Gordon Institute of Business Science
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How host country institutional environments influence the digital transformation objectives of multinational subsidiaries operating in emerging markets.

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Abstract

Digital transformation is about changing the way that businesses operate so that they remain competitive in the digital world. The challenge for multinational enterprises wanting to embark on a digital transformation journey is that they have subsidiary businesses operating in multiple locations. The organisation's digital transformation strategy might conflict with the host country regulatory frameworks within which their subsidiaries have to operate. The challenge is perhaps greatest for subsidiaries operating in emerging markets where local inadequacies create domestic intuitional voids.

A multi-site case study was used to compare the effects that host country institutional voids had on digital transformation and how multinational subsidiaries in six African countries overcame those effects in their respective markets. Data were collected from semi-structured interviews and archival records. The type and intensity of institutional voids present in the host countries were consistent in all but one case. Subsidiaries overcame the effects through a combination of relationship and capability-building processes. Political and economic factors had the most severe impact and required dedicated resources and responses. Findings had positive implications for host country policymakers from a local improvement perspective. Similarly, for multinational management teams in terms of the challenges and risks inherent to operations in emerging markets.

Keywords: digital transformation, multinational enterprises, emerging markets, institutional voids.

Declaration

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

Name & Surname

Signature

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List of Abbreviations

Anti-money Laundering: AML.

Artificial Intelligence: AI.

Bank for International Settlements: BIS.

Basel Committee on Banking Supervision: BCBS.

Botswana Communications Regulatory Authority: BOCRA.

Business Requirements Document: BRD.

Change Advisory Board: CAB.

Chief Executive: CE.

Chief Financial Officer: CFO.

Combating the Finance of Terrorism: CFT.

Corporate Political Activity: CPA.

Digital Transformation: DT.

Emerging Market: EM.

Emerging Market Multinational Enterprise: EMNE.

Financial Services: FS.

Financial Stability Institute: FSI.

Headquarters: HQ.

Information Communication Technology: ICT.

Information Technology: IT.

Institutional Void: IV.

Know Your Customer: KYC.

Learning and Development: L&D.

Mobile Network Operator: MNO.

Multinational Enterprise: MNE.

Namibia Design Authority: NDA.

Namibia Financial Institutions Supervisory Authority: NAMFISA.

New and Amended Product and Processes Committee: NAPPC.

New Products Committee: NPC.

Non-banking Financial Institutions Regulatory Authority: NBFIRA.

One-time Password: OTP.

Pensions and Insurance Authority: PIA.

South Africa: SA.

Zambia Information and Communications Technology Authority: ZICTA.

Contents

Chapter 1 – Introduction to the research problem

1.1 Introduction

Previous literature had explored multinational enterprises (MNEs) and found that they have operations spanning national boundaries, regions and geographies (Beugelsdijk, Kostova, Kunst, Spadafora and van Essen, 2018). MNE subsidiaries thus operate in complex host country environments where compliance with local rules and regulations are necessary to continue operations (Meyer, Li and Schotter, 2020). Rules and regulations in foreign environments are enforced by the host country's formal and informal institutions (North, 1991). These institutions vary greatly in terms of institutional maturity and quality (De Villa, Rajwani, Lawton, and Mellahi, 2019; Doh, Rodrigues, Saka-Helmhout and Makhija, 2017; Khanna and Palepu, 1998; Liedong, Peprah, Amartey and Rajwani, 2020).

Advanced or developed economies benefitted from having strong institutions because these helped to engender trust by defining, maintaining and adhering to quality standards and ensuring information flows were transparent, accurate and relevant (Khanna and Palepu, 1998; Liedong et al., 2020; North, 1991). In contrast, scholars had found markets with less mature institutional structures to be ineffective and limited in terms of the availability of reliable information. This constrained the economic activity between buyers and sellers because parties were unable to meet and enforce contractual obligations on each other and led to higher transactional costs, inefficiencies, risk and corruption in some cases (Doh et al., 2017; Gao, Zuzul, Jones and Khanna, 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015).

Khanna and Palepu's (1998) seminal work referred to institutional voids (IVs) as the consequences of institutional under-development. Under-developed institutional structures were caused by poor literacy, skilled labour shortages and unreliable infrastructure amongst other things (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015). Researchers found that emerging markets were particularly susceptible to institutional voids because they lacked reliable infrastructure, had unstable and unpredictable governments and policy frameworks, income inequality and an abundance of low and semi-skilled workers (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015; Meyer and Gross, 2018; Liedong et al., 2020).

The challenge from an international business perspective was that emerging markets and Africa were becoming increasingly important from a global contribution point of view given their size, diversity and growth in real income terms (Zoogah, Peng, and Woldu, 2015). Many scholars saw them outperforming developed economies shortly from a growth and development perspective (Gao et al., 2017; Marquis and Raynard, 2015; Meyer and Gross, 2018).

Previous literature had explored the strategies and tactics that MNEs had deployed to overcome the effects of local institutional voids. Responses had been both proactive and passive according to researchers (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Kingsley and Graham, 2017; Liedong et al., 2020; Marquis and Raynard, 2015; Saka-Helmhout, 2020; Zoogah et al., 2015). Those studies had focused mainly on multinational responses at the time of market entry or in advanced economies (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). It is thus important to understand how MNEs overcome the effects of institutional voids after having entered emerging markets to sustain their operations (Parente, Rong, Geleilate and Misati, 2019).

Advances in digital technologies had fuelled disruption and competition in many traditional industries (Marano, Tallman, and Teegen, 2020). Many multinationals had embarked on digital transformation (DT) programs to remain relevant in the face of fierce competition from digital era players who were internationalising quicker and without the same level of resources needing to be committed (Marano et al., 2020). Digital transformation was described in the literature as a long-term and unavoidable journey for incumbent businesses to drive organisational and commercial change (Chanias, Myers and Hessa, 2018; Hess, Benlian, Matt and Wiesböck, 2016).

Programs had helped organisations to re-engineer processes and procedures, engagements, systems, cultures, disrupt existing business models and build new capabilities via the integration of digital technologies (Chanias et al., 2018; Ekman, Thilenius, Thompson and Whitaker, 2019; Gobble, 2018; Gurbaxani and Dunkle, 2019; Hess et al., 2016; Sebastian, Ross, Beath, Mocker, Moloney and Fonstad, 2017).

Researchers had found that digital transformation unlocked value and sustainable benefits for organisations when objectives and strategy were cascaded effectively across the entire organisation (Ekman et al., 2019; Gobble, 2018; Sebastian et al., 2017). This was challenging enough for most businesses to come to terms with but infinitely more so for MNEs who had the added complexity of their subsidiaries being scattered across different host country institutional contexts (Beugelsdijk et al., 2018; Regner and Edman, 2014).

Herein lies the dilemma for the MNE subsidiary. A digital transformation strategy conceived by the MNE to fundamentally change existing operating models and introduce new digital products and services to improve customer experience and deliver financial benefits for the organisation might conflict with host country institutions and regulatory frameworks. The challenge would be further compounded for subsidiaries operating in emerging markets because those countries were notorious for having weak local institutions and extensive institutional voids (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015).

The purpose of this study is therefore to explore the effects that host country institutional voids have on digital transformation and how MNE subsidiary businesses, operating in emerging markets overcome the voids present in their respective markets. The rest of the chapter outlines the benefits of the study from an academic, institutional and business perspective.

1.2 Benefits of the study

The study seeks to make a theoretical contribution to the broader body of knowledge from an emerging market, digital transformation and institutional theory perspective. The research will be of practical benefit to local policymakers by creating an awareness of challenges occurring in their respective countries. It will similarly provide multinational leadership teams with a realistic view of the challenges that MNEs are facing from a digital transformation perspective in emerging markets and the responses that are being deployed to overcome these issues in various countries.

1.2.1 Theoretical and academic implications

The study has academic and theoretical significance because it seeks to understand the impact that host country institutional voids have on the digital transformation initiatives of MNE subsidiaries operating in emerging markets. It also seeks to understand how MNE subsidiaries overcome the presence of institutional voids present in their respective markets. Outcomes will likely enhance the existing theory base by providing insights into the actions that firms take to sustain operations after having entered an emerging market. The study will also shed light on the type of institutional voids that impact digital transformation and the intensity of the effects and corresponding responses.

1.2.2 Policy implications

The study will be beneficial from a policy perspective because it will provide local decision-makers and officials with practical insights into the realities and challenges that affect the digital transformation objectives of international businesses that make valuable contributions domestically from an investment, growth and employment perspective. These perspectives could be important drivers of policy changes that are directed to improve business conditions and encourage further investment and participation in future.

1.2.3 Managerial implications

According to many observers emerging markets especially those in Africa are likely to outperform developed economies in future (Gao et al., 2017; Marquis and Raynard, 2015; Meyer and Gross, 2018). An understanding of the challenges and risks that subsidiaries are likely to face will be enormously valuable to those MNEs that are considering emerging markets from a potential investment perspective. The study will also be valuable to other MNEs already present in the host countries in terms of the responses that were successful in overcoming the effects of institutional voids if they were to embark on a similar digital transformation path.

The next chapter provides a review of relevant theory and chapter three defines the problem statement and articulates the research questions for the study. Chapter four then summarises the research method and design that will be adopted. Chapters five and six present the findings and discuss the results of the data analysis, respectively. Chapter seven draws conclusions and discussions limitations, implications and recommendations in terms of future research.

Chapter 2 – Literature Review

2.1 Introduction

This section provides an overview of the previous research and theoretical contributions that were relevant to the study of the impact that host country institutional voids had on MNE subsidiaries while they were undergoing digital transformation and how these subsidiaries overcome the effects of those institutional voids. The sub-sections to follow are arranged according to the theoretical constructs underpinning digital transformation, emerging markets, institutional theories, and MNE responses. The chapter culminates with conclusions being drawn from the literature and gaps highlighted for further analysis.

2.2 Theoretical constructs

2.2.1 Digital transformation

Advances in digital technologies were responsible for disruption and competition in many traditional industries (Marano et al., 2020). Gurbaxani and Dunkle (2019) had argued for digital as the creator of more efficient and higher quality goods and services. They saw that technologies were being used to create new forms of production, distribution and consumption to change ways of doing business (Gurbaxani and Dunkle, 2019). Chanias et al. (2018) referred to incumbent businesses (p. 1) as “pre-digital” because their successes were realised before the emergence of the digital economy or in the (p. 210) “physical world” as Gurbaxani and Dunkle (2019) referred to it. This made them vulnerable to threats from digital era players who had internationalised quicker and without the same level of resources having to be committed (Marano et al., 2020).

Chanias et al. (2018) saw digital transformation as a long-term journey to enable organisational and commercial change. digital transformation was about creating and redefining processes, systems, cultures and business models so that these could deliver innovative solutions for customers and improve efficiency (Gobble, 2018; Gurbaxani and Dunkle, 2019; Sebastian et al., 2017). Gobble (2018) and Ekman et al. (2019) had argued that digital transformation strategy involved integrating and harnessing digital technologies so that these could reshape processes, procedures and engagements with internal and external suppliers and customers. Tekic and Koroteev (2019) felt that for digital transformation to have been effective, the organisational strategy must have shifted to value creation and delivery even if this was at the expense of existing products and services.

Digital transformation strategy was about becoming adaptive, responsive, and devoted to customers. At the entity level, this required support from an internal culture of risk-taking, autonomy and collaboration (Ekman et al., 2019; Gobble, 2018; Sebastian et al., 2017). Tekic and Koroteev (2019) emphasised the role that strong leadership, digitally savvy and commercially minded teams had played in driving organisational change. Gurbaxani and Dunkle (2019) concurred and stressed the importance of technical skills and strong leadership in delivering successful digital transformation. Well-equipped organisations were able to enhance existing processes and techniques to effectively translate customer needs into new and improved digital products and services. The consequences of failure were catastrophic to sustaining competitiveness (Tekic and Koroteev, 2019).

Hess et al. (2016) stressed that digital transformation was unavoidable for incumbent businesses and pointed to the benefits that successful digital transformations could unlock for the organisation. They saw how the Internet and enhanced data storage, coupled with new analytical techniques had helped to digitise existing products and services and develop new offerings. They also identified digital transformation as being responsible for improvements in productivity and cost indicators, leaner and more responsive business models, deepening customer relationships, enhanced financial performance and new revenue streams (Hess et al., 2016). Gurbaxani and Dunkle (2019) agreed and highlighted the role that lower-cost digital infrastructure and devices like smartphones, cloud systems, Internet of things (IoT) sensors and wireless networks could play along with emerging technologies like artificial intelligence and machine learning to unlock value from company information assets and data to secure new customers and scale operations.

2.2.2 Emerging markets

Countries were defined as emerging markets according to income level, economic activity, growth prospects and the quality of their local intuitions (Marquis and Maynard, 2015; Meyer and Gross, 2018; Meyer and Peng, 2015). Emerging markets were traditionally recognised for their natural resources and large numbers of young and semi-skilled workers. These kept labour costs low while income inequality was high (Marquis and Raynard, 2015; Meyer and Gross, 2018). The combination of abundant resources and cheap labour had created cost-effective destinations for extractive, manufacturing and assembly-type industries (Marquis and Raynard, 2015; Meyer and Gross, 2018). Some emerging markets had developed the skills and expertise to transition beyond primary goods exportation and into services markets (Meyer and Gross, 2018). Many scholars recognised the increasing global contribution of emerging markets and saw them outperforming developed economies from a growth perspective over the next decade (Gao et al., 2017; Marquis and Raynard, 2015; Meyer and Gross, 2018).

While the countries themselves were unique they had tended to be characterised by weak and ineffective legislation, inadequate infrastructure and a lack of skilled labour (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Meyer and Gross, 2018; Liedong et al., 2020). Meyer and Peng (2015) felt that even though emerging market institutions were ineffective, they were still highly influential and that changes at intuitional level had broad ramifications from a market and participation perspective. They spoke of firms having to rely on informal connections and relationships to navigate issues in the regulatory environment (Marquis and Raynard, 2015) and investors having to factor in risk for the uncertainty caused by political, economic, fiscal and social stability issues when considering investments in those markets (Meyer and Gross, 2018; Liedong et al., 2020; Zoogah et al., 2015).

For Cuervo-Cazurra (2012) education, healthcare and other social services were ineffective and poorly funded in emerging markets (Marquis and Raynard, 2015). He felt that emerging markets lacked quality infrastructure because authorities were incapable of delivery and that financial markets were undercapitalised (Marquis and Raynard, 2015). As such, emerging markets were less technologically advanced, lacking in innovation, diversity and numbers of economic participants (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015). Marquis and Raynard (2015) saw how gaps in arbitration and oversight mechanisms had led to transparency concerns between contracting parties, increasing the likelihood of unscrupulous behaviour. They also emphasised the accentuated role of government and the influence that state ownership had in emerging markets (Marquis and Raynard, 2015). Both pointed to the strategies and investments that MNEs had to deploy to overcome market deficiencies (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015). Cuervo-Cazurra (2012) saw the processes and knowledge gained while overcoming deficiencies as an advantage when MNEs sought to enter similar markets in the future.

2.2.3 Institutional theories

According to North, (1991) institutions were (p. 97) "…the humanly devised constraints that structure political, economic and social interaction." He concluded that these could be formal or informal and were developed over time to guide domestic economic activity. Formal institutions were comprised of rules and regulations while more informal constructs included customs, beliefs and values (North, 1991). Well established, institutional environments provided the stability and structure necessary for growth. Transactional costs and uncertainty were minimised through transparency and maintaining information parity between transacting parties (Khanna and Palepu, 1998; Liedong et al., 2020; North, 1991). Scott (2008) defined institutions (p. 428) as "…regulative, normative, and cultural-cognitive elements." and concluded that the regulative components set the formal rules and governance structures while the normative and cultural-cognitive components defined the evaluation criteria and acceptable standards of behaviour from a societal perspective (Scott, 2008). He suggested that institutions were composed of different combinations of these factors and as such none were identical (Scott, 2008).

Previous literature recognised that MNEs were exposed to numerous country institutions because their operation's spanned national boundaries and geographies (Beugelsdijk et al., 2018; Regner and Edman, 2014). Numerous studies had been conducted to analyse the effects of local institutions on MNE strategy and subsidiary activity (Regner and Edman, 2014). Scholars concluded that MNEs were influenced by their respective host country regulatory, normative and cultural intuitional elements (Regner and Edman, 2014; Scott, 2008). Many felt that institutions limited activity and increased the cost of doing business in host countries. Others investigated how MNEs dealt with the pressure to conform to local requirements (Kostova, Roth, and Dacin, 2008; Regner and Edman, 2014).

According to Kostova et al. (2008), most of the prominent views of institutional theory were based on (p. 997) "neo-institutional" tenets which held that organisations had complied with institutional requirements to survive in foreign markets (Kostova et al., 2008; Meyer et al., 2020). They argued that this was too narrow a perspective because MNEs had the added internal complexity of operations that spanned multiple, diverse institutional contexts (Beugelsdijk et al., 2018; Regner and Edman, 2014). In their view conventional theory and definitions were inconsistent and MNEs existed as their field. This seemed plausible given global efforts to regulate MNE behaviour consistently (Kostova et al., 2008).

Furthermore, they saw subsidiaries being internally dependent which had facilitated standardisation and the transfer of capabilities and resources in the MNE. MNEs were thus limited from an institutional perspective to regulatory and legal compliance only (Kostova et al., 2008). Lunnan, Tomassen, Andersson and Benito (2019) concurred and reported that MNE headquarters (HQs) were accountable for strategy, business architecture and organisational goal setting. HQs also controlled the standards of execution for the wider organisation from a process and procedural, product and service, governance and technological perspective (Ekman et al., 2019; Lunnan et al., 2019). Subsidiary activities were monitored by internal oversight mechanisms and legitimacy was established via relationship-building efforts with respective host country authorities (Kostova et al., 2008).

2.2.4 Institutional voids

Previous literature demonstrated how host country institutional environments had influenced MNE strategy, activity (Marquis and Raynard, 2015) and resource allocations (Doh et al., 2017; Liedong et al., 2020). Resource commitments depended heavily on the quality of the local institutions. Strengthening environments had encouraged further commitments (Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015) while unreliable, under-developed or failing environments had eroded confidence and discouraged investment (Doh et al., 2017; Kingsley and Graham, 2017). MNEs were initially thought to have reduced exposure to deteriorating markets (Doh et al., 2017) even though the cost of asset reallocations were significant (Liedong et al., 2020). The opposite had occurred, and firms had committed additional resources to overcome host country deficiencies.

For Khanna and Palepu (1998) institutional voids were a consequence of under-developed institutional structures. Markets were characterised by information asymmetry and an inability to meet and enforce contractual obligations between buyers and suppliers (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). This had led to higher transactional costs, inefficiencies, risk and corruption (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). Advanced economies were well equipped to address these kinds of issues because of the quality of their local institutions. Strong institutions helped to engender trust by ensuring quality standards were defined and adhered to and information flows were transparent, accurate and relevant (Khanna and Palepu, 1998; Liedong et al., 2020; North, 1991).

As mentioned previously much of the literature recognised the increasing prominence and global contribution of emerging markets and saw these outperforming developed economies in future (Gao et al., 2017; Marquis and Raynard, 2015; Meyer and Gross, 2018). While this had made them attractive from an investment point of view, actual resource commitments tended to be limited due to the additional risk associated with weaker institutional environments (Liedong et al., 2020; Meyer and Gross, 2018; Zoogah et al., 2015). Khanna and Palepu (1998) attributed this to the presence of institutional voids and ineffectual local institutions (Gao et al., 2017). institutional voids were caused by poor literacy levels, a shortage of skilled labour and unreliable infrastructure (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015). Emerging markets were synonymous with unstable and unpredictable governments that could exert influence over industries, the judiciary and law enforcement bodies (Gao et al., 2017; Khanna and Palepu, 1998). Conditions were frequently compounded by disastrous policy and regulatory attempts to address transactional inefficiencies present in the markets (Khanna and Palepu, 1998).

Liedong et al. (2020) had reviewed extant literature to understand how institutional voids impacted firm resource commitments in emerging markets. These locations were categorised by complex and restrictive landscapes where contractual obligations were difficult to enforce and information flow was imperfect. This had resulted in inefficient resource allocations and greater transactional costs (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). The prevailing theory had claimed that resource commitments were negatively correlated with the presence and severity of domestic institutional voids. More challenging environments would therefore have received lower levels of investment because resources could not easily be redeployed to other environments (Liedong et al., 2020). Firms were thought to have avoided these environments because of the complexity and a greater likelihood of failure (Liedong et al., 2020).

Most of the literature, however, concluded that substantial investments had created barriers to exit because firms were more likely to avoid losing assets even if conditions were chaotic (Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). Resource commitments had thus tended to increase as firms sought mechanisms to overcome the institutional voids and develop markets to sustain their operations (Liedong et al., 2020). This was thought to apply similarly when the presence of institutional voids intensified in some markets. Much of the available literature focused on decisions made at the time of entry and little data was available for post-entry periods (Liedong et al., 2020). This created an opportunity for future study to analyse previously unverified notions including, if firms had allocated resources to take advantage of the potential commercial opportunities presented by host country institutional voids and if additional resources were deployed to transform host country industries and regulatory environments (Liedong et al., 2020).

Zoogah et al. (2015) pointed to a greater emphasis on research emanating from emerging markets but cited Africa as the exception. They saw this as a lost opportunity given the diversity of markets (fifty-four) and the young, growing populations (>1 billion) that were transacting more as economic activity and real incomes grew across the continent (Zoogah et al., 2015). They felt that the extant research which had slated African firm performance for being poor because of culture, the effects of colonisation or a lack incentivisation and reward were inadequate and lacked perspective especially given the rapidly changing dynamics at country and market levels (Zoogah et al., 2015).

Instead, they argued that organisational performance depended largely on the quality of local institutional environments and the readiness of firm resources and capabilities (Zoogah et al., 2015). They saw intuitional environments being influenced by a combination of formal legislative and industry structures and informal beliefs, rules and social constructs (Regner and Edman, 2014; Scott, 2008; Zoogah et al., 2015). They found formal institutions to be weak, restrictive and ineffectual from a legislative perspective (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015) while informal institutions were especially strong in rural contexts (Zoogah et al., 2015). Both constructs were corrupt and perpetuated unequal resource allocations and market inefficiencies (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015). They concluded that firms needed to develop specific strategies to navigate formal and informal structures to operate effectively in host country markets (Khanna and Palepu, 1998; Marquis and Raynard, 2015).

From a resource and capabilities perspective, poor education and low literacy rates meant unskilled, cheap labour was generally in abundance in emerging markets while access to skilled, technical and managerial resources was severely constrained (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Meyer and Gross, 2018; Zoogah et al., 2015). For Zoogah et al. (2015) investing in skills development and training would have increased the pool of skilled resources (Marquis and Raynard, 2015) but required significant financial commitments that could have impacted growth and sustainability. Access to capital was limited by poor governance and regulation in financial markets (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Zoogah et al., 2015). This impacted business viability and meant that the levels of mechanisation and technological advancement in most host countries was muted (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Zoogah et al., 2015).

Doh et al. (2017) sought to review existing literature to identify institutional voids and understand how firms responded in different intuitional contexts. The literature pointed to institutional voids being of greatest significance in emerging market contexts where institutional maturity was relatively low. institutional voids restricted economic activity, reduced efficiency and creativity and increased transactional costs and market inefficiencies (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). Some authors felt that institutional voids proffered commercial prospects when firms had the appropriate skills and expertise to take advantage of opportunities. Others spoke of firms working to strengthen local institutions individually or via partnerships with other participants or regulatory authorities (Khanna and Palepu, 1998; Marquis and Raynard, 2015). The cost to a firm in terms of resources was justified when these were the only viable alternatives to an otherwise failing state (Doh et al., 2017).

Doh et al. (2017), argued that firms faced three options when considering emerging markets from an investment perspective. They could accept the presence of institutional voids and adapt their businesses to mitigate the effects, deploy resources to change the underlying conditions (Marquis and Raynard, 2015) or avoid the environments entirely. While the value of developing relationships to positively influence and shape outcomes was acknowledged, adaption was by far the most mentioned approach (Doh et al., 2017).

Parmigiani and Rivera-Santos (2015) explored the impact of institutional voids on the supply chains of MNEs in subsistence markets. They linked voids to different stages in the supply chain and expanded on Khanna and Palepu's (1997; 1988) earlier work, by suggesting that the impact of product, labour market and contract related voids were localised to the transactions between buyers and sellers. They saw voids in capital markets and regulatory environments impacting the market in general (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015) and noted that these were perhaps more serious because they affected legislation, regulations and property rights (Parmigiani and Rivera-Santos, 2015).

2.2.5 MNE responses

Much of the contemporary literature focused on MNE responses to institutional voids at the time of market entry in advanced economies (Liedong et al., 2020). Doh et al. (2017) for instance, investigated how firms responded to institutional voids and identified "internalization, substitution, institutional borrowing and signalling" as viable ways to mitigate the effects of uncertainty (p. 299). Internalisation involved bringing activities in-house thereby reducing reliance on other entities and the transaction costs incurred while substitution described instances where the firm's information was used to make decisions instead of relying on information from the market (Doh et al., 2017). Borrowing made use of higher quality, developed market institutions to facilitate transactions in weaker environments while signalling spoke to the deliberate investments that firms made to improve their standing in host country environments (Doh et al., 2017).

Kingsley and Graham (2017) investigated investment decisions and how these were affected by the reliability and availability of host country information. They cited "Information voids" (p. 325) as concerns for investors and noted that these could be moderated by gaining access to key stakeholders and local sources of information. Beugelsdijk et al. (2018) analysed cultural distance and the impact this had on firm internationalisation decisions. While they found that cultural distance impacted the entry mode decision, knowledge transfer and subsidiary performance, they acknowledged that that did not necessarily imply the presence of institutional voids (Beugelsdijk et al., 2018).

Khanna and Palepu (1998) identified key areas for the development of successful local institutional environments. Some of their work overlapped with that of Marquis and Raynard (2015) as discussed below. For Khanna and Palepu (1998) infrastructure builds were necessary to develop new and maintain existing capabilities in support of economic activity (Marquis and Raynard, 2015). Goal-setting and strategic objectives were required to guide participation alongside relevant and accurate regulations to safeguard and mature local industries (Khanna and Palepu, 1998). Significant investments were required to develop local skills and capabilities (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015). This could be mitigated in the short term by insourcing world-class expertise to facilitate knowledge transfers and perform key functions (Khanna and Palepu, 1998; Marquis and Raynard, 2015). Lastly, independent oversight mechanisms had to be created to ensure predictability and transparency from a market perspective. (Khanna and Palepu, 1998; Marquis and Raynard, 2015).

Marquis and Raynard (2015), investigated extant literature to understand the actions taken by firms operating in emerging markets to overcome institutionally weak environments. They categorised these as (p. 291) “strategies” that were of a “…relational, infrastructure-build and socio-cultural” nature and argued that they were critical in those environments. Strategies were unlikely to be homogenous given the institutional differences between emerging markets (Marquis and Raynard, 2015).

Relational strategies were focused on developing domestic relationships with key stakeholders. Much of the available literature highlighted the Corporate Political Activities (CPA) of firms to lobby and influence emerging market authorities such that policy and regulations were favourable (De Villa et al., 2019; Gao et al., 2017; Marquis and Raynard, 2015). The literature also emphasised the role of informal, social relationships to facilitate exchanges, cooperation and communication amongst industry participants (Marquis and Raynard, 2015). The consequences of inferior relationships had financial, information and resource sustainability implications (Marquis and Raynard, 2015). Newer theories disagreed and provided evidence that stronger relationships exposed firms to political risk and obligations from a regime objectives perspective. Affected firms were faced with financial, governance and conduct repercussions (Marquis and Raynard, 2015).

Infrastructure-build strategies were targeted to address gaps in the emerging market physical environments including water and power supplies, communication and distribution networks (Khanna and Palepu, 1998; Marquis and Raynard, 2015). Strategic investments made for the betterment of local communities were highly beneficial from brand recognition and legitimacy perspectives (Marquis and Raynard, 2015). Other initiatives included the establishment of independent oversight mechanisms and the adoption of international standards to improve domestic transparency, reliability and conduct (Gao et al., 2017; Marquis and Raynard, 2015).

Socio-cultural strategies sought to close gaps from economic enablement, poverty and literacy perspectives (Marquis and Raynard, 2015). Some firms focused on training and skills development to build specific internal capabilities because those were absent in emerging markets. Others insourced skilled consultants or deployed expatriates to fill key positions, implement standardised processes and procedures and transfer knowledge to develop local capabilities (Khanna and Palepu, 1998; Marquis and Raynard, 2015). Cultural awareness and sensitisation training were crucial to equip resources before deployment (Marquis and Raynard, 2015). Other firms focus on employing experienced, local resources to navigate the cultural, political and linguistic differences inherent in the respective emerging market environments (Marquis and Raynard, 2015).

Chipp, Wocke, Strandberg and Chiba (2019) had used network theory to explain a new entry mode for firms entering emerging markets based on the experiences of South African MNEs. The strategy was premised on existing relationships, loose partnerships and simultaneous market entry to mitigate the impact of institutional voids. Manikandan and Ramachandran (2015) explored how business groups navigated institutional voids in emerging markets (Gao et al., 2017; Marquis and Raynard, 2015). They saw how portfolio diversity and a multi-entity structure had reduced transaction costs and were effective risk mitigants because members had greater access to resources, capital and expertise than they would have had previously (Gao et al., 2017; Manikandan and Ramachandran, 2015; Marquis and Raynard, 2015).

Parente et al. (2019) studied how MNEs sustained operations in institutionally weak environments. They concluded that this depended largely on nurturing and developing capabilities in other stakeholders (Marquis and Raynard, 2015) to the benefit of all partners in an ecosystem. Saka-Helmhout (2020) reviewed existing literature to understand the MNE responses to host country institutional contexts. She defined (p. 1) "institutional agency" as the actions taken by firms to mould local institutions environments and suggested that actions could be deliberate and visible or incorporated into everyday operations. She noted that the choice of action varied depending on the level of uncertainty in the respective host country markets (Saka-Helmhout, 2020).

De Villa et al. (2019) explored MNE CPA and observed (p. 211) "loyalty" which they saw as a viable means of adapting in difficult conditions, without having to engage the authorities. They concluded that CPA was most likely effective when host country environments were risky. They identified firms seeking active institutional engagements to shape legislation or address gaps at the industry level (Marquis and Raynard, 2015) while others deliberately avoided institutional engagements because they lacked the capabilities required to deal with political actors. Others were prohibited from engaging in hostile country environments (De Villa et al., 2019).

Liedong, Aghanya and Rajwani (2020) studied the use of CPA strategies by local banks in Nigeria. The study found that the country was institutionally weak, had high levels of systemic corruption, instability and political competition. Critically, the market lacked the required regulation and oversight mechanisms to monitor and govern corporate CPA (Liedong et al., 2020). Relationships between participants and authorities were found to be bi-directional, mutually dependent and ethically questionable. Banks deployed various tactics depending on the cost and urgency of their needs in return for political favour, preferential access and regulatory safety. Successes had reinforced and sustained behaviour (Liedong et al., 2020).

Regner and Edman (2014) studied MNE subsidiary responses in different institutional contexts. They identified four typical responses (p. 275) "…innovation, arbitrage, circumvention and adaptation." and found subsidiaries that had sought to change, ignore or adapt to host country institutional requirements while others had leveraged differences between their home countries and the host locations (Regner and Edman, 2014). The type and intensity of response depended on the level of exposure that MNEs had to other markets, their status and the level of uncertainty in respective host country environments (Regner and Edman, 2014). Experienced MNEs redeployed skills from within their broader organisations to share knowledge and expertise so that subsidiaries could exploit gaps in their respective environments for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

Gao et al. (2017), cited reputation management as the key to long-term survival for organisations in institutionally weak environments. They studied the effects of a firm's reputation and brand on commercial performance and credibility in emerging markets (Gao et al., 2017). Information asymmetry was identified as the main cause of uncertainty from a transaction and contractual perspective (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). Gao et al. (2017) found firms that had actively managed their reputations had gained access to higher quality resources, skills and partners. They were also better at retaining key resources, had greater credibility which translated into substantial commercial activity gains and recovered quicker from most setbacks because of the support they received (Gao et al., 2017).

Prominent scholars had called for more research into host country institutional differences and the effects that these had on MNE strategy and resource commitments (De Villa et al., 2019; Liedong et al., 2020; Saka-Helmhout, 2020). Some had called for more research into the types of institutional voids that firms faced in different environmental contexts because this would have helped to illuminate the intricacies between IV type, effect and firm response (Doh et al., 2017). Others acknowledged growing interest in emerging markets but cited a lack of theory to support firms navigating these environments and called for more research into emerging market dynamics to better understand the challenges inherent in those environments (Marquis and Raynard, 2015). Zoogah et al. (2015) called for more research in Africa, particularly given the diversity of markets, youthful populations and increasing levels of economic activity. The study aims to answer these calls by exploring the effects of host country institutional voids on MNE digital transformation and how subsidiaries operating in emerging markets overcome the effects of their respective market institutional voids.

2.3 Conclusion

Digital transformation programs had helped organisations to re-engineer and disrupt existing business models and build new capabilities via the integration of digital technologies (Chanias et al., 2018; Ekman et al., 2019). Changes had to be cascaded throughout the organisation to be of real benefit from an adoption and sustainability perspective (Ekman et al., 2019; Gobble, 2018; Sebastian et al., 2017). This was complicated for MNEs because their subsidiaries had to navigate different host country environments and even worse for those with subsidiaries operating in emerging markets that were notorious for having weak local institutions and institutional voids (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). Previous literature explored the strategies and tactics that MNEs had deployed to overcome the effects of local institutional voids. Most of the studies were focused on MNE responses at the time of market entry or in advanced economies (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). No studies were found to have investigated the effects of institutional voids on digital transformation in advanced or emerging market economies. Coincidentally no studies were found to have investigated how MNE subsidiaries overcome institutional voids in their respective markets while undergoing digital transformations.

The next chapter outlines the research questions to be answered as part of the study. These have been prepared to understand the effects that emerging market host country institutional voids have on MNE subsidiaries undergoing digital transformation and how the subsidiaries overcome the relevant institutional voids.

Chapter 3 – Research Questions

3.1 Introduction

The study broadly investigates the effects that emerging market host country institutional voids have on MNE subsidiaries undergoing digital transformation and how the subsidiaries overcome the relevant institutional voids. Previous digital transformation theory concluded that the integration of new, digital technologies helped incumbent businesses to pivot business models, build new capabilities and deliver financial benefits for the organisation (Chanias et al., 2018; Ekman et al., 2019). Cascading changes pervasively across the organisation was crucial to delivering sustainable value (Ekman et al., 2019; Gobble, 2018; Sebastian et al., 2017). This was challenging for MNEs in general because their operations spanned national boundaries, and subsidiary units had to successfully navigate different host country institutional and regulatory landscapes (Beugelsdijk et al., 2018; Regner and Edman, 2014). The problem was further exacerbated for those with subsidiaries operating in emerging markets because those were notorious for having weak local institutions and institutional voids (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015).

Previous literature explored MNE responses to overcome the effects of local institutional voids. Most of the strategies applied to market entry and advanced economies (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). No studies were found to have investigated the effects of institutional voids on digital transformation or how MNE subsidiaries overcame the institutional voids in emerging markets to further their respective digital transformation journeys. This chapter articulates the questions to be answered in response to the requests of leading scholars (De Villa et al., 2019; Liedong et al., 2020; Marquis and Raynard, 2015; Saka-Helmhout, 2020; Zoogah et al. 2015) for more research into the effects that host country institutional voids have had on MNE strategy and resource commitments and the types of institutional voids faced in different environmental contexts, emerging markets and Africa specifically.

3.2 Research question

The study seeks to answer the overarching research question: *“How do MNE subsidiaries operating in emerging markets overcome the effects of local institutional voids while undergoing digital transformations?” Specifically*

1. How do institutional voids impact digital transformation?

2. How do MNE subsidiaries operating in emerging markets overcome institutional voids while undergoing digital transformation?
3. What role do MNE HQs play in subsidiaries overcoming institutional voids?

3.3 Conclusion

The next chapter highlights the methods and techniques deployed to investigate the research questions posed in this chapter.

Chapter 4 – Research Methodology

4.1 Introduction

This chapter explains the methods and techniques that were deployed to investigate the effects that emerging market host country institutional voids had on MNE subsidiaries undergoing digital transformation and how the subsidiaries overcome the relevant institutional voids. A large South African financial services organisation was contacted to support the study. The MNE provided an ideal focal point for investigation because for them digital transformation was a key strategic objective and most of the subsidiary businesses operated in Africa. The researcher adopted an inductivist, qualitative approach to data gathering and developed concepts and theoretical constructs from that data (Mills, Durepos and Wiebe, 2010). A multi-site case study method was chosen because these were an effective mechanism to investigate complex, real-life scenarios and they produced rich and descriptive findings that could be replicated across several sites (Eisenhardt, 2002; Schofield, 2002; Yin, 2012). Theoretical sampling was chosen as the method that guided case and participant selections based on the incremental values that their unique insights had contributed from a conceptual and theoretical perspective in terms of theory development (Corbin and Strauss, 2008; Eisenhardt, 2002; Given 2008; Fick, 2018; Urquhart, 2013).

Semi-structured interviews were conducted with selected subsidiary and HQ personnel and explored the effects that the different emerging market host country institutional voids had on digital transformation and how subsidiaries had overcome the institutional voids in their respective markets. The multi-site, case-study design had allowed the researcher to contrast findings between sites so that commonalities and variances were determined from a subsidiary and host country institutional environment perspective (Eisenhardt, 2002; Schofield, 2002; Yin, 2012). Insights from HQ personnel were incorporated to provide an overarching MNE view of digital transformation and the intuitional challenges that subsidiaries had faced. Archival documents were sourced for host country insight substantiation and triangulation (Eisenhardt, 2002; Given, 2008; Urquhart, 2013; Yin, 2012).

4.2 Research approach

The study aimed to investigate the effects that different emerging market host country institutional voids had on digital transformation and how the subsidiaries had overcome institutional voids in their respective markets. Previous literature concluded that emerging markets had weak local institutions, a lack of skilled labour, unstable and unpredictable governments and unreliable infrastructure (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). MNEs with subsidiary operations that spanned multiple, emerging market locations experienced different institutional voids and had implemented various measures to overcome the effects that these had on their respective digital transformation journeys.

4.2.1 Research philosophy

The study embraced an interpretivist philosophy and explored phenomena in social settings so that meaningful interpretations of that reality could be developed (Urquhart, 2013). In this case, several emerging market host country environments were studied to understand the effects that institutional voids present in those markets had had on MNE digital transformation and how the MNE subsidiaries operating in those same markets had overcome those institutional voids.

4.2.2 Research method

The quality of a research method, according to Maxwell (2009) was reflected in the data that is generated. The researcher had opted for an inductive approach to build theory because little was known about the effects that institutional voids in emerging market host countries had on MNE digital transformation and how MNE subsidiaries had overcome those institutional voids in the respective markets (Eisenhardt, 2002; Mills et al., 2010). Most of the extant literature as discussed in chapter two were focussed on market entry and based on developed or advanced economies (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). Research conducted on related phenomena in Africa were also scarce according to other scholars (Zoogah et al., 2015).

Data for the study was obtained from semi-structured interviews conducted with identified participants and archival records obtained via trusted sources. These will be discussed later in the chapter. Analysis began as data became available and continued throughout the interview cycle. The researcher revised the interview guidelines when was necessary. This had allowed for new avenues of inquiry to be included in subsequent interviews (Eisenhardt, 2002). Concepts and constructs were recorded and compared to the emergent dataset as they were identified (Eriksson and Kovalainen, 2008; Fick, 2018; Urquhart, 2013). The concepts and interrelationships that were recorded during the study (Urquhart, 2013; Saka-Helmut, 2020) included different types of institutional voids, the impacts that these had on digital transformation and the MNE’s subsidiary responses. All data was captured, coded, categorised and abstracted during subsequent analysis iterations. The process will be discussed in detail, later in the chapter.

The multi-site, case-study design had allowed the researcher to contrast findings between sites so that commonalities and variances were determined from a subsidiary and host country institutional environment perspective (Eisenhardt, 2002; Schofield, 2002; Yin, 2012). Case studies were particularly effective in complex, real-life scenarios where descriptive findings needed to be produced (Mills et al., 2010; Schofield, 2002; Yin, 2012). Multiple-site studies allowed for analyses to be replicated across several entities. This generated greater confidence in outcomes because findings had already been generalised to a certain extent between the sites (Mills et al., 2010; Schofield, 2002; Yin, 2012). Case and participant selection will be discussed in chapter five.

4.3 Time Horizon

The time-sensitive nature of the research project meant that the researcher had to use a cross-sectional study. (Salkind, 2010). Data was collected over two months between October and November. A longitudinal study would have been more appropriate if the time were not an issue because this would have allowed the researcher to collect data at different points to test for changes in conditions and relationship dynamics.

4.4 Unit of Measure

Subsidiary interactions in the respective host country environments were the focal point of the study. The researcher was able to investigate the effects that the host country institutional voids had on digital transformation and how each subsidiary overcame those in their respective markets.

4.5 Sampling Method

Theoretical sampling was adopted because concepts and relationships had to be developed and understood from data that was gathered during a study (Corbin and Strauss, 2008; Eisenhardt, 2002; Given 2008). Theoretical sampling differed from traditional methods because subjects were identified and selected based on the incremental value that their unique insights had contributed to the emergent dataset. This justified the researcher's decisions in terms of inclusions and gave him the flexibility to pursue different lines of inquiry as those were detected from a data analysis perspective (Eisenhardt, 2002; Flick, 2018; Urquhart, 2013). The researcher had sought a variety of emerging market contexts with varying levels of intuitional quality as the basis against which to test the effects that different institutional voids had had on digital transformation. Different stakeholders were sought from the subsidiary units at various times so that concepts and alternate areas of enquiry detected in previous interviews could be explored further (Eisenhardt, 2002; Flick, 2018; Urquhart, 2013). Case and participant selection will be discussed in chapter five. Tables 1 and 2 below showed the final interview schedule and how analyses had progressed from a coding perspective.

Table 1: Summary of the HQ interview schedule

Interview	Date	Duration	New Codes	Total Codes
1	07-Oct-2020	01:06:41	33	33
2	08-Oct-2020	01:04:52	23	56
3	08-Oct-2020	00:51:46	5	61
4	12-Oct-2020	00:57:12	4	65

Table 2: Summary of the subsidiary interview schedule

Interview	Date	Duration	New Codes	Total Codes
1	09-Oct-2020	00:51:29	29	29
2	09-Oct-2020	00:45:45	18	47
3	09-Oct-2020	00:46:51	22	69
4	20-Oct-2020	00:45:31	20	89
5	23-Oct-2020	00:56:52	20	109
6	30-Oct-2020	00:47:06	18	127
7	03-Nov-2020	00:51:33	11	138
8	05-Nov-2020	00:53:31	2	140
9	09-Nov-2020	00:44:06	2	142
10	09-Nov-2020	00:41:21	2	144
11	11-Nov-2020	00:51:27	1	145
12	14-Nov-2020	00:39:37	0	145
13	25-Nov-2020	00:42:46	1	146
14	26-Nov-2020	00:47:47	0	146

4.6 Research Instrument

Data was generated via semi-structured interviews and archival records retrieved from trusted sources. Semi-structured interviews were chosen because they had created a comfortable environment and stimulated natural discussion. The researcher asked open-ended questions and had encouraged participants to share and contextualise their experiences in terms of digital transformation, local institutional voids and the responses that had been deployed to overcome these (Given 2008; Yin, 2012). Interview guides were utilised by the researcher to navigate specific areas and topics of discussion (Given, 2008). They had prompted the researcher to pose follow-up questions and to delve for richer explanations and new avenues of inquiry (Given, 2008).

Interview guides were prepared separately for the subsidiary and HQ sessions. The subsidiary version was designed to solicit responses in respect of the host country institutional environments and participant roles in the context of local digital transformation journeys. The HQ version had sought to cover overall context from MNE perspective. Copies of each were attached for reference purposes in Appendix A and B. Guidelines were based on high-level themes and derived from the research questions presented in Chapter three as follows:

- Institutional voids that were relevant to digital transformation in the respective emerging market environments.
- Effects that institutional voids had had on digital transformation.
- Strategies and techniques that were deployed by subsidiaries.
- Role of HQ in overcoming institutional voids.

Field notes were recorded during and after each interview as outlined in the next section. Key take-aways and points of interest were highlighted and incorporated into subsequent interviews for corroboration in line with theoretical sampling guidelines (Eisenhardt, 2002; Urquhart, 2013). Archival documents were sourced during coding to substantiate and triangulate subsidiary responses (Eisenhardt, 2002; Given, 2008; Urquhart, 2013; Yin, 2012). Formats included electronic copies from online newspapers and other media and the electronic records held by public entities. Searches were narrowed to articles of industry and country relevance from an institutional void and digital transformation perspective. Materials were retrieved from several sources to mitigate the potential impact of selection bias (Yin, 2012).

4.7 Data Collection

Semi-structured interviews were run over two months from October to November. Time-zone differences were considered between South Africa (GMT+2), West (GMT) and East (GMT+3) Africa. Most of the interviews were completed during work hours and at the convenience of the participants. Permission was secured from the respective line managers before prospective participants could be contacted per the approval conditions stipulated by the MNE. Participants were provided with a copy of the permission letter that had granted approval and a copy of the Informed Consent form. The Informed Consent form contained a high-level summary of the study topic and objectives. A copy has been attached for reference purposes in Appendix C of the report. The researcher chose not to brief participants ahead of the interviews. This meant that there was no opportunity for participants to have researched answers.

Consistency was maintained throughout. Commitments were made to each participant, that confidentiality would be strictly maintained. Participants were advised that no data was recorded or presented with identifiers and that their involvement was entirely voluntary and could be terminated at any point, without penalty. Interviews began with an overview and purpose of the study. Definitions of digital transformation and institutional voids were then positioned to align understanding from a topic and conceptual perspective.

In-person engagements were impossible due to COVID-19 pandemic social distancing guidelines and travel restrictions. Discussions were facilitated entirely by digital communication tools. Participants were asked to grant permission so that proceedings could be recorded for post-interview analysis. They were also asked to activate their video options to create near, face-to-face conditions. Most had connected remotely from their homes or joined from the subsidiary premises. Disruptions and background noise were common and accounted for in the field notes prepared during and after each interview. Connectivity was steady and the researcher produced audio recordings of reasonable quality. Video recordings were impractical in most cases because of the additional data overheads. Body language and participant level of engagement were tough to gauge even when video recordings were available.

Interviews were completed in English, as the accepted business language of the host countries, even if it was not the first language of all the participants. All participants were fluent, even if some had varying degrees of pronunciation and accent differences. The researcher used simple and common language to articulate questions. Jargon and acronyms were avoided unless these were commonly understood and relevant to the topic. Questions were repeated and rephrased on occasion when participants were unsure of the meaning or intent. Editing was complicated by some of the heavier accents. Recordings were uploaded and converted via an online editing tool. Transcripts were exported into MS Word format for post-interview analysis and coding.

4.8 Data Analysis

As discussed earlier in the chapter, an inductive theory is built from the data generated during a study (Mills et al., 2010). The researcher adopted a narrative inquiry approach to the analysis of the semi-structured interview transcripts (Given, 2008). Granular level detail was interpreted, categorised and abstracted into concepts and constructs (Fick, 2018; Urquhart, 2013). Interrelationships between high-level themes were investigated so that emergent theory could be developed in line with the research objectives (Eriksson and Kovalainen, 2008; Fick, 2018; Urquhart, 2013). Coding was the cornerstone of the data analysis process (Urquhart, 2013). The section below outlines the coding sequence that translated the interview transcripts into theoretical concepts and constructs. Outcomes are presented in chapter five.

Atlas-ti version 8 was used for collating, categorising and coding of the interview transcripts. Transcripts were uploaded with interview field notes to help with contextualisation during analysis. Projects were created for subsidiary and HQ transcripts and coding and analysis were done separately. The researcher rationalised that this would help to retain the integrity of the subsidiary insights. MNE perspectives were compared to the subsidiary insights to test for convergent or divergent views (Eisenhardt, 2002; Yin, 2012). Relevant archival documents were sourced after key constructs had emerged from the subsidiary transcripts. The researcher used these artefacts to triangulate and substantiate subsidiary insights (Eisenhardt, 2002; Given, 2008; Urquhart, 2013; Yin, 2012).

4.8.1 Open coding

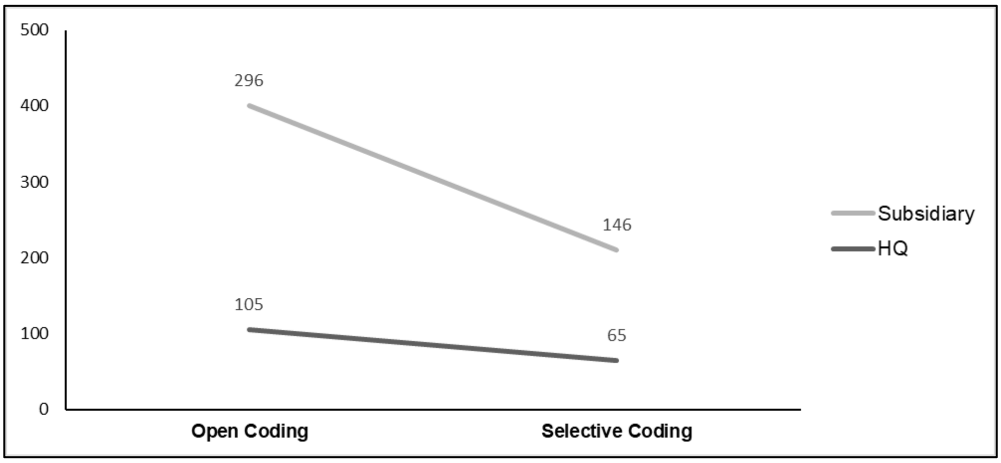
The study adopted a three-phased approach to coding even as the phases were executed iteratively. Open coding was used to dissect and summarise interview data during analysis (Eriksson and Kovalainen, 2008; Urquhart, 2013). According to Saldaña (2013) codes were (p. 3) "…a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data." The researcher worked through all interview transcripts and assigned codes to describe strings of data that he thought were important (Eriksson and Kovalainen, 2008; Urquhart, 2013). Codes were reviewed after each transcript had been analysed. Analytical interpretations replaced descriptive labels as the researcher gained confidence and a better understanding of the underlying meanings of the events unfolding in the data (Urquhart, 2013). Codes were reused when similar insights were detected in later transcripts.

The number of new codes reduced with each transcript in general. Notable exceptions occurred when the interview sequence changed between countries and roles. This was important because it demonstrated the outcomes of the theoretical sampling exercise where later participants were engaged because of the incremental value that their insights had provided to the study (Eisenhardt, 2002; Flick, 2018; Urquhart, 2013). Participants from different roles shared alternate perspectives based on their respective functional backgrounds and involvement with local digital transformation objectives. Local institutional nuances were uncovered between countries. This validated the decision to replicate the study across multiple sites (Eisenhardt, 2002; Yin, 2012). Case and participant selection is discussed in detail in chapter five.

4.8.2 Selective coding

In the selective or axial coding phase (Eriksson and Kovalainen, 2008) codes were reviewed for relevance and grouped into related categories (Eriksson and Kovalainen, 2008; Saldaña, 2013; Urquhart, 2013). Codes were merged when underlying characteristics were familiar. This was likely necessary because the researcher lacked prior coding experience. Codes were grouped into related categories and compared to a growing dictionary. The researcher also compared the categories to the core research questions. Urquhart (2013) spoke of narrowing focus, to avoid wasting effort on unrelated content. Figure 1 below shows the progression of the selective coding process.

Figure 1: Selective coding progress



4.8.3 Theoretical coding

Categories were abstracted in the final stage to higher-level themes (Eriksson and Kovalainen, 2008; Saldaña, 2013; Urquhart, 2013). Interrelationships between themes were analysed to develop basic theoretical constructs in line with the objectives of the study (Urquhart, 2013). The final step in the process saw those emergent constructs being compared to the extant literature that was presented in chapter two. Outcomes of the analysis and the ensuing discussions are presented in chapters five and six.

4.9 Validity

4.9.1 Internal validity

Credible and dependable qualitative studies were linked to methodological coherence, responsiveness and suitability according to Given (2008). She described these as the procedural rigour and thoroughness that the researcher had to maintain during data collection and analysis to ensure the trustworthy, authentic and plausible findings were produced (Given, 2008; Yin, 2012). For Salkind (2010) internal validity spoke to the accuracy of the relationships identified during analysis. Accuracy for him depended on the integrity of the processes and procedures that the researcher had executed during the research process (Salkind, 2010). For this reason, the researcher had followed strictly consistent processes during data gathering and semi-structured interviews. HQ participants were included in the study to provide overall MNE context in terms of digital transformation and the challenges faced by subsidiaries. Archival documents were incorporated to substantiate and corroborate participation insights to establish triangulation (Given, 2008; Urquhart, 2013; Yin, 2012).

4.9.2 External validity

External validity from a qualitative study perspective depended on the generalisability of results (Frey, 2018; Schofield, 2002). Results that could be applied in different contexts were generalisable, but this came at the expense of internal validity because broader studies were more difficult to control in terms of variability and process integrity (Frey, 2018; Schofield, 2002;). The benefit of this study is that the multi-site design provided a degree of generalisability because the research was replicated consistently across several sites (Schofield, 2002; Yin, 2012). The theoretical sampling approach had sought to gather a variety of institutional contexts for analysis purposes. Having said that it was unlikely that the results were transferable to other disciplines and industries given the specific context in which the study was conducted (Mills et al., 2010; Schofield, 2002; Yin 2012).

4.9.3 Reflexivity

Given, (2008) observed that researchers needed to exhibit reflexivity because qualitative studies were subjective and sought to interpretive complex, real-world scenarios (Given, 2008; Yin, 2012). Researchers had to acknowledge the significant role that their skills, backgrounds and potential biases played in the way they conducted research, engaged participants and interpreted and analysed data (Given, 2008).

4.10 Study Limitations

Inductive theory building and case study research were susceptible to various reliability limitations including a lack of rigour being maintained during the data gathering and analysis phases (Given, 2008; Salkind 2010). Data sources and data collection, interpretation and analysis techniques were likely to be subjected to researcher bias (Yin, 2012). The researcher acknowledged this and reflected throughout the process on the influence that his actions had had on the outcomes of the study. Document bias was mitigated by accessing content from multiple, trusted sources to substantiate and corroborate participation insights and establish triangulation (Given, 2008; Urquhart, 2013; Yin, 2012).

Other limitations were circumstantial due to the global travel restrictions in place during the COVID-19 pandemic. These had impacted data collection because all interviews had to be conducted remotely. Audio recordings were of high quality, but these did not allow the researcher to observe the participant’s body language and level of engagement. Video recordings were limited by connectivity constraints and had similarly not provided better insights even when they were available. The research project was time-sensitive which had necessitated a cross-sectional approach data to collection whereas a longitudinal study would have been better suited to the type of research problem because relationships could have been validated over a longer period (Salkind, 2010).

4.11 Conclusion

The chapter outlined the research methods and techniques that were deployed to investigate the effects that emerging market host country institutional voids had on MNE subsidiaries undergoing digital transformation and how the subsidiaries overcome the relevant institutional voids. A multi-site case study method was chosen so that the findings could be replicated and contrasted across several sites (Eisenhardt, 2002; Schofield, 2002; Yin, 2012). Theoretical sampling was chosen from so that case and participant selection were based on the incremental values that contributions could have made (Corbin and Strauss, 2008; Eisenhardt, 2002; Given 2008; Fick, 2018; Urquhart, 2013). Data was gathered via semi-structured interviews were conducted with the selected personnel. These were supplemented with archival documents sourced for substantiation and triangulation purposes (Eisenhardt, 2002; Given, 2008; Urquhart, 2013; Yin, 2012). Chapter five the results of the data-gathering exercise.

Chapter 5 – Results

5.1 Introduction

The purpose of this study is to investigate the effects that emerging market host country institutional voids have on digital transformation and how MNE subsidiary businesses overcome these in their respective markets. A large South African financial services organisation was contacted to support the study. The MNE provided the ideal platform for investigation because for them digital transformation was a key strategic objective and most of the subsidiary businesses operated in Africa. Chapter five presents the results of the semi-structured interviews that were conducted with selected subsidiary and HQ personnel alongside archival the documentation that was sourced to substantiate and triangulate host country participant insights. The chapter starts by presenting the theoretical sampling exercise that culminated in the case and participant selections from a study perspective. The remainder of the chapter is then organised according to the research questions posed in chapter three and themes that emerged from coding cycles discussed in chapter four.

5.2 MNE context

The MNE had a significant and established presence with operations spanning multiple countries, in Africa. The MNE's approach to digital transformation had resembled that proposed by Sebastian et al. (2017) who suggested that established businesses had to focus on operational backbones and building a digital services platform to be able to deliver new capability in support of their digital transformation strategies (Sebastian et al., 2017). Operational backbones provided businesses with transaction capability, single sources of customer data and the mechanism to standardise organisational processes and procedures (Sebastian et al., 2017). Digital services platforms provided businesses with the capability to rapidly deploy new solutions and digital innovations (Sebastian et al., 2017).

The MNE had spent much of the previous decade on the deployment of a standardised operating system and core application landscapes across their subsidiary network. The strategy had provided the platform on top of which their existing products and services were being digitised and new digital capabilities were being built. Customer journeys were adopted as the mechanism to drive digital transformation by solving specific customer demand and pain points across the organisation. Agile principles had been incorporated to guide the technical delivery of this functionality (Agile Alliance, n.d.). The MNE had also begun to explore emerging technologies including robotics, machine learning and artificial intelligence.

The next section explains the case and participant selection processes. The remainder of the chapter is then dedicated to the insights of subsidiary personnel in terms of the effects that the host country institutional voids had on digital transformation and how they had overcome these. Insights from HQ participants were incorporated to share an overall MNE perspective along with archival documents to substantiate and corroborate participation insights and establish triangulation.

5.3 Case selections

The study had sought to explore how different emerging market host country institutional voids impacted digital transformation in MNEs. A multi-site case approach allowed the effects to be tested and contrasted between different intuitional quality contexts. Case selection was important to ensure the relevance of findings given the time available to complete the data gathering and analyses exercises. A large South African financial services organisation was contacted for permission to support the study. The MNE provided an ideal platform from an investigation point of view because for them digital transformation was relevant from both an internal and industry perspective. The MNE also had subsidiary businesses located in various countries across Africa. The theoretical sampling exercise identified a spread of host country intuitional quality contexts so that the effects that different institutional voids had on MNE digital transformation and subsidiaries responses could be contrasted between those environments. Host countries that were predominantly French and Portuguese speaking were excluded from the selection process because of the linguistic challenges that these would have created for the researcher.

Data from Transparency International's 2019 Corruptions Perception Index (CPI) and the World Economic Forum's 2018 Global Competitiveness Index report (GCI) were incorporated in Table 3 below, to provide an indicative view of emerging market competitiveness, institutional quality, technology adoption, business dynamism and innovation across the MNE subsidiary host countries. An "Institutional Quality" metric was established (CPI Ranking + GCI Ranking) to provide a proxy for overall country institutional quality.

Table 3: Analysis of host country institutional quality

Host Country	CPI Ranking	GCI Ranking	GCI Institutions	GCI ICT Adoption	GCI Dynamism	GCI Innovation	Institutional Quality
Botswana	34	90	62	98	103	101	124
Ghana	80	106	59	88	87	83	186
Namibia	56	100	51	105	121	77	156
Tanzania	96	116	91	135	107	119	212
Zambia	113	118	96	106	77	115	231
Zimbabwe	158	128	124	110	132	128	286
South Africa	**70 / 180**	**67 / 140**	**69 / 140**	**85 / 140**	**56 / 140**	**46 / 140**	**137**

Sources: (World Economic Forum, 2018; Transparency International, 2019)

Host country institutional quality and the proxy were inversely related. Botswana (highest quality) and Zimbabwe (lowest quality) provided the lower and upper limits of analysis. South Africa provided a baseline for comparison as the MNE home country. While Botswana was ranked best overall and had the least corruption, they were not top in any of the specific GCI categories. Namibia had the best performing local intuitions as measured by the level of integrity, ethics and transparency in the public and private sectors (World Economic Forum, 2018). Ghana led according to technology adoption and innovation. This was determined by the domestic system and telecommunications usage and the quality of country research, creativity and collaboration (World Economic Forum, 2018). Zambia was the most adaptive and willing to implement new systems and processes. According to the GCI report, they were also the most risk-tolerant (World Economic Forum, 2018).

5.3.1 Participant selection

The MNE HQ granted permission for the research to be conducted on the proviso that line-management at subsidiary and HQ levels provided prior approval before contact could be made with any of the prospective interviewees. HQ did not share the details of the prospective participants per the guidelines of the Protection of Personal Information (POPI) Act 4 of 2013. It was agreed that a maximum of four participants could be engaged per subsidiary. The MNE's Business, Compliance, IT, Legal and Risk functions were earmarked because they were core to local digital transformation strategy enablement and navigating the host country institutional environments. Interviewees were carefully selected to ensure relevant and credible contributions. It was felt that managerial-level staff and above were best qualified to represent the subsidiaries given their seniority, in-depth knowledge of the organisation and subsidiary digital transformation strategies and understanding of the local institutional landscapes.

HQ also approved the participation of four employees from supporting entities to provide overall MNE context. From a selection perspective, prospective participants had to be directly involved in the implementation of the various subsidiary digital transformation agendas. Table 4 below, outlined the interview sequence and participant demographics. All had consented to take part in the study and confirmed that they were aware that they were being interviewed in their capacity as an employee of the MNE.

Table 4: Interview sequence and demographics

Interview	Date	HQ / Subsidiary	Role Designation	Business Unit
1	07-Oct-2020	HQ	Senior Manager	Compliance
2	08-Oct-2020	HQ	Senior Manager	Digital Transformation
3	08-Oct-2020	HQ	Senior Manager	Operational Risk
4	09-Oct-2020	Zimbabwe	Senior Manager	Operations
5	09-Oct-2020	Tanzania	Senior Manager	Retail Banking
6	09-Oct-2020	Tanzania	Senior Manager	Retail Banking
7	12-Oct-2020	HQ	Senior Manager	Digital Transformation
8	20-Oct-2020	Zambia	Senior Manager	Information Technology
9	23-Oct-2020	Zambia	Senior Manager	Retail Banking
10	30-Oct-2020	Zimbabwe	Manager	Operations
11	03-Nov-2020	Namibia	Senior Manager	Retail Banking
12	05-Nov-2020	Tanzania	Senior Manager	Information Technology
13	09-Nov-2020	Zambia	Senior Manager	Information Technology
14	09-Nov-2020	Botswana	Senior Manager	Retail Banking
15	11-Nov-2020	Ghana	Manager	Information Technology
16	14-Nov-2020	Botswana	Manager	Information Technology
17	25-Nov-2020	Ghana	Senior Manager	Compliance
18	26-Nov-2020	Namibia	Manager	Information Technology

The researcher pursued a standardised approach so that the consistency and integrity of the interview processes were maintained throughout. Subsidiaries were represented by at least two participants. Tanzania and Zambia had three representatives, not by design but merely because of the number of responses received. All functional areas were represented by at least one informant while Information Technology (6) and Retail Banking (5) had the most participants. Most of the interviewees were senior managers (14) and responsible for day-to-day execution and functional team leadership.

The next sections describe the results of the semi-structured interviews conducted with the MNE subsidiary and HQ participants. Archival data has been incorporated to substantiate and triangulate insights where relevant. All references to the organisation were removed per the approval conditions that were agreed to.

5.4 Digital transformation

5.4.1 Context and background

The MNE had a significant and established presence with operations spanning multiple countries, in Africa. Much of the previous decade had been spent upgrading and standardising core operating system and application landscapes from a subsidiary network perspective. The strategy has provided the platform on top of which their existing products and services were now being digitised and new digital capabilities were being built. Customer journeys were adopted as the mechanism to drive digital transformation by solving specific customer demands and pain points across the organisation.

Agile principles were incorporated to guide technical delivery. These allowed incremental value to be released to customers, quicker than conventional project management techniques had done previously (Agile Alliance, n.d.). A key component of the agile philosophy were cross-functional teams. These loose structures were comprised of skilled staff, from across the organisation that had been brought together to deliver on the digital transformation objectives (Rachaelle, n.d.). Teams were staffed with representatives from across the organisation to ensure digital solutions were well-conceived and had been evaluated from multiple perspectives. The MNE had also begun to explore emerging technologies including robotics, machine learning and artificial intelligence.

5.4.2 Digital transformation at the subsidiary level

For the research, digital transformation was positioned as a strategy that integrated digital technologies to drive innovation and help reshape organisational processes, procedures, systems, cultures and business models so that these could improve efficiency and engagements with internal and external stakeholders. Participants were asked to share their perspectives of digital transformation and the initiatives underway in each of their businesses. Responses have been presented in chronological order according to the interview schedule.

5.4.2.1 Zimbabwe

Arguably the least transformed of the subsidiary entities from a study perspective in large part due to the prevailing political and economic conditions in the country. Regulatory changes occurred frequently and were non-negotiable. Those requirements took precedence over all other digital transformation-related activities as is explained later in the chapter.

5.4.2.2 Tanzania

Tanzania was the smallest of the MNE's subsidiaries under consideration when compared by commercial footprint and size of operations. Upgrades to their core systems environment were completed in prior years along with the implementation of digital enablers. Customer journey participation had escalated significantly from 2019 onwards. Integration with regulatory authorities and other local businesses had been a high priority. Prioritisation now had a distinctly regional influence, with much work being done to improve cross-border transacting with neighbours. digital transformation has national backing and is seen at country level as a mechanism to reduce corruption and drive sustainable economic development. The local team was involved in several integration initiatives with mobile network operators (MNOs) to remain competitive from a domestic market perspective. The local regulators were pro-digitisation because it helped to stamp out corruption. Digital technologies reduced the need for manual interventions, incorporated authentication and provided secure and transparent transactional record storage facilities. HQ participants referred to a past issue in Tanzania that had resulted in penalties and fines from an organisational perspective.

> Tanzania: "We want East Africa as one bank. If you are a Tanzanian customer, if you go to Uganda you can transact as if you were in Tanzania."

> Tanzania: "The bank has made the decision that we also need to integrate with every MNO. We have started with the most the biggest ones."

> Tanzania: "They're looking at how to best remove corruption. There's a push from the political leaders especially the president to digitise."

HQ: “Tanzania comes with some history given the issues that had come from bribery, corruption years back. So over time, you'd have to rebuild that trust with the regulators.”

Blockchain’s distributed ledger provided a secure and transparent means to store data and prevent fraud and irregular expenditures (PWC, 2016).

5.4.2.3 Zambia

Zambia was arguably the most digitally transformed of the subsidiaries under consideration. Core system upgrades were completed in prior years along with the deployment of digital enablers. The subsidiary had established dedicated capabilities that were responsible for local digital transformation activities including data management, robotics and digital services. They have adopted the customer journeys framework and made significant progress from digital lending and onboarding perspective. These efforts were recently recognised at the local industry level. The business was also actively driving the migration of customers and services from manual, physical channels to online and digital alternatives. Customer education and communication were identified as the key enablers of this strategy.

Zambia: “Our view is to move customers from manual transactions to using our digital platforms. We're looking to see how we can decongest branches.”

Zambia: “From a digital transformation perspective, I think our view is that we've deployed quite a lot of tech. There's the education that we need to continue doing with our customers.”

5.4.2.4 Namibia

Progress in Namibia has largely been driven by country and industry level initiatives like NamPay which have sought to upgrade the national payments system (Ngatjiheue, 2019). This has taken the focus off organisational priorities including core system upgrades and the implementation of digital enablers. Those have been earmarked for completion in 2021. Participation from a customer journeys perspective has been limited although efforts were underway to ensure that available solutions were deployed simultaneously with the key 2021 deliverables. The business had sought outside assistance to define their digital transformation strategy and delivery capabilities and had acquired a majority stake in a local technology start-up to fast-track digital capabilities from a local competitive landscape perspective.

Namibia: “We have a Fin-Tech, that's part of the bank as a majority shareholder. We are looking at integrating as well as enhancing the current payments platform where we do all our banking from paying merchants, vouchers, electricity.”

5.4.2.5 Ghana

Ghana had recently upgraded its core systems and deployed digital enablers. They had also established dedicated digital transformation capabilities in terms of data management, robotics and digital channels. All initiatives that had customer impact needed to be formally approved from a regulatory perspective. This had slowed the rate of digital transformation and stalled the implementation of several key solutions as is explained later in the chapter. Their participation from a customer journeys perspective had escalated over the past year.

> Ghana: “We are working on a digitised lending initiative where we want to digitise the entire lending experience for the customer to be able to provide instant loans and engage the customer on various channels. We’re also working on another digital initiative, remote onboarding that we will be able to use to onboard a customer within a matter of minutes.”

5.4.2.6 Botswana

Botswana’s digital transformation journey was pending the completion of core systems and the deployment of the digital enablers. Those were postponed to 2021 because of the COVID-19 global pandemic and the impact that country lockdowns had had on logistics and the provision of other support services. The local teams had explored opportunities to integrate with telecommunication and other merchant services providers to expand the business footprint and remain relevant from a local competitive landscape perspective.

> Botswana: “We make sure that even if the playing field is not level that with these sorts of collaborations we think outside the box and find workarounds. We expand the brand as well without expending a lot of capital, without setting up more branches, without setting up more ATMs.”

Table 5 below, summarises the digital transformation progress of each of the subsidiaries.

Table 5: Summary of subsidiary digital transformation progress

Subsidiary	Quality Ranking	Core System Upgrades	Digital Enablers	Data and Analytics	Emerging Technologies
Botswana	1	Planned 2021		Yes	Yes
Ghana	3	Yes	Yes	Yes	Yes
Namibia	2	Planned 2021		Yes	Yes
Tanzania	4	Yes	Yes	Yes	
Zambia	5	Yes	Yes	Yes	Yes
Zimbabwe	6	Yes	Yes	Yes	

5.5 Host country institutional voids

For the research, institutional voids were positioned as underdeveloped institutional structures and evidenced by low levels of literacy and skilled labour, unreliable infrastructure, unpredictable or immature government legislative and policy frameworks and the level of influence exerted over the industry, judiciary and law enforcement bodies. Institutional voids led to higher transactional costs, market inefficiencies, risk and in the extreme cases corruption. Participants were asked to share insights into their respective host country environments in terms of the institutional voids and effects that these had on their digital transformation objectives. Responses were broadly categorised according to the political and economic conditions, infrastructure, the maturity of regulatory processes, capabilities and frameworks and responsiveness. Only key insights and significant variances have been presented for analysis purposes. Responses have been presented in chronological order according to the interview schedule.

5.5.1 Zimbabwe

Zimbabwe had the weakest institutional environment of all cases under investigation. This was the result of prevailing political and economic conditions. Regulatory changes were frequent and non-negotiable. Businesses were under continuous pressure and only had days in which to comply with new directives. Responses were often manual because system changes could not be implemented fast enough thus compromising customer experience.

> Zimbabwe: “Zimbabwe has a unique situation in that we have numerous regulatory changes. We are in a highly regulated environment. It goes back to the mid-90s when the Central Bank confiscated foreign currency from corporates. There is a lot of distrust and a lot of people when they get their pay especially if it's foreign currency would withdraw their cash and keep it under their mattresses at home.”

> Zimbabwe: “The Central Bank will issue a directive today and you expect it to be operational by Monday morning. This causes numerous manual systems, inconveniences to the customer and customer complaints. It's normally in reaction to a problem at the time.”

> Zimbabwe: “We have serious physical cash challenges. They are the ones that run the monetary policy but cannot provide service. They don't want people to come in and queue for cash. Find solutions so they can pay.”

All subsidiaries were dealing with non-traditional players providing financial services of some description. These were regulated by different institutions and not subjected to the same requirements that the banks were from a regulatory perspective. Banks were limited in terms of their capacity and capability to innovate and introduce new products and services. In Zimbabwe's case, these were Mobile Network Operators (MNOs), merchants and insurance providers. Banks had pleaded their cases, but the regulators were adamant that there would be no regulations imposed to constrain innovation. Banks were offering similar products and had to innovate accordingly.

> Zimbabwe: "We've got MNOs in their individual capacity. They also have a body which represents them Potraz which is a host and telecommunications regulator. Other players would be your merchants and insurance companies. Insurance and merchants are offering some products in one form or another in terms of wallets for example."

> The Postal and Telecommunications Regulatory Authority of Zimbabwe regulated the standards and conduct of the communication providers domestically. They were also responsible for service expansion across the country and innovation in the industry (Potraz, n.d.).

> Zimbabwe: "All banks have been crying, for example, to say MNOs are eating our cake and they don't have the same licensing requirements but they're offering banking services."

> Zimbabwe: "If they can offer this thing then you can do the same thing. We cannot come in to regulate innovation and say because you're a giant we must stop these guys. No. We can work on the policy to make sure they are also compliant and safeguard security but we can't stop innovations."

All participants had pointed to some form of contradiction or ambiguity that existed in their host country digital transformation-related regulations. Most of the regulations were at the minimum outdated and estimates varied from two and five years. This meant that subsidiaries had to interpret legislative intent. Interpretations were subjective, based on experience and tolerance for risk. Different interpretations were common and led to conflict between internal business units in all the subsidiaries. Regulations in Zimbabwe still referenced physical documentation and storage. These were applicable, directive and enforceable. Banks had to collect and store physical copies even for the provision of digital services. They were also required to accept and process cheques as a form of payment.

> Zimbabwe: "By nature of the business, a financial institution must be able to use some services electronically but there's still lots of paper and it's still relevant. In fact, we still use cheques even in an environment where we are so highly digitised we still have cheques."

5.5.2 Tanzania

Tanzania was on the eve of elections at the time of the interview. Participants felt that there were unlikely to be significant developments until after the results were ratified.

> Tanzania: "It might be steady now as we go into elections and till after the elections when they know what they're going to be doing."

Tanzania highlighted some domestic digital limitations where most of the digital transactions were being executed on legacy platforms and via limited devices. These had to be considered in terms of the success of any future digital transformation initiative. They had noted positive moves from a regulatory perspective in terms of addressing domestic infrastructure challenges.

> Tanzania: "USSD is critical because most of the transactions are on USSD and the population is using standard phones."
>
> Unstructured Supplementary Service Data (USSD) is a legacy communication protocol that creates a connection for two-way data transfer, allowing users to execute a limited set of transactions via a configured device (Wikipedia, n.d.).
>
> Tanzania: "The Ministry of Finance has invested a lot in terms of infrastructure."

Most of the participants observed that regulators had done little to transform themselves digitally and that regulatory processes and procedures were antiquated. Tanzania had noted though that some positive moves were made by one of their regulators in terms of onboarding skilled personnel to address the digital skills deficit.

> Tanzania: "Unfortunately, as much as the regulator wants to go digital, they're very paper-based. There will be a pile of papers, motivations and documentation. I wouldn't say a lot in terms of their capabilities at the moment."
>
> Tanzania: "The Ministry of Finance has invested a lot in terms of people as well, hiring people with development skills. They have built quite a good team."

Like in Zimbabwe, Tanzania was contending with mobile telecommunication providers that were regulated by different institutions. This had given the telecommunication providers a distinct advantage domestically.

> Tanzania: "We are regulated by separate entities. Most are doing mobile money, which

> is coming from mobile telecommunication companies and aggregators. They are regulated by the Tanzania Communication Regulatory Authority (TCRA)."
>
> Tanzania Communication Regulatory Authority regulated the telecommunications and postal services in Tanzania. They were mandated to protect consumer interests and maintain efficient services at the country level (TCRA, n.d.).
>
> Tanzania: "You can't. They have all the advantages. The banks are not very well placed to compete in those circumstances. In terms of the transactions, it's not even comparable."

Most of the participants reported that regulatory approval processes were erratic and time-consuming. This created uncertainty from an implementation perspective and stalled digital transformation objectives in extreme cases. In Tanzania, responses took several months and there had been no visibility into regulatory processes that were being executed.

> Tanzania: "I don't know what they are doing on that side. I don't have any visibility. We had a solution sitting here for about six, seven weeks waiting for a response before we could proceed with the activities."

5.5.3 Zambia

Zambia had recently experienced a change in regulatory leadership. It was unclear how this was going to impact the local environment in terms of digital transformation going forward even if the hopes were that there would be continuity from a policy and direction perspective.

> Zambia: "I think there will be continuity but with new leadership, I suppose there could be different points of emphasis. Not necessarily that you will not get approvals for digital initiatives but maybe that the encouragement from the Central Bank may go in another direction, where the new Bank of Zambia governor has his emphasis."
>
> Zambia: "Any changes I suspect will mainly be in the monetary policy framework. I do not see a major change. I'd be very surprised if that was the case."

Most of the participants had observed that host country regulators had deep, domain-related experience but lacked the skills to manage and regulate digital technologies and digital transformation in general. Zambia confirmed as much and saw adoption and usage of even common technology has been limited.

> Zambia: "The regulators traditionally are really strong in terms of the legal framework

and economic policy management. The Bank of Zambia's run by technocrats, civil servants.”

Zambia: “Our government right now, I think it's only recently started using email. Very recently. That's how far we have to go as a country.”

Most of the participants had noted a disconnect when they sought to deploy new technologies. This was attributed to a lack of digital expertise. Zambia felt that regulators were reactive and had waited on the industry to drive digital innovation.

Zambia: “There are so many different technologies and tools that are out there in terms of digitisation and technologies. If we could have people there who understand these things and the direction we're going in terms of digital and not only us but worldwide in terms of digital transformation. I think it would really help.”

Zambia: “They’re heavily relying on industry players to bring onboard innovations which they can test out and run in the market.”

Like in the previous countries, Zambia were contending with mobile telecommunication providers and insurance companies that were regulated by different institutions. By way of example, banks had far stricter Know Your Customer (KYC) requirements to comply which meant more onerous data gathering processes from a customer engagement perspective. Reserve requirements were another issue. Banks were required to allocate capital in case of loss while the other providers did not have to. They also mentioned community savings schemes like those found in South Africa (SA) where there were no regulations even though the services were comparable with what traditional banks offered.

Zambia: “The quality of the KYC that they're supposed to do on the accounts is much lighter than even an entry-level product for a bank. So, they've got an advantage in that space.”

Zambia: “Their regulations are much more relaxed when compared to the prudential guidelines that we're given. For instance, a Telco is not required to hold any capital for their mobile money business. Apart from having a trust account with the bank. This means there could be some systemic risk as an industry.”

Zambia: “You have ZICTA which is a separate regulatory body that regulates the MNOs. Zambia Information and Telecommunications Authority (ZICTA) but to an extent, the MNOs will also interact with Bank of Zambia given the fact that they have got wallet transactions that are financial in nature. PIA, as I said, is mainly from an insurance perspective.”

In Zambia, the Zambian Information and Communication Technology Authority (ZICTA) regulates participants in those sectors (ZICTA, n.d.). The Pensions and Insurance Authority (PIA) was established to regulate insurance and pension providers (PIA, n.d.).

Zambia: “I think in SA they are called Stokvels. In Zambia, they are called Chilimbas and are growing into multimillion kwacha ecosystems. Some of them are even dollar-denominated. If you look at the number of loans and savings taking place, if it's not properly managed and orchestrated, could cause some systemic risk.”

Chilimbas are informal groups that save and lend between members. Members commit to contributing scheduled sums of money and combined savings are rotated amongst the group, so each gets the benefit of all contributions once in a cycle (PMRC, 2020).

Zambia then spoke in the extreme of solutions being subjected to legal challenges even after having been approved by regulators because the legal frameworks had not been updated in parallel. They also questioned the relevance of some regulations given that these were written for contexts that predated digital technologies.

Zambia: “From a purely legal perspective, my sense is that as a market, we haven't matured enough. I think at some point, some of the initiatives that we're deploying may be tested legally in a court of law because it's one thing to deploy something and generally understand how it works but it's another thing when it's tested in a court of law from an argument perspective.”

Zambia: “Going forward, to be honest, some of the regulation was written so long ago that they couldn't have anticipated these grey areas. Nobody could have anticipated this.”

5.5.4 Namibia

Namibia pointed out that their regulatory teams had a general appreciation of technological trends but were limited from a detailed expertise perspective. Namibia agreed with Zambia that regulators had been waiting on the industry to drive digital innovation. The consequences were a slowing of digital transformation because regulators were ill-prepared for the ensuing discussions.

Namibia: “From the IT perspective, we know what the benefits are. We had to get approval from the regulator. You could see that some knew about it but not like you would expect them to.”

Namibia: “That's the advantage of being in my position as you become the instigator of many of these things. They're expecting us to come forward with all these digitisation projects, but I find that when we do this we have to explain it in detail so that they understand it.”

Namibia was the only subsidiary to mention microlenders specifically in the contexts of non-traditional competitors. Micro-lenders in Namibia were regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA). They cited examples from a lending and interest charge perspective where the micro-lenders had had a significant advantage over the banks because the banks were required to comply with harsher lending requirements and prohibited from charging similar rates.

Namibia: “You're not competing only with commercial banks. You're also competing with microlenders.”

Namibia: “The bone of contention is based on for example cash loans. They are not required to obtain credit bureau information or check affordability before giving the customer a loan. Whereas we as a commercial bank are heavily regulated to prove that you obtained bureau information and the customer could afford the loan.”

Namibia: “From a banking perspective, we are very regulated when it comes to interest rates. These microlenders under NAMFISA have a different cap for pricing customers and it is two times what we can normally price a customer.”

NAMFISA was mandated to supervise the financial services and to advise the finance ministry of industry activity (NAMFISA, n.d.).

Namibia highlighted legislation that still required “wet” or the physical signatures of customers as a valid form of acceptance. This was incompatible with the purchase and consumption of digital products and services. They spoke of changes that had been drafted to address some of the issues but that those had not yet been implemented. Confusion remained and digital transformation delivery continued to be hampered.

Namibia: “It does make clear mention that a wet signature is still required until the second part of the act is passed. That second piece will make provision that an OTP or an online acceptance will be sufficient in the court of law. That is hampering our current process and procedures and to fully enable us to go digital."

Namibia: "There is a lot of work going on however it is a slow process and not something that's going to be rectified within a year or two. It's going to take some time."

5.5.5 Ghana

Ghana cited a previous local banking crisis and subsequent sector-level consolidation as the main contributors to an intensified level of regulatory oversight.

Ghana: "We had a banking crisis where some banks were not compliant and had to fold up which cost the country huge sums of money. Some banks had to lay off and some had to be consolidated to form another bank and were handed over to the government to run. They had to revise a lot of the rules and engagement with banks."

Ghana: "Now for every customer-facing application that is digitised, you need to go to the Central Bank for the necessary approvals. This has impacted our business and digital transformation initiatives where previously you wouldn't have needed to go to the Central Bank for approval for certain digital initiatives."

Ghana saw banks being far more proficient from a digital perspective and that this had complicated engagements because regulators had not understood or appreciated the solutions that were being presented. Unlike other countries, they felt that the banks were better off having led industry innovation because if they had waited for the regulators little would have been delivered.

Ghana: "The problem is where you have an expert going to someone who doesn't have a full view of the technology and the benefits. These things hinder the digital agenda and slow things down when we want to move as fast as possible."

Ghana: "It works better if the banks carry the Central Bank in this regard than for the Central Bank to lead because the banks are already far ahead. The change is happening so rapidly that it's really difficult for the regulators to catch up."

Ghana had similar experiences to Zambia and Tanzania in terms of non-traditional competition. They cited customer onboarding examples to illustrate how simpler data requirements had made the telecommunication providers more convenient and attractive from a customer experience perspective even if this had potentially created more risk from a country and industry perspective.

Ghana: “So the onboarding is not strict when compared to the bank.”

Ghana: “If you come to the banking sector there are a lot of requirements just to onboard customers. In terms of setting rules and regulations, they are very tight at the bank but not for the Telcos. All they need is an ID and sometimes these are not even validated. They are even gaps in that area.”

Ghana noted that regulatory guidelines were not explicit in terms of requirements from an industry perspective and how this had compounded the issue of interpretation because these were different between industry participants.

Ghana: “I don't think they prescribe how you should do it. They just tell you that this is what we want. You have to find a way of understanding the regulations and ensuring that you don't breach them. Sometimes the interpretation of the various institutions are different and hence some institutions can innovate based on their interpretations.”

Ghana spoke of their frustration because digital initiatives had stalled due to the regulator’s inability to respond and the uncertainty that this had caused them from an implementation perspective. They did however acknowledge that some progress had been made but warned that the gap between industry and the regulators was still significant.

Ghana: “It has stalled our digital transformation because getting them to review documents can take months. You would not be able to determine a specific go-live date because you have to rely on the Central Bank's outcome.”

Ghana: “I see that they are improving, but not fast enough. The gap is quite wide.”

5.5.6 Botswana

Botswana mentioned local infrastructure failures that had impacted digital services from a customer experience perspective.

Botswana: “Last Friday, we had two hours of blackout from Orange, a complete network shut down. We have those challenges across Africa of network connectivity, and it does hinder progress.”

Participants pointed to their regulator having an ageing workforce that was resistant to change and lacking in digital awareness. They mentioned many talented graduates that were available in the market but that these skills had been ignored from a regulatory perspective thus far. Botswana had agreed with Zambia and Namibia that regulators had been waiting on the industry to drive innovation and that this had limited digital transformation progress.

> Botswana: “You've got a lot of people who are coming towards retirement who are doing things the way they were done thirty years ago. When you look at what we need to start doing around data, analytics and behavioural economics I don't see that happening because the bulk of the government employees are quite old.”

> Botswana: “So, I think the government will probably start shifting towards bringing in younger blood but as of now with the current skills and the capacity I don't see that happening. We have challenges like any African country. You've got a lot of young skills on the streets not having those opportunities to come in and demonstrate what they've learnt and what's relevant now.”

> Botswana: “It's always us having to go to them with the requirements and to tell them what we want to do. Then we find out that it's something they haven't thought about yet and they have to go and engage first and plan around it before they come back to us.”

The non-traditional competitors resembled those of Ghana, Zambia and Tanzania. The Telco’s in Botswana were regulated by Botswana Communications Regulatory Authority. They were not subjected to the same requirements as the banks and like in Zambia were not required to hold capital reserves. This had given them an advantage from a scaling and profitability perspective.

> Botswana: “They don't have reserve requirements and yet are running mini banks.”

> Botswana: “When it comes to the money that gets distributed outside the banking stream, it's just astronomical. It's just amazing how these guys can do that. At some point, they will be bigger than banks. They are running serious cash businesses.”

> Botswana: “NBFIRA is our Non-banking Financial Institutions Regulatory Authority. They regulate your Fin-Techs that are also providing banking services and any monetary value-based activity through a retail platform. They need to declare and have that regulated through NBFIRA. The Telcos are regulated by BOCRA and BOCRA regulates monetary activities that exist in the Telco space.”

> The Non-banking Financial Institutions Regulatory Authority (NBFIRA) was

accountable for ensuring the conduct, stability and security of the non-banking financial institutions in Botswana (NBFIRA, n.d.). The Botswana Communications Regulatory Authority (BOCRA) was created to regulate the communications and telecommunications sectors in the country (BOCRA, n.d.).

They spoke of ongoing efforts to level the playing field from a regulatory perspective.

> Botswana: "The issue with the different regulators and mandates will prove ultimately to be a challenge. We have to find ways of keeping each other honest. That type of conversation is ongoing to see how you regulate that setup through a neutral body. You need just that dedicated governing body."

Like in Zimbabwe and Tanzania, Botswana had regulations that still required physical documentation to be prepared and stored. This had limited the adoption of truly digital functionality because physical documents had to be manually collected by bank staff.

> Botswana: "There is still a lot of manual, a lot of documents that need to be taken."

Botswana spoke of deliberately planning deployments around a three-month turnaround in terms of regulatory responses and outlined their frustrations in terms of engagements they had had around new technologies because of the lack of digital expertise in the regulatory sphere.

> Botswana: "If it's an approval for a product or service we give ourselves like three months for the regulator to come back. That's how long it takes."

> Botswana: "The process takes a long time because some of the stuff that we pitch to them we find out that they're not ready for that yet. They now have to include those clauses in their regulatory requirements process."

5.5.7 HQ feedback

HQ participants made specific mention of the difficult conditions in Zimbabwe. It was an anomaly when compared to the other countries in the study.

> HQ: "Zimbabwe cannot be treated the same because they are living under stressful times and the economy and politics influence that heavily. A very tough country to do business in because the economy is so bad and the recession being what it is."

HQ participants agreed with Botswana and saw infrastructure challenges as a major blocker from a digital transformation perspective and most governments had acknowledged the issue. According to a report by PWC, infrastructure challenges would continue to stunt digital transformation progress unless they were addressed as a matter of urgency (PWC, 2016).

> HQ: “The first challenge that we have is infrastructure. Infrastructure hampers governments from achieving a digital agenda. I think most governments recognise this and are wanting to address it.”
>
> According to PWC (2016), less than thirty percent of citizens in Africa had access to mobile broadband services and only fifteen percent had Internet access in their homes. Devices were outdated and limited from a capability perspective. This constrained online transaction volumes and consumption. Gaps in physical infrastructure like roads, power supply and payment systems had further limited technological progress (PWC, 2016).

HQ personnel highlighted the importance of having appropriately qualified and relevantly skilled resources in terms of managing and regulating digital technologies and the financial industry in general. They cited concerns in terms of re-cycling resources between industry participants and the regulators. They saw innovation was constrained when the same skills and thinking remained in an industry. The practise was common in many African countries.

> HQ: “You need to have the capability in the country to manage and regulate it. Without that capability, you are floundering. I don't think cycling resourcing around enables better disruptive thinking. I think innovation in a closed group is very difficult to foster.”

The participants noted the difficulties that subsidiaries faced given the impact that technology has had on financial services and the emergence of new competitors. They saw regulations needing to encompass a much wider ambit as offerings were extended from a customer value perspective beyond traditional boundaries. Insights from CMS Legal (2021) emphasised the uncertainty highlighted by Zambia in terms of defensible legal positions post the deployment of new technologies.

> HQ: “The banking industry is becoming a far broader subject. The challenge we have as we develop is that banking regulation itself does not cover the entirety of the service you want to offer your customer. There are multiple pieces of regulation which are written in isolation adding to the inefficiency. It's very difficult for our subsidiaries to navigate their way through the regulatory framework.”

> Digital implementations had introduced significant legal and regulatory uncertainty. Legally defensible positions were unclear from a liability, security, contract and data protection perspective (CMS Legal, 2021).

Participants cited the relevance of legislative intent even if the regulations were outdated. Legislative intent sought to define the need or essence of the regulation. If that could be understood then it could be applied to the creation of new products and services.

> HQ: “In terms of the way, legislation has been drafted. It may not necessarily be fit for purpose in the day and age, but if we do take it from a principal perspective, I think the essence is there. You have to balance the intent of the legislation against the products and services, that you want to roll out or into the respective processes that would underlie or enable those products and services.”

Table 6 below, summarises the institutional voids that had an impact on digital transformation objectives in each of the host countries.

Table 6: Summary of the institutional voids encountered per host country

Subsidiary	Quality Ranking	Political & Economic Factors	Regulatory Uncertainty	Regulatory Inconsistency	Lack of Digital Expertise	Infrastructure
Botswana	1		Yes	Yes	Yes	Yes
Ghana	3	Yes	Yes	Yes	Yes	Yes
Namibia	2		Yes	Yes	Yes	Yes
Tanzania	4		Yes	Yes	Yes	Yes
Zambia	5		Yes	Yes	Yes	Yes
Zimbabwe	6	Yes	Yes	Yes	Yes	Yes

5.6 Subsidiary responses to institutional voids

This section outlines the subsidiary responses in terms of how they overcame the institutional voids in their respective markets from a digital transformation perspective. Input from HQ participants has been incorporated along with archival documentation relevant to host countries, institutional voids and digital transformation. Responses were broadly categorised according to internal oversight and governance mechanisms, relationship building and engagements and execution processes. Only key insights and significant variances have been presented for analysis purposes.

5.6.1 Zimbabwe

All participants identified the regulatory submission as the core artefact or collection of artefacts that had encapsulated solutions that were presented to the regulator. Zimbabwe spoke of previous experience having shaped the content of their submissions. Completeness was the key to avoiding debate. They were required to provide details of any contracts and service level agreements in line with foreign spend and localisation directives. This included any spend that was earmarked with HQ or the organisation's strategic vendors.

> Zimbabwe: "Having done it so many times, you understand what they're looking for. You give them as much information upfront as possible to prevent going backwards and forwards."
>
> Zimbabwe: "When you give notice you need to provide your product specifications. You need to provide your risk assessment of that product. You need to provide your user acceptance test results. You also need to provide your board sign-off for that particular project to indicate that you've motivated, and your board has accepted that you're to roll out this product."
>
> Zimbabwe: "You need to provide service level agreements if there are any contractors who are going to support that product."
>
> Zimbabwe: "One of the steps that we comply with is to seek authorisation to spend money on solutions that we have to pay in forex."

All participants had mentioned the value of clearly articulated risk mitigations as part of the regulatory submissions. Done correctly, these significantly reduced levels of uncertainty and improved the likelihood of securing regulatory approvals.

> Zimbabwe: "This is how it's impacting our service as a bank, how it relates to consumer protection issues. In other words, they're saying make sure your risk assessment and your interventions and mitigations are in place to prove it to them."

All participants recognised their Compliance departments as the key points of regulatory contact. In Zimbabwe, the Legal department and Chief Executive had on occasion engaged on behalf of the organisation. This was because of the complexity and sensitivity of the regulatory relationship.

> Zimbabwe: "A summarised version of a business requirements document is then drawn up and presented either through Compliance or Legal or the Chief Executive himself."

Bankers Associations were present in all countries under study. These bodies represented the interests of the banking industry in discussions with host regulators. The association was a crucial mediator between the industry and regulator in Zimbabwe. It had greater influence from a regulatory standpoint as the executor of the regulatory and monetary policy initiatives.

> Zimbabwe: “So being an authority, usually they are keener to listen to the industry as opposed to one individual bank. They represent the interests of the banking industry and engage the regulator with issues that are affecting us. They do get an audience from the Central Bank because it's a symbiotic relationship. One cannot exist without the other.”

Participants reported that regulators approved most of the solutions that were presented to them. Outright declines were uncommon but final when they had occurred. Zimbabwe’s insights revealed the directive nature of the regulatory relationship. Forex and funding were cited as the most common reasons for their solutions being declined.

> Zimbabwe: “We will be stuck. We've learnt not to make the regulator too agitated. The regulator will always tell you why they're not good. The biggest restriction is the issue of funding.”

Zimbabwe highlighted their unique circumstances and acknowledged that while the agile processes adopted by the MNE had promoted greater subsidiary accountability and improved planning and resource utilisation, they were inadequate when unplanned requirements had to be addressed urgently. They spoke of the dedicated capability that had been established with help from HQ to specifically address regulatory requirements.

> Zimbabwe: “Over the past few years, the agile process and the way it's run is giving countries more accountability to be able to drive what they want for the client. We often have to put the regulatory items ahead of any product development. It’s necessitated the formation of a ring-fenced team. Now we need to get into the planning process but you've then got to wait so that is why the decision was taken.”

5.6.2 Tanzania

All participants had local oversight functions that were comprised of key stakeholders from the across the organisation. These committees interrogated solutions from a profitability, technology and design, risk mitigation, legal and compliance perspective in terms of internal control processes.

> Tanzania: “The New Products Committee (NPC) has all the stakeholders of the bank so you can get input from Tax, Operations, Risk, Compliance and IT. Once the solution

has been approved through NPC then the deployment can start.”

All participants had spoken of the issues that regulatory ambiguity had caused by interpretation and internal conflict perspective. Tanzania cited the risk-aversion that existed in the organisation but acknowledged that had been an improvement as stakeholders were becoming more comfortable with digital principles and technology.

Tanzania: “As a financial institution, we tend to look at the risk even before the regulator says anything. But fair to say the environment is improving.”

Like in Zimbabwe, the Chief Executive had on occasion engaged on behalf of the organisation. Tanzania spoke of relationship managers at the host regulator and how these individuals liaised on behalf of the banks and helped to navigate internal structures at the regulator. According to the participants, they had greatly improved communication and the quality of regulatory engagements. This was also observed by Ghana.

Tanzania: “I think in the past two engagements we were lucky that our CE was having a meeting with a certain director at the central bank.”

Tanzania: “From the regulator point, every bank has a relationship manager who engages from a bank point of contact with the regulator.”

Tanzania reported that clients who worked for the regulator were well taken care of. They had deployed some of their most capable staff to manage those relationships. They also sought to ensure maximum visibility and presence at any events that were organised by the regulator.

Tanzania: “Most of the key decision-makers sitting in the regulatory framework are in our Private Banking so we've allocated one of our best RMs to attend to them. We try whenever there is a request from the regulator in terms of an event that we put maximum presence in place. I know Compliance has dinner and lunch engagement sessions.”

Tanzania mentioned other forums which they were involved in, in addition to being active members of the local Bankers Association. Participation had helped increase visibility and influence from an organisational and employee perspective.

Tanzania: “Industrywide, there's Tanzania Bankers Association. It is also a government-led association, represented by the CEs. If banks have any issues that we need to address we channel it through the Tanzania Bankers Association. If there are

> things that government wants also to get to banks they also channel it through to the Tanzania Bankers Association."

> Tanzania: "We have the CEO round-table which sits by sector. We also have the Think Tank that takes the senior level management into different forums of discussions."

Tanzania commented on having more intense, in-person engagements to address the uncertainty and pushback that was often associated with new digital requirements. Concerns were compounded by the lack of digital expertise in the regulatory sphere.

> Tanzania: "Something new for regulators might need us to go and present to them before they give us the go-ahead."

5.6.3 Zambia

Zambia provided some context in terms of the formal processes that governed internal approvals from a digital solution and development perspective. Activities were executed sequentially subject to approvals being granted at various intervals. These provided the supporting evidence that was required as part of the regulatory approval processes.

> Zambia: "There are three gates or stages. Stage one is where you go and present the concept. You then go to the committee for approval to test with customers. Then you get gate three for full commercialisation."

Zambia commented on the role that their internal assurance functions had played from a solution design, risk management and legislative and regulatory interpretation perspective. They were crucial to digital transformation because they ensured that the organisation remained compliant while introducing new digital products and services.

> Zambia: "A number of issues were raised when we were digitising. These were not raised by the Bank of Zambia. They were raised by our risk and governance teams in-house. I can't say they were red flags, but maybe amber flags. Some of the areas were so grey that, to be honest, we don't know what the answer is until it is challenged in a court of law."

Zambia cited new regulatory requirements from a cybersecurity and data protection perspective that had been incorporated into their most recent regulatory submissions. They mentioned instances when they had accepted risks to deliver on digital transformation objectives. Risks and mitigating actions were documented for internal stakeholder approval and recording purposes. Digital solutions that added value to customers were generally well-received at the regulatory level.

> Zambia: "We include the process flows and some of the architectural designs. There is an increased demand on our capabilities from a data, policy perspective and Cybersecurity perspective. If it's in the general spirit of the law from a privacy and security perspective and is progressive and will make customers lives easier and increase and improve transacting, then they will approve."

> Zambia: "I suppose you just bite the bullet and say let's go ahead. If we're eighty or ninety percent sure that we're on the right side then we just go ahead."

Zambia had engaged external partners to source industry information to improve the quality and credibility of their regulatory submissions. Solutions that were well-researched and backed by credible, technical data were more likely to be approved at the regulatory level.

> Zambia: "I think it just depends on what it is that they're looking for. We cite examples in adjacent industries to see how that is collaborative. We cite research, which is validating our claim. There's research in the market which is done."

Zambia pointed to the help that broader organisational expertise had provided in some of their regulatory engagements. Sharing this knowledge and learnings had helped to develop a common understanding and build regulatory capabilities from a technical perspective. Engagements varied and depended on the complexity of the solution to be presented. They also spoke engagements with the regulators to clarify interpretations as and when had been required.

> Zambia: "The fact that we've got the benefit of having a global and regional view of emerging trends. There's usually a learning curve that we have to go through with our regulatory stakeholders for them to appreciate the vision and give us space to run, experiment and try out new things."

> Zambia: "Depending on the type of change, I think the level of engagement is different. There is engagement via letters. There will be engagement where you would be called to go and clarify a letter that you sent. There'll be engagements where you will send a letter and ask for a meeting so that you can present a full concept."

> Zambia: "In the end, as an institution, we'll write to the Bank of Zambia and the Bank of Zambia will give us their position."

Zambia had successfully adopted agile and used cross-functional teams to drive the delivery of local and organisational digital transformation objectives.

> Zambia: "We go through the product lifecycle. We're employing Agile methodologies as an approach to product delivery, particularly for our digital products. We define and design the minimum viable product with internal stakeholders. There are also internal processes which would happen through the cross-functional teams in terms of ensuring that the business is ready from a change management perspective."

5.6.4 Namibia

In addition to the NPC, Namibia reported having had additional oversight functions that played a crucial role in terms of digital transformation governance. The Credit Risk Committee managed risk appetite in terms of lending strategies while the Design Authority and Change Advisory Board (CAB) focussed on adherence to technical development and standards and implementation requirements. They were however critical of the level of internal oversight requirements and felt that these were onerous and limited their ability to respond to emerging trends.

> Namibia: "It will be going to the Credit Risk Committee."

> Namibia: "We have the Namibia Design Authority (NDA). This one is more from an architectural and technical perspective. We also have CAB or the Change Advisory Board. Once we have all approvals then we go to CAB for the last approval to take the solution to production level and into the live environment."

> Namibia: "Internally quite a few things are hampering us from being agile. There's a lot of governance generally if we want to roll out something new or enhance something."

Namibia had engaged external consultants to shape their digital transformation strategy and delivery capabilities and had acquired a majority stake in a local technology start-up to fast-track digital capabilities from a local competitive landscape perspective. They were actively engaging capabilities in the broader organisation from a technical services and implementation perspective and involved in regional conversations with other subsidiaries to share knowledge, solutions and lessons learnt.

> Namibia: "We embarked on a Deloitte Digital Dojo. So, this speaks to how we are currently delivering digitally to our customers."

> Namibia: "We have a Fin-Tech, that's part of the bank as a majority shareholder. We are looking at integrating as well as enhancing the current payments platform where

we do all our banking from paying merchants, vouchers, electricity."

Namibia: "In digital transformation, there are a lot of things that we are looking at from an organisational level in terms of how we can leverage that from a Namibian perspective. We are having regional discussions with other team members to see what they are doing. From an architectural perspective, we are heavily reliant on HQ for all types of technical things."

The participants commented on the positive engagement changes that had been implemented as part of their digital transformation journey. Engagements with regulators were reactive, infrequent and only happened when a solution approval was required. Instead, they were now engaging throughout the solution lifecycle. This had helped to build a common understanding of the subsidiary's digital transformation objectives and improved communication with regulatory.

Namibia: "We only engaged the regulator where needed if we wanted to do something or required approval. With digital transformation, we've learnt that regulatory engagement should happen early on so that they are on board with what we are trying to do."

5.6.5 Ghana

Ghana cited the role that their internal assurance functions played from an interpretation and compliance perspective. By focusing on different aspects of the regularity guidelines they had steered solution owners to critically evaluate requirements and design choices. They felt the assurance functions had done well when there were no questions about the products or solutions that were presented.

Ghana: "They have minimum requirements you must meet as a bank. Our compliance team ensures that we have all these things in place. Otherwise, we would have issues with the regulator. Compliance will guide business owners to put things in a shape that is acceptable for presentation to the Central Bank."

Ghana: "Compliance will ask all the questions. They have done a thorough job internally when the regulator will have very few questions about the products."

They raised concerns in terms of interpretations that had been received previously and argued for training initiatives to upskill the teams, given the criticality of their roles in representing the bank from a digital transformation perspective.

Ghana: "It's a huge knowledge gap in terms of how we interpret and what we understand about digitisation and where we are heading. That's where the problem is internally, especially for Compliance who is going to present on our behalf. Those guys are very key to upskill."

Ghana reported that their relationship-building efforts had generated greater access and mutual reliance. They were being asked to comment on host country policy and direction setting from a digital transformation perspective.

Ghana: "Most times when they are going to implement a new act, they'll send it to the industry for us to read it first and have a look to see if what is in there is accurate before it's tabled to Parliament."

All participants noted that the most common response from a regulatory perspective was typically for more information to be shared from a digital product or a solution perspective. Ghana had been asked on occasion to present solutions and demonstrate functionality.

Ghana: "They will give you an opportunity to demonstrate what you are doing. If they couldn't tell from the letter we submitted, they will request a physical demonstration or ask you to give them evidence of what they require."

5.6.6 Botswana

Botswana argued that while their internal processes were rigid, they had improved the likelihood of receiving regulatory approval.

Botswana: "It's very rare to find situations where the regulator rejects the processes because it goes through a very rigid process within the bank itself."

Botswana noted that approvals were sometimes conditional on changes being made to the underlying solution.

Botswana: "Usually we are given a 60-day window to go back because the rebuttal would come with remarks of what we've not been able to satisfy. We will continue to work on refining that product."

5.6.7 HQ feedback

The HQ participants outlined the role that subsidiary assurance functions played in terms of business support from a local legislative interpretation and solution design perspective.

HQ: "Your assurance functions will look at the legislation and say this is what legislation prescribes. As a business can you demonstrate how you adhere to that and if you can't, this is the risk that is going to be exposed. The business must then decide, what is the best way forward."

HQ was aware that some subsidiary teams had tended to overreact to industry issues and diagnosed this due to individual maturity, capability gaps and risk aversion. The challenge for the HQ teams was how to cultivate an appropriate risk-reward type mindset so that opportunities were exploited whenever possible. Zimbabwe was particularly susceptible to this which was not to be unexpected given the political instability and economic conditions in the country.

> HQ: "We understand what is needed as an organisation. We have people appointed into roles that don't necessarily have the maturity or the interpersonal skills to go and engage."

> HQ: "I have observed whenever there is a finding that they tend to go into panic mode and double-check all controls. The minute anything goes wrong, they will not even consider that kind of thing again. They tend to forget about the reward and risk of lost opportunity. In Zimbabwe specifically, the country is so unstable that the risk people go on triple alert and they overreact in most situations."

They mentioned the skills and expertise available in and outside the organisation and the value add that these could have from a country and subsidiary perspective. They saw more needing to be done to extract value from those engagements at an organisational level.

> HQ: "We are a global organisation and have the advantage of using examples from other countries, where we've had similar experiences or seen similar issues. We have the level of skill within the organisation and that even comes from the external resources that we may use. I don't think we have tapped enough into that across the organisation in terms of that engagement."

The HQ participants spoke of the importance of host country regulatory relationships. Successful relationships were built over time, based on mutual respect and benefit, commitment and accountability. Stronger relationships were often accompanied by greater access and influence over digital transformation-related policy.

> HQ: "When I look at the relationships in various countries, we have a very good relationship with our regulators. They have been forged over a period and come with a license to operate. This must be taken into account every time we introduce new

products and services because we do not want to introduce any additional risk to the financial system as a result of a lack of insight."

Participants unanimously identified the Compliance department as the point of regulatory contact from an organisational perspective. They were accountable for managing relationships and engagements between the subsidiaries and the host country regulators.

HQ: "Compliance hold the relationship with the regulator. They will guide appropriately when it comes to what is required to engage by making sure meetings are set up with the regulator."

The HQ participants pointed to the advantage that the broader organisational expertise had from a regulatory framework and domestic capability development perspective.

HQ: "I do believe as an organisation that if we provide the right guidance and principles to our countries, that we can influence a lot more effective than what we are doing right now."

HQ acknowledge the difficulties that the regulatory guidelines created from an interpretation perspective in the host countries. They were supportive of subsidiaries that engaged their regulators actively to clarify regulatory guidelines and were trying to get all subsidiaries to follow suit. They felt that Zimbabwe had avoided engagements entirely and dismissed opportunities for fear of recrimination from a regulatory and political perspective.

HQ: "Laws are written in a way that leaves room for interpretation. Your interpretation may be different from mine and that is why engagement with the regulator becomes so important to make sure of what is expected."

HQ: "Zimbabwe are nervous to engage their regulator. They often work to the very last minute and will only go to the regulators with very specific requests or tell you upfront that this is the law, and the regulator will not budge on it."

HQ participants agreed that engagements were more intense when new digital solutions were presented because these were unfamiliar and poorly understood. They generated greater levels of uncertainty likely due to the lack of digital expertise in the regulatory sphere. Concerns over the impact to the local industry also generated pushback and had inadvertently stifled innovation and technological progress in cases.

HQ: "If you go to a regulator, they don't have an answer because it's new and it's not like they can consult the book. When you bring in something that fundamentally disrupts an existing industry, there's massive pushback. It's not as if the intent is bad, but by protecting existing industry, you stifle innovation just by its very nature, because you make it a comfortable place to operate in at that level."

Participants cited Agile as the chosen approach from an organisational perspective in terms of collaboration, development and delivery of digital transformation objectives. HQ initiated digital transformation programs had delivered benefits across many of the subsidiary business. Cross-functional teams under those constructs were extended beyond the borders of individual countries.

HQ: "We've adopted an agile approach in terms of how we deliver. It's an internal philosophy and the process that we follow to have all the right stakeholders in the room like the oversight functions Operational Risk, Compliance, Legal as part of the conversation."

HQ: "The way our organisation works is we are not building things in isolation and then deploying a solution. We are co-creating and co-designing things for customers within a particular territory. I think that's key. It's not a, we build you take deal."

Table 7 below, summarises the MNE subsidiary responses to overcome the effects of the institutional voids in the respective host countries.

Table 7: Summary of subsidiary responses in the host countries

Subsidiary	Quality Ranking	Dedicated Response	Organisational Standards	Intra-organisational Engagements	Outside Support	Regulatory Engagements	Partnering or Acquisition	Bankers Association Membership	Training & Skills Development
Botswana	1		Yes	Yes		Yes	Yes	Yes	Yes
Ghana	3	Yes	Yes	Yes		Yes	Yes	Yes	Yes
Namibia	2		Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tanzania	4		Yes	Yes		Yes	Yes	Yes	Yes
Zambia	5		Yes	Yes	Yes	Yes	Yes	Yes	Yes
Zimbabwe	6	Yes	Yes	Yes		Yes	Yes	Yes	Yes

5.7 Role of HQ in overcoming institutional voids

This section summarises the role that HQ teams have played in supporting the MNE subsidiary businesses to overcome institutional voids in their respective host country markets. Only key insights and significant variances have been presented for analysis purposes.

5.7.1 Standardised frameworks

Preparation and engagements were immediately evident from the subsidiary responses. Equally so, was the consistent approach followed by each of the businesses. This reflected the efforts of the HQ supporting entities that worked to embed standardised engagement and execution frameworks at a subsidiary level over many years.

> HQ: “The organisation has a regulatory engagement model that has been adopted with customisation based on country nuances. It speaks to our ability to lobby and influence pieces of legislation and what we want to do in terms of driving our strategy in the context of digitisation.”

Agile was adopted as the mechanism to drive the execution of digital transformation objectives across the organisation. HQ level digital transformation initiatives delivered benefits on behalf of the broader organisation. Cross-functional teams under those constructs were extended beyond the borders of individual countries.

> HQ: “We've adopted an Agile approach in terms of how we deliver. It’s an internal philosophy and the process that we follow is to have all the right stakeholders in the room like the oversight functions Operational Risk, Compliance, Legal as part of the conversation.”

> HQ: “The way our organisation works is we are not building things in isolation and then deploying a solution. We are co-creating and co-designing things for customers within a particular territory. I think that's key. It's not a we build you take deal.”

5.7.2 Oversight and support

Internal assurance functions were replicated in all subsidiaries. These functions were required to ensure compliance with the local and international regulatory frameworks applicable to the subsidiary and broader financial services organisation. HQ had established mirror entities to provide oversight, guidance and support for these local capabilities.

> HQ: “What we're trying to achieve across Africa is to get that same level of maturity when it comes to the engagement and the conversations with our regulators to start building that rapport with them to work with us.”

Oversight structures with supporting governance frameworks were similarly cascaded to all subsidiary entities. These structures were tasked with managing compliance, risk appetite and organisational and technical change activities at the subsidiary level.

> HQ: “The country manages its governance process in a similar way to what we do. They have a policy guiding them to understand the role of oversight and execution.”

5.7.3 Capability building

HQ acknowledged that Zimbabwe was an anomaly in terms of the business portfolio. The subsidiary was under continual pressure from a regulatory perspective. Directives changed often in response to prevailing economic conditions. Remaining compliant was the top priority. HQ were supportive and acknowledged that the agile processes adopted by the MNE were inadequate in terms of responding to unplanned, urgent requests. A dedicated capability was set up to bolster the country. The capability incorporated local and HQ supporting entities alongside personnel and skills from the organisation's strategic solutions providers.

> HQ: "Zimbabwe cannot be treated the same because they are living under stressful times and the economy and politics influence that heavily. A very tough country to do business in because the economy is so bad and the recession being what it is."

5.7.4 Skills development and training

Some subsidiaries spoke of skills and training initiatives to develop new capabilities and support staff. Other participants spoke of internal efforts to drive innovation and raised the profile of digital transformation from an organisational perspective.

> Zambia: "Over the last couple of years, we've deployed so much that it's no longer about how fast we can deploy, but rather how fast our staff can catch up with what we are deploying to be able to communicate effectively and ensure that change element is followed through."

> Namibia: "We've seen that there's an increased demand from business. To give you some background, we started with a department in the bank called Digital Dojo. It's a digitisation department which looks at how can we automate processes."

> HQ: "As an organisation, when we talk Digital Transformation, we are also transforming our workforce and upskilling people for new roles."

5.8 Additional observations

5.8.1 Aligning with international standards

Most participants mentioned that their host country regulators were concerned with Anti-money Laundering (AML) and Know Your Customer (KYC) requirements from an international standards perspective. These were crucial to understanding financial flows in their respective economies. Zambia mentioned the local implementation of Basel global banking standards. All host countries under study had implemented Basel I and some had implemented Basel II (FSI, 2015).

> HQ: "A lot of our African jurisdictions look to first world countries in terms of the legislation and policy being drafted as international themes."

Tanzania: “We cannot promote money laundering. They are on top of us to understand cash-in and cash-out transactions and to track the flow of cash in the economy.”

The International Finance Corporation (IFC) had noted that emerging market countries had made significant changes to their Anti-money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations to remain compliant from a global standards perspective. These were in response to pressures from developed market correspondent banks in terms of counterparty risk and restrictions on trade finance (Starnes, Kurdyla and Alexander, 2016).

Zambia: “The global regulatory standards are in place. We have transitioned from Basel I into Basel II. More advanced economies have already transitioned to Basel III.”

The Basel standards were voluntary controls developed by the Basel Committee on Banking Supervision (BCBS) to strengthen governance and risk management practices in the banking sector. The first iteration (Basel I) was released in 1998 and focused on the minimum holding capital requirements of banks. Basel II and III were published in 2004 and 2010, respectively. The latest iteration had additional controls to improve bank liquidity and limit leverage in response to the 2008 global financial crisis (BIS, n.d.).

5.8.2 Engaging to level the playing field

Some subsidiaries were actively engaging their regulators to level the playing field with non-traditional providers from a regulatory perspective.

Zimbabwe: “The legislative environment needs to help push the transformation journey, in terms of aligning innovation that's happening with the basic structure supporting those kinds of transactions and solutions that are coming.”

Botswana: “The issue with the different regulators and mandates will prove to be a challenge. We have to find ways of keeping each other honest. That type of conversation is ongoing to see how you regulate that setup through a neutral body. You need just that dedicated governing body.”

5.8.3 Consolidating regulations

Most respondents mentioned local intent to consolidate regulations and address uncertainty. Efforts were likely to be met with pushback especially from a non-traditional competitor perspective given the additional compliance overhead and the impact that this could have on their flexibility and profitability.

Zimbabwe: “They are part of the national financial payments system and their regulator has to align with the requirements from the Central Bank.”

Tanzania: “The regulator wants a split to form two companies one to deal with the mobile services and the other to deal with mobile money services or wallets. There's been some pushback from the companies because they want to stay being regulated by the telecommunications authority.”

Ghana: “If we take, for example, the Fin-Techs in the system. They were not regulated but now the regulator has come out with reforms to get them regulated.”

5.8.4 Regional discussion and regulatory alignment

Most respondents mentioned regional collaboration and discussions between host country regulators in terms of knowledge sharing and lessons learnt. Participants also spoke of regulatory alignment across host countries on the back of these engagements.

Zimbabwe: “The Central Bank governors meet every quarter in one country or another to discuss what's happening. That's why if one country puts in a regulation, others will soon follow the same rule.”

Zambia: “I do know for a fact that they do have seminars and conferences amongst themselves as regulators. So, I think there's a lot of cross-pollination of ideas.”

Namibia: “I think from a regional discussion and legislation perspective, what I've seen is that the regulators are in consultation with other regulators to have a level play, playing field across countries as well.”

5.8.5 Effects of COVID-19

Participants reported having mixed views of the impact that the COVID-19 pandemic had had on digital transformation. Many noted positives including a significant increase in online registrations since the respective country lockdowns had been instituted. Others spoke of how the pandemic had changed perceptions from a digital perspective.

Botswana: “We've seen huge numbers of registrations from a digital point of view since March. With the COVID-19 developments, we've had quite a lot of activity now happening virtually.”

Ghana: “I think not just the regulator, I think across the board. Everybody has come to see the financial sector going digital. When lockdown happened, you couldn't just go to the branch anymore.”

Zimbabwe highlighted issues while trying to sustain operations and maintain pandemic protocols. They saw the pandemic had reshaped the way subsidiaries were doing business. For Namibia, an inadequate regulatory framework had blocked digital responses during the COVID-19 pandemic. Ghana admitted that the abnormally high transaction volumes had caused system instability and negative customer experiences.

> Zimbabwe: “We've got people working from home and you can't give everyone access to the system from a risk perspective. So that means you have got to bring more resources to the office and do your social distancing. The pandemic has brought its challenges as well for a lot of the countries and the way they operate.”
>
> Namibia: “COVID, was an eye-opener for Namibia from a digital perspective with the regulator. We were not geared to function like we needed to with COVID-19 versus what the framework required. Everything is still very manual and required wet signatures and those things.”
>
> Ghana: “It got to a point that customers complained that the systems were not working well because of the number of people utilising the system.”

5.9 Conclusion

The chapter captured participant responses in terms of the effects that institutional voids had on digital transformation and how the MNE subsidiaries had overcome the institutional voids in the respective host country markets. HQ participant inputs were incorporated to provide overall context from an MNE perspective in terms of digital transformation and the challenges that subsidiaries faced. Theoretical sampling was utilised for the case and interviewee selection purposes. A variety of host country environments were selected to assess the effects that different institutional voids had on digital transformation. Participants were selected because of the incremental value that their unique contributions had from a study perspective. A multi-site case design was adopted so that the effects of institutional voids and subsidiary responses could be contrasted between the various countries. Findings were to some extent generalisable because they had been assessed in several environments. Archival documents were incorporated to substantiate responses for triangulation purposes. Findings are discussed in detail in chapter six.

Chapter 6 – Discussion

6.1 Introduction

The previous chapter presented the outcomes of the semi-structured interviews conducted with the subsidiary and HQ participants and the archival documents that were sourced to substantiate and triangulate the participant insights. Results were arranged according to the research questions posed in chapter three and the themes that emerged from the data analysis described in chapter four. The key themes identified from the data analysis included the emerging market institutional voids that had an impact on digital transformation, MNE strategies, tools and tactics deployed alongside the role of HQ in overcoming these. The purpose of this chapter was to discuss the study findings, key themes and research questions in the context of the available literature from chapter two. The chapter is arranged according to the research questions and seeks to develop propositions to be validated or disproved by the research.

6.2 Research problem

Institutional voids were a consequence of under-developed and ineffective local institutional structures and caused by poor literacy levels, a shortage of skilled labour and unreliable infrastructure (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015). Emerging markets were synonymous for having institutional voids because local intuitions were weak, government and policy frameworks were unstable and unpredictable and infrastructure was unreliable (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015; PWC, 2016). Digital transformation was described as a long-term and unavoidable journey for incumbent businesses to enable organisational and commercial change. Digital transformation integrated and harnessed digital technologies to reshape processes and procedures, engagements, systems, cultures and business models so that these could deliver innovative solutions for customers and improve organisational efficiency (Ekman et al., 2019; Gobble, 2018; Gurbaxani and Dunkle, 2019; Hess et al., 2016; Sebastian et al., 2017).

Digital transformation programs had helped organisations to re-engineer and disrupt existing business models and build new capabilities via the integration of digital technologies (Chanias et al., 2018; Ekman et al., 2019). Changes had to be cascaded throughout the organisation to be of real benefit from an adoption and sustainability perspective (Ekman et al., 2019; Gobble, 2018; Sebastian et al., 2017). This was complicated for MNEs because their subsidiaries had to navigate different host country environments and even worse for those with subsidiaries operating in emerging markets that were synonymous for having weak local institutions and institutional voids (Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). Previous literature explored the strategies and tactics that MNEs had deployed to overcome the effects of local institutional voids. Most of the studies were focused on MNE responses at the time of market entry or in advanced economies (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). No studies were found to have investigated the effects of institutional voids on digital transformation or to coincidentally to have investigated how MNE subsidiaries overcome institutional voids in their respective host country markets while undergoing digital transformations.

6.3 Research question one

Research question one sought to explain how institutional voids impacted digital transformation. To understand this, the researcher had to determine if institutional voids had an impact on digital transformation and if so, how had they impacted digital transformation. Proposition one assumes that institutional voids negatively impact digital transformation and the more severe the institutional voids were, the greater impact these would have on digital transformation.

Outside of feedback provided by Zambia in terms of the community-based savings vehicles, most of the insights gathered during the study concentrated on the effects that formal institutions had on MNE subsidiary digital transformation objectives. The researcher acknowledges the shortcoming and the views of prominent scholars that markets were influenced by a combination of formal legislative and industry structures and informal beliefs, rules and social constructs (Regner and Edman, 2014; Scott, 2008; Zoogah et al., 2015). Formal institutions were found to be weak, restrictive and ineffectual from a legislative perspective (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015) while informal institutions were especially strong in rural contexts (Zoogah et al., 2015). Both constructs were corrupt and perpetuated unequal resource allocations and market inefficiencies (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

6.3.1 Formal institutional voids

6.3.1.1 Political and economic factors

In Zimbabwe, political instability had dismantled trust and destabilised economic activity. This was reminiscent of the extant institutional voids literature that had found emerging markets were susceptible to institutional weakness because of unstable and unpredictable governments that could exert influence over industries, the judiciary and law enforcement bodies (Gao et al., 2017; Khanna and Palepu, 1998). The country's regulatory actions were reactive to the prevailing economic crises. Industry participants were under continual pressure to remain compliant in the face of regulatory uncertainty and frequent non-negotiable changes. Efforts were ineffectual and market conditions had remained in a state of flux. This aligned with views of prominent scholars who felt that while emerging market institutions were weak, ineffective and restrictive they were still highly influential and that changes at intuitional level had broad ramifications from a market and participation perspective (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Meyer and Peng, 2015; Parmigiani and Rivera-Santos, 2015).

Khanna and Palepu (1998) had also reported that emerging market economies were frequently subjected to disastrous policy attempts to address transactional inefficiencies present in the markets (Khanna and Palepu, 1998). Zimbabwean subsidiary had to deprioritise many digital transformation objectives in favour of responding to regulatory directives. In many cases, manual interventions had been deployed because the required system changes could not be developed in the allotted time. These had increased resource overheads and significantly compromised customer experience. Extant literature noted that institutional voids in similar contexts had led to less creativity and innovation, higher transactional costs, market inefficiencies and unequal resource allocations in those markets (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

While the study had not uncovered issues in capital markets specifically (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Zoogah et al., 2015) the fragile economic conditions in Zimbabwe had restricted foreign spend and limited engagements with outside vendors, the parent organisation and its strategic partners. These resembled previous works where poor governance and regulation in financial markets (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Zoogah et al., 2015) had impacted business viability and kept levels of creativity and innovation, mechanisation and technological advancement subdued (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

In Ghana, a previous banking sector crisis had led to industry consolidation and more stringent regulatory requirements being promulgated onto the industry. The researcher saw the response in line with Khanna and Palepu's (1998) assertion that emerging market economies were frequently subjected to disastrous policy attempts to address transactional inefficiencies present in the markets (Khanna and Palepu, 1998). All digital solutions that had customer impact had to be presented for regulatory approval as a result. This caused uncertainty and delayed implementation of digital transformation objectives because the regulatory approval processes were non-transparent, erratic and lengthy. This resembled the view of previous researchers that saw emerging markets with institutional voids being defined by information asymmetry or imperfect information flows (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). Not being able to deploy digital transformation solutions had hurt the subsidiaries financially from both a revenue and resource allocation perspective. Researchers noted that institutional voids had led to less creativity and innovation, higher transactional costs and market inefficiencies and unequal resource allocations in similar market contexts (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

6.3.1.2 Infrastructure

Previous scholars had observed that institutional voids were caused by amongst other things unreliable infrastructure (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015). Participants spoke of industrywide network shutdowns and abnormally high transaction volumes that were being seen in response to COVID-19 social distancing and lockdown protocols. Both had led to service disruptions and comprised customer experiences. Tanzania had spoken of digital transformation being limited by the popularity of USSD and feature phones. Although not widely mentioned by the other subsidiaries, HQ felt that infrastructure issues were a significant priority for governments in Africa. Market research by PWC (2016) concurred and indicated that less than thirty percent of citizens had access to mobile broadband services and about half that had Internet access in their homes. Devices were outdated and limited from a capability perspective. This constrained online transaction volumes and service consumption. Gaps in physical infrastructure like roads, power supply and payment systems had further limited technological progress in most African countries (PWC, 2016).

6.3.1.3 Regulatory uncertainty and inconsistency

Markets plagued by institutional voids were characterised by information asymmetry and an inability to meet and enforce contractual obligations between buyers and suppliers (Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Parmigiani and Rivera-Santos, 2015). This was reminiscent of subsidiary complaints about gaps in the regulatory frameworks. Regulations were lagging industry consistently by between two and five years. Many felt that these regulations were no-longer relevant because they spoke to conditions and requirements that predated the digital economy. This created ambiguity and caused uncertainty because subsidiaries had to decode regulatory intent and determine corresponding compliance obligations. Digital transformation deliverables were delayed by the conflict between internal units because interpretations were subjective, opinion-based and dependent on individual risk tolerance.

Functionality had been shelved in cases where no frameworks had been put in place to govern the solutions. Subsidiaries had lost out on potential revenues and incurred sunk resource costs. Namibia laid the blame for the country's inability to respond digitally during the COVID-19 pandemic on an inadequate regulatory framework. The findings were in line with previous studies that had seen how institutional voids had caused less creativity and innovation, higher transactional costs, market inefficiencies and unequal resource allocations in similar market situations (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

Inconsistent regulatory applications had fashioned unequal industries and created an entirely new breed of competitors from a financial services perspective in the host countries. Non-traditional competitors provided financial services but were not subjected to the same, strict regulatory guidelines that the banks were. Entities had a significant and sustainable digital advantage and subsidiaries cited numerous examples where differences had constrained their progress from a digital transformation because they were unable to match the competitor offerings. Subsidiaries had lost out on potential revenues which were in line with previous research that attributed weaker economic activity, less creativity and innovation, higher transactional costs and market inefficiencies to the presence of institutional voids (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

6.3.1.4 Regulatory skills and capabilities

Prominent scholars had noted that institutional voids were caused by poor literacy levels and a shortage of skilled labour (Cuervo-Cazurra, 2012; Khanna and Palepu, 1998; Marquis and Raynard, 2015). Regulatory teams in the host countries were comprised of deep domain-related skills. Some were ageing and change-resistant and most lacked digital expertise and technological awareness. Resources were frequently recycled between participants including the regulators. These findings agreed with the earlier works that saw access to skilled technical and managerial resources being constrained (Cuervo-Cazurra, 2012; Marquis and Raynard, 2015; Meyer and Gross, 2018; Zoogah et al., 2015). The organisation's HQ personnel felt that recycling had hindered innovation because new skills and thinking could not be permeated into the industry. Botswana spoke of many young, skilled resources that were available in the market but that had not been employed. Those observations views were supported by other authors who concluded that institutional voids restricted economic activity, reduced efficiency, creativity and innovation (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

Subsidiaries agreed that regulators had waited on the industry to drive innovation. Issues manifested themselves when solutions were presented for approval because the regulators were unqualified and ill-prepared for the ensuing discussions. Digital transformation implementations had stalled without those approvals. This was in line with previous literature that saw institutional voids causing higher transactional costs, inefficiencies and less creativity and innovation in impacted markets (Cuervo-Cazurra, 2012; Doh et al., 2017; Gao et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015; Parmigiani and Rivera-Santos, 2015; Zoogah et al., 2015).

6.3.2 Summary of research question one

The study found that formal regulatory institutional voids had an impact on the digital transformation objectives of all subsidiary entities to some degree. Political and economic factors had the greatest impact. The experience was most severely felt in Zimbabwe where digital transformation deliverables were deprioritised in favour of regulatory compliance. In Ghana, the consequences of a previous banking sector crisis were still being felt because regulators had implemented stringent approval guidelines that impacted digital transformation delivery. Other institutional voids that were found to be common and that had an impact on digital transformation included regulatory uncertainty and inconsistency, digital expertise and issues related to infrastructure. Outdated or incomplete regulations had created ambiguity. All subsidiaries had to interpret legislative intent. This led to internal conflict because interpretations were subjective, based option, experience and risk profile. Inconsistent applications had created an unequal playing field in all host countries. Subsidiaries were competing against non-traditional competitors that were offering financial services products. A lack of digital expertise in the regulatory sphere meant that regulators were unable to set direction and grasp solutions that were presented to them. This had delayed implementation and in extreme cases had resulted in solutions being shelved at a loss to the subsidiaries. Infrastructure failures had service delivery and customer. Popular device and operating standards limited the impact and adoption of new technologies and built environment deficiencies had affected economic activity in general.

Proposition one can therefore be restated as:

Proposition one a. – formal regulatory institutional voids negatively impact digital transformation in MNE subsidiaries operating in emerging markets.

Proposition one b. – political and economic factors had the most severe impact on the digital transformation objectives of MNE subsidiaries of the institutional voids detected in emerging market host countries.

6.4 Research question two

Research question two intends to establish how MNE subsidiaries operating in emerging markets overcame the effects of institutional voids while undergoing digital transformation. To understand this, the researcher had to explore how the subsidiaries had responded to the effects that institutional voids had had on digital transformation. Proposition two assumes that MNE subsidiary responses were proportional to the effects that institutional voids had on digital transformation. The greater the effects, the more intense the subsidiary response was to overcome the institutional voids and sustain digital transformation efforts.

The prevailing theory had until recently claimed that resource commitments were negatively correlated with the presence of institutional voids. More challenging environments would therefore have received lower levels of investment because resources could not easily be redeployed to other environments (Liedong et al., 2020). Firms were thought to have avoided these environments because of the complexity and a greater likelihood of failure (Liedong et al., 2020). Newer literature concluded that substantial investments had created barriers to exit because firms were more likely to avoid losing assets even if conditions were chaotic (Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020). Resource commitments had thus tended to increase as firms had sought mechanisms to overcome the institutional voids and develop markets to sustain their operations (Liedong et al., 2020). This was thought to apply similarly when the presence of institutional voids intensified in some markets.

6.4.1 Subsidiary responses to institutional voids

Marquis and Raynard (2015), investigated extant literature to understand the actions taken by firms operating in emerging markets to overcome institutionally weak environments. They categorised these as (p. 291) “strategies” that were of a “…relational, infrastructure-build and socio-cultural” nature and argued that they were critical in those environments. They found that the strategies were unlikely to be homogenous given the institutional differences between emerging markets (Marquis and Raynard, 2015). Relational strategies were focused on developing domestic relationships with key stakeholders. Much of the available literature highlighted the Corporate Political Activities (CPA) of firms to lobby and influence emerging market authorities such that policy and regulations were favourable (De Villa et al., 2019; Gao et al., 2017; Marquis and Raynard, 2015). The importance of formal regulatory relationships was emphasised by all subsidiaries.

According to interview participants successful relationships were built over time, based on mutual respect and benefit, commitment and accountability. Stronger relationships were often accompanied by greater access and influence over digital transformation-related policy. The study found that relationship building activities occurred at individual and industry levels which were in line with available CPA literature that firms sought to lobby and influence emerging market authorities such that policy and regulations were in their favour (De Villa et al., 2019; Gao et al., 2017; Marquis and Raynard, 2015).

6.4.1.1 Industry-level engagements

The study found that Bankers Associations were present in all host countries and that all subsidiaries were members of their local equivalents. These bodies represented the interests of the industry, in discussions with host regulators to improve the overall state of the respective local financial services environments. Some of the subsidiaries were also involved in other industry type forums and reported that these provided greater access and visibility from an industry perspective. The findings were reminiscent of the views of prominent researchers who felt that firms had worked to strengthen and transform local institutions individually or via partnerships with other participants or regulatory authorities (Khanna and Palepu, 1998; Marquis and Raynard, 2015). Observations from the HQ participants were perhaps the most telling in terms of the value of industry engagements. In their view, Zimbabwe had avoided individual engagements and ignored some commercial opportunities for fear of recrimination. The Bankers Association had greater leverage because it provided the crucial mediating link between the industry and the local regulators.

6.4.1.2 Subsidiary-level engagements

Most of the subsidiaries engaged their regulators, some more proactively than others. The findings, for the most part, resembled those of De Villa et al. (2019) who had seen firms actively engaging institutions to shape legislation or address industry gaps while others had deliberately avoided engagements because they lacked the capabilities required to deal with political actors. As dysfunctional as the regulatory relationship was in Zimbabwe, the subsidiary was not barred from engaging domestically (De Villa et al., 2019).

At the subsidiary-level, the study found that the local assurance functions were the custodians of the host country regulatory relationships. Interestingly, Zimbabwe reported having received help from their Legal department and Chief Executive. This was perhaps the mechanism by which they were most comfortable to engage given the complexity and sensitivity of the regulatory relationship. Tanzania also mentioned the involvement of their Chief Executive but as a point of escalation when responses had not been forthcoming from a regulatory perspective.

All participants identified the regulatory submission as the key artefact that encapsulated the solutions to be presented to the regulators. The content of the submission had been shaped and honed by previous experience and lessons shared by HQ and other subsidiary entities. This was reminiscent of the works of Cuervo-Cazurra (2012) who argued that the processes and knowledge gained by overcoming deficiencies in one environment, was an advantage when the MNEs engaged in similar markets (Cuervo-Cazurra, 2012). Completeness and transparency were key to securing approval and avoiding delays and unnecessary debates about the validity of solutions. In general, submissions were identical, but some had specific requirements that were nuanced by local regulatory requirements.

More intense, in-person methods were utilised when new solutions were presented because these were unfamiliar and poorly understood. Regulatory concerns stemmed from the impact that solutions might have had on the local industry. Concerns were likely compounded by the lack of digital expertise in the regulatory sphere. Proactive engagements were useful to clarify interpretations from a regulatory guideline perspective. Subsidiaries that subscribed to either or both approaches felt that these had helped them to build a common understanding of their digital transformation objectives and improved communication between themselves and the regulators. Subsidiaries also reported having greater access to their regulators and were being asked to comment on host country policy and direction setting from a digital transformation perspective. This closely resembled previous works that spoke of firms working to strengthen local institutions individually or via partnerships with other participants or regulatory authorities and that the cost to the firm in terms of resources was justified (Doh et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). It also confirmed the views of Kostova et al. (2008) that subsidiary legitimacy was established via relationship-building efforts with respective host country authorities.

Tanzania reported having deployed some of its most capable staff to manage the relationships of clients that worked for the regulators. They also spoke of ensuring maximum visibility and presence at all events that were organised by their regulators. These findings resembled those of Saka-Helmhout (2020) who saw how engagements at the subsidiary level were either invisible as part of daily operations or deliberately visible and Doh et al. (2017) who spoke of signalling and the deliberate efforts of firms to improve their standing in host country environments. The findings were also aligned with the active reputation management observations of Gao et al. (2017). They found that firms who had actively managed their reputations had access to higher quality resources, greater credibility and more substantial commercial activity gains (Gao et al., 2017).

The study did not explore informal engagements between industry participants so the role of informal, social relationships to facilitate exchanges, cooperation and communication amongst industry participants cannot be confirmed (Marquis and Raynard, 2015). The consequences of poor regulatory relationships had financial, information and resource sustainability implications (Marquis and Raynard, 2015). This was clear in Zimbabwe where the quality of the individual participant relationships was frail. The Bankers Association played the crucial mediating role between the industry and regulator. The association had greater influence from a regulatory standpoint because it represented the interest of all participants as the executors of regulatory and monetary policy directives.

6.4.1.3 Internal capability building

Socio-cultural strategies sought to close gaps from an economic enablement, poverty and literacy perspective (Marquis and Raynard, 2015). The study found that skills development and training initiatives were underway in most subsidiaries to enhance existing and build new internal capabilities. Subsidiaries also spoke of initiatives that fostered internal innovation, supported staff and raised the profile of digital transformation from an organisational perspective. These findings were in line with previous research that saw how firms had focused on training and skills development to build specific internal capabilities because those were absent in emerging markets (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015).

Some subsidiaries had engaged outside expertise to bolster and define internal digital transformation capabilities. Most were actively engaging capabilities within the broader organisation from a technical services and implementation perspective. Some were involved in regional conversations to share knowledge, solutions and lessons learnt from a digital transformation perspective. These measures were arguably more sustainable than those proposed by past researchers that saw how resource and capability gaps could be mitigated by the employment of skilled consultants and expatriates (Khanna and Palepu, 1998; Marquis and Raynard, 2015).

Those that had incorporated broader organisational wisdom and expertise in their regulatory engagements reported that sharing had helped them to build common understanding and had positively developed regulatory capabilities from a technical perspective. This had closely resembled previous works that spoke of firms working to strengthen local institutions individually or via partnerships with other participants or regulatory authorities and that the cost to the firm in terms of resources was justified (Doh et al., 2017; Khanna and Palepu, 1998; Liedong et al., 2020; Marquis and Raynard, 2015). The findings also aligned with the work of Parente et al. (2019) who had seen MNEs nurture and developing capabilities in other stakeholders to the benefit of all partners in an ecosystem (Marquis and Raynard, 2015) and those of Regner and Edman (2014) who found that experienced MNEs redeployed skills from within their broader organisation to share knowledge and expertise so that subsidiaries could exploit gaps in their respective environments for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

While this was not explicitly mentioned by any of the interview participants, the researcher speculates that most of the staff employed by the subsidiary businesses were local citizens including at executive level on the basis that all the participants were local citizens. This was in line with previous thinking that firms had employed experienced, local resources to navigate the cultural, political and linguistic differences inherent in the respective emerging market environments (Marquis and Raynard, 2015). Similarly, the need for expatriates had likely declined in line with HQ efforts to develop and mature capabilities at the subsidiary level.

Some subsidiaries had used acquisitions, partnerships or both to fast track the development of digital capabilities and expand business footprints to remain relevant from a local competitive landscape perspective. This had helped to circumvent regulatory consistency and level the playing field in line with the views of previous authors that saw how institutional voids proffered commercial prospects when firms had the appropriate skills and expertise to take advantage of opportunities (Khanna and Palepu, 1998; Marquis and Raynard, 2015).

The study also found that the organisation utilised a combination of local capabilities, standardised guidelines and frameworks along with HQ and internal support mechanisms to monitor and control compliance and conduct activities. The findings were aligned with the views of Doh et al. (2017) who saw how MNEs had substituted internal information for local information when making decisions from a market and activity perspective. Membership of host country Bankers Associations and other industry forums provided industry-level oversight and legitimacy from an MNE perspective in terms of their activities which was somewhat in line with previous calls for the importance of independent oversight mechanisms in host countries (Khanna and Palepu, 1998; Marquis and Raynard, 2015). The study could not confirm however if any other local capabilities had been created to ensure predictability and transparency from a market perspective.

There was no mention of strategic investments made by the subsidiaries for the betterment of local communities. The researcher speculated that subsidiaries had at the very least sponsored domestic initiatives in the host countries in the past based on the actions of the HQ in the MNE home country in South Africa. Those efforts would have been beneficial from a brand recognition, reputation and legitimacy perspective as per the views of Marquis and Raynard (2015) and Gao et al. (2017).

The study could not confirm how business groups navigated institutional voids in emerging markets because the subsidiaries were members of the same organisation but operated in different host countries. The study did however find that the organisation utilised a combination of local capabilities, standardised guidelines and frameworks along with HQ and internal support mechanisms to monitor and control compliance and conduct activities. These measures had helped to broadly mitigate risk and reduce exposure. Broader organisational expertise and knowledge sharing had provided greater access to resources than the subsidiaries would have had if they had not belonged to the organisation. These findings were comparable with research that had found members of a business group having greater access to resources, capital and expertise than they would have had previously (Gao et al., 2017; Manikandan and Ramachandran, 2015; Marquis and Raynard, 2015). The findings also agreed with the previous works that found experienced MNEs had redeployed skills from within their broader organisation to share knowledge and expertise so that subsidiaries could exploit gaps in their respective environments for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

Agile methods had been adopted across the MNE to guide the delivery of digital transformation-related objectives. Zimbabwe's unique circumstances meant that the processes were inadequate in terms of handling the unplanned and urgent directives that were coming in response to the prevailing market conditions. Instead, a dedicated team of HQ and strategic vendor partner resources was established specifically to help the subsidiary manage the responses to those directives. While the situation resembled the findings of Regner and Edman (2014) it was more a case of the MNE redeploying skills from within their broader organisation to ensure the survival of the subsidiary as opposed to helping the subsidiary exploit gaps for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

While the study did not uncover anything untoward in terms of the engagements between the subsidiaries and host country regulators like Liedong et al., (2020) had in their study of the CPA strategies employed by local banks in Nigeria, there was mention of a past issue involving payments made to government officials in Tanzania that had resulted in penalties and fines from an organisational perspective.

6.4.2 Host country efforts to address institutional voids

The study found that initiatives were underway in several of the host countries to address the presence of domestic institutional voids. These were in line with views of prominent researchers that had identified key areas for the development of successful local institutional environments including infrastructure builds, goal-setting and strategic objectives to guide participation alongside relevant and accurate regulations to safeguard and mature local industries, significant investments to develop local skills and capabilities and the establishment of independent oversight mechanisms to ensure predictability and transparency from a market perspective (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015).

The study found that efforts were underway in at least one of the host countries to improve infrastructure and systems. Industry perceptions in terms of the value that digital technologies provided had changed dramatically since the start of the COVID-19 global pandemic. Evidence was also found to support host country efforts to consolidate and align regulations and regulatory mandates even if these were going to take time and cause more uncertainty in the short term. Subsidiaries had also spoken of relationship managers employed by their regulators to liaise on behalf of the banks. These had helped to navigate internal structures and improved communication and the quality of regulatory engagements. This was in line with the past research that saw relevant and accurate regulations were required to safeguard and mature local industries (Khanna and Palepu, 1998). Regional discussions were underway between host country regulators to share knowledge and learnings according to some participants. No evidence was found in terms of industrywide efforts to address skill and capability gaps that were identified by previous researchers (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015).

The study found that local Bankers Associations were present in all host countries. These entities had represented the interests of the broader industry in discussions with the host regulators for many years. This provided some level of oversight in line with calls for independent mechanisms to be established in host countries. The study could not confirm if any other local capabilities had been created to ensure predictability and transparency from a market perspective. (Khanna and Palepu, 1998; Marquis and Raynard, 2015). Host country regulators were prioritising alignment to international standards from a KYC, AML and CFT perspective. These were crucial to understanding and safeguarding the financial flows that occurred in their respective economies. All were also in various stages of alignment with the global voluntary controls developed by the Basel Committee on Banking Supervision (BCBS) to strengthen governance and risk management practices in the banking sector (BIS, n.d.; FSI, 2015). These findings were in line with previous works that saw how the adoption of international standards could improve domestic transparency, reliability and conduct (Gao et al., 2017; Marquis and Raynard, 2015).

6.4.3 Summary of research question two

The study found that efforts to overcome the effects of formal regulatory institutional voids were happening at subsidiary and industry levels. At the subsidiary level, the extreme effects of the political and economic factors had required digital transformation objectives to be de-prioritised in favour of ensuring regulatory compliance. A dedicated capability had been created to help the Zimbabwean subsidiary to navigate their politically charged and sensitive environment. Regulatory engagements were handled by executive-level personnel or through the Bankers Association as the industry mediator between participants and the regulators. The body had a greater standing with the regulator because they represented the interests of the broader industry. Less onerous conditions in Ghana had necessitated the subsidiary planning around regulatory approvals from an implementation and delivery perspective. This approach had worked together with active regulatory engagements to ensure approvals were expedited as far as possible.

Regulatory engagements were most beneficial in terms of building a common understanding from a digital transformation perspective. Sharing of organisational resources, capabilities and frameworks had helped the subsidiaries to develop regulatory capabilities. Efforts had culminated in some subsidiaries having greater access to their regulators and being able to provide guidance and input into policy and direction setting from a host country perspective. Access to organisational resources, capabilities and frameworks had helped the subsidiaries to mitigate the effects of gaps in host country domestic oversight functions. Subsidiaries were also busy with training and capability initiatives to mitigate skills gaps in the host country markets. Outside expertise, partnerships and acquisitions had been employed to fast-track digital capability building and circumvent regulatory inconsistencies. Industry-level engagements were led in each of the host countries by the local Bankers Associations. These strategies were common amongst the subsidiaries and applicable in all host country contexts.

The study also found that host country regulators were taking active measures to address infrastructure, access and consistency gaps in their respective domestic markets. Regional discussions were also underway to share knowledge and expertise between countries and the alignment with key international regulatory standards was underway to improve oversight, transparency and controls from a financial services industry perspective. Efforts were underway to consolidate and align regulations between institutions with different mandates to ensure consistency at an industry level.

Proposition two can therefore be restated as:

Proposition two a. – MNE subsidiary units operating in emerging market host countries overcome the effects of formal regulatory institutional voids through regulatory engagement and internal and external capability-building processes.

Proposition two b. – MNE subsidiary units operating in emerging market host countries overcome the effects of formal regulatory institutional voids as members of industry-level associations.

Proposition two c. – MNE subsidiary units operating in emerging market host countries benefit from the efforts of host country regulators to address the institutional voids present in their respective markets.

Proposition two d. – MNE subsidiary units operating in emerging market host countries that are plagued by extreme political and economic factors deprioritise digital transformation over regulatory compliance and dedicated capabilities are required to execute against regulatory directives.

6.5 Research question three

Research question three sought to determine the role that HQ played in subsidiaries overcoming the effects of institutional voids while undergoing digital transformation. To understand this, the researcher had to explore the level of HQ involvement in terms of the effects of the institutional voids on digital transformation. Proposition three assumes that HQ involvement was proportional to the effects that institutional voids had on digital transformation. The greater the effects, the more involved HQ would be in supporting the subsidiaries to overcome the effects of institutional voids and sustain digital transformation efforts.

6.5.1 Role of HQ in overcoming institutional voids

Traditional theorists had argued that organisations had complied with institutional requirements to survive in foreign markets (Kostova et al., 2008; Meyer et al., 2020). More recent views saw MNEs having added internal complexity with operations spanning multiple, diverse institutional contexts (Beugelsdijk et al., 2018; Regner and Edman, 2014). Subsidiaries were more internally dependent than host-country businesses and this had helped facilitate standardisation and the transfer of capabilities and resources across the MNE. This had also helped to shield subsidiaries from an institutional perspective so that compliance was only necessary at the regulatory and legal levels (Kostova et al., 2008). Researchers held that MNE HQs set strategy, defined business architecture and organisational goal setting and controlled the standards of execution for the wider organisation from a process and procedural, product and service, governance and technological perspective (Ekman et al., 2019; Lunnan et al., 2019). Subsidiary activities were monitored by internal oversight mechanisms and legitimacy was established via relationship-building efforts with respective host country authorities (Kostova et al., 2008).

According to the participants, new digital solutions had to be presented to the respective host country regulators for formal approval before they could be released to the market. Subsidiaries noted that the way solutions were represented to regulatory audiences was crucial. Transparency and completeness overcame the lack of digital expertise and technical awareness and meant that regulators were more likely to approve solutions and less likely to revert with questions. The study found that the key to preparing quality regulatory submissions was an intricate system of internal oversight and governance mechanisms that were replicated in all subsidiaries. This aligned closely with newer institutional theory views that held that because MNEs had the added internal complexity of operations spanning multiple, diverse institutional contexts (Beugelsdijk et al., 2018; Regner and Edman, 2014) their subsidiaries were more internally dependent, thereby facilitating standardisation and the transfer of capabilities and resources in the MNE (Kostova et al., 2008).

The consistency of approach reflected the efforts of the HQ supporting entities that had worked to establish and develop the maturity of local oversight functions by embedding internal controls and standardised engagement and execution frameworks at a subsidiary level over many years. These findings echoed the views of Lunnan et al. (2019) that MNE HQs were accountable for strategy, business architecture and organisational goal setting. HQ also controlled the standards of execution for the wider organisation from a process and procedural, product and service, governance and technological perspective (Ekman et al., 2019; Lunnan et al., 2019).

The local oversight structures were tasked with managing compliance, risk appetite and organisational and technical change activities at the subsidiary level. They ensured the accuracy and relevance of digital transformation solutions built, relative to the local market conditions. Internal assurance capabilities were similarly replicated at the subsidiary level to ensure compliance with the local regulatory and legislative guidelines. This was in line with the earlier works of Kostova et al. (2008) that concluded that local compliance requirements from an MNE perspective were contained to regulatory and legal elements only. Local units were also required to ensure local compliance with the international regulatory frameworks that applied to the broader financial services organisation. HQ had mirror entities established to provide oversight, guidance and support. This structure agreed with the views of Kostova et al. (2008) that subsidiary activities were monitored and controlled by internal oversight mechanisms. (Kostova et al., 2008).

The findings also resembled those of Doh et al. (2017) who had seen firms overcome the effects of institutional voids (p. 299) through "…internalization, substitution, institutional borrowing and signalling." The MNE had embedded internal governance and control mechanisms at the subsidiary level, with support and oversight provided by entities from HQ. Similarly, because the MNE home country (SA) was generally more advanced from an institutional perspective, organisational guidelines and frameworks had been cascaded down to the subsidiaries by the supporting HQ entities. These had guided local execution and reduced the reliance on the host country markets from an information, assurance and facilitation perspective (Doh et al., 2017).

Local assurance units supported their business counterparts with legislative interpretation and risk identification and management from a digital transformation and solution design perspective. By focusing on different aspects of the regulatory guidelines they had steered solution owners to critically evaluate requirements and design choices. This was again reminiscent of the observations of Doh et al., (2017) from the internalisation of oversight functions and the use of internal information instead of that from the local market. Teams had done well when solutions were approved immediately or with very few questions. In some cases, the subsidiaries had accepted risks that were aligned to ambiguous guidelines to deliver their digital transformation objectives. Risks and any mitigating actions were documented for internal stakeholder approval and recording purposes and included in the regulatory submission as supporting evidence.

Some subsidiaries had argued that while the internal processes were rigid, they had improved the likelihood of receiving regulatory approvals. Others were critical of the level of internal oversight and felt that the governance requirements were onerous and had limited their ability to respond to emerging trends. HQ was aware that some teams had tended to overreact to industry issues and were overly cautious in terms of their interpretation of legislative and compliance requirements. This they diagnosed as an issue of individual and capability maturity and risk aversion. Zimbabwe was particularly susceptible which was perhaps not to be unexpected given the political instability and economic conditions in the country. The subsidiary confirmed as much by citing internal restrictions that had hampered service delivery while operating under strict COVID-19 pandemic protocols.

HQ participants reported that Zimbabwe had also avoided engagements and ignored some commercial opportunities for fear of recrimination from a regulatory perspective. The findings somewhat resembled those of De Villa et al. (2019) who had seen firms deliberately avoid regulatory engagements because they lacked the capabilities required to deal with political actors or were barred from engaging because of a hostile environment. HQ teams were working hard to cultivate a risk-reward mindset so that opportunities could be exploited whenever possible. This was reminiscent of previous works that had seen experienced MNEs redeploy skills from within their broader organisations to share knowledge and expertise so that subsidiaries could exploit gaps in their respective environments for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

The study found that skills development and training initiatives were underway in most subsidiaries to enhance existing and build new internal capabilities. Subsidiaries also spoke of initiatives that fostered internal innovation, supported staff and raised the profile of digital transformation from an organisational perspective. Many of these initiatives were driven by HQ which was in line with findings from previous research that saw how firms had focused on training and skills development to build specific internal capabilities because those were absent in emerging markets (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015).

The organisation had also adopted Agile principles to guide the delivery of digital transformation objectives (Agile Alliance, n.d.). HQ had cascaded these at the subsidiary level as part of the standardised frameworks to govern execution and deliver incremental value to customers, quicker than was done previously from an organisational perspective (Rachaelle, n.d.). HQ was also accountable for the ongoing support and coaching of the cross-functional teams that were brought together to deliver on the digital transformation objectives. This was in line with the works of prominent authors who saw how firms had focused on training and skills development to build specific internal capabilities because those were absent in emerging markets (Khanna and Palepu, 1998; Marquis and Raynard, 2015; Zoogah et al., 2015). They were also accountable for maintaining the standards of execution in terms of toolsets, architecture and technologies. The finding aligned with those that reported that MNE headquarters (HQs) were accountable for controlling the standards of execution for the wider organisation from a process and procedural, product and service, governance and technological perspective (Ekman et al., 2019; Lunnan et al., 2019).

Zimbabwe's unique circumstances meant that while the agile processes adopted by the MNE had promoted greater subsidiary accountability and improved planning and resource utilisation, they were inadequate when unplanned requirements had to be addressed urgently. HQ helped Zimbabwe constitute a dedicated capability with support from strategic vendor partners to address the delivery of regulatory requirements. While the situation resembled the findings of Regner and Edman (2014) it was more a case of the MNE redeploying skills from within their broader organisation to ensure the survival of the subsidiary as opposed to helping the subsidiary exploit gaps for commercial benefit (Kostova et al., 2008; Regner and Edman, 2014).

6.5.2 Summary of research question three

The study found that HQ participation was the key driver in terms of the internal capability build processes that had helped to overcome the effects of formal regulatory institutional voids in the emerging host countries. The internal controls and standardised engagement and execution frameworks that had been embedded by HQ had improved the maturity of oversight and execution capabilities at subsidiary-level. Having HQ accountable for oversight, coaching and ongoing support of subsidiary capabilities had reduced overall risk and exposure at portfolio levels. HQ had acted with authority to mitigate the effects of extreme political and economic factors in Zimbabwe. Those actions had helped the Zimbabwean subsidiary to circumvent approved organisational processes and strategy in favour of maintaining regulatory compliance via a skilled and dedicated capability.

Proposition three can therefore be restated as:

Proposition three a. – HQ were the key drivers of internal capability build processes that had helped MNE subsidiaries to overcome the effects of formal regulatory institutional voids in their respective emerging market host countries.

Proposition three b. – HQ had the power and accountability to act when subsidiaries faced the effects of severe institutional voids in host countries.

6.6 Conclusion

Chapter six presented the discussion of study findings, key themes and research questions in the context of the available literature. The initial propositions presented at the start of the chapter were validated and refined by the analysis. These have been restated per the research questions that were assembled in chapter three. The study determined that emerging market, host country formal regulatory institutional voids had an impact on MNE subsidiary digital transformation objectives. Subsidiaries overcame the general effects of host country institutional voids through a combination of regulatory engagement, relationship building and internal and external capability-building processes. Engagements occurred at both subsidiary and industry levels. Extreme political and economic factors had the most severe impact on digital transformation objectives. Those had been deprioritised in favour of regulatory compliance. Dedicated capabilities were required to respond to regulatory objectives. The study identified the MNE HQ unit as the driver of the internal capability builds that had helped subsidiaries to overcome the effects of formal regulatory institutional voids in their respective emerging market host countries. The study also recognised the efforts of host country regulators who were attempting to address institutional voids present in their respective domestic markets.

The study responded to calls from prominent scholars for more research into host country institutional differences and the effects that these had on MNE strategy and resource commitments It also responded to calls for theory to support firms in navigating emerging market environments and Africa specifically given the diversity of markets, youthful populations and increasing levels of economic activity (De Villa et al., 2019; Liedong et al., 2020; Marquis and Raynard, 2015; Saka-Helmhout, 2020; Zoogah et al., 2015). The multi-site design facilitated parallel investigations in several African host country institutional contexts. Findings were contrasted between sites to determine commonalities and variances. The study provided evidence of the different types of institutional voids that each of the subsidiaries faced from a digital transformation perspective and highlighted the common and unique responses deployed by subsidiaries to overcome issues in their respective host country markets (Doh et al., 2017). Conclusions and contributions from a literature, policy and industry perspective are presented in chapter seven.

Chapter 7 – Conclusion

7.1 Introduction

The previous chapter presented the discussion of study findings, key themes and research questions in the context of the available literature. The purpose of the study was to explore the effects that institutional voids had on digital transformation and how MNE subsidiary businesses, operating in emerging markets overcame those voids in their respective markets. A secondary objective was to understand the role that the MNE HQ played in subsidiaries overcoming the institutional voids in their respective host country markets. The study was replicated across several African countries with varying degrees of institutional quality to test for similarities and variances in those emerging markets. This chapter presents high-level conclusions, theoretical and practical implications, limitations and areas for future research.

7.2 High-level conclusions

The study determined that emerging market, host country formal regulatory institutional voids had an impact on MNE subsidiary digital transformation objectives. The institutional voids present and level of intensity in the host countries were for the most part consistent. Subsidiaries overcame the general effects of host country institutional voids through a combination of regulatory engagement, relationship building and internal and external capability-building processes. Relationships had been developed over time and were based on mutual dependence and respect. Engagements occurred at both subsidiary and industry levels. Extreme political and economic factors had the most severe impact on digital transformation objectives. These objectives were deprioritised in those scenarios in favour of regulatory compliance. Dedicated capabilities had been established specifically to help the affected subsidiary respond to the regulatory requirements.

The study identified the MNE HQ unit as the main driver of the internal capability builds that had helped subsidiaries to overcome the effects of formal regulatory institutional voids in their respective emerging market host countries. The subsidiary digital transformation-related activity was supported by standardised governance and execution frameworks and formalised oversight mechanisms. The study also recognised the efforts of host country regulators who were attempting to address institutional voids present in their respective domestic markets.

7.3 Implications of the study

The subsections below outline the significance of the study from a theoretical and practical perspective.

7.3.1 Theoretical and academic implications

The study has academic and theoretical significance because it confirmed the impact that formal regulatory institutional voids had on the digital transformation initiatives of MNE subsidiaries that were operating in emerging markets of varying degrees of institutional quality. The study highlighted the types of institutional voids and the associated subsidiary responses to counteract the effects of each. For the most part, responses were homogenous and equally successful across the markets. Host countries with exceptionally poor institutional quality had required re-prioritisation and repurposing of resources to ensure regulatory compliance. The study also explored the role of the MNE HQ in terms of supporting subsidiaries to overcome the effects of their respective host country institutional voids.

7.3.2 Policy implications

The study exposed the different types of formal regulatory institutional voids that impacted the digital transformation objectives of MNE subsidiaries operating in emerging markets. It exposed the conditions and challenges that MNEs were faced with from a regulatory perspective and identifies key focus areas for domestic improvement that would be valuable in terms of attracting future investments from an MNE perspective relative to other emerging markets. The benefits of addressing these deficiencies extended beyond the commercial benefits of additional investment to increased economic activity, technological advancement and innovation, skills development and training, reducing corruption, encouraging financial inclusion and improving oversight and transparency mechanisms.

7.3.3 Managerial implications

The study provided MNE managers with key insights in terms of the type and intensity of the institutional voids that they were likely to face in different emerging market contexts when they undergo digital transformation. The study is useful to participants already present in emerging markets from the perspective of the responses that were deployed by subsidiaries to overcome the effects of the relevant institutional voids. It would also be useful to MNE that could be considering investments in emerging host countries markets in terms of what they should expect to face if they enter and intend undergoing digital transformation. The study also highlighted the efforts of host countries that were taking steps to address known deficiencies in their respective markets. Those actions could well factor favourably into the investment decisions and market entry choices of prospective MNEs (Beugelsdijk et al., 2018; Doh et al., 2017; Kingsley and Graham, 2017; Liedong et al., 2020).

7.4 Limitations

Most of the insights gathered during the study concentrated on the effects that formal regulatory institutions had on MNE subsidiary digital transformation objectives. The researcher acknowledges the shortcoming and the views of prominent scholars that markets were influenced by a combination of formal legislative and industry structures and informal beliefs, rules and social constructs (Regner and Edman, 2014; Scott, 2008; Zoogah et al., 2015).

Data gathering was cross-sectional and based on MNE experiences at a point of time. As such the study was unable to confirm if the type and effects of institutional voids present in the respective host countries varied over time. The study could also not confirm the outcomes of the actions that host country regulators were taking to address deficiencies in their respective markets and if those had improved conditions from an MNE subsidiary and digital transformation perspective or not. A longitudinal study would have been better suited to the type of research because those relationships could have been validated over a longer period (Salkind, 2010).

Inductive theory building and case study research were susceptible to reliability limitations specifically during data gathering and analysis phases (Given, 2008; Salkind 2010). Data sources and data collection, interpretation and analysis techniques could have been subjected to researcher bias (Yin, 2012). The researcher acknowledged this and reflected throughout the process on the influence that his actions had on the outcomes of the study. A standardised and consistent process was applied to mitigate the potential impact. Document bias was mitigated by accessing content from multiple, trusted sources to substantiate and corroborate participation insights and establish triangulation (Given, 2008; Urquhart, 2013; Yin, 2012).

The multi-site design provided a degree of generalisability because the research was replicated, consistently in sites with different levels of host country institutional quality (Eisenhardt, 2002; Schofield, 2002; Yin, 2012). While the findings were generalised to some extent, general transferability to other disciplines and industries was unlikely given the specific focus of the research from a financial services and digital transformation perspective (Eisenhardt, 2002; Mills et al., 2010; Schofield, 2002; Yin 2012). Other limitations were circumstantial and related to the COVID-19 global pandemic. Travel restrictions meant that interviews were conducted remotely and via telecommunications tools. These limited researcher's ability to decode body language and gauge participant engagement.

The researcher was employed by the MNE at the time of the study. As such existing relationships between the researcher and participants could have biased the study findings. To mitigate potential concern, the researcher used archival data to substantiate and triangulate participant responses. Confidentiality was maintained throughout the interview process.

7.5 Suggestions for future research

The study considered several emerging markets countries with varying levels of institutional quality in Africa. Data gathering was cross-sectional and based on MNE experiences at a point of time. A longitudinal study would have allowed researchers to test if the type and effects of the institutional voids present in the respective host countries varied over time (Salkind, 2010). Similarly, it would have provided researchers with an opportunity to test if MNE responses had changed accordingly and to have validated the outcomes of the actions that host country regulators had taken to address deficiencies in their respective markets (Salkind, 2010). Parallel studies could be commissioned to test for the effects that formal non-regulatory and informal institutions have on MNE subsidiary digital transformation objectives, respectively.

The study could be expanded to other emerging market countries in the line with the MSCI Emerging Markets Index classification as presented by Meyer and Gross (2018). This would allow researchers to validate the types of institutional voids present in emerging market host countries in general. Doing so would further improve the generalisability of the study results and our understanding of the effects that institutional voids have on digital transformation in emerging markets in general (Mills et al., 2010; Schofield, 2002).

Studies could be replicated in advanced economies. This would be especially beneficial given the prevalence of digital transformation from an established enterprise perspective (Chanias et al., 2018; Gurbaxani and Dunkle, 2019; Marano et al., 2020). It would also allow researchers to gain a broader understanding of the institutional issues that impact digital transformation outside of emerging markets or perhaps refine our understanding of advanced economies in terms of institutional quality if similar voids were detected to those that were present in the emerging markets (Schofield, 2002). This is perhaps less far-fetched than was initially thought if one considers the challenges that digital businesses like Uber and Airbnb have faced in the developed world (Marano et al., 2019).

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Appendix A – Interview guidelines for HQ participants

Pre-engagement Process

1. Explain the intent of the study and the purpose of the interview.
2. Outline the interview process and the expected duration.
3. Thank participants for their participation and reaffirm that this is optional and that they can withdraw at any stage.
4. Request permission to record the interview and rationale for doing so.
5. Provide an overview of institutional voids and digital transformation strategy.

Interview Questions

RQ1 – To what extent do institutional voids exist in the host countries?

1. Please tell me about the local legislative and regulatory environments in each of the host countries.
2. How would you categorise each subsidiary's relationship with the local institutions?
    a. How are the subsidiary businesses received by the local institutions?
    b. Are the local institutions open to engagement?
    c. Do the subsidiaries actively engage the local institutions or any other bodies?

RQ2 – What type of institutional voids exist in the host countries?

RQ3 – Would the organisation's digital transformation objectives intensify the effect of institutional voids?

1. Please tell me about the regulations/legislation relevant to digital transformation in each of the host countries
    a. When were these regulations last updated?
    b. Do the regulations acknowledge the role of digital technologies or cater for the adoption of digital processes?
2. Please tell me about the capabilities of the local institutions, in each of the host countries, from a digital technology and awareness perspective
    a. Do local institutions understand the benefits of digital technologies?
    b. Do any of their teams have industry experience or qualifications related to digital technologies?

RQ4 – What resources did (or would) the subsidiaries need to commit to ensuring the local digital transformation objectives were (are) met?

RQ 5 – Where were these resources sourced from (or would be sourced from)?

1. Please tell me about any engagements with the local institutions that were relevant to the subsidiary digital transformation journeys.
    a. How has each subsidiary introduced new products and services?
    b. How has each subsidiary introduced structural or business model changes?
    c. How has each subsidiary dealt with any institutional resistance?
    d. What help or support did each subsidiary need to overcome these challenges?

Definitions

The study is looking into the influence that host country institutions have on MNEs digital transformation objectives and aims to explore how MNE subsidiary businesses overcome institutional voids while undergoing digital transformations.

Institutional Voids (IVs) for this discussion are a consequence of under-developed institutional structures and evidenced by low levels of literacy and skilled labour, unreliable infrastructure, unpredictable and/or immature government legislative and policy frameworks and the level of influence exerted over the industry, judiciary and law enforcement bodies. IVs led to higher transactional costs, market inefficiencies, risk and in the extreme cases corruption.

Digital Transformation (DT) for this discussion involves integrating and harnessing digital technologies to reshape processes, procedures, systems, cultures and business models so that these can deliver innovative solutions and improve efficiency and engagements with internal and external suppliers and customers.

Appendix B – Interview guidelines for subsidiary participants

Pre-engagement Process

1. Explain the intent of the study and the purpose of the interview.
2. Outline the interview process and the expected duration.
3. Thank participants for their participation and reaffirm that this is optional and that they can withdraw at any stage.
4. Request permission to record the interview and rationale for doing so.
5. Provide an overview of institutional voids and digital transformation strategy.

Interview Questions

Background and country context

1. Please tell me about your country's digital transformation journey.

RQ1 – To what extent do institutional voids exist in the subsidiary host country?

1. Please tell me about the local legislative and regulatory environment.
2. How would you categorise your relationship with the local institutions?
    a. How are you received by the local institutions?
    b. Are the local institutions open to engagement?
    c. Do you actively engage the local institutions or any other bodies?

RQ2 – What type of institutional voids exist in the subsidiary host country?

RQ3 – Would the organisation's digital transformation objectives intensify the effect of institutional voids?

1. Please tell me about the regulations/legislation relevant to your digital transformation journey.
    a. When were these regulations last updated?
    b. Do the regulations acknowledge the role of digital technologies or cater for the adoption of digital processes?
2. Please tell me about the capability of the local institutions from a digital technology and awareness perspective.
    a. Do the institutions understand the benefits of digital technologies?
    b. Do any of their teams have industry experience or qualifications related to digital technologies?

RQ4 – What resources did (or would) the subsidiary need to commit to ensuring the local digital transformation objectives were (or are) met?

RQ5 – Where were these resources sourced from (or would be sourced from)?

1. Please tell me about any engagements with the local institutions that were relevant to your digital transformation journey.
    a. How have you introduced new products and services?
    b. How have you introduced structural or business model changes?
    c. How did you deal with any institutional resistance?
    d. What help or support did you (country) need to overcome these challenges?

Definitions

The study is looking into the influence that host country institutions have on MNEs digital transformation objectives and aims to explore how MNE subsidiary businesses overcome institutional voids while undergoing digital transformations.

Institutional Voids (IVs) for this discussion are a consequence of under-developed institutional structures and evidenced by low levels of literacy and skilled labour, unreliable infrastructure, unpredictable and/or immature government legislative and policy frameworks and the level of influence exerted over the industry, judiciary and law enforcement bodies. IVs led to higher transactional costs, market inefficiencies, risk and in the extreme cases corruption.

Digital Transformation (DT) for this discussion involves integrating and harnessing digital technologies to reshape processes, procedures, systems, cultures and business models so that these can deliver innovative solutions and improve efficiency and engagements with internal and external suppliers and customers.

Appendix C – Informed Consent Letter

Dear Participant,

My name is Jason Hulme and I'm currently registered for a Master of Philosophy (MPhil) in International Business with the University of Pretoria, Gordon Institute of Business School (GIBS). I'm doing research into the influence that host country institutions have on emerging market Multinational Enterprise (MNEs) digital transformation objectives. The study aims to explore how MNE subsidiary businesses overcome institutional voids while undergoing digital transformations.

I'd like to request your permission to participate in the interview process. Interviews are expected to last for approximately one hour and will help us understand how different institutional environments influence MNE subsidiary businesses and the actions that each business needs to take to deliver on the organisation's digital transformation objectives.

Your participation is entirely voluntary and can be withdrawn at any time and without penalty. Confidentiality will be strictly maintained. No data will be stored or reported with identifiers. If you have any concerns, please contact me or my supervisor as per the details below. Your support would be greatly appreciated.

Jason Hulme
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+2783 284 2941

Prof. Albert Wocke
wockea@gibs.co.za
+2711 771 4172

Name of Participant: ……………………………………………………………………………………

Signed: ……………………………………………... *Date:* ………………………………...………..

Appendix D – HQ Codes List

1	Ability to transact easily	39	Digital intiatives led by Regulator
2	Aligning to group standards	40	Digital payment alternatives
3	Appealing a negative response	41	Digital platforms
4	Artificial intelligence (AI)	42	Efficiency and cost benefits
5	Asking for regulatory approval	43	Encouraging new participants
6	Avoiding public outcry and panic	44	Engage to confirm understanding
7	Avoiding regulatory confrontation	45	Expert advice and guidance
8	Be first to market	46	Feature phones are most common
9	Big untapped opportunity	47	Frequent regulatory changes
10	Blockchain technology	48	Future of the industry is digital
11	Building understanding and relationships	49	Getting staff buy-in internally
12	Business demands and pain points	50	Good relationship with regulator
13	Cascading change internally	51	Greater flexibility and footprint
14	Challenges with hosted environments	52	Heavily regulated environment
15	Changes in policy and direction	53	Impact of COVID-19 economically
16	Changes in regulatory leadership	54	Improving revenue collection
17	Changes reactive to economic conditions	55	Industry engagement more successful
18	Changing people's mindsets	56	Industry is changing fast
19	Changing the way we engage	57	Influence and shape outcomes
20	Cloud technology	58	Innovating through acquisition
21	Collaborating to improve industry	59	Innovating through partnerships
22	Communicating with impact	60	Internal approval processes
23	Competing locally	61	Internal governance forums
24	Competitive local environment	62	Internal implementation capability
25	Complying with regulations	63	Internal innovation forums
26	Consolidating and aligning regulations	64	Internal staff education and training
27	COVID-19 driving digital progress	65	International banking regulations
28	Creating an innovative environment	66	International exposure
29	Creating revenue streams	67	Interpretation is subjective
30	Cross-functional teams	68	Keeping track of global trends
31	Culture is key to driving change	69	Key regulatory requirements
32	Customer demands, insights and pain points	70	Lacking in digital expertise
33	Customer education and communication	71	Learning from other markets
34	Data and analytics	72	Liquidity issues
35	Dedicated resourcing to support	73	Local and group initiated activities
36	Different modes of engagement	74	Local industry bodies
37	Different regulators per industry	75	Local infrastructure issues
38	Digital in its infancy	76	Local politics and elections

77	Local regulatory authorities	115	Regulatory contradictions
78	Local requirements vs Group objectives	116	Regulatory inspection processes
79	Managing and mitigating risks	117	Relationship with Group has evolved
80	Migrate customers to digital	118	Relationships are very important
81	Migrate manual processes to digital	119	Relying on industry for advancement
82	Need alignment between regulators	120	Required to keep physical documents
83	Negative responses are uncommon	121	Requiring Group approvals
84	New products create uncertainty	122	Responding to regulatory concerns
85	Non-traditional competitors	123	Reworking the regulatory submission
86	Non-traditional competitors regulated differently	124	Risk lies with the subsidiary
87	Older customer base	125	Robotics and automation
88	People don't trust the regulator	126	Role of internal assurance functions
89	Point of regulatory contact	127	Simplifying our offerings
90	Positive changes in the regulations	128	Size of the local market
91	Potential for legal challenges	129	Slow to respond and adapt
92	Practical experience is important	130	Social and economic development
93	Preparing staff for the future	131	Stamping out corruption
94	Preparing the regulatory submission	132	Strong leadership is important
95	Pressure from foreign donors	133	Subjectivity leads to conflict
96	Prevent fraud and money laundering	134	Support from Group capabilities
97	Priority given to regulatory items	135	Supporting customers through COVID-19
98	Promoting financial inclusion	136	Time of political unrest
99	Promoting local participation	137	Trade support
100	Reason the regulator declines	138	Treating customers fairly
101	Red-tape limiting progress	139	Two regulatory environments to navigate
102	Regional collaboration and sharing	140	Two-way engagements
103	Regulating as they learn	141	Understanding financial flows
104	Regulations don't change	142	Understanding the legislative intent
105	Regulations impact customer service	143	Unprepared for the impact of COVID-19
106	Regulations lagging behind industry	144	Unrealistic expectations
107	Regulator addressing capability gap	145	Willing to take risks
108	Regulator is quick to respond	146	Young population
109	Regulator keen on digital transformation		
110	Regulator needs to be transparent		
111	Regulator skills and capabilities		
112	Regulator willing to learn		
113	Regulatory approval process		
114	Regulatory approval takes time		

Appendix E – Subsidiary Codes List

1	Ability to support and influence	34	Level of autonomy and control
2	Approach to DT execution	35	Liability of foreigness challenge
3	Cascade organisational change	36	Local interdependence and collaboration
4	Changing mindsets	37	Local priorities vs. regional participation
5	Consequences of non-compliance	38	Local regulatory bodies
6	Consolidate disparate regulations	39	Maturity of internal functions
7	Developing people and skills	40	Maturity of local environments
8	Digital means different things	41	MNE operating model dynamics
9	Digital transformation strategy	42	Mutually beneficial relationship
10	Emergence of non-traditional players	43	Need to change our approach
11	Engagements are subsidiary driven	44	New is unfamiliar and risky
12	External guidance and expertise	45	Open to engagament
13	Financial inclusion as a driver	46	Organisational conduct
14	First-mover advantage	47	Point of regulatory contact
15	Group change perspective is broader	48	Pushback against digital disruption
16	Group maturity has improved	49	Quality of the regulator relationship
17	Head-office subsidiary relationship	50	Regulations are static
18	How to engage the regulator	51	Regulators lack digital expertise
19	Importance of banking economically	52	Relationship with home regulator
20	Importance of engagement	53	Relationship with host regulators
21	Importance of transparency	54	Relationships built over time
22	Industry driving digital	55	Relevance of the legislation
23	Influence of the state and politics	56	Resistance is due to culture
24	Intent of the legislation	57	Respect host country environments
25	Internal resistance is prevalent	58	Risk adverse culture
26	International legislative standards	59	Risk mitigation strategy
27	Interpretations are subjective	60	Role of internal capabilities
28	Interpreting legislation	61	Role of the subsidiary leadership
29	Involving local assurance functions	62	Standardised engagement framework
30	Issues with local infrastructure	63	Standing in the local industry
31	Keen on digital transformation	64	Support from Group capabilities
32	Key-man dependencies exist	65	Technology changes are significant
33	Legislation and legal precedence		