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The relationship between interrelated strategic principles and financial performance of multinational corporations in the emerging market

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Abstract

The emerging markets have become a new growth opportunity for multinational corporations (MNCs). This could be attributed to the stagnation of growth within the developed markets and the emergence of strong economic growth within emerging markets. Yet, MNCs have varying levels of success due to overlooking of certain components lacking in emerging markets, such as infrastructure. Furthermore, the strategic planning and execution frameworks utilised by MNCs are based on assumptions that are valid for the developed markets, but not always for the emerging markets.

The objective of this research was to determine if there is a link between the application of specific interrelated principles for defining and executing strategy, defined by Raina (2010), and the financial success of MNCs when entering the emerging markets.

The research found that there is clear evidence that if certain of the principles are applied by MNCs when entering the emerging markets, there is evidence of greater financial success.

The research concluded that the interrelated strategic principles are a valuable framework to deliver financial success for MNCs entering the emerging markets.

Keywords

Strategy, Emerging Market, Principles, Strategic Management Practices

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.

Chris Bos

Signature

Date

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I would like to thank God Almighty for giving me the strength and insight to be able to do the research.

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1. Introduction

1.1. Purpose of the study

The need for multinational corporations (MNCs) to enter the emerging market is essential for growth in profits, yet the success of MNCs in emerging markets is mixed or produces mixed results (Prahalad, 1990). There is a need to rethink the strategic management practices applied by MNCs. Prahalad (1990) argued that MNCs should relook at strategies as the various factors influencing the western market and emerging markets differ. Furthermore, London and Hart (2004) argued that the global strategy and research are more focused on developed markets, which leads MNCs to fail due to the misalignment between the factors driving the emerging markets as compared to the developed markets.

The global strategy of MNCs is based on open frameworks and models (Andrews, 1971; Barney, 1986; Hamel, 1998; Porter, 1983; Wernerfelt, 1984) that drive the strategic management practices of MNCs. The strategic management practices, which can be defined as interrelated assumptions, frameworks, strategy typologies, processes, principles and criteria to develop a strategy (Raina, 2010), are focused upon the economies of developed countries. Thus a need exists to investigate new strategic management practices that will support the financial success of MNCs in the emerging markets based on guiding principles.

The purpose of this research is to attempt to substantiate the guiding principles, as defined in a framework by Raina (2010), for success in the emerging markets. The requirement is to determine the effect of the interrelationships between these principles and the effect on the financial performance of MNCs, in emerging markets that apply these principles.

1.2. Research context

The emerging markets have become a new focus point for MNCs, based within developed and emerging markets, as to grow their profit in new markets as the developed markets have stagnated (The World Bank, 2011). The issues that arise for MNCs in emerging markets were identified by Prahalad (1990), and include issues like international acquisitions, the meaning of performance and accountability, and specifically the need for country-specific corporate strategies.

The stagnation of the developed markets is also driving the need for MNCs to identify and enter new markets, especially emerging markets (Hamel & Prahalad, 1995). The stagnation of the markets in the developed countries are evident in the World Development Indicators (The World Bank, 2011) generated by The World Bank, The World Development Indicators 2011 state that emerging markets contributed 46% of global growth in 2010 (The World Bank, 2011).

The growth for MNCs in the emerging markets are also extended from the viewpoint that the purchase power parity (PPP) of people within the emerging markets has shifted due to the movement of many from the poverty line. The World Development Indicators 2011 (The World Bank, 2011) support this statement as the trend indicated over the time period from 1981 to 2005 showed the movement of people away from the poverty line in the emerging markets.

The shift towards emerging markets is leading to the entrance of multinational corporations into these emerging markets to exploit the opportunities arising due to the growth within these markets (London & Hart, 2004). The potential of the emerging market was identified by more than one source. In the 1993 article by Arnold and Quelch: *Should Multinationals invest in Africa?*, it was argued that even though the market size in emerging markets are small, it has a sustainable long-term scope for growth.

Yet the approach followed by western multinational corporations was a short-term imperialistic approach (London & Hart, 2004; Prahalad, 1990). The use of western strategic models and practices can not be applied because of the lack of certain essential components, including infrastructure, that most western MNCs take for granted in developed countries (Arnold & Quelch, 1998; Hamel

& Prahalad, 1995; London & Hart, 2004). It is essential to take into account national market conditions and country product preferences.

Therefore research is required to revisit the strategic management practices applied by MNCs and adapt or redefine it for the emerging markets (Raina, 2010). This does not state that the strategies followed in the Western world can not be applied in the emerging market, but the need for different underlying guiding principles exists to ensure successful entrance and sustainability within the emerging markets. Parahalad (1990) alluded to some of the principles to take into account and the forces that will affect multinational corporations in the emerging markets, including aspects relating to the need to revisit the strategic management practices (Barney, 2001; Porter, 1983) applied by managers of MNCs.

Raina (2010) defined five guiding principles for strategy within the emerging market. An imperial analysis was completed by Chinembiri (2010) to ascertain if there is a correlation between the principles and the financial performance of MNCs. Even though Chinembiri (2010) identified a correlation between the principles and financial performance, the interrelationships between the principles were not investigated.

This research will focus upon the interrelationships between certain of the guiding principles as defined by Raina (2010) and how the cumulative effect of these guiding principles have a correlation towards the financial success of MNCs in the emerging markets.

1.3. Research rationale

The research of Chinembiri (2010) could not conclusively state that these principles contributed to the financial performance of MNCs. This was due to the size of the sample and other factors outside the researcher's control. A further limitation of Chinembiri's research is the fact that each principle was treated as independent (Chinembiri, 2010; Quelch & Austin, 1993) instead of focusing on the interdependencies of each principle.

Therefore the requirement was to extend the initial research of Chinembiri (2010) by:

- Analysing which principles are interdependent and how these contribute to a winning strategy
- Analysing the compounded effect of three of the principles on the financial performance of MNCs

1.4. Research limitations

To understand the relationships between the strategic guiding principles for emerging markets (Raina, 2010), the need exists to complete multiple analysis. Data gathering is required. This was not possible because of time constraints, therefore only combinations of three of the guiding principles will be investigated. The sample size will also be limited because of the time available for gathering information.

2. Literature study

2.1. Introduction

The need exists to investigate previous literature and research to determine the different theories and viewpoints within the strategy domain in relation to emerging markets. The literature review also focuses upon previous studies on MNCs entering the emerging markets comparing the successes and failures that the MNCs had and the reasons behind it.

2.2. Strategy

2.2.1. Strategy history

As early as 1950s the concept of policy, later renamed strategy, was introduced to create abnormal profit. Bain (1956) spoke about policies in relation to the use of size for economies of scale. Even though Bain (1956) focused on the approach that a “concentrated” industry should apply in terms of products, marketing, and distribution; the fundamental concept of the strategies available and the relationship between the external factors and resources within the firm as fundamentals were already established. Yet through the evolution of strategy, there is no clear single definition for strategy, therefore an investigation regarding strategy as a concept and the viewpoints is required.

Andrews (1971) stated that in the simplest form, strategy "*can be a very specific plan of action directed at a specified result within a specified period of time*." Andrews (1971) extended the concept into corporate strategy where he stated that *"Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principle policies and plans to achieving the goals and defines the range of business the company is to pursue, the kind of economic and human organisation it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers and communities." (p. 8).* The definition of Andrews (1971) forms a strong basis for subsequent research on strategy.

Porter (1983) argued that there is a requirement to move towards industrial organisation as a business strategy framework because the industry defines the conduct and behaviour of the firms within the industry. Porter argued that the strategy could be utilised to unlock the constraints of the industry structure, thus leading to abnormal profit (Porter, 1983). This led to a more industrial organisation view of strategy (Porter, 1983).

Further evolution of strategy through the 1980s brought forth different views of strategy. Multiple researchers focused upon the resource-based view of strategy. Even though Bain (1956) and Andrews (1971) had already alluded to the resource-based view of strategy focusing on strengths and weaknesses, Wernerfelt (1984) extended the resource based view in the article: A Resource-based view of a firm. Wernerfelt (1984) argued that Andrews (1971) focused more on the resource-based view whereas the economic tools used were more product focused (Wernerfelt, 1984). The concept of linking the product to resources to create an amended view was proposed (Wernerfelt, 1984).

The resource-based view was further expanded by Barney (1986) where he argued that the analysis of external environment (Porter, 1983) can not always achieve the required unique insights in certain circumstances, the firm's unique skills and capabilities can bring insight into the future value of strategies (Barney, 1986). Barney expanded on this view by focusing on the following aspects for a competitive advantage:

- The resources must be valuable
- The resources must be rare
- The resources must be difficult to imitate
- The resources must not be substitutable (Barney, Wright, & Ketchen, 2001)

Priem and Butler (2001) disputed this view because of the tautological, failure to take resource configurations into account, the role of product markets is underdeveloped and has limited implications. Yet the resource-based view of strategy has grown in its acceptance and has been expanded to include knowledge-based view as the essence for the resource-based view (Conner & Prahalad, 1996).

Hamel and Prahalad (1995) proposed a further focus on strategy in terms of positioning and engaging with the opportunities that will exist in the future. Hamel and Prahalad (1995) argued that in the environment where margins are decreasing and market share is falling, the standard approach is cost cutting. It was further stated that more focus on new opportunities and positioning of the organisation for these opportunities is required. This does not differ from the environment (Andrews, 1971) component or industry analysis (Porter, 1983), but the shift towards abnormal profit should be sought outside the industry boundaries (Hamel & Prahalad, 1995).

Hamel (2000) extended this viewpoint of strategic innovation by redefining the boundaries that an organisation is positioned in. Hamel (2000) argued that due to innovation, the competition is also changing. He argued that the competition is less on a product versus product basis, but more on a business model versus business model basis (Hamel, 2000). The approach towards strategy should be related more on an innovation level (Hamel, 2000) and less on an industrial level (Porter, 1983).

It is clear that there are multiple views on strategy. Porter (1991) stated that corporate strategy concerns with the question of what business the corporation should be in and in what way the business units within the corporation be structured and managed. Hamel and Prahalad (1995) argued that most corporations focus on internal strategies so as to keep the status quo, which leads to long-term problems in the event that revenue stagnates. The argument states that corporations lack the ability to grow the revenue stream and focus on restructuring and cost cutting to achieve perceived value for the shareholder (Hamel & Prahalad, 1995). Therefore, it can be stated that even though the different viewpoints are argued, the principles that apply to strategy stays constant (Mintzberg, 1990).

2.2.2. Strategic Planning

Strategic planning is a further aspect of strategy. The issue arises that the general manager-in-charge needs to manage the current operations of a firm, yet establish a framework to direct resources into an ever-changing environment (Bower, 1982). Factors that can influence the manager include political, social and economic cultures, markets, competitors and technology changes (Bower, 1982). Another issue arises in terms of the forecasting, which becomes irrelevant beyond two to three years (Bower, 1982). Therefore, there is a need to establish frameworks and processes to develop a strategy.

Andrews (1971) proposed that the formulation of a strategy is an organisational process that is dependent on the structure, behaviour and culture of the organisation. Andrews (1971) clearly states that there are two phases - the formulation process and the implementation phase.

Andrews (1971) based the strategic planning on the following components:

- Environment
- Resources
- Value
- Structure
- Style

Bower (1983) used Andrews (1971) components and expanded on the process by focusing on the strategic formulation in terms of a problem-solving process that will result in the choices of goals, policies and programs to achieve the goals. Bower stated that the approach to strategic planning is strategic formulation, which looks at Andrews's (1971) three components of environment, resources and values. Bower (1983) focused on investigating alternatives to corporate competencies and values for the future, within the limits of the management values. Bower (1983) also proposed that more investigation is required to define a "grand" strategy. Implementation is also essential, where Bower argued that strategy planning is a problem-solving exercise. This is broken down into analysis, specialisation, implementation and reformulation.

In the article, Industrial Organization and the Evolution of Concepts for Strategic Planning; Learned, Christensen, Andrews, and Guth's (LCAG) concept of strategy was criticised to be situational and not providing a generalised strategy planning (Porter, 1983). Porter stated that the factor that was missing was a broad theory of competitions for an industrial organisation. Porter (1983) proposed his own framework that encompassed five competitive forces to measure competition:

- Potential entrants
- Bargaining power of suppliers
- Bargaining power of buyers
- Rivalry among existing firms
- Threat of substitutes

The focus on the industry that an organisation finds itself in will help determine the strategy (Porter, 1983).

Mintzberg (1990) summarised what he called the strategy design school into the following premises and argued the assumptions surrounding certain of the premises:

1. **Strategic planning should be a controlled, conscious process of thought**.

Mintzberg (1990) argued that the ability to define strengths and weaknesses from an organisational point of view led to inaccurate viewpoint of these factors. He extended his argument by stating that no organisation can ever be sure whether a competence caused by situational impact is a strength or a weakness.

2. **The responsibility to formulate the strategy lies with the Chief Executive**.

The argument against this premise was the fact that no person can manage internal decisions, external factors and all the other factors influencing the strategy (Mintzberg, 1990).

3. **The strategy should be understandable for those defining it.**

Mintzberg (1990) argued that an explicit strategy promotes inflexibility. A further argument was the fact that hierarchical dissemination of information of the strategy tends to get lost from the top to the bottom, thus the requirement for inclusion of more levels in the defining of the strategy.

4. **Only after the strategy formulation, can implementation happen.**

Mintzberg (1990) argued that the strengths and weaknesses of an organisation already forms part of the structure, therefore structure does not always follow strategy. Furthermore, the concept of detaching strategy planning from implementation was argued that thinking (formulation) and doing (implementation) are not separate events.

Mintzberg's (1990) key criticism against this was the fact that the design school did not allow adaptation to different models and organisations. He pointed out that the design school and its methodologies were sufficient for the 1960s, but the progression to the 1980s led to a lack in the design school (Mintzberg, 1990). Even though he criticised the design school of strategic planning, he stated that it was not absolutely incorrect and was still valid in certain circumstances. This led to other researchers (Ansoff & Mintzberg, 1991; Leavy, 2010) who argued that the Mintzberg "attack" on the design school was unfounded because of factual contradictions.

There is a clear indication that strategy planning has different approaches and thinking whether it is based on explicit formalisation (Andrews, 1971; Porter, 1983) or emerging (Mintzberg & Waters, 1985). There is still a need for methodologies and frameworks to facilitate the formulation of a strategy by means of strategy planning.

Strategic planning has come under further scrutiny because of the difficulty in defining the relationship between strategic planning and organisational performance. Sarason and Tegarden (2003) summarised the arguments for and against the link. An empirical study was completed to determine the relationship between strategic planning processes and firm performances for both early stage and established firms (Sarason & Tegarden, 2003). The study concluded that strategic planning processes for entrepreneurial companies was beneficial in the short term (Sarason & Tegarden, 2003), but established firms were limited in any benefit. Yet it is also stated that there is still research lacking to determine a conclusive reasoning between the benefit of strategic planning and firm performance.

2.2.3. Globalisation and strategy

The concept of globalisation is not a unique concept as colonisation is a form of globalisation. Modern globalisation, however, entails managers of multinational corporations to take into account issues outside of the local market (Prahalad, 1990). The need to manage the integration of large international acquisitions, understanding performance and accountability, and manage a worldwide logistics capability are factors that require attention by MNC managers (Prahalad, 1990). As strategy entails configuration of resources (Andrews, 1971; Barney, 1986), the need to deploy resources in such a way as to fulfil the needs of the local and global market, is essential (Prahalad, 1990).

Prahalad (1990) indicated that the challenges for the MNC managers were the shifting pattern of trade and funds flowing across the world; alluding to the emerging markets entering the global arena. Prahalad (1990) also stated that the restructuring of mature markets will also influence MNCs and can be impacted by political and / or governmental influences.

Another key component is the competition for structuring in the emerging industry (Prahalad, 1990), later renamed emerging markets (Price, 2002). Prahalad (1990) also stated that another issue MNCs would have to cater for is the creating of industry space, where not just current industries need to be catered for (Porter, 1983), but also future markets (Hamel & Prahalad, 1995). Parahalad (1990) proposed that other factors, including collaborative arrangements, protection of intellectual property, blending of hardware and software, and knowledge transformation of major industries is needed for a global strategy. Prahalad (1990) concluded that a global strategy would be more complex and new skills will be required to manage strategy in a globalised world.

2.3. Strategy in the emerging markets

2.3.1. What constitutes an emerging market

The emerging markets have become a new area for multinational corporations to grow profits. Emerging markets as defined "*are low-income, rapid-growth countries using economic liberalizations as their primary engine of growth*" (Hoskisson, Eden, Lau, & Wright, 2007 p 249)

Even though there is still the debate on what exactly constitute emerging markets, there is a consensus that emerging markets are divided into two groups:

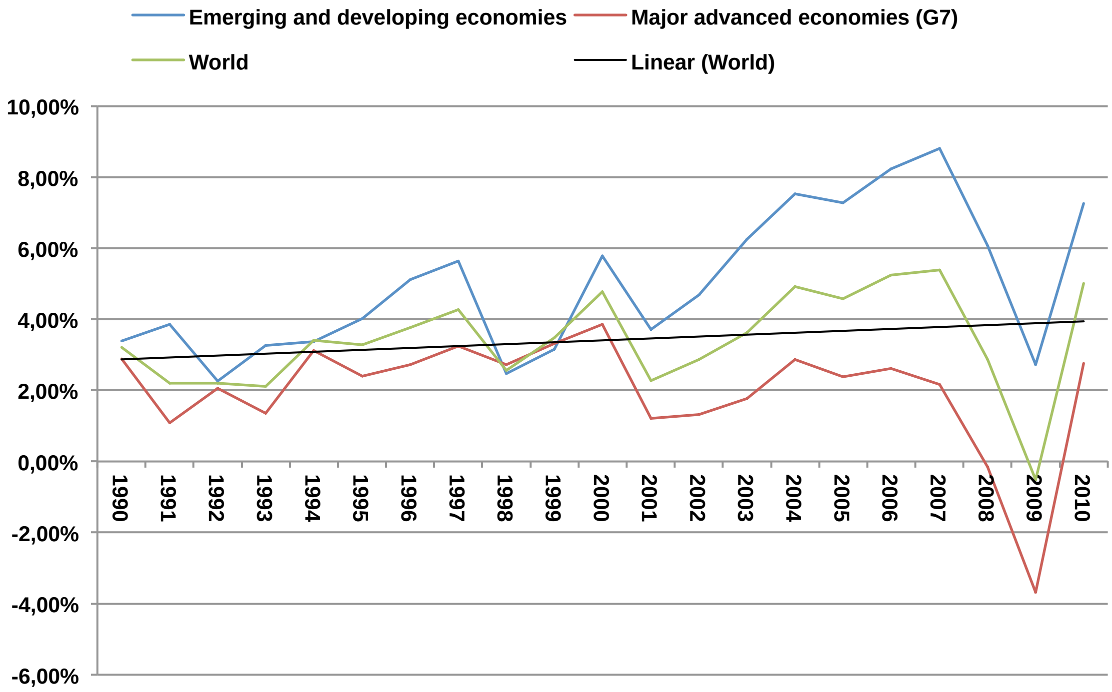
- Developing countries in Asia, Middle-East, Latin America and Africa
- Transitional countries which include China and Russia (Hoskisson et al., 2007)

2.3.2. Multinational corporations in emerging markets

One of the earliest articles to focus on long-term focus for multinational corporations in developing markets is stated in (Quelch & Austin, 1993), focusing on the requirement to invest in Africa. Quelch and Austin (1993) illustrated that Africa is one of the fastest growing markets in the world. It also stated that the population growth in Africa is 3% compared to developed countries that average 0,5% (Quelch & Austin, 1993). Further analysis by Arnold and Quelch (1998) showed that one of the factors that contribute to growth is the adoption of a free market system. Arnold and Quelch (1998) utilised the International Finance Corporation (IFC) to identify rapidly growing economies in the emerging market. It should be noted that Arnold and Quelch (1998) moved away from the "*newly industrializing countries*" to the known term of emerging market economies.

To support Arnold and Quelch (1998), a comparison of GDP growth between developed countries and emerging countries (The World Bank, 2011) can be used. The following graph illustrates that over a period from 1990 – 2010, emerging markets GDP growth outweighed that of the developed markets.

Figure 1: Comparison of Growth between G7 and Emerging Countries (The World Bank, 2011)



Emerging and developing economies, on average, had 4,99% growth from 1990 - 2010 as compared to major advanced economies (G7) where the average GDP growth was only 2% (The World Bank, 2011). This supports the Arnold and Quelch (1993) argument than multinational corporations should invest in emerging markets, specifically Africa.

The international monetary fund (IMF) also predicts that the growth of emerging markets will outpace major advanced economies (G7) by more than 200% as illustrated in the following table:

Table 1: IMF Growth Prediction (The World Bank, 2011)

	2011	2012	2013	2014	2015	2016
Emerging and developing economies	6,54%	6,49%	6,54%	6,66%	6,70%	6,77%
Major advanced economies (G7)	2,27%	2,45%	2,33%	2,29%	2,23%	2,18%
World	4,40%	4,51%	4,54%	4,63%	4,67%	4,73%

According to the World Development Indicators (WDI), 46% of the world economic growth for 2010 was contributed to by emerging markets whereas the developed countries have stagnated (The World Bank, 2011). The WDI further provided data, that from 1990 – 2005, a large amount of people have exited the $1,25 / day poverty line to a higher space, in which China was leading (The World Bank, 2011). This created a new middle class to whom multinational corporations could sell products and services in the emerging markets (The World Bank, 2011).

For multinational corporations, there is a need to solve challenges that exist in the emerging markets. The lack of infrastructure (Arnold & Quelch, 1998) and the development of affordable products to the base of the pyramid (Anderson & Markides, 2007) are a few of these challenges that could arise.

With the stagnation of developed economies (The World Bank, 2011), multinational corporations are now required to enter the emerging markets to achieve sufficient revenue growth.

2.3.3. Strategy planning for emerging markets

There have been multiple arguments for and against entering the emerging markets. Drucker (1990) argued that there is not more profit to be made in emerging markets. Drucker (1990) also argued that foreign direct investment will not "develop" a country due to developing countries not being able to utilise their resources to full potential.

MNCs in developed economies are in dire need to enter the emerging market (Arnold & Quelch, 1998) and with the forecast of future GDP growth (The World Bank, 2011), it is essential that the strategy fits the market that the multinational corporation is entering. Letleier, Flores and Sponosa (2003) indicated that because of the saturation of the markets and the differentiation not leading to good returns, the MNCs are looking at untouched or emerging markets

The textbook western strategies cannot be explicitly applied to the emerging markets. Baack and Boggs (2008) argued that cost leadership only is not enough for effective cost leadership strategies. Baack and Boggs (2008) identified the challenges for multinational corporations to enter or succeed within the emerging markets:

- Emerging markets lack institutional and infrastructure efficiencies, which include legal and political institutions, weak communication and distribution systems

- Lack of human, financial or other resources

- Lack of demand for sophisticated products for affluent consumers

The argument states that MNCs enter the markets with products that lack localisation and therefore achieve limited success or failure in the market (Baack & Boggs, 2008). Baack and Boggs (2008) argued that if multinational corporations want to enter emerging markets, it should focus on delivery localised products for the market instead of attempting to sell existing developed economies' products that is unaffordable to the majority.

Yet the success of MNCs in emerging markets has been limited and can be attributed to limitations of the strategies applied by MNCs (Hoskisson, Eden, Lau, & Wright, 2000). Raina (2010) illustrated that Ford and Toyota were initially unsuccessful in the Indian market whereas Hyundai had more success. A MNC requires an in-depth understanding of the emerging market that it is entering (Raina, 2010). Raina (2010) extended his argument by stating that the use of standard western strategies is suboptimal in emerging markets and this is why certain multinational corporations fail in emerging markets.

Hoskisson et al. (2000) provides the theoretical basis for developing strategies in emerging market. Hoskisson et al. (2000) stated that there are three perspectives from which to view emerging economies. Firstly, the institutional theory perspective talks to the view of investigating the institutional forces that have both an economic as well as a sociological orientation (Hoskisson et al., 2000). Hoskisson et al. (2000) also facilitate strategy, allowing corporations to play a more active role in the institutional environment and also allow corporation to be adaptive to the institutional constraints in the market that the corporation is entering (Hoskisson et al., 2000).

The second perspective according to Hoskisson et al. (2000) is the transaction cost economics perspective. This perspective is applied to a corporation's strategies in the emerging markets where high growth is observed (Hoskisson et al., 2000). The perspective is based on a contractual and/or exchange orientated market where high, hierarchical governance will benefit efficiency, but for emerging markets where there is political instability and lack of property rights, a strategy based on a hybrid strategy using networks that rely heavily on contacts and personal relations (Hoskisson et al., 2000) is advocated.

The last perspective speaks to the resource-based view in relation to emerging markets (Hoskisson et al., 2000). Hoskisson *et al* (2000) stated that little study has been done on the resource-based view in emerging markets, but did include the fact that resources in emerging economies are generally intangible.

Hoskisson et al. (2000) concluded that the three perspectives are needed for strategy development in emerging markets. It is also observed that investigation of institutional context in the emerging markets is essential

(Hoskisson et al., 2000). From the last mentioned observation, Hoskisson et al. (2000) stated that the barriers in market-based strategies should be investigated.

2.4. Guiding principles for MNCs strategy in emerging markets

The need to develop strategic management practices are implied in Hoskisson et al. (2000) so as to enable MNCs to successfully enter into emerging markets, which include guiding principles. Therefore a set of principles needs to be defined as a guide for multinational corporations. The working document by Raina (2010) specified some guiding principles in a framework and also stated that these principles are interdependent. Raina (2010) argued that if the five principles are adhered to, the probability of success for a multinational corporation is higher than if it is not.

The framework consists of five guiding principles as illustrated in the following:

- Immersion for country intimacy
- Position to dominate the main segment
- Build new competences
- Empower emerging market CEOs
- Build an inclusive culture

2.4.1. Immersion for country intimacy

The immersion for country intimacy principle focuses upon the initial understanding of the country that the multinational corporation will enter into and what needs to occur before strategy design and investment decision-making (Raina, 2010). The outcome of the immersion for country intimacy to bring insights to all aspects of the emerging market to be entered into is not only limited to a customer focus (Raina, 2010). This principle is in line with the same thinking by Hoskisson et al. (2000) who observed that a good understanding of the barriers in the emerging market is essential for strategy development. Furthermore, the development of localised products and services for the emerging markets is essential due to the low-income markets that might exist (London & Hart, 2004). It is also stated that most MNCs have difficulty entering a market as the product provided does not always fit the national market structure and consumer preferences, therefore creating a barrier (Bartlett & Ghosal, 1988). This leads to the need to localise for a specific country (Bartlett & Ghosal, 1988).

This principle also focused upon the assumption made by MNCs that the purchasing power parity of people in an emerging market (PPP) is equivalent to the developed country (Drucker, 1998). The need to investigate the culture, political, social and economical aspects of an emerging market is essential for success. Due to the low PPP in an emerging market, the need to understand the social and informal economic interactions can only be determined if the MNC has investigated it (London & Hart, 2004). Other factors, such as poorly enforced law (London & Hart, 2004) can impact on the strategy of the MNC.

Hoskisson et al. (2000) argued that a clear understanding of the formal and informal rules of a country could have an impact on the strategic formation. Hoskisson et al. (2000) also stated that there could also be institutional constraints within an emerging market thus the need to build a network-based relationship.

2.4.2. Position to dominate the main segments

The second guiding principle is related to the position to dominate the main segments (Raina, 2010). This principle focuses on the unique characteristics, socially and economically, in the emerging market as the replication of developed countries product and pricing positions cannot be transplanted to the emerging market (Raina, 2010). This principle focus on two aspects:

- The need to develop products for the market in the emerging market, which can include lower priced products (Anderson & Markides, 2007), therefore ensuring that the correct economic segment is targeted. This can only be done if a thorough investigation is done by the MNC before entering the emerging market (Raina, 2010)

- The need to understand the social nuances within an emerging market to ensure that the product and distribution of the product is aligned (Hoskisson et al., 2000)

2.4.3. Build new competences

The third guiding principle focused on building new competences to support the new market (Raina, 2010). If the new products are delivered for the emerging markets, the need for new competences are required to support the delivery of the product (Raina, 2010). By creating new competences that exploit the limits in the specific, multinational corporations can develop new sustainable businesses (Raina, 2010). This is also supported by Baack and Boggs (2008) that stated the unique products need to be developed for the emerging markets. This principle is in line with the resource-based view of strategy (Barney, 1986; Barney et al., 2001; Peteraf & Barney, 2003; Wernerfelt, 1984) and also aligns with the theoretical view based on resources by Hoskisson et al (2007). A further expansion towards the competences is the need to change the paradigm by:

- Identifying culturally relevant opportunities for making a qualitative difference
- Building trust by engaging customers
- Developing the appropriate measures for monitoring productive success (Sporanso, 2003)

2.4.4. Empower emerging market CEOs

This leads to the principle of localisation of the multinational corporation by empowering the emerging market CEO of the corporation. The need exists to utilise the CEO as the strategy developer, instead of utilising the CEO as an executor and administrator of the already defined strategy (Raina, 2010). The knowledge of the emerging market and the requirement to develop different relationships from western type institutional relationships can only be completed if the person that can define the strategy is within the emerging market. The need for a good relationship with the government of the emerging market is also essential (London & Hart, 2004) and this can only be accomplished by empowering the CEO (Raina, 2010).

2.4.5. Build an inclusive culture

The fifth and last principle in the framework speaks to incorporating the culture of the emerging market into the corporation (Raina, 2010)). Raina (2010) used Microsoft in India as an example where the values of the corporation was successfully integrated with India's fun and family values even though it was a long-term process that took ten years. Pless and Mask (2004) both argued that the need for inclusive culture is essential for globalisation due to the cultural differences in countries that MNCs are entering into. This supports the research in the need to build an inclusive culture on the principle of recognition, relating to solidarity, emotional recognition and legal / political recognition (Pless & Mask, 2004). Pless and Mask (2004) also stated that reciprocal understanding as well as standpoint polarity and mutual enabling, trust and integrity is required to create an inclusive culture.

2.5. Interrelationships of principles

The principles as defined by Raina (2010) cannot be viewed in isolation. A conceptual interrelated model was required to form part of the question. The principles are interrelated (Raina, 2010), therefore the need to complete an explanatory study so as to determine the interrelationship.

The need to understand the country is related to the principle of immersion for country intimacy. This forms the basis for the entry into the emerging market. This is also supported by Spinosa (2003) and states that the culture of an emerging market should be understood to be able to identify the opportunities that exist.

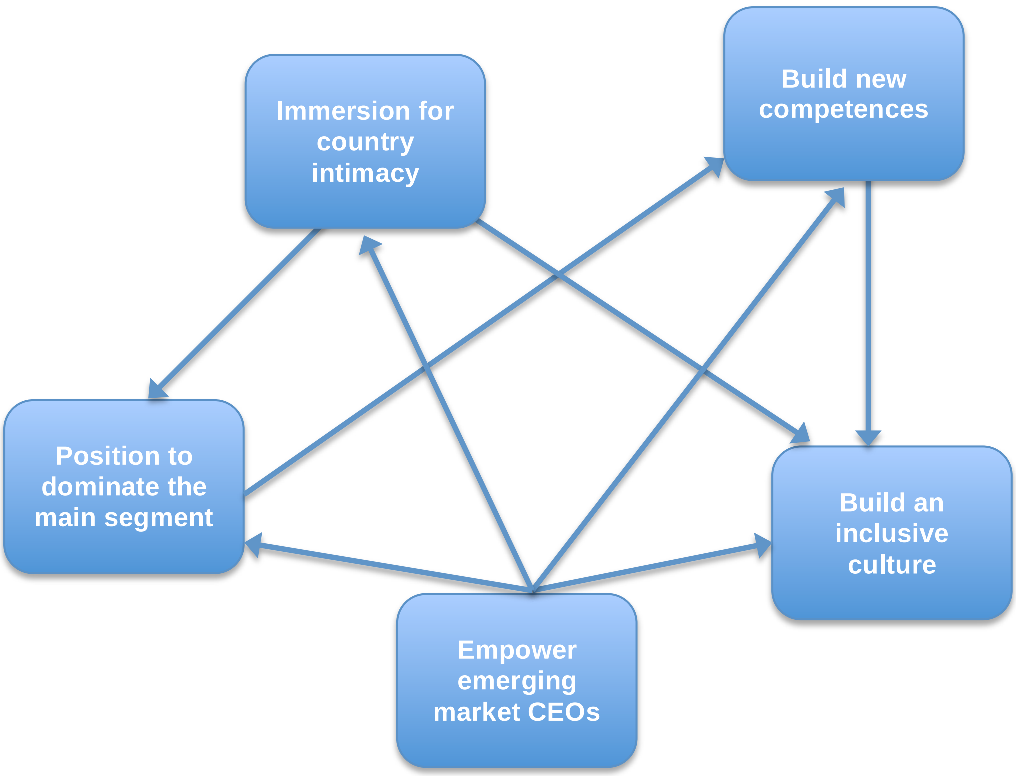
The output, which is stated as the opportunities that can be identified, is needed to determine the input to the position to dominate the main segment principle. There is also the need to understand the culture of a country to adapt the MNC towards having an inclusive culture. Therefore, it can be assumed that immersion for country intimacy has an effect on the position to dominate the main segment and build an inclusive culture (Hoskisson et al., 2000; Raina, 2010).

Applying the Andrews (1971) and Barney (1986) strategic components, the need for competences can only be determined if the MNC is certain of which market it will play in. But to build competences, the requirement exists to localise the MNC for the emerging market (Arnold & Quelch, 1998). This is another indication of a relationship between two of the principles.

All of these principles require a decentralised decision-making ability, therefore linking the principle of empowering emerging market CEOs. The need for a local decision-making and relationship build in-person is required to enter the emerging markets (Hoskisson et al., 2000).

The assumed relationship model for the principles can be illustrated in diagram below:

Figure 2: Conceptual Model for the Principles



2.6. Conclusion

Strategy is a broad concept with different approaches and views that exist within the domain. The need to use the principles of strategy, instead of the standard textbook strategies, is required to fully exploit the growth that is predicted in the emerging markets. Therefore, research is required to investigate the principles that can be applied to allow MNCs to be successful in the emerging markets.

3. Research question

3.1. Introduction

Chinembiri's (2010) research on the five guiding principles (Raina, 2010) is limited to the linear effect of each principle on the financial performance of the MNCs. Yet, as stated, the framework is interrelated (Raina, 2010).

Therefore there is the need to investigate the interrelationship between certain of the principles (Raina, 2010) and the financial performance of MNC in the emerging markets. This question will build upon Chinembiri's (2010) research, focusing on determining which principles are interrelated and also determine the effect of compounding of the principles due to the interrelationships (Chinembiri, 2010; Raina, 2010).

3.2. Research questions

From this extracted relationships of the guiding principles within the framework, the following questions can be asked:

1. Does the combination of empowering of the CEO of a MNC in an emerging market, immersion for country intimacy and position to dominate the main segment principles have an effect on the financial performance of the MNC?

2. Does the combination of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture have an effect on the financial performance of the MNC?

3.3. Hypotheses

3.3.1. Hypothesis approach

To test the validity of the proposed models to answer the questions as stated in Research questions, the requirement to utilise structural equation modelling was preferred. SEM required the definition of the null hypothesis to be the specifications of the fixed and free elements to define the hypothesised model (Byrne, 2009). Therefore, compared to other statistical approaches, the null hypothesis needs to be proven instead of disproved.

3.3.2. Question 1

H_{01}: MNCs that do apply the principles of empowering of the CEO, immersion for country intimacy and position to dominate the main segment achieve financial success in emerging markets.

H_{A1}: MNCs that do not apply the principles of empowering of the CEO, immersion for country intimacy and position to dominate the main segment fail to achieve financial success in emerging markets.

3.3.3. Question 2

H_{02}: MNCs that do apply the principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture achieve financial success in emerging markets.

H_{A2}: MNCs that do not apply the principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture fail to achieve financial success in emerging markets.

4. Research methodology

4.1. Introduction

The purpose of the research is to investigate the relationships between the principles as defined by Raina (2010) and the financial performance of MNCs in the emerging markets. This chapter defines the methodology and design of the research in relation to the data gathering, assumptions, population definition, unit of analysis, sample method and sample size. The instrument in which the data was gathered is formalised in this chapter.

4.2. Research methodology

Research design is defined as an activity and time- based plan that is designed on a research question that guides the selection of sources and types of information to create a framework for specifying the relationships among the study's variables and therefore outlines the procedures for every research activity (Blumberg, Cooper, & Schindler, 2008).

For this research an explanatory or causal study was completed. The rationale behind this choice of study was the fact that the research questions are testing the relationships between the independent variables (the principles) and comparing it to the dependent variable (the financial performance).

This research adopted a quantitative approach in gathering data to answer the research question. The gathering of the data was by means of an interrogation study instead of a monitoring study. The tool used for collecting the data was a self-administered online questionnaire.

The rationale behind an online questionnaire is the ability to manage the logistical issues that can arise due to the targeted audience being located internationally. The questionnaire was designed specifically for the hypotheses so as to answer the research question. The survey tool utilised was the online survey tool called iFeedback.

The self-administered questionnaire has limits in terms of biases. The non-response bias is prevalent in online surveys, therefore the need to have a bigger sample size. A further bias that exists in questionnaires is the question order bias. Careful consideration was taken with the questionnaire to prevent these biases.

4.3. Unit of analysis

The unit of analysis is used to describe the level at which the research was performed and forms an essential part in research (Blumberg et al., 2008). The unit of analysis for this research was the subsidiaries of multinational corporations that have entered emerging markets. Even though the subsidiaries of multinational corporations were measured, the managers that were involved in developing the strategy for the MNC to enter the emerging market were approached to complete the questionnaire.

4.4. Population

The unit of analysis consists of multinational corporations; the questionnaires focused on where the data could be found. The universe for this research was all strategic management of multinational corporations that are or were involved in the development and execution of the strategy in the emerging markets. Strategic management in the context of this research include any management in the multinational corporations or its subsidiaries that had direct involvement in the strategic planning for the emerging markets.

4.5. Sampling

The proposed sample size was set to 100, but may have required revision on the amount of completed questionnaires. To achieve the sample size of 100, the requirement was to sent out the questionnaire to approximately 20 000 managers that may form part of multinational companies. The multinational companies were identified according to the population as stated previously.

The sampling was pre-determined by the researcher so as to ensure it fit the criteria:

- Emerging markets and development markets multinational corporations

- The senior management are or were involved
- That the MNC has been in the emerging market for at least five years

Due to the time constraints, the need to approach a wider range of participants was required. This was required because of the difficulty in identifying the specific persons that were involved. Therefore, the questionnaire was sent out to a segmented group as per the above-mentioned criteria. This ensured that the probability for receiving one completed questionnaire from each of the corporations was higher, which led to a bigger and more representative sample.

Caution had to be taken that an issue could have arisen where multiple managers or specialists from the same corporation replied. In the event that this occurred, the questionnaire catered for the role of the person within the strategy formulation. If the person was accountable for the strategy formulation, it would carry the most weight and will therefore be utilised. The weight scale was set to the following:

1. Accountable – first choice
2. Responsible – second choice
3. Involved – third choice
4. Understand – fourth choice

The risk in this approach was the fact that non-response bias would be high. Thus the large amount of surveys that were sent out so as to ensure valid responses for analysis.

4.6. Research instrument and data collection

The use of an online self-administered questionnaire was utilised as the data collection tool because of the ability to reach organisations that are geographically impossible to approach due to cost and logistics. The questionnaire focused on identifying the multinational corporation and each person's role in the corporation so as to filter out any participant that may not fulfil the criteria required for this research.

The second part focused on the five principles as defined by Raina (2010). The five level LIkert scale was used to define the use of the principles, where one will be 'strongly disagree' and five 'fully agree'. Each group of questions for each principle were added up to provide a total for each principle.

The third part of the questionnaire focused on the financial performance. The design was based on a selection of the expected financial performance for a year compared to the achieved financial performance. The financial performance measurement was spread over a five-year period from the date that the MNC entered an emerging market. The financial performance was also based upon a LIkert scale - containing zero for below expected, five as expected and ten as above expected.

4.7. Data collection and data instrument design

The gathering of data was based on quantitative measurements by means of an online questionnaire survey. Due to the nature of the principles, the requirement existed to first test the survey via a pre-test on a small sample of 5 identified candidates. The feedback was incorporated to ensure that the following issues were minimised:

- Ambiguity of questions
- Errors in spelling and grammar
- Understandable and simple English
- The questions were relevant to the questions for the research

Due to the population required to complete the questionnaire and the time constraint of the identified population, the requirement existed to keep the survey questions relevant and also ensure that the response rate was higher.

A database with details of the targeted population was utilised to identify the target sample more accurately. The database allowed the researcher to identify the correct person to forward the questionnaire to, according to level of management as well as the ability to identify if the organisation is a MNC.

The limitation of the database was the fact that the detail segmentation regarding entering into emerging markets could not be identified. Therefore the need existed to identify a large target to be utilised which came to a total of 20000. The questionnaire was sent in batches of 5000 on a weekly basis by means of a predefined email with the link of the survey attached. The replies to the questionnaire were monitored so as to adapt or revise the targeted population to achieve a higher rate of completion.

4.8. Data Analysis

The raw data from the questionnaire responses required interrogation and recoding into relevant data. This was done by removing any responses that were not completed, which did not comply with the population or did not contain the correct respondent details regarding the strategy in the emerging markets. The data was further filtered to exclude any responses with missing details.

From the data analysis, gaps in the financial questions from certain respondents were identified. These responses were removed accordingly so as to ensure the integrity of the data.

All data was gathered via iFeedback and presented in spreadsheet format. The IBM SPSS (*SPSS*, 2011) statistical software was used to filter the data in order to be relevant for the analysis. All descriptive analyses were completed using the SPSS software to present frequencies and summaries.

All data received from the questionnaire was tested for relevance and validity. This formed part of the data cleaning so as to ensure a good quality sample to work from for the data analysis.

The fact that the five principles that were tested are interrelated, the use of multivariate linear regression could not provide the desired and relevant results as there is co-linearity that will cause standard regression to provide an inaccurate solution (Byrne, 2009). Therefore this research applied a further statistical analysis method - structural equation modelling (SEM).

Structural equation modelling forms part of multivariate regression, but takes into account that there can be unknown constraints that affects the analysis (Pearl & Tian, 2011).

To apply SEM to determine causality, the need for the data to fit the model correctly is required. Therefore the need existed to build a model to not limit the correlation between dependent and independent variables, but also between independent variables. To be able to test the principles, a more comprehensive statistical method was required, therefore the follow up to test the hypotheses, namely structural equation modelling.

SEM, the independent variables (the principles) were measured and classified as exogenous variables as per the SEM standard whereas the financial performance or dependent variable was classified as the endogenous variable. The interrelationships according to the literature review and are defined for each question as follows:

Figure 3: Interrelationship Model for Question 1

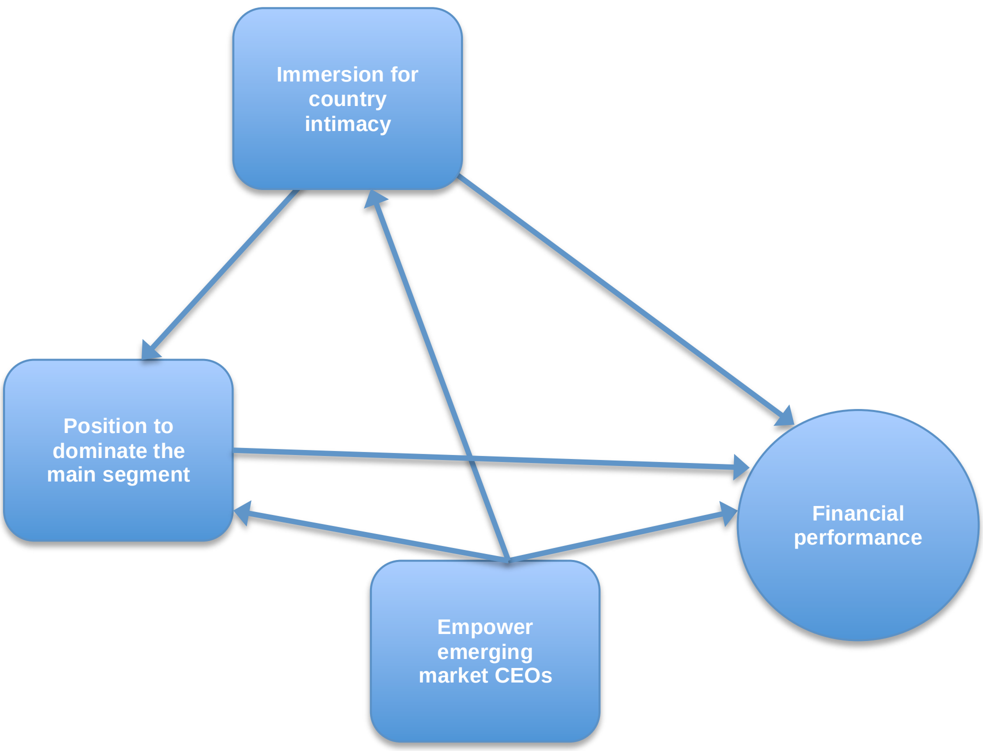
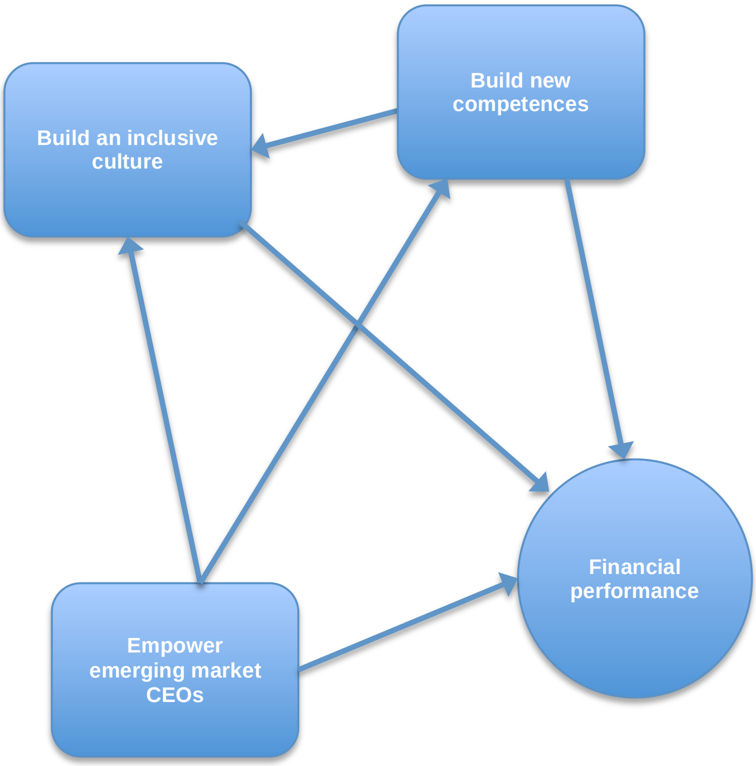


Figure 4: Interrelationship Model for Question 2



The limitation of utilising the structural equation modelling method was that the interpretation of the results had to be done correctly as there was the possibility of misinterpreting the results and drawing incorrect conclusions (Grace & Bollen, 2005). This was taken into consideration during the analysis. Furthermore, the high level of segmentation led to the available sample being lower than the preferred minimal sample size. Even though there was no fix number to accept, the preferred minimum according (Hu & Bentler, 2000) is approximately 100 to yield relevant results. Yet in the event of using smaller sample sizes the bias towards rejecting the model is higher. Therefore the limitation for this research is the fact that the models might be rejected due to a lower samples size than preferred. According to the research of Mulaik et al. (1988), the ability to utilise SEM with a sample lower than 100 or even 50 can achieve valid results.

The analysis and interpretation of SEM requires the analysis of not only the chi-square, but goodness-of-fit indexes to allow an accurate interpretation of the results (Boomsa, 2000). The covariances also had to be analysed to ensure no abnormalities in the models proposed (Boomsa, 2000). In the event that the model does not fit, SEM analysis allows modification to the model to allow a possible alternative model by evaluating to covariances and determining the better-fit model (Boomsa, 2000). This will lead to a bigger focus on exploratory investigation.

4.9. Limitations

With all research, there are inherit limitations. The following limitations of this research were identified:

- Due to the segmentation utilised to define the population, determining the correct respondents was difficult. Therefore there was a requirement to send it to a larger group of possible respondents, which may have led to the incorrect respondents replying to the questionnaire

- The questionnaire utilised the perception of the financial performance due to the fact that the subsidiaries of MNCs do not always report their subsidiaries financial performance separately. Therefore, the respondents' biases towards the performance could have led to skewed results

- The measurement of inclusive culture was seen from the view of the participant and not from the persons employed in the MNC subsidiaries. This limitation is due to the time constraint

- The financial performance did not take into account macro-economic effects that could have led to factors that could have led to weaker financial performance

- Due to time constraints, the size of responses was limited. A large response would have been beneficial to this research

5. Results

5.1. Introduction

The following chapter presents the data gathered and provides an analysis of the results. The results with relation to the questions within this research will be discussed in-depth in chapter 6.

The questionnaire was set up to ensure that the respondents who were not involved or the companies that had not entered into the emerging market in the past ten years, could be excluded.

From a segmented sample of 20 000 possible respondents, only 176 responses were received. This indicates a response rate of 0,88%, leading to a strong non-response bias. This can be attributed to the strict segmentation of the questionnaire and the audience such as senior managers and executives who are limited by time to complete this survey.

From the 176 replies, 114 respondents indicated that their organisations had entered into the emerging markets in the past ten years, leading to the exclusion of 62 responses from the original data. The 114 responses were further analysed to determine which MNCs had entered the emerging markets for at least five years. Due to the non-responses on certain years of financial performance, the number of responses was determined to be 81. Of these 81 responses a further analysis was done to exclude the respondents that were not directly involved in the strategy formulation of the MNCs entrance into the emerging markets. All 81 respondents were directly involved.

5.2. Descriptive statistics

Due to the ordinal nature of the data, the descriptive analysis was determined by means of frequency analysis. The first section of the questionnaire focused upon the characteristics of the MNC and attributes of the respondent with relation to the MNC.

The data was grouped into the following segments:

- Executives, including all chief roles e.g. CEO, CIO, COO, that forms part of the highest level of management within the subsidiary
- Division managers or head, which forms part of the management of divisions within the subsidiaries
- Middle management which includes senior management
- Professionals, the role included those persons that are not managers, but have a professional skill related to developing and implementing strategies
-

From the 81 responses, the level of management was broken into the following positions:

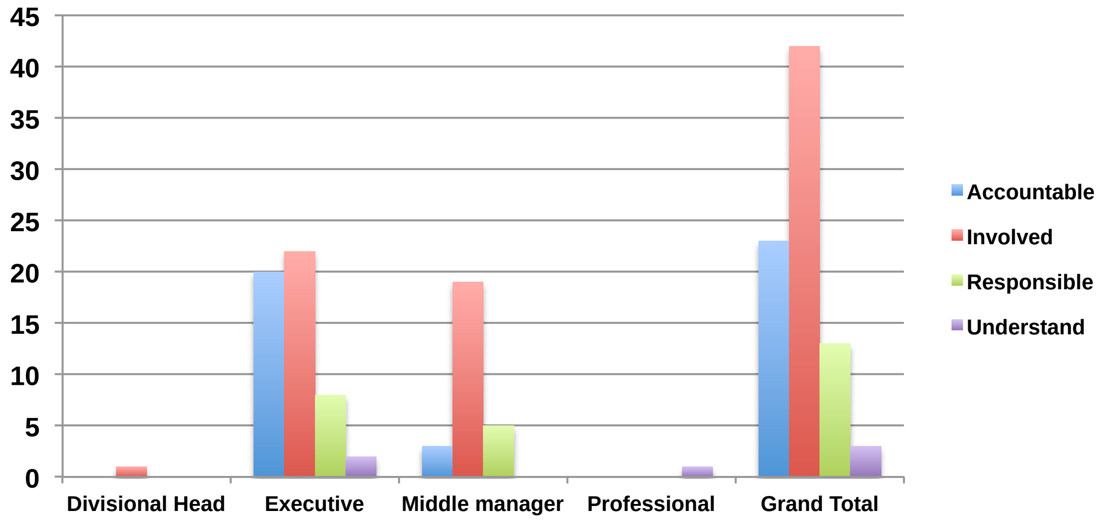
Table 2: Positions of Respondents in MNCs

	Frequency	Percent
Executives	52	64,2%
Division Head	1	1,2%
Middle Management	27	33,3%
Professional	1	1,2%

Of the 81 respondents, the majority consisted of executives with a total of 52 middle management respondents forming part of the 81 responses. This formed part of the majority of responses. The researcher was confident that from the positions of the respondents, the correct target of respondents for this research was achieved. The researcher concluded that the relevant respondents involved in the strategy for the emerging market as indicated by their level completed the questionnaire. Therefore the data is relevant to this research.

The questionnaire also required the level of involvement of the respondents in the strategy formulation. The following chart indicates the relation between the levels of management and the type of involvement by the respondents.

Figure 5: Involved in the Strategy According to Position



From the responses, the majority of managers completing the survey indicated the involvement in the strategy. The least percentage is related to the understanding of the strategy, therefore the researcher was confident that the majority of responses indicated that the managers had an active involvement in the strategy formulation. The researcher concluded that the responses from the managers are relevant to the research questions.

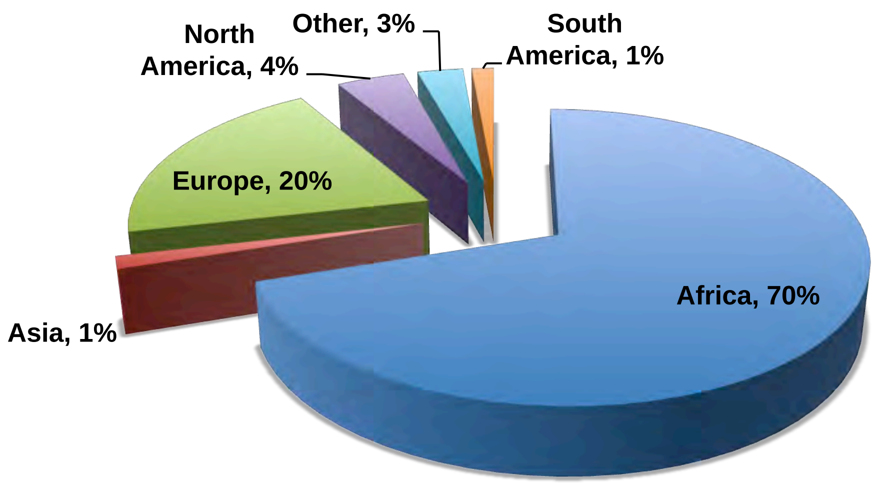
The questionnaire contained the industrial segment that the respondent's organisation was involved in. The following results was ascertained:

Table 3: Company Sectors

	Frequency	Percent
Financial	15	18,5
FMCG	9	11,1
IT	8	9,9
Manufacturing	13	16,0
Mining	4	4,9
NGO	1	1,2
Other	17	21,0
Services	11	13,6
Telecommunication	3	3,7

The data indicates that the majority of MNCs were focused on the "Other" sector, meaning the MNC did not fulfil any of the other criteria as above. This is a limitation of the survey and in hindsight may have required a more granular breakdown of sectors, as it does not accurately reflect all the sectors within the sample. From an analysis viewpoint, this data does not impact the analysis.

Table 4: Head Office Locations



Within the data results regarding the head office location of the MNCs, the frequencies indicate that the majority of the MNCs head offices are situated in Africa. This is due to the fact that the sampling strategy focused upon mostly South African companies that entered into the emerging markets. This should be noted as a limitation as it might not represent the global population of MNCs that have entered into the emerging markets.

Strategy is divided into two components - formulation and execution (Andrews, 1971). The questionnaire included a question relating to the execution of the strategy by the respondents. From the responses, only 61 of the 81 were both involved in strategy formulation and strategy execution.

As part of the questionnaire, the respondents were required to state the amount of senior managers involved in the strategy formulation. The following table illustrates the frequencies:

Table 5: Amount of Senior Manager Involvement in the Strategy Formulation

	Frequency	Percent
1 - 2 persons	5	6,2
2 - 5 persons	27	33,3
5+ persons	49	60,5

From the response, there is a clear indication that multiple managers were involved in defining the strategy for the MNC to enter the emerging market. This is a clear indicator that multiple input into the strategy is required as no one person is able to take all the factors into account when entering into the emerging market.

5.3. Analysis of principles

Questions within the questionnaire were grouped together to focus on each of the principles defined to enter the emerging market (Raina, 2010). Each of the principles questions was grouped together for analysis. The principles are defined as the independent variables, or according to SEM, the exogenous variables.

5.3.1. Immersion into the country

Four questions of the questionnaire related to the immersion into the country principle. From the 81 responses, the following frequencies were determined:

Table 6: Frequency Analysis of Immersion Into the Country

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Before the company entered the emerging market, senior staff were relocated into the emerging market to investigate the country	16 (9,8%)	16 (19,8%)	12 (14,8%)	18 (22,2%)	19 (23,5%)
Senior staff engaged with local industry players before developing a strategy for the emerging market	2 (2,5%)	7 (8,6%)	9 (11,1%)	38 (46,9%)	25 (30,9%)
Senior staff spent sufficient time investigating the potential emerging market before developing the strategy	1 (1,2%)	9 (11,1%)	11 (13,6%)	37 (45.7%)	23 (28,4%)
The senior staff investigated the unique environment (social, economical) of the potential emerging market	1 (1,2%)	5 (6,2%)	13 (16,0%)	41 (50,6%)	21 (25,9%)

The frequency analysis for the immersion into the country principle indicated that the responses were less in the 'neutral option' of the responses and more on the 'agree' or 'disagree' responses. This indicated that the respondents were leaning less towards the biases relating to selecting a neutral answer and indicated a strong opinion towards the immersion into the country. Therefore the data gathered for the immersion into the country principle from a frequency point of view has validity for the testing of the hypothesis.

5.3.2. Position to dominate the main segment

From the questionnaire, three questions were dedicated towards the analysis of the position to dominate the main segment principle as describe by Raina (2010). The need existed to have more than one question as to ensure a more accurate response towards the principle being investigated.

The survey responses provide the following frequencies

Table 7: Frequency Analysis of the Position to Dominate the Main Segment Principle

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
The company converted the existing products to fit the unique environment	5 (6,2%)	13 (18,0%)	15 (18,5%)	31 (38,3%)	17 (21,0%)
The company developed new features to the products/services so as to cater for the emerging markets	6 (7,4%)	11 (13,6%)	13 (16,0%)	32 (39,5%)	19 (23,5%)
The company customised marketing to align with the market conditions	4 (4,9%)	7 (8,6%)	17 (21,0%)	32 (39,5%)	21 (25,9%)

By analysing the frequencies of responses as per the table, it should be noted that there is between 16,0 % and 21,0% responses relating to the neutral option in the questionnaire. This may have been due to the respondents reacting towards the central tendency of selecting a response (Blumberg et al., 2008). Even though this was marked as a concern during the descriptive statistical analysis of the results of the questionnaire, the data could still be utilised for hypothesis testing.

5.3.3. Building new competences

As part of the framework as described by Raina (2010), the questionnaire asked four questions of the respondents relating to the utilisation of existing competences, but with specific focus on developing new competences for the emerging market that the MNC entered.

Table 8: Frequency Analysis of the Building New Competences Principles

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Senior staff audited the MNC portfolio of competencies and identified new competences for the emerging market	2 (2,5%)	14 (17,3%)	23 (28,4%)	34 (42,0%)	8 (8,8%)
Senior staff selected the correct competences to compete in the emerging market	2 (2,5%)	5 (6,2%)	17 (21,0%)	45 (55,6%)	12 (14,8%)
The company was willing to create new competences to cater for the emerging market	2 (2,5%)	10 (12,3%)	16 (22.2%)	34 (42,0%)	17 (21,0%)

From the frequencies, the neutral options towards the competences were similar to the 5.3.2, a concern as the inclusive bias (Blumberg et al., 2008), meaning selecting the convenient answer, may have occurred in the set of questions. Even though there is a possible indication of inclusive bias, the data does not show any serious anomalies.

5.3.4. Empower emerging market CEOs

The questionnaire dedicated three questions towards the principle of empowerment of the CEO of an MNC that has entered into the emerging market. The questions focused on the CEO's understanding of the market, the CEO's credibility and the CEO's mandate to make changes to the strategy so as to adapt to the emerging market conditions. The following frequency analysis indicates the responses towards these questions:

Table 9: Frequency Analysis of the Empower of the CEO Principle

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
The CEO appointed for your company in the emerging market understood the emerging market environment that the company entered into	4 (4,9%(	7 (8,6%)	13 (16,0%)	31 (38,3%)	26 (32,1%)
The CEO has credibility with the rest of your company's top management	3 (3,7%)	0 (0%)	10 (12,3%)	34 (42,0%)	34 (42,0%)
The CEO was given a mandate to make decisions and adapt the strategy according to the local conditions	2 (2,5%)	3 (3,7%)	12 (14,8%)	37 (45,7%)	27 (33,3%)

It should be noted that there is a zero response to the 'disagree' option within the question responses relating to the credibility of the CEO. The data does not indicate any significant anomalies therefore the data was valid for the analysis.

5.3.5. Build an inclusive culture

The last principle indicated is the integration of the local culture into the MNC's subsidiary. Four questions were dedicated towards the analysis of the principle.

Table 10: Frequency Analysis of Building an Inclusive Culture

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
The company understood the cultural differences between the head office and the emerging market it entered	2 (2,5%)	12 (14,8%)	12 (14,8%)	40 (49,4%)	15 (18,5%)
The company assessed the impact that the cultural differences would have on operations of the company in the emerging market	4 (4,9%)	14 (17,3%)	13 (16,0%)	40 (49,4%)	10 (12,3%)
The company took the cultural differences into account when it decided to enter the emerging market	4 (4,9%)	14 (17,3%)	13 (16,0%)	34 (42,0%)	16 (19,8%)
The company allocated resources to build an inclusive culture to work in	5 (6,2%)	11 (13,8%)	13 (16,0%)	41 (50,6%)	11 (13,8%)

From the responses, it is clear that the frequencies of answers are stronger within the 'agree and 'strongly agree' options. This may be due to the bias of management in the successful implementation of inclusive culture. A better method of measuring the inclusive culture would have been to measure the individuals within the subsidiaries within the emerging markets of each MNC. This was however not feasible due to time constraints.

5.4. Financial performance descriptive analysis

To be able to ascertain effectively the effect of the independent variables, namely the principles as defined by Raina (2010), to the dependent variable, namely financial performance, the questionnaire attempted to balance out any uncontrollable external factors by requesting the performance expectations for the past 5 years. As part of the validation of the responses, only the questionnaires that had all five years completed were deemed acceptable for analysis. In the event that the respondent selected Not Applicable, the total response of the respondent was excluded from the dataset. The rationale of selecting over a five-year period from the introduction into the emerging market is the fact that the research is attempting to verify if the principles (Raina, 2010) had an effect on the financial performance.

Table 11: Frequency Analysis of the Financial Performance

	Below expectations (0)	Expectations were met (5)	Above expectations (10)
The company's financial success in the emerging market for the first (1st) year	27 (33,3%)	35 (43,2%)	19 (23,5%)
The company's financial success in the emerging market for the second (2nd) year	22 (27,2%)	36 (44,4%)	23 (28,4%)
The company's financial success in the emerging market for the third (3rd) year	15 (18,5%)	36 (46,9%)	28 (33,3%)
The company's financial success in the emerging market for the fourth (4th) year	10 (12,3%)	36 (44,4%)	35 (43,2%)
The company's financial success in the emerging market for the five (5st) year	10 (12,3%)	33 (40,7%)	36 (46,9%)

From the analysis, it should be noted that a more optimistic approach was seen regarding the performance financially. The limitation of this approach in the determination of financial success is the fact that bias on the respondent's part could have existed towards his/her company.

5.5. Hypothesis testing

5.5.1. SEM analysis and interpretation

To be able to interpret the results of the analysis, an understanding of the interpretation of SEM and the limitations of this method of analysis was required. The use of SEM as a statistical tool in economics and social sciences has been utilised as a popular method of analysis from the 1970s (Pearl & Tian, 2011). Another aspect about SEM is that the original use of SEM focused upon the quantitative instead of categorical data (Hardt & Buschken, 2010). The advances in applying categorical data to SEM has made it possible to use it to apply categorical data (Byrne, 2009; Pearl & Tian, 2011).

For SEM analysis and interpretation, the null hypothesis must be proven as the hypothetical model is stated as the null hypothesis (Dion, 2008). SEM allows both latent, or difficult to measure variables to be mapped and also allows the ability to manage co-linearity (Byrne, 2009). The methodology for SEM includes the creation of a model that will be estimated and then simulated to determine the goodness-of-fit to the model with the available data (Hu & Bentler, 2000). Further fit indexes were development, including absolute and incremental types (Hu & Bentler, 2000). Absolute models include Goodness-of-Fit (GF), Adjusted-goodness of-Fit (AGIF), Root Square error of approximation (RMSEA), yet there are more variants (Byrne, 2009). Incremental fit indexes utilise the fit according to a strict model and an uncorrelated model (Hu & Bentler, 2000). All of these fit indices react differently to different data sample sizes, which led to the requirement of determining the correct fit index to utilise for the analysis.

For the purpose of the research, even though the principles as defined by Raina (2010) could be observed, these principles were difficult to measure. The principles were therefore defined as latent variables. The financial performance was totalled over the 5 years to create a financial total for each observation.

5.5.2. Hypothesis 1 analysis

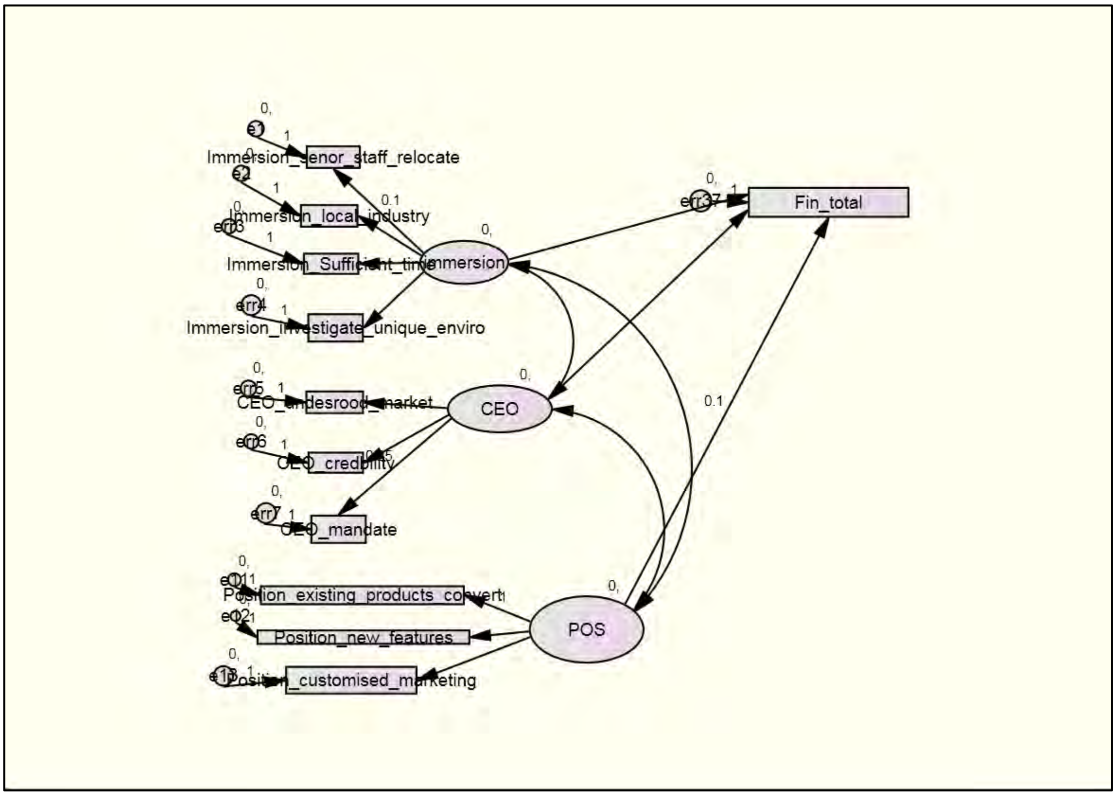
As per chapter 3, the following hypothesis was stated:

H_{01}: MNCs that do apply the principles of empowering of the CEO, immersion for country intimacy and position to dominate the main segment achieve financial success in emerging markets.

H_{A1}: MNCs that do not apply the principles of empowering of the CEO, immersion for country intimacy and position to dominate the main segment fail to achieve financial success in emerging markets.

The hypothetical model was developed in the AMOS software via the graphical tool provided, with the principles as latent variables and the measured observations as observed variables. Due to the observation being of ordinal nature, the application of Bayesian estimates via the AMOS software (IBM, 2011) was completed to ensure that the analysis of the model was relevant and valid.

Figure 6: AMOS Design for Question 1 Model



The model indicates the following characteristics:

Table 12: Model for Question 1 Chi-square Results

Model	Number of parameters	X^2	Degrees of freedom (DF)	Probability	X^2/DF
Default model	37	65.907	40	.006	1.648
Saturated model	77	.000	0		
Independence model	22	409.939	55	.000	7.453

The chi-square does not indicate an overly large size, but this does not constitute a fit. The chi-square is an indicator of model fit if it is divided by the degrees of freedom. In Model for Question 1 Chi-square Results, the CMIN/DF indicates this analysis, which is 1,648. The cut-off to indicate that the data does not fit is 2, whereas a moderate fit is stated between 1 and 2 (Dion, 2008; Hu & Bentler, 2000). Therefore, according to the chi-square analysis the model cannot be rejected, as it is a fair representation of the data. The discrepancy should be noted in that a small sample size will have generated a possible higher chi-square (Nevitt, 2000). Even though the small sample size has a negative effect on the model fit, the probability of 0.006 indicates a fair fit, therefore, according to the chi-square analysis, the model is a fair representation.

To further analyse the model fit, fit indices will be utilised. According to Markland (2007), the root mean square error of approximation (RMSEA) has become a standard method to test the goodness-of-fit for SEM and is less sensitive for small sample sizes. For the result for the hypotheses $H_{0,}$ the following results were achieved:

Table 13: RMSEA Results for Question 1

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.090	.048	.128	.056
Independence model	.284	.259	.310	.000

According to Markland (2007), in the 1990s, a fit of between 0.05 and 0.1 indicated a good fit between the data and the model, but some subsequent research indicated that a 0.08 and 0.1 indicated a mediocre fit). But it is clear that evaluation of the model fit with RMSEA is not fixed and is open for interpretation.

For the purpose of this research, the approach followed was that the range between 0.08 and 0.1 is a fair fit, but not a good fit. The RMSEA from the SEM analysis indicates a 0.9 that falls within the parameters stated.

Further analysis of goodness-of-fit of the model is the use of the Tucker Lewis index that is based on a result between 0 and 1. The closer the result is to one, the better fit of the model in relation with the data. From the analysis of the model, the following results are achieved:

Table 14: Goodness-of-fit Indices for Question 1 Model

Model	NFI	RFI	IFI	TLI	CFI
Default model	.839	.779	.930	.900	.927
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

In this table the Tucker Lewis index (TLI) indicated a 0.9 value, which can be viewed as a considerable fit of the model. A further fit index is the Comparative fit index (CFI). The CFI is preferred to have a good fit at value 0.95, which in this model is 0.927. From the additional goodness-of-fit indices, it can be concluded that the model is a fair fit to the data.

A further analysis of the results is the analysis of covariances to determine if there were any anomalies (Byrne, 2009). The following table indicates the parameters and test weights:

Table 15: Covariance Analysis for Question 1

			Estimate	S.E.	C.R.
Immersion_local_industry	←	Immersion	.119	.064	1.853
Immersion_Sufficient_time	←	Immersion	.270	.133	2.032
Immersion_investigate_unique_enviro	←	Immersion	.220	.107	2.055
Immersion_senior_staff_relocate	←	Immersion	.100		
CEO_understood_market	←	CEO	.326	.049	6.704
CEO_credibility	←	CEO	.252	.044	5.714

			Estimate	S.E.	C.R.
CEO_mandate	←	CEO	.250		
Position_existing_products_convert	←	POS	1.000		
Position_new_features	←	POS	1.175	.164	7.180
Position_customised_marketing	←	POS	.857	.154	5.574
Fin_total	←	Immersion	-.007	.138	-.054
Fin_total	←	CEO	.388	.197	1.971
Fin_total	←	POS	.100		

There is a concern regarding the financial total and immersion that indicates a very small negative estimate and also a small critical ratio that is negative. This may be due to the sample size used for the analysis (Nevitt, 2000). Even though this falls outside the parameters of a good model, no other anomalies are determined. The standard errors also have no strong indication of being abnormally big or small, which can indicate that the model has errors.

It can be assumed that the small sample size has led to a lower acceptance in terms of the chi-square and the RMSEA goodness-of-fit as small sample sizes leads to rejection of models (Nevitt, 2000). Even though the negative effect of small sizes had an adverse effect on the results of the model, the model still indicates that it is a fair fit to the data; leading to the acceptance of the null hypothesis.

5.5.3. Hypothesis 2 analysis

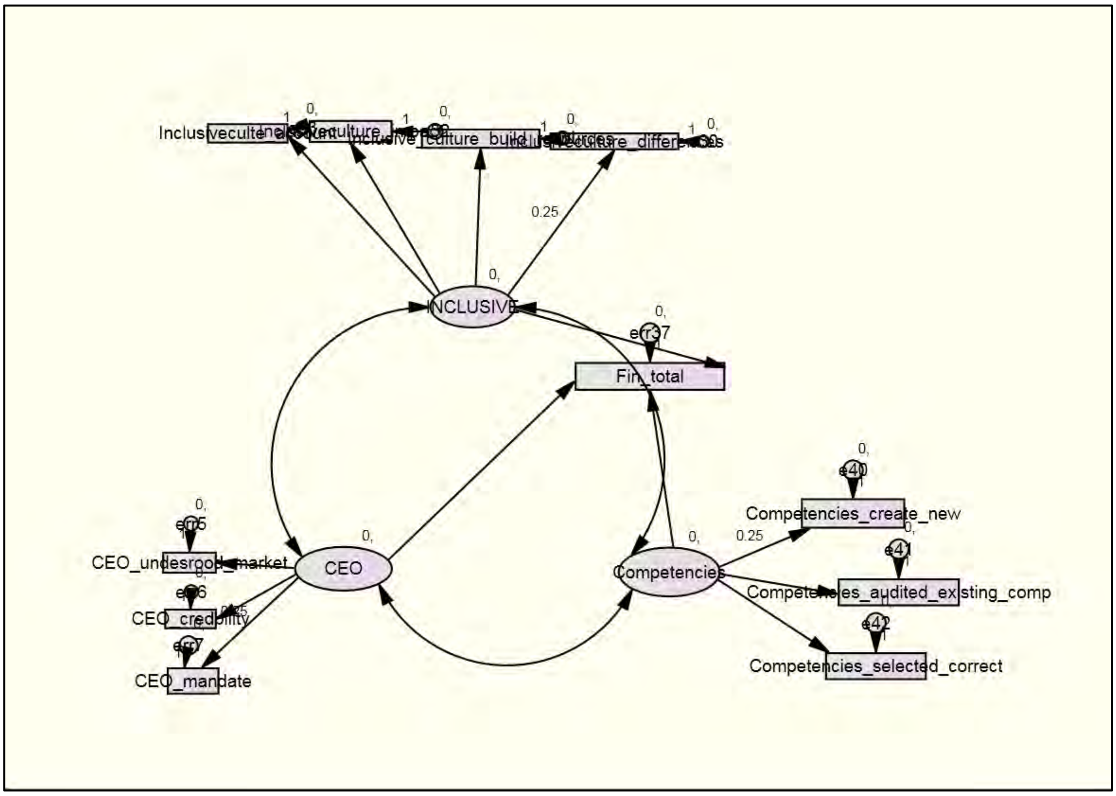
As per chapter 3, the following hypothesis was stated:

H_{02}: MNCs that do apply the principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture achieve financial success in emerging markets.

H_{A2}: MNCs that do not apply the principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture fail to achieve financial success in emerging markets.

The hypothetical model was developed in the AMOS software (IBM, 2011) via the graphical tool provided, with the principles as latent variables and the measured observations as observed variables.

Figure 7: AMOS Design for Question 2 Model



The table below indicates the parameter estimates as a basis to determine if the model is valid:

Table 16: Covariance Analysis for Question 1

		Estimate	S.E.	C.R.
CEO_understood_market	← CEO	.311	.046	6.783
CEO_credibility	← CEO	.244	.042	5.818
CEO_mandate	← CEO	.250		
Fin_total	← CEO	.419	.209	2.006
Inclusive_culture_differences	← Inclusive	.250		
Inclusive_culture_build_resources	← Inclusive	.230	.035	6.625
Inclusive_culture_impact	← Inclusive	.302	.029	10.275
Inclusive_culture_account	← Inclusive	.285	.034	8.347

		Estimate	S.E.	C.R.
Competencies_create_new	← Competencies	.250		
Competencies_audited_existing_comp	← Competencies	.227	.037	6.052
Competencies_selected_correct	← Competencies	.253	.034	7.510
Fin_total	← Inclusive	-.024	.211	-.114
Fin_total	← Competencies	-.004	.273	-.014

The analysis indicated that two of the parameter's estimated values are negative and there is also a clear indication that the critical ratios for most of the parameters are extremely high. Therefore caution was taken on the initial model, as the anomalies would have a negative impact on the further analysis.

The analysis of the goodness-of-fit provided the following results:

Table 17: Goodness-of-fit Indices for Question 2 Model

Model	Number of parameters	X^2	Degrees of freedom (DF)	Probability	X^2/DF
Default model	38	81.058	39	.000	2.078
Saturated model	77	.000	0		
Independence model	22	545.870	55	.000	9.925

The chi-square summary indicated that this model has a poor fit. As stated, this might be due to the low sample size as the chi-square is sensitive to small sample sizes (Nevitt, 2000).

Table 18: RMSEA Analysis for Question 2

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.116	.080	.152	.003
Independence model	.334	.309	.360	.000

The requirement existed to analyse the goodness-of-fit via the goodness-of-fit indices. The RMSEA indicated a value of 0.116, which is above the cut-off of 0.1. This concludes that according to the RMSEA, this model is not a poor model as compared to the data provided.

Table 19: Goodness-of-fit indices for Question 2

Model	NFI	RFI	IFI	TLI	CFI
Default model	.852	.791	.917	.879	.914
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Neither the Tucker Lewis Index indicated nor the CFI supports that there is a good fit of the model to the data, therefore the null hypothesis is rejected.

5.5.4. Re-evaluation of the model for Hypothesis 2

From the analysis of the model, there was a requirement to re-evaluate the model to determine a better fit. It should be noted that by amending the model, the results of rejecting the null hypothesis would not change. (Byrne, 2009) This led to the re-evaluation of the model to be explorative in nature and not causal as per the questions of this research. It is still a valid investigation to determine a better-fit model for future research.

According to the results from Hypothesis 2 analysis, the model did not represent the data, therefore it should be analysed by which of the principles is the least significant, which may lead to the overall model lack of fit.

Chinembiri (2010) stated that there is a very low correlation between inclusive culture principle and financial performance; therefore the principle was excluded from the revised model. The following results were ascertained:

Table 20: Analysis for Re-evaluated Model

Model	Number of parameters	X^2	Degrees of freedom (DF)	Probability	X^2/DF
Default model	23	19.895	12	.069	1.658
Saturated model	35	.000	0		
Independence model	14	228.794	21	.000	10.895

The probability is stated as 0.069, which indicates a good fit. The chi-square / degrees of freedom is still higher than the preferred parameters, therefore a further goodness-of-fit analysis is required.

Table 21: Goodness-of-fit for Re-evaluated Model

Model	NFI	RFI	IFI	TLI	CFI
Default model	.913	.848	.964	.934	.962
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

By analysing the Tucker Lewis Index, there is clear indication that there is a strong fit of the amended model to the data. Furthermore, the RMSEA indicates a 0.091, which leads to an indication of a good fit.

This leads one to question the principle of inclusive culture in the model, but will be left for future investigation as this is outside the scope of this research.

6. Results

6.1. Introduction

The purpose of this research was to determine if the applied principles as defined by Raina (2010) will lead to a higher probability of financial success within the emerging market. The research purpose was to also understand the interrelationships between the principles as each of them may have a compounded effect to the financial success of a MNC in the emerging market. The requirement existed to analyse the framework proposed by means of models due the complexity. This led to a hypnotised model as derived from the literature study. It was also impossible to test the complete hypothesised model as a framework, due to the limited time to gather data. This led to the development of two sub-models that were defined as questions for investigation.

6.2. Question 1

The research aimed to determine if the principles of empowering of the CEO of a MNC in an emerging market, immersion for country intimacy and position to dominate the main segment as principles applied in strategy planning and execution led to financial success within the emerging market. The question also focused on determining from a theoretical model that the interrelationships between the principles as a combination could lead to financial success.

The analysis in hypothesis 1 attempted to establish a model and compare the data with the model to determine if there is a fit between the model and the data provided by management of MNCs. From the analysis, there was an indication that there was a moderate fit towards the combination of immersion for country intimacy, position to dominate the main segment and empowering of the CEO and there was also confirmation that the principles are interrelated. The moderate fit indicates that the three principles defined by Raina (2010) are relevant in developing and execution of a strategy for the emerging market. It can be further noted that the moderate fit of the model, which led to the acceptance of the null hypothesis, could have been limited, not due to the model itself, but due to the small sample size (Nevitt, 2000). Therefore there is more evidence that the principles as defined in question 1 are valid and MNCs that apply these principles within their strategy have a higher probability of achieving financial success in the emerging market that it enters.

This is in line with the argument by Raina (2010) that a MNCs approach towards applying strategic management principles are based on assumptions from the current cultural and environmental circumstances that the MNCs view in developed countries. The model fit also indicates that the need to understand the country's culture (Baack & Boggs, 2008) requires the need to for immersion for country intimacy (Raina, 2010), combined with the domination of the main segment (Raina, 2010) to allow the development of new and specific products for the emerging market (Anderson & Markides, 2007) and empowering the CEO (London & Hart, 2004; Raina, 2010) will allow MNCs to be more successful in emerging markets.

Even though this question only takes into account three of the strategic management principles (Raina, 2010), there is clear evidence from the data and model that MNCs can achieve financial success by applying these principles.

6.3. Question 2

The second question for this research focused upon the combination of building new competences, empowering the CEO and building an inclusive culture to determine if the combination of these three principles will lead to financial success for MNCs in the emerging market.

Creating a model and attempting to fit the data to the model so as to achieve a model fit, therefore proving the null hypothesis followed the same approach as for question 1.

The results from hypothesis 2 indicated that the combination of these principles does not create a good fit, therefore the null hypothesis is rejected. This means that the data does not fit the model, therefore the combination of the principles as defined for question 2 might not lead to the financial success. It does not however disproves the theory that the principles will not lead to success, as this was proven by Chinembiri (2010) that each of the principles do contribute to the financial success of a MNC in the emerging market. However, the combination of principles as specified in the model does not contribute to the financial success.

It can be argued that due to the small sample size, the model was rejected because of the preference for the chi-square to prefer large sample sizes (Nevitt, 2000). But the goodness-of-fit indices also clearly reject the model. A further analysis indicated that the measurement of inclusive culture could be limited due to the management level of the MNCs that were utilised to determine inclusive culture, but to measure the inclusive culture; a detail analysis of the MNC subsidiaries on an employment level could have provided a better reflection of this principle. This is a limitation in the results and does not disprove the principle of inclusive culture.

Even though it was established that the combination of the question 2 principles do not lead to financial success, the research entered an exploratory phase to determine if there is a possible fit for the data to a revised model.

By excluding the principle of inclusive culture, the model illustrated a better fit. The chi-square result and RMSEA goodness-of-fit index indicated that there is a fair fit of the data to the model. This brings into question the need for the inclusive culture principle to form part of the framework. This is in line with the research of Chinembiri (2010) that concluded that there was a low correlation and the influence of the inclusive culture was marginal. Even though there is significant literature that supports inclusive cultures (Pless & Mask, 2004), the question still needs to be investigated if it should be within the strategic management principles or have more of an operational focus?

The conclusion to this research is that the hypothesised models for the combination of the three principles and the interrelationship was not a reflection of the data gathered, therefore the combination will not lead to financial success as it stands. But further investigation indicated that the combination of empowering of the CEO and creating new competences did have evidence of a fair fit.

7. Conclusion

The ability for MNCs to enter an emerging market requires a revisit of the accepted strategic management practices applied when formulating specific strategies and execution for developed countries. As part of the strategic management practices, a new set of strategic principles should be included to enable MNCs to be able to create successful strategies within the emerging markets. It is clear that the existing strategic management practices are not sufficient and therefore new practices need to be defined.

The proposed framework by Raina (2010) provided a set of new principles that can augment the current MNCs strategic management practices when entering the emerging markets. This research confirmed the research of the principles applied allows a higher probability of financial success (Chinembiri, 2010), but extended that the principles are interrelated.

On the basis of the results and analysis of the gathered data, it was ascertained that by applying only three of the principles, namely empowering of the CEO, immersion for country intimacy and positioning to dominate the market, the model indicates that the application of the principles can lead to financial success.

Even though the analysis relating to the combination of principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture will lead to financial success, it was limited by the measurement of the building of an inclusive culture on a management level.

The conclusion of this research is that the proposed guiding principles to develop strategies for the emerging markets (Raina, 2010) can be utilised by MNCs to augment their strategic management practices as to have a higher probability to be financial successful in the emerging markets.

The limitation of this research prevents the full framework to be tested with all the interrelationships, which would make for interesting further research. Further investigation into the full model with a larger sample could add value to furthering the framework. Additional to the limitations of the study, the ability to measure inclusive cultures on an employee level will also provide more insight on the principle of inclusive culture and would allow the framework to be retested to determine if inclusive culture is a valid principle in the framework.

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9. Appendices

9.1. Consistency check

The consistency matrix is a summary table that shows the research study alignment between research problems, literature review, applied research methodology and the overall data analytical approach followed.

Table 22: Consistency Check

Hypothesis	Literature Review	Data Collection Tool	Analysis
MNC that do not apply the principles of empowering of the CEO, immersion for country intimacy and position to dominate the main segment to fail to achieve financial success in emerging markets.	(Anderson & Markides, 2007; Bartlett & Ghosal, 1988; Drucker, 1998; Hoskisson et al., 2007; London & Hart, 2004; Raina, 2010)	Survey via iFeedback	Structural equation modelling with AMOS
MNC that do apply the principles of empowering of the CEO of a MNC in an emerging market, building new competences and building an inclusive culture achieve financial success in emerging markets.	(Barney, 2001; Barney et al., 2001; London & Hart, 2004; Peteraf & Barney, 2003; Pless & Mask, 2004; Raina, 2010)	Survey via iFeedback	Structural equation modelling with AMOS

9.2. Example of the survey

I am currently studying for a Masters of Business Administration (MBA) degree at the Gordon Institute of Business Science (GIBS), University of Pretoria. One of the requirements of the degree is to complete a research project.

My chosen field of research is a study of strategic management practices (SMPs) of multinational corporations (MNCs) in emerging markets (EMs). The research attempts to determine the financial success of MNCs entering into emerging markets by applying certain strategic management practices as defined within a framework by Dr. Raj Raina.

Your willingness to participate in this survey is appreciated. It is however important to note that your participation in the survey is voluntary and you are free to withdraw from the survey at any time should you feel inconvenienced. I undertake to keep all information received strictly confidential and participants will remain anonymous. Neither the company nor participant's details will be included in the report.

Kindly complete and return the survey within three days of receipt or earlier. If you have any concerns, please contact me or my research supervisor on details below:

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9.2.1. Section 1

Section 1 contains the general information regarding the person and the multinational corporation

Question	Selection method
What position level to do hold in your company?	CEO, CFO, COO, Executive, Senior Manager, Professional, Other (specify)
What is your company name? (optional)	
Were you part of the development of the strategy for the emerging market?	Yes, No
What was your involvement regarding the strategy definition in your company for entering the emerging markets?	Accountable, Involved, Responsible, Understand
In what sector does your corporation operate?	Mining, Manufacturing, Services, Financial, Telecommunication, IT, NGO, FMCG, Other
In which area is your company's head office?	Africa, North America, South America, Europe, Middle-East, Asia, Other
Has your company entered into the emerging market in the past 10 years?	Yes, No
Were you part of the execution of the strategy for the emerging market?	Yes, No
How many senior staff were involved [in the planning/execution of the strategy?] to enter into the emerging market?	1 1 - 2 2 - 5 5+

9.2.2. Section 2

Section 2 focuses on the five principles as stated by Raina (2010) and the toolkit developed.

Nr	Question / Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Immersion for country intimacy						
1	Before the company entered the emerging market, senior staff were relocated into the emerging market to investigate the country					
2	Senior staff engaged with local industry players before developing a strategy for the emerging market					
3	Senior staff spent sufficient time investigating the potential emerging market before developing the strategy					
4	The senior staff investigated the unique environment (social, economical) of the potential emerging market					
Position to dominate the main segment						
5	The company converted the existing products to fit the unique environment					
6	The company developed new features to the products/services so as to cater for the emerging markets					
7	The company customised marketing to align with the market conditions					
Build new competencies						
8	Senior staff audited the MNC portfolio of competencies and identified new competencies for the emerging market					
9	Senior staff selected the correct competencies to compete in the emerging market					
10	The company was willing to create new competencies to cater for the emerging market					
Empower emerging market CEOs						
11	The CEO appointed for your company in the emerging market understood the emerging market environment that the company entered into					

Nr	Question / Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
12	The CEO has credibility with the rest of your company's top management					
13	The CEO was given a mandate to make decisions and adapt the strategy according to the local conditions					
Build an inclusive culture						
14	The company understood the cultural differences between the head office and the emerging market it entered					
15	The company assessed the impact that the cultural differences would have on operations of the company in the emerging market					
16	The company took the cultural differences into account when it decided to enter the emerging market					
17	The company allocated resources to build an inclusive culture to work in					

9.2.3. Section 3

Section 3 focuses on the financial performance of the multinational corporation in the emerging markets

Nr	Question / Statement	Below expectations	Expectations was met	Above expectations	Not applicable
18	The company's financial success in the emerging market for the first (1st) year				
19	The company's financial success in the emerging market for the second (2nd) year				
20	The company's financial success in the emerging market for the third (3rd) year				
21	The company's financial success in the emerging market for the fourth (4th) year				
22	The company's financial success in the emerging market for the fifth (5st) year				

A field was added to allow respondents to provide comments and insight.

Extracts of the comments can be read in 9.3.

Comments from respondents

The comments are provided as is from the respondents with only the grammar or spelling errors corrected.

Africa is not for sissies! It needs patience to build a sustainable and profitable business in insurance -based financial services where you have a strategy to operate ethically in a corrupt environment. Good Partnerships are key for success.
Companies that have traditionally operated only in South Africa have a tough time understanding that every market is unique. It is my responsibility to convince my EXCO and Board about what needs to be done. This is a slow process in the beginning
Cultural issues are mostly ignored when conducting business. The secret to get a quick buy-in is to study the culture of a nation prior to conducting business with that country
If at first you don't succeed ...try again!!!
If it is a completely new offering into that market (new product launch) it is vital you have the correct through the line support for that particular market. You must set realistic timelines on your return on your investment. Patience and perseverance!!

Place attention to the culture of doing business. People do business with People.
We only operate in Africa and it is more difficult and more expensive with longer pay back periods than anticipated