Theorizing international business in Africa: A roadmap

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Abstract

International business in Africa is complicated by colonial history, late internationalization, and the growing interest of various foreign powers in Africa and its resources. We share key indicators about African countries and offer a conceptual map to help make sense of this complex scholarly terrain. We distinguish between three types of multinational enterprises (MNEs) operating in sub-Saharan Africa: Advanced MNEs (from high-income previous colonial and non-colonial countries), Emerging MNEs (from middle-income countries both inside and outside the region) and Nascent MNEs (from low-income African countries). We show how these distinct types of MNEs provide different development opportunities, how they engage differently with local, national, regional, and supra-national institutions, and why this matters for international business policy. We show how the papers showcased in this special issue contribute to a deeper understanding of international business in Africa and propose future research directions.

Keywords: Africa; China; Colonialism; Geo-political tensions; Positionality

Introduction

One of the earliest debates among international business scholars was whether multinational enterprises (MNEs) contribute positively or negatively to development in their host countries. John Dunning, who experienced first-hand and then theorized about how US investment helped uplift the war-ravaged British manufacturing sector (Dunning, 1958/1998), saw MNEs as potential agents of upgrading. Stephen Hymer, who had worked and studied in Ghana soon after independence (Hymer, 1970), was pessimistic about the developmental potential of MNEs. Instead, he feared that MNEs' substantial market power will negatively affect economic development, and especially in less developed countries (Hymer, 1972, 1976).

Much time has elapsed since those scholars developed their original ideas. Since then, globalization – "the increasing cross-border interdependence and integration of production and markets for goods, services and capital" (Narula & Dunning, 2000:141) – has transformed how countries across the world do business, leading to an unprecedented degree of global connectedness and interdependence. However, recent geopolitical uncertainty suggests that this state of interconnectedness is perhaps more brittle than previously thought, and that we are even seeing some first signs of an "unwinding" of globalization (Hartwell & Devinney, 2021). Although technological advancements have resulted in a networked world economy where independence may no longer feasible (Kobrin, 2017), the rise of largely politically motivated de-globalization is likely to change the nature of global business interactions, replaced perhaps by a patchwork of economic linkages or by economic blocs around major countries (Witt, 2019).

Against this backdrop, Africa is both an empirical context where questions of the role of MNEs continue to be prominent and where the recent transformations are most evident. Doing business across borders in Africa is complicated by colonial history, recognition of its mineral wealth and substantial arable land (60% of the world's uncultivated arable land), and the growing interest of rising powers like China and Russia in the continent, leading to a modern-day "scramble for Africa" (Gammelgaard, Haakonsson, & Just, 2020).

At the same time, globalization and advances in digital technology have opened increasing opportunities for African businesses to operate multinationally (Ibeh, Uduma, Makhmadshoev, & Madichie, 2018), potentially supported by the recently introduced African Continental Free Trade Agreement (AfCFTA). All of these changes raise important questions about the international business policies that African policymakers should adopt to support business in Africa while at the same time pursuing sustainable economic development, as well as how policymakers from other regions can or should respond.

In a world of rising geopolitical tensions, there is value in better understanding how business across borders takes place and influences local development when the terrain itself is contested. Africa is such a complex terrain. And although scholars of Africa face the challenge of ensuring that conceptual categories are well suited to appropriately theorize about Africa's business reality, the end result of such efforts is likely to yield more robust scholarship for the field at large.

In this editorial, we offer a roadmap to help scholars and policymakers think about international business in Africa and beyond, focusing on the fundamental question of whether and how foreign MNEs contribute to the economic development of the continent. We start with recent statistics about African countries before suggesting a categorization of the different types of MNEs operating in sub-Saharan Africa, making a distinction between Advanced, Emerging, and Nascent

MNEs, with some of the policy-relevant challenges experienced by the different types of firms. We then discuss the distinct ways in which the three MNE types engage with African institutions – from the local to the supranational level. We provide examples of how these issues have been taken up by the papers that appear in this special issue, before reflecting on whether (and how) these issues may be specific to the African context or resonate in other contested and underdeveloped environments.

Economic and institutional conditions in Africa today

Africa is the second largest continent (after Asia), with 54 countries. Scholars often divide it into two parts, sub-Saharan Africa and North Africa, with the two being very different. North Africa is by far the richest part of the comprehensively defined Africa – accounting for about a third of the GDP even though it constitutes only six of its 54 countries. Indeed, it has more similarities with the Middle East – e.g., in terms of income (Kilishi, Mobolaji, Yaru, & Yakubu, 2013), health indicators (Akhmat, Zaman, Shukui, Javed, & Khan, 2014) and participation in digital knowledge creation (Ojanpera, Graham, Straumann, De Sabbata, & Zook, 2017) – and it is often categorized as part of MENA (Middle East and North Africa). Accordingly, our discussion in this editorial will focus on Sub-Saharan Africa, although we for the sake of completeness include the North African countries in Appendix 1.

As can be seen from Appendix 1, the continent is characterized by a few large countries overwhelming numerous smaller countries. Nigeria is the most populous country, with a population the size of the smallest 18 sub-Saharan African countries put together. Combined with South Africa, it also accounts for almost 50% of the GDP of sub-Saharan Africa, while two-thirds of the GDP is accounted for by the addition of just four other countries: Ethiopia, Kenya, and oil-rich Angola and Djibouti. Leaving aside island economies like Mauritius and Seychelles, even "wealthy" African countries like Botswana, Gabon, and South Africa have an annual GDP/capita well below $8000. Thirty-three of the 46 Least Developed Countries globally are currently located in Africa (indicated with an asterisk on Appendix 1), representing more than 70% of the sub-Saharan population. Only three African countries (Botswana, Cabo Verde, and Equatorial Guinea) have graduated from Least Developed Country status since 1971 (UNCTAD, 2021).

As for the institutional conditions, the region is characterized by political instability and low institutional quality. Not a single African country scores in the top quartile for all four indicators of institutional quality (Control of Corruption; Political Stability and Absence of Violence/Terrorism; Regulatory Quality; Voice and Accountability). Twelve countries, spread across East, Central, and West Africa, are in the bottom quartile on all indicators, with many more scoring poorly across many but not all the dimensions. For example, both the Democratic Republic of Congo (DRC) and Equatorial Guinea score below the median on the political stability measure but are in the bottom quartile for all the others.

With 90% of Africa directly controlled by European powers in the early 20th century, the colonial past continues to leave its mark on Africa. As Bruton (1998:917) put it:

> The physical and human capital available to the sub-Saharan African countries at their independence was, in general, much less than that available to developing countries elsewhere. Literacy rates were much lower, the labor force was less experienced and less trained, saving and investment rates were lower, infrastructure-roads, power facilities, institutional developments-were much less extensive and markets less complete. The new states were often ill-defined as to

geographic boundaries and extent of governance. Ethnic, language, and tribal diversity was (and remains) rich with opportunities and dangers.

The combined effect of ethno-linguistic fractionalization and weak institutions (Ajide, Alimi, & Asongu, 2019) makes for a complex business environment to navigate. Given the small size of most countries, and the general lack of development in Africa, it is not surprising that the continent has spawned so few indigenous MNEs. Thus, Africa is a latecomer to international business (see Figures 1 and 2), with South Africa the only African country with any MNEs on the UNCTAD (2023) list of top 100 non-financial MNEs from developing and transition economies, with Naspers (28th), Sasol (48th), MTN (49th) and Mediclinic (98th).

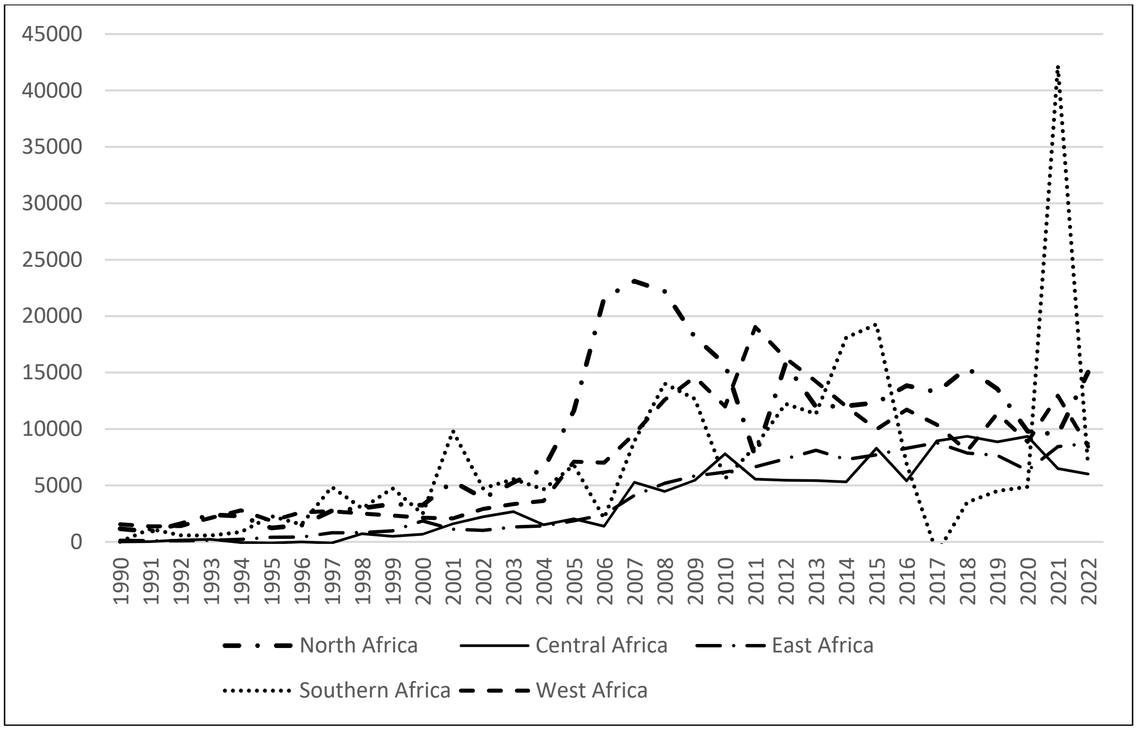

Figure 1: FDI inflows into Africa, 1990 to 2022
Source: UNCTAD, 2023

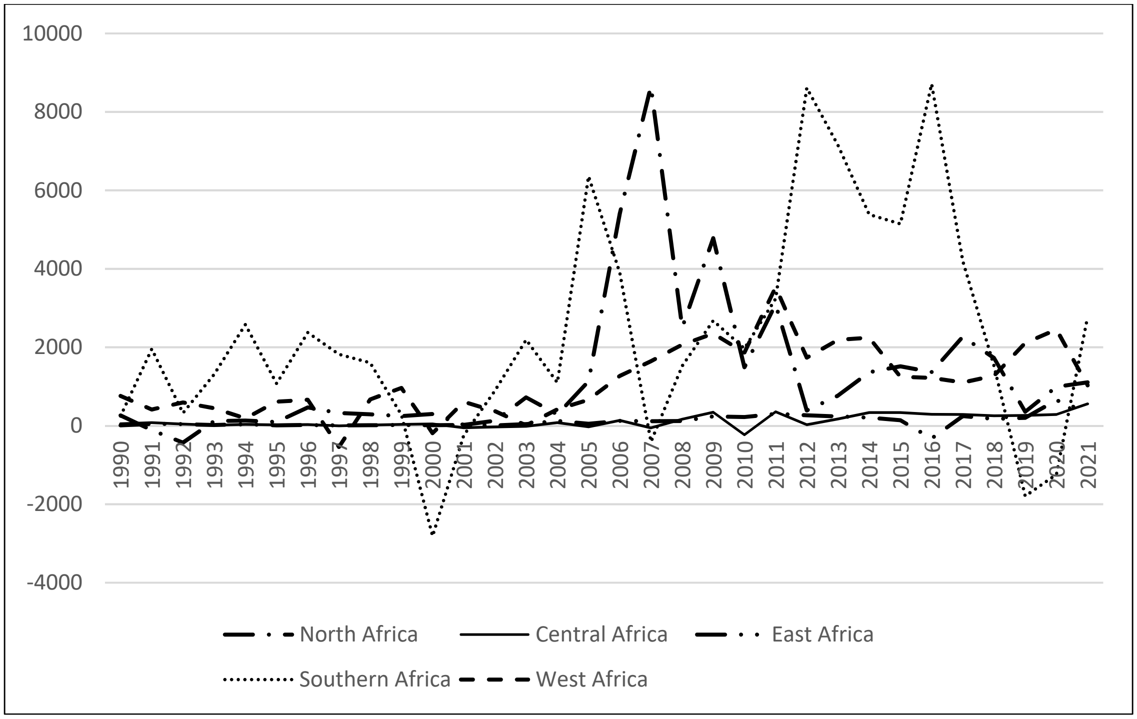

Figure 2: FDI outflows from Africa, 1990 to 2022
Source: UNCTAD, 2023

Table 1: Top investor countries into Africa (FDI stock in billions of US$)

	2017	**2021**
1. United Kingdom	46	60
2. France	58	54
3. Netherlands	58	54
4. United States	50	45
5. China	43	44
6. South Africa	10	32
7. Italy	28	29
8. Singapore	20	24
9. Germany	11	15
10. India	13	14

Source: UNCTAD, 2023

As Table 1 shows, measured in terms of the stock of foreign direct investment (FDI), five of the top ten foreign investors into Africa are European countries (the UK, France, the Netherlands, Italy, and Germany), reflecting the long colonial history of Europe in Africa. The Asian countries China (5th), Singapore (8th), and India (10th) are also well represented, with the United States (4th) and South Africa (6th) rounding out the top ten. Getachew, Fon and Chrystostome (2023) in this issue point out that only about 10% of FDI in Africa results from other African countries, with South Africa joined by Kenya and Nigeria in occupying the top three spots of intra-African investors.

In spite of the relatively small proportion of intra-African investment, both Getachew et al. (2023) and Zoogah, Degbey and Elo (2023) in this issue focus on African MNEs. This raises the question what distinguishes African MNEs from those from industrialized countries and how this matters for African economic development. Leveraging the existing literature and the papers in the special issue, we present a classification of three distinct types of MNEs and of their layers of host context engagement to serve as a roadmap for international business researchers and policymakers wanting to better understand Africa.

Different types of MNEs operating in Africa

Stevens and Newenham-Kahindi suggested that African “stakeholders used firms’ home country as a cognitive category to make sense of and talk about ‘Chinese firms,’ ‘Indian firms,’ ‘American firms,’ and the like” (2017:20). In other words, for Africans, the home country of MNEs is a salient category. In order to understand how Africans policymakers (and indeed, Africans generally) judge MNEs, it is important to use a categorization of MNEs that resonates with local government officials.

Sub-Saharan Africa hosts three main types of MNEs: Advanced MNEs include the MNEs of erstwhile colonial powers and other economically powerful countries like the US and Japan. Emerging MNEs, first described in the 1980s (Lall, 1986; Wells, 1983), originate from middle-income countries (within or outside of sub-Saharan Africa) and often internationalize to other emerging markets (Barnard, 2021). Africa has also been seeing the rise of indigenous MNEs from low-income African countries, what Zoogah et al. (2023) in this issue term “A-MNEs”, and what Ibeh et al. (2018) term “Nascent” MNEs (Ibeh et al., 2018) (see Figure 3 for a visual representation). In this editorial, we use the term Nascent MNEs to describe this last category.

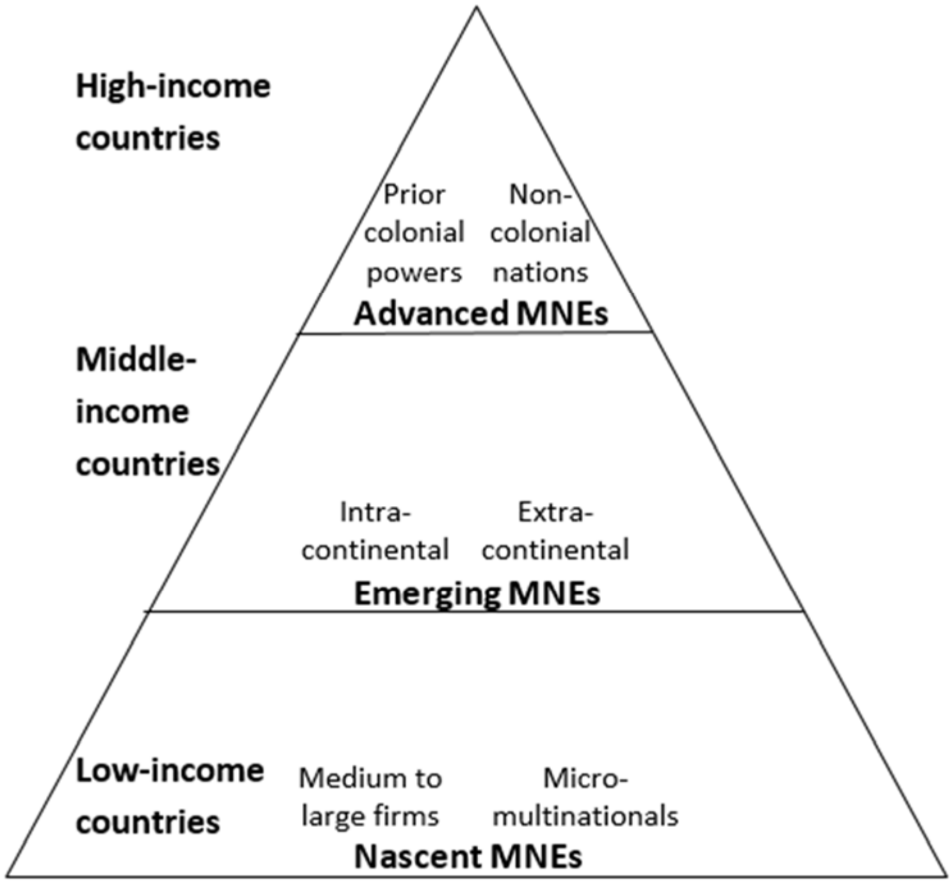

Figure 3: MNEs operating on the African continent

A division into Advanced, Emerging, and Nascent MNEs departs from the typically used binary (advanced/emerging countries) distinction. Building on Barnard (2021), we argue that the three-tiered conceptualization allows us to highlight distinct realities that each type of MNE faces when operating in the sub-Saharan region, which leads to different international business policy insights. MNEs with different home countries differ substantially not only in terms of capabilities and resources and the internationalization strategy that they adopt, but also in how they respond to the institutional challenges of African host countries (Luiz, Magada, & Mukumbuzi, 2021). This is also a point that Liu, Godinez, Henley and Geleilate (2023) make in this issue by demonstrating that the level of corruption in the home country of an MNE differently affects the MNE's entry mode in more or less corrupt African countries. We discuss each of the types in turn.

Advanced MNEs

Advanced MNEs originate from high-income countries and are characterized by extensive capabilities and resources. Thus, they have not only country-specific but also firm-specific advantages (Rugman & Verbeke, 2001) that derive from their superior technology and intangible assets.

It has been widely documented that spillovers from Advanced MNEs can be an important driver of economic development (Blomström & Kokko, 1998), and the paper by Larsen, Mkalama and

Mol (2023) in this issue provides evidence of that process. Writing about the business process outsourcing (BPO) industry in Kenya, the authors point out that local Kenyan firms providing generic business services to Advanced MNEs gain not only direct benefits (e.g., job creation), but also indirect benefits. As the firms become familiar with processes like payroll and call center management, BPO activities can arguably facilitate the formalization of local business. Such learning is an important policy objective and motivation for encouraging FDI from advanced MNEs into less developed countries. However, those benefits are not always realized (Narula & Pineli, 2019), raising questions as to which factors influence the degree of spillovers emanating from Advanced MNE investment.

One possible factor that explains the degree of spillovers relates to the countries from which Advanced MNEs originate. It has long been known that even when MNEs originate from countries with comparable levels of development, their strategies and behaviors vary, and this can influence the spillovers they generate (Fortanier, 2007). In Africa, the most salient difference in the minds of policymakers is often that between MNEs with origins in colonial versus non-colonial countries. For example, Glaister, Driffield, and Lin (2020) provide evidence that the longer a country was colonized, the less is the FDI of the former colonizer, suggesting that the enmity of the period of colonization constitutes a liability of foreignness. This effect does, however, appear to fade over time. Although FDI falls immediately post-independence, after about a half-century it starts to rise again. In fact, a recent study of Osei, Omar and Joosub (2020), polling British companies in Ghana, finds no evidence of their investment into the country being affected by its colonial legacy.

There is however a disconnect in the literature, with papers written from the point of view of erstwhile colonizers often documenting significant benefits related to international business with former colonizers whereas studies using an African perspective being more critical. For example, Zoogah et al. (2023) reference several scholars to support their claim that “multinational corporations in general have contributed to Africa’s underdevelopment through the unequal exchange entrenched in the [post-colonial] arrangement”. This fits the often-heard perspective that MNEs from erstwhile colonial powers carry the burden of history (Bonte, 1975; Udofia, 1984) with concerns about the imperialism of MNEs persisting (Boussebaa & Morgan, 2014). In their theoretical paper, Zoogah et al. (2023) juxtapose the effects of Advanced MNEs (which they suggest are largely negative) with the potentially much more positive effects of indigenous African (Nascent) MNEs. A fruitful area for future research is to test those claims empirically, as well as compare and contrast the developmental impact of MNEs from advanced countries that were or were not part of colonialism.

For policymakers, resolving this disparity in views about Advanced MNEs is of critical importance. The papers in this issue highlight some of the evidence of international business in sub-Saharan Africa, and also different ways in which the evidence can be interpreted. While it has long been known that MNEs can trigger beneficial spillover effects (Blomström & Kokko, 1998), it is equally understood that those benefits are not guaranteed, requiring active policy intervention such as investment in local capacity (Narula & Dunning, 2000). To the extent that African policymakers see investment by Advanced MNEs almost as a form of “restitution” (or sense that their electorate may see it in such a way), there are risks of unrealistically high expectations. Similarly, to the extent that policymakers from advanced economies fail to recognize that memories of colonialization remain, they may not appreciate some of the skepticism that African policymakers express about the benefits of international business with advanced economies. Policymakers from different constituencies are well served by greater awareness of these issues.

Emerging MNEs

Emerging MNEs are essentially MNEs from middle-income countries (Barnard, 2021). While Emerging MNEs comprise a diverse group of companies, when they internationalize to low-income countries like in Africa, they tend to be natural resource-seeking firms or providers of not-quite cutting-edge goods and services to low-income consumers (Ramamurti & Singh, 2009). South Africa is the only source of Emerging MNEs from sub-Saharan Africa, while the others emanate from outside the region.

Although the conventional view of internationalization is that MNEs will expand first to neighbors in their home region before venturing further afield (Johanson & Vahlne, 2009), the disrupted history of Sub-Saharan Africa has complicated how this process has played out. South African MNEs, coming from a home country that is itself quite turbulent, have shown to be sensitive to instability in the wider African context and to use risk-mitigating portfolio thinking in expanding into the continent (Luiz & Barnard, 2022). Thus, both the perceived stability of host countries and home country concerns affect whether and when South African MNEs will locate in neighboring African countries.

The developmental impact of South African MNEs on broader Africa remains unclear. Luiz and Stewart (2014) demonstrate that although South African MNEs often cast themselves as victims of corruption on the continent, they are as often complicit in it. Similarly, the work of Barnard and Mamabolo (2022) suggests that South African MNEs operating on the continent are more vulnerable to the institutional dysfunction than Advanced MNEs, but less so than purely local firms or Nascent MNEs. In contrast, Ahworegba, Garri and Estay (2022) find little difference in the responses between (British/Dutch) Shell, (British) Standard Chartered Bank and (South African) MTN in how they dealt with the volatile Nigerian host context.

Emerging MNEs from more distant home countries like India (Varma, Bhatnagar, Santra, & Soni, 2020) and China (Mazé & Chailan, 2021) have also been expanding into Africa, and they may be less affected (whether hamstrung or advantaged) by historical ties, concerns, and tensions. Particularly Chinese FDI into Africa has been consistently rising for more than twenty years, and its developmental impact extensively researched against a narrative, especially among Africa's previous colonizers, the Europeans, that China is "colonizing" Africa (Bodomo, 2019).

There is a positive correlation with Chinese FDI into Africa and income levels (Donou-Adonsou & Lim, 2018) and human development indicators (Atitianti & Dai, 2022). Stevens and Newenham-Kahindi (2017) point out that Chinese firms have in many locations been most successful in establishing their legitimacy in the African context, although concerns about China's geopolitical motives and "debt-trap diplomacy" remain (Munjal, Varma, & Bhatnagar, 2022). McCauley, Pearson and Wang (2022) drill down to the exact geolocation of Chinese FDI and find that Africans' support for a Chinese model of development is shaped by whether people live close to (within 75 km) or further away from Chinese projects, with reduced support from those living closer to the investment. The effects also differ across types of investment:

> respondents living near manufacturing projects view infrastructure development as a positive contribution from the Chinese; those living near service projects appreciate the cultural exchange with Chinese entrepreneurs and staff but lament the poor quality of Chinese products on the market; and those living near resource-related projects express concerns about Chinese land grabs and job threats (McCauley et al., 2022:10)

Natural resource-seeking FDI functions very differently compared to the other motives for FDI. Not only do Africans express concerns about resource-related projects, but various studies have found that while Chinese FDI in general is deterred by host country corruption, this is not the case for natural resource-seeking FDI (Tawiah, Kebede, & Kyiu, 2022; Yuan, Chen, & Zhang, 2022). Indeed, the very different characteristics of natural resource-seeking FDI relative to other motives for FDI are also found in the work of Liu et al. (2023) in this issue.

Another notable source country of Emerging MNEs in Africa is India. Apart from the substantial FDI into Mauritius, initially because of its garment industry and diasporic ties, and later because of its tax haven status, Indian FDI into Africa has lagged behind that of other countries (Iqbal, Turay, Hasan, & Yusuf, 2018). Indian FDI into the continent has often been directed to the manufacturing industry, and especially the textile sector (Varma et al., 2020). The lingering effect of (in this case, a shared) colonial history can also be seen in the fact that host country membership of the British-initiated Commonwealth is positively associated with Indian FDI into Africa (Munjal et al., 2022).

At the same time, India's close economic ties with (East) Africa long predate colonialism. The monsoon winds that enabled ships to navigate from India to East Africa and back had long supported extensive trade networks (Pouwels, 2002). Moreover, because trade winds changed with the seasons, sojourns were long enough to give rise to the development of diasporic networks in a range of East African countries (Prange, 2018). The diasporic communities remained active bridges between India and various East African countries until the immediate post-independence era, when the forced departure of Ugandan-born Indians in 1972 led to the mass migration of Indians living in a range of East African countries (e.g., also Kenya and Tanzania) to the UK, US, and Canada (Mehta, 2001). Nonetheless, some of today's most prominent African businesspeople are of Indian descent, e.g., Narendra Raval, Naushad Merali, and Manu Chandaria from Kenya.

Apart from the recent scholarship on Chinese investment into Africa, there is little evidence of the developmental impact of Emerging MNEs on the continent, and also little clarity whether Africans are better served by the presence of Advanced versus Emerging MNEs. From a policy perspective, the recent expansion of the BRICS group (adding Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE) suggests a clear commitment by emerging markets to assume a stronger position on the global stage. It can therefore be expected that other emerging markets' FDI into Africa will increase. Not only assessing their current contribution to the development of the continent, but also identifying new ways policymakers can use such investment to increase the developmental impact on the continent are important areas for future research.

Nascent MNEs

Lists of major African MNEs (e.g., as reported by Barnard, Cuervo-Cazurra, & Manning, 2017; Ibeh, 2015) are strongly dominated by South African and North African MNEs, i.e., by Emerging MNEs. However, there are also a fair number of Nascent MNEs, using the terminology of Ibeh et al. (2018), operating in Africa. These firms are typically medium-sized and with operations in traditional industries like natural resources, construction, or manufacturing, although the Dangote group (with more than 30,000 employees) is the largest and most prominent example of Africa's Nascent MNEs.

It is clear that size cannot be the only or even main indicator in making sense of Nascent MNEs. One differentiator is that many of these firms, even quite large firms, are not listed on a local stock exchange, e.g., the Madhvani Group of Uganda, Bakhresa group of Tanzania or Sogafric from Gabon, reflecting the underdevelopment of stock markets in Africa (Ngare, Nyamongo, & Misati, 2014). Moreover, these Nascent MNEs are often conglomerates operating across borders in Africa, typically first engaging in exporting before using high commitment modes of internationalization (Ibeh, Wilson, & Chizema, 2012).

Nascent MNEs tend to internationalize to neighboring regions, a pattern that is consistent with Johanson and Vahlne's (2009) incremental approach, with bordering countries more likely to be not only geographically but also culturally closer. But it is also noteworthy that the main recipients of FDI by Nascent MNEs are not necessarily the economic powerhouses on the continent. The paper by Getachew, Fon and Chrystostome (2023) in this issue shows that Ghana, Uganda, Kenya, Nigeria, Tanzania, Zambia, Cote d'Ivoire, Mozambique, Namibia, and South Africa (in that order) host the most subsidiaries of African MNEs. Four of those ten countries are considered Least Developed (Uganda, Tanzania, Zambia, and Mozambique) and two are very small (Namibia with a population of 2 million, and Cote d'Ivoire with under 6 million). What the motivations and developmental outcomes are for this type of investment are intriguing questions for future scholarship.

The evidence from Africa also suggests that these Nascent MNEs often operate with continued reference to the erstwhile colonial power. This is argued to be because colonial ties can help counter distance effects (Degbey, Eriksson, Rodgers, & Oguji, 2021; Lundan & Jones, 2001). Africans' greater familiarity with colonizers often translates to them locating their firms' operations there (Andreu & Lavoratori, 2022; Meouloud, Mudambi, & Hill, 2019). Given the complicated relationship with previous colonial powers, future research is needed on this topic.

MNEs from low-income countries are virtually absent from scholarly view, and the fact that both Zoogah et al. (2023) and Getachew et al. (2023) in this issue make reference to African-born MNEs suggests that this group of firms requires additional scholarly attention. In addition, the internationalization of even smaller African enterprises has recently been documented (Ng'ombe, Mans, & Barnard, 2023). These so called "micro-MNEs" often operate in partnership with Advanced MNEs, and often in sectors that rely heavily on digital technologies. Indeed, two of the examples of African outsourcing firms (Gebeya from Ethiopia and Telebrain from Kenya) mentioned by Larsen et al. (2023) in this issue have a physical footprint in multiple African countries. While the internationalization of African firms is not the focus of their work, it is nonetheless informative that some of the small firms in the BPO cluster they studied are already operating across borders.

Given the large African diaspora, some enterprises are also transnational by virtue of having migrant investors (Nyame-Asiamah, Amoako, Amankwah-Amoah, & Debrah, 2020; Vaaler, 2011). These small-scale investors typically run small enterprises, but draw on their knowledge of both their homeland and their adopted country to operate transnationally. These small international firms operate almost entirely below the radar.

In a recent report UNCTAD (2022) documented that while small firms do internationalize, they do so mainly regionally and in countries at a similar level of development. This is certainly the case in Africa. The capabilities of African micro-MNEs are not extensive in absolute terms, but can be notable relative to the countries into which the internationalize, and they often act as the local "delivery arm" of Advanced MNEs in those countries (Ng'ombe et al., 2023). Both their own capability base and their close ties with advanced MNEs suggest that these micro-MNEs could facilitate host country development. There is thus a great need not only for academics, but also for policymakers to better understand the forms, motives, and outcomes of these different types of small but highly international ventures in order to better support and encourage their internationalization.

In summary, because advances in digital technology have made it easier to operate across borders, a much larger number of firms than before are operating cross-nationally. This includes some firms that would previously not have been regarded as having the necessary capabilities to operate across borders. Table 2 summarizes the different types of MNEs. They vary substantially in terms of their concerns, preoccupations, and capabilities, resulting in highly diverse strategies and implications for economic development.

Table 2: Types of MNEs operating in Africa

Type of MNE	**Home country characteristics**	**Example country**	**Example MNE**
Advanced MNEs	Previous colonial power	UK; France	Vodacom; Orange
	Non-colonial country	US	Microsoft
Emerging MNEs	Extra-continental	China, India	Huawei; Airtel Africa
	Intra-continental	South Africa	MTN
Nascent MNEs	Medium to large firms	Nigeria	Globalcom
	Micro-multinationals	Malawi	Click-Mobile

Layers of MNE–host context engagement

The three types of MNEs find themselves simultaneously embedded in four contexts, ranging from the local to the supra-national level (see Figure 4). However, because much of Africa is underdeveloped and remains poorly integrated into the global economy, the realities that these different layers present to the investors are not necessarily aligned. This complicates MNEs' ability to conduct business in Africa, and also raises international business policy questions across the different levels.

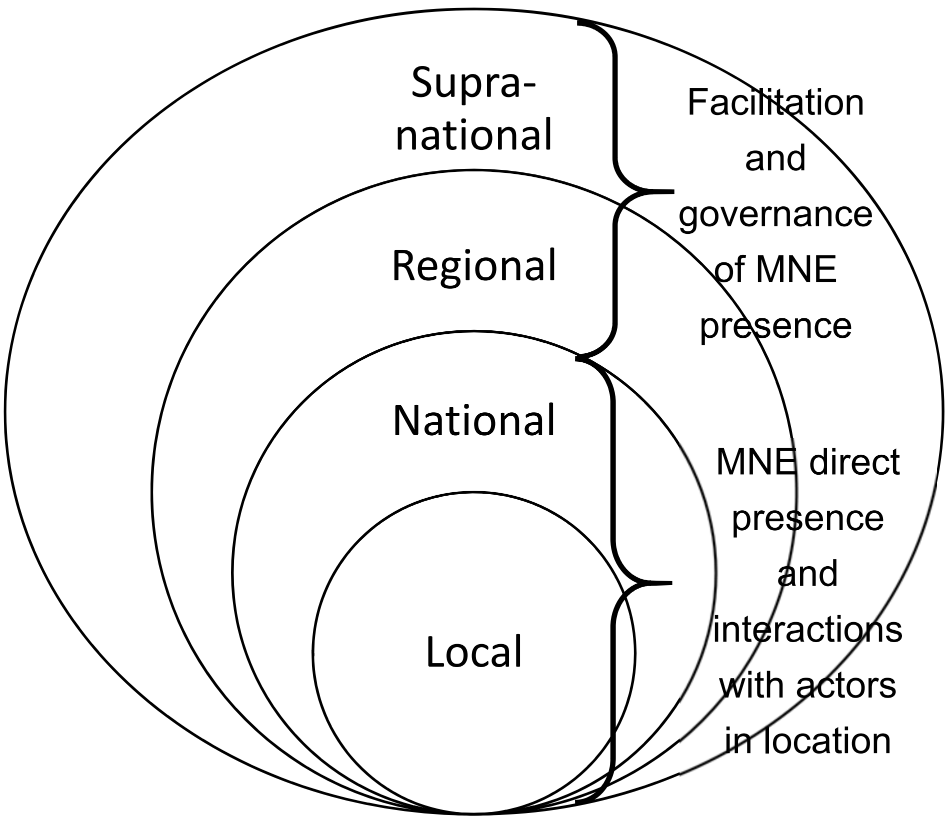

Figure 4: Layers of MNE-host context engagement

Local Context

MNEs in Africa operate in a local context where they directly interact and need to work with communities, traditional leaders, and the existing interests of people as diverse as farmers, small-scale miners, and traders. Because Africa has been less connected internationally and both informal and formal institutions vary substantially across localities, many communities have experienced little international investment, and are forming their views of investors from scratch. Moreover, when foreign investment does takes place, frequently in mining or agriculture, the operations by foreign MNEs often negatively affect poor communities by weakening the informal institutions that have defined the local contexts (Brandl, Moore, Meyer, & Doh, 2022).

Communities are rarely willing to accept such social costs of investment, even though they may be accompanied by benefits. As already mentioned, McCauley et al. (2022) document a range of responses to Chinese investment into Africa, and the fact that people who are directly affected by foreign investment tend to assess it less positively than people who live further away. Because the experiences of local communities with MNEs are likely to resonate beyond the immediate encounter, the success with which MNEs relate to the local community is critical.

Negative grassroots-level experiences can be expected to translate into judgements about the most appropriate development models that governments should adopt and the role of international business therein. Policymakers are well advised to take into account the views of local communities, and to interrogate under which circumstances an FDI-led model of development (Narula & Pineli, 2019) is a wise policy option, and when they need to pursue more localized community development. In this context, the view of Johnston, Amaeshi, Adegbite and Osuji (2021) that MNEs should conceptualize Corporate Social Responsibility as the obligated internalization of social costs is a sage observation if the goal is to convince the African region to embrace further economic integration.

National Context

National institutions are often fragile in Africa (Bratton, 2007), and this weakness affects the three types of MNEs that we discussed above differently. Although Cuervo-Cazurra and Genc (2008) found that Emerging MNEs may be better at navigating the national context than Advanced MNEs, recent qualitative research suggests that Advanced MNEs' substantial resources help them manage the dysfunctional institutions of their African host countries. This is arguably because the African subsidiaries of MNEs from technologically advanced and economically powerful countries benefit from institutional duality when the host country is institutionally weak (Barnard & Mamabolo, 2022). Rather than challenge dysfunction, Advanced MNEs focus on getting the basics right and drawing on their extensive capability base to focus on what they do best (Luiz et al., 2021).

In contrast, Emerging MNEs may not have the capabilities of Advanced MNEs, but they do have experience in dealing with weaker institutions. For example, South African MNEs capitalize on the presence of numerous other home-country MNEs in the region and enter collectively, using the known capabilities of fellow South African MNEs to overcome institutional voids in their host locations (Chipp, Wocke, Strandberg, & Chiba, 2019). A Chinese MNE in the underdeveloped DRC crafted a business ecosystem by working with the Chinese and DRC governments, with state-owned enterprises, privately owned enterprises, and local communities (Parente, Rong, Geleilate, & Misati, 2019). In Nigeria, a firm sought "institutional immunity" against weak institutions by strategically deploying corporate social responsibility mechanisms (Amaeshi, Adegbite, & Rajwani, 2016).

The Nascent MNEs respond to the institutional weakness in much of Africa by relying primarily on informal institutions, particularly relational networks (Ng'ombe et al., 2023; Nyame-Asiamah et al., 2020). Although they have limited resources, they benefit from being insiders. In their case, engagement with communities may well serve to help overcome national-level challenges posed by weak institutions, a topic that deserves future research.

From a policy perspective, some MNEs are more likely to receive a favorable reception from governments than others. Except for Chinese MNEs with their history of offering both aid and FDI with few explicit associated conditions (Fon & Alon, 2022), prior work suggests that Emerging MNEs rarely thought that engaging with policymakers was a viable strategy. In contrast, Advanced MNEs with their extensive capability base often managed the local uncertainty by seeking to increase the local government's reliance on them (Luiz et al., 2021). It seems likely that Advanced MNEs may be better able to meaningfully engage with African national governments than other MNEs, depending on their colonial heritage.

Regional Context

In recent years, intra-regional trade in Africa has increased as Africa has seen the rise of regional value chains. In some cases, regional value chains emerged when local producers, unable to meet the quality criteria of advanced economies, sought buyers in the region, e.g., in the case of Kenyan flower producers (Krishnan, 2018). In other cases, Emerging MNEs crafted regional value chains as they sought to procure cheaper goods, e.g., in the case of South African clothing retailers (Pasquali, Godfrey, & Nadvi, 2021). Regional value chains are emerging across industries, including a range of agricultural and automotive industries. There is general agreement that regional value chains could foster greater regional integration (Barnes, Black, Markowitz, & Monaco, 2021; Black, Edwards, Ismail, Makundi, & Morris, 2021).

In fact, a range of regional blocs have long operated in Africa. The evidence indicates that there have been real albeit modest gains to participation in such trade blocs, e.g., the East African Community (Lwesya, 2022), ECOWAS in West Africa (Ajide & Raheem, 2016) and the Southern African Development Community (Aniche & Ukaegbu, 2016). Getachew, Fon and Chrysostome (2023) in this issue confirm that these regional economic communities do support trade inside regions, although moderated by the quality of national institutions. More than 60% of the investments they report are of Nascent MNEs, in other words, excluding South African Emerging MNEs.

The effectiveness of regional trade blocs has possibly been limited by the “spaghetti bowl effect” with countries belonging to multiple trade agreements. Babić (2020) points out that almost 80% of African countries belong to multiple trade blocs, and suggests that countries can use them to arbitrage between opportunities. Table 2 of the paper of Getachew, Fon and Chrysostome (2023) in this issue outlines trade blocs and their member countries. It does not appear that South African FDI is much shaped by the trade blocs, but the results of Getachew et al. (2023) underline the importance of the trade blocs for especially Nascent MNEs. Because Nascent MNEs operate largely regionally, they are particular beneficiaries of regional trade blocs, and perhaps even by the multitude of trade blocs.

Supra-National Context

Africa’s experience with supra-national institutions has been mixed. Global supra-national institutions were not always positively experienced in Africa (the negative outcomes of the International Monetary Fund and World Bank structural adjustment programs are still being studied, e.g., Forster, Kentikelenis, Reinsberg, Stubbs, & King, 2019), and where there was a desire for greater supra-national oversight, it was seldom forthcoming (e.g., of foreign MNEs, Omoteso & Yusuf, 2017). Even a supra-national organization like the World Health Organization, recognized as playing a leading role in supporting Africa’s management of its heavy disease burden (e.g., Renju, Seeley, Moshabela, & Wringe, 2021) has been criticized for its inadequate response to Africa-specific health issues like Ebola (Kamradt-Scott, 2016).

Given suspicion about many of the global supra-national institutions, and because the processes of creating African borders were from the outset contested (Touval, 1966), Africans sought to create their own institution that could transcend national borders. The main intra-African supra-national institution was first the Organization of African Unity (OAU) and then the African Union (AU). The OAU was established as Africa emerged from colonialization in 1963, but its policy of non-interference in the affairs of member states meant that it did not act against African states engaged in gross human rights and other violations. This meant that it often appeared as if the OAU was condoning such acts, and the OAU was disbanded in 2002 and the AU founded in its place.

The AU was designed to overcome some of the weaknesses of its predecessor, for example, the AU can take action against a member state engaged in crimes against humanity. Thus, although all African countries can in principle be members of the AU, a number of countries (Mali, Guinea, Sudan, and Burkina Faso) have been suspended after coups d'état, with reinstatement only possible once there is a return to democracy. The AU also managed to oversee a swift continental response to COVID-19 (Fagbayibo & Owie, 2021), further strengthening the institution.

One of the AU's most ambitious goals has been the African Continental Free Trade Agreement (AfCFTA). First introduced in 2018, AfCFTA has been signed by all the sub-Saharan African countries except Eritrea, and by 2023, had been ratified by 46 countries, including the continental economic powerhouses Nigeria and South Africa. There is much hope that AfCFTA will further support trade and eventually economic upgrading in Africa. The pursuit of collective rather than individual interests is feasible only to the extent that countries with substantial differences in size and economic power can align their interests. Although substantial issues remain in achieving such alignment, this agreement is an important achievement of the African Union (Fofack & Mold, 2021).

AfCFTA is designed to benefit intra-African trade and development. As a middle-income country with a large number of MNEs, it is likely that South Africa will particularly benefit from greater openness on the continent (Tella, 2022). However, it seems likely that Nascent MNEs will also be beneficiaries, as the agreement will make it easier for them to expand beyond their region.

Papers in this issue

To do justice to the vast and complex African context is not possible within a single special issue. Nonetheless, we are pleased about the contribution of the papers to our understanding of the under-theorized African context. In particular, three of the four papers engage with the actions of African firms, a group of firms on which research remains scarce (Boso, Adeleye, Ibeh, & Chizema, 2019). A brief summary of the papers is provided here.

The provocative conceptual paper by Zoogah et al. (2023) entitled "Industrial policy environment and flourishing of African MNEs" focuses on how the policy environment can support the success of African MNEs. The authors argue that flourishing should not be measured solely by a firm's financial performance, but by a composite of human, environmental and economic excellence, and wellbeing. Their work reflects the African concern with understanding the context holistically, and they discuss (and illustrate with an example from the Kenyan Equity Bank) policies on labor, trade, infrastructure (also technological) and natural resources that can govern and improve human, environmental and economic conditions.

The paper is Africanist in its orientation, presenting the African "maat" as an alternative philosophical anchor for how local MNEs can be actors for good, contrasting that with MNEs from advanced (ex-colonial) countries. The authors strongly advocate that such positive outcomes need to be the result of deliberate policy actions.

The paper “Outsourcing in Africa: How do the interactions between providers, MNEs and the state lead to the evolution of the BPO industry?” by Larsen et al. (2023) traces the development of the Kenyan business process outsourcing industry over two decades. The authors argue that an “outsourcing triad” consisting of local suppliers, foreign MNEs, and a supportive institutional environment functions together to support industry evolution. They highlight the role of both domestic and foreign clients, draw attention to the importance of social responsibility (so-called “impact sourcing”) as an important motivation for foreign MNEs to use the services of African providers, and make policy recommendations to strengthen the industry at the level of the country, the region and supra-nationally.

The authors present a clear picture of the fragmented business policy environment and the many stops-and-starts of policy making that have prevented the Kenyan BPO industry from achieving its potential. They argue that for the industry to mature, the efforts of the many actors operating in the industry need to be aligned, and they argue for governments to play the fundamental role of “systems integrators”.

Getachew et al. (2023) examine in their paper “On the location choices of African MNEs: Do supranational economic institutions matter?” the effects of five African trading blocs on intra-African greenfield investments against the backdrop of the AfCFTA which began operating in January 2023. They highlight the substantial diversity in the different trading blocs and, taking into account factors like a common border, language, and colonial power, provide evidence that stronger regional trading blocs do promote intra-African investment. Indeed, although Table B3 in their appendix shows that only three countries (Kenya, Nigeria, and South Africa) are the sources of almost 60% of FDI on the continent, the recipient countries of African FDI are far more diverse, with ten countries constituting the top 60% recipients of African FDI.

However, the positive effects are reduced where the institutions of host countries are less developed. The overarching message of their paper is that Africans need intra-African improvements to allow the continent to take advantage of the AfCFTA. Thus, their work offers useful theoretical insights and empirical findings both into the potential and limitations of trading blocs, and also practical guidance for policymakers concerning the future development and implementation of policies related to supra-national institutions.

Finally, the paper “Corruption distance and the equity-based foreign entry strategies of MNEs in sub-Saharan Africa” by Liu, Godinez, Henley and Geleilate (2023) compares the entry modes of MNEs from across the world in eighteen African host countries. They argue that foreign MNEs have to consider both external legitimacy (i.e., in the host country), and internal legitimacy through adherence to internal codes of conduct and home country anti-corruption regulations, the latter the more so the greater the corruption distance between the home and the host country. Their paper is the only one explicitly highlighting the challenges of operating in an environment with high corruption, although the other papers all make mention of the often unclear and weak institutional environment in sub-Saharan Africa.

The paper demonstrates that in the contested African business environment, especially natural resource-seeking FDI is subject to high external legitimacy pressures, because MNEs have to interact extensively with host country governments to extract resources. In contrast, legitimacy for market-seeking FDI is more of an internal process where the parent firm’s requirements and guidance are central. The authors’ extensive empirical analysis demonstrates that MNEs are more likely to use joint ventures (with the implied local endorsement) when they engage in natural resource-seeking FDI in countries with a high corruption distance, whereas they are more likely to use wholly owned subsidiaries (with a greater ability to control how host country engagements take place) in the case of market-seeking FDI.

Conclusion

In our final remarks, we would like to return to Larsen et al.'s (2023) image of policymakers as "systems integrators". We believe it not only captures the complex task that African governments face in terms of policymaking, but also the complicated task that academics face in seeking to guide them. There are high hopes for the emergence of Nascent MNEs (as per Zoogah et al., 2023) coexisting with concerns about weak institutions in African countries (see the work of Liu et al., 2023), and evidence that trade blocs cannot negate the requirement for African countries to develop strong institutions (Getachew et al., 2023). How should scholars and policymakers navigate this complexity, and how easily do insights from other continents apply to the African region, as well as how easily are understandings from Africa transferable elsewhere?

Although Africa is "rising", it remains undertheorized (Nachum, Stevens, Newenham-Kahindi, Lundan, Rose, & Wantchekon, 2023). An important question is whether Africa presents unique challenges to policymakers and scholars, or whether the insights derived from Africa-focused research are generalizable to other contexts. We want to underline the thinking of Barnard et al. (2017) – although the conditions in Africa are sometimes extreme, they are not unique. Instead, they highlight mechanisms that may not otherwise be visible.

One clear example from this special issue relates to the existence of Nascent MNEs. As Esho and Verhoef (2020:76) put it, "overlooking multinationals from developing African countries because their countries of origin do not qualify as emerging markets inhibits the understanding of multinationals and their internationalization process." However, it seems unlikely that Nascent MNEs are emerging only in Africa. Instead, it seems more likely that they were first observed there because Africa is an overwhelmingly poor continent. Better understanding of such Nascent MNEs, how they emerge, how they deal with a poor home country context and likely institutional weakness in host locations, their competitive advantage(s) and developmental impact in their home and host locations are all important future research questions.

Another contribution of Africa-focused research relates to the continent's colonial history. The first African country to gain independence from European colonization was Ghana in 1957; most countries had gained independence by 1975. That is within living memory, and it still happens that both action and intent are interpreted (to a lesser or greater extent) through the lens of Africa's colonial experience. When Austin, Dávila and Jones (2017) proposed an "alternative" business history for emerging markets, they made extensive reference to the challenges of colonialism. But although they often reference African countries, they also mention Asia and Latin America. In addition, they point out that "[e]ven countries that escaped formal colonialization experienced long periods of constrained autonomy" (p. 541). In other words, Africa's experiences of being colonized and escaping colonization are not unique, but the shadow that colonization continues to cast on today's African business environment makes it a particularly fertile research environment.

This raises the question of why the colonial experience (or periods of constrained autonomy) matters. One important reason has to do with the sensitivities associated with those periods, in some respects quite similar to what we are experiencing today. Few regions elicit such divergent views about the benefits of (different sources of) FDI as the African continent. Much of international business scholarship on Africa already acknowledges the different kinds of allegiances that MNEs from different home countries have, but more can be done to identify the sources of such allegiances, as well as the complications and possible gains they bring. These tensions underline the importance of high-quality data and analysis, even if it is often hard to acquire solid evidence in an under-documented context. Both the innovative, careful use of data, and robust empirical analysis will be essential to provide clarity in these debates.

Finally, the position of the researcher cannot be discounted in this respect. Given the very different views about international business held by different actors in Africa, scholarship will also be advanced if authors specify their own views in their theorizing, their positionality. For example, in their paper on FDI into Africa, Munjal et al. (2022:1019) contend that "India fundamentally embraces accountability and free public voice" and that "China seems to follow 'debt-trap diplomacy' under the aegis of the Belt and Road Initiative". Other scholars may not engage with their solidly executed paper because of their clear albeit unstated positionality. How scholarship is shaped by the positionality of the researcher is not new: The editorial started with references to how the different experiences of Dunning and Hymer influenced how they understood the developmental potential of MNEs. Yet positionality is only now starting to receive explicit attention in international business, and typically when scholars reflect on methodological choices, e.g., ethnography (Mahadevan & Moore, 2023) or historical analysis (Decker, 2022). In the contested African international business context, researchers may communicate more effectively if they also acknowledge their positionality in terms of their theoretical orientation. As geopolitical tensions rise, it is likely that international business scholarship more generally will benefit from such awareness.

Evidence of the developmental potential of MNEs has recently been tempered by the realization the MNEs sometimes condone or even do harm (Brandl et al., 2022; Van der Straaten, Narula, & Giuliani, 2023). International business research into Africa is growing in tandem with the realization that scholars have a moral obligation to strive for positive societal impact, and especially in some of the least developed countries (Doh, Eden, Tsui, & Zaheer, 2023). How international business scholars seek to understand the African context, and the recommendations they offer policymakers represent important opportunities to showcase how the systematic development of new knowledge can aid in development. We believe that the *Journal of International Business Policy* is an excellent place where this analysis and discussion can unfold.

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