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**- CRITICAL SUCCESS FACTORS FOR MULTINATIONAL
ENTERPRISES OPERATING IN THE FAST MOVING CONSUMER
GOODS INDUSTRY IN NIGERIA -**

By

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DECLARATION

I declare that the Master's dissertation which I hereby submit for the degree M.Com Business Management at the University of Pretoria is my own work and has not been submitted by me for a degree at another university.

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SUMMARY

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Abstract

Due to market saturation and the attractive opportunities offered by globalisation, increasing numbers of multinational enterprises (MNEs) are expanding into Africa. Nigeria, in particular, is perceived as one of the most opportune markets in the story of “Africa rising” and is home to Africa’s biggest economy and population. Accordingly, several MNEs have attempted to gain market share in the fast moving consumer goods (FMCG) industry in Nigeria. Yet, it is evident that the external environment is unstable and challenging. Although there are laws and policies in place to encourage foreign investment, the external environment of Nigeria is not always conducive to international business operations. MNEs face challenges of corruption and political uncertainty, the liability of foreignness, challenges from local competition, and infrastructure deficiencies. This has led to the failure of several MNEs; however, others have managed to thrive, even in the current economic recession. From this, the primary research question was derived as; what are the CSFs for MNEs operating in the fast moving consumer goods industry in Nigeria?

Upon further investigation, there has been no academic research conducted on the CSFs for MNEs operating in the FMCG industry in Nigeria. Therefore, this dissertation sought to

address this knowledge gap by asking two secondary research questions: what are the strategic CSFs for MNEs operating in the FMCG industry in Nigeria and what are the operational CSFs for MNEs operating in the FMCG industry in Nigeria? A generic qualitative research approach was employed and thirteen semi-structured interviews with senior managers from MNEs operating in Nigeria were conducted. The unit of analysis was MNEs operating in the FMCG industry in Nigeria and included retail and manufacturing MNEs.

Based on the interviews, nineteen strategic CSFs and six operational CSFs were identified. From these, it was evident that understanding the external environment, understanding and meeting the needs of the consumers, and building strong relationships were the most significant SCSFs. Whereas, producing quality products, ensuring efficient distribution and back-up supplies of water and power were vital OCSFs. This study brought to light some of the harsh realities of operating in Nigeria as well as the potential to be successful. Using the existing literature and the advice provided by the participants, this study has numerous implications for future and current managers, as well as the Nigerian government and academics. This study contributes to the body of knowledge about CSFs and sheds light on a topic not previously written about.

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ABBREVIATIONS

BNC	–	Bi-national Commission
BOP	–	Base of the economic pyramid
CSF	–	Critical Success Factors
CBN	–	Central Bank of Nigeria
CSI	–	Corporate Social Initiative
CSR	–	Corporate Social Responsibility
FDI	–	Foreign Direct Investment
FMCG	–	Fast moving consumer goods
Forex	–	Foreign exchange
GCI	–	Global Competitiveness Index
GDP	–	Gross Domestic Product
IIAG	–	Ibrahim Index of African Governance
IMF	–	International Monetary Fund
KSF	–	Key Success Factors
KPI	–	Key Performance Indicator
MNE	–	Multinational Enterprise
N	–	Naira (the currency of Nigeria)
NAFDAC	–	National Agency for Food and Drug Administration and Control
NBS	–	National Bureau of Statistics
NCS	–	Nigeria Customs Service
NGO	–	Non-governmental organisation
NPO	–	Not-for-profit Organisation
OCSF	–	Operational Critical Success Factors
OECD	–	Organisation for Economic Cooperation and Development
OPEC	–	Organisation for Petroleum Exporting Countries
PLP	–	Professional Logistics Provider
SCSF	–	Strategic Critical Success Factors
SSA	–	Sub-Saharan Africa
UNCTAD	–	United Nations Conference on Trade and Development
WEF	–	World Economic Forum

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION AND PROBLEM STATEMENT

The 20th and 21st centuries have been characterised by the spread of globalisation (Lysonski & Durvasula, 2013:493; Osland, 2003:137; Ota & Ecoma, 2015:56; Preece, 2017:197; Reiner, Demeter, Poiger & Jenei, 2008:919). Globalisation fosters greater economic interdependencies, which, in turn, has a significant impact on the economic, social, political, cultural and environmental conditions of an increasingly interconnected global community (Akume & Okoli, 2013:140; Cullen & Parboteeah, 2008:7; Hill, 2007:4; Mura, Grublova, Gecikova & Kozelova, 2011:16; Osland, 2003:139; Tong, Alessandri, Reuer & Chintakananda, 2008:387; Yeyati & Williams, 2014:92). Globalisation has ushered in an era where national economies are increasingly intertwined and interdependent due to increases in cross-border trade and investment, and shrinking distances resulting from improvements in transportation, technology and telecommunications (Akume & Okoli, 2013:140; Cullen & Parboteeah, 2008:11; Hill, 2007:4; McLean & McMillan, 2003:223; Theodosiou & Leonidou, 2003:142). As a result of the growing opportunities stemming from globalisation and often out of competitive necessity, enterprises internationalise their activities by expanding into foreign markets (Amal, Awuah, Raboch & Andersson, 2013:412; Cullen & Parboteeah, 2008:8; Elango & Pattnaik, 2007:541; Ghosh, Benoy Joseph, Gardner & Thach, 2004:433; Hill, 2005:461; Jones, Lyu, Runyan, Fairhurst, Youn-Kyung & Jolly, 2014:242; Makino, Lau & Yeh, 2002:404; Malhotra, Sivakumar & Zhu, 2009:652, Mura *et al.*, 2011:16; Zander, 2012). Internationalisation occurs when enterprises enter into new foreign markets and increase their involvement in those markets, either by establishing a direct presence as a form of foreign direct investment (FDI) through wholly owned subsidiaries or joint ventures or using non-equity modes such as exporting, turnkey projects, management contracts, franchising and licensing (Amal *et al.*, 2013:414; Elango & Pattnaik, 2007:542; Lu & Beamish, 2001:566; Luo & Tung, 2007:490; Luostarinen & Welch, 1990:249; Malhotra & Hinings, 2010:331; Ugochukwu, Okore & Onoh, 2013:26). Through the mechanism of

internationalisation, enterprises are redefined as multinational enterprises (MNE) because they operate in more than one country (Aharoni, 2015:19; Collings, 2008:175; Cullen & Parboteeah, 2008:5; Schotter & Bontis, 2009:195).

With the spread of globalisation and the internationalisation activities stemming from it, International Business researchers highlight the need to address various research vacancies. London and Hart (2004:368) highlighted the need for future research to investigate how enterprises “understand and create competitive advantages” in volatile and uncertain environments, while Werner (2002:277) pointed out that as globalisation increases and enterprises expand internationally, responding efficiently to market challenges plays a significant role in ventures being successful in foreign markets. Thus, it is valuable to conduct research on these topics (Ismail, Leow, Yong, Abdul-Majid, Thwala & Ajagbe, 2012:9442; Werner, 2002:277). Due to the effects of globalisation and with it, technological change and market reforms, the level of competitiveness in markets has intensified, thus placing MNEs under greater pressure to perform and produce results that will contribute to business success (Bertels, Koen & Elsum, 2015:20; Cullen & Parboteeah, 2008:5; Elango & Pattnaik, 2007:541; Guillen, Garcia-Canal & Fernandez-Mendez, 2015:185; Hill, 2005:461; Ismail *et al.*, 2012:9442; Ngo & O’Cass, 2013:1134).

Business success can be defined as the effort expended by an enterprise to achieve its objectives which can include satisfying its consumers, employees, society and ultimately achieving its desired levels of profitability (Ghosh, Liang, Meng, & Chan, 2001:210; Mark & Nwaiwu, 2015:2; Ngo & O’Cass, 2013:1134). The likelihood of success or failure can be attributed to the effective identification and achievement of various Critical Success Factors (CSFs) (Alberto Sousa de Vasconcellos e Sá & Hambrick, 1989:367; Asikhia & Awolusi, 2015:4; Games, 2004:1; Ghosh *et al.*, 2001:210; Parker, 2009:32; Peak & Guynes, 2003:24; Pearce & Robinson, 2000:454). CSFs include the strategies, activities, processes, functions, operations and conditions that are crucial to the success of the venture and the prosperity of various stakeholder relationships (Alberto Sousa de Vasconcellos e Sá & Hambrick, 1989:367; Dix & Mathews, 2016:1-2; Grunert & Ellegaard, 1992:19; Parker, 2009:32; Pearce & Robinson, 2000:454; Zhong Liu & Seddon, 2009:719). CSFs can originate from environmental conditions, market pressures and consumer needs. Furthermore, the key to successfully crafting a competitive advantage

lies in the enterprise's ability to recognise and develop those CSFs in a superior way to that of its competitors (Alberto Sousa de Vasconcellos e Sá & Hambrick, 1989:368; Dix & Mathews, 2016:1-2; Grunert & Ellegaard, 1992:19; Ngo & O'Cass, 2013:1140; Umble, Haft & Umble, 2003:244). In light of this competition, management need to monitor CSFs and adjust the way they formulate and execute enterprise strategies based on the current CSFs (Alberto Sousa de Vasconcellos e Sá & Hambrick, 1989:381; Peak & Guynes, 2003:24; Pearce & Robinson, 2000:454; Umble *et al.*, 2003:244). Thus, it is important that CSFs are measureable and readily identifiable so that management can monitor enterprise performance and make adjustments as necessary (Peak & Guynes, 2003:24; Pearce & Robinson, 2000:454; Slevin & Pinto, 1987:34; Umble *et al.*, 2003:245).

1.1.1 Africa and globalisation

According to Luiz (2006a:4), "instead of resisting globalisation, Africa is embracing it." For some time now, there has been a renewed interest in Africa's place in the global economy and its role in globalisation. While the 1980s and 1990s were marred by accounts of a continent said to be in crisis, marginalised and disconnected from global markets, the attention of managers, MNEs and researchers alike, has turned to the current opportunities for growth in Africa (Ciuci, 2011:1; Lee, 2006:303; Luiz, 2006b:625; Lysonski & Durvasula, 2013:493; Ouma, 2012:836). Africa is rich in resource endowments, has a large labour force, and relatively untapped consumer bases, which, for enterprises operating in saturated and highly competitive markets, is an attractive prospect for growth and increased profitability (Hill, 2005:416; Lee, 2006:304; Ouma, 2012:836). Further opportunities lie in the high GDP growth rates of several African economies, increased political and economic stability, and the labelling of Africa as the "last frontier" market (Marafa & Sha Tin, 2007:17; Ouma, 2012:836; Watson, 2014:215). Thus, the focus of many global MNEs has turned to consider the continent's place in the global economy which has unleashed a "new scramble" for Africa's energy, mineral and natural resources and markets (Carmody, 2011:1; Daniel & Lutchman, 2006:492; Lee, 2006:303). Resultantly, the new scramble for Africa is reconfiguring its economic development and geo-economy (Carmody, 2011:1; Kahn, 2011:38; Peng, 2001:809).

When looking at competitiveness on the African continent, it is considered to be a continent of extremes; bursting with potential for rapid growth due to a growing middle class or overshadowed by pessimism about perpetual corruption, civil strife, political instability and economic stagnation (African Development Bank, 2017:17; Beraho, 2007:254; Mo Ibrahim Foundation, 2015a:6; Osei & Gbadamosi, 2011:284; Watson, 2014:215; Weller, 2017; World Economic Forum, 2017:3; World Bank, 2015:5). The global economy places greater demands on countries and their governments to ensure a greater flow of information, transparency and the effective execution of the rule of law. However, for many African countries, these demands require political, economic, banking and judicial reforms. Ayittey (2005:416) and Luiz (2010:533) assert that Africa is neither prepared for nor capable of meeting these global demands. Former President Obasanjo of Nigeria adeptly captured the challenges facing the continent, saying, *“poverty remains a major challenge, and most countries on the continent have not benefited fully from the opportunities of globalisation. Africa’s efforts to achieve economic growth have been hindered by conflicts, insufficient investment, limited trade, debilitating debt burden, and... the impact of HIV/AIDS. Africa lacks basic infrastructure in many sectors, including transport, compared to the industrialized world. The gap in infrastructure constitutes a serious handicap to economic growth and poverty reduction on the continent... Improved infrastructure could – and would – transform the continent into [an] investors’ haven.”* (Ayittey, 2005:419).

Although there are plentiful negative outlooks on Africa, the other side of the narrative proposes that economic and population growth in the region, coupled with a large stock of natural resources, an increased adherence to democratic ideals, improved governance and strengthening of private and public institutions have made the continent an increasingly attractive site for foreign trade and investment. In turn, many African countries are working hard to attract foreign capital inflows in order to fuel economic growth and development (Adams, & Opoku, 2015:49; African Development Bank, 2017:17; Luiz, 2006a:4). In light of this, foreign investor confidence in Africa was reflected by the growth of FDI stock from US\$ 71.2 billion in 2014 to US\$ 74 billion in 2015 (UNCTAD, 2016b:1). Africa stands to benefit from high levels of FDI which can assist the creation of jobs and stimulation of economic growth (Daniels, Radebaugh & Sullivan, 2009:260; Grobbelaar, 2006:52; Imodu, 2012:122; Musila & Sigué, 2006:578; Ugochukwu *et al.*, 2013:25). Thus,

African countries need to create an environment that is conducive and receptive to FDI (African Development Bank, 2017:17; Luiz, 2006a:4).

Despite improvements in some areas, such as the stock of FDI, the instability of many African countries has led to reduced flows of FDI from US\$ 58 billion in 2014 to US\$ 54 billion in 2015 (UNCTAD, 2016b:1; UNCTAD, 2016c:77). Specifically, FDI inflows to West Africa declined by 18% to US\$ 9.9 billion largely because of a slump in FDI to Nigeria as a result of lower commodity prices, which negatively affected natural-resource-based economies (African Development Bank, 2017:5; UNCTAD, 2016c:77). FDI stock is the total measure of foreign investment in a country at a point in time (OECD, 2016a). Whereas, FDI flows record the value of cross-border transactions related to direct investment in a country during a given period of time (OECD, 2016b). Furthermore, Africa's GDP growth slowed to 2.2% in 2016, down from 3.4% in 2015 (African Development Bank, 2017:24). However, there is hope as FDI flows into Africa are expected to grow by around 2% in 2017 (African Development Bank, 2017:53). It is evident that there is no clear message to investors regarding Africa's economic and political stability, and future prospects. Nonetheless, increasing numbers of MNEs are expanding across Africa with many success stories, such as Shoprite in Zimbabwe, Pick n Pay in Namibia and MTN in Nigeria (Douglas, 2013; Games, 2004:1; Goko, 2016; Mark & Nwaiwu, 2015:2; Mulupi, 2016; Shoprite, 2016). Yet, there are also cases of MNEs failing in their attempts to gain traction in these markets such as Woolworths and Truworths in Nigeria (Douglas, 2016; Mwanza, 2015).

A commonly held misconception is that "Africa is a country, and not a continent" (Kayser, 2014; Moorman, 2014). The continent is not homogenous and differs vastly in terms of demographics, geographic conditions, trade agreements, economic standing, business mind-sets, cultural practises and comparative advantages (Lysonski & Durvasula, 2013:494; Tong *et al.*, 2008:387). Therefore, when identifying CSFs for MNEs operating in Africa, one must be cognisant that Africa consists of 54 countries and, as a result, one cannot generalise the CSFs across such diverse countries (African Development Bank, 2017:5; Beraho, 2007:262; Bick, Luiz & Townsend, 2011:5; Chea, 2015:262; Games, 2004:4; Spies, 2011:89; Yusuf, 1995:68). In light of this heterogeneity, each country should be assessed independently for its specific challenges and advantages, and

relevant CSFs (Bick *et al.*, 2011:5; Lysonski & Durvasula, 2013:494; Tong *et al.*, 2008:387; Yusuf, 1995:68).

1.1.2 Nigeria

Dominating the economic and political sphere of African countries is Nigeria, a country deserving of research attention as a result of its attractive but challenging position as a site for growth and development, especially in its FMCG industry (Abass, 2017; Ciuci, 2011:1; KPMG, 2014:9; Weller, 2017). Accordingly, Nigeria is viewed as one of the most opportune markets in the story of “Africa rising” (African Development Bank, 2017:24; Agbu, Okereke, Wapmuk & Adeniyi, 2013:7; Ciuci, 2011:1; Corral, Molini & Oseni, 2015:7; Goko, 2016; International Trade Administration, 2017; KPMG, 2014:9; Kware, 2015:1240; Swaniker, 2013:129; Weller, 2017). This is, in part, due to its position as Africa’s biggest economy, with a value of between US\$ 486.793 billion and US\$ 490.2 billion (International Monetary Fund, 2015:2; International Monetary Fund, 2017a:4; United Nations Economic Commission for Africa, 2015:14; Weller, 2017; World Bank, 2017b; World Economic Forum, 2017:138).

From an FDI perspective, Nigeria’s FDI stock showed an upward trend from US\$ 8.53 billion in 1990 to US \$23.78 billion in 2000 and US\$ 86.67 billion in 2014 and US\$ 89.73 billion in 2015 (UNCTAD, 2015:A8; UNCTAD, 2016a:1). However, when analysing the flows of FDI into Nigeria, the numbers show a steady decline year-on-year since 2013, dropping from US\$ 7.1 billion to US\$ 3.1 billion in 2015 (UNCTAD, 2016a:1; UNCTAD, 2016d:40). As a result of the exchange rate volatility in Nigeria, capital importation via FDI has suffered (Douglas, 2017; National Bureau of Statistics, 2017b:7). In the fourth quarter of 2014, FDI into Nigeria was US\$ 768. 86 million, but comparing the same period two years later in 2016 illustrates the impact of the recent economic and political crises in Nigeria, with only US\$ 344.63 million in FDI (Douglas, 2017; National Bureau of Statistics, 2017b:7). Likewise, business confidence in Nigeria has decreased steadily over the past few years from 21.8 in January 2014 to a record low of -29 in the fourth quarter of 2016 (Trading Economics, 2017). However, on the list of the top ten African countries receiving greenfield projects in 2016, Nigeria ranks at number eight, behind South Africa and before Tanzania (African Development Bank, 2017:48).

Furthermore, Nigeria's economic position is neither stable nor predictable. On the upside, Nigeria experienced GDP growth of 5.4% in 2013 which rose to 6.3% in 2014 (World Bank, 2016c). However, its upwards trend took a downturn when the World Bank (2016d) reported that Nigeria's economic growth had slowed to 2.7% in 2015, but it was still forecast to grow at 4.6% in 2016, 5.3% in 2017 and 5.3% in 2018. On a similar note, Nigeria's National Bureau of Statistics (2016a:5) reported a growth rate of 2.79% in 2015, and predicted it would rise to 3.78% in 2016, 5.03% in 2017 and 5.61% in 2018. Although Nigeria retained its position as the largest economy in Africa, it is currently experiencing its worst recession in 25 years, making 2016 one of its most challenging in recent history (Abass, 2017; Focus Economics, 2017; International Trade Administration, 2017; Tijani, 2017; Weller, 2017). Accordingly, the predictions for growth in 2016 by the World Bank and the National Bureau of Statistics did not come to fruition, and ultimately Nigeria's GDP contracted by between 1.5% and 1.746% (African Development Bank, 2017:31; Focus Economics, 2017; Ikpor, 2016:2; Maritz, 2017; National Bureau Of Statistics, 2017a:3; Statistics Times, 2016; Udo, 2017; Weller, 2017; World Bank, 2017b). Consequently, the predictions for growth have lowered to 1% in 2017 and 2.5% for both 2018 and 2019 (World Bank, 2017b). Subsequently, Nigeria was hit by rapid inflation in 2016, which contracted the middle class's disposable income and redirected their spending power towards purchases of necessities and away from luxuries (Abass, 2017; African Development Bank, 2017:281; Ikpor, 2016:2; Reuters, 2017). However, the government optimistically believes that the country is "well on its way out of recession" after GDP contracted by only -1.30% in the fourth quarter of 2016 which was less than the third quarter's contraction of -2.24%. However, this was significantly worse than the same period in 2015 where GDP grew by 2.11% (Focus Economics, 2017; Ikpor, 2016:2; International Monetary Fund, 2017a:5; National Bureau Of Statistics, 2017a:3; Reuters, 2017). The African Development Bank (2017:282) optimistically predicts GDP growth will be 2.2% in 2017 and 4.8% in 2018 as a result of the implementation of the Nigeria Industrial Revolution Plan and the government's plans to improve the ease of doing business in Nigeria. The International Monetary Fund (2017b:5) has also revised Nigeria's growth forecasts upwards as a result of increased oil production and security improvements in its oil producing regions, thereby adding to the voices of optimism predicting a swift turnaround from the recession.

Nigeria is one of Africa's largest oil producers and depends on the global oil price for a large portion of government revenues, therefore, the economy has been negatively affected by the global slump in commodity prices, in particular the fall of the oil price in 2014 by 66.8% (Abass, 2017; African Development Bank, 2017:31; International Monetary Fund, 2017b:4; International Trade Administration, 2017; National Bureau of Statistics, 2016a:4; National Bureau of Statistics, 2017a:3; UNCTAD, 2016c:77; Weller, 2017; World Economic Forum, 2017:4). The impact of the drop in oil prices continues to be felt across most industries and the economy (Abass, 2017; National Bureau of Statistics, 2016a:7). The decline in Nigeria's GDP growth rate since 2015 can be attributed not only to the oil price slump, but also because of an increase in oil pipeline vandalism, significantly reduced reserves of foreign currency, the weaker Naira (the currency of Nigeria), problems in the energy sector (fuel shortages and reduced electricity generation), as well as political uncertainty (International Monetary Fund, 2017b:4; National Bureau of Statistics, 2016a:7; Udo, 2017).

In order to counteract the recession, in January 2017, the government announced several priority measures such as asset divestment, privatisation of selected public assets, the stabilisation of oil production and the expansion of critical infrastructure, particularly electricity, roads and railways, as part of the plan to restore economic growth (Abass, 2017; Adebayo, 2017; Focus Economics, 2017). Furthermore, the Nigerian government declared its intention to improve the ease of doing business and is waiting for foreign investment from multilateral agencies and China to fund infrastructural upgrades (Adebayo, 2017; Reuters, 2017). Additionally, the economy was injected with a US\$1 billion Federal Government Eurobond issuance in March 2017 and an increase in foreign reserves from US\$ 23.9 billion in October 2016 to US\$ 27.8 billion in January 2017 (African Development Bank, 2017:55; Ikpor, 2016:2; Weller, 2017). The partial recovery and global increase of oil prices is expected to help boost economic growth in Nigeria as almost 90% of its foreign exchange earnings come from the sale of oil (Ikpor, 2016:2; Reuters, 2017).

1.1.3 Fast moving consumer goods (FMCG)

The Fast Moving Consumer Goods (FMCG) industry is one of the largest in the world and accordingly it is often a topic of research (Ciuci, 2011:10; DEDC, 2016:3; KPMG, 2014:1; Kulasingam, 2016). FMCG products can be defined as being relatively cheap, with a short lifespan and are purchased on a regular basis (Karamchandani, Kubzansky & Lalwani, 2011:107; KPMG, 2014:1; Kulasingam, 2016; Kumar, Dangi & Vohra, 2015:80; Zimon, 2017:52). FMCG products include food, drinks, hygiene, home care and personal care products. Notable MNEs operating in Nigeria are Unilever, Nestlé, Coca-Cola, Procter & Gamble, Cadbury, Dangote, and Johnson & Johnson (DEDC, 2016:3; KPMG, 2014:1; Kulasingam, 2016; Kumar *et al.*, 2015:81; Nigerian Finder, 2016; Zimon, 2017:52). FMCG products are characterised by low value and profit margins per product, which means MNEs need to sell large volumes of products in order to reap the benefits of economies of scale and be profitable (Ball, Geringer, McNett & Minor, 2012:81; DEDC, 2016:3; Deliya, 2012:200; KPMG, 2014:1; Kumar *et al.*, 2015:80; Singh & Sahu, 2016:59; Zimon, 2017:52). It is difficult to differentiate FMCG goods from each other, therefore, MNEs often compete on price and engage in price wars, making the industry highly competitive and cut-throat (Davicik & Sharma, 2015:764; Karamchandani *et al.*, 2011:108; Kumar *et al.*, 2015:80; Zokaei & Hines, 2007:234). The industry has proven to be resilient in the face of grim economic conditions, such as the current global economic downturn because consumers continue to purchase basic FMCG products in order to survive (KPMG, 2014:1; Malhotra, 2014:1). Poverty levels remain high in Sub-Saharan Africa (SSA) and consumer budgets are dominated by purchases of food and necessities (DEDC, 2016:3; Kumar *et al.*, 2015:81). However, low-income-consumer spending-power is uncertain due to their erratic income levels and cash flow restrictions (Karamchandani *et al.*, 2011:108; Malhotra, 2014:1). Despite these challenges, the FMCG industry in SSA has room for growth (DEDC, 2016:3; KPMG, 2014:1). KPMG (2014:1) identified Nigeria, Ghana and Kenya as the top three African countries for growth in the FMCG industry and indicated market size and market concentration as driving forces of the industry in those countries.

1.1.3.1 *Market size*

A large market size is considered vital to the success of MNEs as they are faced with low profit margins (Ball *et al.*, 2012:229; Cavusgil, 1997:88; DEDC, 2016:3; KPMG, 2014:2). Nigeria's population size is a critical draw card for MNEs as it is the largest in Africa and the seventh largest in the world, with a population of between 177 and 184 million people (LBS, 2016:3; Ikpor, 2016:2; National Bureau of Statistics, 2016c:vi; OECD, 2015:18; United Nations, 2015:21; World Bank, 2016c; World Bank, 2017b). Moreover, the population is forecast to increase by nearly 100 million new consumers by 2030, while by 2050 Nigeria is forecast to become the third largest in the world with 399 million people (KPMG, 2014:2; United Nations, 2015:4, 24). Currently, Nigeria's consumer market is worth approximately US \$400 billion a year, and it is forecast to grow to US \$1.4 trillion by 2030, with food and non-food consumer goods accounting for US \$1 trillion of the total (Lysonski & Durvasula, 2013:493; McKinsey Global Institute, 2014:4). Until recently, the growth of the Nigerian middle class positively affected consumption patterns, and reflected the consumers' increased incomes, which led to an increase in the number of supermarkets and restaurants (Corral *et al.*, 2015:8; Zander, 2012). The middle class grew by 5% between 2003 and 2013, however, due to the current economic recession in Nigeria, the middle class is constricting and with it, the consumption of luxury goods and services (Corral *et al.*, 2015:8,20). The financial performance of FMCG enterprises is linked to the aggregate spending power of consumers in the economy, and with the macro-economic challenges facing MNEs in Nigeria, FMCG enterprises stand to suffer (LBS, 2016:28).

Historically Nigeria has had high mortality and fertility rates, however, this appears to be changing with birth and death rates falling which are ushering in a change in demographics and a new demographic dividend (Campbell & Okuwa, 2016:162; World Economic Forum, 2017:3). A demographic dividend is defined as accelerated economic growth resulting from a change in the structure and composition of a country's population pyramid, which occurs when a larger percentage of the population falls within the working age of 15 to 64 (Campbell & Okuwa, 2016:164; World Economic Forum, 2017:3). This change is accompanied by an increase in life expectancy and smaller sized families. In theory, this change can increase the standard of living because income per capita

increases. Ultimately, these factors can stimulate economic growth (Campbell & Okuwa, 2016:164).

1.1.3.2 *Population density*

The second driving force for MNEs in the FMCG industry is that they are attracted to markets with high urban population density (number of people per km² of land) (Ball *et al.*, 2012:230). When a country has a higher population density, it means that the regularity of consumers buying FMCG products daily increases, therefore MNEs seek out densely populated markets with high levels of urbanisation. The UN predicts that there will be 93 agglomerations (of one million people per agglomeration) in Africa by 2025 and 12 agglomerations are expected to have populations of at least 5 million people. Nigeria is expected to account for almost a quarter of these agglomerates (KPMG, 2014:2). In particular, Nigeria's population density has risen from 180 people per km² in 1996-2000 to 195 people per km² in 2011-2015 (World Bank, 2016e) with Nigeria's urban population growing from 72 651 944 in 1991-1995 to 87 049 000 in 2011-2015 (World Bank, 2016f). Cities that are more densely populated with higher rates of urbanisation enable MNEs to benefit from close spatial proximity because products are cheaper to provide when populations are large and densely packed together (World Bank, 2017a:14).

1.1.3.3 *Nigeria's FMCG environment*

The competitive environment of Nigeria's FMCG industry is characterised by a few dominant retailers such as the Artee Group and its Spar shops as well as South Africa's retail giants Shoprite and Massmart (BDI, 2014:31; KPMG, 2014:14; Zander, 2012). MNEs face competitive challenges from non-traditional retailers such as Gloo.ng, one of Nigeria's largest online supermarkets. Online avenues are gaining traction by saving the consumer time and effort. Other e-commerce retailers, Konga and Jumia, are experiencing success as well (BDI, 2014:51; KPMG, 2014:14). Although its FMCG industry composition is dominated by a few large formal players, Nigeria's informal trading sector is where approximately 87% of trading occurs, making small and micro retailers important players (BDI, 2014:13; XCom Africa, 2015:1). One of the biggest informal trade markets is the Onitsha market, consisting of 12 specialised markets with around 50,000 traders and a

trade volume of US \$1.5 billion. Using small local traders and small retailers is crucial for large MNEs to be able to penetrate the market and reach grassroots consumers; however, it is critical to choose a reliable and effective local partner (Weatherspoon & Reardon, 2003:342; XCom Africa, 2015:3).

Nigeria's FMCG retail market penetration is, however, slowing down due to the government's list of banned items, the slowdown in GDP growth due to the oil price crisis, and the challenge of access to foreign exchange ("forex") (International Monetary Fund, 2017b:14; Shopping and Retail, 2016). Many of the formal retail centre developments have been put on hold or downsized due to the challenging and fickle market conditions (International Monetary Fund, 2017b:14; Maritz, 2017; Shopping and Retail, 2016). It is becoming increasingly challenging for MNEs to import goods into Nigeria, as is evident in the "Import Prohibition List" laid out by the Nigeria Customs Service (NCS). Many items on the list have a major impact on the operations of FMCG MNEs. The Nigeria Customs Service (2017a) laid out the following list of banned items:

- Birds eggs
- Cane or beet sugar and chemically pure sucrose
- Cocoa butter, powder and cakes
- Fruit juice in retail packs
- Live or dead birds including frozen poultry
- Pork, beef
- Refined vegetable oils and fats
- Soaps and detergents
- Spaghetti/noodles
- Used compressors
- Used motor vehicles older than 15 years from year of manufacture
- Waters (mineral and aerated)

As a result of these import restrictions, the imports of prepared foodstuffs such as beverages, spirits and vinegar; as well as tobacco has steadily declined over the past 4 years, from N 662,184.5 in 2013, to N 404,896.4 in 2014, N 346,930.7 in 2015 and N

312,860.2 in 2016 (National Bureau of Statistics, 2016b:10). The Nigeria Customs Service (2017b) also prohibits the export of products such as maize and “all goods imported”, which is a challenge for MNEs in the manufacturing sector of the FMCG industry.

Although Nigeria is an attractive market, it is a challenging environment to operate in. MNEs face the risk of further devaluations of the Naira which could increase the costs of imported products, weak and underdeveloped infrastructure, product and input unavailability due to underdeveloped local manufacturing infrastructure, widespread corruption, inadequate power supply, political instability and security risks due to threats of violence and terrorism in the northern states (BDI, 2014:13; Games, 2004:95; International Trade Administration, 2017; KPMG, 2014:14; Kware, 2015:1241). The political environment poses several challenges such as profit repatriation barriers, risks of expropriation, confiscation, campaigns against foreign goods (or the “liability of foreignness”), kidnapping threats, threats of coup d’états, acts of terrorism and occasional threats of civil war (Boddewyn, 2016:21; Elg, Ghauri & Schaumann, 2015:334; Mark & Nwaiwu, 2015:2). MNEs stand to suffer if they are unaware of and fail to mitigate the political risk in foreign markets (Brown, 2000:199; Mark & Nwaiwu, 2015:3).

In light of this, this research has significant relevance for industry practitioners and academics. It aims to identify and describe the strategic and operational CSFs relevant for the Nigerian FMCG market for both retailers and manufacturers, which may enhance their chances of being successful.

1.2 RESEARCH CONTRIBUTION AND KNOWLEDGE GAP

Conducting a CSFs analysis reveals the critical importance of superior performance on a few factors, has been highlighted by seminal researchers Forster and Rockart (1989:1). CSFs can be used by management teams to determine an enterprise’s priorities, develop tactical tasks, and build strategies based on this set of priorities (Abdullah, Rahman, Harun, Alashwal & Beksin, 2010:4175; Forster & Rockart, 1989:2; Peak & Guynes, 2003:24). Forster and Rockart (1989:2) believed that the use of CSFs was increasing because it provided management with a “clear, explicit and shared understanding of the organisation’s business environment” and what actions to take in order to succeed. In the 1980s, numerous papers highlighting CSFs were published in various journals (Forster &

Rockart, 1989:2), however, nowadays research is heavily concentrated on describing the CSFs used in Enterprise Resource Planning systems implementation, Knowledge Management, Information Systems Management and project management, leaving a gap in contemporary research and knowledge on CSFs for ventures outside of those parameters (Abdullah *et al.*, 2010:4175; Angeles & Nath, 2005:15; Asikhia & Awolusi, 2015:4; Bhatti, 2005:1; Dvir, Lipovetsky, Shenhar & Tishler, 1998:918; Holland, Light & Gibson, 1999:273; Hong & Kim, 2002:29; Nah & Delgado, 2006:105; Ngai, Law & Wat, 2008:549; Peak & Guynes, 2003:24; Slevin & Pinto, 1987:33; Stefanou, 1999:800; Sumner, 1999:297; Yew Wong, 2005:261; Zhang, Lee, Zhang & Banerjee, 2003:1; Zhong Liu & Seddon, 2009:717).

The relevance and benefits of this research for any enterprise, either those looking to expand into Nigeria or those currently operating in Nigeria, are numerous. This research aims to deepen managers' understanding of the complexity and challenges of doing business in Nigeria as well as contribute to the body of knowledge regarding CSFs. One of the classical CSF theory researchers, Rockart (1978:23-24), highlighted the benefits of identifying CSFs for managers, namely: (1) it helps to bring critical factors to the attention of management and enables them to scrutinise these, thus they provide a conscious focus for attention (2) it forces managers to develop measurements for each CSF and request reports on these measures and (3) CSFs help management to identify and prioritise the amount and type of information needed to track the enterprises progress towards achieving its goals (Peak & Guynes, 2003:24; Rockart, 1978:33; Yew Wong, 2005:270).

Most research in the area of retail internationalisation has focused on the developed world (Dakora *et al.*, 2010:748). Considering the size and influence of Nigeria's economy and population, it is a favourable site for expansion, yet, little is documented about what makes enterprises successful when operating in the FMCG industry in Nigeria. This article aims to close that gap by interviewing managers from several global, South African, and Nigerian MNEs who are well versed in the complexities of operating in Nigeria. Thus, the contribution of this study is to provide a framework of CSFs that management and industry practitioners can draw upon when operating in Nigeria. Furthermore, academics and researchers will be able to base future research on the framework and findings.

1.2.1 Relevance for South African MNEs

South African MNEs are some of the leading African investors on the continent (African Development Bank, 2017:52; Alden & Soko, 2005:368; Carmody, 2016:224; Dakora, Bytheway, & Slabbert, 2010:748; Dakora & Bytheway, 2014:195; Games, 2004:1; Kruger & Strauss, 2015:1; Nandonde & Kuada, 2016:553; Ojo, 2016; Segal & Lekaba, 2014:2; UNCTAD, 2016d:41). Moreover, half of the continent's largest MNEs are based in South Africa (African Development Bank, 2017:52). Nigeria and South Africa account for the largest shares of Africa's GDP with 29.3% and 19.1% respectively, making them important players on the continent (Abass, 2017; African Development Bank, 2017:31). South Africa and Nigeria established the Bi-National Commission (BNC) in 1999 to strengthen and unify the countries whereby Nigeria subsequently became one of South Africa's largest African trading partners (Alden & Le Pere, 2009:157; Alden & Soko, 2005:369; Games, 2004:18; Games, 2013:4; Segal & Lekaba, 2014:3). The BNC established several agreements between the two countries such as the Reciprocal Promotion and Protection of Investment Agreement, the BNC Bilateral Trade Agreement and the Avoidance of Double Taxation Agreement, in order to increase trade and investment (Alden & Le Pere, 2009:157; Segal & Lekaba, 2014:3). Owing to these agreements, several South African MNEs have entered into various industries of Nigeria, such as Allan Gray in the financial services industry, MTN in the telecommunications industry and Shoprite in the retail industry (Alden & Soko, 2005:383; Ojo, 2016; Segal & Lekaba, 2014:3). However, there are some South African MNEs that have failed to carve out a meaningful presence in the Nigerian market, with many exiting the market shortly after entering it (Douglas, 2016; Mwanza, 2015). Therefore, this study aims to identify the factors critical for success in Nigeria that South African managers can use to enhance their understanding about the market and avoid some of its pitfalls.

1.3 PURPOSE STATEMENT

In light of the preceding discussion, the purpose statement of this study is articulated by several aims:

- (1) To identify and define CSFs through a comprehensive and systematic literature review of Nigeria and the FMCG industry;

- (2) To conduct interviews with at least twelve knowledgeable participants, who are in senior managerial positions and work directly in Nigeria, in either the manufacturing or retail sector of the FMCG industry;
- (3) To group the findings from the interviews into two sets of CSFs under the categories of strategic and operational and;
- (4) To report and analyse the identified CSFs from a Nigerian context. These findings may be useful to current and potential investors, senior managers, industry practitioners and academics as there is little research available on this particular topic.

Therefore, the primary objective of this dissertation is to answer the following question:

What are the CSFs for MNEs operating in the fast moving consumer goods industry in Nigeria?

CHAPTER TWO

LITERATURE REVIEW

2.1 CRITICAL SUCCESS FACTORS

2.1.1 Definition of critical success factors

The existing literature presents numerous definitions of CSFs; however, many of the definitions fail to capture the “criticalness” of the factors adequately. Often the definitions are vague, for example: CSFs are those things that must be done if a company is to be successful and can be located internally or externally (Angeles & Nath, 2005:21; Bhatti, 2005:3; Boynton & Zmud, 1984:17; Dvir *et al.*, 1998:918; Freund, 1988:20; Ika, Diallo & Thuillier, 2012:106; Leidecker & Bruno, 1984:23; Ngo & O’Cass, 2013:1140; Parker Gates, 2010:9; Slevin & Pinto, 1987:34; Sumner, 1999:301; Trkman, 2010:126; Umble *et al.*, 2003:245). The above definition does not delimit the boundaries of what is critical and what is just a factor necessary to exist in an industry. Seminal researchers Rockart and Bullen (1981) defined CSFs as the fields or factors from which positive outcome will result in “successful competitive performance” for an enterprise (Ngai *et al.*, 2008:548; Ziembra & Oblak, 2013:6). However, a more specific definition is: CSFs are those characteristics, conditions or variables that, when properly maintained and managed, might have a significant impact on the success of the enterprise (Angeles & Nath, 2005:21; Leidecker & Bruno, 1984:24; Somers & Nelson, 2001:2; Umble *et al.*, 2003:245; Yew Wong, 2005:262). Additionally, a factor is considered to be “critical” if it is empirically proven that the existence and realisation of that factor significantly enhances success and competitiveness (Ram & Corkindale, 2014:152; Somers & Nelson, 2001:2; Trkman, 2010:132). Furthermore, CSFs are those things that have the greatest impact on the success of any enterprise-driven initiative (Angeles & Nath, 2005:21; Dvir *et al.*, 1998:918; Ika *et al.*, 2012:106). In line with this, CSFs are a multidimensional concept and include factors under enterprise control and those outside of the control of the enterprise and have a “statistically significant and positive relationship” on the success of a venture (Ika *et al.*, 2012:115).

This study will base its definition of CSFs on the following premise: for continued existence, enterprises need to perform exceptionally well on a limited number of factors. For a factor to be “critical”, enterprises must perform in a superior way on a few factors and should be able to pinpoint their success to those factors (Bhatti, 2005:3; Ika *et al.*, 2012:108, 115; Ngai *et al.*, 2008:548; Somers & Nelson, 2001:7; Umble *et al.*, 2003:245). Therefore, CSFs are the few key and clearly defined areas where “things must go [outstandingly] right” in order for the enterprise to thrive and achieve the goals set by management (Peak & Guynes, 2003:24; Ngai *et al.*, 2008:548; Umble *et al.*, 2003:245). However, on a cautionary note, there have been cases where despite accurately identifying CSFs, enterprises have failed (Ram & Corkindale, 2014:152). In light of this, enterprises should ensure that they align their core competencies and strengths to the environmental pressures and prerequisites for success (Alberto Sousa de Vasconcellos E Sá & Hambrick, 1989:367; Ika *et al.*, 2012:108; Leidecker & Bruno, 1984:23; Parker Gates, 2010:10; Tong *et al.*, 2008:388; Trkman, 2010:132).

CSFs are sub-divided into two broad categories namely; strategic and operational (Andreou & Bontis, 2007:357; Freund, 1988:20; Holland & Light, 1999:31; Holland *et al.*, 1999:275; Leidecker & Bruno, 1984:23; Ngai *et al.*, 2008:549; Parker, 2009:32; Peak & Guynes, 2003:24; Ram & Corkindale, 2014:152; Rockart, 1978:12; Slevin & Pinto, 1987:35; Trkman, 2010:126; Zhong Liu & Seddon, 2009:719). These categories allow for management to address CSFs in a hierarchical manner; from strategic to operational, and ultimately can result in superior competitive performance and positive financial results for the enterprise (Freund, 1988:22; Slevin & Pinto, 1987:35).

Regardless of the industry or the size of the enterprise, CSFs have several characteristics which include being: (1) measurable, (2) relatively few in number, (3) actionable, (4) applicable to all enterprises that have similar strategic objectives in a specific industry, and (5) hierarchical in nature. CSFs are hierarchical because they encompass high-level strategic factors guiding the overall vision and mission of the enterprise but also include lower-level tactical factors that focus on one operational or functional area (Boynton & Zmud, 1984:17; Freund, 1988:20; Ika *et al.*, 2012:108; Parker Gates, 2010:10; Peak & Guynes, 2003:24; Somers & Nelson, 2001:7). Due to this hierarchical nature, CSFs can be used as a managerial tool and method to help communicate and focus operational

activities towards achieving the enterprise's strategic objectives (Boynton & Zmud, 1984:18; Freund, 1988:23; Ika *et al.*, 2012:108; Parker Gates, 2010:10; Peak & Guynes, 2003:24; Somers & Nelson, 2001:7). The identification of CSFs can also be a method to assist managers in strategic planning and scenario planning (Parker Gates, 2010:1; Peak & Guynes, 2003:24). The benefit of identifying CSFs is that it highlights the practices that need to be nurtured or developed depending on whether they exist or need to be introduced (Yew Wong, 2005:262). To accomplish CSFs, top management needs to support and direct the necessary resources and time towards achieving the enterprise's goals (Achanga, Shehab, Roy & Nelder, 2006:4; Holland *et al.*, 1999:276; Somers & Nelson, 2001:8; Yew Wong, 2005:262; Zhang, 2005:3).

Closely related to CSFs is the concept of Key Success Factors (KSFs), which Carpenter and Sanders (2007:80) define as a "key asset or requisite skill that *all firms in an industry* must possess in order to be a viable competitor" [own emphasis added]. KSFs are likened to table stakes in a game of poker: you need the stakes to get a seat at the table; however, the stakes do not guarantee success or that one will win the game (Carpenter & Sanders, 2007:81). Enterprises need to acquire or improve these factors to be viable competitors, but because these factors are not considered rare, they do not give the enterprise a competitive advantage (Carpenter & Sanders, 2007:81).

2.1.2 Classifying and identifying CSFs

Enterprises, and their managerial teams, employ various techniques to identify and prioritise CSFs, thus the process and outcomes are subjective (Achanga *et al.*, 2006:4; Ghosh *et al.*, 2001:210; Ika *et al.*, 2012:108; Ram & Corkindale, 2014:154; Slevin & Pinto, 1987:34; Somers & Nelson, 2001:7). CSFs can be identified by quantitative measures or by expert opinions (Chua, Kog & Loh, 1999:142; Zhang, 2005:3). CSF identification is beneficial for enterprises to identify and address macro-environmental opportunities and threats as well as their internal strengths and weaknesses (Leidecker & Bruno, 1984:23; Ram & Corkindale, 2014:151; Trkman, 2010:132). On this note, Ram and Corkindale (2014:166) caution that CSFs need to be tested rigorously on a regular basis to ensure that they remain valid and relevant. However, CSFs can become difficult to measure if managers confuse actual achievements with performance. For example, the performance

of increasing revenue by 7% is not in itself a CSF; it is a measure and not a description of how activities should be arranged and performed. Therefore, in this case, a CSF would be to “reach and maintain a certain critical mass”. Specificity when identifying CSFs is also important, as overly generic CSFs can be vague, easy to imitate and difficult to measure (Freund, 1988:21; Ika *et al.*, 2012:108). In the seminal body of knowledge surround CSF classification and identification, there are four methods at the disposal of managerial teams.

Firstly, seminal researcher, Freund (1988:21), stated that the most effective way to identify, classify and analyse CSFs is to use a top-down approach in order to ensure that the operational areas and business units or subsidiaries support the overall strategic objectives of the enterprise. Thus, management begins the process by considering the overall strategic mission and long-term objectives, following which they conduct an analysis of the role and impact of subsidiaries (if applicable) and, finally, an exploration of the strengths and weaknesses in each operational area (Boynton & Zmud, 1984:18; Chua *et al.*, 1999:149; Freund, 1988:21; Ika *et al.*, 2012:114; Peak & Guynes, 2003:24). Viewing CSFs in a hierarchical manner enables management to pinpoint how each CSFs influences the other, namely industry CSFs influence organisational CSFs, which drive decision-level CSFs, which drive operational unit-level CSFs, which are supported by individual CSFs (Parker Gates, 2010:10; Peak & Guynes, 2003:24; Rockart, 1978:23).

Elaborating on this hierarchical nature, Freund (1988:21) went on to propose a five-step process to identify and classify CSFs best suited to medium and large sized enterprises. This process is as follows:

1. Strategic analysis:

Management begins the process by analysing the mission and strategic objectives in order to identify the broad strategic CSFs. Following this, they will identify each subsidiary's contribution to the overall objectives. Managers are cautioned to only select 5 to 10 CSFs, and prioritise them because focussing on a larger number of CSFs can dilute their sense of direction and resources. Therefore, a smaller number allows management to prioritise and direct enterprise resources to areas where maximum benefit can be achieved.

2. **Functional and operational analysis:**

Management will now identify the CSFs for each functional area that collectively assist the enterprise in achieving the overall strategic objectives. This step helps to highlight CSFs that are unique to each department and operational area, for example, marketing, production, distribution, finance and procurement.

3. **Develop strategies to leverage competitive strengths and overcome weaknesses for each CSF:**

Management needs to carefully evaluate the strengths and weaknesses of the enterprise and develop strategies to capitalise on its strengths and mitigate weaknesses.

4. **Develop measurement tools that can enable managers to monitor performance against the plans:**

Managers need to have standards in place in order to measure the performance of each CSF.

5. **Implement processes and procedures to regularly and accurately report the performance:**

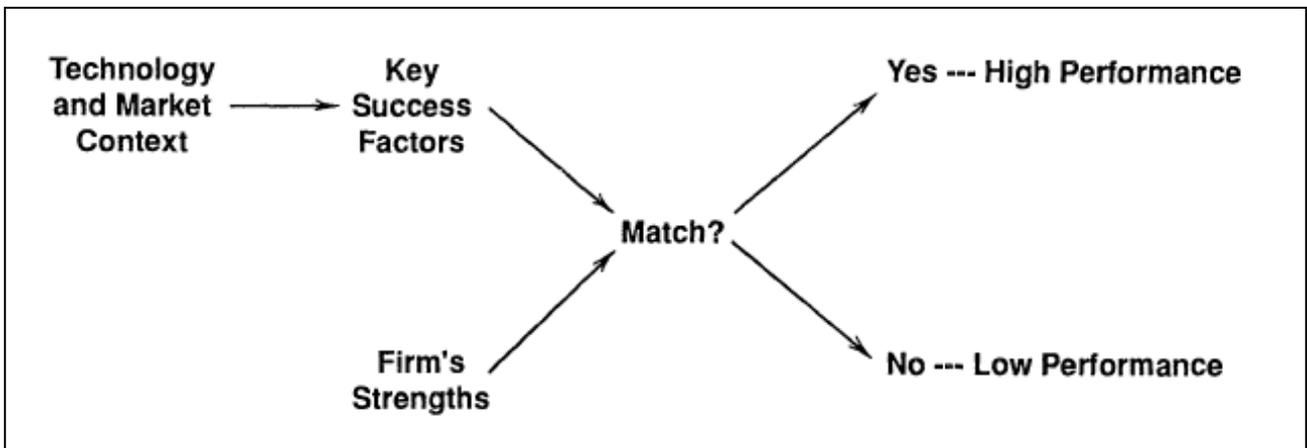
A system whereby feedback loops are regularly used will enable management to test performance against the predefined standards and take any corrective action to address areas of underperformance.

Secondly, another seminal perspective of CSF identification and classification is based on how they influence each other. As such, Rockart (1978:18) identified five origins of CSFs that contribute to the achievement of an enterprise's mission, namely:

1. **Industry CSFs:** the structure of a particular industry and its players
2. **Strategy CSFs:** the various strategies employed, relating to competitive strategy, industry position or strategic thrust and geographical location
3. **Environmental CSFs:** the macro environmental forces influence on an enterprise from the political, economic, legal, technological, environmental and sociocultural environments
4. **Temporal CSFs:** problems or challenges facing an enterprise
5. **Management CSFs:** the perspectives held by a managerial team (Parker Gates, 2010:10; Rockart, 1978:18).

Thirdly, figure 1 below illustrates the recommendations of seminal researchers, Alberto Sousa de Vasconcellos E Sá and Hambrick (1989:368) to managers on how to identify and classify CSFs. In their version, CSFs originate from the external market environment of an industry or from within operational areas that reflect the enterprises' internal strengths (Alberto Sousa de Vasconcellos E Sá & Hambrick, 1989:373; Auruskeviciene, Salciuviene, Kazlauskaite & Trifanovas, 2006:328; Leidecker & Bruno, 1984:24; Trkman, 2010:132). For an enterprise to perform in a superior way to its competition, it needs to create internal strengths that closely match what the external industry considers to be CSFs (Alberto Sousa de Vasconcellos E Sá & Hambrick, 1989:373; Auruskeviciene *et al.*, 2006:328; Parker Gates, 2010:10; Rockart, 1978:18). If the enterprise strengths do not match the external environment CSFs then the enterprise will underperform. Enterprises outperform their competitors when they have superior abilities to match what the environment deems to be CSFs. Thus, managers should focus their efforts on performing exceptionally well on a small number of critical tasks rather than an average performance across numerous tasks (Alberto Sousa de Vasconcellos E Sá & Hambrick, 1989:381; Auruskeviciene *et al.*, 2006:329; Freund, 1988:21; Peak & Guynes, 2003:24).

Figure 1: The relationship between industry environment and the enterprise's strengths in influencing the performance of an enterprise



Source: Alberto Sousa de Vasconcellos E Sá & Hambrick (1989:368).

Fourthly, Leidecker and Bruno (1984:24-25) proposed another method to identify and classify CSFs on three levels, namely; enterprise-specific, industry-specific and the economic socio-political environment that the enterprise operates in.

1. The first level of analysis is enterprise-specific CSFs, which focus on the internal strengths of an enterprise used to achieve its goals. Enterprise-specific CSFs include the competencies, resources and skills necessary to operate in an industry
2. The second level of analysis is the industry-specific analysis, which analyses how the structure of the industry affects the competitiveness of the enterprise and its counterparts.
3. The final level of analysis involves the identification of industry opportunities and threats that reside mostly outside of the control of the enterprise in its economic and socio-political environments. These environments have a significant influence the classification and attainment of CSFs.

2.1.3 Strategic Critical Success Factors (SCSFs)

Strategic CSFs (SCSFs) are those factors that reflect high-level enterprise-wide strategies and relate to the mission and strategic objectives of the enterprise. They reflect issues that are related to bottom-line profit or those that involve expansion, growth aspirations and market positioning (Freund, 1988:21; Holland *et al.*, 1999:276; Parker, 2009:32; Peak & Guynes, 2003:24). SCSFs provide direction for strategy formulation and implementation (Achanga *et al.*, 2006:15; Boynton & Zmud, 1984:18; Hofer & Schendel, 1978:77; Ika *et al.*, 2012:114; Peak & Guynes, 2003:24; Yew Wong, 2005:261). SCSFs enable managers to identify the business vision and strategic thrusts, therefore, enabling them to prioritize operational activities and projects (Boynton & Zmud, 1984:25; Holland *et al.*, 1999:276; Ika *et al.*, 2012:114; Peak & Guynes, 2003:24). The degree of importance of each SCSF is viewed differently between enterprises because of differing strategies and strategic ambitions (Ghosh *et al.*, 2001:219). Enterprises with several business units or subsidiaries will subdivide SCSFs in order to reflect the environment that each business unit or subsidiary operates in (Freund, 1988:21; Peak & Guynes, 2003:24). In the case of several subsidiaries, the goal should be to align the SCSFs of each unit to support the overall strategic objectives of the entire enterprise (Achanga *et al.*, 2006:15; Freund, 1988:21; Peak & Guynes, 2003:24). Additionally, SCSFs can be co-created by subsidiaries and headquarters and a level of autonomy at subsidiary level can allow for the development of unique and innovative combinations of host country advantages to carve out subsidiary-specific advantages (Li & Oh, 2016:3; Rugman & Nguyen, 2014:53).

Examples of SCSFs include the development and implementation of the most competitive strategy and deploying efficient organisational structures. Due to the dynamic and complex nature of the world, MNEs often operate in environments where the regulations and rules for survival are uncertain (Gladwin & Walter, 1980:54; Parker, 2009:32; Trkman, 2010:132). Therefore, different operating conditions require unique strategic approaches (Elg *et al.*, 2015:334; Mohr, Sengupta & Slater, 2012:12; Trkman, 2010:132). Choosing the correct strategy based on the unique country circumstances will be critical to the successful resolution of challenges that arise in the host country (Gladwin & Walter, 1980:61; Marquis & Raynard, 2015:292). Organisational structures also have an impact on the success of an enterprise and as such, it can be beneficial to implement an efficient structure that allows for managerial autonomy at a subsidiary level, thereby allowing the subsidiaries to establish unique and innovative strategies (Li & Oh, 2016:3; Rugman & Nguyen, 2014:53).

When enterprises adapt their product and service offerings to suit the unique needs and wants of a particular consumer group, this is said to be a SCSF (Anderson & Billou, 2007:19; Brouthers, Nakos & Dimitratos, 2015:1169; Parker, 2009:32). One such example of this was the Haier Group in China who was informed that their consumers were using washing machines for multiple unintended purposes. For example, consumers were washing vegetables and making goats' cheese. Haier responded to the market demands and achieved superior business results by adapting their washing machines to be multifunctional and more durable. However, many of Haier's competitors fell short because they did not adapt their washing machines to perform these multiple purposes and meet the needs of the consumers (Anderson & Billou, 2007:19). Furthermore, large manufacturing FMCG MNEs such as Unilever and Procter & Gamble have historically performed on this SCSF by developing low-priced, micro-packs for daily consumer necessities such as food, cigarettes and soap (Anderson & Billou, 2007:20).

Additional examples of SCSFs include collaborating with local partners such as traditional business partners (local and international enterprises), base-of-the-economic-pyramid (BOP) consumers, non-governmental organisations (NGOs), not-for-profit organisations (NPOs), community organisations and philanthropic organisations (Elg *et al.*, 2015:335;

Gollakota, Gupta & Bork, 2010:362; Parker, 2009:32; Prahalad & Hammond, 2002:57; Yusuf, 1995:71). An advantage of entering into a local partnership or joint venture is the sharing of benefits and burdens between the partners (Parker, 2009:32; Prahalad & Hammond, 2002:57; World Economic Forum, 2016:19). Further benefits of partnering with local enterprises include accessing the personal networks of local managers and tapping into their market knowledge (DeGhetto, Sutton, Holcomb & Holmes, 2015:3). This is particularly beneficial because personal networks are difficult to imitate and access, thus creating a strong SCSF (DeGhetto *et al.*, 2015:9; Elg *et al.*, 2015:334; Geletkanycz & Hambrick, 1997:654). In April 2016, South African retailer Pick n Pay announced it would be expanding into Nigeria, in order to increase its presence in Africa. Pick n Pay's market coverage strategy is to enter into a 51% share joint venture with Nigerian retailer, AG Levintis (Goko, 2016). The benefit of a joint venture is that Pick n Pay can leverage its strengths to further its strategic ambitions. Pick n Pay's strategy is to understand and fulfil the local consumer needs and to grow its market coverage in a deliberate and gradual manner (Goko, 2016).

For some MNEs, it is a SCSF to partner with local government in order to overcome regulatory challenges such as obtaining licenses and properties (Elg *et al.*, 2015:334; Rodriguez, Uhlenbruck & Eden, 2005:390). On this point, the 'liability of privateness' is the perceived reputation that privately owned enterprises are only concerned with making profit and not the economic, environmental and social well-being of the host country (Bhanji & Oxley, 2013:291; Boddewyn, 2016:19; Elg *et al.*, 2015:334). The collaboration between MNE and the state mitigates the MNE's liability of "foreignness" and "privateness" whilst simultaneously assisting the government with the provision of public goods and services (Boddewyn, 2016:19; Zaheer, 1995:345). Moreover, Hillman, Keim and Schuler (2004:852) identified that in challenging political environments where MNEs face hostility upon entry, MNEs can perform acts of Corporate Social Responsibility (CSR) to garner favour with local government and consumers. CSR projects can provide enterprises with access to politicians and a unique opportunity to lobby for their own agendas whilst building their reputation in the local community (Boddewyn, 2016:20; Elg *et al.*, 2015:335; Kim, Ha & Fong, 2014:133; Knox, Maklan & French, 2005:10). CSR is considered to be a SCSF that assists the MNE in formulating relationships and achieving a favourable image

with various stakeholders (Kim *et al.*, 2014:133; Knox *et al.*, 2005:10; Sen, Bhattacharya & Korschun, 2006:158; Waldman, de Luque, Washburn & House, 2006:824).

Another example of a SCSF is to reach a certain size so that economies of scale can be enjoyed. Economies of scale relates to the size and scale of operations necessary in order to compete at a low cost per unit (Anwar & Ali, 2015:51; Celli, 2013:255; Drew, Kortt & Dollery, 2014:638; Helpman, 1981:312). When more units of a product or a service are produced on a larger scale, economies of scale are said to be reached, which will result in lower costs of production per unit (Anwar & Ali, 2015:51; Bolaji & Chris, 2014:161; Celli, 2013:255; Cullen & Parboteeah, 2008:36; Drew *et al.*, 2014:633; Kasuya, 1986:60; Zimon, 2017:52). The scale of operations determines whether an enterprise can continue to grow and develop as well as improve efficiency and productivity (Bolaji & Chris, 2014:161; Drew *et al.*, 2014:633). From an internationalisation perspective, as an enterprise expands into additional markets and the number of units produced increases, the enterprise will be able to spread its costs across more units and decrease the cost per unit. Furthermore, industry growth can be stimulated when an enterprise achieves economies of scale (Anwar & Ali, 2015:51; Bolaji & Chris, 2014:161; Celli, 2013:255; Helpman, 1981:328; Zimon, 2017:52). Seminal researcher Helpman (1981:328) found that for manufacturers specifically, the larger a country is, the more it can take advantage of economies of scale which can translate into “relatively lower prices of manufactured products”. Consequently, an enterprise’s critical mass is also an important factor to measure, monitor and strive towards because it can be the determining factor between thriving and surviving in a particular economic environment (Anwar & Ali, 2015:51; Celli, 2013:260).

Based on the discussion about SCSFs above, the following research question arises:

Question 1: *What are the strategic CSFs for multinational enterprises operating in the FMCG industry in Nigeria?*

2.1.4 Operational Critical Success Factors (OCSFs)

The second category of CSFs are operational CSFs (OCSFs) and are identified for functional departments or operational areas within the enterprise, such as marketing, sales, logistics, procurement, finance, human resources and production (Boynton & Zmud,

1984:17; Freund, 1988:21; Parker, 2009:32). Managers representing all of the major functional and operational areas should give input into the identification of OCSFs (Boynton & Zmud, 1984:17). The identification of OCSFs helps resources to be directed towards achieving operational excellence, which might ultimately lead to overall strategic success, based on the premise of the earlier discussion on the hierarchical nature of CSFs (Boynton & Zmud, 1984:18; Chua *et al.*, 1999:142; Freund, 1988:20; Ika *et al.*, 2012:108; Parker Gates, 2010:10; Peak & Guynes, 2003:24; Somers & Nelson, 2001:7). OCSFs such as superior business processes and marketing techniques reflect the industry's environmental conditions (Alberto Sousa de Vasconcellos E Sá & Hambrick, 1989:373; Dvir *et al.*, 1998:918).

OCSFs can encompass a wide range of functional and tactical activities. For example, as MNEs strive to overcome the liability of foreignness when trying to capture market share, the OCSF is to consistently execute quality and key outputs by implementing reliable operating methods and using locally relevant marketing to establish a sound reputation within the community (Bhanji & Oxley, 2013:291; Boddewyn, 2016:19; Brouthers *et al.*, 2015:1163; Li & Oh, 2016:3; Parker, 2009:32; Rodriguez *et al.*, 2005:390; Zaheer, 1995:345).

On that note, customising marketing messages for a particular market segment is an OSCF (Anderson & Billou, 2007:23; Piller & Müller, 2004:592). For example, Hindustan Lever uses local performers to act in street performances to promote products such as soap and toothpaste. Hence, the enterprise adapts the scripts according to the level of education, language and religious beliefs of a region (Anderson & Billou, 2007:23).

A common challenge facing MNEs expanding into markets dissimilar from what they are used to, with a large cultural distance, is who will manage the subsidiary operations? (Shay & Tracey, 1997:31). When enterprises are faced with a foreign environment that is far-removed from what they know, the value of expatriate managers' experiences can be beneficial (Barakat & Moussa, 2014:281; Harzing, 2002:369; O'Keeffe, 2003:241). The functional area in this example is Human Resources. An appropriate OCSF would be to send expatriate managers with experience and strong performance records to the host market (Barakat & Moussa, 2014:280; Gannan & Newman, 2002:123; Harvey & Novicevic, 2001:73; Harzing, 2002:369; Parker, 2009:32; Shay & Tracey, 1997:31; Wong, 2005:325).

When MNEs send employees into foreign markets, the employees are redefined as “expatriates” - employees who work for an MNE and live in a country that is not their native country for a limited period of time (Griffin & Pustay, 2002:580; Jones *et al.*, 2014:243; McNulty & Brewster, 2017:44; Rugman & Hodgetts, 2003:329).

Bonache and Cervino, (1997:90) identified that MNEs face three major challenges to their long-term success: “Global integration, local adaptation or responsiveness and organisational learning”. One of the best ways to address these challenges is by sharing the skills and knowledge acquired by expatriates (Barakat & Moussa, 2014:280; Gannan & Newman, 2002:123; Harvey & Novicevic, 2001:73; Wong, 2005:325; Yew Wong, 2005:261). However, this knowledge is often under-utilised by MNEs (Allen & Alvarez, 1998:36; Barakat & Moussa, 2014:275; Fontaine, 1997:631; Gannan & Newman, 2002:123; Wong, 2005:325). Barriers to the sharing of tacit or implied knowledge include the lack of knowledge extraction procedures, the lack of forums for expression and the politics of the internal operating environment (Gannan & Newman, 2002:123; Harvey & Novicevic, 2001:73; Minbaeva & Michailova, 2004:664; World Economic Forum, 2016:23). A bureaucratic organisational structure or a negative enterprise culture can also impede information sharing (Altman & Iles, 1998:3; Barakat & Moussa, 2014:287; Minbaeva & Michailova, 2004:664). Knowledge management is the process by which management devise methods that support the sharing of learning and knowledge in order to influence the outcomes to be more competitive and successful (Gannan & Newman, 2002:123; Harvey & Novicevic, 2001:73; Minbaeva & Michailova, 2004:664; World Economic Forum, 2016:23). Organisational learning is the process of updating, revising and renewal of the cultural foundation of the organisation (its assumptions, norms and values) in order to create new approaches to problem-solving and business practices (Barakat & Moussa, 2014:278; LeBrasseur, Whissell & Ojha, 2002:143; Minbaeva & Michailova, 2004:664; O’Keeffe, 2003:241; Wong, 2005:328). According to Antal (2001:63), it is an OCSF to make a conscious effort to tap into the knowledge systems of expatriates, which also makes the costly expenditures on expatriate assignments more valuable. To strengthen the case for performing well on this OCSF, Barakat and Moussa (2014:277) identified that “there is a direct relationship between organisational learning [from expatriate experiences] and an organisation’s competitive advantage”. The external environment is dynamic and brimming with challenges; therefore, it is crucial that enterprises engage in double-loop

learning, where new knowledge replaces out-dated knowledge (Antal, 2001:68; Barakat & Moussa, 2014:278; Wong, 2005:328). Thus, the OCSF is to tap into the expatriate knowledge base to encourage organisational learning to improve business processes and strategies.

Another example of an OCSF is to use innovative distribution techniques to deliver goods and services in countries where infrastructure is underdeveloped and consumers are geographically dispersed (Anderson & Billou, 2007:15; Karamchandani *et al.*, 2011:110; Prahalad & Hammond, 2002:51). For example, Coca-Cola provides small cool boxes to help its distributors keep products cool and distribute its products at a grassroots level (Anderson & Billou, 2007:19).

As a result of the identification of operational CSFs, management can conduct thorough operational planning and make effective decisions regarding the best way to execute functional and tactical plans so as to perform at a superior level (Boynton & Zmud, 1984:19). Operational CSFs assist in communicating strategic objectives from a strategic level to an operational level (Boynton & Zmud, 1984:19; Parker Gates, 2010:10; Peak & Guynes, 2003:24).

Based on the discussion about OCSFs above, the following research question arises:

Question 2: *What are the operational CSFs for multinational enterprises operating in the FMCG industry in Nigeria?*

CHAPTER THREE

METHODOLOGY

Research methodology, refers to the general approach taken by a researcher in carrying out the research project and how research should and will be done (Leedy & Ormond, 2010:12; Saunders, Lewis & Thornhill, 2012:595). The methodology directs the particular tools used by a researcher. Research tools refer to the specific instruments or strategies used by a researcher to collect, analyse and interpret data. Research tools will differ based on the type of research methodology followed (Leedy & Ormond, 2010:12). This chapter presents a detailed description of the research methodology and design followed in this study.

3.1 GENERAL DESCRIPTION OF THE PROPOSED RESEARCH DESIGN

A research design describes the structure that an investigation will follow to gather data in order to investigate and explore the proposed research questions or objectives (Cooper & Schindler, 2008:140; Zikmund, 2000:59). A research design reflects the research process, from the development of the research questions to the collection and analysis of data and ultimately to the study's conclusions (Leedy & Ormond, 2010:12; Saunders *et al.*, 2012:595; Yin, 1994:135).

3.1.1 Basic or applied research

Research can broadly be classified as either basic (pure) or applied research. Basic research is conducted with the goal of generating new theoretical understanding and knowledge about a specific issue, or event (Bentley, Gulbrandsen & Kyvik, 2015:690; Cooper & Schindler, 2014:15). Basic research aims to expand knowledge and explore topics and is not aimed at directly solving any particular organisational problem, whereas the purpose of applied research is to answer a specific organisational issue (Bentley *et al.*, 2015:690; Cooper & Schindler, 2014:15). The focus of this study was on gathering, exploring, describing and reporting new knowledge about the CSFs in a Nigerian-specific

context, as opposed to solving a particular enterprise problem; therefore, it was classified as basic research.

3.1.2 Experimental or non-experimental

A researcher's control of variables refers to a researcher's ability and intent to manipulate variables. In particular, an experimental design involves manipulation of the variables by the researcher, whereas, an ex post facto or non-experimental design is a study where the researcher has no influence or control over the variables and reports on the exact conditions observed, thus he/she does not manipulate the variables (Campbell & Stanley, 2015:1; Cooper & Schindler, 2014:127). In this study, the researcher used a non-experimental design by reporting the situation "as is". The researcher recorded the responses as they naturally occurred. The researcher allowed the participants of the study to describe whatever they considered as CSFs without manipulating the participant's answers.

3.1.3 Degree of research crystallisation: Exploratory versus formal study

When considering the degree of research question crystallisation, a study that is exploratory in nature will follow an informal and loose structure. An exploratory study focuses on searching for and making recommendations for future research problems and furthering the body of knowledge (Cooper & Schindler, 2008:143; Zikmund, 2000:50). A formal study, however, bases its purpose and research objectives on the findings uncovered by an exploratory study. A formal study commences with various hypotheses, propositions, objectives or research questions and then follows well-documented procedures and data collection methodologies to find answers to those questions and hypotheses (Cooper & Schindler, 2008:143).

In this study, the researcher conducted a literature review of the existing literature on CSFs and the operating conditions in Nigeria and based on the information gathered from the review, the researcher formulated the research questions. As this study intended to answer several specific research objectives, it was classified as a formal study.

3.1.4 Cross-sectional or longitudinal research

When considering the time frame of a study, it can either be classified as cross-sectional or longitudinal in nature. A cross-sectional study is a study conducted at a specific time. Therefore, the research phenomenon is studied once off at a particular point in time. Contrastingly, a longitudinal study involves repeated data collection over an extended period, in order to analyse the phenomena at different times and track how it changes over time and identify any emerging patterns (Cooper & Schindler, 2014:128; Zikmund, 2000:178).

The researcher conducted a cross-sectional study, by collecting data at a set point in time (between February and April 2017) that investigated the CSFs that MNEs currently deem important when operating in the FMCG industry in Nigeria.

3.1.5 Monitoring or communication research

Cooper and Schindler (2014:127) distinguish between monitoring and communication research processes as two types of methods of data collection. Monitoring involves observation of phenomena without attempting to extract or manipulate responses from the studied group (Cooper & Schindler, 2014:127). On the other hand, communication studies involve a personal interaction and discussion between the researcher and the participants (Cooper & Schindler, 2014:127). In the case of communication studies, data can be collected through interviews or telephonic conversations, self-administered questionnaires or in a simulated environment (Cooper & Schindler, 2014:127).

In this particular study, the researcher conducted personal semi-structured interviews to gather data. Thus, the method of data collection used was in line with that of a communication study. The nature of the interviews occurred in the form of guided discussions between the researcher and the participants, whereby the researcher followed a discussion guide in order to ensure that the major research questions were explored consistently. The questions, although pre-scripted and ordered, did not bind the researcher to follow that specific order of questioning. This allowed for greater flexibility as the

respondents were able to answer the questions openly and freely whilst remaining in line with the relevant subject matter (Cooper & Schindler, 2014:127).

3.1.6 Research conducted in a field setting or in a laboratory setting

Research studies differ with regard to the environmental setting in which they are conducted; they can be conducted in the field or in a laboratory (Cooper & Schindler, 2014:128). When data is collected in the natural or field setting in which the phenomena naturally exists, it is classified as being collected under field conditions (Cooper & Schindler, 2014:128). Alternatively, staged or manipulated research or tests occur under laboratory conditions (Cooper & Schindler, 2014:128). The data in this study was collected under field conditions as the interviews were conducted at the MNE's offices during the working day using the technological application of Skype.

3.1.7 The purpose of the study

According to Cooper and Schindler (2008:144), there are four main reasons for conducting a study, namely causal-explanatory, causal-predictive, descriptive and reporting. Causal-explanatory research seeks to explain the relationships between variables and to delve deeper into understanding why certain changes and relationships exist. Causal-predictive studies are based on predicting an outcome when another variable is manipulated. Descriptive studies aim to provide answers to the "who", "when", "where", "what" and "how much" questions that describe the characteristics of a population, sample or phenomenon (Cooper & Schindler, 2008:144; Marshall & Rossman, 1999:33; Zikmund, 2000:50). Reporting studies relate to the gathering of data to develop a greater and more in-depth understanding of a phenomenon or to produce data that can be used for comparison (Cooper & Schindler, 2014:127).

As this study aimed to answer the "what" question by investigating "what the CSFs are when operating in the FMCG industry in Nigeria", it was classified as a descriptive study.

3.1.8 The research problem and problem statement

To ensure that the study has a clear focus and sense of direction, the problem needs to be clearly articulated in a problem statement from which research objectives can be set (Cooper & Schindler, 2008:583). The benefit of a having well-defined problem statement and research objectives is that it helps to keep data and findings relevant to the study and guides the researcher towards answering the problem statement and objectives (Cooper & Schindler, 2008:583).

Resulting from home market saturation and the opportunities stemming from globalisation, increasing numbers of enterprises are expanding into Africa. As has been established, Nigeria is viewed as one of the most opportune markets in the story of “Africa rising”. Accordingly, several enterprises have attempted to capture market share in Nigeria’s FMCG industry. Even though there are many attractive aspects to operating in Nigeria, the market is extremely complex but potentially rewarding to capture. Yet, there has been no academic research conducted on what the CSFs for MNEs operating in the FMCG industry in Nigeria are, thus leaving a gap in knowledge. This study sought to address this gap in knowledge and make recommendations about the CSFs to MNEs in order to improve the likelihood of their success as well as to add to the body of knowledge surrounding Nigeria and CSFs.

In light of this, the research problem was as follows:

There has been little to no academic research conducted about the factors critical to the success of MNEs operations in the FMCG industry in Nigeria.

3.1.9 Research objectives and questions

Academic research should have a clear objective to help track its progress towards achieving that objective (Marshall & Rossman, 1999:33; Mouton, 2008:48). A research project begins by transforming an intriguing idea into a realistic, researchable research problem, which includes a set of research questions or research objectives (Cooper & Schindler, 2008:101; Mouton, 2008:48; Zikmund, Babin, Carr & Griffin, 2013:654). In this instance, the objective was to bring the opportunities and challenges in Nigeria to the

attention of current and future managers by identifying the strategic and operational CSFs that may enhance their chances of being successful. Furthermore, the objective was to describe and explore the CSFs in detail and contribute to the international business body of knowledge.

Based on the literature review, two research questions were identified:

Question 1: *What are the strategic CSFs for multinational enterprises operating in the FMCG industry in Nigeria?*

Question 2: *What are the operational CSFs for multinational enterprises operating in the FMCG industry in Nigeria?*

3.2 QUALITATIVE, QUANTITATIVE OR MIXED METHOD APPROACH

When conducting research there are three approaches that can be used, namely: Qualitative, Quantitative or Mixed method. Firstly, qualitative methods analyse data that takes the form of text and/or images (Azorin & Cameron, 2010:96; Bitsch, 2005:76; Creswell, 2003:19; Rolfe, 2006:306). Qualitative method researchers approach research from a constructivist perspective, which purports that individuals construct their own subjective representations of reality. Thus, researchers look to derive meaning from multiple individual's experiences, draw meaning from historical or social contexts, develop a theory or discover a pattern of behaviour (Bitsch, 2005:76; Creswell, 2003:18; Smith, 2015:53). Qualitative methods also use advocacy or participatory perspectives that are issue-oriented, collaborative or change-oriented (Bitsch, 2005:76; Creswell, 2003:18). Qualitative methods are well suited to non-linear, multi-dimensional and complex patterns of reality (Sinkovics, Penz & Ghauri, 2008:690). The strategies of research and research analysis employed in a qualitative method include phenomenology, narratives, grounded theory studies, ethnographies or case studies (Bitsch, 2005:76; Creswell, 2003:18; Sinkovics *et al.*, 2008:691; Smith, 2015:53). When using qualitative methods, researchers collect open-ended data that emerges from inquiry and work on developing themes that emerge from the data (Bitsch, 2005:76; Creswell, 2003:18).

On the other hand, quantitative methods analyse data that occurs in numerical or statistical form (Azorin & Cameron, 2010:96; Creswell, 2003:18). Quantitative methods use post-positivist claims to develop knowledge by conducting studies that identify cause and effect, reducing questions to variables and hypotheses, and measuring, observing, and testing theories (Creswell, 2003:18). Researchers employ methods such as experiments and surveys (Creswell, 2003:18).

Finally, a mixed method study combines various traits of qualitative and quantitative research concerning data collection and analysis within a single study (Azorin & Cameron, 2010:96). Using a mixed method when conducting research combines the strengths of both qualitative and quantitative research (Azorin & Cameron, 2010:96; Creswell, 2013:203). Mixed methods are most appropriate when, in isolation, qualitative or quantitative research techniques are unable to address the research problem's complexity adequately. Thus, a mixed methodology enables researchers to conduct a deeper exploration of research objectives (Azorin & Cameron, 2010:95; Creswell, 2013:203).

For this study, a qualitative approach was the most suitable since the researcher aimed to explore and describe in detail the specific CSFs necessary to operate in the Nigerian FMCG industry. Furthermore, the researcher sought to understand the context in which MNEs operate and what factors are necessary to assist them in being successful in Nigeria. When considering the required depth of exploration, level of detailed description and in-depth understanding, this study was best suited to a qualitative approach as opposed to a quantitative approach (Bitsch, 2005:76; Doz, 2011:583; Merriam, 2009:13-14; Sinkovics *et al.*, 2008:690; Smith, 2015:53). Furthermore, the level of detail required from the participants would not have been adequately obtained if a quantitative model using data collection instruments such as surveys or questionnaires were used. Instead, insightful and detailed understanding was best achieved by making use of a qualitative research approach (Bitsch, 2005:76; Merriam, 2009:14; Sinkovics *et al.*, 2008:690; Smith, 2015:53). The products of qualitative research are 'richly descriptive' and highlight the intricacies and complexities of the phenomenon being studied (Bitsch, 2005:76; Doz, 2011:583; Kriek, Beaty & Nkomo, 2009:127; Merriam, 2009:16; Sinkovics *et al.*, 2008:690). The findings of a qualitative study are holistic and expansive, whereas, quantitative research leads to precise and numerical results (Merriam, 2009:18).

Qualitative research also focuses on quality of research rather than quantity and is focussed on discovery and research question generation as opposed to quantitative research, which aims to test hypotheses (Merriam, 2009:18; Sinkovics *et al.*, 2008:690). Therefore, because this study aimed to expand on the knowledge about CSFs in Nigeria and provide a holistic overview of the FMCG industry and the complexities of the Nigerian market, the qualitative research approach was the most appropriate.

In emerging economies or areas where there is limited knowledge about a research topic, Tsui (2004:508) purports the need to generate new, more relevant theories of management. Therefore, researchers need to take an inductive approach, which is best suited to qualitative research. As Wright, Filatotchev, Hoskisson and Peng (2005:27) convincingly argue, research with a focus on emerging economies is both an opportunity and a necessity. Emerging markets are “fertile grounds not only for testing existing theories but also for developing new ones.” In such an instance, the results of the research should aim to be relevant and provide practical advice as well as to refer back to the existing literature or current knowledge on the topic (Tsui, 2004:508). New findings can enrich and sometimes alter the current knowledge and deepen global understanding of certain issues by referring back to existing models, theories and concepts (Marquis & Raynard, 2015:293; Tsui, 2004:503). This study sought to enrich global understanding about the FMCG industry in Nigeria and what is necessary to be successful.

One of the main characteristics of qualitative research is that researchers collect information in the natural setting where the participants exist and operate (Creswell, 2014:185; Merriam, 2009:13; Smith, 2015:53). Unlike other data collection methods, which make use of instruments such as questionnaires or testing participants in a controlled environment, qualitative researchers gather data by talking directly to participants. This allows them to observe how participants act and behave within their natural setting thus adding to the richness and authenticity of the information gathered. Furthermore, qualitative researchers can use multiple sources of data such as data gathered from personal interviews and enterprise documents (Creswell, 2014:185; Merriam, 2009:13; Smith, 2015:53).

Another characteristic of qualitative research is the central role that the researcher plays (Smith, 2015:53). Qualitative researchers collect data through personal interviews, observations and analysis of secondary data. Qualitative researchers also follow an emergent and adaptive style when conducting research. More often than not, the initial plan is altered when the researcher begins to collect data and discovers aspects that were not covered in the initial plan (Creswell, 2014:185; Merriam, 2009:16).

In sum, this research aimed to add to the theory about CSF for operating in Nigeria's FMCG industry. Given the discussion above, qualitative research was deemed the most appropriate research design to be followed.

3.3 DESCRIPTION OF AND RATIONALE FOR THE SPECIFIC QUALITATIVE RESEARCH DESIGN TO BE USED

3.3.1 Generic Qualitative Research

The rationale of a generic qualitative research design is to provide a deep and detailed description of participants' experiences of a specific phenomenon or of their opinions, beliefs or perspectives on a specific research issue or topic (Caelli, Ray & Mill, 2003:2; Cooper & Endacott, 2007:817; Neergaard, Olesen, Andersen & Sondergaard, 2009:54). When researchers want to get a straightforward and clear description of the research phenomenon, they can use a generic qualitative research design (Caelli *et al.*, 2003:2; Lambert & Lambert, 2012:255).

Furthermore, the purpose of a descriptive, generic qualitative research study is to explore a phenomenon from the diverse perspectives of the various participants (Bitsch, 2005:76; Caelli *et al.*, 2003:2; Cooper & Endacott, 2007:817; Plano Clark & Creswell, 2015:289; Seidman, 2006:7). This study followed a generic qualitative research approach to identify the common themes and based on those themes, various SCSFs and OCSFs were identified.

When using generic qualitative research, data will typically be collected using semi-structured personal interviews or focus groups (Sandelowski, 2000:338; Seidman, 2006:7). Face-to-face interviews are effective when searching for answers to complicated or sensitive questions (Babbie & Mouton, 2003:262; Seidman, 2006:7). Additionally, the discussion guides used in the semi-structured interviews are typically more structured than those used in other qualitative research methods (Neergaard *et al.*, 2009:53). However, this is not to say that the interview protocol cannot be altered during the study as new themes and perspectives emerge. In this study, the interview protocol evolved to add new themes suggested by some of the participants thus adding to the understanding about the research phenomenon. It was evident after the first interview that due to the open-ended nature of the initial research question, there were more CSFs than originally planned. As a result, the researcher extended the number of questions asked to ensure that all of the participants were asked questions regarding the back-up supplies of water and electricity, the importance of stakeholder relationships and other areas raised by the participants.

3.3.2 Sampling methods

3.3.2.1 *Sampling of enterprises: the unit of analysis*

Researchers using a generic qualitative research approach typically make use of one of the purposive sampling techniques (Cooper & Endacott, 2007:817; Neergaard *et al.*, 2009:53; Smith, 2015:56). The goal of purposive sampling is to select participants considered to be rich sources of information (Cooper & Endacott, 2007:817; Coyne, 1997:624; Patton, 1990:169; Sandelowski, 2000:338; Smith, 2015:56).

Purposive sampling is a sampling method whereby a researcher will purposefully identify and select individuals, enterprises or sites that have a particular set of knowledge and understanding that the researcher can use to help deepen their understanding of the underlying issues of their research. They do this by selecting individuals or enterprises that are judged to be rich sources of knowledge and information about the topic being investigated (Cooper & Endacott, 2007:817; Coyne, 1997:624; Creswell, 2012:206; Miles & Huberman, 1994:27; Patton, 1990:169; Smith, 2015:56). This study employed typical sampling, a form of purposive sampling, to select the MNEs. Typical sampling involves

sampling individuals or organisations that will enable the researcher to answer the questions “what is normal?” or “what is typical?” (Creswell, 2012:208). The unit of analysis in this study were the MNEs operating in the FMCG industry in Nigeria.

Empirical research was conducted among MNE subsidiaries and Nigerian-based MNEs with a significant presence in Nigeria and a history of supplying their products to Nigerian consumers. It is important to note that the researcher chose to focus the study on the behaviour of the Nigerian subsidiaries and not that of the global MNE headquarters. Subsidiaries have a significant impact on MNE success and researchers are “increasingly examining subsidiary performance” (Phene & Almeida, 2008:902). The only exception was that there were three MNEs started by Nigerians and thus headquartered there. It was crucial that the sample consisted of MNEs operating on the ground in Nigeria instead of being removed from the realities and working elsewhere in the world. Therefore, having three Nigerian MNEs in the sample, added more clarity and previously unconsidered perspectives about, for example, corruption.

The sample of enterprises included:

- FMCG manufacturers
- FMCG retailers
- Combinations of FMCG retailers, manufacturers and distributors

3.3.2.2 *Sampling of individual participants: the unit of investigation*

The critical sampling method was used to select the sample of individual participants who made up the unit of investigation of this study. Critical sampling involves choosing participants that are likely to reveal important and detailed information about the research phenomenon (Patton, 1990:169; Polit & Beck, 2012:519). Researchers seek out several particularly good stories that will highlight critical aspects of the phenomenon and then study those stories intensely (Polit & Beck, 2012:519). This method of sampling was the most appropriate for this particular research because the researcher interviewed senior managers of the MNEs. The titles of the various participants are listed in Table 1 in Chapter Four. Based on their level of management, experience and knowledge, these

managers were in the most appropriate position to shed light on what they consider to be CSFs when operating in the FMCG industry in Nigeria. Over 30 potential participants were contacted using email and LinkedIn and thirteen representative participants were available to be interviewed. The participants were chosen using the filter function provided by LinkedIn, (i.e. using key words such as “manager” and setting the location to “Nigeria”). This enabled the researcher to purposefully search for senior managers of MNEs operating in Nigeria.

3.4 DATA COLLECTION

3.4.1 Data collection method

Data can be collected through primary and secondary research. Primary research occurred when the researcher conducted interviews using the technological medium of Skype. Furthermore, the interviews were recorded, with the participant’s permission and later transcribed in order to reflect the interview accurately and to maintain an accurate record of the interviews. Secondary data was collected by reviewing the existing literature on CSFs, and the FMCG industry of Nigeria. It is important that research projects start by reviewing the existing literature in order to learn from relevant and reliable literature because a thorough literature review provides clues to the researcher about what to pursue, what is lacking and what is relevant (Mouton, 2008:86).

The method that the researcher followed to collect data was as follows:

- Based on the literature review, the researcher developed a discussion guide. The discussion guide consisted of several questions which were guided by some of the findings in the literature. For example, the literature highlighted that the use of expatriates was an OCSF. Therefore, the participants were asked whether they consider expatriates to be an OCSF and to elaborate as to why this was the case or not the case. The informed consent form and discussion guide used for this study are included in Appendix B (p. 204) and C (p. 206).

- The researcher conducted a pilot test of the discussion guide to test the suitability of the questions and the interview timing. The pilot was successful and the researcher made minor changes to the flow of questions to improve data extraction.
- For the remainder of the interviews, initial contact was made by telephone, LinkedIn and email, depending on the availability of contact details. Messages were sent to the participants describing the research problem. The interviews were scheduled according to the participants' availability.
- The interviews began with screening questions to confirm the participant's position and the enterprise's sector of the FMCG industry, and a definition of CSFs followed by definitions of SCSFs and OSCSFs in order to clarify the research questions.
- The participants were given freedom to answer the two broad research questions however they saw fit. The next questions were dictated by what factors the participant indicated were CSFs or not, which was followed up by probing questions and questions regarding the topics raised by the participants.
- The researcher took notes during the interviews regarding the key facts mentioned by the participants.
- The interviews were recorded using an audio-recording device and most of the transcribing occurred within a week of the interview and all transcriptions were done by the researcher.

3.4.2 Interviews

Interviews are useful research tools when the research objectives and questions centre on understanding opinions, experiences, phenomena, processes and values. Furthermore, interviews are suitable when potential interviewees are likely to be more responsive to an interview and provide more detailed information than other data collection techniques such as surveys (Cooper & Endacott, 2007:817; Rowley, 2012:262; Smith, 2015:53). According to Rowley (2012:262), the purpose of an interview is to encourage the participants to talk deeply about the themes and research phenomena. The benefit of interviews is to allow participants to fully explain "how they make sense of the world" (Yilmaz, 2013:313). However, one of the disadvantages of interviews is that they are more time consuming than self-administered questionnaires (Smith, 2015:59). On the other hand, the main

advantages of conducting interviews is that researchers can collect a wide spectrum of answers and questions and it is relatively easy to draw up an open-ended discussion guide (Rowley, 2012:262; Smith, 2015:59). Therefore, the research objectives of this study were focussed on investigating the CSFs for operating in Nigeria's FMCG industry, it was beneficial and appropriate to conduct interviews in order to gather quality, in-depth responses from the participants.

3.4.3 Interview protocol

Making use of an interview protocol is an essential and effective way of enhancing the reliability of the research and acts as a guide for the researcher when collecting data (Gibbert, Ruigrok & Wicki, 2008:1468; Smith, 2015:59). The protocol includes the discussion guide and the general rules and procedures to be followed in the interview (Appendix C, p.206). The interview protocol acts as an aide to be utilised by the researcher to ensure that consistent procedures are followed throughout every interview. The discussion guide is an instrument that consists of the interview questions and is useful to ensure that a consistent set of data is gathered from each interview (Gibbert *et al.*, 2008:1468; Smith, 2015:59).

3.4.4 Number of interviews

According to Guest, Bunce and Johnson (2006:60), qualitative researchers need to define how many interviews are acceptable and sufficient when designing their research protocols. Based on the research by Guest *et al.* (2006:60), the appropriate numerical guideline for generic qualitative interviews is twelve. Twelve is considered the appropriate numerical guideline because by the twelfth interview data saturation is likely to have occurred. This means that most of the valuable and unique information that could be drawn from the participants has been gathered and that subsequent information obtained will only prove to be repetitive. In this study, after the tenth interview, data saturation occurred as no new themes or topics emerged. Furthermore, the researcher applied the stopping criterion of three interviews as proposed by Francis, Johnston, Robertson, Glidewell, Entwistle, Eccles and Grimshaw (2010:1237). The stopping criterion dictates that one way of measuring data saturation is to conduct another three interviews once no

additional themes emerge to make sure that data saturation was reached (Francis *et al.*, 2010:1237). Therefore, the researcher recorded data saturation at the tenth interview and then conducted three additional interviews, from which no new themes emerged, thus confirming that data saturation had occurred.

In order to apply the principle of twelve interviews and to maximise the value of the interviews, three important concepts must be considered and adequately addressed, namely; the interview structure, interview content homogeneity and participant homogeneity (Guest *et al.*, 2006:75). Firstly, a certain level of structure must be upheld in each interview situation, which can be achieved by using a similar set of questions based on a prepared discussion guide. Failure to do so will result in a variety of new questions leading to new responses and new thematic phenomena in each interview. Consequently, it will be challenging to find common themes and drawn common conclusions from the interviews. In order to avoid such a situation, this study used a discussion guide as a means to uphold the interview structure (Guest *et al.*, 2006:76).

Secondly, when a topic is widely understood and the content of an interview is commonly known then a smaller number of interviews are justified due to the well-understood nature of the topic at hand. This refers to content homogeneity, which dictates the number of interviews that will suffice. In this study, the participants were managers with a good understanding of CSFs and a rich understanding of the Nigerian FMCG industry as they were chosen based on their experience in Nigeria and their level of seniority in the MNE. Therefore, because the chosen senior managers understood the concept of CSFs, twelve interviews were deemed an appropriate numerical guideline (Guest *et al.*, 2006:76).

Finally, because the purposive sampling method was used, there was a degree of participant homogeneity as the participants shared common characteristics. It is proposed that the more similar the participants in a study are, the sooner data saturation will occur (Guest *et al.*, 2006:76; Smith, 2015:56). In this study, the unit of analysis was the MNEs in the FMCG industry of Nigeria and the unit of investigation were senior managers within those MNEs. The sample was homogenous because the participating MNEs and managerial individuals all operate and have experience working in the FMCG industry in Nigeria.

3.4.5 Skype interviews

The rise of video-based software applications, such as Skype, is increasingly used in qualitative interviewing. Both the interviewer and participant can see each other during the interview while being in a different location and possibly even a different time zone. This added visual aspect is an advantage over telephonic interviewing. Skype interviews are convenient and enable the researcher to reach anyone anywhere in the comfort of both the participant and the researcher's own space (Deakin & Wakefield, 2014:605; Seitz, 2016:230).

Skype interviewing has several advantages; (1) it saves travel time and money, (2) it has greater reach of participants in terms of geographic access, and (3) it is less disruptive in terms of scheduling (Seitz, 2016:230). Furthermore, Skype interviews can feel more comfortable because they occur in the researcher and participants own personal and private spaces (Hanna, 2012:241). This can have the effect of the researcher and participant feeling less nervous and less pressured compared to being interviewed in person (Hanna, 2012:241; Seitz, 2016:230). For this study, the use of online interviewing methods enabled the research to be internationalised without the associated travel costs, thus providing an opportunity to speak to otherwise inaccessible participants directly.

Despite the advantages of using Skype as a medium, there are some notable disadvantages when using Skype that need to be mitigated (Seitz, 2016:230). The disadvantages of Skype calls include; (1) dropped calls and pauses, (2) inaudible segments, (3) inability to read body language and nonverbal cues, and (4) loss of intimacy compared to traditional in-person interviews (Deakin & Wakefield, 2014:605; Seitz, 2016:230).

Firstly, to mitigate the issue of dropped calls and pauses, the researcher ran a test of the software and downloaded the latest version of Skype. The laptop used was also fully charged to avoid interruptions or delays (Seitz, 2016:231).

Secondly, in order to overcome the challenge of inaudible segments where the researcher struggles to hear the participant's words clearly and correctly, the researcher ensured a

stable internet connection and that the setting of the interview room was quiet with minimal noise interruptions, as was suggested by Seitz (2016:231). The same advice applied to the participant; to choose a quiet space for the interview and remain stationary throughout the interview (Seitz, 2016:231). The researcher also used the tools of communicating with nonverbal and verbal clues such as nodding and asking probing questions to ensure that the participant knew that they were being heard (Seitz, 2016:231).

Thirdly, the researcher was conscious of the disadvantage of Skype in reading body language and nonverbal clues due to the pixilation of images or blurry screens, therefore, the researcher made a concerted effort to listen to the tone of the participant's voice and be extra aware of their facial expressions, as was suggested by Seitz (2016:232).

Finally, the loss of intimacy compared to face-to-face interviews was not a major issue in the context of this study, which was not of a personal nature that would require a certain level of intimacy (Seitz, 2016:234).

3.5 DATA ANALYSIS AND INTERPRETATION

Data analysis is the process of splitting data into smaller and more manageable themes, patterns, trends and relationships. The purpose of data analysis is to understand the various elements that make up the data collected by inspecting the relationships between concepts, constructs or variables in order to see whether there are any trends or patterns that can be identified, or to establish themes in the data (Marshall & Rossman, 1999:31; Mouton, 2008:108; Smith, 2015:68).

When analysing data, qualitative researchers can use inductive, deductive or abductive methods of data analysis (Saunders *et al.*, 2012:148). Inductive analysis entails a situation where the researcher repeatedly analyses the data with the aim of identifying a set of common underlying themes. Once these themes have been identified, the researcher then deductively refers back to the data from the existing literature themes to try to identify whether there is a need to gather more information or if the data they have is sufficient to support the themes (Creswell, 2014:185; Merriam, 2009:16). In this study, the researcher analysed the data using abductive thematic analysis. Thus, instead of using inductive

analysis which involves moving from data to theory or deductive analysis which involves moving from theory to data, an abductive approach involves a combination of both. Thus, the process reflects a repeated back and forth flow between theory and data (Saunders *et al.*, 2012:147). Furthermore, abductive analysis begins with an observation and then the researcher turns to the existing literature to work out a plausible theory about how this observation might have occurred (Saunders *et al.*, 2012:147). Abductive analysis is advantageous for situations such as this study where there is limited research in the context that the research focuses on – the CSFs for the Nigerian FMCG industry, and a wealth of information in another context – CSFs as a field of study (Saunders *et al.*, 2012:148).

The researcher conducted a preliminary exploratory analysis by reading and re-reading the transcripts (Cooper & Endacott, 2007:818). Following this, the researcher divided the text into segments of information and labelled the segments using open coding. The coded information was analysed for similarities; and then collapsed into themes to reduce overlaps and redundancy (Cooper & Endacott, 2007:818; Creswell, 2012:243; Marshall & Rossman, 1999:31).

Specifically, in this study, the researcher began the data analysis process by grouping pieces of information together under three broad topics:

1. Environmental conditions (reflecting the political, economic, retail, legal and cultural operating conditions facing MNEs in Nigeria, among other areas)
2. Strategic CSFs (based on the discussion guide and those mentioned by the participants)
3. Operational CSFs (based on the discussion guide and those mentioned by the participants)

From those three categories, sub-categories were created and the researcher tallied the number of participants who considered each factor to be a SCSF and an OCSF as well as the instances where the participants disagreed about the criticality of the CSFs. Following this, the researcher turned to the existing literature as a guideline and used advice given by the participants to write up a discussion on the findings and highlight the managerial

and academic implications stemming from the research. Due to the lack of research on this topic, it was difficult for deductive analysis to occur, however, the researcher used abductive analysis of any existing or relevant literature and the findings of other studies to substantiate the claims made by the participants.

3.6 TRUSTWORTHINESS

The precision and exactness of the information obtained from field research methods can be evaluated using several trustworthiness criteria. These criteria include construct validity, external validity, internal validity and reliability (Baxter & Eyles, 1997:510; Bitsch, 2005:82; Cooper & Endacott, 2007:818; Gibbert *et al.*, 2008:1466; Rolfe, 2006:305; Shenton, 2004:64; Tobin & Begley, 2004:392; Tsang, 2014:369; Yin, 2009:40). Internal validity was not applicable to this research because it concentrates on testing the relationship between variables and results, and is used in exploratory or causal research, which was not relevant to this particular study (Gibbert *et al.*, 2008:1466). Hence, the following section will focus on the validity measures of construct validity and external validity (Gibbert *et al.*, 2008:1466; Yin, 2009:40).

Validity is an essential part of any research. Validity is indicated by the extent to which results are free from systematic and random errors (Neuman, 2003:178; Tull & Hawkins, 1993:316). Although studies should aim to achieve the highest levels of validity, perfect reliability and validity are almost unattainable (Neuman, 2003:178; Tobin & Begley, 2004:392).

3.6.1 Construct validity (Operationalisation)

Construct validity refers to the extent to which a study manages to realistically conceptualize and operationalise the concept being measured (Bagozzi, Yi & Philips, 1991:421; Baxter & Eyles, 1997:510; Gibbert *et al.*, 2008:1466). It analyses the procedures that the researchers used during data collection in order to determine if they reflect a correct portrayal of reality (Bagozzi *et al.*, 1991:422; Baxter & Eyles, 1997:510; Bitsch, 2005:82; Gibbert *et al.*, 2008:1466).

To ensure construct validity, the researcher established a clear chain of evidence that allowed for the steps taken to reach a conclusion to be retraced by anyone external to the study. Construct validity was ensured through the transparency of the process, from setting the initial research questions through to the conclusions drawn. The researcher made the discussion guide available for external perusal (Appendix C, p.206). Additionally, the researcher ensured validity through regular peer reviews with an academic supervisor and the use of member checking by the participants (Bitsch, 2005:82; Cooper & Endacott, 2007:818). Member checking occurred when the researcher emailed the participants after the interviews and asked them to review the transcripts for factual verification of the interview content (Anney, 2014:277; Bitsch, 2005:84; Cooper & Endacott, 2007:818; Gibbert *et al.*, 2008:1468; Guba & Lincoln, 1989:239; Polit & Beck, 2012:591; Rolfe, 2006:305; Shenton, 2004:65; Yin, 2009:46). Guba and Lincoln (1989:239) regard member checks as the “single most critical technique for establishing credibility.” Additionally, there were frequent debriefing sessions and conversations with the researcher’s academic supervisor (Bitsch, 2005:83; Polit & Beck, 2012:594; Shenton, 2004:67). These sessions provided opportunities for the researcher to clarify and test various challenges and arguments. Furthermore, probing from a superior academic helped the researcher to refine the data analysis, results and discussion (Shenton, 2004:67).

3.6.2 External validity (Transferability/ Generalisability)

External validity refers to the generalisability of the findings and theories and whether they are applicable to other situations and not just the setting in which the study was conducted (Anney, 2014:275; Baxter & Eyles, 1997:512; Bitsch, 2005:85; Campbell & Stanley, 2015:175; Gibbert *et al.*, 2008:1468; Tobin & Begley, 2004:392; Yin, 2009:40). Data was gathered from thirteen MNEs of various sizes so as to ensure the generalisability of the findings across the FMCG industry (Shenton, 2004:69).

The researcher facilitated the transferability of the findings by providing “thick descriptions” (Anney, 2014:277; Baxter & Eyles, 1997:512; Bitsch, 2005:85; Tobin & Begley, 2004:392). The researcher provided detailed descriptions of the context of the interviews, including interviewee and enterprise information. Other details included the title of the participant, the number of employees in Nigeria, and the sector of the FMCG industry (retailer,

manufacturer, manufacturer and distributor, manufacturer and retailer). Therefore, readers are able to gain a deeper understanding of the study and can compare the phenomenon described in the study with other situations by comparing the enterprise situation to their own or others (Baxter & Eyles, 1997:512; Polit & Beck, 2012:596; Shenton, 2004:70). The interview protocol ensured that consistent procedures were followed in each interview (Appendix C, p.206). The interview protocol included a discussion guide to ensure that a similar set of information was gathered from each interview.

3.6.3 Reliability (Dependability)

A research study is said to be reliable if it is shown to have no random errors and if it allows for the same results to be reached if other researchers were to conduct the same study along the same parameters and procedures (Baxter & Eyles, 1997:512; Bitsch, 2005:85; Gibbert *et al.*, 2008:1468; Tobin & Begley, 2004:392; Yin, 2009:40). Reliability reflects the transparency of the study and whether it can be replicated (Baxter & Eyles, 1997:512; Tobin & Begley, 2004:392). The goal is to minimise the idiosyncrasies of interpretation (Baxter & Eyles, 1997:512; Tobin & Begley, 2004:392). To ensure reliability, the researcher comprehensively documented all of the procedures followed so that if another researcher were to follow these procedures, they should arrive at the same findings and conclusions. To ensure consistency in the interview process, the researcher used an interview protocol that recorded the process followed before and during the interview (Cooper & Endacott, 2007:818; Yin, 2011:173). The researcher compiled an interview database, detailing durations and dates. The researcher also made all interview notes and research documents available in order to allow other researchers to replicate and review the research (Cooper & Endacott, 2007:818; Gibbert *et al.*, 2008:1468; Yin, 2009:45).

In a quantitative research approach, changing the methodology and techniques would jeopardise the reliability of the findings. Thus for quantitative research, researchers need to take precautions against changes and instability (Bitsch, 2005:86). On the contrary, in a qualitative context, changes in objectives, questions, constructs and even the focus of a research project are a sign of a maturing and successful qualitative research process (Bitsch, 2005:86). Although changes to qualitative research are natural and expected

when following an emergent design, researchers still need to comprehensively track and record such changes (Bitsch, 2005:86). In line with this, the researcher comprehensively documented additions to the discussion guide as the research progressed. The additions to the discussion guide included asking whether the following topics were either SCSFs or OCSFs: stakeholder relationships, producing good quality products/outputs, access to foreign currency and having back-up supplies of water and electricity or being self-sufficient. As the changes have been made transparent, a strong effort was made to ensure the dependability of the results.

3.7 ETHICAL IMPLICATIONS

Since this study involved semi-structured interviews with adult managers of various MNEs, no ethical implications were foreseen. A preliminary letter was sent to the enterprise describing the purpose and nature of the interviews in Appendix A (p. 202). Furthermore, the participants read through and signed an informed consent form in Appendix B (p. 204) before the interviews commenced in order to obtain their permission to be interviewed. The consent form explained the purpose of the study, highlighted that participation was voluntary, allowing for a withdrawal at any time, and it assured anonymity and confidentiality. This information was summarised verbally to participants as well. The pseudonyms listed in Table 1 (p. 52) served as a means to protect the identity of the participants and enterprises. Enterprises were also assigned pseudonyms (Table 1 p. 52) in order to ensure confidentiality and to encourage honest responses from the participants.

The research proposal was submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences and ethical clearance was approved on an *ad hoc* basis on 14 February 2017. The approval was subject to the candidate abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research.

CHAPTER FOUR

RESULTS

“Doing business in Africa is not business as usual. The principles of good management may be universal, but the context and the people differ profoundly in Africa” (Luiz, 2006a:391). In light of the above quote, this study set out to identify and describe the specific strategic and operational CSFs for MNEs operating in the FMCG industry in Nigeria. This chapter presents a detailed report of the results, highlighting some of the insights shared by the participants.

4.1 OVERVIEW

Table 1 presents details about the participants who participated in the study with respect to their pseudonym (column 1) and their managerial position (column 2). Pseudonyms were also assigned to the MNEs (column 3) and the participants had to categorise the sector of the FMCG industry in which the enterprise is classified (column 4). The final column reports on the numbers of employees employed in Nigeria.

As is reflected in column four of Table 1, seven enterprises are purely manufacturing entities, three are retailers, one is a manufacturer and distributor and two are manufacturers and retailers. The titles of the managers varied according to the enterprise and the number of employees in Nigeria ranged from 23 to 12 000.

Table 1: Participant pseudonyms with their corresponding enterprises and industry sectors

Participant Pseudonym	Position	Enterprise pseudonym	FMCG sector	Number of employees in Nigeria
Participant A	Flour, Maize and Animal Feed Milling & Food Executive	Enterprise A	Manufacturer	218
Participant B	Supply Chain Director	Enterprise B	Manufacturer	Fluctuates between 600-1200
Participant C	Regional Business Development Manager	Enterprise C	Manufacturer and retailer	23
Participant D	Business Development Manager	Enterprise D	Manufacturer and distributor	+/- 1750

Participant Pseudonym	Position	Enterprise pseudonym	FMCG sector	Number of employees in Nigeria
Participant E	Chief Operating Officer and Managing Director	Enterprise E	Manufacturer	12 000
Participant F	Chief Executive Officer	Enterprise F	Manufacturer	1000
Participant G	Deputy Financial Director	Enterprise G	Retailer	2000+
Participant H	Supply Chain Manager	Enterprise H	Retailer	3850
Participant I	General Manager – West, East and Central Africa	Enterprise I	Manufacturer and Retailer	250
Participant J	Regional Executive	Enterprise J	Retailer	450
Participant K	Sales Operations Manager	Enterprise K	Manufacturer	3000
Participant L	Category Manager	Enterprise L	Manufacturer	290
Participant M	Head of Field Operations Nigeria	Enterprise M	Manufacturer	250

4.2 ATTRACTIVENESS OF THE NIGERIAN MARKET

A large market size is attractive to MNEs who are faced with low profit margins and need to sell large volumes of products in order to be successful in the FMCG industry (Ball *et al.*, 2012:229; KPMG, 2014:2; Vibhuti, Tyagi & Pandey, 2014:1169). According to the literature, Nigeria’s population size is of enormous appeal for MNEs, boasting a population of between 177 and 184 million people (Ikpor, 2016:2; Maritz, 2017; National Bureau of Statistics, 2016c:vi; NPC, 2016; OECD, 2015:18; World Bank, 2016c). The attractiveness of the Nigerian market as described by the participants is in line with the reasons identified in the existing literature. The population size was identified by most of the participants as a salient factor when contemplating Nigeria’s attractiveness. Participant A asserted, *“the sheer size of it makes it... very attractive.”* While Participant G stated *“Nigeria is a population of 182 million... [with] about... 36 states... Lagos for instance... has a population of about 18 to 20 million... that is more than some countries... We have our challenges, but... if you look at the age variance of the 180 or 182 million, the market is definitely here. Purchasing power also speaks volumes and I think all of those reasons are why a lot of multinationals are coming to Nigeria.”* Additional attractiveness of the Nigerian market lies in the opportunity for MNEs to achieve *“economies of scale”* which results from tapping into a large consumer base, and the added benefit of utilising the enterprise’s *“capability to add value to the life of 180 million people in a poor environment”* (Participant F). Of specific appeal for South African MNEs is the fact that the market is *“four times the size of*

South Africa in terms of population so it makes it a very attractive destination” and “if you can get all your ducks in a row, you will have huge success here” (Participant A).

Moreover, the opportunity for MNEs operating in Nigeria is that *“what really drives growth for FMCGs is the middle class”* because *“once people have enough money to buy a fridge and a car... they spend as much as they earn”* (Participant E). In Nigeria, the past decade has witnessed rapid economic growth, which has contributed to the expansion of the Nigerian middle class (Corral *et al.*, 2015:4). The size of the middle class reflects the potential level of consumption, the spending capacity of the market and the higher consumption patterns that reflect the higher income levels (Cavusgil, 1997:88; Corral *et al.*, 2015:8; Kharas, 2010:11; Nandonde & Kuada, 2016:449; Resnick, 2015:573; Shimeles & Ncube, 2015:178). Consequently, the size of the middle class is often credited with stimulating economic growth (Kharas, 2010:10-11; Nandonde & Kuada, 2016:449; Shimeles & Ncube, 2015:178). In 2014, the size of the Nigerian middle class was estimated to be 4.1 million households, with 20% of Nigerian households hovering around the middle class threshold. The threshold is defined by a consumption rate of more than US \$3 per capita per day (Corral *et al.*, 2015:7). With a larger middle class comes a greater prevalence of Westernised consumerism in the form of more restaurants and supermarkets (Corral *et al.*, 2015:8).

The middle class in Africa is, however, often referred to as a ‘floating middle class’ or a vulnerable middle class because the lower half of the middle class are subject to economic shocks such as commodity price slumps and political instability that can push them back into the lower class (BDI, 2014:21; Corral *et al.*, 2015:4; Shimeles & Ncube, 2015:187). Unfortunately, the “float” has occurred in Nigeria and *“the middle class has been compressed for the last 18 months, so until more people start earning more, there is not going to be a recovery”* for the FMCG industry (Participant E).

Nigeria as a site for internationalisation is particularly appealing because its formal retail market is not yet saturated. However, under the pressure of globalisation, MNEs should be cognisant that due to the attractiveness of the Nigerian market, competition is intensifying and with that, the market will become increasingly saturated and difficult to enter (Cullen & Parboteeah, 2008:8; Elango & Pattnaik, 2007:541; Ghosh *et al.*, 2004:433). Thus, it is

important to design a strategy to manage competition in Nigeria. Participant C stated that although there are many opportunities and appealing factors such as the large “*population size, the coverage... and... migration in terms of the demographic*”, there are also increasing numbers of competitors entering into the FMCG industry and there are “*a lot of retailers, entrepreneurs springing up in every corner... outlets springing up in every area*”. Yet, Participant C still believes that for “*FMCG operations or businesses in Nigeria at the moment*” there is a “*huge opportunity to attain success.*” Moreover, Participant L is optimistic that there are “*still opportunities to grow*” in Nigeria. Furthermore, according to Participant H “*there is still room for more competition. You only get to know how good you are when you have more competitors coming to Nigeria. You only get to know how efficient and preferred you are when you have more people competing with you*”. Whilst there are challenges to operating in Nigeria, Enterprise J is “*not too worried*” about the economic recession because “*in the next three years we will probably open 5 more stores,*” signalling room for growth and expansion in the formal retail market of Nigeria.

However, on a cautionary note, during the process of internationalisation, MNEs have been known to suffer from ‘the halo effect’, where an MNE only sees the potential market size of a venture and fails to conduct a deep and realistic analysis of the challenging market conditions (Hill, 2005:218). The analytic tools used when making international expansion decisions often underestimate the costs and complexities of doing business (Ghemawat, 2001:139). It is easy for MNEs to be overwhelmed by the prospect of untapped market potential and lose focus of the realities of operating in challenging environments (Ghemawat, 2001:138; Hill, 2005:218). As a result, ventures can fail and force MNEs to close down their operations (Ghemawat, 2001:138; Hill, 2005:218). This was the case with retailers Woolworths and Truworths in Nigeria (Douglas, 2016; Mwanza, 2015). Participant E adeptly captured why some MNEs fail in the FMCG industry. He stated that because of the large population and economy size, many MNEs were attracted to invest in the market, however, “*they didn’t realise how complicated it was to set up businesses and the fact that the middle class are spread all over the country [and] logistics systems are inefficient and very expensive*”. Many MNEs “*came in here thinking it was going to be a lot easier than it is*” and they were “*a little bit naïve. For consumer products you don’t have the fall back option of pushing volume through modern trade, so you have to go out and physically sell it market by market*”. Participant F believes that MNEs who

are not doing well can attribute that to the fact that *“they did not study... the market before going there”* or *“even when they studied it enough, they didn’t go there with the right resources”*.

In the introduction, it was stated that Africa is perceived to be one of the final economic frontiers for growth in the era of globalisation (Marafa & Sha Tin, 2007:17; Ouma, 2012:836; Watson, 2014:215). In 2009 the CEO of SAB Miller highlighted that, “for all the challenges of the Nigerian market, if companies do not have a Nigeria strategy they do not really have an Africa strategy” (Kulasingam, 2016). In light of this, Participant L highlighted that the pressure is on for MNEs to make a move into Nigeria *“because it is the last economic frontier, if you are not there right now, the barriers to entry will be higher... so companies [should] overlook all of these challenges for the long term gain.”* MNEs should keep in mind that although there are risks when operating in the challenging business environment of Nigeria, they *“have to take risks”* because *“if you don’t take that risk, you cannot penetrate tough markets”* and reap the rewards (Participant F).

4.3 STRATEGIC CRITICAL SUCCESS FACTORS (SCSFS)

Table 2 provides a summary of the strategic critical success factors (SCSFs) identified by the thirteen participants, with the resultant nineteen SCSFs listed in column one. The key below the table provides an explanation of the contents of the table.

In particular, all of the participants proposed that understanding the unique and challenging external environmental conditions in Nigeria, understanding the consumer and meeting their needs, and maintaining relationships with various stakeholders were SCSFs. There were also three outlying SCSFs, identified by one participant each, namely: being the retail market pioneer, using a policy of gradual growth and expansion, and implementing a good product returns policy.

Table 2: Summary of the strategic critical success factors identified by the participants

Strategic Critical Success Factors	Enterprises													Total
	A	B	C	D	E	F	G	H	I	J	K	L	M	
Understand the external environment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Understand the consumer's needs and behaviour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Relationships with various stakeholders	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Play by the rules of the government and behave ethically		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	11
Adapt strategy for Nigeria	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		11
Achieve economies of scale	○	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	○	✓	11
Pricing strategy		✓		✓	✓	✓	✓	✓	✓	✓	✓	x	✓	10
Organisational structure	✓	✓	✓	✓	✓	○	○	✓	○	✓	✓	○	✓	9
Market coverage			✓		✓	✓	✓	✓	✓		✓		✓	8
Partnering	✓	✓	✓	✓	x	○	x	✓	✓	○	✓	x	✓	8
Strong brand name			✓	✓	✓		✓	✓		✓	✓			7
Vertical integration		✓	✓	✓				✓	✓		✓			6
Corporate Social Responsibility	x	✓	x	✓	○	○	✓	✓	○	○	✓	✓	x	6
Innovation and differentiation		✓			✓		✓		✓				✓	5
Product design		✓			✓	✓			✓			x	✓	5
Experience from other markets							✓	✓		✓				3
Retail market pioneer							✓							1
Gradual growth and expansion										✓				1
Goods returns policy										✓				1

Key:

○ = Yes and no/ ambiguous answer (reasons to be discussed)

✓ = Yes it is a SCSF

(Blank) = The participant did not mention it as a SCSF

x = It is not a SCSF

Table 3 below highlights which of the SCSFs are in line with the literature and which were derived from the participants. As such, ten of the SCSFs were originally highlighted in the literature review as examples and potential SCSFs. Whereas, nine were introduced as new SCSFs by the participants. The additional SCSFs stem from the open-ended nature of the opening questions in the discussion guide, which allowed for the participants to respond freely to the question of, *“as a broad question, what are the strategic critical success factors for your enterprise when operating in Nigeria?”* With this the participants could add new themes as they saw fit.

Table 3: The SCSFs in line with the literature and those derived from the responses given by the participants

Strategic Critical Success Factors	Reflects the discussion in the literature review (page number)	Raised by the participants as a potentially new SCSF
Understand the external environment	✓ (p.24)	
Understand the consumer's needs and behaviour	✓ (p.24)	
Relationships with various stakeholders	✓ (p.26)	
Play by the rules of the government and behave ethically		✓
Adapt strategy for Nigeria	✓ (p.24)	
Achieve economies of scale	✓ (p.26)	
Pricing strategy		✓
Organisational structure	✓ (p.24)	
Market coverage		✓
Partnering	✓ (p.25)	
Strong brand name		✓
Vertical integration		✓
Corporate Social Responsibility	✓ (p.25)	
Innovation and differentiation	✓ (p.24)	
Product design	✓ (p.24)	
Experience from other markets		✓
Retail market pioneer		✓
Gradual growth and expansion		✓
Goods returns policy		✓

4.3.1 Understand Nigeria's external environment

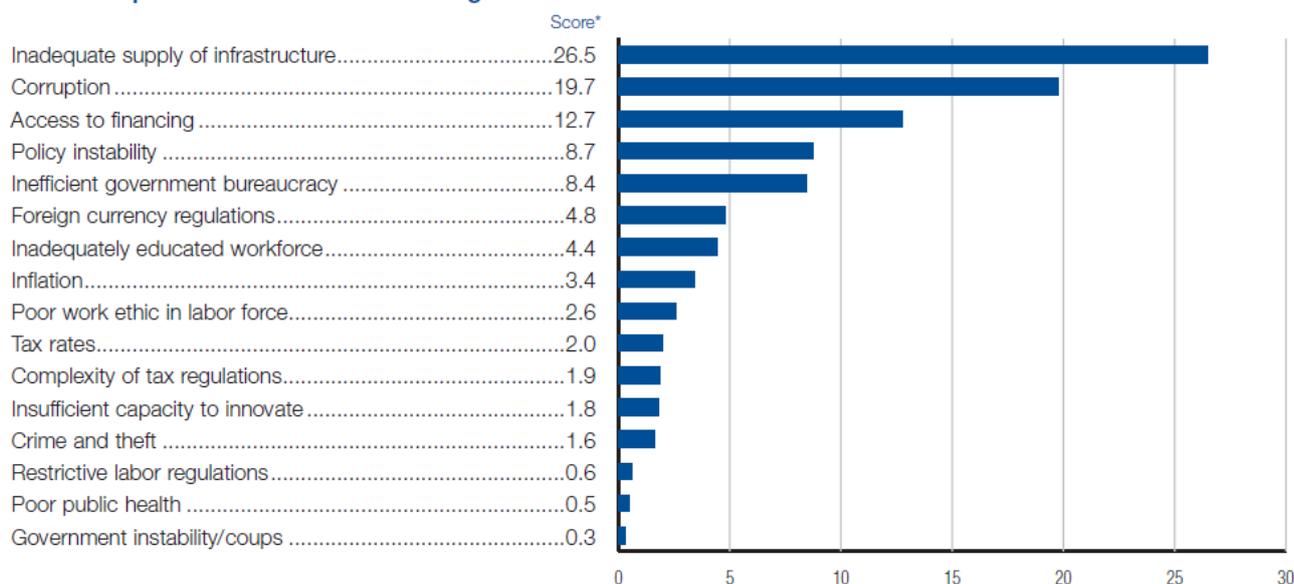
When entering into foreign markets MNEs often need to alter their strategies based on the external environment conditions (Daniels *et al.*, 2009:75; Hill, 2007:34). The reason for this is that foreign market conditions can be complex and unfamiliar, and often necessitate the revision or introduction of unique skills, technologies, infrastructure or cultural sensitivities that differ to those that the MNE uses in its home market (Cao & Pederzoli, 2013:290; Hill, 2007:34). In order to operate efficiently in a foreign market, management needs a deep understanding of the unique business operations and a working knowledge of the various sectors of the environment such as history, politics, law, anthropology, sociology, psychology, economics and geography (Cao & Pederzoli, 2013:290; Daniels *et al.*, 2009:75; Hill, 2007:34). Additionally, MNEs need to be aware of and operate within the regulations and legislation imposed by host country governments (Hill, 2007:34).

In light of those factors, the first SCSF is to understand the Nigerian external environment. This SCSF discussion provides an overview and a deeper appreciation for the complexities and nuances of operating in Nigeria. When it comes to understanding the Nigerian external environment, all of the participants stated that it is a SCSF (see Table 2). Broadly speaking, to be successful MNEs *“must understand the environment that you are going to operate in, so your operations plan must fit your offering or niche market, then your price must be very good”* (Participant D). Furthermore, if enterprises enter into Nigeria *“with the wrong understanding or not a deep enough understanding of what drives it and what the challenges are”* then their chances of success are likely to diminish (Participant B). Moreover, Participant A warned that if MNEs *“come in here with arrogance and [are] overly self-confident, you will come second.”* MNEs should keep in mind that aspects of the Nigerian economic and political environments are *“not stable and [have] been changing and... will keep changing but the key thing is... don’t wait to take a reactive decision.”* Instead, MNEs need to be proactive and investigate what the *“direction of the economy”* will take and heed what the *“market is tending towards”* and take action *“in order to combat it”* (Participant G).

In order to provide additional context to this discussion, the World Economic Forum (2015:282) highlighted the most problematic factors facing MNEs when doing business in Nigeria in figure 2, citing the inadequate supply of infrastructure and corruption as the two greatest impediments to doing business.

Figure 2: The most problematic factors for doing business in Nigeria

The most problematic factors for doing business



Source: World Economic Forum (2015:282).

The following sections will discuss some of the specific critical areas of the external environment in detail, with statements from the participants supported by existing literature.

4.3.1.1 Infrastructure deficiencies

Infrastructure consists of the basic physical and organisational structures that play a role in getting a product from a raw material into a sellable form and to the point of consumption, thus it includes those elements vital to the operation of a society or an enterprise. It can also consist of activities not directly involved in production but assist productive activities (Gowda & Mamatha, 1997:3, Luiz, 2010:513; Mohr *et al.*, 2012:7; Vibhuti *et al.*, 2014:1169). Infrastructure can be a precursor to and aid economic growth whereas infrastructure deficiencies can dissuade investment, negatively affect transport costs, local and international competitiveness and increase the overall cost of doing business (Bick *et al.*, 2011:1; Luiz, 2010:513; Mohr *et al.*, 2012:7; United Nations Economic Commission for Africa, 2015:114). Roads and railways drive economic development by facilitating transportation and creating an enabling business environment, especially since there are vast distances between trading hubs in Africa (Games, 2004:4; Luiz, 2010:520). Across Africa, electricity is the least developed form of infrastructure, as evidenced by the frequent

power crises registered in 2015 and 2016 in many African countries, including Ghana, Kenya, Nigeria, and South Africa (World Bank, 2016a:72; World Economic Forum, 2017:17). Nigeria's economy suffers from persistent shortages in electricity supplies. Consequently, Nigeria's frequent electricity crises have held back its industrialisation process due to production stoppages and high operational costs (Ado & Mallo, 2015:22; World Bank, 2016a:72).

Nigeria ranks 132nd out of 138 countries for its level of underdeveloped infrastructure (World Economic Forum, 2017:138). Furthermore, Nigeria holds the position of 126th out of 138 countries in terms of its quality of roads, and 117th out of 138 countries in terms of the quality of its port infrastructure (World Economic Forum, 2017:139). Additionally, Nigeria ranks 137th out of 138 in terms of the quality of its electricity supply (World Economic Forum, 2017:139). Thus, Nigeria's stock of infrastructure is around 25% to 40%, which is significantly lower than the global average of 70% (Abass, 2017). In light of the current economic recession, infrastructure development in Nigeria is likely to slow, which will have further negative impacts on retailers, manufacturers and the economy as a whole (Abass, 2017; Maritz, 2017; World Economic Forum, 2017:17). Due to the inadequate levels of infrastructure, MNEs are forced to allocate resources to fund various basic infrastructural improvements and services, which increases their operating costs (Ado & Mallo, 2015:28; African Development Bank, 2017:221; Ciuci, 2011:15; Omoregie & Radford, 2006:92).

Confirmation of the findings of the World Economic Forum (2015:282) in figure 2, is that one of the biggest challenges facing all of the enterprises in this study, when operating in the FMCG industry of Nigeria, is the lack of infrastructure to facilitate the distribution and production of products. According to an internal study conducted by Enterprise E, "*Nigeria has... one of the worst infrastructures of any emerging market in the world*" when considering "*things like power generation, roads per population, transit times. Sometimes it has taken... 8 hours to move trucks 20 kilometers*" (Participant E). While, in the experience of Participant A, it can take up to "*4 hours to travel 120kms*" on roads outside of Lagos. "*The rail network is non-existent*" and "*the road infrastructure is becoming worse by the day*" (Participant A). Nigeria's "*roads are not... good*" which tends to "*increase... costs of transportation*" for MNEs. These costs are compounded by "*economic instability*" which is causing fuel and diesel costs to rise (Participant C). Participant D echoed the sentiment

that poor infrastructure “*raises the cost of operations,*” and if there was a good road and rail network then they could provide a “*cheaper product for the consumers or [make] more profit for the organisation*”.

4.3.1.2 Political environment and instability

Nigeria has a mostly unstable political environment exacerbated by economic and legal risks such as currency devaluation, profit repatriation barriers, land expropriation, land confiscation, campaigns against foreign goods, kidnapping threats, threats of coup d'états, acts of terrorism and occasional threats of civil war (Ayonmike & Okeke, 2015:26; Boddewyn, 2016:21; Brown, 2013:173; Ciuci, 2011:15; Mark & Nwaiwu, 2015:2). MNEs stand to suffer if they are unaware of the political risks when entering into foreign markets (Ciuci, 2011:15; Mark & Nwaiwu, 2015:3). Subsequently, if the likelihood of a negative political event occurring is high it can mitigate the desirability of an investment and deter an enterprise from entering a market (Afolabi & Abu Bakar, 2016:108; Mark & Nwaiwu, 2015:3). When Afolabi and Abu Bakar (2016:108) investigated the relationship between trade, political instability, FDI and economic growth in Nigeria, the results revealed that a higher level of instability increases investment risk. In light of this, a government's responses, actions and policies can influence a MNE's strategies and can create or impede competitive advantages (Elango, 2006:39; Khanna, Palepu & Sinha, 2005:63).

Participant F stated that it is particularly important to understand the Nigerian political environment, which includes “*everything about the legal aspect, about how to deal with the authorities and the... corruption that everybody knows in Nigeria.*” Participant G gave an overview of the Nigerian system of government which is “*divided into three... we run a federal system; we have government at the federal level... the state government and... the local government*” (Participant G). Furthermore, Nigeria is a democracy with 774 local governments, 36 states and the Federal Capital Territory where the capital city Abuja is located (Brown, 2013:173; PWC, 2017:1).

Participant E contends that the Nigerian political environment is characterised by uncertainty and challenges. There is a “*political risk and the economic risk*” of investing in Nigeria and economically speaking “*Nigeria doesn't have a coherent story to investors at*

the moment” (Participant E). Therefore, a MNE’s Nigeria strategy needs to factor in these uncertainties.

4.3.1.3 Corruption

Weak political governance and corruption are some of Africa’s major challenges to its success (Chea, 2015:263; Games, 2004:61; Gatune & Najam, 2011:102; Langseth, 2001:212; Okposin & Amalu, 2015:285; Omoteso & Mobolaji, 2014:317). Corruption is defined as any intentional action or lack of an action that awards an unmerited benefit to a person or group, such that the integrity of the person responsible for the act or the institution that they represent is undermined. Corruption can be perpetrated at an individual, organisational or governmental level (Blackburn, Bose & Haque, 2010:3; Cuervo-Cazurra, 2006:807; Gray & Kaufmann, 1998:7; Keig, Brouthers & Marshall, 2015:93; Rodriguez *et al.*, 2005:383; Transparency International, 2015b:4). In particular, according to Olugbenga, Jumah and Phillips (2013:38) corruption has affected every industry of Nigeria. This reflects the findings presented in figure 2 that corruption is a major barrier to doing business in Nigeria (World Economic Forum, 2015:282). In light of this, globalisation has heightened the need for good governance and placed demands on governments to combat corruption by developing effective mechanisms to mitigate abuse (Akume & Okoli, 2013:148).

Several indices reflect the level of perceived corruption in countries around the world (Mo Ibrahim Foundation, 2015b:3; Transparency International, 2015a; World Bank, 2016a:v; World Economic Forum, 2017:138). The first index is that calculated and reported on by Transparency International. According to Transparency International’s Corruption Perceptions Index, Nigeria is perceived to be highly corrupt; their score is 26/100 and they are ranked 136th out of 168 countries (Transparency International, 2015a). A score that is close to zero reflects high levels of corruption, therefore, 26 is a low score and a negative reflection of the level of corruption in Nigeria. Nigeria also underperforms on the Control of Corruption Index, which identifies petty and grand levels of corruption and the vulnerability towards state capture by private individuals or enterprises. On a scale of -2.5 to 2.5, with 2.5 representing good governance and control, Nigeria scored -0.99, reflecting their

underperformance in controlling corruption and warding off state capture (Transparency International, 2015a).

The second index is the Ibrahim Index of African Governance (IIAG) which measures the perceived quality of governance across all African nations annually (Mo Ibrahim Foundation, 2015b:3). The index investigates four broad categories namely; safety and rule of law, participation and human rights, sustainable economic opportunity and human development (Mo Ibrahim Foundation, 2015b:3). According to the IIAG, Nigeria scored 44.9 out of 100 in overall governance, ranking 39th in Africa. This score is lower than the African average of 50.1 and lower than the regional average for West Africa of 52.4, indicating the existence of corrupt behaviour (Mo Ibrahim Foundation, 2015c:6).

The third index is the World Bank's "Ease of Doing Business" publication. The World Bank (2016a:vi) states that the countries considered to be the easiest to do business with are those with sound policies, procedures and rules that allow for transparent and efficient business functioning whilst simultaneously protecting the interests of the public at large. In a sound regulatory environment, private enterprises are able to function with relative ease. Nigeria is ranked 36th out of the 48 countries in SSA and 169th out of 189 countries in the world (World Bank, 2016a:v), indicating low performance in terms of ease of doing business.

The final index is the Global Competitiveness Index (GCI). The World Economic Forum ranked Nigeria in the 2015/2016 report at 124th out of 140 countries with a score of 3.5 out of 7. This is below the global average of 4 (World Economic Forum, 2015:16, 282). The trend of poor performance continued, as Nigeria ranked 127th out of 138 countries in the 2016/2017 report (World Economic Forum, 2017:138). Furthermore, out of 138 countries ranked according to public trust in politicians, Nigeria scored 131st (World Economic Forum, 2017:139). In terms of irregular payments and bribes, Nigeria is ranked 129th out of 138 countries (World Economic Forum, 2017:139). However, one of its redeeming features is that it is ranked 56th out of 138 countries with regards to the strength of its auditing and reporting standards (World Economic Forum, 2017:139).

As a result of Nigeria's perceived corruption, some MNEs appear to be deterred by the level of corruption. Swedish MNE IKEA, for instance, was said to be "*looking at the country... but... said no we can't do it because corruption is endemic*" (Participant E). Operating in a corrupt environment has an impact on global MNEs. For example, MNEs who are a "*direct subsidiary of a US multinational... are obliged to comply with the Foreign Corrupt Practices Act [FCPA] and the terms of that Act are fairly stringent in that your company cannot knowingly have bribed any government official, ... [which] also includes things like facilitation payments.*" Additionally, "*FCPA can actually sue individuals and not just corporations and hold individuals liable*" (Participant E). This statement confirms the literature that the FCPA prohibits stock issuing enterprises from the USA from bribing foreign officials for government contracts and other businesses. Furthermore, individuals can be and are held, individually liable for their actions (SEC, 2017).

To deal with the corruption in Nigeria, Participant D believes that "*there are some agencies of government that need a total overhaul*" and that "*the customs, immigration... the police... the people working in the port authority, those are the people that make business operations in Nigeria more challenging*". "*Registering a business... can [be] done without much hassle*" but "*when you then have to deal with the ports where you import... that is where the major issue is. The corruption that we hear about and see has to do with the politicians stashing away money. The one that actually affects the fabric of society is the corruption that has to do with the agencies of the government*" (Participant D).

Nigeria holds a geographically strategic position on the busiest economic corridor of West Africa, located on the Gulf of Guinea (Collier & Leke, 2014; OECD, 2015:19; OPEC, 2016). Due to this position, the Nigeria Customs Service has made strides since 2013 to modernise its customs procedures and provide information to investors and MNEs on how to clear customs with minimal financial and time wastage (OECD, 2015:160). Despite this, the procedures for import declaration and customs clearing are still reportedly protracted, burdensome and further complicated by acts of corruption (OECD, 2015:162; Ojadi & Walters, 2015:8). Participant I highlighted that the challenges when importing are the "*slower shipping lines and clearance at port*" compounded by the "*unfair demands*" made by customs officials "*as things get tighter economically*". One of the challenges when operating in a highly corrupt environment is that the operating costs are typically more

uncertain (Keig *et al.*, 2015:95). This is illustrated in the following example: *“they will stop your goods and say... there is a surcharge of 5000 dollars per container... and we have been charging you the wrong rate, which is not true.”* However, *“unless you pay, it is going to take you three weeks to get the goods out and of course we don’t pay so it takes us three weeks to get our goods out”* (Participant I).

Yet, corruption is not a challenge for all MNEs, as Participant K stated that *“if you are a government agency in Nigeria, you will be so afraid to ask [Enterprise K] for a bribe... because they know that we have connections at the top to expose whoever that we want to expose.”* However, Enterprise K is an outlier and its success can be attributed to the influence and status of its founder, who is a well-connected Nigerian.

4.3.1.4 Terrorism

For some time now, the Islamic extremist group, Boko Haram, has ravaged Nigeria’s northern states (Achumba, Ighomereho & Akpor-Robaro, 2013:81; African Development Bank, 2017:139; KPMG, 2014:14; Kware, 2015:1247). The group’s insurgencies have intensified since 2001 and in 2015 alone, 13 000 lives were claimed (Achumba *et al.*, 2013:81; KPMG, 2014:14; Kware, 2015:1247). The group is known to carry out killings, kidnappings, assassinations and other violent acts that threaten the safety of citizens (Achumba *et al.*, 2013:81; KPMG, 2014:14; Kware, 2015:1247). The threat of terrorism reportedly deters some MNEs from entering Nigeria (Games, 2004:2; KPMG, 2014:14; Osei & Gbadamosi, 2011:290). Furthermore, Nigeria’s oil production has been negatively affected by the militant Niger Delta Avengers carrying out attacks on Nigerian oil fields and pipelines (African Development Bank, 2017:32; Obi, 2010:219). *“Nigeria is very dependent on oil... Oil was funding the government’s budget... On the supply side you have got the Niger Delta extremists blowing up the main aggregation pipes, so... politically the country is not stable”* (Participant E). In terms of the GCI, Nigeria ranks 132rd out of 138 countries in terms of the adverse costs of terrorism for enterprises (World Economic Forum, 2017:139). Some of the participants confirmed that there is a very real threat of terrorism whilst others dismissed it as exaggerated by the media and not something that concerns or deters them.

Participant L does not believe that there is a problem of *“terrorism in Nigeria. There [are]... insurgencies in one specific location which [are] blown out of proportion by Western media.”* For Participant D, the threat of terrorism from Boko Haram is *“a legitimate concern but... not to the degree and scale to which it has been escalated”* and it does not necessarily deter MNEs from investing, as the incidences are sporadic. The insurgencies are caused by a group of people who are dissatisfied with *“government policies and they try to make the country ungovernable”* (Participant L). Furthermore, it is not a fair claim to say that terrorism is deterring MNEs from entering the market *“because you find more and more companies trooping here because of the population... [of] 180 million people... and an estimated 400 million people by 2025”* (Participant L). Participant E agreed with the above sentiment and said that there is *“zero validity”* to the statement that MNEs are deterred from entering into Nigeria because of terrorism. This is because *“Boko Haram have operated in the... far North East, so there is really no danger to operating personnel unless you want to set up business in Maiduguri.”* Participant E believes that Nigeria is not unique in its experience because *“in any country with a large population you [are] going to find a little pocket of extremists”*. Regardless of the presence of Boko Haram in the Northern parts of Nigeria, Participant G highlighted that *“even when it was tough, we were there... We [still] do have a presence there and now that the situation has improved a lot it is nothing for us to worry about.”*

4.3.1.5 Retail conditions

Neuwirth (2011) highlighted that telecommunications giant, MTN has achieved success in Nigeria by building up a strong presence in the informal market selling airtime through street-side vendors to gain market share and the trust of consumers. Thus, *“in Nigeria, the open market... is an important channel [as well as] small grocers... and stalls... Then you have the chain stores, the hypermarkets, which are very few and found within the key cities of Abuja and Lagos... Then you have the supermarkets, which are an area of opportunity... and you have what we call the neighbourhood stores, that is the small grocery stores”* (Participant M).

As highlighted by Participant M, the composition of the retail market in Nigeria is significantly different to developed markets and requires that MNEs adapt their distribution

and retailing strategies. As such, the Nigerian retail environment is divided into informal and formal trading outlets. It is critical that enterprises *“understand the market... understand that it is not a modern trade”* and *“80 to 85% of all trade in Nigeria is done in open markets”* (Participant B). The composition of the retail environment is that *“the formal retailer is very small”* and the informal market holds a percentage somewhere *“in the 90s”* (Participant J). Therefore, the *“retail environment is... fragmented”* (Participant D). There are *“less than 300 modern trade outlets... like supermarkets”* which leaves a *“very rural market or open market”* that is *“not very structured”* (Participant E).

In this study, there was no consensus regarding the exact percentage reflecting the amount of trade that goes through informal markets, but according to the participants, it ranges between 80% and 90%. The literature also fails to provide a definitive number, stating that the traditional open market or informal retail outlets constitute well over 80% of the retail structure of Nigeria (BDI, 2014:25; LBS, 2016:29). Participant E highlighted that MNEs who are struggling the most in the current recession are those who are pushing high volumes of their products *“through modern trade, supermarkets and large retail formats”* whereas his own enterprise is keeping afloat because *“only one percent of our volume goes through modern trade”*.

Increasing numbers of enterprises are selling their products through small and micro grocers in the rural areas because they have *“discovered that you can grow your equity if you play very well in the small grocery stores... We call them neighbourhood stores.”* However, the challenge is that neighbourhood store owners *“don’t work 7 days in a week so when the shoppers cannot get what they want from the neighbourhood stores, they go to the wholesaler, or... to the supermarket to get it”* (Participant M).

Even though it is crucial to tap into the informal retail market, there are opportunities in the formal retail market. The formal retail market *“has a lot of potential... particularly as the economy opens up and people become more affluent and more educated, but having said that, I don’t think the modern can eventually replace the traditional environment. Historically... the open market has been so strong in Nigeria... because it also allows people to interact and... negotiate prices and some of these things are not available in the modern trade environment.”* Moreover, the *“typical Nigerian wants to show he is smart... ”*

One of the ways you can display” this is to demonstrate one’s negotiation skills at informal markets and prove that you “*are able to get a better bargain*” (Participant D). Consumers in Nigeria are habituated to shop in places where “*it is... outside... [and] open air... [They] buy their clothing in the open market. None of them will go to a shopping complex to buy clothing... You can go to the market in Lagos and buy whatever you want, from body parts to whatever*” (Participant J).

Furthermore, there is evidence that the retail market is modernising and transforming because retailer Enterprise J believes that consumers are slowly gravitating towards formal retailers because “*if you look at our foot count from when we opened there to what it is now, you can definitely see that there is a big change.*” Consumers are “*starting to trust us*” and to use our goods returns policies to their benefit (Participant J). Corral *et al.*, (2015:8) posit that many Nigerians have shifted from shopping at local markets and street vendors to malls and formal markets such as The Palms in Lagos, which is the first Western-style mall built in Nigeria. Yet, one of the challenges that formal retailers face is the perception held by many consumers that their products are more expensive than those from informal markets (Nandonde & Kuada, 2016:456).

The retail environment is also at times, threatened by government policy changes, such as the “*new rule that is coming in now where it is a cashless society. So if you deposit any cash into the bank, you pay 5% on whatever you deposit... The impact of that for us is huge. So we are trying to partner with a couple of organisations to put in... a... card to try and encourage people*” by offering “*a 2.5% discount if people buy with cards*” (Participant J). Furthermore, the Public Procurement Act influences MNEs in the Nigerian FMCG industry because it formalises the government’s preference for locally manufactured goods (OECD, 2015:63). The government also aims to boost local production and encourage retailers and consumers alike to choose “*Made in Nigeria*” products over foreign products (Weller, 2017). Enterprise G has adhered to the government policy that 75% of stock needs to be sourced locally, by stocking “*more than 75% local*” products, which has been a successful strategic move for them. Enterprise J buys “*in excess of 75% of our products locally... probably 90% of the FMCG lines*” (Participant J).

4.3.2 Understand the consumer's needs and behaviour

Africa consists of “a complex group of people with different... ethnicities, different values [and] different cultures living together.” When MNEs “have a strong understanding of these insights, that’s when you can win” (Participant L). SSA consists of 48 countries located south of the Sahara Desert (South Africa Foundation, 2004:6; Spies, 2011:85; World Bank, 2017c). The region is not homogenous and differs in terms of demographic composition, resource endowments, geographic conditions, trade agreements, economic standing, business mind-sets, cultural practises and comparative advantages (Bick *et al.*, 2011:5; Chea, 2015:262; World Bank, 2017c). In light of this heterogeneity, each country and its consumers should be assessed in isolation by an MNE for its unique characteristics, challenges and advantages (Bick *et al.*, 2011:5). This heterogeneity further applies to the consumers within a country. As such, the differences between consumers in Nigeria requires MNEs to take “cognisance of their [different] religious orientations, their consumption patterns” and “tailor their communications differently as per the region because of the sensitivities of culture, demographics and religious orientation” (Participant M).

To be flexible and responsive, MNEs need to adopt a market or consumer-orientation, which involves constantly monitoring, analysing and responding to market changes such as changes in consumer preferences, technological advancements and competition (Gladson Nwokah, 2008:280; Maydeu-Olivares & Lado, 2003:284). Thus, in order to achieve enterprise goals such as increased profitability and market share, MNEs need to determine the needs of their target market and satisfy them more efficiently than their competitors (Gladson Nwokah, 2008:280). A consumer-focus has a direct and often positive impact on enterprise profitability (Gladson Nwokah & Maclayton, 2006:67).

All thirteen participants highlighted how critical it is to understand and meet the needs and wants of the consumers in Nigeria. This is particularly important because consumer needs, preferences and industry conditions will determine and influence the type of strategy that MNEs will implement (Ewah, 2013:110; Neuland & Hough, 2007:215). In order to enlarge their market share, it is imperative that MNEs have a sound consumer focus and understand their needs and wants (Ewah, 2013:110; Obasan, Ariyo & Hassan, 2015:669).

Participant F confirmed this by saying that if he “*had to prioritise*” SCSFs, he “*would start number one with consumer understanding*”. Participant K warned that MNEs “*who do not do their research cannot thrive here*”. Furthermore, Participant I stressed how important it is to be “*able to change your portfolio to the changing needs of the consumers.*” Hence, Enterprise J “*decided that [they would only] stock what the locals wanted*” (Participant J).

Nigeria has a population of between 177 and 184 million people; covering an area of 923 768 km² and has over 250 ethnic groups; accordingly, they are a diverse consumer group (Ikpor, 2016:2; Maritz, 2017; National Bureau of Statistics, 2016c:vi; OECD, 2015:18; OPEC, 2016; World Bank, 2016c). Participant K recommended that those MNEs considering Nigeria as a site for investment should take the time “*to come here*” in order to better “*understand the people. You have to understand the languages, you have to understand the culture, you have to understand the religion, you have to understand the ethnicities... you have to understand everything about what it means to do business here.*” Furthermore, Participant F highlighted how critical it is to understand the consumers and their needs in order to be successful in Nigeria by stating, “*the number one attractiveness is the 180 million potential consumers... and if you want to do good, you have to tap into [that] consumer base.*” Therefore, it is vital to ensure that the MNE’s product offerings and strategies “*don’t misunderstand your consumer base*” (Participant F). For Participant F, the number one SCSF is to “*understand your consumers, understand whom you try to engage with, and secondly, understand what their requirements are. Then when you understand their requirement, assess how you can address their requirement in that environment.*” Participant K recommends that MNEs do extensive research to ensure that they “*understand everything about the consumers. You have to understand what they hate... what they respect... what they like. So the moment you understand them, you can approach them with whatever products you are selling.*”

When seeking to understand the consumer market, MNEs often turn to statistics concerning the size and strength of the lower, middle and upper classes. Up until 2016, the consumer class of Nigeria was reported to be growing rapidly in size and strength (Ciuci, 2011:12; McKinsey Global Institute, 2014:4). However, in 2017, the “*very small middle class, about 30 million people... shrunk [by] about 10 million, it’s dropped by a quarter in the last 18 months*” due to the recession. Thus, “*until more people start earning*

more, there is not going to be a recovery” (Participant E). However, the story is not entirely negative because the *“age variant of the population keeps changing and as that changes, people move from one class to the other and that can, in the long run, create an additional market”* which is an opportunity for MNEs operating in the Nigerian market (Participant G). Furthermore, MNEs need to be cognisant that the majority of their consumers in the Nigerian market are *“low income consumers. 90% of the population is poor”* and *“it means whatever you bring to them has to be affordable”* (Participant F). *“There are three levels of classification: the premium... the middle segment and then there is the bottom, low segments. If [MNEs] go to Nigeria trying to operate in the premium segment [they] will not succeed”* (Participant F). Participant F stated that although there are large cities in Nigeria with a high rate of urbanisation, the majority of consumers are in the low-income bracket, meaning that products need to be affordable. *“Lagos is 20 million but out of these 20 million, how many can you classify outside the low income? Probably... less than 10%. You may have 10% who are very rich but the others are part of the low income classification”* (Participant F).

The Human Development Index is based on three dimensions: life expectancy, literacy rates and average incomes that help to reflect the standard of living of a country (United Nations Development Program, 2015:3). Confirming the above statements made by the participants regarding the Nigerian consumers, Nigeria has a low HDI score of 0.459, placing it in the lowest quartile and 156th out of 187 countries (United Nations Development Program, 2015:215). Gollakota *et al.* (2010:357) provide insight as to what serving a low-income market means for an MNE, which is that MNEs need to modify their strategies and product designs because poor consumers have significantly lower purchasing power than the consumers in developed countries (Gollakota *et al.*, 2010:357; Simanis, Hart, Enk, Duke, Gordon & Lippert, 2005:21).

The following sections reveal some of the similarities and differences of the Nigerian consumers as described by the participants. In several instances, these differences required the enterprises to alter their strategies in order to meet the needs of the consumers especially when there are *“specific items that are not allowed in other regions”* (Participant G).

4.3.2.1 *Characteristics of consumers in Nigeria*

In general, Nigerians are “*hugely brand loyal*” and “*they are... hugely mobile phone driven in terms of marketing... and social media.*” They “*listen to radio*” but interestingly, “*people don’t really watch too much TV here*” (Participant B). Due to the high rate of urbanisation in Nigeria, “*consumers are moving away from traditional foods... You tend to see people going to fast food joints to eat now [and have] less time to stay at home to cook*” (Participant C).

Participant D believes that “*no matter how poor a Nigerian is; Nigerians believe that things are ‘gonna’ get better. So they always look at the next and the next and the next. Somebody that is able to spend one dollar today is looking at tomorrow, [hoping that] they are... able to spend two dollars.*” In line with this, the literature purports that generally the consumers in Nigeria are price sensitive; they seek convenience and speed of service. They are increasingly health conscious, highly optimistic about their economic future and seek affordable quality products (LBS, 2016:31).

Many of the participants highlighted that there are “*a lot of differences in terms of... the way they behave, the way they buy*” between consumers in the North and South of Nigeria (Participant D). The result of these differences is that “*the disposable income and the opportunities are going to be different, so you target them differently.*” What MNEs “*expect from the North will be different from what you expect in the South in terms of volume and value sales*” (Participant D). This reflects the results of a trend analysis conducted by Corral *et al.* (2015:22) between 2003 and 2013, which showed that the Southern states of Nigeria experienced the greatest reduction in poverty and highest growth of the middle class when compared to the Northern states. Furthermore, states in the North East and North West experienced a decrease in middle class income households (Corral *et al.*, 2015:22).

Based on information provided by the participants in this study, Table 4 illustrates the differences between consumers in the North and South of Nigeria that MNEs should be cognisant of. These are not exhaustive or mutually exclusive characteristics, but they were raised by the participants as salient attributes.

Table 4: The differences between consumers in the North and South of Nigeria

Consumers in the North	Characteristic	Consumers in the South
<ul style="list-style-type: none"> • Muslim (I, J) • Prefer to patronise stores of their own people before those from other religions and regions (J) 	Religious orientation	
<ul style="list-style-type: none"> • More conservative (L) • Similar to the culture of North Africa (L) • Loyal to their own people's enterprises and products. The founder of Enterprise K is "<i>from the Northern part of the country</i>" and so consumers in the "<i>Northern part of Nigeria, they want... it because it is coming from their brother.</i>" (K) 	Culture	<ul style="list-style-type: none"> • More educated (B) • Western oriented (L) • Liberal (L) • "Free" (K) • More outgoing (L) • More health conscious (C)
<ul style="list-style-type: none"> • Alcohol is banned in some areas (I) • Water is sold a lot more and in bulk volumes (J) • Consumers have a sweet tooth (C, D) • Consumers enjoy energy drinks (I) • Consumers are looking for something to fill them up rather than something that is healthy (B) 	Tastes and preferences	<ul style="list-style-type: none"> • Taste and quality is key (K) • Consumers want a good experience when eating (B) • Consumers enjoy dairy products (D)
<ul style="list-style-type: none"> • Unexpectedly a lot of wealth in some areas of the North (I) 	Income and wealth status	
<ul style="list-style-type: none"> • Price is more important than taste (B, L, K) • Affordability is key (B, L, K) • Price conscious (B) 	Price sensitivity	<ul style="list-style-type: none"> • Price is key but quality is more important (K) • Willing to pay more for products (J)
<ul style="list-style-type: none"> • Quality is less important (B) • Nutritional value is not very important (B) • Taste is not very important (B, K) • Consistent quality is less important (B) 	Need for quality products	<ul style="list-style-type: none"> • Quality is more important (B, K) • Consumers want nutritious products (C) • Consumers read nutritional reference labels (C) • Consistent quality is key (B)
<ul style="list-style-type: none"> • Boko Haram, insurgencies and wars (D, E, J) • Few regular distributors (I) 	Challenges	<ul style="list-style-type: none"> • Niger Delta Avengers blowing up oil pipelines (B, D)

Consumers in the North	Characteristic	Consumers in the South
• Less infrastructure (F, I)		

4.3.3 Relationships

Globalisation has heightened the intensity of competition, making stakeholder relationships all the more important (Elg *et al.*, 2015:334; Eweje, 2006:100; Henisz, Dorobantu & Nartey, 2014:1743; Hermann, 2005:2; Marquis & Raynard, 2015:304; Tantalo & Priem, 2014:2). Relationships provide social approval and legitimacy, and are hard to imitate and infiltrate, making them sources of sustainable competitive advantages (Elg *et al.*, 2015:334; Hermann, 2005:3; Marquis & Raynard, 2015:304; Scott, Ruef, Mendel, & Caronna, 2000:237; Tantalo & Priem, 2014:2). All thirteen participants indicated the importance of having relationships with various stakeholders (see Table 2). *“The relationship goes a long way... The relationship with government... consumer... [and] the retailers; these... relationships are very... important and critical for the success of the FMCG”* (Participant C). Table 5 tallies the most and least important stakeholders identified by the participants as important relationship connections. These stakeholders include consumers, distributors, government officials, regulatory agencies, suppliers, retailers and other MNEs. In particular, eleven of the participants identified that having relationships with the Nigerian consumers is critical, while, relationships with distributors and the government were identified by ten participants.

Table 5: Different stakeholder relationships identified as critical by the participants

Enterprise	Type of stakeholder						
	Consumers	Distributors	Government	Regulatory Agencies	Suppliers	Retailers	Other MNEs
A	✓		x				
B	✓	✓	✓	✓	✓	✓	✓
C	✓	✓	✓	✓		✓	
D	✓	✓	✓	✓			
E	✓	✓	✓			✓	
F	✓	✓	✓	✓	✓	✓	
G	✓		✓	✓			
H	✓	✓	✓	✓	✓		✓
I		✓	✓	✓	✓		✓
J	✓		✓	x	✓		✓

	Type of stakeholder						
K	✓	✓	✓	✓	✓	✓	
L	✓	✓				✓	
M		✓					✓
Total	11	10	10	8	6	6	5

Key:

- ✓ = The MNE has relationships with these stakeholders
- (Blank) = The participant did not mention having relationships with this stakeholder group
- x = It is not advisable to have relationships with this stakeholder group

The following sections deal with relationships whereas section 4.3.10 deals with partnerships. As opposed to contractual partnership agreements, relationships do not necessarily involve a contractual agreement (Brock, 2011; Burton, 2013).

4.3.3.1 Relationships with consumers

Based on the findings presented in Table 5, eleven participants (A-H, J-L) highlighted that the most critical stakeholder to build and maintain relationships with is the consumer. “*Relationships with consumers are critical*” to ensure continued purchases and brand loyalty (Participant C). Developing and maintaining strong relationships with consumers is a major SCSF for those enterprises looking to establish an advantage in the highly competitive FMCG industry (Bendall-Lyon & Powers, 2003:590; Bhattacharya & Sen, 2003:76; Vesel & Zabkar, 2010:1335). Therefore, relationships with consumers are critical to help MNEs achieve external integration whereby they integrate the opinions and needs of their consumers to help them achieve a superior product offering and competitive advantage (Ogunlela & Lekhanya, 2016:161; Vesel & Zabkar, 2010:1335). Customer Relationship Management (CRM) aims to gain consumer loyalty through relationship-building strategies such as good customer service, CSR and branding (Bhattacharya & Sen, 2003:76; Dowling, 2002:87; McIntosh, Matthews, Mullineux & Medland, 2010:1560). Furthermore, CRM is a crucial building block when creating a consumer-centric enterprise wherein the product design is inspired and influenced by customer requirements (Bhattacharya & Sen, 2003:76; Dowling, 2002:88; McIntosh *et al.*, 2010:1560). In turn, the consumer defines where the value lies and what they require in terms of product features, costs and delivery. Being responsive to the needs of its consumers will likely strengthen

the competitiveness of an enterprise (McIntosh *et al.*, 2010:1560; Vesel & Zabkar, 2010:1352). One of the ultimate benefits of strong relationships with consumers is that consumers can become brand advocates and informal brand ambassadors, spreading awareness and potentially increasing sales (Bhattacharya & Sen, 2003:76). Serving as confirmation of this discussion, most of the participants viewed consumer relationships as their most important stakeholder relationship.

4.3.3.2 Relationships with distributors

As the intensity of competition in the FMCG industry continues to rise, so does the pressure to contain costs and meet consumer expectations (Ghosh *et al.*, 2004:433). Therefore, for manufacturers in particular, the relationships with current and future distributors are crucial (Ghosh *et al.*, 2004:433). Coupled with these pressures are the challenges of distribution in Nigeria. Distribution is extremely critical because “*unlike in the Western world where you can just have a couple of guys... to take [the product] to the consumer,*” in Nigeria, it is critical for MNEs to build relationships with “*every retail outlet*” and distributor “*because they are independent and fragmented*” (Participant D). There are two major routes to market; either “*a multi-distribution approach or a few partnerships with very big distribution companies*” (Participant D). In total, ten participants highlighted how critical relationships with distributors are. Of these ten, two of the three retailers and five of the seven manufacturing MNEs consider relationships with distributors as critical. This is because having strong relationships with key distributors can assist in gaining greater market coverage and a more consistent supply of products (Boeck & Fosso Wamba, 2008:434; Ghosh *et al.*, 2004:433). It is also important that when using “*a multi-distribution approach,*” MNEs need to “*support the individual indigenous distributors to... get the product to the retailers.*” It is critical that the enterprise makes an effort to “*support them with the structures... to make sure that it gets to retailers*” (Participant D).

4.3.3.3 Relationships with the Nigerian government

According to Bakir (2015:63) and Boddewyn (2016:10), the relationship between governments and MNEs is complex. By establishing relationships with local government and building up goodwill, MNEs can overcome challenges to obtaining licenses and

property rights (Rodriguez *et al.*, 2005:390). One of the ways for MNEs to overcome the risks of expropriation and policy somersaults is to establish, maintain and grow political capital by actively forming relationships with the local government. Consequently, the skills required to do so involve finding and manipulating the pressure points of governmental decision-makers who wield the power to dictate the success or failure of MNEs operations within a country (Boddewyn, 2016:19). Haigh and Hoffman (2012:130) and Kobrin (2015:269) propose that in future, there will be an increase in emerging market MNEs who are adept at dealing with developing country governments, and who have mastered the skill of cultivating reciprocal relationships. However, governments have historically been distrustful of MNEs' intentions and behaviours (Boddewyn, 2016:11).

The participants of this study had contrasting opinions about whether relationships with the Nigerian government should be cultivated or not. In total, ten participants considered the relationship with government as critical (Participants B to K), whereas Participant A advised against establishing relationships with the government and regulatory bodies.

One of the reasons why relationships with government officials are beneficial is the fact that it *"helps in every country to know what... is really going on"* (Participant E). Particularly in a country like Nigeria where there is instability when *"the President is out of the country and you have got an acting president there is... no clarity in terms of what is going to happen to the forex"* (Participant E). Having such relationships can help MNEs anticipate policy and structural changes and *"know what the likely government policies are going to be... Then you can make judgment calls in terms of... the impact... and [if] you need to do anything different in your business"* (Participant E). For example, currently *"the government campaign is to localise and make Nigeria self-sufficient"* in terms of agriculture and so Enterprise E embraced this policy and decided to pursue it *"quite aggressively."* As a result, they have received favourable terms on borrowing money at a *"12% interest rate versus 22%".* Therefore, MNEs benefit from having people *"who can work with the various government ministries and departments to secure that funding"* (Participant E).

The positive relationship between Enterprise C and the government allowed them to receive a waiver on the restriction of the import of a certain species of tomato, which is a critical input for their product. However, it is an impermanent agreement in that at *"anytime*

the government can shut it down” but for *“the moment [they] are enjoying some sort of waiver”* thanks to their relationship with the government (Participant C). The same principle applies for Enterprise D who uses their relationship with the government when they are unable to import certain inputs. They then *“try to get a waiver if it is something critical to our operations”* (Participant D).

4.3.3.4 Relationships with the regulatory agents

All foods, solvents, drugs and chemicals imported into Nigeria have to be registered with the Narcotics and Controlled Substances Directorate’s National Agency for Food and Drug Administration and Control (NAFDAC), which falls under the Food and Drugs Act and the Dangerous Drug Act 2004, before they can be advertised, distributed or sold in Nigeria (Ciuci, 2011:11; NAFDAC, 2004:2; OECD, 2015:164). NAFDAC and other regulatory bodies have a reputation that Participant G described as something that they do not *“joke with... because Nigeria is... highly regulated.”* Participant A provided greater context regarding this: *“State owned agencies that are supposed to be in charge of health and environment and safety and security and food quality... There [are] more than... I can mention, they are forever on your premises harassing you. So to find your way around them is quite a challenge... there are probably 10 or 15 that come here at odd times and do inspections... They... make it very difficult for a company to operate... here.”* Nigeria ranks 107th out of 138 countries on the GCI in terms of the burden of government regulations, thus confirming the challenging reality of complying with numerous regulations (World Economic Forum, 2017:139).

NAFDAC and other regulatory bodies inspect and follow up on enterprises on a regular basis. The regulatory agencies *“visit us weekly, monthly; every now and then they just come to check, to correct our mistakes and lapses [and] fine us where we fall below standard”* (Participant H). The participants of this study had contrasting opinions about whether relationships with regulatory agents and the government should be pursued or not. Eight participants recommended building relationships with regulatory agents (Participants B, C, D, F, G, H, I and K). In particular, the Nigerian-owned MNE, Enterprise K, is a proponent of building a relationship with regulatory agencies and believes in establishing *“fantastic relationships... with NAFDAC and the rest.”* NAFDAC, the National

Safety Board and other various standards regulators visit their factories “*every quarter or thereabouts... to see the level of compliance in our operations. When it comes to government agencies, or non-governmental agencies... we have good connections, good relationships... You cannot have a relationship with people when you do not comply with what they ask you to do*” (Participant K).

The value of cultivating and maintaining relationships lies in the fact that “*Nigeria is a very connected and community-based country so those relationships are critical and to have... local people in your organisation... [with] different connections... with the police... security... legal, [and] with the regulatory authorities... because they can get put on the pile, they can get recognised, they can get updated information. The problem is you are blind 99% of the time. If they can go and phone their friend who says: your application is being processed... it is better than having no information*” (Participant B). Having relationships with regulatory bodies is better than working alone because “*working together... is a critical success factor getting around those government agencies because they... can... frustrate operations in Nigeria*” (Participant D).

Participant J, a retailer, advised against “*building a relationship,*” stating instead that MNEs should “*just follow... the rules... and... make sure that everything is done correctly.*” Participant J cautioned against “*building a relationship...*” saying that “*it is not advisable because [regulatory agents] change so often... and as soon as they have got a little bit of pressure they start asking*” for bribes and facilitation fees. Enterprise J avoids relationships with regulatory bodies and government officials and chooses to engage with them at arm’s length “*through our auditing company; we use KPMG in Nigeria*” which has the added benefit that the “*director of KPMG is a local person with a lot of knowledge about the country*” (Participant J).

Nigeria has a dynamic and at times unstable “*socio-political environment... Policies here cannot be trusted... there [are] a lot of policy somersaults within a very short period of time*” which makes planning very difficult. It is important to “*try to understand the... government agents or government organisations*” by having a department specifically dedicated to managing the relationship with the various agencies and levels of government (Participant K). It is vital that MNEs understand how the regulatory agencies operate and

what they require and to ensure that MNEs “*meet their requirements; you cannot go against them.*” MNEs can gather this knowledge by employing a local person in a role such as a “*Corporate Relations Manager, [who] is someone [with a] local perspective, who is familiar to the local rules and who knows how to interpret them*” and they are “*somebody who can open doors for you*” (Participant F). Participant E does not consider it necessary to have relationships with the regulatory agents in Nigeria but instead believes that it is more important to be compliant with their rules and regulations. MNEs “*need people within your company who deal with NAFDAC.*” Moreover, it is critical that in order “*to be compliant, you need to work with the local regulatory agencies.*” MNEs “*interact with them on a daily basis*” thus there is benefit in employing “*people in your organisation, who know those particular organisations and know how to navigate through them*” (Participant E). In order to deal with all of the regulations, many of the enterprises have individuals or departments designated to deal with the regulatory agencies and government officials. Table 6 lists the names and details of the MNE’s internal departments as mentioned by the participants. Some examples of the departments are the “*Government Affairs Relations*” and “*Regulatory Affairs Department*”.

Table 6: The names of the departments tasked with managing the enterprise’s relationships with regulatory agencies and the Nigerian government

Enterprise	Name / Details of department/ individuals
B	Name not given but “ <i>we have people that... manage it for us</i> ”
D	“ <i>Government Affairs Relations</i> ”
E	Name not given but “ <i>we employ people in our organisation, who know those particular organisations and know how to navigate through them</i> ”
F	“ <i>Corporate Relations Manager</i> ”
G	“ <i>International Trade</i> ” Department
H	“ <i>Quality and Technical department</i> ”
J	“ <i>Local logistics manager</i> ”
K	“ <i>Corporate Relationship Manager</i> ”
L	“ <i>Regulatory affairs department</i> ”

4.3.3.5 Relationships with suppliers

Six participants stated that their relationships with their suppliers is critical (Participants B, F, H, I, J and K). As such, relationships with suppliers can help to mitigate the extent of trial and error, and better meet the needs of the consumers. Furthermore, in a global

market with intense competition, MNEs no longer just compete against other MNEs, they compete against entire supply chains, making the relationships with supply chain members all the more critical (Blackhurst, Manhart & Kohnke, 2015:10; Boeck & Fosso Wamba, 2008:434; Ogunlela & Lekhanya, 2016:160). Thus, it is critical that MNEs and their suppliers cultivate trust in their relationship to enable co-operation and the sharing of information in order to produce superior supply chain efficiency and innovations (Blackhurst *et al.*, 2015:14; Boeck & Fosso Wamba, 2008:453). Enterprise J used their relationship with their local suppliers to give them an edge in their retail operations. We *“went to a lot of the local suppliers and found out from them what their bestsellers were and... let them give us the information and tell us how to do it.”* Enterprise J expanded gradually across Nigeria over the past 11 years. Their original model began with stocking their stores with as *“much as we could from South Africa”* which led them to discover through trial and error *“that not everything worked. So we have weeded out all the stuff from South Africa that is not known, [be]cause when you set up a store in Nigeria... the staff didn’t even know where probably 60% of the items belonged, they had never seen it in their lives before”*. Thus, they used their relationships with their suppliers to the benefit of the MNE.

4.3.3.6 Relationships with retailers

Due to the fragmented nature of retailing in Nigeria, six of the manufacturing participants highlighted the importance of relationships with retailers (Participants B, C, E, F, K and L). Manufacturing MNEs need to have good relationships with the retailers and modern outlets in order to ensure that their products get shelf space and are available to be bought. *“The retail environment is so fragmented, and so because of that, you need to maintain high level of contacts and high level of transactional relationships”* (Participant D). Enterprises *“need to touch actually every retail outlet because they are independent and fragmented”* (Participant D).

4.3.4 “Play by the rules” and behave ethically

Section 4.3.1.3 highlighted the state of corruption in Nigeria as described by the participants and four international organisations. This section builds on the context

provided by that discussion and discusses the finding that it is a SCSF to 'play by the rules' of the external environment. Eleven of the participants considered it a SCSF to play by the rules and to behave ethically, while, Participants A and K who both work for Nigerian-run and owned MNEs, did not mention this.

"Nigeria has unprecedented levels of corruption" (Participant A) thus, bribes and facilitation fees are often requested by customs, government and regulatory officials, however, for many of the MNEs, they *"cannot compromise"* their ethical standards (Participant C). In this environment, MNEs can either *"play by the rules"* or bend the rules to suit their needs (Participant D). The majority of the participants highlighted how critical it is to play by the rules. *"In terms of manufacturing and procurement, you have to obey... your principles and... business ethics because... it is easy to fall into the corruption of the local network"* (Participant F). Enterprise C's policy when it comes to adhering to the requirements of the agencies and government is that, *"wherever we need to play, that's where we come out to play."* Therefore, *"if the regulations and the rules say this [or] that [they] will not... in anyway... infringe on it."* Resultantly, they are known for abiding by the rules and they *"don't really have issues"* when they interact with the local agencies (Participant C). If enterprises *"play by the rules and... the government officials know that you play by the rules, they will always set you apart"* (Participant D). As a global MNE *"integrity is taken in high esteem here; good governance, working according to the rules"* is critical. Furthermore, Enterprise D has *"a playbook by which we need to follow"* as set out by their department that handles government and regulatory agency relationships. Enterprise C believes that fulfilling all of the agency requirements has *"given [them] an edge."* Continuing on this note, Participant C stated that it is critical to play by the rules and *"follow the right procedures... pay the right duties and... go through the laid down procedures"* even though it is *"challenging because you have some guys there that... want to be bribed [and] benefit from the transaction."* However, the downside is that because Enterprise C *"won't engage in that... it will cause some sort of delay and... have [an] adverse effect in terms of waiting and timing and... getting products into trade as fast as possible"*.

From a competitive point of view, the drawback of not giving in to the pressures of corruption means that there will be *"competitors that... compromise to bring in their stock into the country"* and as a result they *"tend to have better prices"* and their products are

“less expensive... so that on its own is a challenge” (Participant C). Although bribing government officials might be initially advantageous for an MNE to bypass regulatory red tape, in the long term it creates a precedent that will lead to an escalation in the sizes of bribes and ultimately tarnish the reputation of the MNE (Rodriguez *et al.*, 2005:390). It is tempting for MNEs to use bribes to ‘get things done’ and reduce the risk of other MNEs entering the market or getting products in before them (Gander, 2011:14). However, it is crucial that MNEs focus on *“doing business the right way”* because *“that is why most of the organisations in Nigeria are not succeeding”* (Participant D). Participant C advised that when it comes to bribes and facilitation fees that the *“best thing for you is never to start and never to give that opportunity”* because *“the moment you start; you can’t stop it”*. Participant I agreed strongly because of the *“tricky... regulatory compliance... You are going to be challenged in Nigeria... people will take chances... it could be government officials, customs, inspectors, everyone wants a buck.”* In light of this, Participant I stressed that *“never ever... give it because once you start... you will be on slippery slope.”* MNEs *“have got to stick to your guns from day one, and if you decide that you are compliant and you are going to be a good corporate citizen it is tough, but it is the right way to go because eventually people will not ask you for bribes anymore when they see that you don’t give them”* (Participant I). Participant J stated that it is critical that MNEs are *“able to get your stock into the country as quickly as possible without having to pay bribes.”* Enterprise J established a firm stance on bribes from the *“beginning we went out and we said there is absolutely no ways we are going to do it.”* Participant J also cautioned against paying bribes because *“other South African retailers [got] into bribery and... as soon as one clearing agent or customs official moves to another position and somebody else comes in... they open a can of worms and you... end up paying more... You have got to stop it at some stage and then you have nothing left on your shelves. [This] has happened to some of our counterparts.”* Thus, Enterprise J *“plugged away at the fact that we won’t do it and they leave you alone eventually. So in the beginning it took us 160 days to get stock into the country, now it takes us about 32 days”*. The above sentiments of the participants are aligned to Nwabuzor’s (2005:129) findings that enterprises who are burdened with ‘under the-table payments’ may try to manage their rising costs by cutting corners and compromising quality which can lead to business failure (Keig *et al.*, 2015:95). Furthermore, Keig *et al.* (2015:95) and Tan (2009:174) assert that in countries with high levels of corruption, MNEs are likely to lower their ethical standards. However, based on

the evidence and advice given by the participants, it seems that assertion has little validity amongst this sample of MNEs.

MNEs need to be particularly careful when it comes to ethical behaviour because ethics becomes a “*different ball game*” in Nigeria (Participant D). Enterprise I is a subsidiary of an “*American company... with an extremely strong code of conduct, compliance, ethics, which... was foreign... to some of our [Nigerian] workers... who were used to... accepting ‘gifts’ over Christmas time, didn’t see anything wrong with having two jobs... or moonlighting.*” Being a subsidiary means that enterprises have a “*code of business principles that your company abides by*” and there is an expectation that “*everybody is supposed to conduct themselves on the highest ethical standards possible.*” By engaging in corrupt behaviour “*it not only affects you locally but... it has big implications for the global organisation*” (Participant L). Ethical behaviour should be exemplified by the “*leader... every single day and create a culture that doesn’t accept any compliance issues, any regulatory shortcuts, any legal shortcuts*” (Participant I).

4.3.5 Adapt strategy for Nigeria

When entering into low-income markets in emerging economies, such as Nigeria, MNEs need to adopt a different strategic approach (Elg *et al.*, 2015:334; Karamchandani *et al.*, 2011:109). Often the way to reach these markets involves bridging the formal and informal economies and making adaptations to conventional strategies (Gollakota *et al.*, 2010:356; London & Hart, 2004:352). Global expansion requires that MNEs make strategic adjustments in areas such as pricing, product design, distribution, production and marketing, to meet local requirements and incorporate the impact of local differences or else success will remain elusive (Cao & Pederzoli, 2013:290; Gollakota *et al.*, 2010:356; Kotter, 1999:9; Malhotra & Hinings, 2010:333; Parker, 2009:36; Theodosiou & Leonidou, 2003:161). In this study eleven of the thirteen participants indicated that strategic adaptation to the unique and challenging operating conditions in Nigeria, is a SCSF (see Table 2). Only enterprises K and M did not mention strategic adaptation as a SCSF.

According to Participant A, when MNEs adopt the mentality that their strategies should “*be customised to the Nigerian market*” then they are likely to succeed. As an MNE operating

in Nigeria it is critical that “*what you are offering must be differentiated*” and the “*strategic fit must be very tight.*” It is crucial to “*continuously innovate and make sure that you are ready... to refresh your strategy*” to ensure that you give “*your consumers what they want*” and focus on “*re-strategising on how to expand [your] market*” which will ensure that the enterprise is “*never complacent... always looking for more and more*” (Participant D). Managers should also be cognisant that although “*our success story in Nigeria has been great... we have not yet folded our hands to say: yes, we have done it. It is something that we are still strengthening... on the go*” (Participant G). Therefore, the continuous re-evaluation of FMCG strategies is critical for success.

In order to be flexible and make strategic adjustments, MNEs need to actively assess and update their strategies “*every 3 to 5 years*” and “*review [their] strategy... to see... are you in line or are you not in line?*” (Participant D). Thus by doing so, enterprises can regularly ensure that “*whatever [they] are offering [is] align[ed] to that particular market.*” Enterprises need to ensure that they have a “*strategic fit*”, and that they have the operations necessary to support their strategy. “*If you are in a mass market... then you must have an operation that can deliver a huge volume... If your operation does not support the delivery of your [strategy] then there is no alignment*” (Participant D). Participant E also recommended that MNEs do a strategic check by answering the following question: “*where do we want to be in 5 years’ time and what are the key strategies that are going to get me there?*” To ensure the efficient use of resources, Participant E suggested that when considering a new strategy or operational change, MNEs should answer the following questions: “*where does it add value [for] the consumer and is it in line with our strategic roadmap?*” If the answer is no to either of the questions, then the change or strategy should not be pursued.

4.3.5.1 Cultural adjustments

Some of the major challenges that MNEs face when adapting their strategies for new markets are differences in culture, language, attitude, time zones and organisational resistance to change (Azar & Drogendijk, 2014:582; Slangen & Hennart, 2008:472). Therefore, when entering into new markets, MNEs face the challenge of cultural distance between the home and host markets (Górecka & Szalucka, 2013:41; Whitelock & Jobber, 2004:1439). This distance is referred to as the concept of psychic distance, which is the

perceptual distance between an MNE's home market and a foreign host market. It stems from differences in language, social perspectives, attitudes, culture, political systems and business practises that interrupt the flow of information and create market uncertainties (Azar & Drogendijk, 2014:582; Freeman, Giroud, Kalfadellis & Ghauri, 2012:352; Górecka & Szalucka, 2013:41; Johanson & Vahlne, 1990:13; Whitelock & Jobber, 2004:1440). Accordingly, MNEs need to adapt their strategies when operating in different markets.

Thus, operating in Nigeria requires "*a cultural adjustment*" which involves finding "*the right people and assimilating them into the culture of the company*". The challenge is that MNEs "*can't go in... and... assume that you can change [the] culture of [the] company to be Nigerian*" as there is "*a fine balance to walk, because you don't want to be seen as being overly foreign and non-friendly but at the same time you do have to have a culture and standard that is unique to your company*" (Participant I).

4.3.5.2 Implement an Afrocentric strategy

Dakora *et al.* (2010:749) assert that it is critical that MNEs 'Africanise' their strategies when internationalising across Africa. Accordingly, Enterprise L ensures that their strategies have a strong sense of "*Afrocentricity, which means... putting Africans at the heart of what you do.*" Therefore, MNEs should not use "*market development models from the EU or from Latin America or from North America and... try to replicate them in Africa.*" According to Participant F, "*it is very critical*" that MNEs "*don't export [their] know-how from the Western world, or from the Southern world*" because it "*may be different from what the consumer [in Nigeria] wants*". On that note, if enterprises attempt to "*use... any overseas model... [they] will come second*" in Nigeria (Participant A). Participant L believes that the crux of the matter is to understand "*the market and the decentralisation of the African consumer.*" The participant's statements are in line with Peng, Wang and Jiang (2008:930)'s observation that a fundamental challenge facing MNEs, originating from developed countries, is whether their traditional strategy can be introduced to a foreign market, making only minimal changes to meet the demands of emerging market consumers, or whether a strategic overhaul is necessary to make changes to products, services and strategies. Furthermore, MNEs cannot assume that Western-oriented metrics and strategies will apply well to the Nigerian market.

4.3.5.3 **Strategic flexibility: adapt product line, distribution and production**

As discussed, the Nigerian retail environment is dramatically different to that of South Africa and most parts of the developed world because *“in a country with an estimated population of about 180 to 200 million there [are] probably 15 shopping centres”* (Participant A). In an environment where *“80 to 85% of all trade in Nigeria is done in open markets, not in the formal trade,”* enterprises need to adapt their strategies to suit those operating conditions (Participant A). As a result, enterprises need to be aware that their *“whole marketing... selling approach [and]... channels of sales [will be] very different”* and they *“need to get used to”* it (Participant A).

In volatile and uncertain environments, being flexible and adaptable are essential characteristics for survival (Cao & Pederzoli, 2013:290; Fisch, 2008:371). Strategic flexibility is critical, especially with the *“collapse of the Naira and the economic woes in Nigeria”* (Participant I). Participant I *“quickly realised [they] had to come up with something different, [be]cause the category was radically changing”*. As a result, they adapted their strategy from an export model to *“local manufacturing or localisation of [their] offering,”* and then changed their *“portfolio which had been previously geared just to be a premium portfolio”* to include *“a value portfolio as well.”* This gave them *“scale”* and made them successful, thus warding off the threat of closing down (Participant I). Expanding on this, Enterprise I *“innovated well”* and adapted their strategy in a proactive manner. The industry trend at the time was to import cheap products but due to the shortage of *“dollars available in the market”* resulting from the depreciation of the Naira, it *“led to inflation and a lowering of the availability of cheap imported products.”* Enterprise I *“had anticipated this and already done innovation work on [their] value brands and by the time [they] launched, [they]... could not make enough to fill those holes left by the imported products that weren’t able to come in”*. Therefore, at *“the right time, [they] did the right thing”* because they kept their finger on the pulse of what was happening in the markets by having *“people in the markets... every day. You cannot have office-bound people... assuming that they know what is going on in Nigeria.”* It is critical that *“your sales director and your marketing director and their staff have to be in the markets three days out of five... gathering insights”* because it is not sufficient to rely on outsourced *“agencies research... because most of it is not accurate.”* The lesson for MNEs is: *“nothing is better than getting out there and doing it*

yourself" (Participant I). The experience of Enterprise I is in line with the existing literature that manufacturing enterprises tend to spend a significant amount of their profits on innovation programmes and make radical changes to their existing products, processes and services in order to survive environmental changes (Popoola & Fagbola, 2014:1).

However, Enterprise I still needs to import certain raw materials and *"the biggest challenge is getting foreign exchange... At one point we were waiting for nearly 90 days"*. It makes it *"tough to operate in that environment"* because the enterprise needs *"much longer planning horizons... for the next six months to a year... which is frankly, close to impossible."* The downside is that there are almost always *"over stocks, under stocks"* but when applying the SCSF of being innovative and flexible, MNEs are able to creatively reassess *"what you can manufacture based on the 'raws' on hand"* in order to continue to produce products and satisfy consumers (Participant I). Enterprise F's policy is to ensure that they *"build appropriate stock level[s] of [their] goods to avoid being out of stock."* This contrasts with the practise that in *"the first world... you have to minimise your stock of raw material."* Whereas, in *"Nigeria or Ethiopia, forget that, you need 3 months of stock."* Holding extra stock *"gives you time to import what you need"* because if you are out of stock and the government policy changes to ban imports of certain stocks or raw materials *"then you are in trouble"*.

4.3.6 Achieve economies of scale

Geographic expansion provides MNEs with the opportunity to realise greater economies of scale by serving a larger market from a central location, a benefit which might not be available to purely domestic enterprises (Bolaji & Chris, 2014:161; Hill, 2005:416; Kasuya, 1986:61-62). Achieving economies of scale is a way to respond to competitive pressures to reduce costs (Bolaji & Chris, 2014:161; Hill, 2007:429-430; London & Hart, 2004:354; Morris, Hammond & Snell, 2014:406). FMCG products often have low profit margins and need to be sold in large quantities, thus, achieving economies of scale is vital for MNE survival in the FMCG industry (Vibhuti *et al.*, 2014:1169). Accordingly, achieving economies of scale was identified by eleven of the participants in this study as a SCSF (Participants B-K and M).

Participant A, however, was ambivalent about the topic, having witnessed some “*very successful small companies and there [are] also some very... successful, absolutely mega companies here so... [he could not] give... a straight answer*”. Participant L also weighed in about achieving economies of scale and added to the ambivalence as to whether it is a SCSF because “*critical mass is by far the more important thing than economies of scale.*” “*There are many different models to reach economies of scale, you can get a third party manufacturer, you can get a re-distributor or you can partner but critical mass is actually really important, it is critical because that is when you get a lot more people using your products, that’s what you want.*” Critical mass refers to the number of consumers who purchase and use products as well as the size and number of outlets that an enterprise needs to reach in order to effectively compete in a market. In general, it is the minimum amount of something required to start or maintain a venture or project (Bratton, Bennett & Robson, 2003:733). The critical mass of a venture in Nigeria relates to the minimum threshold of either numbers of consumers or numbers of products that need to be bought in order to make a venture viable. Reaching this threshold reflects that there is sufficient demand and market share in order to justify an investment.

Several participants highlighted the benefits of achieving economies of scale. Participant D pointed out that achieving economies of scale in the market will ensure that enterprises enjoy “*a favourable return on investment*”. Participant E believes that MNEs “*do need scale*” and this is validated by the fact that Enterprise E’s factory is “*the second largest pasta factory in the world*” which helps them to achieve economies of scale and reduce costs. Enterprise I responded to the “*economic woes in Nigeria*” by setting up their own manufacturing facility which helped them achieve what they “*needed desperately and made [them] successful, which [was] scale in the mill... If [they] didn’t have scale, [they] probably would have closed after a year, and that scale through a lower price and a lower cost offering gave [them] coverage of overheads, coverage of fixed costs*” (Participant I).

Participant G provided an illustrative example of the benefits of achieving economies of scale. Accordingly, Enterprise G has “*quite a number of stores all over Africa, and those goods are... negotiated together*” which enables them to achieve “*economies of scale*”. They “*are highly geared to negotiate better pricing with the suppliers*” and ultimately “*the cost of duty, import duty, is supposed to be an additional cost but... by the time you*

compare the imported goods with the local, the prices are still relatively cheaper” (Participant G).

As a retailer, Enterprise J has experience operating in several African markets and stated that achieving economies of scale *“is a critical success factor”*. They have experienced what it is like to operate with scale and without scale. *“In a country like Tanzania we have got one store and we battle there”* because they cannot capitalise on bulk buying and consolidated loads. Whereas, in Nigeria, Enterprise J *“set up a warehouse at a port and... suppliers will deliver to that warehouse, we will split the... items and... road freight them to Kano, Abuja and those places from that warehouse.”* Thus, achieving economies of scale is contributing to their success in Nigeria (Participant J).

4.3.7 Pricing strategy

Pricing is an important element in the marketing mix, resultantly; pricing strategies play an important role in an enterprise’s marketing strategy and influence its competitiveness (Davicik & Sharma, 2015:762; Levy, Grewal, Kopalle & Hess, 2004:xiii; Uusitalo & Rökman, 2007:120; Theodosiou & Leonidou, 2003:161). Pricing also has a significant effect on consumer behaviour (Uusitalo & Rökman, 2007:121). When enterprises compete in an oligopoly or open market such as the FMCG industry, where there are similar products, an abundance of substitutes and common marketing techniques, pricing becomes an important strategy for survival. Thus, competition centres around price wars and those enterprises who fail to craft a strong pricing strategy will have lower profits in the long-term. Therefore, pricing strategies become critical in order for an enterprise to defend its current and future market share (Danziger, Hadar & Morwitz, 2014:766; Davcik & Sharma, 2015:763; Levy *et al.*, 2004:xiii; Uusitalo & Rökman, 2007:121). The literature suggests that price wars are commonplace in the FMCG industry thus, price plays a critical role in incentivising entrants and incumbents to reduce costs and differentiate their products in order to gain greater market power and a stronger market position (Davicik & Sharma, 2015:764; Karamchandani *et al.*, 2011:108; Kumar *et al.*, 2015:80; Zokaei & Hines, 2007:234). Pricing strategies are often adapted to specific markets because of differences in cost structures, inflation rates, competitive policies and government controls (Theodosiou & Leonidou, 2003:161). Ten of the participants drew attention to their

enterprise's pricing strategy (Participants B, D, E, F, G, H, I, J, K and M). For MNEs operating in the FMCG industry in Nigeria, the market demands that products are sold at low prices in high volumes in order to gain market share and excel against competitors. An effective pricing strategy is to achieve "*positive perceived value*" which is the situation "*where you are charging the consumer less than they are prepared to pay for [the product] and where you are delivering more added value than the competition*" (Participant E).

Nigeria has a "*very underdeveloped modern trade. There [are] less than 300 modern trade outlets in the country like supermarkets, so you are left with essentially what is a very rural market, or open market... and not very structured*" (Participant E). Therefore, this coupled with the economic recession and contraction of the middle class, is driving MNEs to develop competitive pricing strategies in order to survive. Thus, pricing strategies need to ensure that "*products... are priced at such a level that there is enough margin for dealers, sub-dealers, wholesalers and retailers, so a product can go through two or three layers of distribution to end up in a village and still be affordable*" (Participant E). The strategy that Enterprise E follows is to ensure that "*price [is] the key determinant*" because "*what consumers are looking for is affordability. So we... cut anything that doesn't enable us to reduce the price for consumers*". Product price is increasingly important in Nigeria "*with the president clamping down on taxes and forex... The middle class to upper class are battling to take money out and they are having to pay taxes... their cash flow is not the greatest*" (Participant J).

4.3.8 Organisational structure

The structure of an MNE can influence the success of a venture because it defines the way that the resources are divided between subsidiaries and dictates the flow of information. Organisational structure entails the organisations control systems, incentives, culture, processes and people (Hill, 2007:441). In order to meet the challenges of reducing costs as well as being locally responsive, MNEs need to decentralise information sharing, authority and strategic planning (Cao & Pederzoli, 2013:304; Elango & Pattnaik, 2007:545). A decentralised organisational structure is suitable when physical distance is great and may facilitate better learning about foreign markets because there is greater

communication, autonomy and interaction between managers in headquarters and at subsidiary-level during the decision-making process (Cao & Pederzoli, 2013:304).

The organisational structure of the MNE dictates the level of autonomy of the subsidiary to execute operational functions such as human resources management, supplier sourcing and production processes. Granting greater autonomy to subsidiaries increases local responsiveness, i.e., it contributes with the adjustment of products and processes to the host country context (Cao & Pederzoli, 2013:304; Brazilian Multinationals Observatory, 2014:25)

This study interviewed participants from different sized MNEs with different organisational structures. Nine of the participants considered organisational structure to be a SCSF (Enterprise A, B, C, D, E, H, J, K and M). Under the intense pressure of globalisation, competition is rife, and in Nigeria *“because of rising costs... every organisation wants to be very [flat]... to drive efficiency”* and enterprises *“try to do away with those things that are not critical to your core”* and *“share or outsource”* non-essential activities (Participant D). Structurally Enterprise D has *“tried to organise ourselves in such a way that we have a very flat structure... [which] is a critical factor”* (Participant D). The way they are structured is that they share some functions nationally, such as *“human resources, procurement, finance and... marketing.”* Although these functions are *“shared and supported by the region,”* they decentralise distribution. Thus, *“it is only distribution... that is local... where... the route to market... [is] essentially unique”* (Participant D). Enterprise E echoed this, in that they have a *“very flat”* structure and *“it is very... critical that you structure a business around your customers”*. Furthermore, they have restructured over the last 15 months *“from being... functional silos to being business streams”* and to ensure that there is *“line of sight from raw materials through to the sale and consumption of your product”*. Ultimately, structure *“is very critical and you have to be very consumer or customer centric”* (Participant E).

The types of organisational structures varied across the sample of participating enterprises. Ten of the thirteen enterprises are the Nigerian subsidiary of a global parent enterprise. One is the parent enterprise based in Nigeria. The last two enterprises are

subsidiaries of Nigerian parent enterprises, headquartered in Nigeria. Incidentally both are family-run enterprises. These findings are shown in Table 7 below.

Table 7: The different types of organisational structures used by the enterprises

Enterprise	Type of organisational structure			
	Subsidiary of a multinational parent enterprise	They are the parent enterprise (based in Nigeria)	Subsidiary of a Nigerian parent enterprise	Family-run enterprise (based in Nigeria)
A			✓	✓
B	✓			
C	✓			
D	✓			
E		✓		
F	✓			
G	✓			
H	✓			
I	✓			
J	✓			
K			✓	✓
L	✓			
M	✓			
Total	10	1	2	2

Enterprise A is a Nigerian family-run MNE, which has the benefit of having long-standing contacts and knowing their way around the Nigerian business environment. Enterprise K is also a family-run MNE but the disadvantage is that there are a “*lot of unclear lines of reporting*” and “*family members... come and... make unnecessary demands*” and “*some family members don’t know their limits.*” On the positive side, “*currently structures are beginning to appear and... it is getting better than what it used to be*” (Participant K).

Enterprise D is a part of a network of “*sister*” enterprises and as a result, it has helped them to import products and develop a “*well laid-out process for procurement*” which has given them a strategic edge in the FMCG industry. The benefit of being part of a network of enterprises has enabled Enterprise D to use their “*sister companies across the border: we import from Ghana, we import from Egypt, we import from Europe*” to get products into Nigeria. The point raised by Participant D reflects the findings that being a part of a larger parental network can help to improve internationalisation activities and the smooth functioning of foreign operations (Elango & Pattnaik, 2007:542). Being part of an MNE also

enables a subsidiary to share the network's capital, procedures, products, markets, resources, technologies, labour force and information (Elango & Pattnaik, 2007:545). Elango and Pattnaik (2007:545) assert that enterprises affiliated with large MNEs outperform those who are independent. Parental network support is critical for successful internationalisation and helps to reduce search costs, ambiguities, moral hazards and poor partner selection (Elango & Pattnaik, 2007:546). Furthermore, parental network connections are hard to imitate and infiltrate, making them sources of competitive advantages (Elango & Pattnaik, 2007:546).

For four participants, organisational structure was *"not a critical success factor but it can be an enabler to your success; it has to be flat"* (Participant F). What is important is that *"in most organisations today... at the top of the organisation... you need strategic thinkers [who] at the same time must be operational"* (Participant F). Participant G purported that organisational structure is an enabler of the *"flow of information or communication"* which *"also determines the decision making process"* but on its own it is not a SCSF. Participant I confirmed the previous assertions that organisational structure is a *"lever"* to success but not a SCSF in itself. Furthermore, *"the structure of your company has to be right"* to support the MNE's strategic ambitions in Nigeria. Participant L does not think that organisational structure is a SCSF but instead organisational structure should allow enterprises *"to adapt and be very nimble."*

4.3.9 Market coverage

Geographic expansion gives MNEs the opportunity to access several benefits not available to purely domestic enterprises (Hill, 2005:416). Namely, MNEs are able to:

- increase their profitability and consumer base,
- realize location economies by spreading value creation activities to those locations across the globe where they can be performed most effectively,
- realise greater economies of scale by serving an expanded market from a central location,
- earn a greater return from the enterprise's core competencies by rolling out these skills to new markets and

- leverage valuable skills developed in foreign countries by transferring them to other subsidiaries within the MNEs global network.

Nigeria's large population is a key draw card for MNEs but it is critical that operations are able to reach across the market. Participant C identified that "*the coverage we have here is an advantage.*" Coupled with this is the rate of urbanisation, which impacts on market density, both of which are salient factors for enterprises in the FMCG industry. Eight participants considered market coverage to be a SCSF (Participants C, E, F, G, H, I, K and M), and two of the three retailers consider it a SCSF. In Nigeria "*the key is to dominate retail in emerging markets because... internet shopping and online grocery shopping is more a fairytale at this point in time*" (Participant E). In order to dominate in the retail environment, MNEs need to "*map your universal status*" and assess the MNE's market coverage of "*roughly a million [informal] outlets in Nigeria*" to see "*how many of these are you in, not just with one SKU (Stock Keeping Unit) but your core SKUs and... then how good is your merchandising, visibility and share of shelf?*" (Participant E).

A SCSF for Enterprise F is their market wide coverage that they achieve through their broad distribution network. However, the challenge lies that if "*you drive from Lagos to Maiduguri... in the North East, where Boko Haram is sitting, it is 1600kms... like driving from Johannesburg to Cape Town, but the road quality is different.*" Yet, MNEs cannot ignore the consumers that "*are living in that part of the country and those people are in need of consumer goods*". "*So to be successful, [MNEs] have to be able to cover the entire country in terms of distribution. If [MNEs] target only Lagos*" which some MNEs believe is the pinnacle of success, then they are not likely to succeed in the long term because their market coverage will be self-limiting. MNEs "*have to accept that the country is wide and that infrastructure may be poor*" to reach widely spread out markets (Participant F).

Market coverage of a broad geographic region is also part of this SCSF. Success lies in having "*geographic expansion in addition to scale*" which enables MNEs "*to balance...political and economic... geopolitical risk... So if you are in more markets and you are building your brands in more markets, you are covered in the event that one market goes pear shaped, or one country goes pear shaped. In addition to that ... you have a truly global brand*" (Participant E). Additionally, "*the more countries you are*

successful in, the higher the valuation you are going to have for your enterprise...so you will typically attract a higher price: earnings ratio compared to somebody who is just in one or two countries". Nigeria falls under the Economic Community of West African States (ECOWAS) (ECOWAS, 2016; NIPC, 2016; OECD, 2015:25; Omoteso & Mobolaji, 2014:326). This regional grouping was developed to facilitate the free flow of trade by reducing the barriers to trade. The trade links of ECOSWAS has opened Enterprise K up to "a lot of cross-border trade" from neighbouring countries "Chad, Niger, and Cameroon" which helped them to broaden their market coverage (Participant K).

4.3.10 Partner with another entity

During the interviews, the participants were asked a twofold question regarding partnering. Firstly, they were asked if they considered partnering to be a SCSF when operating in Nigeria to which, eight participants stated it was critical (Participants A, B, C, D, G, H, K and M), while five preferred to be self-sufficient without any partners and felt partners were not critical. Secondly, those who have partners were asked to describe and identify the type of partners they have. The options, as highlighted by the participants, for potential partners include local Nigerian enterprises, other MNEs, professional logistics providers, government and property developers. Table 8 provides a summary of the responses to the second part of the question.

Table 8: The different types of partners used in Nigeria

Enterprise	Type of partner				
	Local enterprises	Professional logistics providers (PLP)	Other multinational enterprises	Government	Property developers
A	#	#	#	#	#
B	#	#	#	#	#
C	✓	✓			
D	✓				
E	#	#	#	#	#
F	✓	✓			
G	#	#	#	#	#
H	✓	✓			
I		✓			
J		✓	✓		✓
K	✓			✓	
L	#	#	#	#	#

	Type of partner				
M	✓	✓	✓		
Total	6	6	2	1	1

Key:

- ✓ = The MNE has partnerships with these stakeholders
- # = The MNE does not have any partners in Nigeria

Based on the answers provided, no patterns emerged regarding the preferred types of partners; accordingly, there was no obvious signal from the participating manufacturers, retailers or their combination. This was confirmed by the frequency counts: four of the seven manufacturers do not have partners, one was ambivalent and two have partners. When considering retailers, one has partners, one was ambivalent and the other does not have partners. Thus, the extent of involvement and commitment to partners varied depending on the unique circumstances and needs of the MNE.

Section 4.3.10.1 discusses the reasons why some MNEs do not have partners in Nigeria. Sections 4.3.10.2 – 4.3.10.6 explore the reasons in favour of partnerships as well as the types of preferred partners. Most commonly, the need to partner arises when MNEs “*don’t have the capability or operations*” necessary to facilitate the achievement of the MNE’s strategic ambitions (Participant D). This is in line with the literature that states that MNEs look for partners with the capability to fill capacity voids in the business environment (London & Hart, 2004:353). Furthermore, the type of partner and partner selection process are critical to the success of a partnership (Dakora & Bytheway, 2014:198; Hitt, Dacin, Levitas, Arregle & Borza, 2000:449).

4.3.10.1 Reasons for not partnering

The three main reasons why the participating MNEs choose not to partner in Nigeria are; (1) the enterprise is large, old and well established, (2) the MNE developed the capability themselves, or (3) the MNE is registered as a local enterprise in the hopes of overcoming the ‘liability of foreignness’.

Firstly, the size and age of the enterprise was cited as a reason for MNEs not to partner. This is because the MNE’s operations are well established and they are capable of

performing most technical activities themselves. This point was raised by Enterprise A who has not partnered because they “*are the biggest food group in Nigeria... [and] have been around for nearly 60 years so [they] don't need partners*” (Participant A).

Secondly, when enterprises need to perform a highly specialised activity, they will often look to a local or international partner to fulfil that role, however, certain countries have a lack of available skills, restrictive legislation or capabilities to do so, which forces MNEs to develop the capability themselves (Elango & Pattnaik, 2007:542). Resultantly MNEs do not partner at all. Accordingly, there are some “*markets [where MNEs can] get a concession to come in as a wholly owned foreign entity because [they] cannot find the local expertise*” (Participant L). Enterprise B also does not partner with any other entity because they could not find a partner with the necessary capabilities locally and instead “*created the capability in-house*” (Participant B).

Finally, some MNEs choose to register as a local enterprise in response to the ‘liability of foreignness’ (Elango & Pattnaik, 2007:542). Consumers with a strong sense of nationalism often prefer to purchase local products. In extreme cases, consumers actively run campaigns against the purchase of foreign goods, known as the “liability of foreignness” (Boddewyn, 2016:21; Bolaji & Chris, 2014:161; Mark & Nwaiwu, 2015:2). To overcome this liability, Enterprise G decided, “*to register in Nigeria locally... in place of partnering with a local company*” and believes that “*not partnering with a local company has really not affected us much;*” instead they “*have invested hugely in strengthening our local staff*” to deepen their understanding of the local environment (Participant G).

4.3.10.2 Partner with local enterprises

Enterprises facing challenging and unfamiliar foreign environments can turn to local partners as a source of information, expertise and resources (Brouthers *et al.*, 2015:1163; Chang-Bum & Beamish, 2004:203; Elango & Pattnaik, 2007:547; London & Hart, 2004:36; Marquis & Raynard, 2015:317; Shi, Sun, Pinkham & Peng, 2014:340; Simanis *et al.*, 2005:19). The need to partner “*depends on the strategic ambition of the company*” but it also “*depends... on government regulations*” (Participant L). According to government requirements for local content, there are places in certain industries, such as the oil

industry, “*where you don’t have a right to play*” as a foreign MNE (Participant L) and MNEs are forced to have local partners in order to gain access to the market. In total, six MNEs have local partners in Nigeria but eight MNEs consider local partners to be critical (Enterprise A, B, C, D, F, H, K and M). Therefore, there were two enterprises that do not actually have partners, but recommended that other MNEs should look for local partners (Enterprise A and B) (Table 8).

As a contrary opinion to most MNEs, Participant F does not recommend that MNEs just have “*a local partner [just] because he is local*” but instead, MNEs should partner with locals who have a unique and professional capability necessary for success in Nigeria. Therefore, “*don’t partner because you need... the local understanding of the local... market. No. You partner because you need a professional service from that partner*” (Participant F). This statement aligns to the findings of London and Hart (2004:361) that in emerging low income countries, the unsuccessful partnerships are often those with traditional partners such as local enterprises. This is attributed to the claim that local enterprises can be detached from the operating conditions on the ground, thus reducing their value.

- **Benefits of having local partners**

Although Participant F does not consider it necessary for MNEs to use local partners to understand local knowledge, for other participants, using local partners to gain access to local knowledge is appealing. The value of a local partner as a source of local knowledge is underscored by the findings of Petersen, Pedersen and Lyles (2008:1108) who state that it can take approximately four and a half years for an MNE to learn what they did not know about the foreign market at the time of entry. Therefore, an effective local partner can drastically shorten and improve the settling in period for the new entrant. Although Enterprises A and B do not have partners, they recommend that it is “*absolutely critical for [to other MNEs] to partner with somebody here otherwise [they] will just never find [their] way around what is happening.*” The benefit of local partners, according to Participant A, is that “*they add to the knowledge and the skill of operating in this very challenging environment, especially when finding your way through legislation and tax laws.*” Participant A confirmed the extant literature that it is beneficial to partner with someone

who has local knowledge to guide you through complicated political and regulatory environments (Chang-Bum & Beamish, 2004:203; DeGhetto *et al.*, 2015:3; Elango & Pattnaik, 2007:547; Gollakota *et al.*, 2010:362; Shi *et al.*, 2014:340; Simanis *et al.*, 2005:19). Participant A highlighted that some “*companies from South Africa... find it very difficult to operate in Nigeria because the market is totally different to what is happening in South Africa*”. South African managers should also be wary of the perception that South African MNEs are arrogant, which might hinder their progress. Some South African MNEs “*thought they could come and teach Nigeria how to do business*” and the MNE “*came R1.2 billion second*” (Participant A).

Further benefits of partnering with local enterprises include accessing the personal networks of local managers and tapping into their market knowledge (Chang-Bum & Beamish, 2004:203; DeGhetto *et al.*, 2015:3; Shi *et al.*, 2014:340; Simanis *et al.*, 2005:19). This is particularly beneficial because personal networks are difficult to imitate and access (DeGhetto *et al.*, 2015:9; Geletkanycz & Hambrick, 1997:654; Simanis *et al.*, 2005:19). Additional benefits of local partners include leveraging the local partner’s reputation and credibility, increased levels of trust from consumers, and helping build local capacity through recruitment and training (Gollakota *et al.*, 2010:362; Prahalad & Hammond, 2002:57). Partnering with local enterprises is an opportunity to build up local supply chains, support local entrepreneurs, grow the local economy, win favour from host country governments and overcome excise taxes on importing raw materials (World Economic Forum, 2016:19). Participant E’s opinion regarding local partners is aligned with the literature; he believes that “*the advantage of partnering anywhere is that you find someone who is familiar with the local lay of the land, is very familiar with the legal... considerations and who is well connected*” (Participant E).

Additional value in partnering with local enterprises comes to the fore when MNEs “*are looking to build factories, import technology, or ...connect with people who will buy or use your product...* [Partnering] “*will enable fast startups...and...it also helps you minimize your risk in terms of your capital outlay*” (Participant D). The “*level of investment that our partners bring to the business*” is a SCSF (Participant M). The need for and benefit of partnering with a local enterprise is illustrated by Enterprise D who are partnering for the purpose of “*contract manufacturing with another company that has the capability to*

produce the product category that we don't have" at present rather than investing themselves because it is not *"very efficient or optimal"* (Participant D). Furthermore, they are aware that *"within such a short time we will not be able to hit a critical mass and so rather than investing that huge amount and putting up the facility, it might be rather wise to run with another company that is already there"* (Participant D).

Finally, Rodriguez *et al.* (2005:389) propose that MNEs partner with local enterprises in order to mitigate the negative effects of inherent corruption. As a result of uncertain and non-transparent rules and regulations, enterprises can seek a safe haven from corruption by partnering with local enterprises (Rodriguez *et al.*, 2005:389).

- **Drawbacks of having local partners:**

Although there are several benefits of having local partners, Participant A discussed some of the dangers and how it is essential *"to pick the right partners and to keep them calm... So any newcomer... will have to choose a partner very carefully and... make sure that the partner does not exert undue influence and put pressure on them which is always a problem here"* (Participant A). Additionally, Participant E warned *"the reality is a lot of local partners here have a reputation of... ripping off the incoming investor. So there is... an economic risk in partnering, there is a potentially political risk as well if you get with a partner who is on the wrong side of the political fence."* Participant D advised that if MNEs have a *"good business model you are better off keeping all the money yourself"* rather than spending money investing in a local partnership. Furthermore, partnerships are often abandoned due to differences in quality standards - where the local enterprise falls short of the MNE's standards and expectations, mismatched priorities and a lack of transparency regarding the local partner's true intentions and objectives (Karamchandani *et al.*, 2011:109)

4.3.10.3 Partner with professional logistics providers

Six participants mentioned that they prefer to partner with Professional Logistics Providers, "PLPs" (Enterprise C, F, H, I, J and M). For the most part, the PLPs are local enterprises but there are also international PLPs. Thus, many MNEs have partners in the form of "key

distributors... that provide warehousing and... distribution” and “*are locals in terms of the native people in that region which [are] made as key distributors.*” The value of local PLPs is that they “*understand the territory... [and] they have a platform by which they can move into the outlets*” (Participant C). “*These key distributors... are very strategic... to reach the thousands of outlets in every locality in the nation... They are well positioned; they have a platform which we can ride on... [when] distributing... They can easily assess the channels because they have the right working tools and they have the right workforce to be able to reach out to all the retail outlets and... this is very strategic*” (Participant C). These PLPs also “*manage our operations in terms of imports and everything*” (Participant C). Likewise, Enterprise F uses PLPs to fulfil the task of transporting goods “*from point A to point B or to go to the port to clear your containers [because of] the difficulties... [of]... corruption... in the ports*”. “*Due to the economic situation in Nigeria, the drop in Naira... and rise in costs, we try to source items locally through local importers who bring in the stock instead of [us] bringing it in... Using them... is faster, cheaper and more reliable than when we... bring it in*” (Participant H). The use of PLPs is in line with the literature that it has become important in the globalised economy to perform well not on just core activities but on non-core activities such as logistics in order to remain competitive (Win, 2008:675).

Participant F stated that they have strict requirements for using PLPs. Enterprise F only makes use of PLP partners who have “*the know-how*” and “*some local assets, i.e... warehouse or... trucks.*” So when MNEs “*come into Nigeria as a foreigner company*” they gain access to the “*the know-how of providing quality logistics services*”. Participant F recalls that a few years back, it took “*two weeks to move the goods*” 1600 kilometres in Nigeria. Nowadays because of their PLP, they have taken “*it down to 3 days which is phenomenal*”. They have done so by allowing their PLP to “*deal with the local trucks, and... [to] monitor them with simple devices... We give a telephone to every driver and you can check every hour, where is the driver for instance.*” These statements are aligned to the literature that states that logistics providers help to build closer relationships with members of the supply chain, support cost cutting initiatives, improve efficiency and provide competencies regarding knowledge, information technology and skills (Ghosh *et al.*, 2004:434; Win, 2008:675).

The selection of PLP distributors is critical for MNEs targeting geographically widespread markets to ensure that the distributors can further the strategic intentions of the MNE (Ghosh *et al.*, 2004:434). Selecting the wrong distributors can lead to conflict, costs of investing in unsatisfactory relationships and missing out on valuable market opportunities (Ghosh *et al.*, 2004:434). Enterprise D provided some insight into partner selection, stating that they “*draw up an SLA [service level agreement] with these distributors, or wholesalers*” and they use the SLA to govern the partnership and the obligations of the partners. For example, Enterprise D demands that the distributors deliver X amount of products and in return the MNE will give a rebate to the distributor. Using a rebate structure enables the MNE to “*fund the infrastructure that the distributor has put in place and help him to offset the costs and also make some profit... [which] helps... to take the product to that mass number of people*” (Participant D).

Enterprise I has 44 PLPs and it is critical to have “*a distribution agreement... and... due diligence is recommended.*” The extent of the due diligence required “*could be just purely financial and credit, [but] it could also involve anti-money-laundering checks, anti-terrorism checks, shareholding checks... and once all is clear, you can engage... on commercial terms and sign them up*”. It is critical to establish “*a distribution agreement with KPIs that are clear.*” Some of the recommended key performance indicators (KPIs) include the required levels of “*stockholding, what you expect them to do, what they expect you to do*” and ensures that the “*relationship is official*” which will “*make it much easier to administer*” and manage the partnership. Furthermore, it gives the MNE a mechanism to “*get rid of*” dysfunctional and underperforming distributors and “*makes it a lot cleaner and a lot easier*” to end partnerships (Participant I). This advice is supported by the findings of Win (2008:679) that logistics providers’ performance needs to be managed and measured by both quantitative and qualitative KPIs.

4.3.10.4 Partner with other MNEs

Alliances with other MNEs from developed countries can overcome resource constraints, deepen understanding about the environment and improve performance (Cao & Pederzoli, 2013:302; DeGhetto *et al.*, 2015:3). Partnering with other MNEs was, however, uncommon among this sample of MNEs. However, two enterprises do have such partnerships

(Enterprise J and M). Enterprise J does not “*partner in the business sense of profits... but [they do] partner with*” another MNE “*to give [them] information on what business is all about in the country*” (Participant J). Enterprise M partners with other MNEs “*if they are not competing brands and they have certain areas of advantage that we don’t possess*” (Participant M).

4.3.10.5 Partner with the Nigerian government

Many African governments are characterised by cronyism and corruption in partnerships and tenders (Games, 2004:95; Kware, 2015:1241). Poor standards and dysfunctional regulatory institutions as well as a lack of sound corporate governance can lead to inappropriate and nepotistic relationships between governments and private enterprises (Games, 2004:95; Kware, 2015:1241). London and Hart (2004:352) believe that unsuccessful strategies stem from having partners such as national government. The reason is that these partners are often removed from the realities of operating in low income markets and lack relevant experience, thus the partnership adds no value to the foreign venture of the MNE (London & Hart, 2004:352). However, the World Economic Forum (2017:17) sees some value in private-public partnerships in Nigeria to help develop infrastructure, but also reports that such partnerships can lead to the wastage of resources and costly time delays. Vögel (2014:709) highlighted the value in partnering with national governments as a way to reduce costs and open gateways to new markets in SSA.

Despite the cautionary note regarding the dangers of partnerships between government and private enterprises, Nigerian-owned MNE Enterprise K, “*has been able to partner with state governments, local governments and even the federal government*” (Participant K). Such partnerships provide “*the state government [with] help... to produce x amount of rice for instance, x amount of sugar cane... The government is benefitting, the local people are benefitting and the country at large [is] benefitting*” as well as Enterprise K is benefitting (Participant K). Enterprise K was, however, the only MNE to have a partnership with the Nigerian government.

4.3.10.6 *Partner with property developers*

MNEs, particularly retailers, have reportedly struggled to find suitable sites for formal retailing in Nigeria due to inadequate town planning and rushed urbanisation. To address this problem several MNEs have resorted to buying land and building shopping centres to meet their specific requirements (Games, 2004:46). Participant J confirmed that *“the problem with Nigeria is to get property at a decent price... and... when they [the government] see a big name international company coming in they push the price up on everything, so it has been a very slow process.”* To circumvent these challenges, Enterprise J *“has partnered... with a couple of property developers that are local guys that have managed to get their foot into the market”* and resultantly the rate of expansion for Enterprise J has increased over the past year. The partnership with local property developers has enabled Enterprise J to *“get [a] foot in and... get the right properties at the right price”*. However, Enterprise J is faced with the challenge that Nigerian property developers *“don’t build anything to accommodate parking space”* and to educate the developers *“has been quite a process”* (Participant J).

In terms of acquiring property in Nigeria, Participant E advises that as long as MNEs *“have money and a good legal firm, it is easy to buy property, so foreigners can own property. You... need to make sure that there [are] no claims on it and... that the title is good”* (Participant E). *“When you have such big structures the government is interested”* in the MNE’s request to purchase land and develop properties, therefore, as an advisory note, enterprises should ensure that they *“patronise the true owner... the original owner of the property”* which will *“put you in good check so you won’t have issues”* (Participant C).

4.3.11 Strong brand name

For many FMCG enterprises, a key asset is the brand name, which can help to differentiate products and improve profit margins (Kulasingham, 2016; Vibhuti *et al.*, 2014:1169). Brand equity represents the value of a brand and the customer perception of the brand, which if positive, can yield outcomes such as growth in sales volumes and profit (Davicik & Sharma, 2015:765). Seven participants emphasized that the strength of their brand name is a SCSF in Nigeria (Participants C, D, E, G, H, J and K). Of the seven, three

are retailers, one is a manufacturer and distributor, two are manufacturers and one is a manufacturer and retailer. The trend that emerged is that for all of the retailers interviewed, brand name strength is critical for success in Nigeria. For a “*product win*”, it is critical that MNEs focus on their branding and market “*positioning*” in order to ensure that “*you are hitting the right emotional levers with your target*” market and building “*accumulated brand equity*”. Brand equity can be achieved by establishing “*top of mind awareness... imagery and... associations... over time*” (Participant E).

Enterprise K is a large Nigerian-owned MNE, and resultantly one of their “*strategic factors is [that] the name... alone sends out waves around the industry because the name... is capable of controlling, gaining the largest market share within a very short period of time*” (Participant K). Similarly, when asked why Enterprise G is flourishing in the Nigerian market the response from Participant G was that, “*the brand name... has been tested and it is... trusted*”. Brand loyalty is both a draw card and barrier for MNEs in the FMCG industry because loyal consumers will consistently purchase their preferred brands, but this can also be a barrier to MNEs trying to convince consumers to switch to their products (Ciuci, 2011:12).

4.3.12 Vertical integration

Just under half (six out of thirteen) of the enterprises in this study, mainly the manufacturers, responded to the import restrictions by vertically integrating (Enterprise B, C, D, H, I and K). This means that more than two stages of the production process are carried out by a single enterprise. The benefits of vertical integration include improved supply chain co-ordination, improved production and supply control, more opportunities for innovation and downstream and upstream profit (Ismail *et al.*, 2012:9448). Nigeria has an uncertain and unstable operating environment where having reliable related industries such as agriculture and manufacturing becomes a luxury. Having strong related industries and supply chain links are critical to ensure continuous supply and reliable distribution (Argyres & Mostafa, 2016:9; KPMG, 2014:4). Therefore, in environments where related industries are lacking or subject to government policy somersaults, retailers and manufactures often opt for vertical integration (Argyres & Mostafa, 2016:9; KPMG, 2014:4).

The Nigerian government has implemented a policy aimed at promoting local production to ensure that the majority of retail shelf space consists of Nigerian products. Some retailer's response to this has been to launch a "Made in Nigeria" campaign to promote the products of local producers (Weller, 2017). The move towards local products and local production is also driven by the unavailability of foreign exchange and to push the economy towards self-sufficiency and increase exports of locally produced products (Weller, 2017). The government and the Nigeria Customs Service (NCS) have laid out strict rules concerning imports. The policy is that; if it can be *"produce[d] locally, then the government says strictly that they can't allow it in"* which is a *"big challenge"* for many of the MNEs to maintain a consistent level of quality and wide range of products (Participant C). In an attempt to push MNEs *"to have local suppliers"* the NCS published a list of *"43 banned items that you are no longer able to import"* (Participant B). This is confirmed by the "Import Prohibition List" as set out by the NCS (2017a). This list was outlined in Chapter One and includes items such as refined vegetable oils and cane sugar (Nigeria Customs Service, 2017a). As a result of these import restrictions, imports of *"prepared foodstuffs, beverages, spirits, vinegar and tobacco"* has steadily declined over the past 4 years (National Bureau of Statistics, 2016b:10). In light of this discussion, enterprises *"either need to try and find a local supplier, or, on those 43 items"* they must create *"the capability in house"*, enabling them to produce the missing inputs themselves (Participant B). Enterprise C also followed a similar route to vertical integration because of a ban on one of their key ingredients, tomatoes. Thus, they *"put in place plans to start growing... those specific tomato species in Nigeria"* (Participant C). Enterprise D's coping mechanism is to try to get *"a waiver if it is something critical to our operations"* but when they *"cannot get a waiver [they] try to look for it local or for an alternative"* which is to produce it themselves (Participant D). Moreover, Enterprise I initially *"came into Nigeria... through an export model"* with *"a largely premium offering"* which meant that they *"were... a reasonably small player, having not been there for the 20 or 30 years that our competitors had been before."* However, Enterprise I realised that *"what we had to do is we had to get into... low cost product, delivered in Nigeria so we put in a manufacturing plant"* which was *"not simple at all"*. Participant H stated that *"there are some items we do produce ourselves; there are some items we import... [but] the food section, the perishable section has been an in-house production."*

4.3.13 Corporate Social Responsibility

London and Hart (2004:353) highlighted that societal performance matters because there is increasing pressure on MNEs to take on a greater role in addressing global societal concerns such as climate change, eradicating poverty, uplifting communities and improving environmental protection. MNEs face the pressure of making not only an economic impact but also a positive social impact on the host country (Eweje, 2006:93; Marquis & Raynard, 2015:292). Participant G confirmed this by stating: *“the time has passed when people or investors can just come into the country... do what they want to do and then get out of the country. We have moved away from that.”* Positive societal performance can take the form of CSR or CSI (Corporate Social Initiative). This relates to enterprises behaving in a manner that has a positive social, environmental or economic impact (Dahlsrud, 2008:6; Knox *et al.*, 2005:12). It involves the actions taken by an enterprise to further the socially based needs or goals of a readily identifiable stakeholder group or larger societal collective (Kim *et al.*, 2014:133; Knox *et al.*, 2005:12; Waldman *et al.*, 2006:824). Furthermore, it is concerned with relationships with various stakeholders such as government, the community, state welfare, consumers or regulators (Kim *et al.*, 2014:133; Knox *et al.*, 2005:12; Waldman *et al.*, 2006:833). However, one of the reasons why CSR is not regarded to be a SCSF is based on the finding that MNEs operating in countries characterised by high levels of corruption demonstrate lower levels of social responsibility (Keig *et al.*, 2015:90).

The participants' opinions about the criticality of CSR in Nigeria ranged from being critical to not being *“important [and] it is not really a big issue”* and is not seen on *“the same levels we see down south [South Africa]”* (Participant A). This was confirmed by Participant C who believed that *“the people here might not really resonate with [CSR]”* and *“in as much they love sport and what not, those kinds of campaigns [do] not really add up here”*. Three participants (A, C and M) held the opinion that CSR is not a SCSF, whereas, four participants (E, F, I and J) were ambiguous as to whether it is critical or rather beneficial but not critical. Just under half of the participants considered CSR to be a SCSF; these six MNEs were Enterprises B, D, G, H, K and L. There was no obvious pattern or trend as to whether CSR was particularly important for manufacturers; for three manufacturers it was important, for two it was not critical and for two it was a grey area between critical and not

critical. Two of the three retailers considered CSR to be a SCSF whereas the other was uncertain as to whether it is critical or not.

Waldman *et al.* (2006:834) found that managers feel greater responsibility towards the community and society when operating in poorer countries. This is compounded by the weak ability of some governmental institutions to adequately solve societal issues and provide basic services (Waldman *et al.*, 2006:834). In individualist enterprises, there is often little consistent concern for community or societal issues. Whereas, in enterprises with a culture of institutional collectivism, managerial actions pertaining to the concerns of society are abundant (Waldman *et al.*, 2006:834). Therefore, CSR is more important and prevalent in collectivist societies. Hence, as Nigeria is classified as a collectivist society, the expectation would be that CSR will occur and be seen as valuable (Hofstede, 2017).

The value of CSR lies in using it to connect with the collectivist nature of Nigeria, which *“is a very connected and community-based country,”* and CSR projects can help to build relationships and *“curry favour with people”* (Participant B). Enterprise D engages in CSR because it helps to *“connect with your consumers directly and... gives them the feeling that you are socially responsible”*. CSR *“is very necessary, it is a way for us... of giving back, it is also a way of advertising, making your product known, making your brand known”* (Participant H). These statements are in line with the literature that enterprises use CSR to gain favour with local government and consumers and build a strong positive reputation in the local community (Boddeyn, 2016:20; Hillman *et al.*, 2004:852).

Another advantage of CSR projects is that they can provide enterprises with access to politicians and provide a unique opportunity to lobby for their own agendas whilst building a reputation of ‘giving back’ to the community (Boddeyn, 2016:20). Several participants indicated that CSR helps establish relationships with the government, with Participant D stating that *“because we are... a socially responsible organisation,... we can walk into any government institution”* and then reap the benefits *“because of our pedigree and heritage, because we are always there to support the government, whenever the government wants anything”*. The Nigerian *“government are also very... interested in paying attention to multinationals to see what their give back model is”*. Enterprise G does not *“joke with our CSR program, it is something that we invest in correctly”*. What it has done for them is *“it*

has opened bigger doors because when you approach any of these tiers of government... and you are able to show them that this is what you have done, this is what you have contributed, when it is time for you to get a favour from them... CSR... has seriously opened doors for us”.

The ideal situation is to run CSR projects where “*you are doing social good while making money for the business*” (Participant L). According to Participant K, their “*the brand is such that we are involved in a lot of charitable activities*” and has started its own foundation in Nigeria that “*cuts across every aspect of life here in Nigeria ranging from refugee crisis, flooding crisis... Whatever harsh situation you can think of, the Foundation is ready to support the government, ready to support the affected people, ready to support the community... where such disasters occur. By so doing, the Foundation is implanting the brand name... in the hearts of Nigerians.*”

However, for Participant E, whether CSR is a SCSF remains unclear because “*at the moment everyone is attempting to survive this recession*” by “*cutting all unnecessary expenditure because labour wage costs are going to go up possibly on average 18% this year, ...raw material costs have gone up more than 100%,... power has more than doubled,... and consumer disposable income has...shrunk significantly because 65% of consumer income in this country is spent on bare necessities which is housing, education, transport and food. So...their salaries haven’t kept pace with inflation*”. As a result of the recession and the squeeze on the economy, Participant E cut “*back all CSR initiatives*” because “*the reality is CSR tends to be a first world kind of activity versus an emerging market*” one. However, the ambiguity of his response lies in the fact that they do “*do small sponsorships and support orphanages and... the very needy but you have got in excess of 30 million people in this country living below the poverty line... so... one corporation can’t tackle that*”. So “*it is more of a last resort*” rather than a key strategy because they “*can’t afford to do that in this day and age*”. Therefore, for Enterprise E, CSR is not a “*key strategy, it doesn’t drive brand awareness*”. This statement confirms some assertions that consumers lack the ability to identify the CSR activities of the enterprises from whom they consume (Sen *et al.*, 2006:159). Thus, CSR is not always seen as a way to drive brand awareness.

Enterprise F was also not clear as to whether CSR is a SCSF because although it “*is a critical success factor*” they “*do not engage in... expensive... activities*”. Instead, they work on first establishing a “*clear plan of marketing, activation and brand building... Once you establish your brand, once you communicate your brand to the consumer via... papers, or radio or TV... then you are recognised as an established, reputable organisation*”. Only after a brand name has been established through marketing, can MNEs engage in CSR and “*capitalise on the base.*” Participant J agrees that CSR “*does work*” to build brand awareness but they “*haven’t done too much CSR in Nigeria because it is so diverse... [with] so many different ethnic groups*” which means that MNEs need “*to be very careful when... you start favouring one side over the other.*” However, “*every time we open a store, we will partner with a school*” and give “*them tools to teach.*” Unfortunately, the challenge is that “*the government doesn’t recognise it as a project so they still charge you to import the stuff into the country*” (Participant J).

Participant I added a third voice to the ambiguity surrounding CSR as a SCSF stating he does not “*think it is critical but... it adds... a lot of weight locally to... your brand.*” Further suggesting that MNEs “*try and be part of the community*” through various activities to create a sense of “*local involvement and caring about the community*”. In sum, CSR will not “*make you or break you as a brand but it will certainly make you... more locally relevant.*” Finally, according to Participant M, Enterprise M does not consider CSR to be a SCSF because they “*are looking at other direct methods*” and “*building our route to market*” and “*connecting... with the masses.*”

4.3.14 Innovation and differentiation

In the fiercely competitive 21st century market place, innovative ability is essential for enterprise survival (Bertels *et al.*, 2015:28; Blackhurst *et al.*, 2015:10; Elg *et al.*, 2015:334; Ngo & O’Cass, 2013:1134; Popoola & Fagbola, 2014:9). Innovation is defined as a new idea applied to initiating or improving a product, process or service and can encompass new production technologies or programs pertaining to organisational processes and members (Ngo & O’Cass, 2013:1134; Popoola & Fagbola, 2014:1). Innovation is one of the key elements in stimulating aggressive top-line growth and increasing bottom-line results (Bertels *et al.*, 2015:28; Ngo & O’Cass, 2013:1134; Popoola & Fagbola, 2014:1). To

differentiate products in the FMCG industry, many MNEs choose to follow a strategy of product differentiation to create niche markets and new markets, which can allow entrants (first movers into the new market) and/or incumbents (dominant innovators in the existing market), to enjoy some market power over competing brands for a period of time (Davcik & Sharma, 2015:764; Mohr, Fastoso, Wang & Shirodkar, 2014:104; Pantano, 2016:58). For retailers in the FMCG industry, the ability to innovate continuously is a critical element for success (Pantano, 2016:58).

Five of the participants highlighted innovation and differentiation as SCSFs (Participants B, E, G, I and M). Three of the participants who viewed innovation and differentiation as SCSFs were from the manufacturing sector. Participant D cautioned that if your offering is *“not differentiated then you have the challenge... [of] a lot of other substitutes”*. So *“when your offering is good or it is differentiated then you can make a lot of profit”* (Participant D). In the Nigerian FMCG industry, *“for all the multinationals, the biggest fear is that you get some local guy copying you at a tenth of the price”*. Which means that the *“product design or your supply chain or logistics”* need to have *“built in differentiation... ideally... into the product and product innovation...to make it hard for people to replicate what you do”* (Participant E).

4.3.15 Product design

As a way of reducing costs MNE retailers often attempt to standardise their stores and products in order to replicate what they have in the home market. However, in poorer, emerging markets there is a need to modify the product offerings to address the needs of local consumers because their standards of living can vary dramatically (Elg *et al.*, 2015:334; Games, 2004:46-47). This includes making changes to pricing models, packaging, sizes and standards (Games, 2004:46). There has been plentiful discussion as to whether products, services or solutions developed for consumers in developed countries can be used in developing countries, including African markets (Brews, 2006:382-383). Often, the MNE's core products, services or solutions are unsuitable for emerging markets. Thus, the MNE faces the challenge of producing an affordable and profitable version of its existing product offering or it will have to consider the riskier option of developing an entirely new, more affordable offering that is capable of generating

favourable returns as well as being accepted by the consumers (Brews, 2006:382-383). Five of the participants viewed product design as a SCSF; four of the five were manufacturers (Enterprise B, E, F and M) , which makes it easier for them to adapt products to the changing needs and preferences of Nigerian consumers. The fifth one being retailer/ manufacturer, Enterprise I.

When designing and selling products, it is important to make sure that the consumers are “*satisfied... more than [when using] competitive products*” in order to achieve a “*product design or product win*” (Participant E). “*If you don’t have a product win, don’t get out of bed. It doesn’t matter what the rest of your system*” is. The benefit of having a “*product win*” is that if “*both yourself and competition have the same distribution capability, if your product beats theirs, you are going to win over time*” (Participant E).

In order to ride the wave of economic recession currently facing Nigeria, Participant E was resolute that MNEs “*need to sell necessity products at this point in time*”. In keeping with this, their “*products are necessity products, so we have an internal statement: Feeding Nigeria every day.*” Enterprise F is “*pretty much in every Nigerian household. So that gives us scale...because we are selling necessity products.*” It is critical for the “*FMCG to be successful*” in Nigeria, they need products that are designed “*to be affordable to tap into the low income market.*” Accordingly, “*what it means for your product*” design is that they need to achieve a certain level of quality keeping in mind that “*quality of products can be relative and quality can be expensive.*” MNEs need to find the balance between affordability and safety to ensure that they deliver a product that does not “*compromise the consumer safety*” but “*meets the requirement of being affordable*” (Participant F).

The key to success in a market restricted by import prohibitions and erratic supply is to “*have a backup for everything*” and ensure that products and production techniques are “*very flexible*” and use “*alternative sources of supply: locally and internationally... and keep [the] product as simple as possible... [by not] hav[ing] too many inputs*” (Participant B).

Enterprise L, however, has an opposing view stating you do not “*change your product design; you don’t change the pricing strategy, you keep your products the same... but how you communicate is different*” (Participant L).

4.3.16 Experiences from other markets

Experience in other markets can shape the MNE's activities as it reduces uncertainties regarding market conditions and escalates the degree of market commitment (Buerki, Nandialath, Mohan & Lizardi, 2014:18; Johanson & Vahlne, 1990:11; Mowla, Hoque, Mamun & Uddin, 2014:152). The experience gained from operating in other markets helps develop a superior understanding of market complexities, risks and conditions and identifying market opportunities (Crick & Jones, 2000:71; Elango & Pattnaik, 2007:546; Ozorhon, Dikmen & Birgonul, 2006:491). However, not all researchers agree that experience will result in success in emerging markets, as some believe that markets are unstable and unpredictable due to their dynamic and challenging nature. Therefore, MNEs can run into trouble when they try to apply tactics that worked previously (Kotter, 1999:9).

Three of the thirteen enterprises cited experience in other markets as a SCSF, namely Enterprise G, H and J. Notably, these enterprises are retailers and draw on their experiences in other African countries for their success. Enterprise G operates in multiple African markets and this exposure to other countries "*helped us... a lot*" because "*when the company came into Nigeria, it came with a lot of experience*". When the enterprise faces challenges in the Nigerian market, senior management will draw on the experience gained in other markets to guide "*the growth and the surviving strategy*". Due to Enterprise G's "*presence in several other African countries... the problem that Nigeria is facing today, might have been faced in Angola, Zimbabwe three years ago... so that helped our down time... in quickly coming back to face those challenges and quickly move forward*" (Participant G).

4.3.17 Retail market pioneer

Being a first-mover or pioneer in a market has benefits and disadvantages because being the first mover might also mean that the MNE might be the first to fail (Cao & Pederzoli, 2013:302; Pantano, 2016:60). The advantages of pioneering include becoming technological leaders, gaining loyal consumers and establishing brand awareness (Mohr *et al.*, 2014:104; Pantano, 2016:60). Whereas, the drawbacks include the costs of training employees, market uncertainty, the liability of being a foreign brand and the costs of

developing distribution channels (Cao & Pederzoli, 2013:302; Mohr *et al.*, 2014:104; Pantano, 2016:60). Perhaps confirming their assertion that they are the retail market pioneer in Nigeria, Participant G was the only participant to mention this as a SCSF. Enterprise G is a large supermarket chain who attributes their success to being a market pioneer because when they entered Nigeria there were very *“few other supermarkets that were doing something very close to what we are doing today”* and many *“haven’t managed to survive... because of... some economic policies in Nigeria”* which were *“not favourable to them.”* Enterprise G entered Nigeria through a new model for the market in terms of *“size and capacity... we hadn’t had anything like this before,”* therefore, they *“pioneered retail supermarkets in the size at which they have done business”* (Participant G).

Following on from this, Enterprise G follows a *“strategy [that] is quite different”* from other enterprises in Nigeria which has *“helped the brand in Nigeria... and... contributed immensely to our operations. There was nothing like that before the advent of [Enterprise G] in Nigeria. You would expect that when you see malls and investments as big as that, goods are going to be pricey but if you compare what you buy in an average [Enterprise G] store with what you buy in the local market or you know from any other competitors, it is slightly cheaper and... it helped with acceptability and it also helped our profit”*. As a result of Enterprise G’s pioneer status and market coverage, when asked if anyone can compete with them Participant G was confident that no one can because of their *“strength in the country is one, [and their] technical knowhow of the market.”*

4.3.18 Policy of gradual growth and expansion

When facing uncertainty, a common practice is to internationalise and invest in a gradual and incremental manner (Elango & Pattnaik, 2007:542; Fisch, 2008:370). One participant believed that following a practice of gradual growth and expansion is a SCSF. Enterprise J is a retailer in Nigeria and Participant J states that one of the critical *“success factors in Nigeria was the fact that we didn’t rush in to open too many stores and we understood what our market was about before we went further into it. Nigeria is a very difficult country to trade in because they change the laws all the time and you battle... to get money out and they put bans on certain products so... our outlook up until this year, was to go in carefully and open the stores we believe were in the right areas, put the right products into*

the areas and then develop from there” (Participant J). Following a strategy of gradual growth and expansion reflects various pieces of seminal literature such as the Uppsala Internationalisation Model, which involves the gradual commitment of resources to a market as knowledge and confidence in the market grows (Elango & Pattnaik, 2007:542; Fisch, 2008:371; Johanson & Vahlne, 1990:11).

4.3.19 Goods returns policy

Product returns systems and policies have become an important part of business especially when enterprises aim to improve customer satisfaction and uphold quality standards (Powers & Jack, 2015:1187; Srivastava & Srivastava, 2006:525; Yalabik, Petruzzi & Chhajed, 2005:162). The drawback of a goods returns policy are the high the costs of meeting service warranties and replacing parts in remote and difficult to access locations (Karamchandani *et al.*, 2011:110). Another anomaly is that one participant asserted that their returns policy was a SCSF. Participant J stated that what sets the MNE apart from its competitors is that they are easy to shop at and they have good *“exchange guarantees.”* Participant J believes that although their prices might be a *“little bit more than the informal market... if there is something wrong with them”* consumers can *“get it exchanged or repaid.”*

4.4 OPERATIONAL CSFS (OCSFS)

For the second category of CSFs, namely, operational, six factors were identified by the participants. Table 9 provides an overview of the findings from the interviews. The first column represents the different OCSFs as described by the participants. The next thirteen columns provide an overview of which factors each enterprise considered to be an OCSF. These findings will be discussed in greater depth in the sections below. The key below the table provides an explanation to interpret the contents of the table.

All of the participants agreed that producing quality products and ensuring efficient distribution and logistics were the two most prominent OCSFs. Furthermore, twelve participants deemed it an OCSF to have back-up supplies of water and electricity to

support the continuous functioning of their operations while, the OCSF with the lowest tally was staffing with expatriates, which was important to eight of the participants.

Table 9: Summary of the operational critical success factors identified by the participants

Operational Critical Success Factors	Enterprises													Total
	A	B	C	D	E	F	G	H	I	J	K	L	M	
Produce quality outputs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Efficient and innovative distribution	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Have back-up supplies of water and electricity	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	12
Use customised and localised marketing messages	✓	✓	✓	✓	✓	✓	x	✓	✓	✓	x	✓	✓	11
Access to foreign exchange	✓	✓	✓	○	✓	✓	✓	○	✓	✓	✓	✓	✓	11
Staff using expatriates	✓	✓	✓	✓	✓	○	○	✓	✓	○	x	✓	○	8

Key:

○ = Yes and no / ambiguous answer (reasons to be discussed)

✓ = Yes it is an OCSF

(Blank) = The participant did not mention it as an OCSF

x = It is not an OCSF

The columns in table 10 below highlight which of the OCSFs are in line with the literature and which were derived from the participants. As such, four of the OCSFs were highlighted in the literature review as examples and potential OCSFs. Whereas, two were introduced as new OCSFs by the participants. The additional OCSFs stem from the open-ended nature of the opening questions in the discussion guide, which allowed for the participants to respond freely to the question of, “as a broad question, what are the operational critical success factors for your enterprise when operating in Nigeria?” With this the participants could add new themes as they saw fit.

Table 10: The OCSFs in line with the literature and those derived from the responses given by the participants

Operational Critical Success Factors	Reflects the discussion in the literature review (page number)	Raised by the participants as a potentially new concept
Produce quality outputs	✓ (p.27)	
Efficient and innovative distribution	✓ (p.29)	
Have back-up supplies of water and electricity		✓
Use customised and localised marketing messages	✓ (p.27)	

Access to foreign exchange		✓
Staff using expatriates	✓ (p.27)	

Participant E helped to distinguish the difference between strategic and operational CSFs by saying “*the operational ones are...the day to day [segments] of...strategies*” and that “*if something isn’t bringing us towards [achieving] a long term goal, we shouldn’t be doing it*”. OCSFs are those factors that “*convert or translate that strategy into action. [They are] the key drivers of your organisation... [and help] to deploy... your FMCG strategy*” in Nigeria (Participant F). Furthermore, OCSFs can be activities that enable an enterprise to provide the “*right goods at the right time and the right place*” to ensure that “*if consumers go to make a purchase*” their needs will be met (Participant H).

When grappling with the various types of OCSFs, Participant G felt that it is impossible to “*separate one from the other*” because “*they are all interwoven*” and “*all interrelated*”. To illustrate this, Participant G explained that although “*marketing is key... because you have got to be in the eyes of your consumers for them to patronise you and make that decision every time... if the customer makes that call and walks into your store and they can’t find what they are looking for, they won’t want to check back on you... that is where procurement comes in*”. Therefore, there needs to be synergy between functional areas such as procurement, logistics and marketing.

4.4.1 Produce quality outputs

To be competitive in the FMCG industry, MNEs need to define their quality standards and consistently meet them (Blackhurst *et al.*, 2015:16; Ismail *et al.*, 2012:9448; Nandonde & Kuada, 2016:450). Establishing a brand known for producing quality products is “*one thing that gives [enterprises] an edge over [their] competitors*” and creates an expectation that they will not compromise on quality (Participant C). As an OCSF, “*quality differentiates*” and sets enterprises apart in the FMCG industry (Participant C). When consumers “*buy our products, [they] can be guaranteed of the quality and... [they] need to know that it will deliver*” (Participant E). In light of this, all thirteen participants asserted that consistently producing quality products is an OCSF.

When building a brand like Enterprise D's "*quality is non-negotiable*" because "*if your product is not... good quality, then you are not going anywhere*". Quality also influences the pricing strategy of the MNE. So if "*the company has a pedigree for a high quality product*" they are able to "*price a little bit higher than companies without... pedigree products*" (Participant D). One of the retailers, Enterprise H, highlighted how critical affordable quality outputs are: "*we don't give them an inferior product; we don't want to spoil the brand name... We give you value for your money so that you are satisfied. So we want a customer that buys today and comes around tomorrow for another, and not just coming around tomorrow to buy another but comes along with three other friends to buy.*" These statements are in line with the assertion by Popoola and Fagbola (2014:2) that enterprises who survive despite the weakened economic conditions and sometimes unfavourable policies introduced by the Nigerian government, have done so because of their continuous production of quality products.

4.4.2 Efficient and innovative distribution

Distribution channels in emerging markets often differ considerably to those in the developed world. The channels are often fragmented or non-existent and drive up the costs of reaching consumers (Anderson & Billou, 2007:4; Karamchandani *et al.*, 2011:109). As a response to this, MNEs, especially those in the FMCG industry, have developed innovative methods of distribution such as using fragmented local networks and sub-distributors (Anderson & Billou, 2007:5; Karamchandani *et al.*, 2011:110; Prahalad & Hammond, 2002:51). What typically happens in Nigeria is that MNEs use local distributors and tap into their multiple distribution networks to achieve a large coverage of the market (Ciuci, 2011:16). It is critical to use multiple routes of distribution to reach the grassroots consumers; therefore, all thirteen participants mentioned that effective, efficient and innovative distribution is an OCSF.

Due to the split between informal and formal trade in the retail environment, enterprises consider it an OCSF to utilize an innovative way to distribute their products. Enterprise B uses a technique of "*distribution which is different to everybody else*" whereby although they sell to "*Shoprite and Spar and to the formal trade, the majority of [their] sales, about 90% goes to the outdoor trade*" (Participant B). Enterprise B's distribution network begins

by using large warehouses to distribute *“to customers who have stores and those stores... have pushcarts, bicycles, like the old ice cream push carts... We have 7000 of those, we have 7000 bicycles, we have about 9000 fridges, we have 4000 head boxes; all around the country, which is what we use to sell in the street, in the vendors, guys walking down the street in the traffic”* (Participant B). Enterprise D also uses an innovative route to market using *“bicycles and three wheelers and sometimes vans, minivans to be able to get to the nook and crannies of where you want to get to”*. Enterprise I have *“done a couple of novel thing[s] including motorbikes... [and] a large backpack system, because it is a very light product... People would walk or ride a bicycle or a motorbike or even a moped... a three wheeler, into the more difficult areas to access”*. This is an innovative way to reach markets that *“oftentimes... you can hardly walk, let alone drive a vehicle down. There [are] just masses of people so it becomes very complicated to get through”* (Participant I).

Enterprise E *“operate[s] a very different model to Coca Cola and Pepsi Cola... [who] typically work on going direct to store, which tends to be quite expensive”* because of the investments in assets such as fridges and the lack of transport infrastructure. Conversely, Enterprise E does not have their own depots but instead *“use a very large dealer network. We have about 450 dealers... who operate in specific territories.”* Enterprise E provides *“distribution vans and merchandisers”* to those individual distributors *“near a large open market which may have 200 individual retailers in it”* to help them transport *“the goods from your warehouse to the market”* (Participant E). Additionally, for MNEs to ensure effective and continued distribution, Participant B stated that *“when you do a calculation like you would in Europe... you [would] say, okay I need three vehicles to do this number of deliveries... [Whereas] in Nigeria you just have six because you will never get it done with three”*.

A *“big success factor for”* Enterprise I *“was the route to market or distribution set up”* that they use. Participant I highlighted that *“a lot of first time multinationals come into Nigeria and use national distributors and there is a couple of... big players, and it is great for a first entry. It gives you some immediate distribution.”* However, using large distributors will not provide the scale and market coverage necessary for *“the kind of distribution you need... if you are looking for big numbers, big growth.”* Therefore, Enterprise I *“changed our distribution set up... from one national distributor and in the end... had 44 regionalised*

distributors". The "most effective" way to achieve a wide coverage of the market is to use a "sub-distributor model" but the sub-distributor needs to be "very aggressive, they have to go out and push product" because "the passive model doesn't work." (Participant I). Continuing from this sentiment, Enterprise J, a retailer, stated that they have chosen to do distribution "through our clearing agent... They will provide the infrastructure, the trucks and they will do all the costing for us... They are local guys; they know the market. So we very seldom will try and go out on our own and try and organise it." This is an OCSF for Enterprise J because "everybody who has tried on their own has really struggled." Therefore, this warrants the use of "a local distributor" who distributes "goods to the village where the consumer comes every Saturday or every Sunday [to] the open market" (Participant F).

Contrastingly, being self-sufficient in terms of distribution and transport infrastructure rather than using a sub-distributor network, was seen as critical for one of the MNEs. As such, Nigerian-owned Enterprise K, operates across Nigeria and due to their wide market coverage, "a lot of trucks are involved... a lot of vehicle spare parts are involved, machinery spare parts are involved, so these things are being procured centrally. When you procure in large quantities, you get huge discounts." Enterprise K needs "500... 30 tonne trucks to be on the road at every point in time" which means "distribution is one of the biggest... costs." Therefore, Enterprise K ensures continuous distribution by being self-sufficient, "so in order to [address] this, the business decided to have a truck assembly plant in Lagos... So instead of bringing the trucks assembled where you need to pay high custom duty, high rate of clearing... the trucks come in boxes, in parts... where you pay less charges... and they get assembled here in Lagos... [It] gives you a massive cost advantage... As a result of that, you are able to reach your customers earlier and at a reduced price" (Participant K). According to Participant K, "distribution wise, procurement wise, we are ahead of other groups" because Enterprise K has its own "port faculty... and as a result of that, ships are not delayed, therefore, damage costs are not incurred" because they "don't depend on third parties to offload our raw materials at the ports and transport them."

4.4.3 Back-up supplies of water and electricity - Being self-sufficient

One of the key constraints to doing business in SSA is the unreliable supply of electricity and according to reports more than 40% of MNEs in SSA have their own generators despite being connected to the official grid of a country (World Bank, 2016b:70-71). Improving the quality of infrastructure in SSA to the average level observed elsewhere in the world, might increase trade by as much as 42% (International Monetary Fund, 2015:55). The infrastructural deficiencies reduces the competitiveness of MNEs because the self-provision of electricity increases production and operational costs (Ado & Mallo, 2015:20; Games, 2004:4; Luiz, 2010:518; World Bank, 2016a:73; World Bank, 2016b:72). Nigeria reportedly has an extremely erratic power supply and this is cited as a reason why some MNEs have been forced to relocate their production lines to countries with more reliable sources of power (Ado & Mallo, 2015:20; Olugbenga *et al.*, 2013:33; World Bank, 2016b:72). To put the situation into context, South Africa has a population roughly a third of the size of Nigeria's, yet it generates ten times more electricity than Nigeria (International Trade Administration, 2017). Poor infrastructure is a reality for MNEs operating in Nigeria and for twelve of the thirteen MNEs, being self-sufficient and having back-up supplies of water and electricity is an OCSF.

In Nigeria the *“energy, power supply is erratic”* and the *“water supply is erratic”* (Participant C). The operating conditions for manufacturers and retailers are such that *“the general power grid operates for about 50% of the time... your power will come on and off about every 20 minutes”* (Participant E). MNEs *“can't run a business on that grid power, firstly because they won't give you enough and secondly it is not consistent or sustainable”* (Participant I). The issue is *“very critical... Getting electricity in Nigeria accounts for 40% to 50% of your manufacturing costs”* (Participant K). As a response to these challenging conditions, Enterprise D *“generates virtually everything”* for themselves because they *“can't afford to rely on government because... fluctuations can cost... a lot”* (Participant D). It is vital that MNEs *“are completely self-sufficient in all our plants in terms of power generation, both with gas and... diesel... because you don't get gas the whole time, and diesel is very expensive, so you want to run gas when you get it and if you can't get gas, you are forced to buy diesel. So... we have large storage facilities for diesel and we have got... borehole water in all our factories, so water is not an issue. But you don't own a*

factory here without having a generator” (Participant E). Being self-sufficient requires that MNEs *“have your borehole in the ground, not one but two because [if] that single one breaks down, you need to import the spare parts”* (Participant F). In particular, for retailers, it is critical that they supply their own water and electricity because they need it to *“run [the] stores”* and *“it is something [they] cannot do without”* (Participant M).

However, Participant G, held the outlying opinion and does not believe that having back-up supplies of electricity and water is an OCSF, but instead believes that it is a challenge to operating in Nigeria. Thus rather than *“being a critical success factor, it is one of the challenges which we are dealing with, which we have dealt with, and are still dealing with”* (Participant G).

4.4.4 Customised and localised marketing messages

Globalisation has brought about a greater proliferation of products and substitutes and a higher level of consumer engagement in purchase decisions (Obasan *et al.*, 2015:670; Theodosiou & Leonidou, 2003:143). As such, enterprises need to employ advanced customised marketing strategies to keep up with the rapid rate of change and maintain a competitive edge (Bendall-Lyon & Powers, 2003:590; Obasan *et al.*, 2015:670; Theodosiou & Leonidou, 2003:162). Enterprises are increasingly focussing on using customised marketing messages to reinforce consumer loyalty and positively influence future purchase behaviour (Bendall-Lyon & Powers, 2003:590). Consumer loyalty is critical as it is generally less expensive to maintain existing consumers than it is to attract new ones (Bendall-Lyon & Powers, 2003:590). Hill (2007:16) warns against over-emphasizing the ‘global village’ phenomenon where there is standardisation of products and marketing messages across the globe, cautioning that enterprises that ignore differences between countries do so at their peril. Global standardisation of products and marketing opens MNEs up to the risk that their products might not resonate with the local consumers (Hill, 2007:16). Furthermore, Daniels and Radebaugh (1995:25) observed that when an enterprise goes abroad, it faces conditions very different to those it encounters at home, thus, it will need to be nationally responsive, that is, to make operating adjustments which are better suited to the conditions of a particular country (Theodosiou & Leonidou, 2003:142). Obasan *et al.* (2015:672) found that marketing strategies such as targeting and

strategic positioning can enhance product performance in the food and beverage industry of Nigeria. In sum, the effect of customised marketing strategies is demonstrated by improved turnover and business success (Bendall-Lyon & Powers, 2003:590; Obasan *et al.*, 2015:670).

Boddewyn (2016:19), Li and Oh (2016:3), and Rodriguez *et al.* (2005:390) state that the customisation of marketing messages can be used to establish a favourable brand name and image. Additionally, Anderson and Billou (2007:23) considered the adaptation of marketing message scripts according to the level of education, language and religious beliefs of a region as critical. Thus, in light of the literature and the information extracted from the interviews, for all but two enterprises, customisation and localisation of marketing messages was an OSCF (Enterprises A-F, H-J and L-M).

Participant I is *“a strong believer that there is no one culture in Africa... In Nigeria for instance you have got sensitivities around stuff that is not an issue in Kenya or Ethiopia.”* As a result, it is critical *“to localise your messaging”* because *“Nigerians are fairly different, every African country is different.”* The *“localisation of your messaging is critical”* to ensure that products and marketing are *“relevant to the culture where you advertise.”* Nigeria is a diverse country concerning culture, religion, language and ethnicity. It has over 250 different ethnic groups, with the most influential groups being the Hausa and Fulani (29% of the population), the Yoruba (21%), Igbo (18%) and Ijaw (10%) (Lysonski & Durvasula, 2013:494; PWC, 2017:1). This diversity influences consumer behaviour and preferences (BDI, 2014:56; Lysonski & Durvasula, 2013:494; OECD, 2015:18). Due to its British colonial roots, English is the official language of Nigeria, but due to its ethnic diversity, local languages are also widely spoken (BDI, 2014:56; OPEC, 2016; PWC, 2017:1). *“In Nigeria, we have three regions and three major languages. The Igbo... for the South East, the Yoruba for the South West, and for the North they speak predominantly Hausa. So your marketing and communication must recognise that”* (Participant D). It is critical that marketing messages and products are *“customised for the regions... particularly if you are in the mass market... you need to be able to customise your marketing to the local needs”*. In some cases, due to the differences of the Nigerian population, it might be the case that an enterprise *“has a particular product that is used differently in the Northern part to the way it is used in the South”* which will mean that although it is the *“same product, it will*

serve a different need". Accordingly, *"insights from your consumer research will"* highlight this and enterprises can then tailor the message according to the region keeping in mind that local languages will resonate meaningfully with local consumers (Participant D). Enterprise A's *"whole approach is to be customised to the Nigerian market"* (Participant A). Likewise, customised marketing messages *"is number one... Speaking to the consumers in their voices and in their language is critical otherwise any money that you spend marketing"* will be wasted (Participant L).

The mediums for reaching consumers in Nigeria include radio, television and outdoor advertising as well as social media which *"is really growing, penetration is really getting higher, it is at 65% at the moment"* (Participant L). It is an OCSF *"in terms of marketing"* to *"use the local channels: local radio... local language to connect with the consumers"* (Participant F).

However, two of the participants held alternative opinions regarding the criticalness of customising marketing messages. Participant G recognised that local marketing is *"important but not critical to our success"*. Enterprise K is a Nigerian-owed MNE and is essentially a local MNE. Due to the strength of the brand name of Enterprise K, they *"don't need the radio jingle, television adverts... [or] local agencies to drive it, so for us, our name alone is a very big name"* (Participant K).

4.4.5 Access to foreign exchange

The Nigerian Foreign Exchange Monitoring and Miscellaneous Provisions (FEMMP) Act aims to ease restrictions on exchange transactions. Therefore, foreign enterprises can invest in, acquire, dispose of, create or transfer any interest in securities and other money market instruments in foreign or local currency (OECD, 2015:59). FEMMP signifies a shift towards greater market liberalisation, the promotion of foreign trade and an attempt at creating an enabling climate for investment (OECD, 2015:59). However, the reality on the ground in Nigeria differs significantly from the legislative theory. Nigeria is currently facing severe shortages of foreign currency which poses considerable challenges to enterprises who need foreign exchange to import products, raw materials or transfer money out of the country (African Development Bank, 2017:34; International Monetary Fund, 2017b:14;

Maritz, 2017). The results of the shortage have been described as putting a significant handbrake on Nigeria's growth and has led to a decline in corporate performance (International Monetary Fund, 2017b:4; Maritz, 2017). This has significant impact for FMCG retailers who import products because without currency to pay for imports, their shelves will be empty (Maritz, 2017). The African Development Bank (2017:34) reports that when the CBN (Central Bank of Nigeria) removed the Naira's peg to the dollar in June 2016, it devalued, but the official exchange rate is still controlled by stringent trading restrictions. However, in reality, the black or parallel market reflects the true story of the Naira; the exchange rate has plummeted and is volatile (African Development Bank, 2017:34; Douglas, 2017). The Nigerian *"government controls the dollar allocation. So you may want to buy material but if you don't have access to the foreign exchange, you are out of business"* (Participant F).

For eleven MNEs, it is an OCSF to have access to foreign exchange and to *"understand the mechanism of foreign exchange allocation and integrate that into your business planning"* (Participant F). Economically speaking *"Nigeria doesn't have a coherent story to [offer] investors at the moment. The Naira has devalued from last December from an official rate of N 199.5, to today on the black market it is N 450, and on Monday it was N 420, or last Friday it was N 520, so there [are] significant swings... Investors aren't prepared to put in money until the currency is officially devalued because today there [are] three different rates: the CBN rate, there is an interbank rate and then there is a black market rate"* (Participant E). MNEs struggle to *"source currency from the CBN...at the official rate,... so companies... are forced to source funds on the parallel or black market which increases their costs significantly"* (Participant E). Sources vary regarding the number of different exchange rates, stating that there are anywhere between three and seven exchange rates, which has led to market speculation, volatility and instability (Weller, 2017). One report claims that there are five exchange rates: the official one, the black market one, a rate for Muslim pilgrims going to Saudi Arabia, a rate for foreign travel and a rate for school and medical fees (Business Report, 2017). The multiplicity of rates is hurting Naira-based assets as foreign investors find it hard to price and value them (African Development Bank, 2017:34; Business Report, 2017). For enterprises that want to *"import, [it is] hugely complex in terms of payments, in terms of foreign currency, in terms of regulatory requirements of customs"* and *"the black market exchange rate continues to*

get worse” making the “*availability of forex less and less*” (Participant B). Nigeria is hoping to receive “*loans from the IMF and China*” which will provide the much-needed “*external stimulus to allow the forex to flow*” (Participant B). The impact of “*the instability in foreign exchange*” is that it is affecting enterprises who import many of their FMCG products “*negatively in terms of our price points on the shelf competing with competition*” (Participant C).

Two MNEs have found ways around the challenge of the limited access to foreign currency, namely Enterprises D and K. The benefit of being linked to a sister enterprise within the region of West Africa is that the risk of being unable to access foreign currency is largely mitigated for Enterprise D because they “*have a sister company that sees to exports, so the sister company generates forex for us which we also use to import whatever we need. That’s how we have been able to mitigate the impact*” (Participant D). Participant K purports that although it is an OCSF to access foreign exchange, Enterprise K is lucky that “*the brand alone and the size of our business is such that when you go looking for forex, we are given priority*” (Participant K). Furthermore, Enterprise H has not struggled very much with gaining access to foreign exchange because they have “*been in this business for long*” and they only import “*35% of our goods*” so their need for foreign currency is reduced (Participant H).

4.4.6 Staff with expatriates

An MNE’s structure and strategic ambitions will influence its international operations, including the type of staffing policies its subsidiaries will implement. Decision-making and the level of autonomy in a global organisation can be structured to allow for input from both headquarters and subsidiary managers to incorporate regional differences (Neuland & Hough, 2007:212; Parker, 2009:148; Phatak, Bhagat, & Kashlak, 2008:186; Rees & Smith, 2017:269). However, the decision to staff a subsidiary with expatriate employees is often a contentious one due to host country resentment and the high costs of expatriate assignments. An expatriate can be defined as a person employed by an MNE who spends a limited period working in another country and complies with the regulations and cross-border legislation in order to work in that country (Jones *et al.*, 2014:243; McNulty & Brewster, 2017:44).

In Nigeria, MNEs can employ expatriates within the boundaries defined by the expatriate quota and expatriate employees require residence permits (for a period not exceeding two years) to allow for the remittances of their salaries (DCSL, 2017:1; Federal Republic of Nigeria, 2015:200; KPMG, 2017:1; Law Nigeria, 2015; OECD, 2015:63). The expatriate quota is designed to prevent the indiscriminate employment of expatriates where there are qualified Nigerians to fill those positions. Furthermore, MNEs need to apply to the Comptroller General and show they will employ Nigerians to understudy and learn critical skills from expatriates. Failure to do so or using expatriates without authorisation makes the MNE liable to pay a fine of N 3 million for each month that the position has been occupied by an expatriate without a local understudy and will result in the deportation of the expatriate (DCSL, 2017:1; Federal Republic of Nigeria, 2015:200; KPMG, 2017:2; PWC, 2017:15). Additionally, there are over a dozen documents required to justify hiring expatriate employees (DCSL, 2017:2). As long as the MNE can prove that there is a genuine need for the skills that are not available locally, there is no limit to the number of expatriate quota positions (DCSL, 2017:1; PWC, 2017:15). MNEs can use the knowledge of expatriates to transfer skills and experiences from the global organisation to the local market and subsidiary operations (Barakat & Moussa, 2014:280; Gannan & Newman, 2002:123; Harvey & Novicevic, 2001:73; Harzing, 2002:381; Wong, 2005:325; Yew Wong, 2005:261). Enterprises are becoming more knowledge intensive and are hiring “minds” more than “hands” due to the critical value of knowledge in driving business success (Yew Wong, 2005:261).

In total, eight participants considered staffing with expatriates to be an OCSF (Enterprise A, B, C, D, E, H, I and L), while, four participants (Enterprise F, G, J, and M) were ambiguous about the criticalness of the role of expatriates. One enterprise does not believe expatriates are an OCSF (Enterprise K). In this study, the foremost reason for using expatriates is to fill the “*lack of skills*” in Nigeria (Participant A). In some instances, expatriates and their knowledge is so critical that “*a lot of the companies can [not]... do without those skilled people... [The] expats... bring very necessary knowledge to the company*” (Participant A). However, according to Participant G, MNEs “*cannot take the expatriate and the expatriate knowledge in isolation*”, instead there needs to be a blend of local and expatriate knowledge and skills in order to be successful in Nigeria.

Contrastingly, Participant K was the only participant who asserted that staffing with expatriates *“is not an operational critical success factor”*. Expatriates are not considered to be an OCSF for Nigerian-owned Enterprise K because only *“about 2%”* of their staff are expatriates and they are used *“for the big positions and for some technical roles”* (Participant K).

- **Staff with a combination of expatriates and locals**

The message from the majority of the participants was that MNEs should be staffed by a combination of expatriates and locals. Participant I stated that in *“Nigeria, you need strong leadership, you need leadership both expat and localised.”* Participant E purported that expatriates are only required when there are gaps in capability of the locals and or when there are concerns regarding integrity and ethical behaviour. Therefore, expatriates should only be hired when they bring best practices or to allay concerns regarding fraud and corruption (Toh & DeNisi, 2005:134).

- **Recommended positions for expatriates and local employees**

“There are very few organisations in Nigeria that aren’t run by expats” and those expats are in *“key positions”* (Participant B). Expatriates generally hold key positions *“at the top”* of a subsidiary (Participant C). Furthermore, Participant B suggested placing expatriates in key technical skilled positions such as procurement and finance will be beneficial to have someone *“that you can trust but someone that is not connected”* and less likely to be susceptible to nepotism or cronyism than a local might be. Table 12 highlights that eight participants felt that expatriates should hold positions in finance and eleven participants believed that senior and top managers should be expatriates. These findings and statements also corroborate the existing literature that expatriates should occupy technical positions (Harzing, 2002:368).

Participant C recommended that MNEs staff subsidiaries by having locals in roles that involve *“ground work”* which carries the added benefit of having somebody who is *“well grounded in this territory in order to understand how to... do business here.”* Participant I recommended that enterprises should have *“a strong Nigerian lawyer or regulatory expert”*

and “a fairly strong local lawyer as one of [the] directors.” Participant I also stressed the importance of training staff and ensuring that MNEs hire the right talent that is suited to the Nigerian market.

The use of expatriates reflects a MNEs’ “ability to attract locals at the skill level you are looking for, and so if you cannot... then the expat route is... the right way to go.” Thus, the staffing policy of Enterprise I is not to put “expats in all areas.” Instead, expatriates should hold positions such as “manufacturing directors, finance directors... GM (General Manager), CEO (Chief Executive Officer).” However, for other positions such as legal and human resources, Participant I would “always go local... Marketing... is an interesting one because... there are some really good marketers in Nigeria but what you want is... a Diaspora returning to Nigeria who has worked... on branded companies internationally” but Participant I also believes that “there [are] enough good locals in marketing”. With regards to sales it “is another one that is tricky, but generally you can find a pretty good sales director in Nigeria.” Critically though, MNEs should have a “commercial director above” marketing and sales “which could be an expat just to make sure that the way of working is in line with the company.” In addition, for “distribution, you need someone who is local, who understands how to get it to the small shops and the villages” (Participant L).

Table 11 lists some of the roles in an enterprise as well as the roles assigned to expatriates or locals by the participants. The roles that each participant believed an expatriate can or should occupy, are indicated under the column ‘expatriate employees’ and the same goes for the roles that locals should occupy under the column ‘local employees’.

Table 11: Roles assigned by the participants to local and expatriate employees

Enterprise	Roles	
	Expatriate employees	Local employees
A	iii, x (engineering and technicians)	
B	i, ii	v, vi
C	iii, iv	i, ii, vi, xi, v, vi, vii, viii, ix, x, xi, xii
D	iii, ii	v, vi, vii, viii, xi, xii, xiii
E	i, ii, iii, iv, xii, xiv	v, vi, vii, viii, ix, xi
F	ii, iii	i, iv, v, vi, vii, viii, ix, x, xi, xii
G	iii	xi

	Roles	
H	ii, iii, iv, x	i, v, vi, viii, ix, x, xi, xii
I	ii, iii, iv	vii, viii, v, vi, xi
J	i	vii, xi
K	i, ii, iii, iv, x	v, vi, vii, viii, ix, xi, xii
L	iii, x,	vii, xii
M	ii, iii, xiv	v, vi, vii, viii, xi, xii, xiii

Roles :

- i. Procurement director
- ii. Finance director
- iii. Top management (GM, MD, CEO)
- iv. Manufacturing director
- v. Marketing
- vi. Human resources
- vii. *“On the ground”* – spending time in the markets
- viii. Legal department
- ix. Regulatory team
- x. Technical skills
- xi. Sales
- xii. Distribution
- xiii. Logistics
- xiv. Audit

Table 12 below builds on the findings of Table 11 above by presenting the total frequency counts reflecting the recommended roles to be held by expatriates and those which should be filled by local employees. The totals reflect how many participants mentioned that particular role for that type of employee.

Table 12: Frequency counts of the roles assigned by the participants to local and expatriate employees

Role	Frequency count/ total	
	Expatriate employees	Local employees
i. Procurement	4	3
ii. Finance	8	1
iii. Top management (GM, MD, CEO)	11	0
iv. Manufacturing director	5	1
v. Marketing	0	9
vi. Human resources	0	9
vii. “On the ground”	0	9
viii. Legal	0	8

	Frequency count/ total	
ix. Regulatory	0	5
x. Technical skills	4	3
xi. Sales	0	10
xii. Distribution	1	6
xiii. Logistics	0	2
xiv. Audit	2	0

Based on the frequency counts from Table 12 above, it is evident that the most common roles for expatriates to hold are those of top management (11), financial manager (8), manufacturing director (5), procurement manager (4), and for their technical skills (4). On the other hand, the participants stated that the more preferred roles for locals are those in sales (10), marketing (9), human resources (9), having people “on the ground” (9) and in legal roles (8).

- **The value of staffing with expatriates in Nigeria**

The value of expatriates according to Participant L is that they “offer technical capability transfer, or technical knowledge” but “when it comes to local understanding... the locals have the cultural nuances and know things that are sometimes very peculiar.” Expatriates are limited in terms of their understanding of the local markets, because they “don’t really leave the big city centres to go into the hinterlands” but their value lies in that “they bring structure and process, which is required for the efficient running of an organisation.” Expatriates also are necessary to transfer the MNE’s “global mind-set and... culture.” This is in line with the literature that the value of expatriates lies in their ability to develop and improve the subsidiary by sharing the MNE’s global best practices, procedures and structures (Harzing, 2002:369). Furthermore, expatriates are used as a way for MNEs to maintain control and coordination (Harzing, 2002:369).

Participant D believes that staffing with expatriates is an OCSF “particularly for a multinational... It is a critical factor because you share knowledge, you share experience”. Expatriates “come with a different perspective entirely so working with them... can actually add a lot of value”. Using expatriates “is also one of the competitive advantages that the multinationals have over the local companies because they are not exposed to... expats

knowledge... and experience" (Participant D). The benefit of staffing with locals is being able to access and use *"their knowledge and their understanding of the country or the different cities"* (Participant J).

- **The challenges of staffing with expatriates in Nigeria**

The Nigerian government has a policy governing expatriate quotas and regulations that need to be complied with in order for expatriates to work in Nigeria (Bloomfield Law, 2017:3). The challenge for enterprises in the future is that *"to get a visa to work in Nigeria is becoming increasingly difficult"* because the government is *"seriously discouraging companies from using expatriates"* and enterprises need to *"prove that the person they want to employ is the correct person with the right qualifications and background"*. (Participant A).

Participant E believes that *"expat time should be limited" "on a fixed term contract"* because *"people get very stale after 3 or 4 years if they are in the same role"*. The *"key thing is they should train and develop people around business process and thinking... It is a necessity at the moment"* to use expatriates because there is *"a perception that there is a lack of senior local talent who have been trained to... a US or European MNC standard"*. The literature confirms this advice, stating that the expatriate's contract period and roles should be clear. They are tasked to transfer knowledge and experience, train and develop local successors and upon completion move on to a new assignment. When MNEs fail to do this, the host country government and citizens often react negatively and treat expatriates with disdain (Parker, 2009:148; Toh & DeNisi, 2005:133).

As previously indicated, not all participants felt that expatriates were necessary to assist in the running of their Nigerian operations. Participant M saw little need for expatriates because he believes that the local talent is sufficient, however, enterprises can *"call in expatriates... when there is a special need or there is a project."* Participant F raised an alternative perspective to using expatriates in that he believes that *"in every country there is an education process and if you take time to interview and listen to the young boys and girls you will always find the right talent that then you have to coach to become what you want for your organisation."* Participant F believes that it is an OCSF to *"integrate... talent..."*

identification in your process” which will help MNEs “*to understand the local environment*”. Participant F also recommended that MNEs search for a balance between “*expatriate talent; you look for some people who are already operating in Nigeria and then you combine that with the recruitment of local talent and you can get what you want*”. Participant J was very positive about the calibre and quality of Nigerians, stating that they “*are probably the best country in Africa to work with, they are very clever, they pick up on things very quickly and they get the job done.*” Enterprise J’s buying team consist mainly of expatriates and they have “*one other store manager from South Africa in Abuja*” but for the rest “*all our staff are locals*” (Participant J).

Enterprise G has invested heavily in training and developing local talent “*from the branch manager to the cashier person in the store*” which has involved high “*training costs including flying people from here to the parent company to see how things are being done*” but Participant G claimed that “*that model has worked for us*”. This confirms the assertion that training and developing locals to fill the roles of expatriates is beneficial for MNEs looking to achieve shared values and to facilitate network building between headquarters and subsidiaries (Harzing, 2002:381).

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 DISCUSSION

5.1.1 Strategic CSFs

The literature review highlighted that there are two major categories of CSFs, namely strategic and operational. Strategic CSFs are those factors that reflect high-level enterprise-wide strategies and relate to the mission and strategic objectives of an enterprise. They reflect factors related to bottom-line profit and those that involve expansion, growth aspirations and market positioning. They encompass medium to long-term strategies and impact on the success of an enterprise. It is evident that for the participants in this study, the three most important SCSFs were: (1) understanding Nigeria's external environment, (2) understanding the needs of the Nigerian consumers and (3) building relationships with various stakeholders. In addition to the three most frequently mentioned SCSFs, the participants highlighted sixteen other SCSFs.

- Understand Nigeria's external environment

Evidence presented in this study suggests that Nigeria' population size and underdeveloped formal retail sector presents a challenging but potentially highly rewarding opportunity for MNEs in search of growth and new markets. As such, MNEs are advised to conduct thorough field and desk research about the infrastructural, political, retail, economic, sociocultural and legal environments of Nigeria. Accordingly, a deep understanding of the external environment was one of the most essential SCSFs. In addition to this, it is critical that MNEs cultivate a culture of strategic flexibility to adapt to environmental changes.

Evidently, Nigeria has virtually no rail network and an extremely underdeveloped road infrastructure. Coupled with this is the insufficient supply of water and electricity, which

threaten the existence of both manufacturers and retailers across all industries. Infrastructural deficiencies of transport systems and basic services add to the costs of operations, cut into profit margins or increase consumer prices. For all participants, infrastructure deficiencies were an obstacle and challenge to their Nigerian operations, however, they have overcome this by sourcing their own water supplies and using both diesel and gas generators to power their facilities, factories and outlets.

The political environment of Nigeria is unpredictable and characterised by terrorism and extremist behaviour emanating from groups such as Boko Haram and the Niger Delta Avengers. This study highlighted that although terrorism is a genuine threat in Nigeria, some of the participants felt that the media have exaggerated the extent of the current threat and that it should not deter MNEs from operating in regions where terrorism has been known to occur. Furthermore, highly populous regions such as Kano in the North West of Nigeria, cannot be ignored by MNEs looking to expand their market coverage just because of the threat of terrorism. Thus, MNEs need to be cautious about terrorism and take the necessary precautions to protect their operations and personnel but also cognisant that there is a large consumer base in the affected areas who need goods and services.

Corruption and poor governance were highlighted as some of the biggest impediments to doing business in Nigeria. Moreover, corruption frustrates operations in Nigeria, leading to empty shelves and stock-outs when goods are purposefully delayed at border posts or manufacturing is slowed down due to high levels of bureaucracy.

The retail environment of Nigeria is far removed from Western-style retailing in that it is fragmented and largely informal. Large-scale outdoor markets, roadside sellers, small grocers and micro markets make up the informal market that is estimated to facilitate between 80% and 90% of all trade. Thus, strategies and products need to be tailored to suit these conditions. On the other hand, the formal retail market has room for growth.

- Understand the consumer's needs and behaviour

All thirteen participants identified that understanding and meeting the needs of Nigerian consumers is a SCSF. Nigeria's population is not homogenous and as such, it is vital that MNEs conduct in-depth research about the needs and behavioural patterns of its target consumers. With a population of between 177 and 184 million people, there are some notable differences between the regions. The participants spoke about the differences between consumers in the North versus those in the South of Nigeria and how these differences influence what they buy, how they consume and behave. Therefore, it is critical to conduct extensive research about the consumers in terms of their brand and taste preferences, religious orientation, income status and to explore some of the challenges of serving that consumer group. In general, Nigerian consumers are brand loyal, rapidly urbanising, optimistic and looking for value for money in affordable products. Furthermore, in a market with a large number of low-income consumers, it is vital that products are affordable. Therefore, it is a SCSF that MNEs adopt a market or consumer-centric orientation in order to meet the needs of their target market using strategies such as tailoring the product size, price or communications. In particular, manufacturers are well positioned to tailor their products to meet the unique demands of the consumers.

The majority of Nigerian consumers are low-income earners, which makes price an important determinant of purchase behaviour. MNEs set themselves up to fail if they only focus their efforts on serving the middle-upper and upper classes with premium products. Several participants confirmed the literature; that in order to survive an economic recession, it is critical that MNEs sell necessity products, because consumers stop consuming luxuries but continue to purchase basic goods for survival. Ultimately, the key to success is that MNEs need to find a balance between quality and affordability to ensure that the consumer is satisfied.

Based on the insights provided by the participants, it is evident that the MNEs that are not succeeding in Nigeria are those who are pushing the majority of their products through formal retailers only. Thus, it is critical that MNEs establish strong relationships with informal markets and micro-grocers in order to reach grassroots consumers and survive the economic recession. However, small retailers and informal markets are not always

reliable and some do not operate 7 days a week, as larger, formal retailers do. Therefore, MNEs need to find a way of ensuring product availability to consumers. Some participants felt that consumers are gradually moving to purchasing from formal retailers. However, MNEs cannot ignore the importance of informal traders and it is critical that they find a way to straddle both the informal and formal markets. Interestingly, it is the view of some participants that the formal trade will never replace the informal due to the cultural norms, attachments and preferences of Nigerian consumers.

- Build relationships with various stakeholders

Nigeria is a deeply connected and community-based society, therefore, the key to success is to develop strategies that identify, build and nurture relationships with key stakeholders. Accordingly, all thirteen participants considered relationships to be a SCSF. However, different stakeholders have differing levels of importance depending on the strategic ambitions of the MNE. The interviews revealed that the most critical stakeholder is the consumer, followed by distributors, government, regulatory agents, suppliers, retailers and the least important are other MNEs. Relationships with the consumer can help to build brand loyalty and ensure repeat purchases, whereas relationships with distributors can help to distribute products across the fragmented market. The numerous regulatory agencies behave in haphazard and unpredictable ways and failure to comply with their sometimes arduous and bureaucratic procedures can result in fines and costly delays. Furthermore, the agencies place immense pressure on MNEs to comply with their regulations. This, is often accompanied by pressures to pay facilitation fees or bribes to speed up the process. Whether or not MNEs should have relationships with government and regulatory agents stimulated a lot of thought and brought out contrasting opinions among the participants. On the one hand, eight participants felt that it is useful to have relationships with the agencies that control and govern the industry. Such relationships can provide the MNE with information to help it proactively respond to challenges. However, due to the turnover of personnel and the notoriety of corrupt behaviour in the regulatory agencies, five participants felt that it was not advisable to have relationships with the agencies.

In an attempt to stimulate local growth and promote local products, the prevailing government policy is that 75% of products must be sourced locally. In order to be successful in Nigeria, retailers need to take note of this regulation and aim to exceed that number. This can also serve as a way to garner favour with the government and local communities by building up local capacity and adhering to government policies.

- Play by the rules by behaving ethically

Due to the high levels of corruption in Nigeria and the stresses of accordingly slow procedures, the temptation and pressure on MNEs to pay facilitation fees and bribes is vast. Corruption is rife at the ports and is instigated by customs officials and regulatory agents looking for payments to speed up the process of clearing goods, amongst other things. Getting goods through the border and onto shelves to be purchased by consumers is critical for the continued success of the MNE, however, if MNEs are not willing to pay facilitation bribes, goods will be delayed and MNEs need to prepare for this. The temptation to engage in unethical behaviour heightens when competitors are willing to compromise to get their products into the country at a fast rate. Those who do not give in, carry the burden of time delays and inefficiencies in clearing customs. Eleven participants, however, highlighted that MNEs cannot compromise their standards because once one bribe has been paid, it is nearly impossible to stop it from recurring and it is likely that the situation will escalate and ultimately worsen. Furthermore, illegal and unethical behaviour has legal and reputational implications for a global MNE as well as for the reputation of the MNE in Nigeria. Thus, it is critical that MNEs develop a code of ethical conduct and adhere to it in order to establish a solid reputation in the community. As such, they need to become known for being unwilling to pay bribes and eventually the officials will stop asking for bribes.

In the long term, MNEs who behave ethically are more likely to succeed than those who engage in corrupt behaviour. Although it is tempting to pay facilitation fees, MNEs set themselves up to fail when they start engaging in corrupt behaviour. Thus, it is critical that managers set a good example and adhere to a strict code of ethics as well as appoint an internal department to deal with regulatory compliance and government relations.

- Adapt strategy to Nigeria: Create Nigeria-centric strategies

Eleven of the participants highlighted strategic adaptation as a SCSF. To achieve success in Nigeria requires a unique strategic approach to that of the developed world concerning the product range, manufacturing techniques, distribution methods, stock-keeping policies and strategic mind-sets. In Nigeria, concepts and policies that apply to the developed world are often irrelevant and unrealistic. For example, the stock keeping policy of Just-In-Time (JIT), whereby products or raw materials are delivered only when needed, does not apply well in Nigeria. Resulting from inefficient customs procedures and unpredictable government policies, MNEs cannot afford to use a JIT policy but instead need to build up reserves of stock in order to safeguard against unavailable products and stock outs. Furthermore, the calculations for the requirements of delivery vehicles for MNEs operating in a developed country will differ vastly to the requirements for Nigeria; where that number will need to be doubled to safeguard against any shortages, emergencies or unforeseeable delivery delays.

As previously discussed, MNEs need to adjust to the local environmental conditions and pressures by creating Afrocentric, and more specifically, Nigeria-centric strategies. A fatal mistake that MNEs can make, is to export Western-style strategies and force-fit them to the Nigerian market. In a fragmented retail environment, it is vital that MNEs craft strategies that straddle both the formal and informal markets. Furthermore, the distribution channels to reach those markets are distinct from those of developed countries and require unique solutions. It is also critical that manufacturing MNEs learn how to innovate and manufacture using the raw materials that they have on hand and build up adequate levels of raw materials to minimise the risks of stock-outs that stem from inefficiencies at the ports and the delays in clearing customs.

In order to successfully adapt strategies for Nigeria, the corporate culture of an MNE needs to be proactive, flexible and adaptable, encouraging input from all levels of employees. It is critical to have key employees such as marketing and sales directors and their teams on the ground in the markets several days of the week to keep up with the latest needs and conditions. The dynamic nature of the political and economic external environment of Nigeria requires that managers regularly re-evaluate their strategies and

make proactive adjustments where necessary to ensure the strategies remain relevant and successful.

- Achieve economies of scale

Eleven of the thirteen participants viewed achieving economies of scale as a SCSF. All of the MNEs in this study have a presence in more than one African country and as such, it is an opportunity to leverage this presence to centrally procure, manufacture or distribute goods in order to spread costs across larger volumes of products. In Nigeria specifically, achieving economies of scale can help to offset the higher operational costs resulting from infrastructural deficiencies and the need to be self-sufficient in terms of water and electricity. Likewise, it is critical to achieve economies of scale to reduce the costs of goods and provide a more affordable product to meet the needs of the poorer consumers. Furthermore, reducing costs is critical to support a grassroots distribution model using bicycles and mopeds, where there are several layers of distribution.

- Pricing strategy

The FMCG industry is characterised by price wars and an abundance of similar products and substitutes, therein making an affordable pricing strategy critical. Ten participants mentioned how important it is to use an effective pricing strategy. This includes taking measures to ensure that products are affordable, especially in light of the recession where consumers are looking for products that will provide them with the greatest value for money. Reflecting similar sentiments to the discussion on economies of scale, the pricing strategy needs to ensure that prices allow for great enough margins so that all of the members in the chain of distribution, from the wholesalers to the sub-dealers, will benefit.

- Organisational structure

Nine participants considered organisational structure to be a SCSF, whereas, four participants disputed this, stating that it is an enabler of the flows of information and resources, but not a SCSF in itself. A few salient pointers regarding organisational

structure were raised. Firstly, it needs to be streamlined and flat because in a complex environment, a simple structure enables improved responsiveness and flexibility. Due to the unpredictability of Nigeria's external environment, flexibility and responsiveness are key. Therefore, MNEs should avoid functional silos and establish end-to-end business streams or share business functions between regions. Secondly, the organisation needs to be consumer-centric in order to adapt to the changing needs and wants of consumers. Finally, subsidiaries in Nigeria need to leverage their parental network connections in order to gain access to foreign currency, products and market information to give them a competitive edge.

- Market coverage

Nigeria covers a vast expanse of land and has a large population size, however, serving the market is challenging due to the inadequate distribution infrastructure. Eight participants believed it was important to ensure that the MNEs products cover a large part of the market as a SCSF. Furthermore, two of the three retailers consider market coverage to be a SCSF. As such, it is important to map out all of the regions in Nigeria and determine which ones are underserved and present opportunities for growth and profit. The aforementioned market coverage is twofold; firstly, MNEs need to serve at least the lower and middle income classes and secondly, MNEs need to use retail outlets in both the informal and formal markets. MNEs that target only Lagos and other densely populated cities stand to fail in the long term if they do not attempt to serve the thousands of smaller towns and villages across the country. Thinking more broadly, having a presence in more than one market, state or country is a way to safeguard against political and economic risks. Furthermore, a wider market presence can help to achieve location economies, economies of scale and leverage network connections between subsidiaries.

- Partner with another entity

The question of partnering brought about a variety of responses from the participants. Three participants did not see value in, nor the need for, partnering, whereas eight were in favour and two were undecided on the matter. As such, no patterns emerged regarding the

types of partners. Thus, the extent and nature of partnering varied depending on the needs of the MNE.

The three major reasons why MNEs chose not to partner with any entity were that the enterprise was already well-established with sufficient resources and capabilities; the enterprise chose to develop the capability themselves, and/or the enterprise chose to register as a local enterprise to overcome the liability of foreignness. Those who do not have partners do not feel that it has affected them negatively and have instead focussed on strengthening their local staff and capabilities to mitigate the need for partners.

On the other hand, it was evident that the most common reason for partnering with another entity was to fill a gap in capacity, infrastructure, capability or skills. Eight participants suggested that the most valuable partners are local partners and of those eight, six actually have local partners. Two participants made that suggestion although they do not have partners themselves. When it comes to local partners, MNEs should avoid partnering with a local partner just for the sake of having a local partner, but instead the partnership should be born out of a need for a professional service from that partner. The benefits of having local partners for MNEs include: (1) gaining access to local networks and knowledge, (2) using the partner as a guide in uncertain political, economic and regulatory environments, (3) leveraging the reputation of the local partner and (4) enabling fast start-ups and shortened settling-in periods. However, local enterprises in Nigeria have a reputation of exploiting investors and exerting undue influence on MNEs. Therefore, MNEs should take the time to conduct thorough due diligence on a potential partner and ensure they have a sound reputation and honourable intentions.

Referring back to previous discussions regarding poor infrastructure and the fragmented retail environment, six MNEs chose to partner with professional logistics providers (PLPs) to provide services such as customs clearing, distribution and warehousing. The benefit of using PLPs is that it furthers the strategic objective of growing market coverage and serving a broader consumer base by tapping in to a wide network of distributors. It is critical to prepare service level agreements, contracts and a set of measurable and identifiable key performance indicators to monitor and control the partnerships with the PLPs.

Three other variants of partners were mentioned by the participants, namely: other MNEs, the Nigerian government and property developers. However, these were not mentioned frequently by the participants and were treated as anomalies. Partnering with the Nigerian government is a contentious topic due to the cronyism, nepotism and corruption surrounding partnerships and tenders. It was Enterprise K, a Nigerian-owned and run MNE who has partnered with the Nigerian government. Partnering with property developers was seen by one MNE as a way to overcome the challenge of trying to find suitable sites for formal retail outlets.

- Strong brand name

Seven participants emphasized that the strength of their brand name is a SCSF in Nigeria. The trend emanating from this study was that all of the retailers considered a strong brand name to be a SCSF. Strong brand names can help to establish loyal consumer bases and differentiate products in the FMCG industry. Additionally, brand loyalty can help to build a competitive advantage by ensuring that when given the opportunity, consumers will repeatedly purchase products. It is critical that MNEs focus on their branding strategy to ensure that they are hitting the right emotional levers with the target market. For Enterprise K, a large Nigerian-owned MNE, one of their most critical competitive advantages is their strong brand name and its associated imagery that resonates with consumers and opens doors when dealing with the government.

- Vertical integration

In environments where related industries are lacking or subject to government policy somersaults, retailers and manufacturers often opt for vertical integration. In this study, six MNEs, mainly manufacturers, chose to respond to the foreign exchange shortages, import restrictions and unreliable supply chains by developing the capability themselves. As a result, they considered vertical integration to be a SCSF as a way to overcome many of the challenges in the external environment and take back some degree of control. However, vertical integration requires large capital outlays and often the purchase of properties, making it a lengthy and often complex endeavour.

- Corporate Social Responsibility

Nigeria is categorised as a collectivist society; placing great value on relationships and group benefit, therefore, the expectation would be that CSR could be seen as valuable because it helps to uplift the community and environment. However, whether or not CSR is a SCSF for MNEs operating in Nigeria, remains unclear as the results from the interviews did not reveal any obvious patterns. In view of that, six participants highlighted the critical nature of CSR, viewing it as a powerful way to connect with consumers and build a positive reputation in the community and with the government. Furthermore, the Nigerian government is particularly interested in what MNEs are doing to give back to the community and enterprises can use CSR as leverage when dealing with the government. Three of the participants, however, felt that CSR does not resonate with consumers in Nigeria the way that it does with consumers in Westernised countries. Four participants were ambiguous about the criticalness of CSR, stating that it does not make or break the operations in Nigeria, but it does add value. However, some felt that CSR is not advisable because it shows preference to a particular ethnic group and can create tensions between consumers. Furthermore, one participant felt that in light of the recession, CSR was a luxury and chose to cut CSR in order to save costs, and rather focus on reducing prices and improving the strategic fit of the product rather than engaging in CSR.

- Innovation and differentiation

In the fiercely competitive 21st century market place, innovative ability is essential for enterprise survival. Therefore, in order to differentiate products in the FMCG industry, five of the participating MNEs innovate and differentiate their products in order to protect against substitution and imitation. Ideally, differentiation should be built into the product but it can also be built into the distribution techniques and marketing messages. Furthermore, serving the low-income consumers requires innovation and differentiation in terms of product design and distribution in order to provide a truly low-cost product offering.

- Product design

As the majority of the consumers in Nigeria are low-income earners and many fall within the BOP, products need to be designed to suit the unique needs of these consumers. This brings the discussion back to ensuring that products have a distinctly Nigeria-centric focus. Hence, the participants cautioned that products that are designed for Western or developed countries will not translate well in Nigeria. Therefore, MNEs need to make changes to packaging, product sizes and product designs to produce an affordable yet attractive product. Thus, MNEs need to strive towards achieving a product win, which is to provide an affordable yet appealing product. When enterprises achieve a product win, it can potentially give them a competitive edge in a highly competitive industry. Four out of the five enterprises who consider product design as a SCSF are manufacturers and have the advantage of being able to incorporate product design changes into their production and manufacturing processes. Furthermore, in light of the import prohibitions and slow customs clearing procedures, product designs should be flexible and simple. MNEs should aim to minimise their risk by manufacturing or selling products with minimal and easily interchangeable inputs, for example using a standardised lid for all bottled products.

- Experience in other markets

All three of the retailers pointed out that one of their SCSFs is the ability to leverage the experiences gained from operating in other African markets in order to improve their chances of succeeding in Nigeria and help them navigate through the uncertainty of the Nigerian environment. However, managers were cautioned to not use a “one size fits all” model and force fit strategies that may work in other African countries to the Nigerian context. Moreover, markets such as Nigeria are unstable and dynamic and MNEs can run into trouble when they attempt to replicate tactics that worked in other markets. Instead, MNEs need to use experiences from operating in other markets as a starting point for crafting Nigeria-centric strategies rather than duplicating strategies.

- Retail market pioneer

One retailer stated that this was a SCSF and attributed their success to disrupting the retail environment by introducing large supermarkets to Nigerian consumers. Holding the position of first-time mover and market pioneer is undoubtedly attractive, however, such a position can only be occupied by a few MNEs due to its nature. The advantages of pioneering include technology leadership, the potential to gain loyal consumers, and top-of-mind brand awareness. Whereas, the drawbacks include the costs of training employees, market uncertainty, the liability of being a foreign brand, the costs of developing distribution channels and educating consumers.

- Goods returns policy

Lastly, only one of the enterprises considered their superior product returns policy to be a SCSF. Operating in the formal retail market means that they can offer a superior return policy to what informal retailers are able to offer. Product returns systems and policies have become an important part of business especially when enterprises aim to improve customer satisfaction and uphold quality standards.

5.1.2 Operational CSFs

The second category of CSFs; OCSFs, are identified for functional departments or operational areas within an enterprise, such as marketing, sales, logistics, procurement, human resources and production. OCSFs are factors that help convert strategies into action. Furthermore, they help to ensure that the right products are available at the right place and right time. Six OCSFs were identified by the participants.

- Produce quality products

Although the majority of Nigerians are low-income consumers, they still demand a certain level of quality, which is relative to their needs and expectations. Therefore, all of the participants felt that creating a brand known for its quality and producing quality product

offerings was an OCSF. As such, in the highly competitive FMCG industry, quality helps to differentiate brands and was seen as non-negotiable for all of the participating enterprises. Additionally, establishing a reputation for producing quality products helps to build the brand name and establish brand loyalty.

- Use efficient and innovative distribution methods

Due to the fragmentation of the FMCG industry between the formal and informal trade, MNEs need to ensure that they use the most efficient and innovative ways to reach both markets. All of the participants felt that efficient and innovative distribution is an OCSF. As such, making use of multiple local distributors with the capability to reach grassroots consumers is an OCSF. Multiple distribution networks can also help to increase market coverage and sales. MNEs need to select distributors who are proactive and actively push products into the informal markets because passive techniques do not yield good results in Nigeria. Distribution methods and procedures need to be adapted to suit the infrastructural deficiencies and external conditions in Nigeria by using simple but effective transport mediums such as backpacks, bicycles, three-wheelers and cooler boxes carried on the head. Furthermore, MNEs need to support their sub-distributors and grassroots distributors by providing assets and infrastructure to ensure the consistent functioning of operations. For MNEs who are initially entering into Nigeria, using a large distributor will provide immediate distribution to the major regions; however, it will not provide sufficient market coverage or scale in the long term. Using one channel might become restrictive and threaten the longevity of the MNE.

For some MNEs, it is necessary to turn to extreme methods to ensure continuous distribution, for example one of the enterprises has established its own truck assembly plant in order to reduce the costs of importing assembled distribution vehicles. Furthermore, some MNEs also have their own port facilities in order to accelerate customs clearing processes.

- Back-ups are essential

The energy and water supplies in Nigeria are erratic and unreliable and do not allow for the continuous and efficient functioning of an MNE's operations. Therefore, it is critical that MNEs are self-sufficient and source their own electricity and water. Twelve participants considered back-up supplies to be an OCSF. This is in line with the existing research conducted on the infrastructural deficiencies of the water and electricity supplies in Nigeria. Back-up supplies of water and electricity account for half of the manufacturing costs in Nigeria and are essential costs to factor in when running a retail outlet or factory. Therefore, it is essential that MNEs have their own generator sets, as well as backups of the back-ups, because if one breaks they will need to use the other while waiting for the imported spare parts to arrive. Having two types of generators was also recommended; namely, diesel and gas, because continuous supply of either fuel is not guaranteed.

- Customisation and localisation of marketing messages

Every African country is unique, and Nigeria has approximately 250 different ethnic groups, thus a "one size fits all" approach of marketing is unlikely to succeed in the long term. Therefore, customising marketing messages was an OCSF for all but two of the enterprises. Localisation of marketing messages is in line with the strategic ambition of developing a Nigeria-centric strategy and contributes towards establishing a favourable reputation within the community. Even further than just localising the message to Nigeria, it is important to use the enterprise's understanding of the consumer to tailor messages to particular groups and regions within Nigeria.

- Access to foreign exchange

Nigeria is currently experiencing severe shortages of foreign currency, which has had a negative impact on economic growth and on the operations of MNEs who import products and need foreign currency to make payments. Therefore, access to foreign exchange is an OCSF for eleven MNEs. Additionally, the exchange rate is volatile and there are between three and seven different unofficial exchange rates, which paints a very incoherent image of Nigeria for investors and MNEs. Furthermore, when MNEs have connections and

relationships with the government and relevant authorities, they can draw on these as leverage to access foreign currency. This is an advantage over those MNEs that do not have such relationships.

- Staff with expatriates

The final OCSF is to use expatriates in the Nigerian subsidiary and eight participants felt this was critical. When employing expatriates, MNEs need to meet the requirements of Nigeria's expatriate quotas and submit over a dozen documents to justify the need for an expatriate rather than employing a local person. Failure to comply with the regulations of the expatriate quota such as not training a local Nigerian understudy, can lead to a fine of N 3 million for every month that the regulation is broken. The challenge of staffing with expatriates is to prove the need for them and comply with the regulations. It is apparent that getting visas is becoming more challenging. Additionally, there is resentment towards expatriates who stay in positions for too long and do not train understudies. Therefore, MNEs need to limit the expatriate assignment periods and focus on training and developing local talent.

Expatriates are used by MNEs in order to fill a lack of skills or a specific capability in its Nigerian subsidiaries. However, the ideal situation is to staff an MNE with a combination of expatriates and local employees whilst training and developing local talent with the goal of ultimately succeeding expatriates. Expatriates should occupy technical, skilled and senior leadership positions with the task of transferring the global procedures, corporate culture, skills, knowledge and ethical codes of conduct to the Nigerian operations. It is also beneficial to place expatriates in positions such as procurement and finance as they are allegedly less susceptible to succumbing to corruption, nepotism and cronyism. In light of this, local employees should hold positions in the human resources, sales, marketing and legal departments, as they are in touch with consumer needs and have a deeper understanding of the external operating environment.

5.1.3 Linking strategic and operational CSFs

OCSFs and SCSFs are interlinked and influence each other, as was highlighted in the literature review. Furthermore, CSFs can be viewed in a hierarchical manner whereby lower-order OCSFs are used to implement and further the achievement of higher-order SCSFs and ultimately achieving the enterprise's strategic objectives.

Based on the results of this study, there are several instances where OCSFs can be linked to SCSFs and vice versa. The following list describes some of the links between OCSFs and SCSFs:

- Firstly, the OCSF of producing quality products will help to further the SCSF of building a strong brand name, and have an influence on the product design (SCSF). As such, products need to be designed to a certain standard of quality.
- Secondly, ensuring efficient and widespread grassroots distribution (OCSF) by using PLPs or local distribution partners (SCSF) will help to further the SCSF of seeking a wide market coverage.
- Thirdly, having back-up supplies of water and electricity (OCSF) will help to ensure continuous production so that economies of scale (SCSF) can be achieved and that the MNE can meet the needs of consumers (SCSF). Back-up supplies will also help to ensure that retail outlets can remain open and operational to meet the needs of consumers (SCSF).
- Fourthly, using localised marketing campaigns (OCSF) will deepen relationships with consumers (SCSF) and other stakeholders as well as further the SCSFs of creating a Nigeria-centric strategy and building a strong, recognisable brand name.
- Finally, using expatriates in managerial positions (OCSF) in Nigeria will help to transfer global capabilities and ethical standards that can help in situations where subsidiaries need to behave ethically (SCSF). Expatriates can also be employed for their expertise when adapting strategies (SCSF) to Nigeria and draw on their experiences in other markets (SCSF).

5.2 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The first limitation of this study is that the failure or success of one MNE does not necessarily represent the overall picture of the market because there are other relative factors at play when assessing why some MNEs fail and others succeed. Although this study discussed nineteen SCSFs and six OCSFs, they are not exhaustive lists and there might be other factors at play in determining the success or failure of a venture. However, the factors discussed in this study provide valuable insights and advice to assist MNEs currently operating in, or considering expanding into Nigeria.

The second limitation is the access to information about the FMCG industry in Nigeria. The number of peer reviewed journal articles are limited and outdated in many instances. In general, there is limited research available about Nigeria and its current FMCG and retail conditions.

5.2.1 Recommendations for future research

The Nigerian government plays a key role in influencing the business environment that has a direct influence on the strategies of MNEs. Thus, future research could be conducted with members of the government and the regulatory agencies in order to determine their views on FDI, MNE behaviour and CSFs amongst other things. They might also be better equipped to shed light on the potential for MNEs to partner with government in order to benefit society at large.

The sample did not include any participants from the informal retail market, which makes up between 80 and 90% of all FMCG trade. Therefore, there is value in investigating the experiences of informal retailers and what they would consider as CSFs and challenges.

MNEs regularly have to address the question of the necessity of staffing with expatriates and though they add value to international subsidiaries, they are often treated with hostility and suspicion from host countries. Thus, a study on the use of expatriates in Nigeria would be valuable.

As CSFs are also used to indicate measures for success and aid in reporting and tracking success, it might be beneficial for future research to add to the data in this study by conducting a time-series analysis. This can aim to assess which of the stated CSFs have been measured and are being reported on, thus which have been actively managed.

Future research could aim to establish if there is an explicit match between CSFs in developed versus developing countries and to track one MNE who has subsidiaries in both those types of countries and then establish if and how the CSFs differ.

5.3 CONCLUSION

Based on the large population size and historical economic strength of Nigeria, as well as the failure of a number of multinational retailers to survive in the Nigerian market, this study set out to determine what the CSFs are for MNEs operating in the FMCG industry in Nigeria. After conducting an extensive literature review, two main research questions were identified, namely: *what are the strategic CSFs for multinational enterprises operating in the FMCG industry in Nigeria?* And *what are the operational CSFs for multinational enterprises operating in the FMCG industry in Nigeria?*

Using a generic qualitative research approach, thirteen personal semi-structured Skype interviews were conducted with senior managers of MNEs operating in the Nigerian FMCG industry. The sample of MNEs included seven manufacturers, three retailers, two MNEs who operate as both manufacturers and retailers, and one MNE who operates as both a manufacturer and distributor.

This study began with a literature review that presented both the positive and the negative sides of investing, and operating in Nigeria. The large population size, market density and underdeveloped formal retail market represent a few of the attractive factors of the market. On the other hand, there are numerous challenges to operating in Nigeria, namely, the lack of infrastructure, endemic corruption, the economic recession and difficulties in accessing foreign currency.

When considering the category of SCSFs, several significant points were raised by the participants. It is evident that the MNEs in this study have developed several mechanisms to cope in Nigeria's harsh business and external environments. Therefore, the findings showed that it is critical that MNEs adopt a unique strategy to meet the challenges facing them in Nigeria. Moreover, it is crucial to develop a Nigeria-centric strategy. Furthermore, MNEs need to be flexible and innovative in their strategic responses to the infrastructural deficiencies, lack of foreign exchange, and corruption. In addition, MNEs should aim to achieve economies of scale in order to implement a competitive pricing strategy that appeals to the needs of the low-income consumers. Moreover, the strategy should aim to achieve wide market coverage by providing affordable quality products to the large number of Nigerian low-income consumers and its contracting middle class. Additionally, MNEs should leverage acts of CSR to endear consumers, garner favour with the government and help build a strong brand name. Moreover, relationship building in Nigeria is also critical and MNEs should direct their energies towards maintaining strong relationships with their consumers and distributors, in particular. For those MNEs lacking capabilities or seeking rapid market coverage, local partners can help to gain market share and overcome the liability of foreignness. For survival in Nigeria, it is also crucial that MNEs play by the rules of the environment and adhere to the policies of the regulatory agencies and government by designating an internal department to deal with compliance, regulatory and ethical issues. Furthermore, it is imperative that MNEs behave ethically and do not give in to the pressures of corruption regardless of the temptations to speed up procedures. In light of this, patience and perseverance will likely pay off if MNEs adhere to the principles of good governance, by creating a strong ethical reputation and shaking off requests for facilitation fees. Finally, retailers should leverage their experience from other African markets to assist their operations and strategy formulation in Nigeria.

Turning to the second category of CSFs, OCSFs, MNEs need to consistently produce quality affordable products that satisfy their consumers. Furthermore, they need to employ innovative and efficient distribution techniques to ensure that products reach the broad consumer base in a timely manner. This will require the MNE to use and support multiple distributors and layers of distribution to reach grassroots consumers. Additionally, for continued production and retail outlet functioning, MNEs need to be self-sufficient by providing their own supplies of water and electricity. MNEs will not survive if they choose

to rely solely on the government to supply those services. MNEs need to prepare for this and be aware that it will significantly raise their operating costs. Next, MNEs need to customise and localise their marketing messages to resonate with the culture and languages in Nigeria and be cognisant of the differences between the diverse consumers. Accessing foreign exchange looks to continue to be an impediment to the smooth operations of a MNE in Nigeria. Therefore, MNEs need to plan for and develop coping mechanisms to access foreign exchange. Finally, MNEs are advised to staff their Nigerian subsidiaries with a combination of expatriates and local employees. Expatriates should hold technical, skilled, and senior managerial positions for a limited period. Additionally, there should be a strong focus on up-skilling Nigerian understudies. Local employees should hold positions in sales, marketing and legal departments to provide the MNE with unique and deep insights into the external environment.

Based on the interview results, there were several areas of ambivalence, where the participants were undecided as to whether a factor is a CSF or not, for example, the use of expatriates, and the value and necessity of CSR. For the most part, the answer to the ambivalence lies in the strategic and operational ambitions of the particular MNE and the personal perceptions of the participants.

Nigeria is a potentially lucrative market for MNEs with the resources and patience to navigate its complex and dynamic external environment. The resilience and persistence of the participants and their MNEs speaks for the potential growth and success that lies in the market despite its logistical difficulties and economic recession. Additionally, there is room for growth in the formal retail environment as the number of consumers choosing to shop at formal outlets is increasing. There is also room for growth in the informal market by supporting local grocers and grassroots distributors. Evidently, the growing population will grow the labour force and the number of consumers, further reinforcing the attractiveness of the population size of Nigeria for FMCG MNEs. Finally, if the global oil price continues to recover and if there is diversification of the Nigerian economy, there could be a recovery from the economic recession and a return to economic growth.

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APPENDIX A
- Letter to the company -



To whom it may concern,

re. Request for permission to conduct research with a senior manager of xxx

I am a master's student in the Department of Business Management at the University of Pretoria. I am conducting research about **the critical success factors for multinational enterprises operating in the FMCG industry in Nigeria.**

I hereby request permission to conduct a semi-structured interview with a senior manager (preferably the head of operations in Nigeria or someone who has a deep understanding of the Nigerian market) in your organisation anytime in the next two months, between the 24th of February and the 24th of April 2017. The interview will last at most 45 minutes and will be conducted over Skype, unless the manager is in Durban, Kwa-Zulu Natal, South Africa at present.

The study will be guided by the following principles:

- The participant will participate in the interview on an anonymous and voluntary basis.
- I will schedule appointments with the manager at a time convenient to him/her.
- The name of your organisation and the name of the interviewee will not be mentioned in the research report.
- I will provide you with a copy of the final research report on request.

Please feel free to contact me if you need additional information about the study. You are also welcome to contact my study leader, Dr A.J. Vögel (tel. 012 420-3364, e-mail: johan.vogel@up.ac.za) to confirm that this is a legitimate research project.

Your kind co-operation is highly appreciated.

Sincerely,

Ms Natasha Ashley
Cell: +27 76 752 5205
E-mail: tash.ashley@yahoo.com or Natasha.ashley@up.ac.za

APPENDIX B
- Informed Consent Form -



Consent for participation in an academic research study

Department of Business Management

The critical success factors for multinational enterprises operating in the fast moving consumer goods industry in Nigeria

Research conducted by:

Ms. N. L. Ashley (12038866)

Cell: 076 752 5205

Email: natasha.ashley@up.ac.za

Dear participant,

You are invited to participate in an academic research study conducted by Natasha Lynne Ashley, a master's student from the Department of Business Management at the University of Pretoria.

The purpose of this qualitative study is to investigate the critical success factors for multinational enterprises operating in the fast moving consumer goods industry in Nigeria.

Please note the following:

- This study involves a semi-structured personal interview. Your name will not appear in the final research report and the answers you provide during the interview will be treated as strictly confidential. You cannot be identified in person based on the answers you provide.
- Though your participation in this study is very important to me, you may choose not to participate and you may also stop participating at any time without any negative consequences.
- The interview will take at most, 45 minutes of your time.
- The results of the study will be used for academic purposes only and will be published in an academic journal. I will provide you with a summary of the findings on request.
- Please contact my study leader, Dr. A.J. Vogel on tel. (012) 420 3364 (e-mail: johan.vogel@up.ac.za) if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Respondent's signature

Date

APPENDIX C
- Interview Protocol & Discussion Guide -



CRITICAL SUCCESS FACTORS FOR MULTINATIONAL ENTERPRISES OPERATING IN THE FAST MOVING CONSUMER GOODS INDUSTRY IN NIGERIA

INTERVIEW PROTOCOL

1. Brief introduction about the purpose of the study - The purpose of this study is to investigate the critical success factors for MNEs operating in the FMCG industry in Nigeria. The questions in this study are semi-structured and additional detail will be requested by the researcher should the interviewees' answers be insufficient.
2. Discuss and assure confidentiality - A letter discussing the study's confidentiality will be supplied to each interviewee before the interview begins. Before the interview begins the following questions will be asked of the interviewee:
 - For the record, are you willing to participate in this interview?
 - Do you have any objections to this interview being recorded?
 - You may return to any question during the interview should you wish to do so and you are free to terminate the interview at any time.
3. The researcher will set up and test the recording device
4. The interview will be timed and transcribed.

DISCUSSION GUIDE

INTRODUCTION

Good morning/afternoon Mr (surname) or Ms (surname). I am a master's student from the University of Pretoria. Thank you for taking time out of your busy schedule to meet with me.

The purpose of my research is to investigate the various critical success factors for multinational enterprises operating in the fast moving consumer goods industry in Nigeria. There is little known about what makes multinational enterprises successful or fail in

Nigeria. My objective is to bridge this knowledge gap and develop a deeper understanding about the relevant critical success factors. The results of this research will be useful for industry practitioners because it can serve as a guideline for their current and future expansion activities in Nigeria.

The interview should take about 45 minutes. Your participation in this study is greatly appreciated and entirely voluntary, thus you are free to end the interview at any point, and you have the right to decline to answer any specific question. There is, however, value in every answer that you provide. I would like to reassure you that your responses will be treated confidentially and that in writing up my dissertation I will use codes and pseudonyms to ensure your anonymity.

For the sake of accuracy and authenticity, I would like to ask your permission to record the interview so that I can transcribe and analyse your responses. If you are comfortable with what I have just gone through then I ask that you sign the informed consent form so that I can keep a record of your permission and consent.

INTRODUCTORY QUESTIONS

1. Just for confirmation purposes, I would like to confirm that you are in a senior managerial position of the Nigerian operations of your enterprise?
2. In which industry do you classify your enterprise?
3. What sector of the FMCG industry is your enterprise operating in? Manufacturing or retail?
4. How many employees does your enterprise have in Nigeria?
5. How many outlets/ manufacturing facilities does your enterprise have across Nigeria?

MAIN QUESTIONS

Research question 1: <i>What are the strategic CSFs for enterprises operating in the FMCG industry in Nigeria?</i>

According to the literature, CSFs can be defined as specific characteristics or conditions that have a significant impact on the success of the enterprise. In light of this, enterprises

need to ensure that they strengthen their competencies in order to perform superiorly in activities that the environment considers be vital to the longevity of the enterprise. CSFs are those things that set you apart from your competitors, and it's that thing you can pinpoint and say: that is why we are one of the best in the industry. It is a very specific thing that sets you apart and helps you to be successful. There are two categories of CSFs, the first being strategic, the second being operational. I would like to discuss the strategic CSFs with you first.

Strategic CSFs are those factors or conditions that encompass enterprise-wide strategies and focus on achieving the mission and strategic objectives of the enterprise. They reflect issues that are related to bottom-line profit or those that involve expansion, growth and market positioning issues.

6. Thus, in light of the definition I have described, as a broad question, what are the strategic critical success factors for your enterprise when operating in Nigeria? (*The respondent needs to elaborate on each CSF, if not, they need to be asked to do so.*)

Probing Questions:

(Only ask the following questions if the participant did not mention them in their answer to question 6).

6.1 Is it a strategic CSF to partner with another entity?

(Only ask Question 6.1.1 and 6.1.2 if they answer YES to question 6.1 or fail to give adequate information)

6.1.1 Why is this?

6.1.2 What type of entity does your enterprise partner with? For example, local or national government, Non-governmental organisations, local enterprises, other multinational enterprises or not-for-profit organisations.

6.2 Is behaving in a socially responsible manner and engaging in activities that have a wider social benefit a strategic CSF for your enterprise?

(Only ask Question 6.2.1, 6.2.2 and 6.2.3 if they answer YES to question 6.2 or fail to give adequate information)

6.2.1 Why is this?

6.2.2 What types of strategies or behaviours does your enterprise use?

6.2.3 Who is the target market when you engage in such behaviour?

6.3 Did your enterprise need to reach a certain size in order to achieve economies of scale to be successful? Is achieving economies of scale a strategic CSF for your enterprise?

(The respondent needs to elaborate on why this is the case if they answered yes to question 6.3)

6.4 Would you consider the organisational structure of your staff and resources to be a strategic CSF?

(Only ask Question 6.4.1 if they answer YES to question 6.4 or fail to give adequate information)

6.4.1 What structure does your organisation use?

6.5 Is it a strategic CSF to have relationships with another entity in Nigeria?

(Only ask Question 6.5.1 if they answer YES to question 6.5)

6.5.1 Who do you have relationships with?

Research question 2: ***What are the operational CSFs for enterprises operating in the FMCG industry in Nigeria?***

Earlier, I mentioned that there are two types of CSFs, namely strategic and operational. I would like to turn our attention to operational CSFs. For the purpose of this study, operational CSFs are defined as the activities that each functional area of an enterprise need to perform excellently in order to achieve superior results and business success. Operational CSFs can encompass a wide range of functional and tactical activities in areas such as production, procurement, distribution, marketing and logistics.

7 What do you consider to be the operational CSFs for your enterprise when operating in Nigeria? *(The respondent needs to elaborate on each CSF, if not they need to be asked to provide more detail.)*

Probing Questions:

(Only ask the following questions if the participant did not mention them in their answer to question 7).

- 7.1 Is it an operational CSF to produce good quality products/outputs? *(The respondent needs to elaborate on why this is the case if they answered yes to question 7.1)*
- 7.2 Is the use of locally relevant marketing methods and messages an operational CSF? *(The respondent needs to elaborate on why this is the case if they answered yes to question 7.2)*
- 7.3 Is the access to foreign currency an operational CSF? *(The respondent needs to elaborate on why this is the case if they answered yes to question 7.3)*
- 7.4 Is the use of efficient and innovative distribution techniques and logistics operational CSF? *(The respondent needs to elaborate on why this is the case if they answered yes to question 7.4)*
- 7.5 Is having back-up supplies of water and electricity or being self-sufficient an operational CSF? *(The respondent needs to elaborate on why this is the case if they answered yes to question 7.5)*
- 7.6 Do you consider using expatriates and their knowledge and experience from other markets and operating procedures to be an operational CSF?
(The respondent needs to elaborate on why this is the case if they answered yes to question 7.6)

General probing questions:

- Can you explain that situation further please?
- Can you explain that in more detail?
- Please “walk” me through the process?
- Can you explain that in more detail?
- Could you please tell me more about that analysis?

Would you explain that factor in a bit more detail?

CONCLUSION

We have reached the end of the interview. Do you have any other information or stories that you would like to share with me about the FMCG industry, or any CSF in Nigeria?

If I have any additional questions that arise whilst I am analysing the data, can I send you follow-up questions via email?

Thank you for your time and willingness to share your insights with me.