Gordon Institute of Business Science
University of Pretoria

The entry mode choices of South African financial services multinational enterprises in the rest of Africa

Nyarai Takuranazvo Tsungayi Mudekunye

Student number: 14445370

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

9 November 2015

ABSTRACT

This research is in the field of international business and is located within the context of South African Multinational Enterprises (MNEs) expanding into the African continent.

In particular, the research explored the issue of entry mode choice in the financial services sector, as well as the factors that impact on how the need to mitigate risk (driven by market, cultural, institutional, political and regulatory factors), acquire and protect proprietary information and market knowledge, and realise synergies with the parent company or other related businesses affects the choice of entry mode. The focus and context of the study was South African MNEs in the financial services sector expanding into the rest of Africa. Through the review of literature as well as secondary data sources we were able to establish both an academic and business need for this research.

The impact of industry and economic sector differences on entry mode choice has been identified as an under-researched area. The financial services industry has attributes which are different to natural resource based or manufacturing industries, which then impact on their internationalisation process. We aimed to add additional insights as to how these attributes affect entry mode. We also aimed to establish whether there were specific issues related to a financial services industry and African context, which could be the source of new insights not obtained from traditional research. The sample included four financial services companies, with interview participants comprising ten senior executives overseeing expansion and operations in the rest of Africa. All of the companies are listed on the Johannesburg Stock Exchange and have current or recent experience of acquiring or establishing businesses in the rest of Africa.

The nature of the data collected was qualitative within the context of an explanatory research exercise. The data was analysed based on an inductive approach. The findings produced were that entry modes based on a high majority shareholding of the foreign operation were preferred, notwithstanding institutional and cultural differences between South Africa and the foreign market entered. In addition, there was a preference expressed for acquisitions of foreign companies over establishing greenfield operations.

KEYWORDS and TERMS

Entry mode, greenfield, acquisition, shareholding, host countries, home country, distance (cultural or institutional), risk (political, market or regulatory).

DECLARATION

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

Name: Nyarai Takuranazvo Tsungayi Mudekunye

Signature: ____

Date: ______________

GLOSSARY OF KEYWORDS AND TERMS USED

Acquisition – When a multinational enterprise (MNE) purchases a shareholding in an existing company with an established business situated in a foreign country.

Control – The ability to determine the strategy, operations and policies and procedures of a company, as well as appoint management. This ability is usually linked to the ownership of a majority shareholding.

Distance – Differences in culture, values, institutions and regulations between the home and host country which add to the unfamiliarity and complexity of doing business in a host country by an MNE.

Economic interest – The proportionate interest held by an investor in the net assets of a company and the percentage share of the profits of a company to which they are entitled.

Entry mode – The manner of an MNE entering a new foreign market or substantially increasing the scale of operations in a foreign country, particularly the choice between establishing greenfields or making an acquisition, and the choice between having wholly owned subsidiaries, majority shareholding, minority shareholding, or joint ventures.

Greenfield – When a multinational company establishes and assumes a shareholding in a completely new company situated in a foreign country.

Home country – The country from which the MNE originates or where it has its headquarters, and from where it is effectively managed.

Host country – The foreign country in which the MNE is invested.

Inorganic growth – When an MNE's growth outside its home country is driven by the acquisition of established companies.

Joint venture – A jointly controlled company in which partners share control; with neither party able to determine strategy, operations, policies and procedures, or appoint management without the agreement of the other.

Liability of Foreignness – The competitive disadvantages potentially experienced by an MNE in a foreign market by virtue of lacking knowledge about the local market and the preferences of its customers, being unfamiliar with local regulations and culture, as well as the absence of strong relationships with key stakeholders in that market.

Majority and minority shareholding – Shareholding above or below 50% respectively.

Organic growth – When an MNE's growth outside its home country is driven by the establishment of greenfield operations, followed by gradual increases in revenue and market share from the greenfield.

Risk – Risk in this context is defined as any factor contributing to perceptions of host market uncertainty, unfamiliarity, volatility and unpredictability on the part of the South African MNE. Host country market knowledge is the understanding of a market, and the extent to which a firm may possess competencies to compete successfully in a given market.

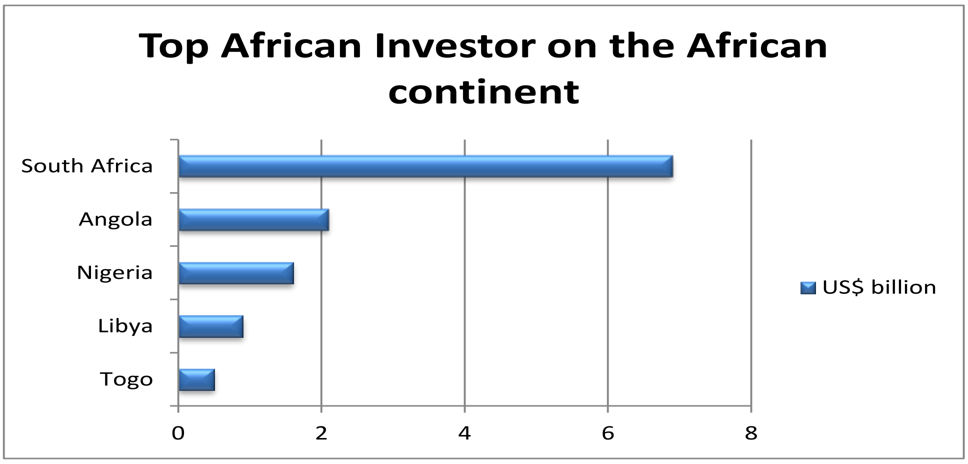
CONTENTS

LIST OF TABLES AND FIGURES

CHAPTER 1 - MOTIVATIONS FOR THIS RESEARCH AND INTRODUCTION TO THE RESEARCH PROBLEM

We have identified recent trends where several South African companies have expanded into the rest of Africa and become significant investors (Ramamurti & Singh, 2009). In 2013, South Africa had become the fifth largest source of Foreign Direct Investment (FDI) to the rest of the African continent (also the largest African Investor) (UNCTAD, 2013). South Africa's service sector is a large source of FDI from global investors seeking to use South Africa as a base from which to expand into the rest of Africa or to acquire equity exposure to African growth opportunities. FDI in the services sector accounted for 48% of all FDI into Africa, of which 56% was attributable to financial services (UNCTAD, 2015). UNCTAD also reports a growing level of intra-African expansion by African Multinational Enterprises (MNEs) including those from South Africa. This has been driven to a large extent by companies in banking and other financial services industries. South Africa's investment in the African continent is larger than the next four countries combined, as seen below.

Figure 1: Largest intra-African investors on the African continent



Source: UNCTAD 2015

South Africa was also the second largest global FDI source on the African continent in 2014 by number of projects (Ernst and Young, 2015). Earnings from African operations are becoming increasingly significant for South African MNEs.

Studying the manner in which new market entry mode choices are made and the pattern of growth of South African MNEs on the African continent will enable a better understanding of how resource and knowledge gaps between the South African business environment and business environments in the rest of Africa affect investment patterns. The World Economic Forum (WEF) Global Competitiveness report (see Appendix 2) highlights the varied levels of economic and institutional development across Africa. An opportunity for further study on how such differences impact FDI and entry modes into the various countries from South Africa thus exists.

We have focussed on South African MNEs in the financial services industry (banks and insurance companies) in order to generate new insights that may not have been possible with a more diverse sample, and also to control for differences between economic sectors that may impact the research findings. The financial services industry is characterised by a strong reliance on knowledge-based assets and intellectual property, which need to be replicable and transferable to other jurisdictions as part of the internationalisation process. These knowledge-based assets and intangible assets form part of the key capabilities of South African financial services MNEs, and are used to mitigate the risks associated with cultural and institutional distance, as well as lack of knowledge of foreign markets. With other industries such as manufacturing or primary industries, however, the most significant assets are often located in the foreign market targeted for entry. The impact of sectoral and industry differences on prior research and theory developed on entry mode choice is an area where scope exists for further investigation, as outlined in Section 1.1. Our research has aimed to address gaps in current research as outlined below, while creating new insights specific to an African business context, particularly in the financial services industry.

For the purposes of this study, we have referred to theory developed based on the study of both Advanced Market Multinational Enterprises (AMNEs) and Emerging Market Multinationals (EMMNEs). In the case of South African MNEs, there is a case to be made that many of these exhibit characteristics of both AMNEs and EMMNEs (Ramamurti and Singh, 2009).

1.1 Gaps in current research

The need for the research results from gaps in previous research done on MNE entry mode choice, as follows:

1. Traditional research findings around the role of Ownership and Location Advantages in predicting MNE entry mode behaviour do not sufficiently allow for possible differences in ownership advantages between companies in different economic and industry sectors. This is so even when these MNEs are from the same home country, targeting the same host markets.

2. Gaps also arise from an insufficient distinction between the motivations of firms possessing resources which are primarily knowledge-based and those firms whose resource base will be comprised largely of tangible, physical assets accessed only in the foreign market.
3. Current research has not sufficiently and directly explored the impact of the home country (as opposed to host country) regulatory environment on risk mitigation and uncertainty avoidance behaviour implicit in the entry mode choices of MNEs. This is important within the context of the financial services industry – the focus of this study – given the nature of the regulatory landscape affecting this industry.
4. Institutional distance often results in seemingly contradictory entry mode actions of either requiring high levels of control of the foreign subsidiary in order to mitigate the impact of distance; or a need, driven by institutional distance to partner with locals more familiar with the environment. The extent to which this conflict is either reinforced or diluted by controlling for industry differences needs to be explored.
5. It is necessary to test whether the need for an MNE to partner with locals in order to acquire local market knowledge is less important when the core competencies of a business are strongly linked to knowledge-based assets and intangible assets, which are transferable and replicable across different markets.
6. With regard to risks arising from institutional and market differences between the home and host country, it is not clear which of the two perspectives has the greatest impact on MNE entry mode choice: institutional and market differences adding to the riskiness of cross-border expansion, or institutional and market differences allowing the realisation of synergies and the benefits of diversification.
7. There is little understanding of the impact of localisation/indigenisation requirements in many African countries on entry mode choices into those countries.
8. There is a need for further research on whether an MNE with origins in an emerging or developing market and possessing an understanding of “bottom of pyramid” markets can translate that into a capability or capabilities which are transferable across geographies.

Section 2.3 under the Literature Review will build on these arguments further, with reference to literature.

1.2 The research question

Our Research Question thus emerges from the gaps identified above and is framed as follows:

"How does the possession of strong internal capabilities, and the need to mitigate perceived risk, while accessing host country market knowledge, affect the entry mode choices of South African financial services MNEs in the rest of Africa?"

1.3 The research objectives and scope

The scope of our research is the entry mode choice of South African financial services companies and the variables impacting entry mode choice. The financial services industry is characterised by competitive assets which are rooted largely in knowledge-based resources such as marketing and technology, and which reside in the parent company and are transferred in a top-down manner, from parent to subsidiaries (Fang, Wade, Delios and Beamish, 2013). We will investigate the role of intangible assets such as knowledge and professional expertise in the internationalisation process. In addition, we will study the ability of the South African financial services MNE to transfer that knowledge, and whether this drives entry mode choice behaviour differently to when an MNE's key assets are largely location-based or based on tangible physical assets. According to De Buele, Elia and Piscitello (2014), the need to overcome impediments to the transfer of intra-organisational practices (i.e. knowledge) encourage greater MNE control of foreign operations. We posit that this phenomenon will be more acute in a financial services business. The proposed area of study will also deal with factors that impact the perceived riskiness and uncertainty associated with foreign market entry. This includes the issue of regulatory distance (Hernandez and Nieto, 2015) and the role of perceived differences between South Africa and the host country in determining entry mode strategy.

Our research findings will be referenced to previous research in order to arrive at a conclusion on the generalisability and applicability of previous findings to the context in which the subjects of our research operate. In particular, this research will focus on the influence on entry mode choice of the following:

Firstly, we will establish whether narrowing down the focus of the research to the financial services sector will result in clear patterns and convergence within the data obtained from our sample, which addresses current inconclusive findings regarding the role of cultural and institutional distance on entry mode choice. We propose that a focused study on the financial services sector will yield more clarity and establish linearity, given the inconclusive findings to date as to whether cultural distance and differences in governance standards (institutional distance) predict an MNE seeking more or less control over a foreign enterprise. This is known as the cultural distance paradox (Chang, Kao, Kuo, and Chiu, 2012). De Beule et al. (2014) also referenced the lack of consensus on the impact of institutional distance, in particular, on entry mode.

Secondly, we will establish the extent to which there will be variables and influences in the African financial services environment and the markets chosen for entry, which have an impact on whether greenfields or acquisitions are the preferred mode of entry. The sophistication of some targeted African markets relative to others and the impact on the greenfields versus mergers and acquisitions (M&A) choice has parallels to the discussion on whether National Systems of Innovation predict market entry by acquisition rather than through greenfields (Alvarez and Marin, 2010).

Thirdly, we will determine the extent to which home country regulators influence entry mode choice due to the need to align risk management practices in foreign territories with the requirements and expectations of home country regulators under whose jurisdiction capital to support the international expansion of the MNE is raised. Risk-based capital and solvency management influence regulatory imperatives facing financial institutions, including those in South Africa. We will investigate how this ties entry mode choices to the risk management requirements of the South African financial services MNE’s home country environment. Meyer, Mudambi and Narula (2011) identified the institutional constraints of the home environment as exerting strong influences on MNE strategy and affecting the way MNEs expand outside their home environment. The need to achieve alignment with the financial services regulatory environment in South Africa while managing diversity in local contexts across the African continent, and the resultant impact on entry mode choices, was investigated through this paper.

Fourthly, we will examine the role of the organisational capabilities of the South African financial services MNE, including skills, intellectual property, technology and marketing ability in competing effectively, mitigating risks in the foreign market, and obtaining market advantage. This will aid us in answering the question of whether these organisational capabilities will reduce the need to partner with locals through a shareholding arrangement in order to obtain market knowledge. Marketing ability and the existence of effective “market linking” and “market sensing” practices were identified as mitigatory factors to the Liability of Foreignness (LOF) that would ordinarily support a lower shareholding mode by the MNE (Tseng and Lee, 2010; Ripolles and Blesa, 2012).

Fifthly, we will investigate how a majority ownership structure across multiple jurisdictions supports effective risk diversification and also enables the benefits of synergies across multiple subsidiaries in different geographies to be realised. This includes the manner in which the South African financial services industry manages the diversity brought about by multiple African markets that are as different to each other as they are to South Africa, as well as how entry mode choice is affected by that diversity and complexity. Ramamurti (2012) posits that MNEs expand in order to exploit differences (as opposed to being driven by the need to seek homogeneity).

Lastly, we will examine non-market constraints, such as indigenisation and localisation requirements (Andreasson, 2010), how these have a bearing on shareholding percentages that MNEs can acquire and how this affects entry mode choices. In addition, we will look at how the superior capabilities of MNEs and their potential benefits to an economy can moderate indigenisation/localisation inclinations and enable the MNE to retain significant control of its ventures (Karabay, 2010).

1.4 The need for this research

1.4.1 The business need

Despite increased investment by MNEs into the African continent there exists relatively little research on entry mode choice in Africa, largely due to the lack of quality data at firm level (Perez-Villar & Seric, 2015). At a macro-economic level there are also questions over the reliability of data on South African MNEs expanding into the rest of Africa (Ramamurti & Singh, 2009). This research will seek to enhance the qualitative data in this area.

According to Ripolles, Blesa and Monferrer (2012), the choice of entry mode is an important strategic decision “as it involves a given level of resource commitment in different target markets with different levels of risk, control and profit return” (p. 649). Contractor, Lahiri, Elango & Kundu (2014), stated that “an incorrect ownership level may lead to a mismatch between resource commitment and risk, and also the inefficient integration of the target firm and less than desired rent appropriation” (p.932). We will therefore seek to meet a particular business need by understanding the extent to which the possession of, or the lack of, market knowledge, perceptions of environmental uncertainty and institutional weaknesses, as well as political and economic risk on one hand, weighed against potential economic returns on the other hand, influence new market entry mode choice by South African MNEs in Africa. A business need will also be met by investigating whether businesses established in the host country are wholly owned, part owned or are established as greenfields as opposed to acquisitions. This will enable us to establish the strength of the link between the level of resource commitment and risk/lack of market knowledge for South African financial services MNEs expanding into the rest of Africa.

The focus on MNEs in the financial services industry (banks and insurance companies) is intended to enable the generation of new insights as a result of narrowing the context of research by focusing on one economic sector and on businesses which are similar. We argue that banks and insurance companies have less reliance on resources based in the targeted foreign market than manufacturing or resource extraction industries, and that this affects strategic considerations around mode of entry. By the end of this research project we aim to understand whether South African financial services MNEs show a preference for wholly or significant majority-owned subsidiaries or for lower ownership models in foreign markets in Africa. We also aim to understand the factors that drive the research outcomes in this paper, and how this compares to research done previously, covering samples which are diverse by industry sector.

De Villa, Rajwani, and Lawton (2014) suggest that analysing the political environments of host countries is relevant to the study of market entry. The extent to which political environments (which are components of risk) influence the decision making of South African MNEs will be key in understanding the relationship between entry mode choice and perceptions of risk.

1.4.2 The theoretical need

From a theoretical perspective, Contractor et al. (2014) have questioned the use of the Eclectic Paradigm (Dunning, 2000), as well as Transaction Cost Theory (Anderson & Gatignon, 1986) as the theoretical foundations for explaining MNE international expansion, given that these are based on the core argument that similarities between the MNE's home country and the host country are risk mitigators. Contractor et al (2014) argue instead that the MNE exists to bridge, leverage and exploit differences between markets, and that these competencies may be learnt over time. They encourage further research to explore this phenomenon, as well as how MNEs may have “improvised their entry behaviours” (Contractor et al., 2014, p. 940). Kothari, Kothabe & Murphy (2013) also suggest scope for empirical analysis to obtain company level data in order to further build on their exploratory research, which suggests that distance (in the economic and institutional sense) does not necessarily have a negative impact on MNE foreign operations if suitable strategies and innovations are pursued. This provides a useful starting point in understanding how South African MNEs overcome different institutional and market conditions in the African countries into which they expand.

Cuervo-Cazurra and Genc (2011) analysed the non-market advantages (i.e. internally developed capabilities) of EMMNEs. They developed a theory based on the identification of three dimensions of a country's environment, namely obligating, pressuring and supporting. The supporting dimension refers to a situation where an external market has characteristics shared by the MNE's home environment, which enables the MNE to transfer home capabilities abroad. They argue, for instance, that EMMNEs have greater advantages in less developed countries than AMNEs as they have had to overcome many of the constraints seen in less developed countries in their own home countries. Cuervo-Cazurra and Genc (2011) thus provide a basis for investigating whether the existence of supporting dimensions in external markets predicts a particular entry mode choice by South African financial services MNEs into the rest of Africa.

In addition, there is the question of whether traditional theory developed within an advanced economy context is more applicable to South Africa than theories developed for EMMNEs, such as Springboard Theory (Luo and Tung, 2007), given the relative sophistication of South Africa's business sector (Ramamurti and Singh, 2009). This question will be addressed through this research paper.

1.5 Overview of the subsequent chapters

The remainder of this document covers a review of traditional theory developed in the field of international business as well as other, more recent studies of MNE entry mode behaviour in Chapter 2. This will be important in identifying the theory base around MNE entry mode choice and its applicability to the research question. Towards the end of Chapter 2, in Section 2.3, we will discuss specific areas of focus from which our research propositions will flow and which will then form the basis of Chapter 3. Chapter 3 is a logical extension of Chapter 2, and is where we outline research propositions to address gaps in research and the focus areas identified in the previous chapter arising from the literature review. We detailed our proposed research methodology and the limitations thereof in Chapter 4. Chapter 5 contains a summary of the findings from our research, including how we analysed and validated the data. Chapter 6 contains a discussion of our findings with reference to literature. In Chapter 7 we will conclude on our research findings based on the propositions made in Chapter 3 and the findings presented and discussed in Chapters 5 and 6. We will also identify how the research findings may impact on management in the future and what opportunities may exist for future researchers to build from this, while highlighting the limitations of the research overall. The Appendices at the end provide additional information which formed the basis for this study, its findings and conclusions.

CHAPTER 2 - LITERATURE REVIEW

2.1 Theory base and implications for our research question

According to Lo (2015), "MNEs international ownership strategy obeys to multiple factors that a single theory cannot explain" (p. 1), thus advocating different theoretical perspectives in the study of MNE entry mode. This aligns with our thinking and informs the reference to several theories and models within the course of this research paper, given the varied angles of analysis of MNE strategy.

The theoretical foundation of this research comprises the following theories, developed by various scholars in the field of international business, and the study of MNEs or EMMNEs:

2.1.1 The Internationalisation Theory

Internationalisation Theory is based on the argument that the firm is an alternative to markets. MNEs will either expand into foreign markets through trade (market approach), or by establishing or acquiring firms in the foreign market (the firm approach). Using the Internationalisation Theory as a foundation, Buckley (2014) revisited the 1976 work of Buckley and Casson and emphasised the distinction between internal markets and external markets. Any market in which a firm engages in production in its own right is an internal market, even if it is in a foreign jurisdiction. An external market, in contrast, is one where a firm derives economic benefit through imports and exports, as well as licensing or franchising agreements. An MNE is defined as an enterprise that owns and controls activities in different countries or which "internalises imperfect markets across national frontiers in the services of an intermediate product owned or controlled by the firm" (Buckley, 2014, p. 228).

The advantages of internalising a market were identified as arising when control of markets "bestows benefits on the firm by avoiding risks, giving control of knowledge and eliminating instabilities" (Buckley, 2014, p. 229). Costs of internalisation include management costs, additional complexity, and navigating institutional and cultural differences.

The value of Internationalisation Theory has been in explaining how the decision to internalise or externalise a market is affected by differences in resource availability, market and product information, and environmental and regulatory factors in a firm's market. Internationalisation Theory has also provided a base from which other theories explaining MNE actions have evolved. Understanding Internationalisation Theory therefore provides context when critiquing subsequent theory in this field. Buckley (2014) also argued that difficulty in transferring knowledge outside the firm through trade (the markets) or the need to protect knowledge within the firm "does indeed become a factor in Internationalisation" (p. 235). This provides a lens through which Internationalisation Theory can be adapted to financial services businesses. The three MNE entry choice mode motivations identified by Buckley, of avoidance of risk, control of knowledge and elimination of instabilities, were used as reference points for discussing and evaluating our findings on the South African MNEs studied.

2.1.2 Transaction Cost Theory

Transaction Cost Theory was developed by Anderson and Gatignon (1986), with the expressed objective of "integrating literature on entry into a unified framework" (p. 2). Entry mode was seen as a series of trade-offs driven by the return on an investment in an entry mode and the risk from that entry mode choice. The core assumption of Transaction Cost Theory is that foreign market entry modes are driven by the need to minimise transaction costs. Transaction costs in this context include the impact of institutional asymmetry, uncertainty, and difficulties in enforcing performance standards by local partners. Firms then seek to minimise the impact of these costs by seeking greater control over foreign operations through various corporate structures, although this involves "trade-offs between control and the cost of resource commitments" (Anderson and Gatignon, 1986, p. 3). Transaction Cost Theory is based on the premise that low levels of ownership or control are preferable until the costs of such low control modes outweigh the resource commitments associated with higher control.

Central to Transaction Cost Theory is the concept of "control". Anderson and Gatignon define control as "the ability to influence systems, methods and decisions…and resolve disputes" (Anderson and Gatignon, 1986, p. 3). The absence of control makes it difficult for the MNE to drive financial outcomes and design and implement strategies, processes and procedures to generate those financial outcomes. Control also enables the MNE to claim a larger share of the foreign operations' value and returns. However, the downside to control is the higher resource commitment to the foreign operation it entails, relative to that of a foreign partner. The centrality of control to Transaction Cost Theory is thus driven by the role of control as a response to the presence of risk and return.

Anderson and Gatignon (1986) further identified four factors that influence the direction towards optimal control. These four factors are as follows:

1. Free riding potential – the ability of local partners in the foreign operation to realise returns from the operation not commensurate with their economic contribution;
2. External uncertainty – this could be political or economic;
3. Internal uncertainty – this is driven by the complexity of the underlying business; and
4. Transaction asset specificity – these are assets which are customised to a few users or knowledge/relationship-based assets.

Anderson and Gatignon (1986) found that higher control modes of entry were more appropriate to knowledge assets or assets. The potential financial loss in the event that proprietary knowledge is gained by a third party means that it makes sense for the MNE to exploit this knowledge itself. On the other hand, for less proprietary or knowledge-based products, the close involvement and thus higher control by the MNE may not be necessary, as the knowledge of local players on the ground enables the foreign operation to generate optimal returns.

In our opinion, the greatest benefit of Transaction Cost Theory to the body of literature on international business lies in its ability to effectively articulate the principle of “control” and simplify the different considerations that come into play when a firm is deciding how much control it must have when entering a foreign market. According to Hennart (2010), Transaction Cost Theory provided a framework and unifying paradigm to explain the existence and growth of MNEs, which scholars could identify with. By identifying the impact of asset specificity, uncertainty, and the need for effective co-ordination with local partners on the potential returns and risks associated with foreign entry, Transaction Cost Theory provided a rich vein of qualitative measures which, even today, some 29 years later, are useful for MNEs seeking a basis from which to arrive at a decision on an appropriate entry mode. Hennart (2010) also welded the issue of knowledge into Transaction Cost Theory by arguing that knowledge transfer inside the firm is within the context of collaboration between a parent and subsidiary, and that without control over the foreign operation, there is a possibility that a company may lose critical knowledge for no compensation (the loss of key knowledge indirectly becomes a transaction cost).

For purposes of this research paper, the concept of asset specificity and knowledge-based assets provided a starting point to identify distinguishing characteristics in the financial services sector which may drive different entry mode outcomes from other industry sectors.

2.1.3 The Ownership, Location and Internationalisation or Eclectic Paradigm

In his Ownership, Location and Internationalisation (OLI) or Eclectic Paradigm, Dunning argued that entry mode choice is a function of the following:

- Ownership – these are competitive advantages which are specific to the ownership of the investing enterprise (Dunning, 2000, p. 164). Ownership includes firm-specific assets and skills which need to be unique and sustainable in order to provide a competitive advantage. Dunning further made the point that productivity differences are due to "spatially transferable intangible assets of parent companies" (Dunning, 2001, p. 174). In particular, Ownership ("O") advantages are identified and measured in relative terms to those possessed by local firms in the country in which the MNE seeks to make its investments.
- Location – this refers to how attractive the country is, as well as its market and economic potential. "The more, the immobile, natural or created endowments which firms need to use jointly with their own competitive advantages favour a presence in a foreign, rather than domestic location, the more firms will chose to augment or exploit their "O" specific advantages by engaging in FDI" (Dunning, 2000, p. 164).
- Internationalisation – the greater the net benefits of cross-border business activities, the more likely a firm is to engage in FDI and commit capital to a country, as opposed to low-commitment options such as licensing or franchising. This third sub-paradigm draws on Internationalisation Theory.

The exact weighting of each sub-paradigm in the entry mode choice decision is contextual and is influenced by the economic, market and political circumstances of both the investing firm and the market in which it seeks to invest. The OLI Paradigm therefore provides a framework for investigating whether the "O", "L" and "I" elements have a linear relationship with high resource commitment, high shareholding entry mode choices.

A limitation of the OLI Paradigm is that very question of what constitutes an advantage or disadvantage is open to debate, with the possibility that an advantage in one market is seen as a disadvantage in another. The successful MNE in a dynamic world therefore may be one that does not have a generic view of ownership advantages or location advantages, but rather has exposure to multiple markets and positions its capabilities in a manner that maximises its overall economic surplus from several markets. Contractor et al. (2014) attempted to shift the focus away from advantages to differences, based on the interpretation that the objectives of MNEs go beyond exploiting or seeking advantages, and that, rather, MNEs mature by successfully bridging or overcoming differences.

In addition, the OLI Paradigm has been criticised as not allowing for different strategic responses by different firms faced with the same OLI variables. Dunning (2001), however, attempted to respond to this criticism by arguing that firm strategy is a response to internal questions facing the management of the MNE on how to configure or give weighting to the different OLI variables. The core response of Dunning (2001) is that strategy is not a separate factor on its own but is just one of many "endogenous variables which might affect OLI configuration of firms (mainly due to its impact on "O" and "I" advantages)" (p. 179). Others include "technological and/or organisation innovations" (p. 179), while Dunning also makes the point that strategy is no more important than exogenous variables such as population, government policies and macro-economic factors.

The true value of the OLI Paradigm lies in its descriptive value, or its provision of a framework to categorise and evaluate factors that may drive entry mode choices. In addition to being a predictor of firm behaviour, it could also be seen as a way of describing those factors which a firm considers before deciding on entry mode. Brouthers, Brouthers & Werner (1999) tackled this question and found that firms perceiving OLI advantages tended to have entry modes that favoured higher percentage ownership (Brouthers et al. 1999), thus according the OLI Paradigm predictive value. However, the OLI paradigm was also found to have normative and descriptive value (Brouthers et al., 1999). Normative value lies in the ability of the OLI Paradigm to enable value judgements or a measure to attach merit to entry mode decisions, while the descriptive value lies in its ability to explain mode selection by comparing the performance of firms which made entry mode choices based on Dunning's framework from those which did not.

Our approach in respect to the OLI Paradigm was in applying it for both normative and descriptive purposes. Reference to "ownership" or "location" advantages in this paper were thus used as a means of evaluating or describing particular variables impacting on entry mode choice.

2.1.4 Organisational Capability Perspective

Madhok (1997) asserted that organisational capabilities are a source of competitive advantage as well as a constraint, and that a firm's mode of entry choice is linked to its possession of the capabilities needed to effectively compete in a particular market.

Madhok describes capabilities as the firm's "ability to acquire, evaluate, assimilate, integrate, diffuse, deploy and exploit knowledge" (1997, p. 42). A key distinction is made between the Organisational Capability Perspective and the Transaction Cost Perspective.

The basis of the Transaction Cost perspective is the need to minimise transaction costs which may be both tangible as well as intangible (such as complexity involved in dealing with partners who may not share the same value system, or costs involved with operating under a different regulatory framework). The Organisational Capability Perspective on the other hand is concerned with "the efficient utilisation of a firm's resources and capabilities as well as their effective and efficient development" (Madhok, 1997, p. 42). Capabilities in this context are seen as resources and know-how "deployed in order to exploit its rent-earning potential (Madhok, 1997, p. 42). Based on this logic, market entry choice is determined by the proximity between the capabilities of a particular MNE and the attributes required to successfully operate in a given market, with greater alignment between the two promoting higher resource commitment (and control associated with majority owned or wholly owned subsidiaries). While Transaction Cost Theory sees risk in terms of the costs of governance and managing information asymmetry, the Organisational Capabilities Perspective perceives risk in terms of the repeatability and transferability of a firm's skills set in a new foreign market. Madhok (1997) highlighted the phenomenon of erosion in know-how if the environment in the foreign market makes it difficult to replicate capabilities, which have evolved in the MNE's home market. The Organisational Capabilities Perspective is also focused on developing capabilities through international expansion, with Madhok suggesting that a joint venture or collaborative approach is preferred where the focus of the firm is on acquiring capabilities rather than deploying or transferring them to a foreign market.

The Organisational Capabilities perspective has significance and relevance within a financial services context where the presence of knowledge-based assets embedded in a firm's institutional memory and intellectual property, and the transferability of such assets to different geographies, is an important characteristic of a firm's operating model and is a driver of its success.

The Organisational Capability Perspective was thus used in developing a better understanding of key resources and capabilities of South African financial services MNEs and how the ability to transfer knowledge-based assets and intellectual property of South African financial services companies influences entry mode choices.

2.1.5 Bundling Model

Hennart (2009) evolved the Bundling Model based on a critique of the work of Johanson and Vahlne (1977) and Anderson and Gatignon (1986). Hennart criticised both pieces of work as being one directional and too focused on the strategic motivation of MNEs in determining entry mode choice. As an alternative to what he regarded as MNE-centric theory, Hennart proposed that economic value when an MNE enters a new market is derived from a combination or bundling of MNE competitive advantages and motivations, together with the complementary assets of the targeted market (local complementary assets). The efficiency of the market in which local complementary assets are traded, or the difficulty of accessing these assets, will determine the allocation of equity between the MNE and the owners of the local complementary asset, and thus basically decides the entry mode choice of the MNE. Local complementary assets include distribution networks, access to local infrastructure, land, customer networks, and knowledge of local markets.

Hennart (2009) recognised that while knowledge can be embedded in a firm, so can local complementary assets. Firm-embedded assets are defined as “assets that cannot be acquired separately from the firm to which they are bound” (Hennart, 2009, p. 1442). In many countries, permits and licences may not be tradeable, particularly in highly regulated industries such as banking and insurance. In such instances, the only way to acquire these assets would be to acquire a shareholding in the firm that holds them. Another example is when customer switching costs are high, or where key customers are contractually bound to one firm, meaning an MNE cannot easily establish a greenfield to compete with the established local operation.

In determining whether the MNE will enter a market through a partial or full acquisition, Hennart identified two factors, i.e. modularity and incentive losses. Modularity means “assets that are embedded in acquired firms can be easily integrated with other assets held by the acquirer” (Hennart, 2009, p. 1443). According to Hennart, modularity supports full acquisitions. Incentive losses happen when owner-managers of a local firm possess significant knowledge about the firm's operations. The loss of motivation on the part of local managers that may take place in instances of full acquisition supports a joint venture format or a partial acquisition so as to maintain incentives for local management in the success of the firm.

The Bundling Theory thus closes a gap in other theories such as Transaction Cost Theory and the OLI Paradigm by examining the role of the accessibility of local resources on MNE entry mode choice. Dunning (1977) assumes that even when those locational factors are present, they are accessible to the MNE, which is not always the case. Hennart (2009) seeks to address this shortcoming.

It is our view that Hennart's Bundling Theory has great value in the understanding of MNE expansion on the African continent, where local assets such as land, operating licences and permits are not freely available. In addition, skills shortages in some African countries may also mean that the market for human complementary assets is not efficient. The imperative to partner with local firms who control or monopolise these assets may thus become an important consideration for an MNE's mode of entry, requiring an approach allowing for local shareholders in the foreign operation, or a joint venture even when other factors would suggest otherwise. Bundling Theory also has implications on the decision to make an acquisition versus establishing greenfields. Our sample of South African financial services MNEs was the subject of the further exploration of this phenomenon. The application of Bundling Theory enabled an investigation on how differences in the extent of market openness for local capabilities within African countries will affect the approach of South African MNEs in entering those markets and managing environmental risks.

2.1.6 Springboard Theory

Luo and Tung (2007) developed the theory that EMMNEs "use international expansion as a springboard (The Springboard Theory) to acquire critical resources needed to compete more effectively against rivals at home and abroad, and to reduce vulnerability to institutional and market constraints at home" (Luo and Tung, 2007, p. 482). This "springboarding behaviour" can either be market seeking or opportunity seeking. Luo and Tung (2007) distilled this "springboarding" into the following motivations, including:

1. To compensate for competitive disadvantages such as knowledge gaps;
2. As a means of overcoming latecomer disadvantage in a market;
3. To counter-attack global rivals' major foothold in their home market;
4. In order to bypass stringent trade barriers;
5. To alleviate domestic institutional constraints (such as poor enforcement of contracts, lack of protection for property rights) or diversify assets from the risk of domestic instability;
6. To secure preferential treatment by governments; and
7. To exploit competitive advantages in other emerging or developing markets.

Bangara, Freeman and Schroder (2012) saw this strategic focus as one where the "primary strategy is to enhance the stock of critical resources as opposed to exploiting existing resources" (p. 624). Resource commitment is thus relatively large with springboarding.

A key weakness of the Springboard Theory is that it is largely conceived from the perspective of an MNE expanding into a more developed market. It also starts from the premise that the MNE begins in a position of competitive disadvantage. Stated examples include lack of global experience and management competence, limited institutional experience, and a general lack of business sophistication (Luo and Tung, 2007).

In the context of the South African business environment, the Springboard Theory may not be applicable to those South African companies which, during the protectionism of the Apartheid years, were able to develop world-class capabilities and competitive advantages enabling them to compete in developed markets. Indeed, according to Luo and Tung (2007), South African Breweries (SABMiller) is regarded as such an EMMNE. The Global Economic Competitiveness Report (2014) ranks the South African financial services sector very highly and considers it comparable to that of developed countries (Appendix 2).

We investigated whether South African financial services MNEs see expansion into less affluent markets in the rest of Africa as a means of obtaining the market knowledge, acquired learning and innovation capability to compete in the mass market in their home market (South Africa). Van den Waeyenberg and Hens (2012) saw an understanding of the consumption pattern of the poor as a means of developing a base of the pyramid strategy. They see knowledge gained and products developed in one base of the pyramid market as applicable in other bases of the pyramid markets. However, much of this knowledge is gained with the help of local partners who have credibility in poor communities, which suggests that firms carrying out this kind of springboarding may choose lower shareholding levels in order to sufficiently leverage local knowledge from shareholders experienced in the home market.

Some researchers have proposed that EMMNEs face the "Liability of Emerging-ness" (LOE) (Madhok & Keyhani, 2012, p. 28). The liability of emerging-ness is a term used to describe additional disadvantages that EMMNEs face by virtue of being from developing or emerging markets. These disadvantages include lack of technology – a powerful globally recognised brand or management experience in global markets. This concept assumes EMMNEs expanding into more developed markets. However, EMMNEs often expand internationally into other developing or emerging markets.

2.2 Additional literature

We have identified additional literature which we believe effectively builds on the theoretical foundations summarised above and which has significantly contributed to contemporary literature and our understanding of MNE entry mode choices. This literature is summarised along the themes outlined below.

2.2.1 Ownership disadvantages

Cuervo-Cazurra (2012) deepened our understanding of ownership advantages (Dunning, 2000) and transaction costs in an EMMNE context by identifying differences between ownership advantages in AMNEs and EMMNEs. For example, ownership advantages in an advanced economy tend to be driven by the development of intellectual property and patentable assets, while in EMMNEs, ownership advantages may consist of knowing how to enable economies of scale to be realised from marketing products in low-income environments. Furthermore, while existing OLI theory is based on the argument that ownership advantages drive internationalisation, Cuervo-Cazurra also identified "Ownership Disadvantages" as drivers of internationalisation by EMMNEs, examples being "asphyxiating" regulatory environments or domestic political risk. The introduction of the concept of ownership disadvantages in a South African context may have value in understanding the internationalisation behaviour of South African companies; particularly from the perspective of understanding why markets with less stringent regulations, lower levels of socio-economic development, and less developed institutions may be more attractive to South African MNEs.

The financial services sector in South Africa is in many ways a paradox. Cuervo-Cazurra (2012) stated that developing countries tend to be characterised by lower levels of social development, especially in terms of income, health and education, but may also have pockets of excellence. The quality of the South African financial services sector is ranked above many developed countries and thus could be seen as an example of a pocket of excellence (See Appendix 2). Yet the lower levels of social development are also evident in South Africa and may form a basis for South African financial services MNEs to compete effectively in the rest of Africa, based on "familiarity with the pitfalls and advantages of doing business in an emerging nation context" (Contractor 2013, p. 310), or a developing country environment. An example could be in the failure of the State to provide adequate health and education services to the population; a characteristic shared by South Africa and other African countries. In the insurance sector in particular, companies have found ways of bridging this gap through the design of innovative financial products. This provides scope to test Cuervo-Cazurra's proposition that the peculiar socio-economic conditions of a developing economy help EMMNE’s market-sensing ability when entering other developing markets.

South Africa’s financial services sector therefore provides an excellent laboratory of a sector with developed market capabilities; a pocket of excellence which also possesses knowledge and experience of a developing market environment, which traditional theory has assumed a company with developed market capabilities would not always have. The significant contribution of Cuervo-Cazurra to theory is to posit that any capability arising as a function of a firm's domestic environment, however mature, which is exportable to other countries, is an ownership (“O”) advantage.

2.2.2 Liability of Foreignness

Another important concept in understanding MNE entry mode choice is that of Liability of Foreignness (LOF). Luo, Shenkar and Nyaw (2002) identified the concept of LOF as being at the heart of Internationalisation Theory and Transaction Cost Theory. They defined LOF as “extra costs incurred by a company once it enters a foreign market, which a local firm would not incur, on account of investing, operating and managing in the foreign country’s task and institutional environment” (Luo et al., 2002, p. 284). Bangara et al. (2012) identified a lack of legitimacy as a major source of LOF. This lack of legitimacy is linked to an unknown brand, lack of reputation in a market and a preference by the market for home-grown enterprises. Luo et al. (2002) identified defensive and offensive mechanisms that MNEs employ to overcome LOF. Defensive mechanisms include contract protection (commercial contracts to safeguard the MNE's rights in a foreign country), parental control, regulation of local manager autonomy, and the provision of important goods and services to the local operation from the MNEs home operations or headquarters, while offensive mechanisms include local networking, legitimacy improvement (by showing responsiveness to local socio-economic concerns, thus improving the public image of the MNE), and input localisation.

The study of Luo et al. (2002) has useful descriptive value, providing a basis for future researchers categorising and comparing the different methods employed by MNEs in overcoming LOF. The defensive mechanisms identified here are analogous to options that MNEs have in deciding how to enter a new market and deploy firm capabilities, and assisted in evaluating how the absence of these defensive mechanisms affect mode of entry choices by the South African MNEs used for purposes of our proposed research. High control entry modes are seen as enabling greater power for the MNE to respond effectively to its external environment as deemed appropriate, and control resource allocation and utilisation within the offshore operation.

2.2.3 Cultural and institutional differences

Brouthers (2002) used Transaction Cost Theory to identify cultural and institutional contexts as key variables impacting on transaction cost. This is based on the argument that institutional constraints and cultural distance impacts on a firm's ability to derive economic benefits from a market entry, and affects the effectiveness of relationships with local counterparties to the extent that these factors impose additional costs on doing business. Institutions and culture are seen as providing the structure in which transactions occur. Further to this, institutional structure may "create a situation where the transaction costs predicted mode choice may not be the preferred choice" (Brouthers, 2002, p. 206). Culture is also seen as influencing "investment risks associated with different host country economic, legal, political and cultural systems as well as market attractiveness" (Brouthers, 2002, p. 206). Brouthers (2002) built on previous work (Brouthers and Brouthers, 2000; Brouthers and Brouthers, 2001)) and investigated patterns influencing the choice of either a wholly owned subsidiary entry mode or a joint venture entry mode. Based on this work, findings were made to support the hypotheses that firms which perceived a higher level of transaction cost tended to use wholly owned modes of entry, and that firms which perceived high levels of investment risk (influenced by culture) and experienced high levels of legal restrictions (affected by institutions) tended to use joint venture modes of entry.

The value of this academic article is largely in terms of hypothesis formulation, which provides a basis for additional research to be performed in different country contexts. The emphasis of culture and institutions as variables impacting the traditional Transactional Cost Theory resulted in the evolution of what Brouthers (2002) called the "Extended Transaction Cost Theory". It strongly delineates the importance of local context in the applicability of theory and cautions against an over-generalised approach in interpreting MNE entry mode choices. Indeed, Brouthers strongly emphasised that taking into account culture and institutions of a host market allows more accurate results in predicting the success of entry mode choices based on Transaction Cost Theory, than when culture and institutions are not treated as significant factors. It provided a useful starting point in analysing data and identifying patterns around the entry mode choices of South African MNEs into diverse African markets within the context of cultural differences.

Chang et al. (2012) built on the work of Brouthers and Brouthers (2000), Brouthers and Brouthers (2001), and Brouthers (2002). Their major contribution to literature in the relevant field of study was through exploring the interaction between culture and institutions on entry mode choice. They made the point that different studies undertaken in the past on the impact of cultural distance on entry mode choice were inconclusive in terms of whether cultural distance results in high control entry modes (due to the need to deal with challenges emanating from lack of understanding of the foreign market and difficulties in evaluating and monitoring prospective partners); or low control entry modes (due to the need to collaborate with local partners who are familiar with the local culture). They further suggested that this inconclusiveness or paradox is because institutions and cultural difference respectively do not represent separate variables that impact on entry mode choice. Rather, institutions and governance quality moderate the importance of cultural difference in determining entry mode choice. The host country’s governance quality is seen as playing a contingent role on the influence of cultural distance by mitigating the necessity to exert control (Chang et al., 2012).

The value of this study is in highlighting governance quality as a specific focus for study and how it influences MNEs' mode of entry choices. According to Chang et al. (2012), full control of a subsidiary to mitigate cultural distance is not necessary if governance quality is good. This also posits the importance of sound governance in attracting FDI – a topical issue in Africa.

Hernandez and Nieto (2015) focused on regulatory differences and their impact on entry mode choices. In particular they explored the impact on regulatory distance not in absolute terms but in relative terms, i.e. whether the regulatory environment of a foreign market under consideration is more or less onerous than that in the country of origin. The term “negative regulatory distance” was used to describe a situation where regulatory development in the foreign country is lower than in the country from which the investment originates. Conversely, “positive regulatory distance” is described as the regulatory environment in the foreign country being more developed than in the origin country. The research found that when negative regulatory distance increases, firms are more likely to prefer entry modes requiring a lower level of resource commitment; while positive regulatory distance makes firms more likely to prefer entry modes requiring a higher level of resource commitment. This has created an opportunity for more focused research on whether different entry modes are applied in those African countries whose regulatory environments are comparable and better integrated with South Africa, compared to those in countries which are the opposite. Managers who understand positive and negative regulatory differences "are in a better position to decide on entry mode (Hernandez and Nieto, 2015, p. 130).

2.2.4 Market linking and sensing capabilities

Tseng and Lee (2010) saw market linking and sensing capability as a moderating factor on environmental uncertainty caused by cultural, institutional, regulatory or market differences. Market linking is the ability to "create and retain close bonds with customers and major channel members, suggesting the importance of networking" (Tseng and Lee, 2010, p. 408); while market sensing is the ability to analyse, correctly interpret and respond to market trends. Firms with strong market linking and market sensing capabilities may feel less inclined to enter a market with a low control shareholding model because they do not rely on local partners for their ability to understand a local market. Ripolles and Blesa (2012) found that marketing capability plays a significant role in entry mode choice. South African financial services MNEs have significant data and management information (MI) processing capabilities which may aid market sensing activities. Further insights on how this may have affected entry mode choice in particular markets were explored, with Tseng and Lee (2010) asserting that in an environment of perceived high market turbulence (especially if aggravated by cultural distance), high control entry modes will be preferred by firms with strong market linking and sensing ability. We will refer to this literature when investigating how South African financial services MNEs overcome unfamiliarity with foreign market environments.

Alvarez and Marin (2010) asserted that National Systems of Innovation, defined as the entrepreneurial and technology absorption capabilities in a country, are an important determinant of entry mode choice between M&As on one hand, and greenfields on the other. M&As present an opportunity to rapidly exploit entrepreneurial ability already embedded in a market. The value of this research lies in not assuming homogeneity among host countries and in positing that differences in market sophistication and entrepreneurial levels between markets (as opposed to just cultural distance and institutional quality) are an entry mode choice determinant. In the context of African markets, countries like Kenya have been characterised by innovation particularly in the fields of information technology, telecommunications, mobile banking, and insurance. Future research could directly compare entry mode choice preferences between countries like Kenya and those in African countries which have shown less capacity for innovation and entrepreneurship. Indeed, Appendix 2 shows Kenya is rated as having greater capacity for innovation than South Africa.

2.3 Supporting literature for specific problems to be addressed by this research

2.3.1 Lack of industry context

Contractor et al. (2014) argued that sectorial differences or similarities, and the resultant impact on entry mode choice, is an under-researched area. Contractor et al. (2014) defines sectorial differences as "the extent of dissimilarity in the knowledge base, business practices, routines, norms and general competitive environment that exists between an acquirer's industry and a target firm's industry" (p. 935). There is, therefore, room for investigating the extent to which research findings on the factors influencing entry mode choices hold true when limiting the population to one closely related economic sector, compared to a population drawn across different economic sectors.

In particular, the financial services sector (banks and insurance companies) has different characteristics to other industries, which may result in different research outcomes on entry mode choice. This includes a greater reliance on ownership advantages and internal capabilities compared to capabilities located in the host country, thus suggesting different shareholding configurations between the MNE and local partners than in other industries (Hennart, 2009). The regulation of banks and insurance companies is also characterised by regulatory frameworks that promote approaches to governance and risk management which necessitate a large degree of uniformity across different jurisdictions in which a company may be operating. According to Bouvatier (2014), regulatory harmonisation in the banking sector has been driven by organisations such as the Basel Committee on Banking Supervision, which "produce international regulatory standards and guidelines for best practices to promote fair competition and a satisfactory level of prudential regulation" (p. 342). The insurance industry has also been characterised by the growing internationalisation of risk standards through the Solvency II framework (De Haan and Kakes, 2010). The inclusion of service organisations such as banking and insurance companies in the same sample as manufacturing or resource extraction companies, while bringing diversity in the population and enabling comparison, has thus tended to produce "generalizable conclusions" (Kothari et al., 2013, p. 296), which may not support the creation of fresh, relevant insights as outlined below.

Firstly, the ownership advantages of a financial services MNE relative to competitors in less developed host countries are more likely to be around the depth of their human capital, their market reputation, and the policies and procedures governing the design of financial products and mitigation of risk. The effective management of risk, which is integral to financial services companies' core business and provides a competitive advantage when entering less developed markets, is aided by better access to capital, product diversification and "superior technology and management skills which enable them to screen portfolio risks better" (Pennathur & Vishwasrao, 2014, p. 244). Conversely, the typical manufacturing or resource firm's ownership advantage would be machinery and plant, or access to natural resources. This would suggest that certain risks around "Liability of Foreignness" (Luo et al., 2002) such as the risk of expropriation of assets, would manifest themselves differently in a typical manufacturing/resource firm than they would with financial services. The core assets and competencies of a financial services firm are much more difficult to appropriate through hostile means than, for example, a mining company. In this context, De Buele et al. (2014) asserted that risks to intellectual property lead to high control modes of ownership in order for the MNE to better protect its knowledge and intellectual assets. This calls into question research outcomes, which found that institutional distance will result in the MNE seeking a local partner rather than opting for a full acquisition (Hernandez & Nieto, 2015).

Chun (2012) found that local firms with large numbers of professional and skilled workers in their workforce support greater levels of FDI, and higher shareholding in the foreign operation, as the presence of skilled staff incentivises technology transfer from the home market. The issue of having, in host countries, a higher proportion of skilled and professional staff in relation to the total overall workforce in that country (which is a characteristic of many financial services organisations), also lends itself to further research on whether financial services companies are subject to different influences – compared to other sectors – in deciding on entry mode choice. Particularly given the suggestion that the need to protect knowledge and technology thus transferred to the local staff supports higher levels of home country control of host country subsidiaries (De Beulle et al, 2014).

The above arguments are different from the findings of Hernandez and Nieto (2015), which state that negative institutional differences have a positive relationship with entry modes requiring lower control and lower resource commitments. It is worth noting that both Hernandez and Nieto (2015) and other researchers like Brouthers (2002) drew their sample from large, cross-sectorial populations. Park (2012) also stated that the ability by subsidiaries to "understand new knowledge, to assimilate the information into the organisation and to apply the new knowledge to commercial ends" (Park, 2012, p. 549) is important for an MNE in a local market. With financial services organisations comparatively having more reliance on intangible assets, such as employees' knowledge base, this provides a different source of competitive advantage and may impact on entry mode choices. Lo (2015) stated that "location-bounded advantages present difficulties and are not easy to transfer across borders" (p. 1). With firms in the mining and manufacturing industries, for example, commonly associated with location-based advantages, Lo (2015) encourages us to explore the phenomenon that the internationalisation process of firms relying on knowledge-based advantages may be different to that of firms having strong location-based advantages.

Indeed, Fang et al. (2013) also posit that the success of an MNE's international expansion hinges on its ability to transfer knowledge-based assets and technology effectively to foreign subsidiaries. The "building and ongoing operation of a subsidiary, especially that of a self-sustained business operation, requires a broad scope of knowledge transfer (Fang et al., 2013, p. 30). This will provide a basis for formulation of our research proposition in that the presence of knowledge-based assets in financial services companies is likely to support entry modes based on high shareholding percentages.

It should be noted that in industries such as life insurance in particular, key assets and products are characterised by high asset specificity and product differentiation. Svendsen and Haughland (2011) associated asset specificity and product differentiation with "hierarchical governance such as formal contracts, where rules, fixed policies, and standard operating procedures are specified" (p. 326). The need for standardisation and compliance lends itself to majority ownership or wholly owned subsidiaries.

Secondly, Park (2012) argued that lack of knowledge of the local environment (a component of the "liability of foreignness") can be compensated for by unique technology that can create cost and operating efficiencies in foreign markets. Many financial services companies have been able to leverage technology through mobile phone or internet-enabled customer platforms. Technology has also enabled the maintenance of granular data on customer profiles, consumption patterns and facilitated enhanced capability in management information systems. Big data, of which banks and insurance companies in South Africa have emerged as prodigious users, together with specialist professional knowledge, will enable the rapid development of in-country market intelligence and create a competitive advantage, which may confound perceived wisdom that the lack of local market knowledge necessitates partnering with locals.

Thirdly, the role of the home country regulatory regime in entry mode decisions needs further investigation. In the financial services industry, domestic regulators of financial services businesses define minimum risk standards and risk appetites for cross-border investments which are driven by the risk requirements of the home market. Because of this, institutional distance with a foreign market is likely to result in the financial services company seeking more and not less control due to the need to be able to impose the risk standards from the home country in the riskier foreign operation. This would not be possible if the financial services company had less control of the foreign operation. This differs from non-financial services MNEs whose approach to risk management will be more federated and driven by the regulatory environment in each territory in which they operate. According to Meyer et al. (2011), MNEs' subsidiaries are embedded in both their local environments as well as in the overall group structure of their parent company. This requires "balancing the forces that require local responsiveness of subsidiaries with those that require the subsidiaries' global integration within the umbrella of the MNEs overall structure" (Meyer et al., 2011, p. 236). The concept of "multiple embeddedness" could thus be used to explain the imperative on the part of both regulators and MNE management to standardise the approach towards enterprise risk management. The financial services industry in South Africa is characterised by stringent requirements around capital allocation, which impacts on capital available for international venturing by banks and insurance companies in particular, which in turn requires a common approach towards risk and solvency management.

Fourthly, there seem to be inconclusive outcomes regarding the impact of cultural and institutional distance on entry mode (Chang et al., 2012), which was described as the cultural distance paradox. Does the negative institutional environment require greater ownership to enable the MNE to exercise more control over mitigating the risks associated with the institutional environment; or will the negative institutional environment positively influence the likelihood of ceding a stake in the company to a local shareholder? We aim to bring clarity to this inconclusiveness by investigating whether definitive patterns emerge when the sample consists of companies in the same sector (financial services).

Lastly, while the typical firm would be involved in the production and distribution of tangible goods, a financial services company or bank is involved in financial advice and financial intermediation. Given the custodial and fiduciary role of banks and insurance companies, reputation for financial stability and service is the key determinant in growing the customer base, as opposed to where tangible product functionality or access to a scarce resource is a driver of customer traffic. Lack of local market knowledge is not necessarily a disadvantage, as a firm from a better regulated environment is likely to be viewed more favourably by customers. The quality of financial services regulation in South Africa is considered among the best in the world (WEF Global Competitiveness Report, 2014), (Appendix 2).

The issue of industry context and the potential of entry mode considerations in the financial sector differing from what has been established by research so far, is central to this paper. We posit that existing findings are largely more applicable to environments where the key MNE competitive assets are location specific and embedded in the local market, compared to financial services environments where key competitive assets are knowledge based, transferable and replicable across borders. The following research proposition emerges from the discussion in this section:

> Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.

In conclusion, there exists significant research opportunity to explore whether knowledge-based industries such as financial services render host country conditions less of a determinant in the success of the MNE, and thus less of a critical factor in entry mode choice. With knowledge invested in individual professionals complemented by other intangible assets, we need to learn the extent to which this minimises the factors which traditional research has often associated with low control entry modes.

2.3.2 The factors influencing South African financial services MNEs' choice of acquisitions over greenfields in entering a new market

Arslan and Larimo (2011) found that formal institutional distance (the regulatory environment) supported a preference for acquisitions as opposed to greenfields, while the opposite was the case with informal institutional distance (cultural distance). However, Park (2012) argued that greenfields are more attractive as foreign shareholders do not have to integrate different corporate cultures, meaning that the transaction costs of control are minimised. With regard to the entry mode choice between greenfields and acquisition, we posit that financial services will see a greater return from leveraging intellectual property and human capability when leveraging into an already established business as opposed to a newly established one.

Mature and established or sophisticated markets are often attractive to new entrants due to the opportunities offered by the size of the market and the awareness of the consumer, particularly in the financial services sector where product offerings tend to be relatively complex. Yet, the fact that these markets are established means there are firms which have deep institutional knowledge and whose acquisitions may pose post-integration challenges to the acquirers (Park, 2012). Integration is of particular importance for financial services companies whose business models often depend on shared IT platforms, leveraging off specialised human resources located in a "centre of excellence" (usually in the home country), and leveraging off a strong brand and corporate reputation. We, however, propose a different outcome to that of Park (2012), based on the rationale that the economic return from greater economies of scale driven by leveraging the acquiring firm's knowledge and technology based assets outweigh the challenges associated with a more difficult integration of a new subsidiary. Alvarez and Marin (2010) associate the sophistication of a market (as represented by higher technological and entrepreneurial capability in the host economy), with the attractiveness of acquisitions over greenfields. We applied this argument in investigating whether preference for acquisitions and greenfields differ between the more sophisticated markets in Africa versus less developed ones, even when all these markets are relatively less sophisticated than South Africa. Once more, an industry focus on financial services is expected to aid in resolving contradictions between the various research findings.

Morschett, Schramm-Klein, & Swoboda (2010) highlighted that industry structure affects entry mode choice. They distinguish between industries which are highly competitive and those dominated by a few large firms where concentration is high. They argue that industry concentration supports wholly owned subsidiaries as the associated resource commitment is justified by opportunities for monopolistic pricing. The African continent has seen a trend towards industry consolidation and concentration in the banking industry and also in insurance. This industry consolidation and concentration is exacerbated by high minimum regulatory capital requirements in a continent with comparatively limited capital sources (Kouki & Al-Nasser, 2014).

We suggest that the findings on entry mode choice by Morschett et al. (2010) supporting wholly owned subsidiaries in instances of industry concentration do not sufficiently explore the fact that partnering with local shareholders is a means of entering a concentrated industry characterised by barriers to entry. This is particularly so where the wider economy is characterised by relatively high levels of foreign participation and shows the ability to absorb new knowledge and technology (Alvarez & Marin, 2010). This is because local shareholders also seek to gain from the economic benefits and potential for greater profitability offered by the closed nature of the sector, thus supporting a more cooperative approach to entry mode which blends the MNE and local capabilities and allows the MNE to quickly acquire competitive advantage (Park & Choi, 2012). We thus sought data to support an alternative view which is that, in Africa, South African financial services MNEs, given a preference for entry modes with high shareholding in accessing new markets, will prefer acquisitions over greenfields as a means of accessing countries characterised by concentrated industries such as banking and insurance, due to high incentives for market entry. In this instance, local citizens would retain a minority shareholding. The following propositions have thus emerged from the above discussion:

Proposition 2a: South African financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa.

Proposition 2b: In entering mature markets, South African financial services MNEs will prefer acquisitions over greenfields.

2.3.3 Risk management and regulatory considerations affecting entry mode choice

We aimed to establish how the imperatives for "multiple embeddedness" (Meyer et al., 2011) – in particular the embeddedness of the subsidiary's risk management framework with that of the parent company – affect the relationship between risk management and entry mode choices. This is because risk management is a core capability in financial services businesses (Pennathur & Vishwasrao, 2014).

Multiple embeddedness means that the operational requirements of the MNE's home country also impact on the subsidiary. We have extended this argument to risk management and governance policies. With the MNE's home country the source of capital, the regulatory requirements of the home country's capital market authorities impact on how that capital may be deployed and the governance structures that need to be in place regarding cross-border investment of capital raised in the home country. In addition, there is a significant alignment between regulatory frameworks used by South African financial services MNEs and those in the advanced world, particularly through Basle II and Solvency Assessment Management (SAM). (Bouvatier, 2014; De Haan & Kakes, 2010). This led us to the following proposition:

Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

2.3.4 The extent of the MNE's capability to mitigate risks associated with the lack of market knowledge and the resultant impact on entry mode choice

We suggest that financial services business – being a knowledge-based industry – is characterised by resource fungibility and the ability to replicate capabilities across markets to a greater extent than in other industries. This phenomenon is decisive in entry mode choices. Capabilities include knowledge on how to compete effectively in foreign markets. According to Meyer, Wight & Pruthi (2009), “if core competencies are geographically fungible, foreign investors may maintain competitive advantages in new locations with few additional resources” (p. 558). This suggests that the presence of economies of scale with regards to skilled professionals in an MNE creates opportunities for fungibility. In a financial services context, South Africa is well known for its relatively large endowment of skilled accounting, actuarial, legal, risk management, and financial analysis skills relative to other African countries. In addition, Park (2012) states that disadvantages from lack of knowledge of local markets can be overcome when the MNE possesses unique technology, knowledge and skills that can be exploited in foreign markets at low cost. The need to retain control and exclusivity on this knowledge thus supports the motivation of high control entry modes (Hennart, 2010).

Park and Choi (2014) also made the argument that control has a significant bearing on the success of knowledge transfer to subsidiaries and the absorption by that subsidiary of the transferred knowledge. Shareholding control facilitates knowledge sharing and exploitation of knowhow existing in the organisation and also will “redefine organisational direction in line with new information” (Park & Choi, 2014, p. 132). Ripolles et al. (2012) also argued that MNEs “using higher commitment entry modes place great importance on being in close proximity to their most important foreign customers and on receiving instant feedback about the company’s products” (p. 650). Marketing ability (through intangible assets and brands) supports higher entry modes and mitigates the impact of cultural and institutional distance (Ripolles et al., 2012; Tseng and Lee, 2010). This allowed us to test the manner in which these capabilities, knowledge and skills are exploited across the African continent, and how the ability to leverage these skills influences or predicts entry mode choice. We therefore proposed:

Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.

2.3.5 How does the need to realise the benefits of synergies and risk diversification affect entry mode choice?

MNEs seek to exploit differences and multiple risk profiles across markets (Meyer et al., 2011; Ramamurti, 2012). MNEs will "invest in countries that are physically or economically 'distant' because their strategies are based on exploiting differences rather than similarities" (Ramamurti, 2012, p. 44). The need for sameness and homogeneity is therefore not the overriding imperative or consideration of MNEs' strategy otherwise few firms would venture beyond their home markets. This is particularly true within the context of South African MNEs, given the differences between South Africa and the rest of the continent and the differences among the various African countries. Moreover, complexity within a multinational organisation will be driven by the need for each subsidiary to "reconcile the interests of its parent with those of its local business interests" (Meyer et al, 2011, p. 237).

Meyer et al. (2011) also stated that MNE value is derived from leveraging tangible and intangible resources across borders. We posit that this requires high levels of integration and control to enable the co-ordination and coherence that the MNE needs to accommodate local context while ensuring that all its constituent units operate with the interests of the wider group in mind. We propose, therefore, that South African financial services companies will prefer high control entry modes to aid this exploiting and leveraging of differences and realising of synergies. We will explore the impact of this phenomenon further in this paper.

While most literature has tended to focus on the uncertainty associated with investing internationally by an MNE, Chung, Seung-Hyun, Beamish, Southam & Nam (2013) argue that diversified MNEs can also benefit from uncertainty by having the right (through the control of foreign subsidiaries) to shift key activities that are part of their value chain from one subsidiary to another in a different country. In addition, changes in factor conditions in one market, which may manifest themselves negatively on a subsidiary in that market, may have a positive effect in another market. Chung et al. (2013) also assert that diversification allows MNEs to maintain operations in a crisis-stricken location for purposes of future flexibility should conditions improve in that location and worsen in another. This flexibility is contingent on not having the constraints imposed by the power of local shareholders. Deliberately focussing on controlling knowledge at the centre and unlocking synergies among an MNE's subsidiaries could also be seen as a risk-mitigating mechanism when located in countries with relatively high environmental risks, as more reliance is placed on capabilities spread out throughout the MNE's geographic footprint as opposed to in a particular country (Chen, Chen & Ku, 2012; Liu, Gao, Lu & Lioliou, 2015). We thus proposed:

Proposition 5: The diversification of risk and creation of value through synergies across different and diverse African markets is a key attraction for acquiring control of businesses in the rest of Africa.

2.3.6 The role of indigenisation or localisation requirements in many African countries and the resultant impact on entry mode choice

This is a relatively new area, largely untouched by traditional research. Many African governments, in promoting the participation of citizens in their fledgling economies, have prescribed maximum shareholding thresholds which foreign investors may take up (Andreasson, 2010). This adds to the regulatory complexity that many South African MNEs have to navigate as they establish themselves on the African continent. A potential area for further research exists in exploring how indigenisation/localisation requirements impact on the willingness to enter a market, and the decision to establish greenfields as opposed to the acquisition of established companies (M&As).

Moeller, Harvey, Griffith & Richey (2013) highlighted the role of country of origin on an MNE's acceptance by local consumers, regulators and distributors, thus playing a moderating effect on LOE. Factors supporting acceptance of an MNE in a foreign market include the perceived value of an MNE's product and brand, the reputation of the MNE beyond its home market, the location of its headquarters, the composition of its senior management team, the number of local citizens employed by the MNE, and the career prospects available to them. The extent to which an MNE is integrated into local communities is also important for its acceptance by that community. The above factors enhance the legitimacy of the MNE in the foreign market.

However, indigenisation and localisation laws in the rest of Africa often force foreign investors to work with local partners with whom they may be unfamiliar. The risk of ownership restrictions causes the MNE to “reduce its effort thereby causing the surplus to decrease” (Karabay, 2010, p. 219). Karabay (2010) argued that ownership restrictions are typically implemented not to restrict foreign firms per se, but to enable the country to capture rents from the economic activity of MNEs. Within the context of relatively under-developed African markets when compared to South Africa or advanced economies, the ownership restrictions often require a trade-off between two perceived extremes of allowing more efficient foreign MNEs to operate in one's market, versus national welfare comprised of the total of the tax benefit from taxing a company and the profit generated by a local company accruing to local shareholders. With a foreign MNE, the country realises a tax benefit from taxing the company but not the benefit of profits, as these would presumably be repatriated to the foreign MNE's country of origin or control. Allowing foreign MNEs to operate under ownership restrictions which necessitate the involvement of local firms is seen in some countries as a compromise between the two extremes.

Karabay (2010) also made the point that ownership restrictions may be advantageous from the host country's perspective in instances of information asymmetry between the MNE and the host government or local businesses (to the advantage of the MNE), or where the MNE has firm specific advantages not easily visible or replicable by local businesses. Simultaneously, however, firm "specific resources (managerial, technological, reputation etc.) directly determine the MNE's bargaining power" (Karabay, 2010, p. 221) and thus drive a higher ownership stake by the MNE. This is aligned with the argument advanced by Lo (2015) that there is a negative linear relationship between location-based advantages peculiar to a given host country and the level of the MNE's ownership stake.

It is, however, not clear whether greenfields or acquisitions may be preferred in instances where indigenisation regulations are strictly enforced. We suggest that greenfields may be a less risky option, requiring less resource commitments in circumstances of "forced marriages" where South African financial services companies end up sharing an equity stake with a local partner they may not have ordinarily partnered with, as a way of entering a specific market. This may preclude the making of significant financial commitments to a venture until the effectiveness of the partnership and the success of the venture can be predicted with greater certainty. However, Karabay (2010) also argues that when MNEs have strong, firm-specific advantages and can exploit market opportunities more efficiently, the opportunity cost to ownership restrictions to a host country will be high. Simultaneously, the benefit to the host country of appropriating some of the capabilities for themselves is great. For the MNE, however, this comes with the risk of indigenisation partners using their preferred status to "free-load" on the MNE. This risk is particularly pronounced with high knowledge and intangible asset intensive industries, where the MNE may have significant advantage over any prospective local partner in terms of business capabilities. However, the extent to which a local partner can freeload is minimised with an incremental greenfield entry approach.

Danis, De Clercq, and Petricevic (2011) examined the relationship between social networks and new business activity in emerging economies and found that the relationship between new business activity and social networks is stronger in developing economies than in advanced economies. This is especially so when in-country regulations are onerous, there is a lack of readily available information on new business opportunities or funding availability, or where institutions are relatively under developed. Social networks are often dominated by local political elites who have the means of overcoming regulatory burdens, or have information regarding market opportunities. These local political elites may leverage these advantages by positioning themselves as suitable indigenisation partners to MNEs.

The discussion in this section suggests a negative response to indigenisation by the MNE due to the risks described above. We explored this further in our research by testing the following propositions:

Proposition 6a: Markets with indigenisation rules are seen as more negative and riskier than those without.

Proposition 6b: In countries where indigenisation and localisation regulations exist and are strictly enforced, greenfields will be preferred over acquisitions.

2.4 Conclusion from Literature Review

Based on our review of literature in this chapter we came to the following conclusions:

Firstly, we concluded that there is a sufficient theoretical base supporting the proposed area of study. This literature, (Buckley and Casson, 1976; Anderson & Gatignon, 1986; Dunning 1977, 2000, 2001; Hennart, 2009; Luo and Tung, 2007; Madhok, 1997; etc.) has provided a stem from which most subsequent work on MNEs and MNE entry mode choice has emanated from. This will aid in attaching appropriate descriptors to the concepts examined, in a language that will be easily understood to students and researchers in the field of international business as well as among management practitioners in the field. The adequacy of the theoretical base underpinning the research area also provides a framework for the interrogation and critiquing of arguments contained in traditional theory within the context of the more recent research undertaken in this paper. Birkinshaw, Brannen & Tung (2011) emphasised the importance of "framing the study in terms of existing debates in the literature, as well as being explicit about what body of theory it is building on and why" (Burkinshaw et al., 2011, p. 579).

Secondly, our literature review revealed that the issue of entry mode choice remains a topical question in the study of MNEs as evidenced by more recent literature tackling the issue (Contractor et al., 2014; De Beule, et al., 2014; Hernandez & Nieto, 2015; Madhok & Keyhani, 2012; Meyer et al., 2011; Ramamurti, 2012; Ripolles et al., 2012; etc.). This recent literature is framed within the context of changes in the dynamic of MNE expansion in the last five years, particularly considering the opportunities presented by improved political stability and economic growth in developing countries, as well the increasing trend of EMMNEs growing outside their home market. This more recent literature is particularly relevant as a base to study MNEs' strategic choices on the African continent, to which our study is contributing. The recent literature also provides a contemporary means of framing arguments supporting or moderating entry mode choices of South African financial services MNEs.

Thirdly, opportunities for further research, new insights and extension of existing theory can be found from gaps identified in existing research as per Chapter 1, (Section 1.1). These are discussed further in Chapter 2 (Section 2.3), which outlines the scope of this research paper with reference to literature. We see opportunities for further research in the field of MNE entry mode choice and have developed research propositions (summarised in Chapter 3). There is therefore scope to add to the existing body of knowledge through this paper. This paper in particular is set within the context of the financial services industry, with the intention of establishing insights that may be more applicable to that particular industry, which will serve as a basis for comparison with other industries.

CHAPTER 3 - RESEARCH PROPOSITIONS

The following research propositions have emerged from the definition of the scope of our research and the review of relevant literature carried out in Chapter 2. The propositions below are used to link the research question and associated literature with data that needs to be gathered to fulfil the research objectives.

Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.

Proposition 2a: South African financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa.

Proposition 2b: In entering mature markets, South African financial services MNEs will prefer acquisitions over greenfields.

Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.

Proposition 5: The diversification of risk and creation of value through synergies across different and diverse African markets is a key attraction for acquiring control of businesses in the rest of Africa.

Proposition 6a: Markets with indigenisation rules are seen as more negative and riskier than those without.

Proposition 6b: In countries where indigenisation and localisation regulations exist and are strictly enforced, greenfields will be preferred over acquisitions.

CHAPTER 4 - RESEARCH METHODOLOGY

This project was based on an explanatory research methodology. Saunders and Lewis (2012) defined explanatory research as research that "looks for an explanation behind a particular occurrence through the discovery of causal relationships between key variables" (Saunders and Lewis, 2012, p. 113). Welch, Piekkari, Plakoyianniki and Paavilainen-Mantymaki (2011) came up with an extended definition which describes explanatory research as one which will "test propositions, adjudicate among rival explanations, revise existing theories and establish causal relationships;…..suited to verification and not just discovery of new theory (Welch et al., 2011, p.746). The outcome variable is entry mode choice and the propositions identified above were tested based on qualitative data gathered from the research, in terms of how the data supported a particular entry mode choice.

4.1 Why qualitative and not quantitative research

There is a significant body of knowledge on the study of MNEs and international business founded on quantitative research. There is certainly merit in quantitative methods, particularly in the process of acquiring empirical evidence` to support a singular outcome variable and where there may be easily distillable relationships of cause and effect between two variables. Quantitative research also has its merits in a research environment characterised by relative stability over time, and which is impacted on by easily identifiable and measurable phenomena. Zander, Zander, Gaffney and Olsson (2010) described the MNE as operating:

> "in many different environments, using an array of geographically separated units and groups with different goals, inhabited by managers and employees of different ethnical and cultural backgrounds and with different roles…the contextual heterogeneity and individual variability makes it possible to study a rich and varied set of identification processes shaping social interaction and ultimately organisational performance" (Zander et al., 2010, p. 458).

The above quotation illustrates the extent of complexity and diversity associated with the subject of MNE entry mode choice. The subject of MNE strategy is therefore one that is dynamic, multi-faceted and occurs in multiple contexts. We believe that this lends itself better to qualitative research methods. According to Birkinshaw, Brannen and Tung (2011), "while there are clear merits associated with quantitative methods, the multi-cultural, multi-dimensional and dynamic nature of the field of international business lends itself to a broad range of research methodologies, qualitative being one of them" (p. 573). The uniqueness and heterogeneity of contexts justify an adaptable research methodology not easily supported by quantitative research (Poulis, Poulis and Plakoyinnaki, 2013). In addition, while quantitative methods may be suited to the collection and analysis of data on a large scale, a large data set may not necessarily add to the depth of insights generated where the factors driving particular outcomes are multi-dimensional, and this may lead to over generalised conclusions. Birkinshaw et al. (2011) further argued that "qualitative methods once again play a critical role to interpret and understand the complex plurality of contexts – institutional, cultural, organisational and so on, brought about by globalization" (p. 574). For example, extensive research performed based on Transaction Cost Theory shows a high degree of alignment between scholars that transaction costs can be both tangible (and thus measurable) and intangible (value and perception based) (Brouthers and Brouthers, 2002). Intangible costs are subject to varying interpretation rooted in particular national, business, and transactional contexts and we believe that a quantitative approach would not sufficiently capture the rich vein of non-numerical data that already exists in this universe. Quantitative methods, conversely, may also result in the dilution and standardised interpretation of what may actually be a complex and dynamic environment.

Birkinshaw et al., (2011) also acknowledged the "rising influence of norms and traditions outside of the North America-West Europe orientation that has characterised knowledge generation for the past century and half" (p. 576). This observation was particularly relevant to this research paper, which is located in a South African and African context.

According to Doz (2011), qualitative research is uniquely suited to opening the 'black box' of organisational processes, as well as the 'how', 'who' and 'why'. While both quantitative and qualitative data can be used for the purposes of explanatory research, this particular research project was focused on understanding reasons and motivations for certain actions and decisions (foreign entry mode choices). The independent variables identified, by their very nature, do not easily lend themselves to descriptive analysis and are difficult to quantify. The qualitative research we undertook, however, enabled the use of "a variety of theoretical lenses to bear on the phenomenon being investigated and to compare systematically the nature and extent of the insights provided by these theories" (Doz, 2011, p. 584). According to Lo (2015), MNE ownership strategy cannot be explained by a single theory. This supported a research approach which would best capture all the diverse insights around the question of MNE entry mode choice.

4.2 The research universe

The research universe consisted of financial services companies incorporated in South Africa. The reason for limiting the study to one economic sector was to enable easier comparison between the subjects of the research and facilitate the generation of insights which may be diluted by having a more heterogeneous sample. These differences may arise due to the certain capabilities and competitive advantages embedded within organisations, which may be varied across industry structures but similar among competitors in the same industry. This does not ignore the role of competitive differentiation between companies but rather highlights that the basic required knowledge and skills sets to enable that differentiation will be similar within an industry. We therefore believed that comparison was better enabled by comparing the proverbial apples with apples. All of the companies chosen for research purposes are listed on the Johannesburg Stock Exchange (JSE). The reason for this was because JSE-listed companies would have been most likely to be sufficiently capitalised to enable outward FDI into the rest of Africa, and information on the nature and extent of their investment outside South Africa is publicly available. As such, we believed that senior management would have felt less inhibited about discussing their experiences.

4.3 Unit of analysis, sampling method and sample size

The unit of analysis was four JSE listed South African financial services MNEs engaged in expansion into the rest of Africa. The financial services companies consisted of two banking groups and two insurance businesses. A purposive sampling technique was used to identify the companies that were covered by the research. Saunders and Lewis (2012) define purposive sampling as the use of judgement to populate the sample with those members who are best placed to answer the research question. It was important to use judgement in selecting the sample because not all JS-listed companies or other non-listed large financial services business have made investments on the African continent outside South Africa, while of those that do have investments in the rest of Africa, not all have investments that are extensive enough to allow the generation of sufficient insights needed to answer the research question. Recent experience in cross-border acquisitions or setting up greenfield operations was also a factor considered in selection. According to Dikova and Rao (2013), “firms inexperienced in cross-border acquisitions have little knowledge in how to deal with cross-border acquisition challenges such as acculturative stress or transfer of assets and organisational practices.” (p. 79). The following table highlights why our purposive sampling techniques drove the selection of the companies that constituted our sample:

Table 1: Key statistics – companies chosen for the sample

Key measures – Africa (outside South Africa)	Company A	Company B	Company C	Company D
Revenue	R24 billion	R1.6 billion	R25.1 billion	R25.9 billion
Number of subsidiaries	20	19	14	26
Number of countries present	16	11	12	8
Number of employees	13,793	1,358	9,419	3,621

Source: Company websites

All of the above companies have sufficient presence on the continent, with both mature and relatively new businesses, and continue to explore opportunities to add to their African footprint. Purposive sampling was also taken a step further with regards to the ten individuals chosen for interviews (see Chapter 5, section 5.1). Care was taken in selecting key individuals from the companies whose internationalisation experience and seniority in their various organisations would enable them to generate sufficient insights to enable the research propositions to be sufficiently addressed.

Poulis, Poulis and Plakoyinnaki (2013) summarised the methodology of coming up with a purposive sample in the following steps. Firstly, using a study of theory to narrow down the population by establishing the entities and types of firms to which theory could be applicable. Secondly; out of this narrowed-down population, adjusting for contextual factors such as ownership structure, or the recentness and maturity of their geographic FDI activity. By applying secondary data parallel to performing steps one and two, we arrived at a suitable population. We broadly followed the process described by Poulis et al. (2013), contending that context is important in the selection of companies to study and individuals to interview. Our selection was based on the analysis that the four companies selected have a sufficient footprint on the African continent and have undertaken sufficient levels of greenfield and M&A activity in the recent past to enable the answering of the research question.

4.4 Research methods and strategy

Doz (2011) highlights that a rigorous and disciplined methodological approach to undertaking qualitative research will differentiate academic research from "journalism, or merely chronicling interesting business situations" (p. 586). We were cognisant of the need to rise up to that challenge in the course of undertaking this research. We aimed to achieve a necessary balance between the need for practical insights allowing for variations in organisational context, and the need to identify patterns peculiar to the particular industry which we used as the focus of our study. Welch et al. (2011) define context as "contingent conditions that in combination with a causal mechanism, produce an outcome" (p. 741).

Poulis, Poulis and Plakoyinnaki (2013) criticised what they consider to be a trend towards de-contextualisation in international business research due to reliance on quantitative data and the need to generalise from findings. Instead, Poulis et al. (2013) argue that MNEs inherently operate in different environmental, institutional and cultural settings and that this, together with the resulting uncertainty and information asymmetry that this brings, emphasises the need for contextualisation. Our research strategy of drawing ten interview participants from across four companies thus recognised the need for context while addressing potential criticisms around convenience sampling negatively impacting the integrity of the sampling process and the resultant research findings. As a parallel objective, our research method served as a "natural experiment for confirming or modifying existing theory" (Welch, Piekkari, Plakoyianniki & Paavilainen-Mantymaki, 2011, p. 741). A key question which arose with the emergence of MNEs from outside developed Western economies was the applicability of theory developed in those contexts to MNEs coming out of Africa, Asia or South America (Cuervo-Cazurra, 2012). This paper attempted to identify themes for future theorists to build on in either confirming, modifying or determining the applicability of existing theory to South African and African context. We believe that this objective has been met as outlined in Chapters 6 and 7.

The research was conducted by means of ten separate interviews with the individuals drawn from the four companies referred to above. We approached senior management, who were sufficiently high up in the organisation to have a view of the business across functions. Decisions around entry mode choice are typically strategic decisions within the remit of senior as opposed to middle management. We therefore decided not to extend our data collection to middle or lower management, whose perspective on their company's geographic expansion strategy would most likely be limited to that of a technical specialist or is largely operational, rather than a strategic role with visibility across the business as a whole.

The key question we then faced was: what is senior management? Could it be the Group CEO or CFO? The financial services organisations covered by our research have a group structure that has evolved out of the South African businesses. In all instances the size of the South African business still dwarfs the combined operations on the rest of the continent. Based on this, we concluded that while the typical CEO or

CFO of the selected financial services organisation has overall accountability for, and is responsible for, the positioning of the organisation's geographic expansion strategy with the board of directors, this individual's main preoccupation will be with the South African business given its size relative to foreign operations. As such, they may not be sufficiently close to the local context of the different foreign markets and may be unfamiliar with dealing directly with local partners, customers and regulators in the Group's foreign operations. However, a Group CEO usually has a top executive, often a member of the Executive Committee, who is responsible for geographic expansion into the rest Africa or for an "Africa Division". He or she in turn has other senior, rest of Africa-focused executives reporting to him or her. It is this second tier of top management, comprised of the leadership of a key business segment that we looked to for insights and data in terms of this research project. A consequence of this approach was that the number of interviews undertaken was inevitably limited. Our spread of interviews was four from one company, and two each from three different companies.

Welch, Marschan-Piekkari, Penttinen and Tahvanainen (2002) identified certain challenges involved in interviewing senior management who they referred to as "corporate elites". These challenges were identified as relating to access, power differentials between management and the researcher, the openness of the senior management in sharing insights, and in designing appropriate levels of feedback to be given to elites. We will address each of these challenges below.

First of all, we tackled the issue of access. Arranging interviews to collect data from senior management is a key concern for researchers and this can sometimes be very difficult. Often, when this access is obtained, it comes with restrictions and limitations. This challenge was overcome through leveraging our professional networks to facilitate access. This inevitably gave rise to concerns around sampling bias and the reliability of research findings, though we sought to mitigate this by having four organisations covered by our research and spreading our interview participants from these four companies.

The second issue raised by Welch et al. (2002) related to concerns around power differentials between the researcher and the senior manager. According to Welch et al. (2002), the source of such power could arise from superiority (talent or privilege) or from high status (industry experience, a wide network of personal relationships). Such a power differential can put the researcher in the position of "a 'supplicant' so humbly grateful to obtain an interview that he or she is unwilling to ask critical or demanding questions" (Welch et al., 2002. p. 615). We believe that the challenge of power asymmetry was minimised due to the professional standing and industry experience of the researcher. The risk of power asymmetry was also overcome by basing our interview on pre-designed questions (see Appendix 1), deeply grounded in existing literature, which were used in an adaptable manner to guide and provide structure to the discussion while leaving room for spontaneity and discussion of issues outside the confines of the specific written questions. This ensured that all areas critical to the research were covered.

The third challenge identified was the lack of openness of interviewees, which may result in “the disappointment of gaining nothing more for the interview than could have been gained from press statements or annual reports” (Welch et al., 2002, p. 616). Openness was encouraged by the fact that the researcher undertook extensive preparation which involved reviewing existing information on the company from which the interview participant was drawn (obtained from secondary data sources). This assisted in steering the discussion by using examples and themes that the interviewee recognised and to which he or she could relate. Concerns by interviewees that the information they offered may be used against them was addressed by a comprehensive explanation of the purpose of the research, and the use of a standard research consent form signed by both the interviewee and the researcher to assure the interviewee that the information obtained was and would be used for academic purposes only, and that confidentiality would be respected (Appendix 1B). Neither the names of our interview participants nor the organisations for which they work have been revealed in this report. In addition to respecting confidentiality, we have maintained an accurate electronic as well as transcribed record of each interview in order to ensure that the data collected has been accurately reflected in this research paper.

4.5 Type of data collected

Qualitative data collected was represented by interview transcripts prepared for purposes of completing this research paper. This was the primary data source.

Secondary data – used to corroborate the motivation for this research paper, prepare for interviews, as well as for triangulation purposes – was obtained by reviewing information published by the companies covered by the sample as well as through reviewing academic literature on the relevant areas covered by the research question and the review of applicable theory. Priority and importance was directed at peer-reviewed academic journals from recognised databases, such as Business Source Premier, Emerald, Google Scholar, JSTOR, Science Direct, and Wiley, published within the last ten years. In addition, published information from the companies themselves, such as annual reports and sustainability reports, were used as sources of data. The above methods were complemented by limited use of secondary quantitative data which supported the variables identified in the qualitative research, for example, numerical data corroborating the investment activity of South African companies on the African continent. Such information was found in data published by multilateral organisations such as the World Economic Forum (WEF) or the United Nations (UN).

4.6 Analysis approach

The data analysed was largely in text format, generated from interview transcripts, as well as from written analysis of literature reviewed. This facilitated a software-based analysis of the text-based data. Computer Aided Data Analysis Software (CAQDAS) was employed. We used the ATLAS.ti software programme in our data analysis in order to sort and categorise the data, as well as to identify patterns and themes which enabled the testing of our propositions. Atlas was also used as a back-up store of raw, unstructured data obtained from interviews prior to analysis. Transcripts of our interview were imported into Atlas and the coding and annotative capabilities within the programme were used to easily extract commonalities and similarities in research insights and findings. A total of 49 codes were developed based on a review of themes emerging from the data collected (inductive approach) as well as from a review of Chapter 2 of this report. These codes are presented in Appendix 3 of this report. More detail of the data analysis approach is presented with our research results in Chapter 5 (sections 5.3 and 5.4).

4.7 Limitations

The limitations of our chosen research methodology was that the research was limited to one economic sector: financial services. This was done in order to allow for insights that may not have been generated from a broader sample where contextual factors may have been diluted. However, it may have had the potential effect of limiting the depth and breadth of insights that could have been gained by broadening the population size and diversity. The nature of the study – being mostly qualitative rather than quantitative – also did not lend itself to descriptive outcomes. Welch, Piekkari, Plakoyianniki and Paavilainen-Mantymaki (2011) identified the qualitative research method as offering possibilities for theory development. International business is seen as an arena allowing “the development of rigorous, yet context-sensitive theory” (Welch et al., 2011, p. 741). While our research tested existing theories and generated new insights, the generalisability of findings outside the financial services and African context may need to be tested by further research, particularly considering the sample size used and the nature of the research.

The use of secondary data, while limited, posed the risk that one is relying on data that may not have been compiled for an academic purpose or may have been collected for a different purpose than the one for which we used the data. This includes information on company websites and in company annual and sustainability reports. We furthermore relied on data from multilateral organisations such as United Nations Conference on Trade and Development (UNCTAD), or WEF reports.

A further limitation was that the normal shortcomings of a purposive sampling technique applied. While great care was taken in rooting the process of selecting companies in relevant international business and MNE academic theory, the interface of this process with the judgement of the researcher in selecting suitable subjects for the comparative case study may have unintentionally impacted on the reliability of insights generated. In addition to this, the insider status of the researcher in relation to the sector chosen for the research and the use of professional and personal networks to facilitate access to interviewees may also have unintentionally compromised the healthy academic detachment required for an objective interview process. That said, we make the case that prior knowledge of the business sector and empathy with the real-life business concerns of the interviewee was, in our view, an aid in unlocking information and perspectives that the interviewee would not otherwise share with a researcher who may be a complete industry outsider. Positioning the research in a manner that is relevant to routine questions which business managers seek to answer is considered to be a feature of good qualitative research (Doz, 2011), and we believe we achieved this.

CHAPTER 5 - RESULTS

5.1 Overview of sample

From our sample of four South African financial services companies, our research participants comprised ten senior company executives in those four companies, each bearing responsibility for operations on the African continent outside South Africa, and for achieving the strategic alignment of the various businesses in Africa with the South African parent. These executives are also integral to decision making around entry mode choices, as well as assessing risks involved in entering new markets, setting up and integrating new business into the rest of the group, overseeing business valuations of acquisition targets, and negotiating shareholding percentages with local shareholders in the respective countries. An overview of the executives interviewed is shown below:

Table 2: Overview of individuals interviewed

Company	Code	Position	Description of Role
A	A1	Chief Financial Officer – Africa	Responsible for financial strategy, capital allocation, financial reporting and accounting for businesses in Africa outside South Africa.
A	A2	Chief Risk Officer – Retail Banking	Responsible for implementing Group risk frameworks into the African subsidiaries, as well as identifying and reporting on all business risks identified, while assisting the Group and its subsidiaries in mitigating these risks. This includes risks associated with new market entry and acquisitions.
A	A3	Chief Risk Officer – Investment Banking	Responsible for implementing Group risk frameworks into the African subsidiaries, as well as identifying and reporting on all business risks identified, while assisting the Group and its subsidiaries in mitigating these risks.
A	A4	Chief Executive – Southern & Central Africa	Accountable for subsidiaries in Southern and Central Africa. One of the Group's nominated board members in subsidiaries spread across six countries.

Company	Code	Position	Description of Role
B	B1	Group Executive – Corporate Finance	Responsible for the allocation and management of capital allocated for M&As as well as geographic expansion. Leads negotiations for the acquisition of identified targeted companies across Africa and is responsible for business valuations and deal structuring. Negotiates optimal shareholding levels with local partners in instances where localisation/indigenisation is undertaken.
B	B2	Chief Executive – Africa	Responsible for the formulation of the "Africa strategy" and negotiates the adoption of the strategy by the Group board and executive committee. Accountable for the financial and operational performance of the African subsidiaries and the integration of new businesses into the Group. Board member for six businesses in five countries.
C	C1	Managing Executive – Financial Services – Africa	Responsible for the establishment of financial services businesses on the African continent. Sits on several boards in the various countries.
C	C2	Head of Insurance – Africa	Responsible for the life and general insurance businesses in Africa being established to complement the existing, more established banking operations. Sits on boards in four countries.
D	D1	Senior Finance Manager – Africa	Responsible for financial planning in Africa and the integration of new businesses into the Group's financial management framework.
D	D2	Chief Risk Officer – Africa	Responsible for identifying and reporting business, market, financial and operational risks for the business' subsidiaries on the African continent, and advising the executive committee on appropriate risk mitigation strategies.

In terms of qualifications, four of the ten executives interviewed were chartered accountants and three were qualified actuaries of which one also had an MBA. The remaining three had a variety of other business qualifications, including MBA and B.Com degrees. Experience in their respective companies varied from three years to over 20 years. The participants comprised 8 men and 2 women. All participants lived and worked in South Africa, although five participants were born in, and originated from, other African countries.

5.2 Data collection method employed

For nine of the ten participants data was collected by way of face-to-face interviews which were, in the majority of cases, conducted at the participant's place of work in a formal setting. In one instance (Company D, Interview 2) the interview was conducted telephonically as the individual concerned was travelling on business at the time.

Questions asked were based on the semi-structured interview schedule in Appendix 1 of this report. Interviews were electronically recorded and the recordings were used to prepare transcripts in Microsoft Word. The Microsoft Word transcript was then used for analysis in Atlas. Nine of the ten interviews lasted at least 45 minutes, with four lasting for more than one hour in length.

5.3 Data analysis approach

Data was collected through an interview structure based on the propositions outlined in Chapter 3. For data analysis, an inductive data analysis approach was followed. The data analysis was driven by the themes emerging from the qualitative data obtained. This approach was taken in order that the research paper would capture the full richness of the data available from the interviews so as to not only address the research propositions but also capture new insights that may not have been part of the direction of the original research. New insights and opportunity for further research are expounded on in Chapter 7. We pursued an inductive data analysis approach in order to minimise the risk of confirmation bias, inherent in arranging data strictly along the lines of previously held assumptions or conclusions reached from the literature review.

Using the Atlas software, data analysed was arranged around themes identified from data gathered. In carrying out the coding process, Atlas was used to identify themes driven by a list of keywords or terms with their origin in international business literature or those commonly used by the interview participants. Codes are described as "labels that assign symbolic meaning to descriptive or inferential information complied during a study" (Miles, Huberman & Saldana, 2014, "First Cycle Codes and Coding", para. 1). Initial codes were developed independently using the initial themes identified, without regard to relationships between themes. These codes, which were a combination of descriptive codes, and invivo codes (based on phrases used by participants), were assigned to chunks of data. This resulted in 49 codes being identified around which data could be arranged. These 49 codes are shown in Appendix 3. From these 49 codes, the top 25 list of codes accounted for 82% of all quotations identified in Atlas.ti. Finally a network of related codes (Appendix 4) based on the Top 25 list was created based on interview participants' direct quotations and the relationship between them. According to Yearworth and White (2013), "during the process of coding, it usually becomes possible to link categories together" (Yearworth & White, 2013, p. 153). It is this network of related codes, linked together, which we then used to link the data analysed to research propositions.

The top 25 list of codes was the first point of reference in identifying quotations which we judged to be pertinent to the research propositions. The code list outside the top 25 was used to check for any new insights not captured in the top 25. However, there were no material new insights found outside the Top 25.

It should be highlighted that work around coding in Atlas was outsourced to an external expert experienced at using this software. We did, however, take great care to ensure that the coding would be relevant to the research project by holding three meetings of roughly an hour each with the Atlas expert to explain the objective of the research, the theoretical foundations of the research area explored, as well as the key terms and descriptors used in the field. We also signed off on the list of codes used to organise the data before the exercise was finalised. Frequent e-mail correspondence with the Atlas expert was also entered into.

For the findings presented, for each proposition, selected key quotations from each of the participants are presented in Section 5.5. The findings are grouped according to which research proposition they are meant to answer. Section 5.7 contains a summary of the findings, which indicates whether the research proposition was supported or not.

5.4 Resolution of threats to objectivity and validity

According to Miles, Huberman & Saldanha (2014), "we have to be mindful in qualitative research against the multiple sources of bias that can weaken or even invalidate our findings" (Miles et al., 2014, "Tactics for Testing or Confirming Findings", para. 5). Sources of bias, according to Miles et al. (2014), include holistic fallacy (perceiving patterns and convergence to a greater degree than is actually the case) and personal bias (the individual perspectives which negatively impact on the ability to present data in a transparent and objective manner). Three of the ten participants were known to the interviewer before the interview, being current or former work colleagues of the interviewer. The interviewer had worked with the individuals concerned within the context of the Africa expansion initiatives for which they were responsible. All the individuals concerned held senior positions in their respective organisations. The risk posed by this is that participants may have neglected to provide certain feedback or insights on the assumption that these would already be known to the interviewer. The interviewer did, however seek to address this risk by emphasising that questions were being asked within the context of academic research, that the interview would be recorded and transcribed, and that no assumption of prior knowledge on the part of the interviewer by the participant should be made. We therefore believe that the risk outlined above was sufficiently mitigated.

The other seven participants were not known personally to the interviewer and did not have prior acquaintance with the interviewer before the interview was scheduled. These individuals were identified for inclusion in the sample of participants based on the need for senior management level insights on the part of South Africa financial services companies expanding into the rest of Africa, and were approached directly or through referrals from the interviewer's professional network.

In addition, we assert that we have sufficiently addressed threats to objectivity and validity in the following ways. According to Miles et al. (2014), data quality can be assessed through checking for representativeness. We achieved sufficient representativeness through spreading the sample across four companies with at least two participants drawn from each of the companies covered. Miles et al. (2014) also emphasise that triangulation is critical in confirming findings and highlight four methods of triangulation that can be used to confirm data quality and the reliability of findings. These methods are triangulation by data source, triangulation by method, triangulation by theory, and triangulation by data type.

Triangulation by data source was achieved as data was, to a great degree, consistent from among sources, with the information provided by one source largely corroborating evidence provided by another. "Findings are more dependable when they can be buttressed from several independent sources" (Miles et al., 2014, "Replicating a Finding", para. 1"). In addition, the credibility of the participants was enhanced by the positions they hold in their respective organisations and the qualifications and experience they possess, which added weight to the evidence (Miles et al., 2014, "Weighting the Evidence", para. 3). The data collection method also supported the reliability of findings given the structured way in which the interview was conducted, through the use of a robust interview document (Appendix 1). Triangulation by theory was made possible through the applicability of our findings to theory (Hennart, 2009; Madhok, 1997). Furthermore, the data type (in the form of written transcripts and audio recordings) allowed for cross checking and clarification of what the participant actually said.

Miles et al. (2014) associate internal validity with feedback which is rich in context, meaningful and also with the thickness of data. Our participants were able to provide live examples to illustrate many of their points, thus enhancing the link between questions asked of the participants, their responses, and the business context in which participants operate.

5.5 Presentation of Findings

5.5.1 – Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.

Summary of Findings from data analysed

Our findings demonstrate that all participants preferred as high a shareholding percentage as possible. This is reflected in the quotations below:

> *"I really do not like 49% for a few reasons. One, the capital implications of a minority shareholding. Two, the regulatory impact which is you are not controlling so therefore your home regulator doesn't like it. And just the ability to have reliance on your investment is limited….I think, therefore, the simple answer would be more than 50%, preferably 100% but not only 100%, having clear reasons why you would reduce it from 100% towards 50%." [A1]*

> *"The financial benefits is the main reason why we want such high percentage shareholding, if not 100%...we are introducing and putting our intellectual property and intangible assets, i.e. brand, product design, etc., into that country and we are bringing all our intellectual expertise from SA." [B1]*

> *"Fifty one percent will always be your starting point but I believe for the kind of IP that a multinational brings to bear you'd want as much economic interest as you can. But I think within reason and within meaning 70% percent is reasonable." [C1]*

A 100% shareholding was seen as desirable but not always practical due to a number of reasons. Firstly, partnering with local shareholders was seen as important in enabling the business to navigate the regulatory uncertainties and provide market insights in the foreign markets entered due to their in-depth knowledge of local conditions. Secondly, participant B1 saw local shareholders as important in enabling the acquisition of business from government. Thirdly, the issue of local legitimacy was raised by seven participants, which talked to the need to be seen at least partly as a local business in which local citizens had a stake. Fourthly, it was felt that local shareholders had networks and relations which gave partnering with them an advantage (8 participants). It is also important, however, that despite the importance of local shareholders' networks and relationships in the local markets, all participants felt that having local citizens as board members and as senior management of local subsidiaries was more important in mitigating the risks associated with lack of market knowledge and cultural and institutional distance than having local shareholders. These considerations in favour of accommodating a degree of foreign shareholding are reflected in the quotations below:

> *"If 100% was available I think that that would be first prize. Typically there are regulatory restrictions in place in various territories which means we cannot purchase 100% and we often have to have some minority shareholding. Now we are not averse to minority shareholding because they potentially allow us to build a relationship in the local market and position ourselves well with various stakeholders including regulators." [D2]*

> *"I also think that you land up being blindsided to some extent about practicalities, networks, etc. in the country. I think the reality is that you probably need a level of local shareholding even if there is a lot of attraction in 100% shareholding." [B2]*

> *"I just feel that the foreign multinational that has local shareholders for me the success rate has increased because of those additional insights that those guys bring to bear at board levels, at strategy levels etc." [C1]*

> *"The minority interests are good…good in a sense that they should bring…capabilities into the market as we are an international player in this case…should be able to help us navigate where we are making wrong choices for the local market." [A3]*

The respondents thus felt that the shareholding percentage allocated to local shareholders be minimised to 49% and below due to the following factors. Firstly, it was felt that the respective South African financial services MNEs brought a lot of intellectual property (IP) over which they needed to retain control. Difficulties associated with charging commercially for this IP across different tax jurisdictions were seen as a motivation to have a larger economic interest in a business. Secondly, entry into one market in Africa was not viewed in isolation but in terms of complementarity with other African markets. The ability to leverage the benefits of this pan-African footprint would be inhibited by fragmented control across countries. Thirdly, control was seen as a means of minimising the complexities of dealing with minority shareholders in terms of getting strategic alignment, the length of time it took to arrive at decisions, and the negotiation required before initiating various initiatives.

> *"I will call it an overwhelming majority stake, it makes your cause a whole lot easier. You've got far fewer minority shareholders to contend with." [A2]*

Fourthly, minimising the stake allowed to local shareholders reduced the risk of free-riding or local shareholders not contributing to the economic outcomes of the business in a manner considered proportionate to their economic interest or shareholding in the business.

> *"Where we have got minorities we do things very carefully, about what they are putting in there, what they are getting out, they feel these minorities have a free ride." [A4]*

Fifthly, control was seen as critical in steering the desired financial outcomes and achieving the strategic objectives associated with the market entry to begin with. Sixthly, African markets were seen as relatively small and because of this, participants expressed the view that only the economic returns available under a majority shareholding would justify the effort and financial commitment involved in establishing and acquiring businesses in these markets. And lastly, having good, well-connected local management and local non-executive board members made having locals as shareholders less of an imperative for the success of the business.

It is also important to note that while a minority shareholding by the South African financial services MNE was not ruled out by two of the participants, it was seen as only acceptable if it was a starting point or provided a pathway to eventually acquiring a majority shareholding stake, as seen below:

> *"Although in that case where we were willing to go with a minority shareholding, the risk mitigating arrangement we had was…we could structure any agreement and shareholding we have with any partner to the extent that we would say, ok we would take 40% but we've got a two-year,*

> *very clear-cut path we are going to follow to the extent that in two years we take (majority) ownership." [C2]*

In addition, one participant also indicated that even a marginal majority shareholding such as 51% was less desirable than shareholdings in the range of 60 to 75%, as minorities with a significant minority shareholding, such as 49%, could exercise de-facto control to the detriment of the South African investor because of their stronger local networks and political clout. The data gathered therefore supports a preference for a significant majority shareholding even in the face of institutional and cultural distance.

Conclusion

Based on the data analysed, proposition 1 is supported.

5.5.2. – Proposition 2a: South Africa financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa; and Proposition 2b: In entering mature markets, South Africa financial services MNEs will prefer acquisitions over greenfields.

Summary of Findings from data analysed

Our findings regarding the preference for acquisitions (inorganic growth) over greenfields (organic growth) were mixed. There were various practical considerations that our participants had to take into account. These included whether the authorities in a particular country would be issuing new banking or insurance licences if the intention was to establish a greenfields business; or, in cases where an acquisition was under consideration, the availability of suitable acquisitions whose owners were interested in selling. These practical considerations often rendered preferences between acquisitions and greenfields redundant. In practice, therefore, all participants had experience executing both greenfield and acquisition modes of entry in entering a new market on the African continent.

One of the ten participants did not show a strong preference for either a greenfield or acquisition-based market entry, indicating that greenfields offered the opportunity for incremental learning in a new market, but that an acquisition would make sense in another context. This is demonstrated by the quotation below:

"One is not necessarily preferable from another. So we've done acquisitions where an acquisition makes sense…both are looked at and the business case is considered. We don't see one as better or worse until it gets to the business case for each market….I suppose buying is clearly easy for immediate impact but greenfields (help you grow) incrementally so there is a benefit to both." [A1]

A second participant indicated that the specialised nature of investment banking and its base in needing a strong balance sheet to fund transactions, proprietary knowledge, intellectual property, and specialised technical and professional skills to structure deals, meant that prior market knowledge and presence on the ground was less of a decisive competitive advantage. The below quote demonstrates:

"It makes more sense to grow organically from a corporate investment banking perspective into a market that you don't know." [A3]

However, with 8 of the 10 participants, a strong preference was expressed for acquisitions over greenfields in instances where the option was available to them. Reasons given for this preference varied from the effort required to put bricks and mortar on the ground to service customers; the need to acquire distribution capacity and the economic benefit from buying into a business which already had an established market presence and a brand which was credible and well known in a particular country. The selection of quotations below highlights this aspect:

"Acquisition. Retail is about mass and it is also about legacy. You definitely need your footprint. To go in and build the kind of footprint that will give you coverage and be a sizeable operation to go organically is damned expensive and we've got experiences of that and it has proven to be challenging for us. Organically for retail, I wouldn't make that call." [A2]

"Greenfields are hard slog, even with the capabilities and the distribution under the brand that we have, the hard slog remains. So my preferred or our preferred entry methodology would be inorganic, because they acquire, because of all the added benefits that come with it, theirs is an established brand that you are buying, an established customer base, established distribution channels." [C1]

"I just think Greenfields is too tedious. Very tedious….It does make it easy for you to take off quite quickly but you soon realise that…that little business you have setup there is rather too small to actually capture all the opportunities." [C2]

Another reason given was that, in small markets, the effort, investment and length of time required to start a business from scratch and make it competitive with a decent market share was considerable and that it would be easier to buy a business if one was available. Greenfields in such instances would be seen as a means of establishing an initial presence in a market, but the participants indicated that even after this, they would continue searching for acquisitions in that market to add “bulk” to the greenfields business as demonstrated below:

> *“I would say that where you find it difficult to acquire, just go in there as a greenfield but with a plan to acquire in mind, because for you to think you can scale up that business by growing organically, it would take you forever.” [A4]*

Kenya and Nigeria were often cited as examples of markets where, due to the sophistication (maturity) of the market or/and the level of competition in the market (52 competitors in the case of Kenya), an acquisition would always be preferred. This was due to the difficultly of the market and the fact that it takes a long time for a greenfields business to compete effectively. Quotations specifically pertaining to Kenya or Nigeria are highlighted below:

> *“As you say, with 53 players our current position is just under the top 10 but with this acquisition we (will be) third/fourth – automatically you have got scale.” [D1]*

> *“I think, given the state of the market there today (Kenya), I think it is very hard to start a greenfields business. Given there are 52 insurers, starting greenfields in that environment? So obviously a greenfield you can start with no (negative) legacy. That becomes the attraction of it. I just think that for a company like…to shift the earnings dial and start at nought in a market which already has 52 insurers what are your chances of success?” [B2]*

> *“I mean, if we had a straight greenfield project in Nigeria or Kenya without any partnership or anything like that, I think the four, five, six, seven, eight, nine, ten years to grow that into a top-ten business would most probably be a hell of a lot more expensive than paying a substantial premium for a local business which is established and which you may end up having to have partners within.” [B1]*

Kenya and Nigeria highlight the approach towards entering the larger markets on the African continent, where taking advantage of market size and economic opportunities in these markets is facilitated by an acquisition mode of entry. In addition, according to our participants, the level of competition and the presence of established market players mean that a greenfield may take a long time to generate the economies of scale necessary for viability in these markets. Allowing for the practical considerations mentioned in the first paragraph, it was clear among the majority of participants that there was a preference for acquisitions (inorganic growth) over greenfields (organic growth).

Conclusion

Based on the data analysed, proposition 2a is supported.

Based on the data analysed, proposition 2b is supported.

5.5.3 – Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

Summary of Findings from data analysed

All of the participants highlighted the importance of the South African regulator, the South Africa Reserve Bank (SARB) and the Financial Services Board (FSB) in influencing and even regulating the manner in which foreign subsidiaries are controlled. Furthermore, all participants noted that this factor is a key strategic consideration in entry mode choice. SARB is responsible for regulating banks and, within the context of the expansion of South African banks outside South Africa, is concerned that foreign subsidiaries do not pose undue reputational risk on the South African entity. In addition, SARB will be concerned that any capital injected into or financial support afforded to a foreign subsidiary will not constrain the solvency and financial soundness of the South African banking group. Lastly, as the country's exchange control authority, SARB is responsible for approving any investments outside South Africa and needs to be satisfied that any investments made will ultimately benefit the South African economy through dividend flows and return on capital. The FSB is primarily concerned with the insurance and asset management industries and plays a similar role to SARB for these industries, save for the exchange control function, which remains within the domain of SARB. This regulatory landscape and its impact on risk management and governance is highlighted as follows:

> *"So we have two regulators as a minimum in each country – the South Africa Reserve Bank (SARB) and local regulators. So the first starting*

point is what are the SARB regulations that impact that entity? That is a given. That has to be in that. Then, what are the SARB implications for the Group and do they need to apply to each legal entity." [A1]

"Framework policies and operating model are aligned and they have to be aligned and that is a regulatory requirement by the home regulator which is South African Reserve Bank. Obviously they have a vested interest in how we govern and manage our entities outside of South Africa. Whilst it is outside of their jurisdiction, as a home regulator they have a vested interest. So it is almost an expectation that there has to be that alignment." [A2]

"I mean I think increasingly the FSB is wanting to understand what is being done and I guess just understand that there are no risks that would put solvency risk into the South African entities. I don't think they have regulatory jurisdiction but clearly as a company that is domiciled in South Africa they want to understand it is not creating risk and really understand what is going on." [B2]

Based on the above, it is clear that while SARB and FSB have no direct jurisdiction outside South Africa, the regulatory and risk management requirements expected of those South African regulated entities that venture into the rest of Africa impact on the structures, policies and procedures that the aforementioned South African entities put in place to manage and mitigate risk exposure in their foreign subsidiaries. In addition, most participants highlighted the issue of regulators in various countries increasingly engaging in cooperation and information sharing with South African regulators and upgrading in-country standards to those of South African regulators. One participant also alluded to local regulators in foreign jurisdictions seeing foreign ownership by a controlling shareholder from a more developed jurisdiction as positively impacting risk management practices in the local market as a whole.

Outside regulatory pressure, participants highlighted the issue of their brand equity and corporate identity. The need for South Africa financial services MNEs to always be associated with an unblemished market reputation in all markets in which they operate was seen as a key motivation for adopting a common risk management framework across all countries. This is more of a commercial and sustainability motivation. As companies that are in the business of managing other peoples' money, the need to be seen as stable and reliable is key to the success of the business and to the acquisition and retention of customers. A tarnished reputation in one country is seen as negatively impacting the company in other geographies as well.

As such, the issue of having control through majority shareholding was seen as critical in achieving commonality and alignment in risk management across the entire business. This observation is supported below:

> *"Yes, because if you don't have shareholding control you don't have the right to have your (risk) policies embedded." [A3]*

> *"We would not consider a less than majority shareholding, I think there are a number of factors, I am not sure if I can recall all of them, but I think the number one issue for me is that you will have, say 30% of the control or 70% of the control will be with someone else….If something was to go wrong in that bank the regulator would look to us (because we are an international bank)." [A4]*

> *"If you are going to put those "risk standards" into another jurisdiction and geography it becomes important that you have meaningful economic control." [C1]*

> *"When we are the majority owner there is no question about whose governance frameworks will be applied. It is understood; in fact it is written into our (shareholder) agreements that we will apply the Group Operating Model, as we call it." [D2]*

The lack of shareholding control in one country undermines the ability to achieve a uniform risk management philosophy as local shareholders in a particularly country may have a different risk appetite, particularly where more rigorous group risk standards may have a negative impact on the ability to exploit short-term market opportunities as was highlighted by participant C2:

> *"If you were a minority shareholder…you would have things, you would have to do things, you would have to run with things you might not necessarily be comfortable with." [C2]*

We believe that the data gathered in this area thus highlights that the manner in which financial services companies are regulated, with the emphasis on managing solvency and capital while reducing systemic risk, supports a highly centralised approach to managing risk than would be the case in other industries. All participants interviewed highlighted the element of a highly centralised and “top-down” approach to designing and implementing risk management policies.

Conclusion

Based on the data analysed, proposition 3 is supported.

5.5.4 – Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.

Summary of Findings from data analysed

The data analysed reveals that all participants had a clear understanding of what capabilities they needed to successfully enter and compete in new African markets outside South Africa. These capabilities, based on the responses of the participants, included information technology (IT) systems, and scarce technical skills such as actuaries, risk managers and people with financial qualifications. Participants also alluded to the collective institutional knowledge and experience in their organisations. The organisation’s brand and corporate reputation was furthermore seen as an important commercial asset. The importance attached to a brand is within the context of an industry whose core offering is catering to people’s financial needs and having control over money and financial assets belonging to other people, which brings into focus the need to be seen as reliable, reputable and capable of managing risk prudently. Our participants articulated the above perspectives in the following manner:

> *“We do have a very strong marketing team, that has those bells and whistles in place, building marketing and social media and stuff like that. We pride ourselves in being the best, so yes the experience you are building doing all the deals in Nigeria translates into Mozambique, definitely. So from a knowledge management capability and transactional capability and legitimacy of our strategy and our capabilities, yes, that gives us an advantage.” [A3]*

> *“In a lot of the markets (we are in) it is less developed so there is a bigger advantage, especially Southern Africa. They do look to South Africa for learnings. South African knowledge is very important in markets that are backward and not well developed.” [A4]*

> *"We are introducing and putting our intellectual property and intangible assets, i.e. brand, product design, etc., into that country and we are bringing all our intellectual expertise from SA and as you know in a lot of the territories we put people in there on a longer term basis. We put our top actuarial talent to help design the product and put the product in, introduce new products….The core aspect of it and how we are doing it, I think it (capabilities developed in South Africa) is very much adaptable to other African markets. It's exportable, we've been very fortunate for working with Africa for many many years and…I think the capabilities are easily exportable." [B1]*

> *"So my view is, we have built an ID with a competency, we have systems capability, we have product development capability. We have a lot of capabilities that have been built over time that I would say are a combination of emerging markets and world class." [C1]*

For all participants, it was articulated that the success of their business model was dependent on leveraging skills and capabilities developed and located in South Africa into newer markets. The ability to leverage skills and capabilities across borders into other countries in a way that made financial sense and could drive optimal financial returns in the foreign subsidiaries was an important consideration in a new market entry, either through a greenfield option or an acquisition. A large part of the attraction in entering a new market was seen from the unlocking economies of scale from already existing capabilities and skills being replicated into a new country without a proportionate increase in costs, thereby creating efficiencies. Three participants highlighted that the small size of many of the markets on the African continent meant that they could only be exploited for financial opportunity by using assets and capabilities already existing in the group, rather than incurring expenditure on new capabilities for each market.

While the ability to leverage and benefit from scale was an important consideration, participants also highlighted the importance of local market knowledge and an understanding of local nuances. This aspect therefore called for a partnership between South African capabilities and local resources. The below demonstrate:

> *"We've got anything like 70% of those skills and competencies which are quite relevant in those markets. We are bringing something new, we are bringing scale and so forth. But there is also the other 30% which I call, you know, a competency gap. A competency gap where what we know is irrelevant in that market. It's irrelevant to the extent that we have new things to learn." [C2]*

"So if you then take a lift and drop approach you are going to get lost. That's why for me it has to be a combination of top down, which is from a head office point of view what do we think actually works or could work and then from a top down…sorry bottom up approach, which is, let's do our market research. Let's get our market insights, let's engage brokers, let's engage customers, let's engage corporate, let's engage individuals. Let's understand cultures, transform, and then based on that, come up with the right product set, the right technology set, the right distribution channel." [C1]

The findings were, however, varied regarding whatever local market knowledge could be obtained purely through local management or through local citizens as shareholders or even through market research. Participant C1 made the following comment:

"Even in the banking sector they (Kenyan banks) are doing much better than foreign entities so that for me tells me…partially tells me that these guys have managed to understand the markets they work in; they've build local insights, it's almost like they can move at a pace, they can move at a much faster pace etc. And that is what you want to tap into. So my view, if you were to ask me what your preferred shareholding arrangement would be, I would say I want 30% shareholders local. I just think I would win at a much faster pace….My own experience over the past, I would say ten years. You are finding local shareholders who want to genuinely create long-term wealth and they don't want to be passive directors or passive shareholders…..Many of them are young – early forties late forties. I mean, the guys that I've been dealing with are very entrepreneurial; they know where to go and where to touch and what deals are in the market….I just feel that the foreign multinational that has local shareholders, for me the success rate has increased because of those additional insights that those guys bring." [C1]

This was supported by participant B1:

"So I think again if used properly, the locals can assist you. I think they can assist you as to what local…as you well know in certain territories you don't have a funeral policy, it's last rites… so they would assist you in those kind of local nuances....So that is where you would, if you used it properly and you have the right local partners, I think that is where you can derive benefit." [B1]

However, participants A3, A4 and D2 made the following comments:

"From a shareholding perspective, I think the discipline they bring is more board level, the minority interest…they are not the arbiters of local market intelligence, that is the local management team." [A3]

"Where we have minorities we do have minority representatives, but we also have independent non execs who also add a lot of value….I think the beauty about making sure that your board is more diversified to enable that, to say if you've got a person with an HR background, they can give you insights into the laws and how these people work and…if you have a marketing person, they can give you insights about customers and the rest of it." [A4]

"I think that is more about board composition than it is about ownership structure. So we could still have 100% shareholding but infuse our board with non-executive directors who understand the market." [D2]

There were, however, no diverging views regarding the need for majority shareholding control, notwithstanding the need for local market insights. This held true even when there were mixed views on whether local managers and board members – as opposed to local shareholders – were critical in this regard. The issue should be looked at in conjunction with the responses received for Proposition 1, where four of the ten participants either felt that local shareholders did not make a market or economic contribution to the business, which is proportionate to their level of shareholding, or that local management were more important in acquiring market and customer insights than local shareholders. Indeed, in instances where local shareholding was supported by the participants, the need for market insights or knowledge on customer behaviour featured less prominently than the need for local legitimacy.

What we can therefore summarise the above findings by stating that firstly, management of the sampled financial services companies has a very clear understanding of what capabilities they provide, and also how these can and need to be leveraged and exploited in other African countries for commercial success.

Secondly, there is an understanding of the need to nuance these capabilities and practices for local market conditions as well as complement capabilities developed in South Africa with knowledge of local markets and customers. Thirdly, the need to retain control over IP or a brand and the associated economic rents featured in five of the ten responses (for example):

So yes you must charge fairly for the IP that you are putting in, you must charge fairly for the services that you are putting in….I think I was trying to make that point, you should commercialise your IP and your brand." [B2]

Four separate participants mentioned how, in foreign countries, locals (both regulators and partners) see great advantages and benefits from associating with the South African MNE.

We can therefore conclude that South African financial services MNEs have strong capabilities which they leverage in their internationalisation process. The need to retain control over these capabilities and benefit economically from deploying them in foreign markets – while protecting their respective reputations – drives the need for strong majority shareholdings in the foreign subsidiaries. This can be further corroborated by the following comments:

"No, the local regulator, the home regulator, they would actually look at a big bank like us to make sure that everything goes well, that is one, so the minorities, at the end of the day I have absolutely no doubt that if things were to go wrong with that bank those minorities would also look to us to make sure that things are sorted out and everything else, so secondly the reputational issues – it really does not matter that you have 20%, the airplay you would get would be 120%, the airplay you would get would not only affect you in that home country, it would affect your operations elsewhere." [A4]

"Like your brand, you have to protect it. You can't let someone take your brand and devalue it." [B2]

We can furthermore conclude that not even the need for local market and customer insights affects the requirement for significant majority shareholding.

Conclusion

Proposition 4 is supported from the data analysed.

5.5.5 – Proposition 5: The diversification of risk and creation of value through synergies across the diverse African markets is facilitated by acquiring significant control of businesses in the rest of Africa.

Summary of Findings from data analysed

The data examined showed that all participants experienced diversification benefits and synergies from their expansion and footprint in the rest of Africa. Diversification benefits were driven by the different structures of economies in the different African countries as well as different customer or market profiles. For example, having investments in both an oil importing and an oil exporting country enabled deteriorating business conditions in one country – due to the fall of the oil price – to be compensated for by improved business conditions in another – which realised the benefit of lower oil prices. Diversification was seen not just in terms of diversifying away from South Africa into the rest of Africa but also in terms of diversification between different African countries. Diversification was also measured in terms of having multiple sources of earnings and also risks in one country being compensated for by reduced risks in another. This is illustrated further below:

> *"So the diversification is clearly there, but…it is for us as a group to prove that we are creating synergies from being in multiple jurisdictions, not just diversification." [A1]*

> *"We haven't done a profits warning (despite poor performance in Nigeria). At a group level our returns will be within what we have told the market they will be. So the diversification is definitely there." [A1]*

> *"We have seen negative impact of oil price shocks in Nigeria and the equivalent positive in Kenya." [A3]*

> *"I think that's what you want, you want a balanced portfolio. You almost want that if one part of the portfolio is not performing the other one can more than compensate. I think that is the benefit of a geographically spread business. It gives you those benefits." [C1]*

> *"Say I want to do a deal for Woolworths in four countries and in two of those countries we are minority shareholder of the bank, you start with first of all – who is going to approve the deal (in those two countries)?" [A3]*

Sources of synergies were seen as emanating from the sharing of learnings between countries, for example, by introducing products which had worked in one country into a different country, or through cost efficiencies from using common processes and IT platforms. The various African businesses were not seen in isolation but in terms of their complementarity with regard to resources and institutional knowledge, as seen below:

> *"I don't know if innovation is the right word, but expertise in terms of in the South African context these things are tried and trusted. We know what sort of terms and conditions need to be applied. We know what sort of customer service or administration needs to be applied alongside it. So we can borrow a lot of what already exists in other countries, test whether it would apply in our new country, and make the relevant adjustments. Which means we can be slightly more efficient about how we go about creating new products." [D2]*

> *"So when you look at things in isolation, something either works or doesn't work in the market. But when you look at a portfolio of businesses in Africa you easily go and say, well actually what worked there by tweaking certain things can work here which we haven't thought about doing." [D1]*

Synergies and businesses sharing knowledge was seen as important to economies of scale and the success of the business, as demonstrated below:

> *"So we've got a number of expatriates across a number of countries coming out of Nigeria, coming out of Kenya, coming out of Uganda. So on the people side, definitely that is happening. In IT, where we share a common banking platform across a number of countries, that is also happening. We would use a more mature market in terms of the deployment of that IT system, to be the one that actually drives it when we move to the next country." [A2]*

> *"Scalability has to be a thing if you think about this as a market that we expect to grow rapidly. I mean, scalability has to be key, plus the fact that we want footprint to grow. I suppose the other piece about scalability and learning is that it only works as well as you get people to share ideas and share learnings and try things that work in one market in another, otherwise I don't think that will really work for you." [B2]*

> *"I talked about synergies and it is implicit in this option because of the legacy of our organisation we really got to know how things work well, how we are able to export that knowledge as information and IP." [D1]*

> *I think a reasonable amount of cross pollination, learning from each other, certainly human resources – a lot of rotation that takes place to try and translate learning from business to business." [D2]*

Firstly, control was seen as enabling; realising the benefits of diversification and synergies in both a financial and operational sense. From a financial perspective, control allows the consolidation of financial results from foreign subsidiaries at a significant enough percentage for any financial benefits to be sufficiently quantifiable. Secondly, control allowed the South African financial services MNE to introduce policies and execute management actions in a coordinated manner across entities in the different geographies and also transfer products, learnings and staff across countries. The following quotes are representative of the participants' view of the importance of control in enabling the benefits of diversification and synergies to be realised:

> *"If you are going to put those (capabilities) into another jurisdiction and geography it becomes important that you have meaningful economic control." [C1]*

> *"To maximise the diversification of risk of a single country...to the extent to be able to grow that business to maximise profitability and to do that you need to have control and the ability to control the management of that business." [B1]*

> *"The second item we consider is when you are going into markets where there are existing players and we are busy acquiring that, a lot of it depends on where we see the synergies coming from, so synergies are driven around our probabilities to affect certain management strategies, bringing skills." [D1]*

This aspect is also corroborated by Proposition 1, and should not be seen in isolation from the findings there under.

Conclusion

Proposition 5 is supported by the data analysed.

5.5.6 – Proposition 6a: Markets with indigenisation rules are seen more negatively and as riskier than those without and Proposition 6b: In countries where indigenisation and localisation regulations exist and are enforced strictly, greenfields will be preferred over acquisitions.

Summary of Findings from data analysed

From our analysis of participants' responses, to the extent that indigenisation or localisation requirements did not interfere with the objective of holding at least 51% shareholding it was not viewed negatively or seen as adding risk. The need to hold 51% was driven not by risks associated with indigenisation per se, but rather was due to the factors behind the findings for Propositions 1 to 5. One of the participants saw indigenisation as a reality of doing business in the rest of the continent and exhibited passive acceptance of indigenisation as a compliance requirement.

Nine participants actively supported indigenisation/localisation on the basis of the following:

- The legitimacy it offered the subsidiary in being seen as a local business;
- The perception that the subsidiary would be seen favourably in the market, thus providing a business justification from the MNE's perspective to indigenise;
- The part played by indigenisation in social justice; and
- As a means of tapping into local networks through the indigenous partner.

The above is encapsulated in the following quotes:

> *"So where you have this 30/40% you can part with, so generally yes I think it gives you legitimacy, it improves relationships with the government, with the regulator, with the locals, the bulk of your stakeholders would look at it positively." [A4]*

> *"If you are in Namibia then you must see yourself as a Namibian company not a South African company in that country. You must be part of the community there and operate as such. Therefore, not having Namibians on your board or not having Namibians as shareholders…I mean I think it does limit how government would see your business and obviously as a smaller business that might be fine, but as you get to a certain scale I think they would want to see that you are embracing local." [B2]*

> *"Locals also tend to start having an affinity for companies where they know locals are involved in the shareholding. It's almost patriotism." [C1]*

> *"What does 100% mean because when you take 100% stake in something people tend to think that your complete ethos from where you are coming from is going to be captured into this new entity?" [D1]*

> *"Local ownership can be a very valuable and extremely advantageous thing to have, particularly if your partners have access to relationships that you don't. To my knowledge we have not been put off exploring a territory because of local ownership rules. What we would be nervous about is a situation where we are expected to give away a shareholding (for free)." [D2]*

Three of the participants likened indigenisation in African countries to Black Economic Empowerment (BEE) in South Africa. This suggests that experience with BEE in the home country supports an understanding and appreciation of indigenisation/localisation initiatives in other countries. The below demonstrate:

> *"Imagine, in South Africa for example, if we had foreign companies that came here and they didn't embrace local ownership and it was all foreign owned, we wouldn't have a sense of pride in that company as South Africans. Whereas, if you know, okay we have some South African shareholding…you have your people that have a stake in it." [A2]*

> *"Typically, I guess the first debate is around whether the indigenisation requirement is a majority or minority. If it's a minority I don't necessarily have an issue with that because I think we have black empowerment, if you look at South Africa or wherever the case may be. It's addressing fundamental social issues, which ultimately makes business sense." [A3]*

> *"I think it helps, in fact we with localisation rules and BEE rules we are ahead of a lot of the African territories, so I think we have actually got experience." [B1]*

The responses of all ten of the participants suggest that they would implement a partial localisation/indigenisation of their subsidiaries (subject to them retaining at least 51%) on their own initiative even in the absence of legislation compelling them to do this. This is due to the commercial and business sustainability benefits of having a subsidiary which the local market would also take pride in and identify with as a local business (even partially). We therefore found that markets with indigenisation or localisation requirements are not seen as riskier or regarded more negatively than those without, based on the data gathered and analysed as expressed by participant C2, below:

> *"I don't think they (markets with indigenisation requirements) are riskier markets at all. I think to the contrary they actually have a lot of opportunities and I think that is one of the reasons they would even insist on that because there is just so much to share, take away….So get in there, within those restrictions and manage your risks and when the markets open you are there (already)." [C2]*

We could not find evidence that indigenisation requirements were linked to a preference for greenfield businesses over acquisitions. In highlighting issues which they would consider in selecting a greenfield over an acquisition-driven entry mode or vice versa, the presence or absence of indigenisation regulations did not feature as one of the issues that would be considered other than in one instance, below:

> *"The indigenisation perspective, you find it difficult, you may get into trouble with government. In those kind of scenarios maybe an acquisition of an already indigenised entity, it becomes better if it is with a partner, with the brand being a connection to the local market, the capabilities…the indigenous partner is seen as an advantage." [B1]*

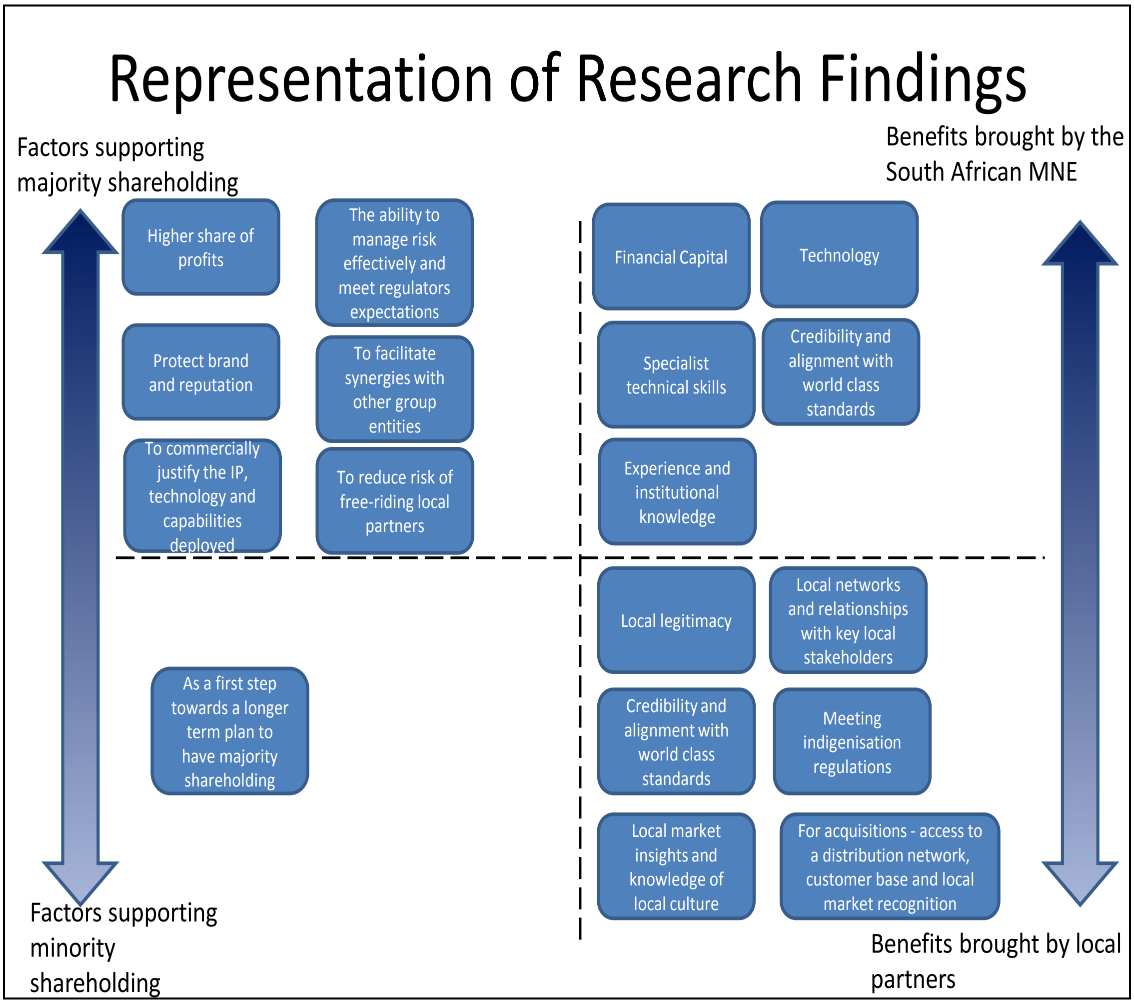
Conclusion – Proposition 6

Based on the data analysed, proposition 6a is not supported.

Based on the data analysed, proposition 6b is not supported.

5.6 Our Findings illustrated

Figure 2: South Africa MNE capabilities, benefits brought by local partners and impact on shareholding preferences



The above diagram summarises our findings as follows:

Firstly, our participants were able to clearly articulate the benefits of their MNE holding a majority shareholding in the foreign operation. Secondly, our participants had a very clear idea of what capabilities the South African financial services MNE could bring to bear in a foreign operation. Thirdly, several areas were identified where the contribution of local shareholders as partners would be valuable. However, despite the many potential contributions of local shareholders identified, our participants did not contemplate a scenario where they would invest in a foreign operation as a minority shareholder save for when a minority shareholding was seen as a first step to eventually acquiring a majority shareholding.

5.7 Conclusion

We can therefore sum up our findings on the research propositions as follows:

Table 3: Summary of findings on research propositions

Proposition	Research outcome
Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.	Proposition is supported
Proposition 2a: South African financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa.	Proposition is supported
Proposition 2b: In entering mature markets, South Africa financial services MNEs will prefer acquisitions over greenfields.	Proposition is supported
Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.	Proposition is supported
Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.	Proposition is supported
Proposition 5: The diversification of risk and creation of value through synergies across the diverse African markets is facilitated by acquiring significant control of businesses in the rest of Africa.	Proposition is supported
Proposition 6a: Markets with indigenisation rules are seen more negatively and as riskier than those without.	Proposition is not supported
Proposition 6b: In countries where indigenisation and localisation regulations exist and are strictly enforced, greenfields will be preferred over acquisitions.	Proposition is not supported

CHAPTER 6 - DISCUSSION OF RESULTS

6.1 Discussion of Findings based on research propositions

6.1.1 – Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.

This proposition has its foundation in our intention to establish whether accommodating the issue of industry context resolves the dilemma of contradictory findings where some researchers have found that cultural and institutional distance predicts a preference towards joint ventures or low control entry modes, while other researchers have found that cultural and institutional distance lends itself to a preference towards wholly owned subsidiaries or high thresholds of majority shareholding. Brouthers and Brouthers (2001) referred to this as the cultural distance paradox. On one hand there is a question of whether cultural distance lends itself to cooperative arrangements such as joint ventures and balanced shareholding, while on the other hand there is the issue of whether a more hierarchical approach to control is appropriate to contexts characterised by cultural distance. Brouthers and Brouthers (2001) attempted to explain these contradictions in terms of Hofstede's four cultural attributes. In so doing they found that cultural distance could be correlated with a high shareholding entry mode when investment risk was also high. In addition, Brouthers (2002) also highlighted the role of institutions in impacting entry mode choice.

Our research findings showed a high degree of convergence between all participants in preferring high shareholding modes of entry. Despite the diversity of economies and markets on the African continent, which also show differing extents of alignment and commonality with the regulatory and investment climate in South Africa, our research findings did not show low investment risk as a moderator on the impact of cultural distance on entry mode choice. The preference for a high majority shareholding came through in a uniform manner from the research interviews conducted.

Chang et al. (2012) also acknowledged the presence of a cultural distance paradox, suggesting that this could be explained by differing levels of governance quality between countries. However, we did not find that governance quality in a country impacted on the preference for majority shareholding.

Hernandez and Nieto (2015) investigated the issue of relativity in the impact of institutional distance on entry mode and distinguished between negative and positive regulatory distance. Positive regulatory distance refers to a situation when the foreign market targeted for entry is better regulated than the home country, while negative regulatory distance refers to when the foreign market is less well regulated. It was even suggested that the failure of previous research to distinguish between positive and negative regulatory distance accounted for the absence of conclusive research results on the relationship between entry mode and institutional and cultural distance (Hernandez and Nieto, 2015). Positive or negative regulatory distance does not seem to be a significant determining factor in our research in terms of resolving the contradictory findings, however, as all the new market entry experiences of the South African financial services MNEs studied were in countries with negative regulatory distance to South Africa. The presence of positive or negative regulatory distance could therefore not be regarded as a moderator of institutional or cultural distance impacting on entry mode.

Our research findings on the strong preference for a significant majority shareholding (if not wholly owned subsidiary) can be better explained by Contractor et al. (2014), who argued that industry and sector relatedness (driven by similar knowledge imperatives, business practices and competitive conditions) supported full or significant shareholding entry modes. Industry relatedness is particularly strong in the financial services sector, where there are regulatory restrictions against significant investments in unrelated industries.

There was strong convergence around the preference for significant majority shareholding between the four South African financial services MNEs covered by this study, and the ten participants interviewed. This was important, given our focus on a specific industry context, the lack of which was the basis of one of the gaps we identified in research conducted so far. While including companies from different industry types may support generalisable conclusions (Kothari et al., 2013), generalisable conclusions may also contribute to the failure to crystallise the relationship between variables, and has led to the inclusive findings around the impact of cultural and institutional distance on entry mode choice. Our focus on a specific economic sector and industry allowed for more conclusive findings, showing that high majority shareholding is the preferred entry mode choice. The discussion around Proposition 4 will expand on the role of capabilities and knowledge in overcoming distance.

6.1.2 – Proposition 2a: South Africa financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa; and Proposition 2b: In entering mature markets, South Africa financial services MNEs will prefer acquisitions over greenfields.

De Beule et al. (2014) argued that due to the importance of knowledge acquisition as a rationale for investment, acquisition of a foreign company has become a key route for MNEs to access resources and knowledge. In this context, acquisitions are seen as a means of overcoming weaknesses quickly. De Beule et al. (2014) argue that with knowledge a key reason for investment, foreign entry by acquisition has become the primary way of accessing complementary resources that are not easy to obtain and are difficult to duplicate, such as knowledge that may be embedded in the organisation being acquired.

While our research findings have identified parallels with De Beule et al. (2014) and the assertion that acquisitions are driven by the need to quickly overcome weaknesses, we find that South African financial services MNEs are not making acquisitions in order to acquire knowledge unlike the EMMNEs that were the main focus of De Beule et al. (2014). Our research points to the fact that the main weakness that South African financial services MNEs seek to overcome by making acquisitions on the African continent relates to a lack of market presence and distribution infrastructure. While practicalities of certain markets such as the lack of suitable acquisition targets may not make acquisitions possible, eight out of ten participants indicated a preference for acquisitions where a realistic choice was available. This was largely due to the effort and time it would take to scale up a greenfield operation, particularly in highly competitive markets in which the MNE did not have a great deal of experience. One participant highlighted the usefulness of greenfields as a way of gaining an understanding of a market before growing incrementally. A greenfield business was seen as being able to take advantage of emerging opportunities based on the knowledge they have in a market by being on the ground (De Villa et al., 2014). But this was not generally seen as a superior approach to acquisition from the research data we obtained. Our findings also contradicted those of Brouthers and Brouthers (2000) that firms with strong internal capabilities preferred greenfields.

The link by Arslan and Larimo (2014) highlighting the impact of institutional distance on greenfields or acquisition prefereences could not be established from our findings. Rather, the acquisition/greenfield debate hinged mainly on market potential and the need for economies of scale in the rest of Africa. Our research data could also not establish support for the argument by Park (2012) that difficulty with achieving cultural and operational integration of acquisitions into the MNE led to a preference for greenfields over acquisitions. Our interviewees were aware of the difficulties associated with effective integration of acquisitions. However, the economic potential of acquisitions was considered a significant financial incentive relative to the challenges of post-acquisition integration.

Four of our participants highlighted Nigeria or Kenya as relatively difficult and highly competitive markets where acquisitions were preferred for their ability to give rapid access to size and market presence. It is worthwhile at this point to refer to the work of Alvarez and Marin (2010) who found that “although internationalisation via cross-border M&A has to face the difficulty of integrating different business cultures, investing companies are more interested in accessing intermediate linkages built by the acquired unit” (p. 349). Firms take advantage of acquisitions to gain access to distribution networks and acquire local legitimacy as has been mentioned earlier in this paper. However, the attractiveness of acquisitions was seen as increasing when a country had “better technological and entrepreneurial capabilities” (Alvarez and Marin, 2010, p. 343). These characteristics in a market were described as National Systems of Innovation (NSI). Evidence of advanced NSI is the degree of prior presence of foreign capital, entrepreneurial capability and the ability to absorb foreign knowledge. Some of the subsidiaries in countries with advanced NSI may be able to play the role of regional headquarters as well as play intermediate roles in helping diffuse knowledge from the MNE headquarters to less advanced subsidiaries in close geographic proximity to them (Hoenen, Nell & Ambos, 2014). Kenya in particular has several home-grown and locally owned insurance and banking companies which have proved to be strong competitors to South African financial services MNEs not just in Kenya but in expanding into the wider East African region. This phenomenon has a major effect on acquisitions being seem as the most preferred entry option in Kenya and was consistent with we found in our interviews.

6.1.3 – Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

The concept of “multiple embeddedness” as articulated by Meyer et al. (2011) was founded on the proposition that MNEs are constantly faced with balancing a number of requirements, namely, ensuring their subsidiaries are responsive to local market conditions; exploiting differences and similarities across the different markets in which they operate, reflecting the multinational character of the MNE; and ensuring that the subsidiary meets the strategic objectives of the MNE as a whole. The subsidiary has to be locally relevant but still ensure alignment and integration with the overall MNE structure and objectives. This balancing will enable the MNE to take advantage of opportunities within the local markets of subsidiaries and also ensure that subsidiaries provide strategic benefit to the rest of the MNE.

MNEs are shaped by the home country environment and "typically build their original resource endowments in their home country and this original resource endowment drives their international growth" (Meyer et al., 2011, p. 239). This aspect has significant implications on risk management practices. Given that resources used for international expansion are typically raised in capital markets in the home country, regulators in the home country have significant influence on the governance and risk management structures employed in foreign subsidiaries. This was the basis of our proposition that control of a foreign operation is important in ensuring alignment in governance and risk management practices between the parent and the foreign subsidiary. Our research findings supported the proposition that for South African financial services MNEs, the requirements of SARB, the FSB and the JSE play a huge role in the design of governance structure and risk management policies. Solvency management plays a significant role in the risk management philosophy of financial services companies, and home country regulators take great interest in ensuring that the solvency of the MNE is not negatively impacted by any risks associated with the local contexts of foreign subsidiaries. The home regulator's requirements will therefore serve to incentivise, or impose limitations on certain activities in foreign markets. Our participants did highlight that their foreign subsidiaries often have to balance between exploiting business opportunities in local markets on one hand, and the risk appetite of the MNEs home country regulators, as well as the MNEs group risk management policies on the other hand. This has sometimes resulted in the foreign owned subsidiary failing to exploit opportunities that locally owned competitors are able to exploit and is often a source of debate with locally based shareholders and board members. These debates highlight the need for control to ensure that the risk requirements of the home country are sufficiently accommodated in the subsidiary. However, all the respective participants were ultimately confident that alignment of foreign subsidiaries with group risk standards ensured better sustainability and earnings stability in the foreign subsidiary.

The quality of financial services regulation in South Africa is regarded as superior and more rigorous than that in other African countries (see Appendix 2). This means that as "the subsidiary is subject to institutional pressures arising respectively from its home context through its parent MNE" (Meyer et al., 2011, p. 240), the issue of relativity of regulatory requirements of the home country compared to local regulators becomes an ongoing consideration. However, the majority of participants highlighted that there is increasing cooperation between regulators on the African continent and convergence of regulatory requirements between those employed by South Africa and those employed in the rest of the continent. Based on this observation it is possible that the need to ensure a common risk and governance framework may be less of an important consideration in the future in influencing the mode of entry. However, at the present moment our research findings support the proposition that control of the foreign operation through majority ownership is considered necessary to achieve the alignment of the subsidiary with group risk management frameworks, while satisfying the requirements of the home country regulators.

6.1.4 – Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.

Kothari et al. (2013) challenge the assertion that distance always has a negative impact on the operations of an MNE, suggesting that innovation and other strategies can overcome the negative impact of distance. According to Ripolles et al. (2012), the transfer of knowledge to a foreign subsidiary creates dissemination risk through loss of strategic information to competitors, and MNEs are more likely to pursue higher shareholding when involved in businesses that routinely require knowledge transfer. Protection of knowledge and intellectual property is aided by majority shareholding of a foreign subsidiary (De Beulle et al., 2014). This is because the success of the MNE is dependent on the ability to effectively transfer knowledge (Fang et al., 2013).

Our research findings show that intangible assets such as product development capability, brand equity and management information systems are important in the acquisition of market knowledge (see Section 5.5.4). These are significant capabilities that support the competitive position of South African financial services MNEs and their subsidiaries in different markets. Park (2012) found that "successful operation of foreign subsidiaries is highly dependent on acquisition of knowledge from parent firms" (Park, 2012, p. 555). Most of this knowledge and other assets are proprietary to the South African financial services MNE and developed over many years. They are also embedded in the MNE. A combination of this knowledge, with appropriate adaptation for local influences in host markets, such as cultural nuances and customer preferences, is what drives commercial outcomes for the MNE. While most of our participants indicated that minority shareholders who are citizens of the target foreign markets had an important role to play in sharing market and customer insights, this was not as important as the reliance that the South African financial services MNE had on its own capabilities as well as on local management for market information and knowledge of customer preferences. We therefore found that the combination of the capabilities of the South African financial services MNE and the adaptation of these capabilities by local management to local market conditions was the source of the market advantage of South African financial services business entering the rest of Africa. Based on the data we analysed, local shareholders complemented this market advantage but were not the source of it. This then lent itself to an entry mode based on the concession of a shareholding stake to locals but with majority control still being retained by the South African business.

Ripolles and Blesa (2012) highlighted that foreign market knowledge is an important factor influencing entry mode choice. They stated that “marketing capabilities are based on how international new ventures manage market knowledge to develop substantive business capabilities” (p. 278). We applied this concept to the data obtained from our research and concluded that local market knowledge on its own is of no commercial value in the development of “substantive business capabilities” without the other knowledge and capabilities utilised by the South African financial services MNE. South African capabilities thus serve as the catalyst to drive value to all shareholders. Local shareholders may assist in accessing the market knowledge but are not the catalysts in the value creation process to the same extent that the South African capabilities are. Tseng and Lee (2010) also articulate the above point by positing that market linking and sensing ability (the ability to interpret and respond to market information and the ability to create bonds/networks with customers) reduces the need to partner with a local shareholder when entering a foreign market. Market linking capability is a synthesis of a firm’s dynamic capabilities and its networks (Tseng and Lee, 2010). We found that to the extent that local management employed by the MNE and local board members are sufficiently networked, the imperative for on boarding local shareholders as a means to enable market advantage declines.

Ripolles and Blesa (2012) also highlighted an additional point which is that high shareholding levels in entering a new market also support new learning as the South African financial services MNE is in control of processes by which the subsidiary interfaces with customers. This learning can then be applied to subsequent new market entry in other countries, which facilitates synergies referred to in Section 6.2.5 below. Overall, the literature referenced in this section aligns with our research findings on how the use of the right firm-owned capabilities enable market advantage in a foreign market and how high shareholding control is positively influenced by the presence of these capabilities.

6.1.5 – Proposition 5: The diversification of risk and creation of value through synergies across the diverse African markets is facilitated by acquiring significant control of businesses in the rest of Africa.

According to Contractor et al. (2014), "high levels of ownership allow acquirers to implement desired organisational changes and strategies, engage in efficient post-acquisition integration and achieve synergies to create long term economic goals" (p. 934). This is consistent with our research findings, where control of foreign operations was seen as a means of unlocking, leveraging and exporting synergies among multiple subsidiaries (see Section 5.5.5). Market entry was not viewed in isolation. Rather, the respective markets under consideration were seen as additions to a portfolio of countries which, while different, could complement each other. The ability of the MNE through its headquarters or alternatively through a centre of excellence or a hub in another country, to transfer knowledge and skills, as well as human resources, was also a driver of new market entry. All South African financial services MNEs covered by this research had business models which were based on the sharing of resources and knowledge, and which aimed to unlock synergies. The small size in economic terms of most African markets, particularly from a financial services context where products such as insurance may be seen as a grudge purchase, means that such markets can only be exploited profitably where resources are shared with other entities in the group. This is a process which the MNE's headquarters or home country operation will typically coordinate. An African context characterised by the perceived high institutional and political risk of certain countries relative to South Africa means that the principle of resource sharing enables not only economics of scale, but limits financial exposure to a particular market (with the exception of the MNE's home country).

In the sample we covered, resources such as technology and specialist technical skills were largely based in South Africa and applied to the support of several subsidiaries outside South Africa. Our findings also showed that control through majority shareholdings was seen as critical to facilitate synergies to be unlocked. For example, one participant from an investment banking background spoke of the difficulty in putting together a pan-African funding structure for a banking client, which is also an MNE, if some of the related banks in the markets targeted by the MNE client are not controlled and majority owned by the home country bank. This supports the principle of the MNE needing "dominant operational freedom to execute its operational strategy in the target nation and to the achieve synergies hoped for" (Contractor et al., 2014, p. 933).

The concept of “multiple embeddedness”, which we referenced in our discussion in Section 6.2.3, also has an impact on the need by MNEs to achieve synergies across their operations. Meyer et al. (2011) made an important observation that:

> The ability to create transfer, recombine, and exploit resources across multiple contexts is the rationale for the existence of the MNE. MNEs generate value by leveraging tangible and intangible resources across national borders. At the most fundamental level their value creation is based on international arbitrage. This arbitrage is made possible by the multiple embeddedness of the MNE – it is embedded in both its home and host environments, so it can capture the gains from trade by internationalising market transactions. The benefits of arbitrage are reinforced by aggregation and economies of scale and by adaptation of central value propositions to suit local contexts. (Meyer et al., 2011, p.241)

The above quote encapsulates our findings that deploying resources from well-endowed markets (for example, South Africa) to less well-endowed markets, allows South African financial services MNEs to enjoy sufficient returns from their internationalisation in the rest of the continent. This makes the sum of parts greater than the whole. One subsidiary is not seen in isolation but in terms of its integration in the synergistic network of the MNE. The specific quotations by the research participants in Section 5.5.5 support the case made by Meyer et al. (2011) in this regard. Key to this is that mixing capabilities which exist in the group with local opportunities and contexts results in value creation which each component of the MNE would not be capable of producing independently (Fang et al., 2013).

Chen et al. (2012) posit that “organisations act to reduce environmental uncertainty through inter or intra organisational exchanges of resources” (Chen et al., 2012, p. 260). Control of resources is a means by which an MNE will exercise control over a subsidiary. This argument has its basis in Resource Dependency Theory, where control of resources determines where power resides in an MNE structure. In this instance, synergies and efficiencies would be a secondary outcome to the objective of control. Only one of our participants put forward this view that the search for synergies was an outcome not a deliberate strategy of the internationalisation of their particular MNE. The rest of the participants fell more within the school of thought that the need for synergies and efficiencies drives the imperative for control of the subsidiary, and not vice versa. The latter thinking falls within the arguments advanced by Chung et al. (2013), that control in a diversified MNE allowed flexibility in shifting resources around the various operations.

Chung et al. (2013) addressed the issue of diversification of risk and found that diversified MNEs were better able to cope with difficult conditions in a particular market because a downside in one market could drive upsides in other markets. Three participants specifically referenced the poor economic performance in Nigeria on account of the fall in the oil price benefiting other businesses which are in oil importing countries, resulting in overall growth in earnings. This was held up as an example of the benefits of diversification. Other participants also found risk diversification benefits from increasing the MNE's geographic footprint.

Overall, our findings support the positive relationship between control of a subsidiary and the realisation of the benefits of diversification and exploiting synergy opportunities (see Section 5.5.5). This control extends from shareholding to the appointment of management, participation in policy making and strategy, and interactions between the subsidiary management and the MNE headquarters (Park & Choi, 2014).

6.1.6 – Proposition 6a: Markets with indigenisation rules are seen more negatively and as riskier than those without; and Proposition 6b: In countries where indigenisation and localisation regulations exist and are strictly enforced, greenfields will be preferred over acquisitions.

Karabay (2010), while highlighting the many advantages of FDI in terms of technology spill-overs and integration with international markets, highlights that foreign ownership restrictions have been fairly common in emerging economies like India, Indonesia, Brazil, Mexico, Turkey and Thailand. Industrialised countries such as Finland, France, Norway, Sweden and even the United States and Canada also have foreign ownership restrictions in certain economic sectors. According to Karabay (2010), indigenisation is driven by the host country's government wanting to maximise the country's welfare by combining revenue from taxing local profits, with net of tax profits earned by local owners of the firm. The country's welfare is also maximised by reducing information asymmetry between the MNE and its capabilities, and local entrepreneurs who do not have the same abilities. Indigenisation is seen as causing the MNE to reduce its effort in the local market as effort is not commensurate with economic return, particularly when the MNE does not see the advantage of having a local partner. Karabay (2010) suggests that indigenisation can be inefficient to the local economy and that the tax regime may be a more optimal way of equitably sharing the surplus of foreign companies operating in a country. Karabay concludes by stating that the trend in recent times has been to reduce restrictions on FDI, including foreign ownership. For governments, ownership restrictions on foreign MNEs involve a trade-off between the benefits of greater efficiency by the MNE based on its capabilities, and the ability to extract more rent by the government and its citizens. The most efficient MNEs have more bargaining power, given the opportunity cost of ownership restrictions on local economies.

The African context shows different trends from that identified in that there is a movement towards greater indigenisation and localisation rather than the liberalisation identified globally (Karabay, 2010). Furthermore, indigenisation tends to be framed in more than just the logical methodical context identified by Karabay (2010) of increasing economic rents due to a country. Rather, indigenisation is expressed in terms of addressing the legacy of colonialism, asserting self-determination and national pride, and achieving social justice. According to Andreasson (2010), indigenisation is part of a wider trend of previously colonised people asserting themselves not just in political or cultural terms, but also economically. In most of Africa, government constitutes a large part of economic activity and is often the largest formal employer in a country. This suggests that African governments will have more bargaining power regarding ownership restrictions than might be the case in more developed Western and Asian economies.

Andreasson (2010) also stated that “economic indigenisation has been pursued by most African governments in the post-colonial era” (Andreasson, 2010, p. 424). It was within the context of the broader African contemporary experience, and the framework established by Karabay (2010) that we formulated our research questions on indigenisation as part of this paper. The main starting premise was that indigenisation would be viewed negatively by the South African financial services MNE based on the key assertion made by Karabay (2010) that indigenisation negatively impacted on economic efficiency gains on the part of the MNE and led to reduction of effort. Indigenisation was also regarded as usually coming with costs to the development of a country (Andreasson, 2010). Our findings, however, revealed that indigenisation is not viewed negatively or seen as a disincentive to investment in a country except to the extent that it may interfere with the objective of control of the foreign subsidiary, usually expressed in terms of shareholding of at least 51%. The objective of 51% was not important within the context of mitigating the risks associated with indigenisation per se, but rather as a key factor in other strategic considerations such as protecting brand equity, unlocking synergies with other companies in the group owned by the MNE, and enabling a common approach to risk management. Indigenisation was seen as important in mitigating the intangible aspects of LOF as argued in section 6.2.7 of this paper and also in assuring local legitimacy. Seven out of ten participants identified strongly with the socio-economic and social justice objectives of indigenisation policies. It should also, be highlighted that the actual expansion footprint of the respective organisations which all the participants are part of suggests a wider strategic, organisation-wide acceptance of indigenisation, as well as a positive individual perception.

In addition, the above findings support the research of Danis et al. (2011) regarding the importance of social networks in new business activity in developing or emerging economies, which have high regulatory burdens. The "benefits of social ties in emerging economies may be particularly potent and enable entrepreneurs to compensate for absent or under developed institutions" (Danis et al., 2011, p. 396). Societal awareness of how to start new businesses and access resources needed to start a business, as well as entrepreneurial culture, also impacts on the importance of social networks in the business environment – a factor which is significant in many previously closed African economies.

The work of Moeller et al. (2013) in identifying the relationship between country of origin and the acceptance of foreign subsidiaries in host countries also has a bearing on the indigenisation debate and the intangible sources of LOF. Country of origin affects "how individuals perceive the value/utility of products and brands emanating from a particular country" (Moeller et al., 2013, p. 92) and can be driven by consumer animosity and affinity. This customer affinity or animosity can be driven by the reputation of the country of origin of the MNE, the quality of the relations between its government and that of the host government, and not just the reputation of the corporation of the MNE itself. Issues such as the composition of top management and the economic opportunities available to local citizens associated with the organisation help mitigate negative connotations which come with country of origin. Most participants in this research exhibited a consciousness of how South Africa may be perceived negatively on the continent due to the legacy of Apartheid, the fact that many South African MNEs have a pre-dominance of white senior management, and the pre-eminent political and economic position occupied by South Africa on the continent. One participant mentioned Nigeria as a market where South African enterprises are often viewed with hostility. Indigenisation was articulated as one way to mitigate negative impacts on country of origin perception. This is in keeping with our findings, which suggested that foreign minority shareholders are seen as having less of a role to play from an economic, technical and marketing perspective, and offer more value in enhancing the local legitimacy of the foreign subsidiary and enabling compliance with indigenisation regulations or expectations.

Bangara et al. (2012) referred to the action of acquiring local legitimacy as overcoming "outsidership" and identified that this will happen in a deliberate proactive manner. Our research findings reveal instances where indigenisation or localisation of shareholding has happened even in the absence of requirements to do so (for example, in countries like Namibia and Botswana), or where localisation has taken place at levels above the minimum required. This suggests a proactive approach to indigenisation rather than a negative reactive approach suggested by Karabay (2010). Bangara et al. (2012) also highlighted that above certain thresholds, the legitimacy conferred on the subsidiary of an MNE may have a positive impact on future gains in legitimacy. In this regard the selection of suitable partners with credibility and acceptance in a local market is a key pre-occupation and an important aspect emphasised by the management of the South African financial services MNEs covered by this paper.

6.2 Findings on the applicability of existing theory to our research problem

This section revisits the core theory introduced in Chapter 2 (Section 2.1 and 2.2) and examines the applicability of the theory discussed then on South African financial services MNEs based on the data presented in Chapter 5. The following discussion is arranged according to each of the core theories presented in Chapter 2.

6.2.1 The Internationalisation Theory

We found in Chapter 5 (Sections 5.5.4 and 5.5.5) that the ability to leverage shared resources across geographies and the control of knowledge and intangible assets by the MNE is a key incentive for seeking majority control of foreign ownership. In the case of the data gathered, these factors were seen to compensate adequately for LOF and institutional distance. Entry modes that give the MNE control in the foreign market meet Buckley's criteria of "avoiding risks, giving control of knowledge" (Buckley, 2014, p. 229). We have therefore established that Internationalisation Theory adequately explains the motivations and behaviour of South African financial services MNEs expanding into the rest of Africa.

6.2.2 Transaction Cost Theory

Control "is the focus of entry mode literature because it is the single most determinant of both risk and return (Anderson and Gatignon, 1986, p. 3). Some of the conditions present when the trade-off in favour of higher control happens include when: assets or processes held by the MNE are highly proprietary and specialised; control over knowledge is needed to avoid losing commercial benefit to outsiders; country risk is high; the MNE has acquired high cumulative international experience; free riding potential by foreign partners is high; the negative impact of degradation of the MNE's brand in a foreign market could be high. The data collected (see Chapter 5, section

5.5.4) supported findings that specialised intangible assets, control of knowledge, the minimisation of uncertainty, maximising economic return given resources and effort committed, as well as the need to protect brand equity were key considerations in motivating a high control entry mode. These factors sufficiently compensated for, or outweighed, the cost of the extra resource commitment. Transaction Cost Theory therefore adequately explains the entry mode behaviour of South African financial services MNEs.

6.2.3 The Ownership, Location and Internationalisation or Eclectic Paradigm

The Ownership, Location and Internationalisation (OLI) Paradigm is founded on the argument that the extent of FDI is based on the relationship between ownership advantages (capabilities relative to other firms in the foreign market); location advantages (the endowments and commercial opportunity in the foreign market; and the benefits of internationalisation (Dunning, 2000). The greater the extent of the OLI sub-paradigms, the greater the resource commitment by the MNE. The data collected supports the argument that the capabilities of South African financial services MNEs (ownership advantages) drive higher resource commitments by the MNE (see Section 5.5.1 and 5.5.4). In addition, particularly in the case of countries like Kenya and Nigeria, it was established that notwithstanding the level of competition or other challenges associated with those markets, the location advantages of those markets were an incentive to high control entry modes.

6.2.4 Organisational Capability Perspective

The most important attribute shaping entry mode choice is the “ability to acquire, evaluate, assimilate, integrate, diffuse, deploy and exploit knowledge” (Madhok, 1997, p. 40), rather than the need to minimise costs or LOF. The effective utilisation and transferability of resources suggests a higher control mode with the opposite being true where there are constraints on the utilisation and ability to transfer resources effectively and economically. The data collected (see Chapter 5, section 5.5.1 and section 5.5.4) confirmed the presence of strategies by South African financial services MNEs of sharing resources, transferring skills and capabilities (especially out of South Africa to African subsidiaries). The Organisational Capability Perspective as a theory thus can be applied to analyse and frame a discussion on the actions and entry mode motivations of South African financial services MNEs. The presence of capabilities in the South African business is a key driver for international expansion.

6.2.5 Bundling Model

The Bundling Model (Hennart, 2009) cautions against assuming that local assets in a foreign market (local complementary assets) are freely available to the MNE entering a foreign market. Restrictions on local complementary assets include limited access to assets such as land, licenses, and distribution capability. The allocation of shareholding between the MNE, with its knowledge, and the local shareholder possessing local complementary assets is determined by how easy it is for each party to access the asset held by the other (knowledge versus local complementary asset). Our data shows that while South African financial services MNEs value the knowledge and intellectual property they control, it was access to local complementary assets such as operating licenses or distribution infrastructure that was more significant than the need to overcome institutional and cultural distance in influencing the percentage threshold at which the MNE was prepared to tolerate local ownership in the foreign operation. The difficulty in accessing local complementary assets – particularly licenses and distribution infrastructure – was also seen as a key driver for making an acquisition over establishing a greenfield (see Chapter 5, section 5.5.2). The Bundling Model (Hennart, 2009) thus provides an applicable framework, based on data collected for understanding the acquisition versus greenfield decision, as well as the factors which may make a wholly owned subsidiary impractical.

6.2.6 Springboard Theory and Ownership disadvantages

Springboard Theory (Luo and Tung, 2007) is rooted in the context of a resource deficit around technology, brand recognition or proprietary knowledge but also involves the need for diversification and avoiding political hazards in the home market, while exploiting competitive advantages in other developing countries. Our findings do not uncover significant supporting evidence for the “springboarding” actions as described for the reasons which follow. South African financial services MNEs do not operate from a resource-deficit position relative to other African countries, and there was little evidence of strategic asset-seeking behaviour. It is also questionable whether South African financial services MNEs possess specific, unique developing market capability which is exported to other developing countries, given the relative sophistication of South Africa’s economy and financial services sector compared to the rest of the continent. In addition, South African financial services MNEs have limited experience of servicing mass, low-income markets, given their legacy of targeting middle income to wealthy customers (Ramamurti and Singh, 2009). Rather, South African financial services are driven by access to capital, knowledge and specialised skills, which are leveraged in knowledge and skills-deficient African markets. On this basis, we conclude that Springboard Theory will does enable a comprehensive analysis and explanation of South African financial services MNE entry mode choices and motivations.

We furthermore found limited evidence that South African financial services MNEs' expansion into the rest of Africa is driven by ownership disadvantages as suggested by Cuervo-Cazzura (2012). While our participants did state diversification as an important motive in internationalisation, there was no evidence that this was linked to “poor institutions and asphyxiating regulation” (Cuervo-Cazurra, 2012, p. 160) in South Africa. Only two participants mentioned experience with Employment Equity (EE) and Broad-Based Black Economic Empowerment (BBBEE) in South Africa as a key advantage when negotiating local shareholding and indigenisation in other African countries. In addition, the quality of financial services regulation in South Africa was not regarded as asphyxiating, but rather was seen as an important competitive advantage in enabling productive engagements with regulators, local partners and customers in other African countries where markets and the regulatory environment are not as well developed. The only commonality between South Africa and other countries in Africa was the presence of large sections of the population who are considered poor or lower income. While two participants had experience rolling out products to lower-income groups in South Africa and exporting that capability to the rest of the continent, this aspect was muted in the responses of other participants given that, traditionally, South African financial services MNEs have tended to be focused more on middle class and affluent segments of the South African domestic market, and at present are more comfortable in that space.

6.2.7 Liability of Foreignness

The negative impact of LOF includes spatial distance, cultural distance and institutional distance (including legal, regulatory, political and economic), as well as lack of understanding of local market dynamics (Luo et al., 2002). These are typically mitigated by measures such as greater control of subsidiaries, the provision of services by the MNE to the foreign subsidiary, local networking, legitimacy improvement and input localisation.

Our findings showed that all participants were aware of the strategic impact of LOF on their internationalisation strategy and expansion in the rest of Africa (see Chapter 5, section 5.5.1). However, their preferred strategic responses differed according to which aspect of LOF was under consideration. Firstly, in no instance was LOF considered to be of such magnitude that it justified holding a minority interest in a foreign operation, except when this was done as the first step towards eventually acquiring majority ownership. This is significant within the context of our research on the financial services industry given the argument that vertical integration (high levels of shareholding) happens when there is less dependency on local resources and "MNEs can adjust their dependency on such environmental hazards that lead to LOFs" (Luo et al., 2002, p. 286). This would also complement the arguments posed under the Organisational Capability Perspective (Madhok, 2007), where the MNE's capabilities are the key means of competing in the foreign environment, rather than the foreign market location-based advantages. Secondly, local minority shareholders were seen as more critical in addressing issues of lack of local legitimacy and the absence of local networks and sufficiently deep relations with local stakeholders. When it came to lack of local market knowledge, or dealing with regulatory concerns in the local environment, nine out of ten participants emphasised the importance of having a strong, well-connected local citizen as Chief Executive or Managing Director of the foreign subsidiary, as well as an appropriately constituted board in managing local regulatory risk and mitigating the unfamiliarity of the MNE with the local environment. Our research participants had a deep awareness of the need not be seen as an exploitative, foreign-owned MNE. This awareness was against the background of operating on a continent which is still dealing with the legacies of colonialism and where Apartheid is still within living memory. There was also awareness that South African MNEs are often perceived in the rest of Africa as remnants of white domination. The presence of local shareholders who are citizens of the host country assists in reducing that perception.

From our findings we see a key pattern emerging where it becomes possible to separate tangible aspects of LOF from intangible aspects. Tangible aspects include easily identifiable and measurable aspects such as the potential economic contribution that could be derived from shedding LOF, or the capacity for economic value-add by local shareholders, and also the impact of the absence of market knowledge. Intangible aspects of LOF include local legitimacy, the level of embeddedness in local social networks, the quality of relationships with key stakeholders in a foreign market (including regulators), and being perceived positively by the public. Intangible aspects of LOF tend to be subjective and cannot be easily quantified in terms of impact. The emerging pattern from the data gathered is that South African financial services MNEs rely on a combination of their own capabilities and effective local management, together with the level of skills and diversity on the board of directors of the local subsidiary, to mitigate the tangible aspects of LOF. The intangible aspects of LOF are typically mitigated by minority (not majority) shareholding by locals in the foreign subsidiary.

CHAPTER 7 – CONCLUSION

7.1 Principal Findings

This section summarises the specific insights gained from our research within the context of a deliberate focus on South African financial services business. In particular, characteristics of financial services businesses identified as having a strong impact on the entry mode choice of South African financial services MNEs included a strong reliance on IP, technology, specialised skills and the fact that managing risk, both internally for the MNE as well as for clients is a core attribute needed for competitiveness.

7.1.1 Specific new propositions emerging from our research

7.1.1.1 – Proposition 1: South African financial services MNEs will opt for full ownership or higher shareholding percentages when expanding into the rest of Africa, and faced with institutional and cultural distance.

We were able to conclude that when faced with institutional and cultural distance, South African financial services MNEs prefer full ownership or higher shareholding percentages. This is due to factors such as the need for a high return, given internal capabilities and other commitments made to the subsidiary, the need to embed the MNE's own processes and philosophy, the need to protect brand equity, the imperative to effectively manage risk and also to ensure strategic alignment with other parts of the MNE's business.

7.1.1.2 – Proposition 2a: South Africa financial services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the rest of Africa; and Proposition 2b: In entering mature markets, South African financial services MNEs will prefer acquisitions over greenfields.

We conclude that South African financial services MNEs prefer acquisitions/inorganic growth over greenfields/organic growth in both immature and mature markets due to the need to speedily acquire scale, distribution footprint, local complementary assets and skills. However, there was evidence of greenfields being employed as an entry strategy when acquisitions were not available or when a particular market context justified this, notwithstanding the preference for acquisitions.

7.1.1.3 – Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

Our findings demonstrated that the home regulatory environment and risk management standards employed in the MNE's home country (South Africa) had a very strong influence on governance and risk management requirements employed in subsidiaries on the African continent. Our participants indicated that control through a higher shareholding in the subsidiary was necessary to ensure that the MNE's risk management policies were implemented. We therefore conclude that high control entry modes make meeting the risk and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

7.1.1.4 – Proposition 4: Capabilities present in the South African financial services market are used to overcome the lack of market knowledge in the rest of Africa, which increases the imperative for South African financial services MNEs to exercise control over foreign subsidiaries.

While our participants emphasise the importance of understanding local markets and tailoring offerings for local conditions, the capabilities developed and owned by the company were seen as the key enabler of competitiveness in new markets outside South Africa. While local shareholders with a minority stake were seen as having the potential to contribute market insights, the need for South African financial services MNEs to retain control over their capabilities and intangible assets, and benefit commercially from them, lent itself to a preference for majority ownership. We therefore conclude that knowledge, intangible assets and skills based in South Africa are employed to gain market advantage and that they support entry modes requiring control of the foreign subsidiary.

7.1.1.5 – Proposition 5: The diversification of risk and creation of value through synergies across the diverse African markets is facilitated by acquiring significant control of businesses in the rest of Africa.

A diverse footprint of businesses under the control of the MNE were seen from our interviews as important in achieving earnings diversification and realising synergies through strategically deploying skills and capabilities and sharing knowledge across businesses. We therefore conclude that diversification of risk and creation of value through synergies is facilitated by acquiring control of businesses in the rest of Africa.

7.1.1.6 – Proposition 6a: Markets with indigenisation rules are seen more negatively and as riskier than those without; and Proposition 6b: In countries where indigenisation and localisation regulations exist and are strictly enforced, greenfields will be preferred over acquisitions.

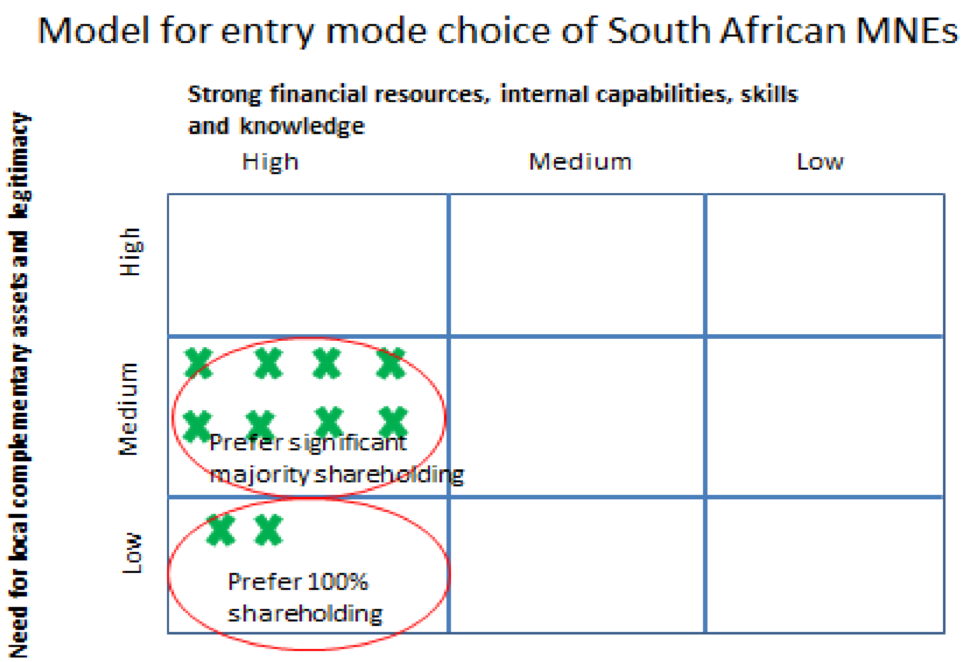
Our research findings showed that our participants and the organisations they were part of embraced or at worst tolerated indigenisation and did not perceive countries with indigenisation more negatively or as riskier than those without, provided it did not impact on their ability to exercise control over the foreign subsidiary. The need for control was driven by factors discussed under Propositions 1, 3, 4 and 5. The presence of indigenisation or localisation rules did not affect the choice towards acquisitions or greenfields. We therefore concluded that there is no evidence to support the proposition that markets with indigenisation rules are seen more negatively or as riskier than those without. Neither does indigenisation affect decisions over acquisition versus greenfield entry. Propositions 6a and 6b are thus amended as follows:

> Proposition 6: To the extent that majority shareholding is not impacted, indigenisation rules are seen by South African financial services companies as enhancing the legitimacy and acceptance of their subsidiaries in foreign African countries and do not have an impact on entry mode choice.

7.1.1.7 – Our principal Findings and conclusions summarised

Our findings can be summarised in terms of the following model. South African financial services MNEs possess institutional knowledge, intellectual property, skills and other organisational capabilities (Madhok, 1997), which are the basis of their ability to compete effectively when entering foreign markets in Africa. The assets reduce reliance on local capabilities in the different host markets, resulting in a preference to retain as high a shareholding in foreign ventures as possible. However, the need for local legitimacy usually results in the South African financial services MNE partnering with locals who take up a minority shareholding in the business. In the model illustrated below, the green crosses show where our ten participants ranked in terms of the high, medium and low scale. A high perception of strong financial resources, internal capabilities, skills and knowledge together with a low need for local legitimacy predicted a preference for 100% shareholding (2 participants), while a combination of high capabilities and medium need for local legitimacy and complementary assets suggested the MNE preferred a majority shareholding but with minority local shareholders.

Figure 3: South African financial services MNE entry mode choice model



The above model also has parallels with the arguments posed under the Bundling Model (Hennart, 2009), that shareholding was an outcome of the relative importance to the success of the foreign operation between the MNE's capabilities and local complementary assets.

7.1.2 The financial services context

Our findings revealed significant convergence between participants and among the companies covered, relating to the key propositions made and questions posed in this research. This includes areas such as the preference for majority over minority shareholding, the preference for acquisitions over greenfields, business models based on leveraging embedded capabilities to new market entries, and realising synergies across subsidiaries as well as perceptions around indigenisation and localisation. In particular we found strong support for our argument that businesses based on knowledge and intangible assets, such as banks and insurance companies, show a higher likelihood of entering new markets through majority shareholding structures (Chun, 2012; De Beulle et al., 2014). We therefore conclude that focusing the research on a specific industry sector enabled the establishment of clear insights on entry mode choice (See Section 7.1.1) and significantly reduced the likelihood of inconclusive or contradictory findings.

7.1.3 The African context

The research undertaken established an increased academic and business need of understanding MNE behaviour in the African context on the part of South African business. From the interviews conducted we found a correlation at the corporate level, with the trend identified in Chapter 1, of increasing South African FDI on the African continent. Investment into the rest of Africa was integral to the strategies of all the organisations covered by this research. Simultaneously, we were able to identify unique issues contextual to Africa as a continent, such as the experiences with indigenisation (Andreasson, 2010) and how South African financial services MNEs are navigating this issue, as well as the means employed in commercialising an opportunity in relatively poor and small markets through leveraging shared capabilities. We therefore conclude that understanding the African context is important in exploring new areas in the field of international business which may not have been sufficiently covered by existing literature.

7.1.4 The applicability of established academic literature

Based on the application of our research findings to literature reviewed in Chapter 2 we arrived at the conclusion that Internationalisation Theory, Transaction Cost Theory (Anderson and Gatignon, 1986) and the OLI Paradigm (Dunning, 2000) is effective in providing a framework around which data obtained in international business research can be analysed, interpreted and described. We were provided with a framework to interpret entry mode motivations through the lens of risk avoidance and control of knowledge (Buckley, 2014); a means to articulate the principle of control and identifying qualitative measures to explain entry mode decisions (Anderson and Gatignon, 1986); as well as distinguish between firm and host country assets and capabilities (Dunning, 2000). We were furthermore able to ascertain how the Organisational Capability Perspective (Madhok, 1997) can effectively be used to build on Internationalisation Theory, Transaction Cost Theory and the OLI Paradigm to effectively explain the entry mode choices of financial services businesses in particular, based on the emphasis on firm capabilities and the ability to transfer them as a competitive differentiator. We also conclude that more recent theory developed to explain EMMNE internationalisation (Cuervo-Cazurra, 2012; Luo and Tung, 2007) has only partial applicability to South African financial services MNEs' expansion into the rest of the continent. This is because the core argument of this work on EMMNE entry modes is based on the MNE operating from a position of disadvantage or resource constraint, and moreover because this argument is located significantly within the context of a developing country MNE expanding into a more developed and sophisticated market. Overall, based on the above, we conclude that existing theories can be applied to the financial services sector and the African and South African contexts. However more focussed research is necessary to expand on the contextual and environmental factors which affect the degree to which the theory is applicable, which we have done in this paper by focussing on the financial services industry.

7.2 Implications for management

We believe that this research will contribute towards a greater understanding on the part of management, given the limited research and lack of data on entry mode choices pertaining to the African continent highlighted earlier in this paper (Perez-Villar & Seric, 2015; Ramamurti & Rao, 2009). For management in the financial services sector in particular, insights have emerged on how to leverage existing capabilities and knowledge for new market entry. The issue of commercially exploiting what are small markets on the African continent from a financial services perspective is an ongoing consideration. Our findings showed that South African financial services MNEs do this by feeding off existing knowledge and IP, and building business models that facilitate transfer of knowledge and capabilities across geographies. This is opposed to "reinventing the wheel" each time a new market is entered. This holds important lessons for inexperienced companies considering new market entry in unfamiliar territories. The answer to succeeding in foreign markets often lies in those assets the business already possesses. The lack of local capabilities and assets in the foreign market – which may be difficult to access in the beginning – need not be a barrier to entering that market. It is, however, significant for management that our findings show that the ability to deploy home-built capabilities and transfer knowledge while sufficiently mitigating host country risks is facilitated by shareholding control of the business. This is based on the number of arguments encountered around the benefits of majority shareholding and the problems associated with minority shareholding in establishing a pan-African footprint.

Yet our findings caution management against taking a one-size-fits-all approach to new market entry on the African continent. Our participants all highlighted the need to tailor South African capabilities and products to accommodate local nuances, while some participants referred to South African MNEs that have failed in the past by simply taking a "lift and drop approach". With many South African financial services MNEs traditionally accustomed towards servicing the middle class and affluent segment in South Africa, with little exposure to low income markets (Ramamurti and Singh, 2009), adaptation becomes necessary in countries in the rest of Africa where the size of the middle class and the numbers of formally employed people may not be at the same level as in South Africa. Cuervo-Cazurra and Genc (2011) suggested that EMMNEs have greater advantages in less developed countries due to having had to overcome similar difficulties in their own countries. However, looking specifically at the financial services sector, we identified that South African financial services MNEs in relation to the rest of Africa exhibited characteristics that could be associated more with AMMNEs. For example, they do not suffer from resource or technical knowledge deficiencies that may prompt low cost innovation (Kothari et al., 2013). Rather, South African financial services MNEs enter other African markets from a position of resource and knowledge superiority relative to local competitors. The only deficiency we could attribute to the South African financial services MNEs relates to local market knowledge, which our interview participants generally felt could be overcome by appointing the right local managers and having experienced local board members, and not just through local shareholders. The ability for learnings obtained in African markets to be applied in South Africa was explored in this research, though the availability of comparable experiences and learnings was not effectively articulated in the interviews from the responses of the participants.

Our findings also provide learnings to management on ways of effectively mitigating political risk, which we identified as important to the entry mode choice (De Villa et al., 2014). None of our interview participants revealed instances where, in their opinion, political risk was not being effectively mitigated. A variety of tools, such as localising shareholding, and appointing well networked local management and board members were employed. There were no instances noted where for instance, participants feared their operations as being under the risk of expropriation.

In addition, this research highlights to management the importance of a flexible strategic approach to the acquisitions versus greenfields debate. While a general preference emerged for acquisitions, our participants had experience of executing both approaches, which facilitated earlier market access than would have been the case with a more dogmatic approach. In some cases the initial establishment of a greenfield then lent itself to an acquisition in the same country at a later stage.

Finally, an important learning of significance to management is that differences between the different African countries are integral to building a successful MNE, as this permits financial and operational diversification and adds to the richness of an MNE's institutional knowledge. Much MNE literature has been devoted to understanding the dimensions and drivers of distance. Yet, in line with the arguments of Contractor et al. (2014) and Ramamurti (2012), diversity and differences within countries was seen as an advantage in the MNE's footprint.

7.3 Limitations of the research

As stated in Chapter 1, we limited our sample to one economic sector in order to enable the generation of clearer insights and address the issue of limited research on the impact of sectoral differences on entry mode (Contractor et al., 2014). While cognisant of the merits of a diverse sample, we were wary of a research outcome the results of which could possibly lead to conclusions that may be too generalised to add to the work already undertaken by prior researchers (Kothari et al., 2013). Our research paper therefore attempted to reconcile the need for diversity with the need for focus. It was for this reason that we did not do a single company case study but rather selected senior management participants from four different financial services businesses in order that insights gained would not be affected by peculiarities pertaining to one company. This, however, limited the population of potential research targets due to the financial services sector focus, and also the need to eliminate those businesses which do not have substantial levels of expansion activity and FDI in the rest of Africa. However, we are confident that the selection of ten participants from four different organisations met the need for diversity in the sample.

We should also note that the term “South African financial services MNE” was applied broadly to mean banks and insurance companies whose effective place of management and whose source of strategies regarding expansion into the rest of Africa is South Africa. “South African financial services MNE” within the context of this research also means organisations which are substantially under the influence of South Africa’s regulatory landscape. It is important to make this point given that, in a globalised world, with some MNEs of South African origin having dual stock exchange listings in both Johannesburg and other jurisdictions, and also having substantial shareholdings held by foreign individuals and organisations, the issue of the nationality of a company has become increasingly blurred.

Lastly, we believe that this research report has contributed, through its industry focus, to resolving the inconclusive findings around whether distance or LOF predicts an entry mode choice based on whole or majority ownership versus joint venture or minority ownership (Chang et al, 2012). However, the applicability of the research findings from financial services MNEs in a South African and African context beyond the African continent should be treated with caution until a basis for comparability with other global financial services businesses in Asia, Europe and the Americas is established.

7.4 Suggestions for future research

Based on section 7.3 above, we believe opportunities exist to broaden our research beyond South Africa and Africa in order to improve our understanding as to whether financial services businesses across the world confront similar strategic considerations in deciding on entry mode and whether they respond to these considerations in a similar way. This question was beyond the scope and resources of our current work. In addition to this, whereas this work has contributed to the question of whether financial services businesses will show results which may be distinct to a more heterogeneous sample, opportunities exist to do the same for other sectors. For example, does a sample comprised only of mining companies generate research outcomes which are different from a sample drawn from diverse industry sectors, and to what extent do the entry mode considerations of mining houses differ from banks?

In addition, as stated in Chapter 5, section 5.1, five of our ten research participants were foreign born and originate from countries on the African continent which have been targeted by South African financial services MNEs expanding into the African continent. While we assumed that the responses of these participants were framed within the context of their professional responsibilities and their leadership roles in the companies for which they work, we believe that there is an opportunity to investigate further whether the country of origin of management, or having a management team of diverse ethnicities and nationalities, positively or negatively impacts risk appetite and perceptions of institutional and cultural distance of MNEs expanding internationally. Nielsen and Nielsen (2011) posit that "executives' backgrounds, experiences greatly influence their interpretations of strategic decision making situations, and, in turn affect their choices" (Nielsen and Nielsen, 2011, p. 185). They found that the nationality diversity of top management had a positive likelihood of choosing shared control modes versus full control modes of entry. Within the African context, given indigenisation, we believe there is room for research on whether senior executives who originate from countries with indigenisation rules, or countries where the national character is shaped by nationalist sentiments, influence greater tolerance by the MNEs of which they are part, towards indigenisation and localisation regimes in target countries.

Nielsen and Nielsen (2011) also argued that MNEs whose senior management is knowledgeable about foreign cultures and have lived in other countries are better able to cope with diverse cultural, institutional and competitive environments and make strategic decisions resulting in better performance. This creates room for collection of data on financial metrics such as return on investment (ROI), comparing the performance of the rest of Africa operations of South African MNEs run by diverse management teams to those with homogeneous management teams.

Lastly, we believe that there is scope for distilling further the concept of legitimacy, which several participants mentioned as important to their internationalisation strategy, particularly with regards to localising part of their shareholding. Riemann, Ehrgott, Kaufman and Carter (2012) stated that MNEs are increasingly considering local values and the socio-economic role of their business in foreign markets. This is done in order to gain legitimacy, which is described as “the notion that among local stakeholders, that the presence of the firm is desirable and deserves acceptance and support” (Riemann et al., 2012, p. 2). The lack of legitimacy is seen as hampering the ability to conduct business successfully. Riemann et al. (2012) highlighted issues such as good working conditions and community development, while Moeller et al. (2013) added dimensions such as composition of the top management team, the number of personnel from the host versus home country, and career opportunities of host country personnel as other factors that may positively impact on legitimacy. However, our participants also believed that local shareholding aided legitimacy. As this was not the primary focus of our research we did not go into depth regarding which subjective measure of legitimacy was considered more significant by South African financial services MNEs among those mentioned above. This could be an area addressed by subsequent research using quantitative investigative tools such as Likert-type questionnaires.

REFERENCE LIST

Alvarez, I., & Marin, R. (2010). Entry modes and national systems of innovation. Journal of International Management 16, 340-353. doi: 10.1016/j.intman.2010.09.005

Anderson, E., & Gatignon, H. (1986). A Transaction Cost Analysis and Propositions. *Journal of International Business Studies 17*(3), 1-26. Retrieved from http://www.jstor.org/stable/154930

Andreasson, S. (2010). Confronting the settler legacy: Indigenisation and transformation in South Africa and Zimbabwe. *Political Geography 29*(8), 424 – 433. doi: 10.1016/j.polgeo.2010.10.003

Arslan, A., & Larimo, J. (2011). Greenfield Investments or Acquisitions: Impacts of Institutional Distance on Establishment Mode Choice of Multinational Enterprises in Emerging Economies. *Journal of Global Marketing 24*(4), 345-356. doi: 10.1080.08911762.2011.602323

Bangara., A., Freeman, S., & Schroder, W. (2012). Legitimacy and accelerated internationalisation: An Indian perspective. *Journal of World Business 47*(4), 623-634. doi:10.1016/j.jwb.2011.09.002

Birkinshaw, J., Brannen, M & Tung, R. (2011). From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research. *Journal of International Business Studies 42*(5), 573-581. doi:10.1057/jibs.2011.19

Bouvatier, B. (2014). Heterogeneous bank regulatory standards and the cross-border supply of financial services. *Economic modelling 40*, 342 – 354. doi:10.1016/j.econmod.2014.04.013

Brouthers, K. (2002). Institutional, Cultural and Transaction Cost Influences on Entry Mode Choice and Performance. *Journal of International Business Studies 33*(2), 203-221. doi:10.1057/palgrave.jibs.8491013

Brouthers, K., & Brouthers, L. (2000). Acquisition or Greenfield Start-up: Institutional, Cultural and Transaction Cost Influences. *Strategic Management Journal 21*(1), 89-97. Retrieved from http://www.jstor.org/stable/3094121

Brouthers, K., & Brouthers, L. (2001). Explaining the National Cultural Distance Paradox. *Journal of International Business Studies 32*(1), 177-189. Retrieved from http://www.jstor.org/stable/3069516

Brouthers, K., Brouthers, L., & Werner, S. (1999). Is Dunning's Eclectic Framework Descriptive or Normative? *Journal of International Business Studies 30*(4), 831-844. Retrieved from http://www.jstor.org/stable/155348

Buckley, P. (2014). *Forty years of internationalisation theory and the multinational enterprise. Multinational Business Review 22*(3), 227-245. Retrieved from http://0-dx.doi.org.innopac.up.ac.za/10.1108/MBR-06-2014-0022

Chang, Y., Kao, M., Kuo, A., & Chiu, C. (2012). How cultural distance influences entry mode choice. The contingent role of host country's governance quality. *Journal of Business Research 65*(8), 1160-1170. doi:10.1016/j.jbusres.2011.07.033

Chen, T., Chen, H., & Ku, Y. (2012). Resource dependency and parent subsidiary capability transfers. *Journal of World Business 47*(2), 259 – 266. doi: 10.1016/j.jwb.2011.04.013

Chun, B. (2012) Host country's strategic policies and multinational firm's choice of entry mode. *Economic Modelling 29*(2), 435-443. doi:10.1016/j.econmod.2011.11.014

Chung, C., Seung-Hyun, L., Beamish, P., Southam, C., & Nam, D. (2013). Pitting real options theory against risk diversification theory: International diversification and joint ownership control in economic crisis. *Journal of World Business 48*(1), 122-136. doi: 10.1016/j.jwb.2012.06.013

Contractor, F. (2013). Punching above their weight: The sources of competitive advantage for emerging market multinationals. *International Journal of Emerging Markets 8*(4), 304-328. doi:10.1108/IJoEM.06.2013.0102

Contractor, F., Lahiri, S., Elango, B., & Kundu, S. (2014). Institutional, cultural and industry related determinants of ownership choices in emerging market FDI acquisitions. *International Business Review 23*(5), 931–941. doi:10.1016/j.ibusrev.2014.02.005

Cuervo-Cazurra, A. (2012). Extending Theory by Analysing Developing Country Multinational Companies: Solving the Goldilocks debate. *Global Strategy Journal 2*(3), 153-167. doi: 10.1111/j.2042-5805.2012.01039.x

Cuervo-Cazurra, A., & Genc, M. (2011). Obligating, Pressurising and Supporting Dimensions of the Environment, and the Non-Market Advantages of Developing Country Multinational Companies. *Journal of Management Studies, 48*(2), 442-455. doi: 10.1111/j.1467-6486.2010.00964.x

Danis, W., De Clercq, D., & Petricevic, O. (2011). Are social networks more important for new business activity in emerging than developed economies*? An empirical extension. International Business Review 20*(4), 394-408. doi.1016/j.ibusrev.2010.08.005

De Buele, F., Elia, S., & Piscitello, L. (2014). Entry and Access to Competencies Abroad: Emerging Market Firms versus Advanced Market Firms. *Journal of International Management 20*(2), 137-152. doi:10.1016/j.intman.2013.05.002

De Haan, L & Kakes, J. (2010). Are non-risk based capital requirements for insurance companies binding? *Journal of Banking and Finance 34*(7), 1618 – 1627. doi: 10.1016/j.jbankfin.2010.03.008

De Villa, M., Rajwani, T., & Lawton, T. (2014). Market entry modes in a multipolar world: Untangling the moderating effect of the political environment*. International Business Review, 24*(3), 419-429. doi:10.1016/j.ibusrev.2014.10.001

Dikova, D., & Sahib, P. (2013) Is cultural distance a bane or a boon for cross-border acquisition performance? *Journal of World Business 48*(1), 77-86.doi:10.1016/j.jwb.2012.06.009

Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies 42*(5), 582-590. doi:10.1057/jibs.2011.18

Dunning, J. (1980). Towards an Eclectic Theory of International Production. Some Empirical Tests. *Journal of International Business Studies, 11*(1), 9-31. doi:10.1057/palgrave.jibs.8490593

Dunning, J. (2000). The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review 9*(2). 163-190. doi:10.1016/S0969-5931(99)00035-9

Dunning, J. (2001). The eclectic (OLI) paradigm OF International Production: Past Present and Future. *International Journal of the Economics of Business 9(2)*. 173-190. doi:10.1080/13571510110051441

Ernst and Young. (2015). *Africa Attractiveness Report*. Retrieved from http://emergingmarkets.ey.com/wp-content/uploads/downloads/2015/06/new.pdf

Fang, Y., Wade, M., Delios, A., & Beamish, P. (2013). An exploration of multinational enterprise knowledge resources and foreign subsidiary performance. *Journal of World Business 48*(1), 30 – 39. doi: 10.1016/j.jwb.202.06.004

Hennart, J.F. (2009). Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. *Journal of International Business Studies 40*, 1432–1454. doi:10.1057/jibs.2009.42

Hennart, J.F. (2010). Transaction Cost Theory and International Business. *Journal of Retailing 86(3)*, 257–269. doi:10.1016/jretai.2010.07.009

Hernandez, V., & Nieto, M.J. (2015). The effect of the magnitude and direction of institutional distance on the choice of international entry modes. *Journal of World Business 50*(1), 122-132. doi:10.1016/j.jwb.2014.02.002

Hoenes, A., Nell, P., & Ambos, B. (2014). MNE entrepreneurial capabilities at intermediate levels: The roles of external embeddedness and heterogeneous environments. *Long Range Planning 47*(1), 76 - 86. doi:10.1016/j.lrp.2013.08.009

Johanson, J., & Vahlne, J. (1977). The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies 8*(1), 23-32. Retrieved from http://0-www.jstor.org.innopac.up.ac.za/stable/254397

Karabay, B. (2010). Foreign direct investment and host country policies: A rationale for using ownership restrictions. *Journal of Development Economics.93*(2). p 218 – 229. doi:10.1016/j.jdeveco.2009.11.003

Kothari, T., Kothabe, M., & Murphy, P. (2013). Rules of the Game for Emerging Market Multinational Companies from China and India. *Journal of International Management 19*(3), 276-299. doi:10.1016/j.intman.2013.03.007

Kouki, I., & Al-Nasser, A. (2014). The implication of banking competition: Evidence from African countries. *Research in International Business and Finance,* 1-18. doi: 10.1016/j.ribaf.2014.09.009

Liu, X., Gao, L., Lu, J., & Lioliou, E. (2015). Environmental risks, localisation and the overseas subsidiary performance of MNEs from an emerging economy. *Journal of World Business*, 1 -13. doi: 10.1016/j.jwb.2015.05.002

Lo, F-Y. (2015). Transaction cost determinants and advantage transferability's effect on international ownership strategy. *Journal of Business Research 68*(11), 1-5. doi:10.1016/j.jbusres.2015.06.017

Luo, Y., & Tung, R. (2007). International expansion of emerging market enterprises: A springboard perspective. *Journal of International Business Studies, 38*(4), 481-498. doi:10.1057/palgrave.jibs.8400275

Luo, Y., Shenkar, O., & Nyaw, M-K. (2002). Mitigating liabilities of foreignness: Defensive versus offensive approaches. *Journal of International Management 8*(3), 282-300. doi:10.1016/S1075-4253(02)00073-X

Madhok, A. (1997). Cost, Value and Foreign Market Entry Mode: The Transaction and the Firm. *Strategic Management Journal 18*, 39-61. doi: 10.1002/(SICI)1097

Madhok, A., & Keyhani, M. (2012). Acquisitions as entrepreneurship: asymmetries, opportunities, and the internationalization of multinationals from emerging economies. *Global Strategy Journal 2*(1), 26-40. doi: 10.1002/gsj.1023

Meyer, K., Mudambi, R., & Narula, R. (2011). Multinational Enterprises and Local Contexts" The Opportunities and Challenges of Multiple Embeddedness. *Journal of Management Studies 48*(2), 235-251. doi: 10.1111/j.1467-6486.2010.00968.x

Meyer, K., Wright, M., & Pruthi, S. (2009). Managing Knowledge in Foreign Entry Strategies: A Resource Based Analysis. *Strategic Management Journal 30*(5), 557-574. doi: 10.1002/smj.756

Miles, M., Huberman, A.M, & Saldana, J. (2014). *Qualitative Data Analysis: A Methods Source Book* [Kindle DX Version]. California. United States of America. Sage Publications. Retrieved from Amazon.com

Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013). The impact of country of origin on the acceptance of foreign subsidiaries in host countries: An examination of the "Liability of foreignness". *International Business Review 22*(1), 89-99. doi: 10.1016/j.ibusrev.2012.02.006

Morschett, D., Schramm-Klen, H., & Swoboda, B. (2010). Decades of research on market entry modes: What we really know about external antecedents of entry mode choice? *Journal of International Management 16*(1), 60-77. doi: 10.1016/j.intman.2009.09.002

Nielsen, B., & Nielsen, S. (2011). The role of top management team international orientation in international strategic decision making: The role of foreign entry mode choice. *Journal of World Business 46*(1), 185 – 193. doi: j.jwb.2010.05.003

Park, B. (2012). What changes the rules of the game in wholly owned subsidiaries? Determinants of knowledge acquisition from parent firms. *International Business Review 21*, 547-557. doi: 10.1016/j.ibusrev.2011.07.002

Park, B., & Choi, J. (2014). Control mechanisms of MNEs and absorption of foreign technology in cross border acquisitions. *International Business Review 23*(1), 130-144. doi:10.1016/j.ibusrev.2013.03.004

Pennathur, A. & Vishwasrao, S. (2014). The financial crisis and bank–client relationships: Foreign ownership, transparency, and portfolio selection. *Journal of Banking & Finance 42*(5), 232-246. doi: 10.1016/j.jbankfin.2013.11.026

Pérez-Villar, L., & Seric, A. (2015). Multinationals in Sub-Saharan Africa: Domestic linkages and institutional distance. *International Economics 142*(8), 94–117. doi: 10.1016/j.inteco.2014.06.001

Poulis, K., Poulis, R., & Plakoyiannaki, E. (2013). The role of context in case study selection: An international business perspective. *International Business Review 22*(1), 304 – 311. doi:10.1016/j.ibusrev.2012.04.003

Ramamurti, R. (2012). What is really different about Emerging Market Multinationals? *Global Strategy Journal 2*(1), 41-47. doi: 10.1002/gsj.1025

Ramamurti, R., & Singh, J. (2009). *Emerging Multinationals in Emerging Markets.* Cambridge. England. Cambridge University Press

Reimann, F., Ehrgott, M., Kaufman, L., & Carter, C. (2012). Local stakeholders and local legitimacy: MNEs social strategies in emerging economies. *Journal of International Management 18*(1), 1-17. doi: 10.1016/jintman.2011.06.002

Ripolles, M. & Blesa, A.(2012). International new ventures as "small multinationals": The importance of marketing capabilities. *Journal of World Business 47*(2), 277–287. doi:10.1016/j.jwb.2011.04.015

Ripolles, M., Blesa, A., & Monferrer, D. (2012). Factors enhancing the choice of higher resource commitment entry modes in international new ventures. *International Business Review 21*(4), 648–666. doi:10.1016/j.ibusrev.2011.07.007

Saunders, M., & Lewis, P. (2012). *Doing Research in Business and Management. An Essential Guide to Planning Your Project*. Essex. England: Pearson Education Limited.

Svendsen, M., & Haughland, S. (2011). Host country pressures and cross-border relationship governance. *International Business Review 20*(3). 324-377. doi:10.1016/j.ibusrev.2010.10.004

Tseng, C-H., & Lee, R. (2010). Host environmental uncertainty and equity based entry mode dilemma. The role of market linking capability*. International Business Review 19*(4), 407-418. doi:10.1016/j.ibusrev.2010.03.002

UNCTAD (2013). *World Investment Report 2013*, United Nations, Geneva. Retrieved from http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf

UNCTAD (2015). *World Investment Report 2015*, United Nations, Geneva. Retrieved from http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

Van den Waeyenberg, S., & Hens, L. (2012). Overcoming Institutional Distance: Expansion to base of the pyramid markets. *Journal of Business Research 65*(12), 1692-1699. doi:10.1016/j.jbusres.2012.02.010

Welch, C., Marschan-Piekkari, R., Penttinen, H., & Tahvanainen, M. (2002). Corporate elites as informants in qualitative international business research. *International Business Review 11*(5), 611–628. doi:10.1016/S0969-5931(02)00039-2

Welch, C., Piekkari, R., Plakoyiannaki, E., & Paavilainen-Mäntymäki, E. (2011). Theorising from case studies: Towards a pluralist future for international business research. *Journal of International Business Studies 42*, 740–762. doi:10.1057/jibs.2010.55

World Economic Forum. (2013). *The Global Competitiveness Report 2013–2014*. Retrieved from http://www.weforum.org/reports/global-competitiveness-report-2013-2014.

Yearworth, M., & White, L. (2013). The uses of qualitative data in multi-methodology: Developing causal loop diagrams during the coding process. *Journal of European Operational Research 231*(1), 151 – 161. doi: 10.1016/j.ejor.2013.05.002

Zander, U., Zander, L., Gaffney, S., & Olsson, J (2010). Intersectionality as a new perspective in international business research. *Scandinavian Journal of Management 26*(4), 457-466. doi:1016/j.scaman.2010.09.011

APPENDIX 1 – INTERVIEW SCHEDULE USED FOR THE RESEARCH PROJECT

GENERAL: GIVEN A CHOICE WOULD YOU PREFER TOTAL CONTROL IN ALL YOUR AFRICAN OPERATIONS AND WHY?

SECTION 1: IMPACT OF ENTRY MODE CHOICES ON RISK MANAGEMENT PRACTICES

a) To what extent do you apply a common risk management framework across all your African businesses and is it common with South Africa or different in each country

----

----

b) How much influence does SARB/FSB have on the Risk and Governance requirements you have of your operations in Africa outside South Africa

----

----

c) Are your group risk standards more onerous than local competitors in home countries and does this negatively impact on your ability to respond quickly to changes in the environment? How does this affect relations with local shareholders

----

----

d) Do local partners/directors in the various countries see value in implementing South African risk management and governance standards in-country or are these seen as impediments to value creation in-country

----

----

e) Do your Risk and Governance expectations cause conflict at Board level with local partners in the country in which you operate
----

----

f) Given regulatory uncertainty and an uncertain domestic environment coupled with the need to sufficiently mitigate identified risks, do you prefer shared control (locals with significant minority) shareholding or full control
----

SECTION 2: IMPACT OF INSTITUTIONAL DISTANCE, PROPERTY LAW IN ENTRY MODE CHOICES AND THE ROLE OF LOCAL PARTNERS

a) Is the need to protect intellectual property and intangible assets e.g. brand, product, a greater consideration in determining the preferred shareholding in a foreign venture than any advantages that local shareholders may bring e.g. local market knowledge
----

----

b) To what extent do local partners/shareholders help in enabling access to regulators/government or resolving regulatory concerns in your industry
----

----

c) As a service business, do you find that you a faced with less political risk than resource based industry
----

----

d) Where partnering with locals is preferred what is the main motivation in seeking to partner with locals
----

----

e) From a resourcing perspective, what is the main attribute that locals bring
----

----

f) Do you find that local partners contribute to the business in a way that is proportionate to their economic interest
----

SECTION 3: THE ROLE OF LOCAL MARKET KNOWLEDGE AND THE IMPACT OF THE TRANSFERABILITY OF INTELLECTUAL PROPERTY & INSTITUTIONAL KNOWLEDGE IN DETERMINING ENTRY MODE CHOICE

a) Do our institutional knowledge, technology and expertise developed in South Africa reduce the need for partnering with local market as our own capabilities make up for any lack of local market knowledge and give us advantages over competitors?

----

b) Does our marketing ability, marketing assets and brand mitigate any risks associated with foreign markets and reduce the need to partner with locals?

----

c) Does our institutional knowledge and expertise developed in South Africa mitigate any institutional and market risks encountered in the local environment?

----

d) Do our brand and products, together with expertise in developing new products serve as the decisive competitive factors in the foreign markets?

----

e) Does the expansion of our business into less affluent markets in the Rest of Africa provide an opportunity to learn lessons that can be applied to mass market/ lower LSM segments in South Africa?

----

f) Is lack of local partners not a handicap given our market reputation across the African continent – this is the same irrespective of which African region?

----

g) Are intellectual property laws as effective as in South Africa?

----

h) Will higher shareholding levels enable us to protect our intellectual property better in countries where laws around intellectual property are not well developed?

i) Is business knowledge, experience and internal capabilities in South Africa easily replicable and exportable to other African markets?

SECTION 4: DOES EXPERIENCE OF THE SOUTH AFRICAN MARKET PROVIDE AN ADVANTAGE AGAINST FIRST WORLD MULTINATIONALS ALSO COMPETING ON THE CONTINENT

a) Do the economic and political, conditions in South Africa make it easier to adapt to economic and political conditions in the Rest of Africa? and How?

b) Does experience of dealing with low income customers in South Africa provide an advantage when competing with competitors from developing countries

c) Do cost efficiencies and low price-points developed for South Africa's markets enable your company to defend its market against foreign insurers/banks?

SECTION 5: THE EXTENT TO WHICH DIFFERENCES BETWEEN MARKETS DRIVE EITHER RISK MITIGATING OR OPPORTUNITY SEEKING BEHAVIOUR (AND THE IMPACT OF RISK MITIGATION OR OPPORTUNITY SEEKING BEHAVIOUR ON ENTRY MODE CHOICES)

a) Differences in market development in African countries, offers new business opportunities that would not otherwise exist?

b) Which would you say holds truest for your business
   - ✓ Expanding into more countries in Africa increases our risk profile
   - ✓ Expanding into more countries enables us to diversify risk

c) Do differences across African markets provide additional costs of doing businesses or do they provide opportunity for regulatory arbitrage?

d) Local partners make it difficult to realise the benefits of risk diversification?

e) The presence of local partners in a business does not allow our wider group to realise the benefits of risk diversification or arbitrage?

SECTION 6: THE ROLE OF LOCAL MARKET STRUCTURE AND SYSTEMS OF INNOVATION IN DETERMINING ENTRY MODE CHOICE

a) Does a strong entrepreneurship culture and evidence of innovative capability in a local market act as an incentive or disincentive for a South African MNE.? If an incentive is a greenfield or M&A preferred

----

b) Does a strong entrepreneurship culture and evidence of innovative capability support partnering with locals in a venture to benefit from that entrepreneurial culture

----

c) Do oligopolistic markets in African Financial Services markets lend themselves to acquisition as market entry strategy or can greenfields be viably established in such markets. What is the best way of entering a concentrated market?

----

a) Do oligopolistic markets create better incentives for larger capital commitments?

SECTION 7: THE IMPACT OF INDIGENISATION AND LOCALISATION REQUIREMENTS IN DIFFERENT MARKETS ON ENTRY MODE CHOICES

a) How do localisation requirements affect our willingness to enter a market?

----

b) Do we view markets with localisation requirements as riskier, as or less risky than those without?

----

c) Do we fear nationalisation or expropriations in any of our markets ?

----

d) Given stringent localisation requirements do we prefer start-up businesses or do we prefer huge capital commitments associated with large acquisitions?

APPENDIX 1B – INFORMED CONSENT SCHEDULE

1 June 2015

Dear Sir/Madam

Masters' of Business Administration Research Project

I am conducting research on South African Financial Services companies expanding into the Rest of Africa. The purpose of the research is understanding the pattern of growth of South African Multinational Enterprises (MNEs) on the African continent, and how differences and similarities between the South African and African business environments affect investment patterns. In particular I will be seeking to gather data by interviewing you on how perceived risk and the need to access and protect market knowledge in a foreign African country will affect the entry mode choices of South African Financial Services MNEs? The term "entry mode choice" in this context refers to:

a) Whether the South African Company will chose a wholly owned/majority owned stake in a foreign based business or whether they will chose a joint venture/minority stake
b) Whether they will acquire an existing business in the foreign country or whether they will establish a greenfields business

Our interview is expected to last about one and half hours, and will help us understand how South African Financial Services Businesses, based on their perception of risk and their need to compete effectively in a foreign African market will decide on the size and form of their investment in a given foreign market. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact my supervisor or I. Our details are provided below.

Researcher name: Takura Mudekunye

Email: 447442@mygibs.co.za

Phone: +27 82 908 3558

Research Supervisor name: Albert Wocke

Signature: ___________________________________

Email: wockea@gibs.co.za

Phone: +27 11 771 4000

Signature of participant: ___________________________________

Date: _________________

Signature of researcher: ________________________________

Date: ________________

APPENDIX 2 - COMPARISON OF FINANCIAL SERVICES INDUSTRIES – SELECTED AFRICAN COUNTRIES

Ranked country	Availability of Financial Services	Financiing through equity market	Soundness of Banks	Regulation of securities exchanges	Availability of financing through venture capital	Strength of reporting and auditing standards	Protection of minority shareholder interests	Capacity for innovation
South Africa	**6**	**3**	**6**	**1**	**6**	**1**	**2**	**35**
Nigeria	87	46	78	65	131	88	90	73
Kenya	56	30	54	47	43	68	60	33
Ghana	99	38	97	80	36	101	78	49
Botswana	72	56	43	57	67	43	43	106
Egypt	129	60	110	107	103	117	109	132
Morocco	59	49	42	49	49	49	59	118
Zimbabwe	107	80	136	63	140	38	74	121

Source: Global Competitiveness Report 2013/14

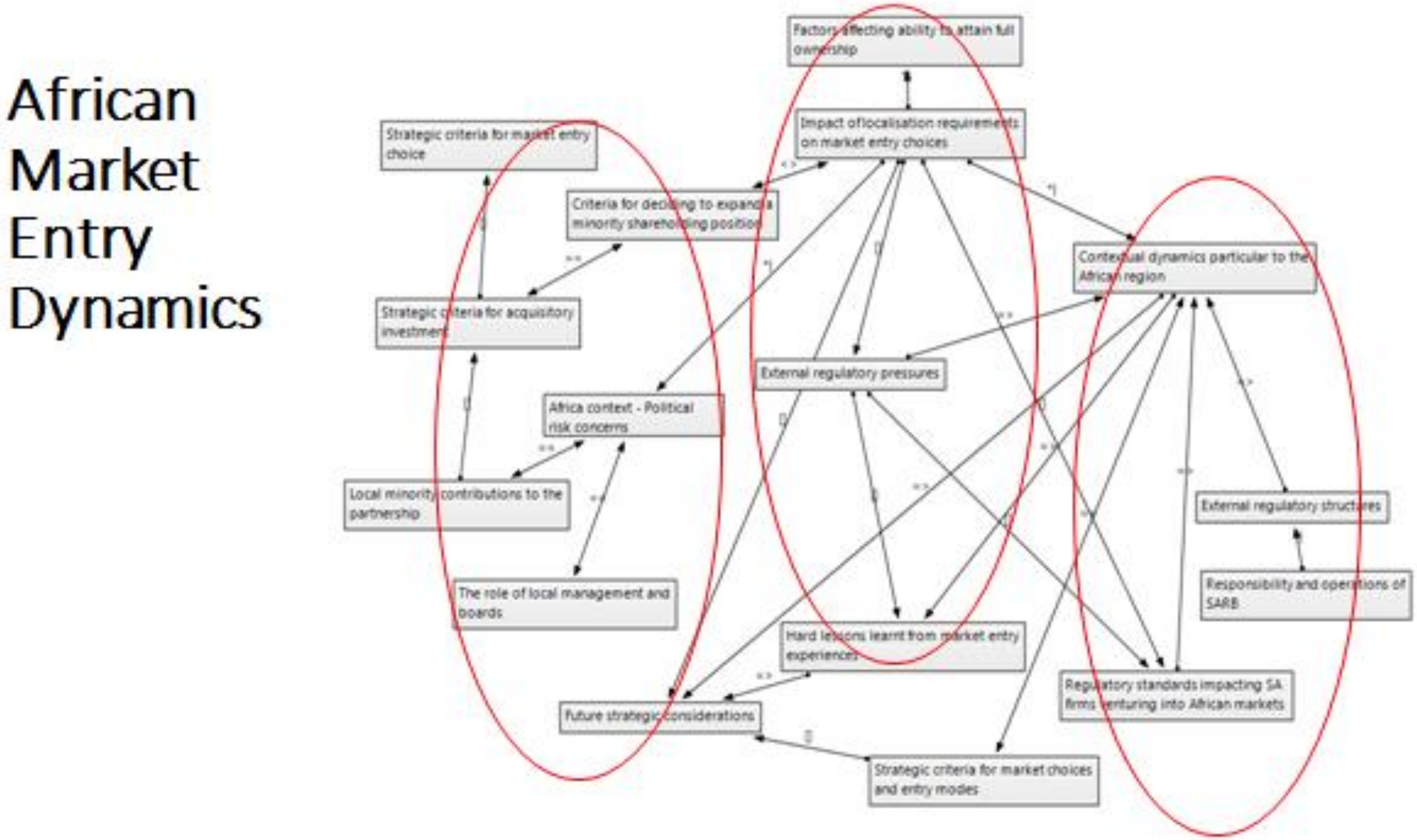
APPENDIX 3 - LIST OF CODES USED FOR DATA ANALYSIS

Rank	Code	Number of quotes per code
1	Contextual dynamics particular to the African region {107-14}	107
2	Navigating the market entry process {68-1}	68
3	Challenges faced by internationalising firms {44-1}	44
4	Regulatory standards impacting SA firms venturing into African markets {42-3}	42
5	The role of local management and boards {40-1}	40
6	Local minority contributions to the partnership {38-2}	38
7	Moulding effective integration and interaction {37-0}	37
8	Strategic criteria for market choices and entry modes {31-2}	31
9	Approach to managing subsidiary risk {30-1}	30
10	Sources of in country risks {29-0}	29
11	Competency advantages of internationalising firms {28-0}	28
12	The ideal ownership scenario {28-1}	28
13	Product & Segment operating models {21-0}	21
14	Strategic criteria for acquisition investment {21-3}	21
15	Challenges of minority shareholding structures {20-0}	20
16	Hard lessons learnt from market entry experiences {20-4}	20
17	Benefits of majority shareholding structures {19-1}	19
18	External regulatory pressures {19-4}	19
19	Future strategic considerations {19-4}	19
20	Impact of localisation requirements on market entry choices {16-7}	16
21	Strategic assets for new market entry {16-0}	16
22	Strategic capabilities of SA firms {16-1}	16
23	Shortcomings specific to some of the SA internationalising firms {14-0}	14
24	Considerations when weighing extent of autonomy in managing risk {13-0}	13

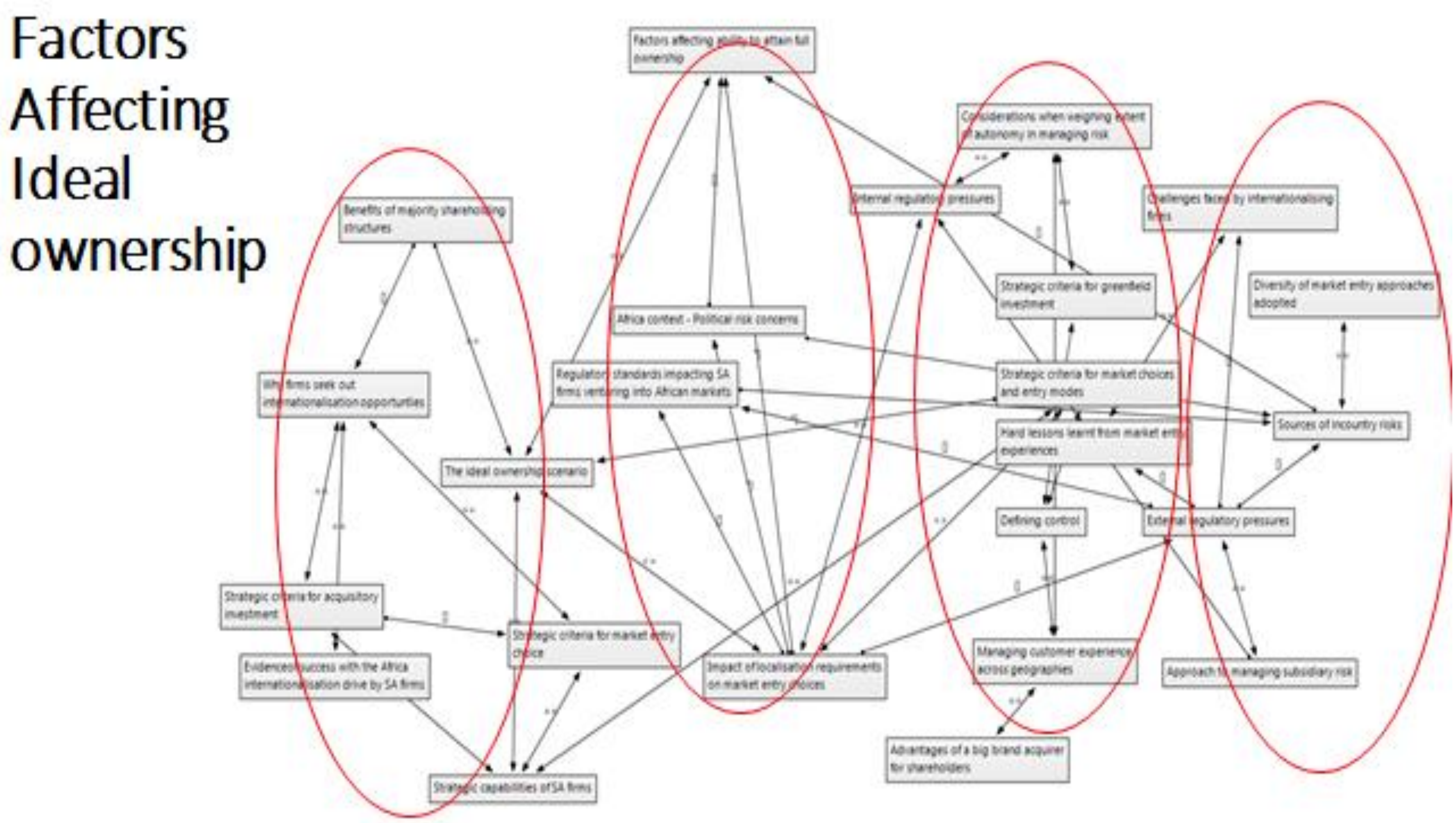
APPENDIX 3 - LIST OF CODES USED FOR DATA ANALYSIS (continued)

Rank	Code	Number of quotes per code
25	Internal regulatory pressures {13-0}	13
26	Why firms seek out internationalisation opportunities {13-0}	13
27	Diversity of market entry approaches adopted {12-0}	12
28	Strategic criteria for greenfield investment {12-0}	12
29	Strategic criteria for market entry choice {10-1}	10
30	Advantages of a big brand acquirer for shareholders {9-0}	9
31	Evidence of success with the Africa internationalisation drive by SA firms {9-0}	9
32	Factors affecting ability to attain full ownership {9-1}	9
33	Disadvantages of big brand acquirer firms {8-0}	8
34	External regulatory structures {8-2}	8
35	Importance of cultural realignment {8-0}	8
36	Defining control {7-0}	7
37	International company contribution to the partnership {7-0}	7
38	Managing customer experience across geographies {7-0}	7
39	OLI advantages of internationalising SA firms {7-0}	7
40	Criteria for deciding to expand a minority shareholding position {6-2}	6
41	Responsibility and operations of SARB {6-1}	6
42	Retail banking strategic considerations {6-0}	6
43	Sources of conflict between the local and internationalising firms {6-1}	6
44	Symbiotic synergies {6-0}	6
45	Africa context - Political risk concerns {6-3}	3
46	Corporate banking strategic considerations {3-0}	3
47	Distinction in strategic drivers for corporate vs retail banking {2-0}	2
48	Approaches taken to navigate market entry {1-0}	1
49	Competitive rivalry between SA firms and other international firms {1-1}	1

APPENDIX 4 – CODING NETWORK DIAGRAMS

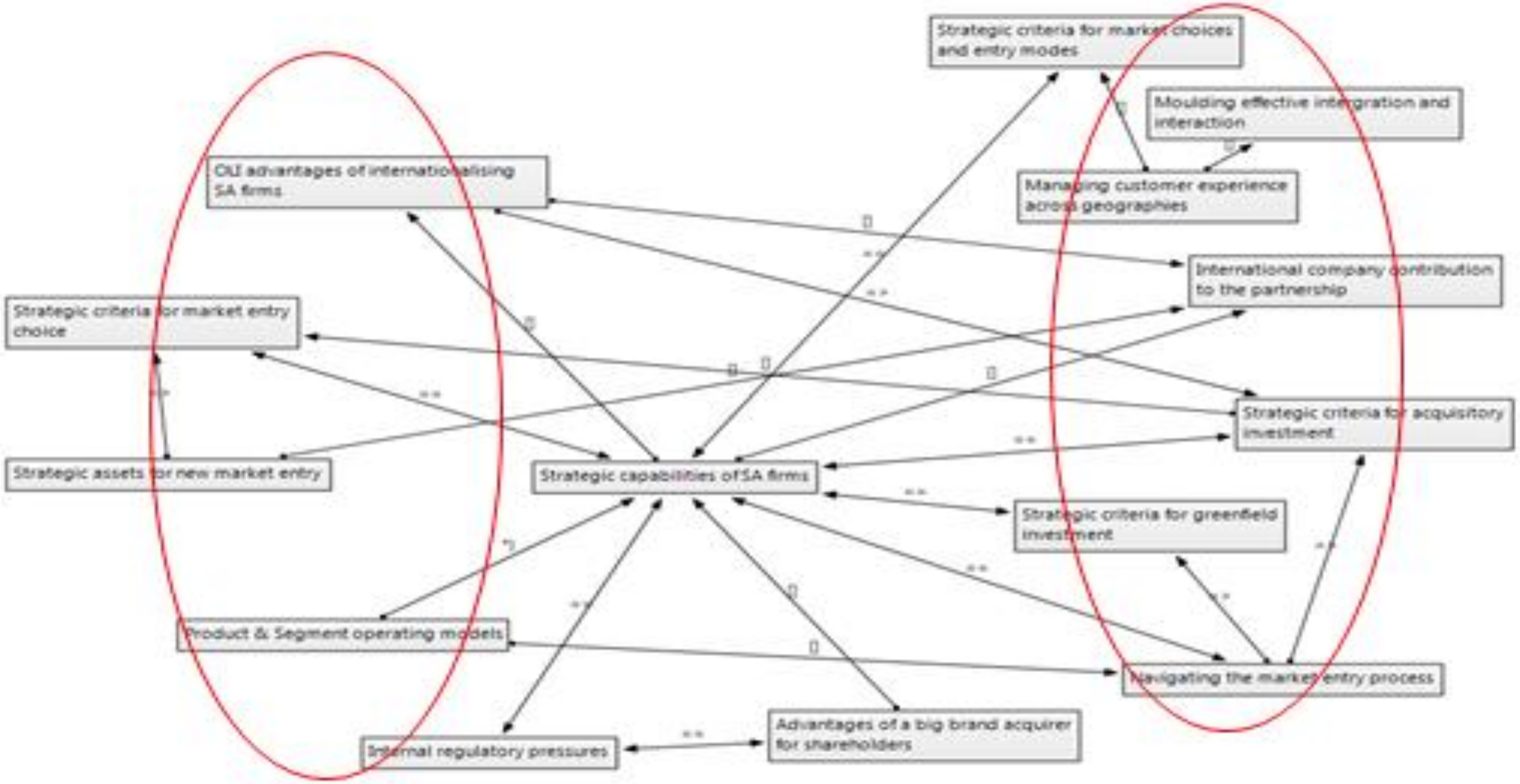


APPENDIX 4 – CODING NETWORK DIAGRAMS (CONTINUED)



APPENDIX 4 – CODING NETWORK DIAGRAMS (CONTINUED)

Competencies of Internationalising Firms



APPENDIX 5 – SUMMARY OF KEY QUOTATIONS PER PROPOSITION

Proposition 1: South African Financial Services MNEs will opt for full ownership or higher shareholding percentages when expanding into the Rest of Africa, and faced with institutional and cultural distance

Company A - Interview 1

No	Quotation
1	"Automatically everything that we do looks towards keeping 51% ownership of all organisations"
2	"I really do not like 49% for a few reasons. One, the capital implications of a minority shareholding. Two, the regulatory impact which is you are not controlling so therefore your home regulator doesn't like it. And just the ability to have reliance on your investment is limited".
3	"I think therefore the simple answer would be more than 50% preferably 100% but not only 100%, having clear reasons why you would reduce it from 100% towards 50%".
4	"I see management and boards as more important than ownerships (in overcoming lack of knowledge of the local markets)…. Yes, and again localisation would impact management more than shareholding".

Company A - Interview 2

No	Quotation
1	"I will call it an overwhelming majority stake, it makes your cause a whole lot easier. You've got far fewer minority shareholders to contend with".
2	"The recruitment or appointment philosophy is that we will recruit someone that obviously understands banking, has business acumen, but is also politically connected at a country level if we are appointing a local CE".

Company A - Interview 3

No	Quotation
1	"From an operational risk management perspective, we tend to leverage global systems, which will cover investment banking and a single view of a customer which is an amalgamated view of each of the customers entities, across the world, …if you don't have a controlling stake it limits your ability also to have that visibility".
2	"The minority interests are good….good in a sense that they should bring…capabilities into the market as we are an international player in this case…… should be able to help us navigate where we are making wrong choices for the local market".
3	"From a shareholding perspective, I think the discipline they bring is more board level, … the minority interest, … they are not the arbiters of local market intelligence, that is the local management team".

Company A - Interview 4

No	Quotation
1	"The minority aspect becomes a very expensive aspect to running a business, ...in Swaziland, so we own 65% but we are trying to get 10% back".
2	"So where you have this 30/40% you can part with, so generally yes I think it gives you legitimacy, it improves relationships with the government, with the regulator, with the locals, the bulk of your stakeholders would look at it positively".
3	"Where we have got minorities we do things very carefully, about what they are putting in there, what they are getting out, they feel these minorities have a free ride".
4	"Where we have minorities we do have minority representatives, but we also have independent non execs who also add a lot of value….., I think the beauty about making sure that your board is more diversified to enable that, to say if you've got a person with a HR background, they can give you insights into the laws and how these people work and .. If you have a marketing person, they can give you insights about customers and the rest of it".

Company B - Interview 1

No	Quotation
1	" The financial benefits is the main reason why we want such high percentage shareholding, if not 100%…. we are introducing and putting our intellectual property and intangible assets i.e. brand, product design, etc., into that country and we are bringing all our intellectual expertise from SA".
2	"Even 40% (shareholding), is it really maximising your diversification of risk of the single territory? I am not quite sure it does; I think it brings with it more risk and increases the risk profile in those African territories. Well it increases our risk profile because of the insignificant or minority shareholding it has in those territories". "The question here is, do they contribute in a way proportionate to their economic interest? Ja. I think some of those businesses they absolutely don't. Uganda, I think they absolutely don't contribute at all –proportionate – whatsoever".
3	"If you have very good management that may assist as well; if you have very good management who have the eyes or ears of government or certain of the regulators – that is just as good. So I really don't think that shared control is swung on that point of view, or should be swung on that point of view".

Company B - Interview 2

No	Quotation
1	"I think majority ownership is attractive for those reasons we talked about under the 100%. That probably you are going to have to do a lot of the technical support and that and if you can't fully charge for that then it becomes important to have a larger share. And I think because the scale of the markets is relatively small. For a big multinational company that is trying to get moving the earnings dial I think that is why the bigger shareholding is attractive".
2	"I also think that you land up being blindsided to some extent about practicalities, networks, etc. in the country. I think the reality is that you probably need a level of local shareholding even if there is a lot of attraction in 100% shareholding".
3	"I also think you mustn't abdicate that the Managing Director (MD) typically should be a local person that should have access to the regulator and the ability to influence through industry bodies is part of their key KPIs".

Company C – interview 1

No	Quotation
1	"Given a choice I would prefer to own businesses at an equity level of about seventy five percent, I would actually say between seventy and seventy five percent and I would ensure that I have locals who own the remainder between twenty and twenty five percent. For very simple reasons; One is I believe local ownership is important". "Fifty one percent will always be your starting point but I believe for the kind of IP that a Multinational brings to bear you'd want as much economic interest as you can. But I think within reason and within meaning I think seventy percent is reasonable".
2	"I just feel that the foreign multinational that has local shareholders for me the success rate has increased because of those additional insights that those guys bring to bear at board levels , at strategy levels etc."
3	"I find that the more open you are with local shareholders and senior management the better they become cheerleaders for you, they will talk to government officials, they will talk to the president, they will talk to regulators".

Company C – Interview 2

No	Quotation
1	"As a brand, a business fairly entrenched 20 years plus in all of these markets, so from a market risk point of view we fairly comfortable … the sort of risks you would want to mitigate by having a partner don't exist. Ja very much so, so why give away part of your value if those risks are mitigated".
2	"Although in that case where we were willing to go with a minority shareholding, the risk mitigating arrangement we had was…..we could structure any agreement and shareholding we have with any partner to the extent that we would say ok we would take 40% but we've got a 2 year very clear, clear cut path we going to follow to the extent that in two years we take (majority) ownership".
3	"Ja, look I mean we were quite thoughtful about those sort of issues from the outset so what we said was in the absence of a local shareholding into our business entities, lets still make sure we are seen to be a locally led business. So will source the MD's from the market, to the extent that the individuals are properly networked". And they will be principal officers of those businesses. And they move those hurdles for us, they really help us get over those hurdles. In addition to that, at a board level we will also target individuals that have clout in the market who we will remunerate properly as directors".

Company D – Interview 1

No	Quotation
1	"And the small minority stakes that exist yet we tend to kind of use them as well to kind of lobby to certain things".
2	"You want to leverage your strategic partnership. To enable you to unlock greater value. And can we achieve it with the 51 (%)? Can we achieve it with something smaller? And I think that maybe our track record kind of demonstrates quite a lot of that. It is always more than 51%".
3	"I would go as far as to say our management is very connected to what is happening in the political space……our local strategic partner very influential and we would use them to lobby. But it doesn't take away the responsibility on the existing management to be able to do that because otherwise they are not adding value".

Company D – Interview 2

No	Quotation
1	"If 100% was available I think that that would be first prize. Typically there are regulatory restrictions in place in various territories which means we cannot purchase 100% and we often have to have some minority shareholding. Now we are not averse to minority shareholding because they potentially allow us to build a relationship in the local market and position ourselves well with various stakeholders including regulators".
2	"Ultimately we look for majority. Where we cannot achieve majority we consider whether or not we will make a strategic investment but it really has to be quite compelling and it has to have potentially some long good term conversion potential".
3	"In the markets that we know we will get nowhere unless we have local shareholders then we absolutely should consider finding the right local partners. In markets where it is in fact the regulators/customers, etc., are indifferent to the ownership structure then it doesn't seem important".

Proposition 2a: South Africa Financial Services MNEs will opt for acquisitions (inorganic growth) over greenfields (organic growth) when expanding into the Rest of Africa; and Proposition 2b: In entering mature markets, South Africa financial services MNEs will prefer acquisitions over greenfields.

Company A - Interview 1

No	Quotation
1	"There were growth opportunities because we knew the market. You can say that therefore our strategy is to know and understand the market first through greenfield".
2	"One is not necessarily preferable from another. So we've done acquisitions where an acquisition makes sense; ….. both are looked at and the business case is considered. We don't see one as better or worse until it gets to the business case for each market". "I suppose buying is clearly easy for immediate impact but greenfields (help you grow) incrementally so there is a benefit of both".

Company A - Interview 2

No	Quotation
1	"Acquisition. Retail is about mass and it is also about legacy. You definitely need your footprint. To go in and build the kind of footprint that will give you coverage and be a sizeable operation to go organically is damned expensive and we've got experiences of that and it has proven to be challenging for us. Organically for retail, I wouldn't make that call."
2	"Take Nigeria for example. Nigeria is an established market and yes we did buy a bank in Nigeria which is public knowledge. It was not a retail bank it was more an investment bank that we bought and then we had a small operation that was predominantly retail in Nigeria with some footprint which we built organically over the years but we are not a force to be reckoned with in that market we are very small."

Company A - Interview 3

No	Quotation
1	"From a corporate investment bank we have tended to be more organic".
2	"It makes more sense to grow organically from a corporate investment banking perspective into a market that you don't know".

Company A - Interview 4

No	Quotation
1	"However to gain skills quickly you must acquire. Once you are on the ground it's a lot easier"
2	"I would say that where you find it difficult to acquire, just go in there as a Greenfield but with a plan to acquire in mind because for you to think you can scale up that business by growing organically, it would take you forever".
3	"You always continuously look for opportunities in that market, to then scale up your business as quick as possible, so you can go in there as a Greenfield because it's probably easier than trying to buy something".

Company B - Interview 1

No	Quotation
1	"The chances are that the only partner you are going to find in the greenfield project is mostly somebody who hasn't got vast insurance expertise. Otherwise they would be in the insurance industry". "If you are not going greenfields then you are having to buy an established business and the advantage of buying an established business and keeping locals in there is you have that local expertise, the infrastructure. So they have got their infrastructure, you can come along with your technology and expertise and product development, and grow the business – and that gives you a step up".
2	"I mean if we had a straight greenfield project in Nigeria or Kenya without any partnership or anything like that, I think the 4, 5, 6,7,8,9, 10 years to grow that into a top ten business would most probably be a hell of a lot more expensive than paying a substantial premium for a local business which is established and which you may end up having to have partners within".

Company B - Interview 2

No	Quotation
1	"I think historically we started some greenfields without having even thought about could we make an acquisition or not, but I think going forward it will be is there an appropriate acquisition for us to make or not".
2	"I think given the state of the market there today (Kenya) I think it is very hard to start a greenfields business. Given there are 52 insurers, starting greenfields in that environment"? "So obviously a greenfield you can start with no (negative) legacy. That becomes the attraction of it. I just think that for a company like…to shift the earnings dial and start at nought in a market which already has 52 insurers what are your chances of success"?
3	"I guess there is a demand for scale and in some markets regulators really aren't issuing new licenses etc. So I think the question is - are there appropriate acquisitions? So, A, is there acquisitions, anyone who would want to sell, B, is would you want to buy those companies"?

Company C - Interview 1

No	Quotation
1	"We can then just take that (which is already established) and say how we do then bring our abilities to there and take this thing to the next level. So our preference would be inorganic (growth)".
2	"Greenfields are hard slog even with the capabilities and the distribution under the brand that we have, the hard slog remains. So my preferred or our preferred entry methodology would be inorganic, because they acquire, because of all the added benefits that come with it, theirs is an established brand that you are buying, an established customer base, established distribution channels".
3	"For me it is very simple, lessons learned, it's not about how big or how small the market, I would always prefer inorganic. My preference would be inorganic".

Company C – Interview 1

No	Quotation
1	"I just think Greenfields is too tedious. Very tedious uhm, very tedious… …It does make it easy for you to take off quite quickly but you soon realise that …that little business you have setup there is rather too small to actually capture all the opportunities".

Company C – Interview 2

No	Quotation
1	"As you say with 53 players in our current position is just under the top 10 but with this acquisition we (will be) third/fourth - automatically you have got scale".
2	"What is in the market and I think that anyone that wants to get into the market and I think a general thing is you want to scale as quick as possible and if you start off and you haven't paid your school fees yet so you would rather want to be part of a team that is already on that road. And you want to find the best fit that allows you to jointly unlock value quicker you know is it only green field"?

Company D – Interview 1

No	Quotation
1	"Our preference would be informed by how well established we were in that market already and our knowledge of that market, what relationships we have and competitive advantage that we can leverage at a different point. So for example, in our Botswana business we are a reasonably well-established short term insurance player; we have very strong life insurance capability in the rest of SADC. We want to bring that into Botswana so we are starting a greenfield life insurance operation. In other countries like Ghana for example we decided to go with an acquisition because … it was better to acquire good skills and good relationships in an existing operation and we felt that we would create more value out of that than starting from scratch, so it does depend".
2	"In the rest of the continent it is safe to say that we would probably buy because we don't have the same kind of leverage particularly around brand that we would have down here (Southern Africa)".

Company D – Interview 2

No	Quotation
1	"It's lots of Insurers, everyone chasing a small pot – you can't enter Nigeria with a similar strategy that we've entered Zambia. So Zambia we've got hard, corporate infrastructure……….. We won't do it …. So it will be acquisition".

Proposition 3: High control entry modes make meeting the risk management and governance standards of South African financial services MNEs easier than joint ventures or minority shareholding.

Company A - Interview 1

No	Quotation
1	"So we have two regulators as a minimum in each country – the South Africa Reserve Bank (SARB) and local regulators. So the first starting point is what are the SARB regulations that impact that entity? That is a given. That has to be in that. Then, what are the SARB implications for the Group and do they need to apply to each legal entity". "There are huge opportunities of regulatory arbitrage, huge opportunities. And we can see it with local competitors that do that, but it is not a benefit for us because of the oversight of the South African Reserve Bank".
2	"I really do not like 49% for a few reasons. One the capital implications of a minority shareholding. Two, the regulatory impact which is you are not controlling so therefore your home regulator doesn't like it".

Company A - Interview 2

No	Quotation
1	“Framework policies, operating model are aligned and they have to be aligned and that is a regulatory requirement by the home regulator which is South African Reserve Bank. Obviously they have a vested interest in how we govern and manage our entities outside of South Africa. Whilst it is outside of their jurisdiction, as a home regulator they have a vested interest. So it is almost an expectation that there has to be that alignment”. “We are a group entity after all and we have promised the home regulator, who is the primary regulator of the group, that in all our subsidiaries we’ve got a common framework”.
2	“We will never go into an arrangement where we are in minority because we want to run that operation …... You can only do so if you can influence management and it speaks to the question you asked – the DNA, the soul, the IP”.

Company A - Interview 3

No	Quotation
1	“Because SARB is more or less like a regional regulator, you tend to be in a position where even the (host country) regulators see the SARB requirements as aspirational”.
2	“Yes I would look for more of a controlling stake and identify the right countries, as in doing so I am limiting my risk……. but it is easy to be a dictatorship where you are actually executing something right”.
3	“From an operational risk management perspective, we tend to leverage global systems……., if you don’t have a controlling stake it limits your ability also to have that visibility”.
4	“Yes, because you don’t have shareholding control you don’t have the right to have your (risk) policies embedded.”

Company A - Interview 4

No	Quotation
1	“We would stick to the script of the local, so whatever the local said and what we said, if what we said was better and in most cases it was, we would go with that”.
2	“We would not consider a less than majority shareholding, I think there are a number of factors, I am not sure if I can recall all of them, but I think the number one issue for me is that you will have – say 30% of the control or 70% of the control will be with someone else… If something was to go wrong in that bank the regulator would look to us (because we are an International Bank)”.

Company B - Interview 1

No	Quotation
1	“We can’t walk away from our risk and governance responsibilities but we have to adapt our structure to try and assist and cater as closely as possible to local conditions and requirements in local conditions but still ensuring we don’t breach our risk and governance obviously, otherwise we have issues back here in SA”.
2	“Looking at those businesses we are acquiring and to ensure that the businesses we are acquiring don’t have a negative impact on our brand going forward”.
3	“So holding 100% gets away from irritations of minorities and them thinking that our governance and risk costs that are being implemented are an issue”.
4	“Even 40% (shareholding), is it really maximising your diversification of risk of the single territory? I am not quite sure it does; I think it brings with it more risk and increases the risk profile in those African territories”……increases (our) risk profile because of the insignificant or minority shareholding … in those territories”.

Company B - Interview 2

No	Quotation
1	“I guess South African Reserve Bank has a reasonable amount of say in our expansion and what we do and what capital we take out”.
2	“I mean I think increasingly the FSB is wanting to understand what is being done and I guess just understand that there are no risks that would put solvency risk into the South African entities. I don’t think they have regulatory jurisdiction but clearly as a company that is domiciled in South Africa they want to understand it is not creating risk and really understand what is going on. I think that is also a good practice that you want your regulator to be… to be transparent to your regulators so that they are clear on that”.

Company C - Interview 1

No	Quotation
1	“SARB/FSB regulates the parent company so we have to abide by those laws and regulations but we cannot in any way minimise the local regulators because they regulate the entities we run in the rest of Africa. And more often than not I don’t think the standards are at odds. South African standards might still be towards a very world developed financial services system and might be more stringent but Africa is quickly catching up”.
2	“If you are going to put those “risk standards” into another jurisdiction and geography it becomes important that you have meaningful economic control”.

Company C - Interview 2

No	Quotation
1	"If we had local shareholding like we have now in Kenya and we then apply sort of group risk management standards rigorously as we do, it actually becomes such a top point because the locals that you bring on board…see opportunities in the market. And they bring them on the table and they say let's pursue this lets pursue this, lets pursue that. And then we come and say well actually group policy says….. We are not participating there".
2	"If you were a minority shareholder ……You would have things, you would have to do things, you would have to run with things you might not necessarily be comfortable with".

Company D - Interview 1

No	Quotation
1	"When you look at an organisation like xxx it has a corporate responsibility to manage risk and so we go in and understand what the regulators are doing, what they want and then as a group ourselves we consider well what is the degree of risk to our earnings. And because of that the regulator for example says you have a regulatory capital of 10 million. But actually we want you to hold 15, in case the market packs and that is a calculated number and so my answer to you is yes they (Group risk standards) are a bit more onerous but that comes with being part of an organisation that has a global brand".

Company D - Interview 2

No	Quotation
1	"The underlying frameworks for the inter-practice management function are the same. So how we go about identifying risks; how we quantify them; how we escalate them; how we report on them".
2	"When we are the majority owner there is no question about whose governance frameworks will be applied. It is understood; in fact it is written into our (shareholder) agreements that we will apply the Group Operating Model, as we call it".

Proposition 4: Capabilities present in the South African Financial Services market are used to overcome the lack of market knowledge in the rest of Africa and this increases the imperative for South African Financial Services MNEs to exercise control over foreign subsidiaries

Company A - Interview 1

No	Quotation
1	"So really around some of the technology because all of our… I think we are about 150 years old in South Africa; we are 4 years old in Angola. That kind of ability to share between a very old business developed and a very new one is always an opportunity both ways".
2	"So I think therefore the simple answer would be more than 50% preferably 100% but ….. having clear reasons why you would reduce it from 100% towards 50%".

Company A - Interview 2

No	Quotation
1	"In markets where we are dominant in terms of market share in that market the local regulators tend to come to us anyway before they promulgate a law or think about a regulation because they do recognise that we are a multinational bank, we operate from a country that is quite matured in terms of financial services sector, so they trust and respect I guess the IP that we've acquired over the years in how to run a bank and how that bank is to be governed and regulated".
2	"And we've got IT systems which are not a national asset. We acquired those systems. They have to be maintained and supported. When we leave those systems are useless to people who don't know how they work. The IP we spoke about earlier, you take away the heart and soul of the organisation which is the people and IP and you've got nothing left".
3	"Of course. I think it makes perfect sense in any geography for one to have a majority stake in any arrangement. If you want to have management control and drive a particular agenda it only makes sense if you have a majority stake".

Company A - Interview 3

No	Quotation
1	"We do have a very strong marketing team, that has those bells and whistles in place, building marketing and social media and stuff like that. We pride ourselves in being the best, so yes the experience you are building doing all the deals in Nigeria translates into Mozambique, definitely. So from a knowledge management capability and transactional capability and legitimacy of our strategy and our capabilities yes, that gives us an advantage".
2	"The advantage we would tend to bring to them is that, call it regional, global standards, so called good practice, again from a risk perspective, global platforms, technology capabilities and all that stuff, the ability to price that properly tends to in my view work to the advantage of the minority shareholder, he has then got all the support from the same company that if we were not there he would have had to do it himself".
3	"Generally my personal preference would have some sort of controlling stake".

Company A - Interview 4

No	Quotation
1	"In a lot of the markets (we are in) it is less developed so there is a bigger advantage, especially Southern Africa. They do look to South Africa for learnings. South African knowledge is very important in markets that are backward and not well developed".
2	"No, the local regulator, the home regulator, they would actually look at a big bank like us to make sure that everything goes well, that is one, so the minorities, at the end of the day I have absolutely no doubt that if things were to go wrong with that bank those minorities would also look to us to make sure that things are sorted out and everything else, so secondly the reputational issues – it really does not matter that you have 20%, the airplay you would get would be 120%, the airplay you would get would not only affect you in that home country, it would affect your operations elsewhere".
3	"I think a certain element of minorities is important, what is the perfect percentage I have no idea, is it 10, is it 15, is it 30. I don't know. I certainly know it's not 51".

Company B - Interview 1

No	Quotation
1	"We are introducing and putting our intellectual property and intangible assets i.e. brand, product design, etc., into that country and we are bringing all our intellectual expertise from SA and as you know in a lot of the territories we put people in there on a longer term basis. We put our top actuarial talent to help design the product and put the product in, introduce new products".
2	"The core aspect of it and how we are doing it, I think it (capabilities developed in South Africa) is very much adaptable to other African markets".
3	Then once we are in, we have a base and can start trying to identify the local knowledge and the local market and then we can use technology and our expertise and our product actuarial knowledge to design product."
4	"There is not much guarantee but you appoint them as independent directors on your deals or even on your investment committees and stuff like that, and you utilise them and pay them normal directors' fees on a normal directors' basis. You can get a lot of that information, absolutely………It is not essential for them to be minority or local partners, but obviously they are more likely to assist as local partners because they get the benefit of the improved bottom line through the value they are bringing".
5	"The answer is 'definitely would prefer total control' because you are putting all the hard yards in, you are putting all the effort in and the cash and you are bringing in IPs, expertise etc. and you want 100% of the return for your investment……. I think one has got to accept that that is not always possible".

Company B - Interview 2

No	Quotation
1	"I think you have got to be clear that if you are putting your brand onto a business you want that to be successful and you are going to do everything that you can do to make it successful. So yes you must charge fairly for the IP that you are putting in, you must charge fairly for the services that you putting in………………..I think I was trying to make that point, you should commercialise your IP and your brand".
2	"Like your brand, you have to protect it. You can't let someone take your brand and devalue it".
3	"I think where the South African companies have an advantage is I think they've got capital and I think they've got the technical skills that can help them to set up and run the business and meet the regulatory requirements. They perhaps have some existing infrastructure that they can use to leverage into that market and get up and running quicker and cheaper".
4	"I think that in East Africa and West Africa the challenge for South African companies is that they come with a certain mind-set and that is not how the market operates and it is not how people think about things. That is why I think it becomes more and more difficult for them to operate because they don't take enough time to actually sit and listen and understand the specifics of the market".
5	"I mean I guess 100% is attractive. It is attractive because the scale of some of these markets is quite small at the moment and a lot of the technical support and technical management is going to have to be done by the parent company. So you know to the extent that you can't charge for that to the company obviously 100% is much more attractive. I guess it helps to get the parent company's level of earnings up in Africa…… I think we would want to hold the maximum that we could".

Company C - Interview 1

No	Quotation
1	“So my view is, we have built an ID with a competency, we have systems capability, we have product development capability. We have a lot of capabilities that have been built over time that I would say a combination of emerging markets and world class”.
2	“It’s exportable, we’ve been very fortunate for working with Africa for many many years and…I think the capabilities are easily exportable”.
3	“There is no doubt that South Africa being much closer to the African countries can understand things at a much deeper level than an American bank or a typical Spanish bank. I think also while South Africa is advanced in many respects there are a lot of commonalities, emerging middle class, and the low income brackets”.
4	“So if you then take a lift and drop approach you are going to get lost. That why for me it has to be a combination of top down, which is from a head office point of view what do we think actually works or could work and then from a top down… sorry bottom up approach which is let’s do our market research. Let’s get our market insights, let’s engage brokers, let’s engage customers, let’s engage corporate, let’s engage individuals. Let’s understand cultures, transform and then based on that come up with the right product set, the right technology set, the right distribution channel”.
5	Even in the banking sector they (Kenyan banks) are doing much better that foreign entities so that for me tells me… partially tells me that these guys have managed to understand the markets they work in, they’ve build local insights, it’s almost they can move at a pace, they can move at a much faster pace etcetera. And that is what you want to tap into. So my view, if you were to ask me what your preferred shareholding arrangement would be, I would say I want thirty percent shareholders local I just think I would win at a much faster pace”.

Company C – Interview 2

No	Quotation
1	“We’ve got anything like 70% of those skills and competencies which are quite relevant in those markets. We bringing something new, we are bringing scale and so forth. But there is also the other 30% which I call you know a competency gap. A competency gap where what we know is irrelevant in that market, it’s irrelevant to the extent that we have new things to learn”.
2	“I think for me it’s a challenge of us having to ask those hard questions and say we going in these markets with some mind-set that says you know what our capabilities are and you know what our routines are, if we launch a product end to end these are things we normally do, we have some culture of our own that we taking over there. That culture needs to change, that culture needs to take into account what are the practices in that market”.
3	“We need to enhance those local capabilities to the extent that we actually allow them quite actively and aggressively in those markets. One thing to be regionally owned and then you have local management that you are not allowing to localise in the way they execute business, we must allow them to localise the way they execute business and step back and learn instead”.

Company D - Interview 1

No	Quotation
1	"I think one has to be bold in saying so given that we have operated and have certain good practices, I think we are familiar with the landscape I also think that the working ethos of where we come from versus the European countries, we are far closer aligned to how we know the markets operate than what I would think the European guys are".
2	"I think that the nice mix that we have in our portfolio is you have mature markets plus mature businesses and emerging business and there lie opportunities, so what did Zimbabwe do well, what did Namibia do well, why is Malawi where it is, what is happening in Swaziland, what is happening in Botswana… what is happening in Kenya, what have we learnt from sales force in Zimbabwe ah maybe a better example, what have we learnt about a hyperinflation environment in Zimbabwe that needs to be applied to South Sudan that we have just acquired……..………..Now we suddenly at the board meetings we go and say get together guys there is some learnings that you can share".
3	"We have 170 years of experience you know within the organisation so there is a lot of entrenched culture, entrenched ways of working, entrenched IP that we have".
4	"Yeah, I think given the history on the company and how we work and the value that we see we are able to bring into the market there is a lot of internal disciplines that we have that we can bring in and it is a plus, it is in excess of 51%".
5	"if I reflect on how we go into marketing research and product research and stuff like that, our customer value proposition gets developed in countries from the ground and it comes through the system……………………….so what you have to do is come in with core best practices and then you have to localise and you have to figure out what are the things you can compromise on and what are the things that you are not willing to compromise on and I am specifically thinking about let's say product design".

Company D – Interview 2

No	Quotation
1	"I think that is more about board composition than it is about ownership structure. So we could still have 100% shareholding but infuse our board with non-executive directors who understand the market. In Kenya we are lucky because we have operated in that market for a few decades now so it is not as complex as it might be for a new company".
2	"Typically though because of the way we are structured we have centres of excellence in the emerging market function. So for example, in my own area I look after risk and actuarial. I would find out what the people do in their existing operations and then over time make recommendations about how we align their practices with (our) practices. It is typically that way around. I don't think I have had a circumstance where I am trying to learn from this company we have acquired, yet".

Proposition 5: The diversification of risk and creation of value through synergies across the diverse African markets is facilitated by acquiring significant control of businesses in the Rest of Africa.

Company A - Interview 1

No	Quotation
1	"So the diversification is clearly there, but … it is for us as a group to prove that we are creating synergies from being in multiple jurisdictions, not just diversification".
2	"It is a huge benefit and really because of the scale that we can offer as a… larger business to the point, again we were discussing around what we already have on the continent compared to what you have. You can get much more specialists and expertise which can therefore be well transferred and developed as you build scale".
3	"We haven't done a profits warning (despite poor performance in Nigeria), at a group level our returns will be within what we have told the market they will be. So the diversification is definitely there".
4	"I mean our compound annual growth for the last four years is 40% so that to me is proof of our synergies. The proof of our diversification of risk is that within that some countries have been loss making".

Company A - Interview 2

No	Quotation
1	"So we've got a number of expatriates across a number of countries coming out of Nigeria, coming out of Kenya, coming out of Uganda. So on the people side definitely that is happening. In IT where we share a common banking platform across a number of countries that is also happening. We would use a more mature market in terms of the deployment of that IT system, to be the one that actually drives it when we move to the next country".
2	"A lot of these corporates will be multinational companies where you already have them in another market. So you don't have to be domiciled in-country in order for you to do business".

Company A - Interview 3

No	Quotation
1	"For an investment bank there is a sense of value that we would derive which is mostly multinational or multi regional, requires a strategy that will allow you to leverage across different entities".
2	"We have seen negative impact of oil price shocks in Nigeria and the equivalent positive in Kenya".
3	"Say I want to do a deal for Woolworths in four countries and in two of those countries we are minority shareholder of the bank, you start with first of all – who is going to approve the deal (in those countries)".

Company A - Interview 4

No	Quotation
1	"At the moment Nigeria is in disaster…despite that, we have done very well".

Company B - Interview 1

No	Quotation
1	"I think in the long term strategy it is to improve our growth and therefore it is diversifying its income earning ability and therefore I suppose by definition it is reducing its risk to a single territory so I think it is definitely in the longer term that we are looking for other opportunities to diversify the profit risk of having a single market, being SA, and trying to get into other markets".
2	"To maximise the diversification of risk of a single country ... to the extent to be able to grow that business to maximise profitability and to do that you need to have control and the ability to control the management of that business".

Company B - Interview 2

No	Quotation
1	"I think ultimately it is about diversifying risk. I think it will diversify risk more than add to risk, but clearly with the one proviso that operating in more countries is more complicated, but yes from a risk perspective taking away political risk, mortality risk, morbidity risk everything… earthquake risk it definitely has to be better to be in more countries and I think it diversifies client risk because I think if you can deal with clients in more countries it helps you".
2	"Scalability has to be a thing if you think about this as a market that we expect to grow rapidly. I mean scalability has to be key plus the fact that we want footprint to grow. I suppose the other piece about scalability and learning is that it only works as well as you get people to share ideas and share learnings and try things that work in one market in another otherwise I don't think that will really work for you".

Company C - Interview 1

No	Quotation
1	"I think that's what you want, you want a balanced portfolio. You almost want that if one part of the portfolio is not performing the other one can more than compensate. I think that is the benefit of a geographically spread business. It gives you those benefits".
2	"If you are going to put those (capabilities) into another jurisdiction and geography it becomes important that you have meaningful economic control".

Company C - Interview 2

No	Quotation
1	"I am saying let us go to Zambia, we've got a business in Zambia it's a different regulatory environment, it's a different set of experiences as people are happy to engage and grapple with that risk without the sort of questions you will be asked if you wanted to bring it to South Africa for instance. I mean and then Zambia said give it to us and Botswana said why not us, already I can see more of that happening so these synergies are working".
2	"I think there are models, new models that we will come up with going forward just to the point about leveraging synergies between those entities out there".

Company D - Interview 1

No	Quotation
1	"The second item we consider is when you are going into markets where there are existing players and we are busy acquiring that, a lot of it depends on where we see the synergies come from, so synergies are driven around our probabilities to affect certain management strategies, bringing skills".
2	"So when you look at things in isolation something either works or doesn't work in the market but when you look at a portfolio of businesses in Africa you easily go and say well actually what worked there by tweaking certain things can work here which we haven't thought about doing".
3	"I talked about synergies and it is implicit in this option because of the legacy of our organisation we really got to know how things work well, how we are able to export that knowledge as information and IP".

Company D - Interview 2

No	Quotation
1	"I don't know if innovation is the right word, but expertise in terms of in the South African context these things are tried and trusted. We know what sort of terms and conditions that need to be applied. We know what sort of customer service or administration needs to be applied alongside it. So we can borrow a lot of what already exists in other countries, test whether it would apply in our new country, and make the relevant adjustments. Which means we can be slightly more efficient about how we go about creating new products".
2	I think a reasonable amount of cross pollination, learning from each other, certainly human resources – a lot of rotation that takes place to try and translate learning from business to business".

Proposition 6a: Markets with indigenisation rules are seen more negatively and as riskier than those without and Proposition 6b: In countries where indigenisation and localisation regulations exist and are enforced strictly, greenfields will be preferred over acquisitions.

Company A - Interview 1

No	Quotation
1	"Yes, and again localisation would impact management more than shareholding. Ultimately if (local partner) shareholding goes over 51% then it is an issue that we'd have to deal with……. Automatically everything that we do looks towards keeping 51% ownership of all organisations".

Company A - Interview 2

No	Quotation
1	"Imagine, in South Africa for example, if we had foreign companies that came here and they didn't embrace local ownership and it was all foreign owned, we wouldn't have a sense of pride in that company as South Africans. Whereas if you know okay we have some South African shareholding… you have your people that have a stake in it".
2	"Non-controlling indigenisation you will find is just a different dimension of diversity. For me in that case, the focus should be on finding the right partner to do business with, who shares the same values, strategies as we do".
3	"It speaks to the hearts and souls of the people and you are right it is legitimacy and I think that is the word to describe it. It is about capturing the hearts and souls of the people in that country that when they see us, they see it as their own as opposed to a foreign organisation that is merely there for commercial reasons".

Company A- Interview 3

No	Quotation
1	"Typically – I guess the first debate is around the whether the indigenisation requirement is a majority or minority. If its minority I don't necessarily have an issue with that because I think we have black empowerment, if you look at South Africa or wherever the case may be. It's addressing fundamental social issues, which ultimately makes business sense".
2	"That kind of stuff what governments need to focus on is clarifying indigenisation…I think we need to focus more on clarify the indigenisation more and give it longevity, say over the next 20 years".

Company A - Interview 4

No	Quotation
1	"So where you have this 30/40% you can part with, so generally yes I think it gives you legitimacy, it improves relationships with the government, with the regulator, with the locals, the bulk of your stakeholders would look at it positively".

Company B - Interview 1

No	Quotation
1	"The indigenization perspective, you find it difficult, you may get into trouble with government. In those kind of scenarios maybe an acquisition of an already indigenized entity, it becomes better if it is with a partner, with the brand being a connection to the local market, the capabilities….the indigenous partner is seen as an advantage".
2	"I think it helps, in fact we with localisation rules and BEE rules we are ahead of a lot of the African territories, so I think we have actually got experience".
3	"I think the main attribute for local partners…legitimacy, is part of it, on a broad term, but from a very specific term I would say there are two issues: one is to assist in opening doors and being able to introduce you to be it regulators, be it other businessmen of equal stature as them".
4	"So I think again if used properly the locals can assist you, I think they can assist you as to what local… as you well know in certain territories you don't have a funeral policy, it's last rites ………..So they would assist you in those kind of local nuances. ….. So that is where you would, if you used it properly and you have the right local partners, I think that is where you can derive benefit".

Company B - Interview 2

No	Quotation
1	"I think practically governments are going to want local investors, they want companies to be seen as local companies. I think you will see that increasingly. I also think that you land up being blindsided to some extent about practicalities, networks, etc. in the country. I think the reality is that you probably need a level of local shareholding even if there is a lot of attraction in 100% shareholding".
2	"One of the reasons to enter that market is also to get access to some of this innovation and management team that can actually think about stuff that you could translate into other markets.… I think the local shareholding point there becomes a moot point. You couldn't hold 100% anyway".
3	If you are in Namibia then you must see yourself as a Namibian company not a South African company in that country. You must be part of the community there and operate as such. Therefore not having Namibians on your board or not having Namibians as shareholders… I mean I think it does limit how government would see your business and obviously as a smaller business that might be fine, but as you get to a certain scale I think they would want to see that you are embracing local".

Company C - Interview 1

No	Quotation
1	“My own experience over the past I would say ten years. You are finding local shareholders who want to genuinely create long-term wealth and they don’t want to be passive directors or passive shareholders……….Many of them are young early forties late forties, I mean the guys that I’ve been dealing with, very entrepreneurial, they know where to go and where to touch and what deals are in the market…. …….I just feel that the foreign multinational that has local shareholders for me the success rate has increased because of those additional insights that those guys bring”.
2	“Locals also tend to start having affinity for companies where they know locals are involved in the shareholding, it’s almost patriotism”.
3	“It also does show the country that you are serious about economic empowerment of locals In a very financially empowering manner and not lip service”.

Company C - Interview 2

No	Quotation
1	“I don’t think they (markets with indigenisation requirements) are riskier markets at all. I think to the contrary they actually have a lot of opportunities and I think that is one of the reasons they would even insist on that because there is just so much to share, take away”.
2	“So get in there, within those restrictions and manage your risks and when the markets open you are there (already)”.

Company D - Interview 1

No	Quotation
1	“We are in Namibia and it is the second biggest contributor to us in the African business and we are doing localisation”.
2	“What does 100% mean because when you take 100% stake in something people tend to think that your complete ethos from where you are coming from is going to be captured into this new entity”?

Company D - Interview 2

No	Quotation
1	“Local ownership can be a very valuable and extremely advantageous thing to have, particularly if your partners have access to relationships that you don’t. To my knowledge we have not been put off exploring a territory because of local ownership rules. What we would be nervous about is a situation where we are expected to give away a shareholding (for free)”.

APPENDIX 6 – ETHICAL CLEARANCE AND TURNITIN ORIGINALITY REPORT