edman, 2016).

b. For MNCs the study identifies what liabilities of foreignness the MNC is likely to encounter as a result of institutional voids in emerging markets. Secondly the study confirms that not all institutional voids create disadvantages for MNCs (Manikandan and Ramachandrian, 2015). Thirdly the MNC has agency and can choose from an array of responses to both institutional voids and to liabilities of foreignness where these result from institutional voids (Rottig, 2016). Fourthly MNCs must first determine whether they are confronted with institutional voids or with liability of foreignness before embarking on the appropriate response (Yildiz & Fey, 2012).
c. The implications for policy makers who are focused on attracting FDI into their economies the study highlights how MNCs operating in their markets are impacted by the institutional voids in their economies and which ones are experienced by MNCs as liabilities of foreignness.

6.4 Limitations of the research.

A key limitation of this study is that the data is cross sectional and is based on MNC experiences at a point in time. It is therefore not definitive on whether the liability of foreignness experienced by MNCs is dynamic and changes over time. Secondly it is confined to MNCs operating in South Africa and the results are not necessarily transferable to other emerging markets. Finally this study has not attempted to establish emerging market characteristics that are applicable to South Africa which create the specific institutional voids that influence liabilities of foreignness.

6.5 Suggestions for further research.

There is a need to study other emerging markets at different levels of institutional and economic development in order to build a more generalizable view on how the levels of development define the nature of their institutional voids and thereby have a better sense of how they influence liabilities of foreignness.

This study focussed on institutional voids as they exist in South Africa and did not investigate what conditions or antecedents lead to the existence of specific institutional voids. Future studies can investigate factors leading to the existence of specific types of institutional voids.

This study approached liability of foreignness from a very broad country perspective. Institutional development within countries or within industries in a country may be uneven and thus impact MNCs differently warranting different responses by MNCs. The understanding of liability of foreignness in emerging markets can benefit from industry and region specific studies in different emerging markets.

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Appendix A – Interview Schedule.

Master of Philosophy: International Business

University of Pretoria (Gordon Institute of Business Science)

Semi-Structured Interview Schedule

The influence of institutional voids on the liability of foreignness for multinationals operating in emerging markets.

By Tlelima Patrick Makhetha (19111267)

A. Opening.

A.1. Introduction and establishing rapport.

A.2. Explain purpose of the interview – to ask questions to in order obtain insight into the company's experience and views in relation to the subject matter of the research.

A.3. Outline the reasons behind the research (including the topic) – to understand how institutional voids influence liability of foreignness for Multinationals operating in emerging markets.

A.4. Explain that the relevance of the study is for Multinational Corporations and local institutional bodies to have a better understanding of how institutional voids contribute to liability of foreignness.

A.4. Establish time-line by thanking the respondent for making the time available from their busy schedule. Appreciating that the one hour of their time is valuable and that I will get straight into the interview so that we make the most of the time. Get permission to go ahead.

A.5. Request permission to record the interview and explain that it is to ensure that their views are accurately captured and that the recording will be supplemented by notes taken by me during the meeting. Explain that the audio record will be transcribed and will be stored in a manner that ensures confidentiality.

B. Confirm details of MNC.

B.1. What is your tittle in the company and what is your role?

B.2. How long has the company had operations in South Africa?

B.3. What is the Company's country of origin?

B.4. Before commencing operations in South Africa did the Company already have other international operations?

B.5. How many of the senior management of the local subsidiary of the Company (including yourself) are local and how many are expatriates?

B.6. Finally, are you aware if companies competing directly with your Company are exclusively local or if there are foreign companies as well?

C. Body

C.1. Institutional Voids. (introduce by explaining that the term is used to refer to the absence or underdevelopment of legal, regulatory, cultural and human resource related institutions).

C.1.1. In the experience of your Company what is your view of the level of development of South Africa's legal and regulatory framework in terms of conducting business?

C.1.2. Are there aspects of South African culture relating to business practices that you believe need development in order to improve the ability of foreign companies to conduct business here?

C.1.3. What is your view regarding availability of human resources and capability in the country to support the conduct of your Company's business?

C.1.4. In what way does your Company believe that underdevelopment in any of the formal legal and regulatory, cultural and human resource institutions mentioned above lead Companies to resort to alternative institutions in order to achieve business objectives?

C.1.5. In what way does your company believe that the existence of institutional voids may be contributing to high levels of corruption in the country?

C.2. Liability of Foreignness. (introduce by explaining that the term is used to refer to costs incurred by MNCs operating in South Africa which local companies are not exposed to).

C.2.1. Can you share your views on how underdevelopment of various institutional frameworks in South Africa are putting your Company at a disadvantage compared to local competitors?

C.2.2. Can you elaborate on how do these disadvantages of being a foreign company result in additional costs for your Company?

C.2.3. How does your Company's country of origin have an impact of the extent to which you experience liability of foreignness?

C.2.4. How does your Company evaluate the severity of these impacts?

C.2.5. What strategic responses has your Company adopted to reduce the impacts of liability of foreignness?

D. Conclusion.

D.1. Summary of the key learning themes from the interview.

D.2. Do you any additional insights that you believe could be helpful for this research?

D.3. Thank you for the time and the valuable insight that you were willing and able to share with me. It certainly will help in making sure that the outcome of this research is credible and will be useful to all that will have access to it.

(At each stage the answers provided by the respondent may be followed by follow up questions to probe further as may be necessary and dependent on the flow of the interview.)

Appendix B - Consistency matrix.

The research questions, the propositions developed from them, data collection tools and the planned analysis techniques are logically consistent with the literature and theory underpinning the research.

Consistency matrix.

Research Questions and Propositions	Section in literature	Data collection tools	Analysis technique
Q1: How do IVs influence LoFs of MNCs operating in emerging markets? P1: A high prevalence of institutional voids increases LoFs experienced by MNCs in emerging markets.	Hymer (1976); Zaheer (1995); Mezias (2002); Moeller, Harvey, Griffith & Richey, (2013); Kuznestov & Kuznetsova (2014)	Literature review and semi-structured interviews.	Coding, finding themes, analysis of data and conclusions.
Q2: What are the LoFs experienced by MNCs in emerging markets? P2: MNCs are impacted negatively by LoFs that arise due to IVs in emerging markets.	Acheampong, G. & Dana, L-P (2017); Barnard, H. (2010); Bhaumik, S.K., Drieffield, N., & Zhou,Y. (2016); Crilly, D., Ni, N. & Jiang, Y (2015); Denk, N., Kaufmann, L., & Roesch, J-F. (2012); Edman, J. (2016); Hymer, S.H. (1976); Johanson, J. & Vahlne, J-E. (2009); Kuznetsov, A., & Kuznetsova, O. (2014); Mbalyohere, C., Lawton,T., Boojihawon, R.,& Viney, H. (2017); Mezias, J.M. (2002); Moeller, M., Harvey, M., Griffith, D., &	Literature review and semi-structured interviews.	Coding, finding themes, analysis of data and conclusions.

	Richey, G. (2013); Ramamurti, R. (2012); Wöcke, A., & Moodley, T. (2015); Yildiz, H.E. & Fey, C.F. (2012); Zaheer, S. (1995); Zhou, N., & Guillen, M.F. (2015).		
Q3: How do MNCs operating in emerging markets respond to institutional LoFs. P3: MNCs respond to LoFs within an institutional environment based on their characterization of the impact of the LoF.	Barnard (2010); Johanson & Vahlne (2009); Moeller, Harvey, Griffith & Richey (2013); Mbalyohere, Lawton, Boojihawon & Viney (2017); Crilly, Ni & Jiang (2015); Yildiz & Fey (2012).	Literature review and semi-structured interviews.	Coding, analysis of interviews, finding themes and conclusions.

Appendix C – Ethics Clearance letter.

Gordon Institute of Business Science
University of Pretoria

17 July 2019

Makhetha Tlelima

Dear Tlelima

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

Gordon Institute of Business Science
Reg. No. [illegible]
[illegible] Melville Road, Illovo, Johannesburg
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University of Pretoria

Appendix D – Informed consent.

INFORMED CONSENT LETTER FOR THE REPRESENTATIVE OF THE MULTINATIONAL CORPORATION

Dear Participant,

My name is Tlelima Patrick Makhetha. I am currently registered for a Master of Philosophy in International Business with the University of Pretoria, Gordon Institute of Business School (GIBS) and am presently working on my research project.

I am conducting research on multinational corporations, I am trying to get an in-depth understanding of how the liability of foreignness experienced by multinational corporations is influenced by the existence of institutional voids. The purpose of the research study is to look into how institutional voids influence liability of foreignness for multinationals operating in emerging markets. Our interview is expected to take approximately an hour, and will help us gain an in-depth understanding of how multinational corporations operating in South Africa experience liability of foreignness.

Your participation as an individual and as a representative of the multinational corporation is voluntary and can be withdrawn at any time without any penalty.

Please note that all data that will be used in the research report will be reported and stored without any identifiers. Your confidentiality and the confidentiality of all other participants will be ensured.

Should you have any queries, please note that you may either contact the researcher or supervisor. The contact details are provided below:

Researcher: Tlelima Makhetha	Supervisor: Dr. Anastacia Mamabolo
Email: tmakhetha1@telkomsa.net	Email: mamaboloa@gibs.co.za
Tel: 073 296 5715	Tel: 071 407 6294
Signature:	15 July 2019

Multinational Corporation Representative:	______________________	**Signature:**	________________
Title:	______________________	Date:	________________

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UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Gordon Institute
of Business Science
University of Pretoria

INFORMED CONSENT LETTER FOR THE REPRESENTATIVE OF THE MULTINATIONAL CORPORATION

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Please note that all data that will be used in the research report will be reported and stored without any identifiers. Your confidentiality and the confidentiality of all other participants will be ensured.

Should you have any queries, please note that you may either contact the researcher or supervisor. The contact details are provided below:

Researcher: Tlelima Makhetha

Email: tmakhetha1@telkomsa.net

Tel: 073 296 5715

Supervisor: Dr. Anastacia Mamabolo

Email: mamaboloa@gibs.co.za

Tel: 071 407 6294

Signature:

15 July 2019

Multinational Corporation Representative:	______________________	Signature:	____________
Title:	______________________	Date:	____________