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**Exploring Emerging Market Multinational Enterprises' Divestment from  
Emerging Markets**

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by

Hannah Chambers

CHMHAN001

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**Supervisor:** John Luiz

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## **Abstract**

While many studies have examined the internationalisation of multinational enterprises (MNEs) into emerging markets, there is comparatively little research on their divestment from these markets. Additionally, most studies on foreign divestment focus on multinational enterprises from developed markets rather than emerging market multinational enterprises (EMNEs), leaving a gap in the literature on EMNEs' divestment from emerging markets which this research aimed to explore. This dissertation discusses how and why emerging market multinational enterprises (EMNEs) divest from emerging markets. Specifically, this research explores the antecedents of divestment, focusing on the divestment motives, decisions, and strategies of South African MNEs that operated in Nigeria in order to address the main overarching research question. Consequently, South African MNEs are the primary focus of EMNEs, and Nigeria is the focal emerging market for this research.

This research employed a qualitative, inductive, and exploratory approach, utilising multiple case studies of South African MNEs that were operational in Nigeria before subsequently divesting. The research findings of this study were based on semi-structured interviews, with the majority of the interview participants being from the South African MNEs, along with two additional subject matter experts. To obtain the overall research findings from these interviews, the data was analysed through manual thematic coding, without the use of any coding software. Additionally, this research incorporated triangulation with secondary research in order to verify and add depth to the findings from the interviews.

This study views the results of the reasons for divestment from three perspectives: host country turbulence and institutional voids leading to divestment, home country's institutional weakness influencing divestment and firm-related challenges influences on divestment. In conjunction with this, it then separately discusses the divestment approaches or strategies adopted.

The findings of this study contribute to and have implications for academia, EMNEs, and stakeholders involved in international business operations.

**Keywords:** Divestment, Emerging Market Multinational Enterprises (EMNEs), Emerging Markets, South Africa, Nigeria, Internationalisation

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# 1. INTRODUCTION

## *1.1. Research Background and Problem Statement*

In recent years, the internationalisation strategies of emerging market multinational enterprises (EMNEs) have become more prominent and subsequently, have received significant attention and scrutiny (Cuervo-Cazurra, 2012; Luo & Zhang, 2016; Meyer, 2018). This increase in global expansion efforts and foreign investments is often accompanied by a corresponding increase in divestments as firms navigate new and challenging markets. Consequently, foreign divestment stands out as a significant and integral facet of firms' internationalisation processes.

Additionally, those prior investigations into foreign divestment have primarily concentrated on Advanced Economy Multinational Enterprises (AMNEs) rather than EMNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020). This highlights a gap in the literature regarding examining foreign divestment from the perspective of EMNEs, particularly focusing on their divestment from emerging markets and more specifically within the African landscape, which remains underexplored in international business research. Overall, what has not been thoroughly explored in previous research and literature is divestment antecedents, motives and strategies focusing on both EMNEs and emerging markets.

Given this gap, this research focuses on South African multinational enterprises divesting from Nigeria. Moreover, this focus is also driven by recent instances illustrating a trend of South African multinational retailers encountering challenges within the Nigerian market and then divesting. For example, South African firms like Truworths, Mr. Price, The Foschini Group, Tiger Brands, PEP, Woolworths, Massmart, and Shoprite have faced hurdles, including stringent import regulations, high operational costs, and difficulties with stock movement, and repatriation of funds among others (Nzekwe, 2020). These challenges have led to the closure or withdrawal of these companies from Nigeria's market, signifying the complexities and obstacles faced by South African MNEs in this emerging market.

By investigating the phenomenon of foreign divestment by EMNEs, particularly from emerging markets and within the African context, this research addresses the identified academic gap. Moreover, due to the context described above, it explores the specific challenges

encountered by South African MNEs in Nigeria and examines the divestment motives and strategies they adopt. Through this focused investigation, the study aimed to enrich the understanding of EMNE divestment processes and offer insights into the unique challenges and strategic responses of South African MNEs operating in Nigeria.

### *1.2.Rationale for the Study and Theoretical Contribution*

While numerous studies have extensively examined the internationalisation processes of multinational enterprises (MNEs) when expanding their operations into emerging markets (Gammeltoft & Cuervo-Cazurra, 2021; Luiz & Barnard, 2022; Meyer & Peng, 2019), there exists a limited amount of research, in comparison, in investigating their de-internationalisation or divestment from these same emerging markets. Additionally, when investigations into foreign divestment have been done, they have predominantly focused on AMNEs rather than their counterparts, EMNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020). Therefore, leaving a gap in the literature regarding EMNEs divesting from emerging markets.

Moreover, research in African emerging markets concerning firms, their operational dynamics, and potential divestments remains notably insufficient (Ahworegba et al., 2022). Prior studies have failed to adequately explore the extent of firms' involvement within the local context, their strategies for coping with volatile variations, and how these factors might influence decisions regarding divestment. This gap in research hinders a comprehensive understanding of the behaviours and strategies adopted by firms operating in these African markets (Ahworegba et al., 2022), especially in response to the challenges posed by the local environment. Thereby, hindering insights into potential divestment patterns and their underlying rationales.

Firstly, this research aimed to address the critical gap in understanding the underlying motives, contextual factors, decisions, and strategies of divestment from emerging markets by EMNEs. By examining this divestment phenomenon through the South African MNEs divesting from Nigeria, the study aimed to unravel the challenges faced by EMNEs in emerging markets and identify opportunities for refining strategies amidst evolving market conditions. Secondly, this study aimed to examine the interplay of push and pull factors influencing EMNE divestment from emerging markets. By conducting an in-depth exploration encompassing both firm-related influences and external market dynamics, both host and home country, the research

endeavoured to comprehensively identify and analyse the factors that drive EMNEs to divest from specific emerging markets. This comprehensive understanding offers nuanced insights into the complex motivations guiding EMNEs as they navigate divestment strategies within emerging markets. Lastly, this study aimed to uncover how EMNEs strategically position themselves during divestment from emerging markets. By analysing their timing, methods, and strategies, it discusses how these companies manage their exit to safeguard value and their company. The research provides insights into the complexities of their exit strategies. Understanding these tactics offers valuable insights for EMNEs and potentially guides future divestment decisions in similar markets.

The findings of this study have implications for academia, MNEs, and stakeholders involved in international business operations. Academically, it could contribute to enriching the knowledge base in international business, particularly in the context of EMNE divestment from emerging markets which is limited. Practically, the insights derived could assist multinational enterprises in navigating emerging markets and refining their decision-making processes regarding divestments.

### *1.3. Research Aims, Objectives and Research Questions*

This research aimed to use the case studies of three South African MNEs that have divested from Nigeria to answer the overarching research question: “*Why and how emerging market multinational enterprises (EMNEs) divest from emerging markets?*”. Additionally, this research intends to explore the antecedents of divestment, focusing on the divestment motives, decisions, and strategies of South African MNEs operating in Nigeria. To address the main overarching research question effectively, it is essential to utilise three specific sub-questions as fundamental components of the research.

Where the first two questions are to address the first aspect of the main research question, ‘why emerging market multinational enterprises divest from emerging markets?’ and the third and final question is to address the second aspect of the research question, ‘how emerging market multinational enterprises divest from emerging markets?’.

The sub-questions to this main research question are as follows:

1. What are the reasons (antecedents) motivating EMNEs to consider divesting from specific emerging markets?
2. Are there identifiable triggers or specific events that significantly prompt EMNEs to consider divesting from emerging markets and, if so, what are they?
3. How do EMNEs exit/divest from the market? What strategies or approaches do EMNEs adopt?

Overall, these aforementioned sub-questions further guided this study to ensure that the research comprehensively investigated how and why South African MNEs divest from Nigeria within the context of EMNEs in emerging markets.

#### *1.4.Limitations and Research Assumptions*

The exploration into divestment among South African multinational enterprises, with a specific focus on their activities within Nigeria, confronted several limitations that potentially affected the depth and reliability of the study. Firstly, it was initially assumed that South African MNEs might be reluctant to disclose sensitive or confidential information related to their divestment decisions, strategies, or operational intricacies. However, this was not entirely the case, as most were willing to share details. Despite this, it remains possible that companies may have omitted certain information, either intentionally or unintentionally, which could have impeded the research's ability to gain a nuanced understanding of their divestments.

Moreover, while investigating multiple cases of divestment offered a broader and more comprehensive view of EMNE divestment trends, solely focusing on South African companies may have narrowed the scope of the research. By limiting the study's scope to these entities, the research might have overlooked relevant insights that could have been collected from MNEs from other emerging markets. However, it is important to note that this research specifically chose to have this focus.

Furthermore, the exclusive concentration on divestment activities within Nigeria may have presented constraints in extrapolating the findings to other emerging markets. However, Nigeria, as a significant and rapidly growing emerging market, was chosen and served as a critical case study due to the notable trend of firms exiting. Consequently, while the focus on Nigeria provided valuable context-specific findings, it may have limited the ability to apply

these insights to divestment activities in other emerging markets, where different factors and conditions might be at play.

These identified limitations underscored the critical need for thorough consideration, acknowledgement, and cautious interpretation of the study's findings when exploring EMNE divestment from emerging markets. It was essential to recognise the inherent constraints that might have affected the research's scope. Consequently, interpreting the results required an understanding of these limitations to ensure a balanced and accurate reflection of the complex dynamics involved in EMNE divestment decisions and strategies.

### *1.5. Ethical Considerations*

Given that this research study involved conducting interviews with individuals as well as individuals employed by the South African MNEs, ethical clearance was obtained by the University of Cape Town's Research Ethics Committee (REC). The key ethical considerations that allowed this research to be ethically cleared include:

- I. Informed Consent
- II. Voluntary Participation
- III. Confidentiality and Anonymity
- IV. Professionalism
- V. Data Management

These ethical considerations are further outlined and explained in more detail in Chapter 3, the Methodology section of this paper.

### *1.6. Definition of Key Terms*

**Emerging Markets:** Emerging markets refer to economies or countries that have just recently established institutional frameworks which can facilitate international investment as well as trade, according to Peng & Meyer (2019). These markets are further characterised by high growth rates and low-income levels, alongside overall weak economic structures and relatively unstable institutional and regulatory systems, all of which are experiencing rapid transformations (Zhao et al., 2014; Gammeltoft & Hobdari, 2017).

**Emerging Market Multinational Enterprises (EMNEs):** Emerging Market Multinational Enterprises are multinational enterprises (MNEs) originating from emerging markets, which have expanded their operations beyond their home country and established operations or subsidiaries in foreign or host countries (da Fonseca et al., 2023). Where MNEs can be defined as enterprises or firms that engage in foreign direct investment (FDI) as well as operate in multiple countries (Peng & Meyer, 2019).

**Divestment:** Divestment can be defined as the deliberate or intentional reduction or disposal of a subsidiary or branch of the firm in a different country through liquidation, sale or other means (Baker et al., 2023; Boddewyn, 1984).

**Institutional Voids:** Institutional voids, as defined by (Khanna & Palepu, 2010), refers to the absence or inefficiency of market-supporting institutions required to facilitate transactions within an economy or market, including weak regulatory frameworks, political instability, governmental corruption, currency fluctuations, inadequate healthcare and education systems, and underdeveloped societal infrastructure.

**Turbulence:** Turbulence, in this case, refers to the extent to which the external environment of a firm is characterised by volatility, unpredictability as well as uncertainty (Rego et al., 2022).

## 2. LITERATURE REVIEW

### *2.1. Introduction to Divestment*

Foreign divestment refers to the deliberate reduction or disposal of a subsidiary or branch of the enterprise in a different country through liquidation or sale (Baker et al., 2023; Boddewyn, 1984). Similarly, Borga et al. (2020) provide a definition of ‘corporate divestment’ which is outlined as “an adjustment in the firm ownership and business portfolio structure that involves the partial or full disposal of an asset or a business unit” (p. 5). In current literature, divestment is also acknowledged as divestiture (Castellões et al., 2023), de-internationalisation (Kafourous et al., 2022), withdrawal (Fisch & Zschoche, 2012), and market exiting (Yayla et al., 2018). It is suggested that it occurs through various methods, including business closures, sales, equity carve-outs, leveraged buyouts, spin-offs, and reduction in investment funds (Castellões et al., 2023). Moreover, it is also proposed that firms close, sell or downscale business operations using the same mode that they build, acquire, and expand business operations (Borga et al., 2020; Merza & Alhussainan, 2023). Hence, suggesting a correlation or comparison between investment choices and divestment decisions.

### *2.2. Comparing Motives for Investment and Divestment*

Multinational enterprises (MNEs) respond to evolving market opportunities by actively engaging in strategic investment and divestment of subsidiaries to manage and enhance their portfolio (Berry, 2013; Procher & Engel, 2018). The existing body of literature has predominantly centred its focus on the motives for foreign direct investment (FDI), with limited attention directed towards the counterpart, foreign direct divestment (FDD) (Haug et al., 2023). Additionally, Haug et al. (2023) outline that an argument for overlooking FDD is the assumption that its motivations mirror those of FDI but with inverse and otherwise symmetric effects. Essentially, studies have suggested that FDD is the opposite of FDI and treats foreign divestment as negative foreign investment flows (Arte & Larimo, 2019; Boddewyn, 1984). Research by Procher and Engel (2018) demonstrated that there is a strong connection over time between investment and divestment decisions, fundamentally investment decisions can influence subsequent divestment decisions, and then vice versa. While this perspective recognises the link between divestment, a withdrawal of investment, and investment, motives can present not only as opposing but also as distinct characteristics.

John Dunning introduced a widely recognized four-way classification system for understanding the motives behind FDI, including resource seeking, market seeking, efficiency seeking and lastly, strategic asset seeking (Dunning & Lundan, 2008; Pananond, 2015). Resource seekers are MNEs that participate in foreign investment to obtain specific resources that are not available, or are but at a higher cost, in their home country. The resources can be physical resources, such as oil and gas, unskilled or semi-skilled labour, managerial capabilities, or technological proficiencies (Pananond, 2015; Rentocchini et al., 2011). Others invest abroad to provide their goods and services to a new market or to a market that they have previously supplied through exports. These MNEs are recognised as market seekers (Pananond, 2015). Therefore, market seeking MNEs invest in foreign countries to follow customers or suppliers, to reduce the cost of supplying a market from a distance and to tailor goods or services to the local market (Rentocchini et al., 2011). Foreign investors seeking efficiency aim to leverage dispersed geographical activities by utilising economies of scale or benefiting from diverse factor endowments (Pananond, 2015). In contrast to the previous taxonomies of FDI, strategic asset seekers' motive is to enhance existing or acquire new advantages that will contribute to long-term competitive advantages rather than exploiting already existing advantages (Pananond, 2015).

Although these are the four main taxonomies of investment motives, Rentocchini et al. (2011) identified support investments as a residual motive. Support investments aim to bolster and support the activities of the broader enterprise to which they belong. Therefore, these foreign investments are not undertaken with the purpose of acquiring resources, targeting new markets, improving efficiency, or obtaining assets. Instead, these investments are supplementary and focus on facilitating and aiding the operations of the MNE, irrespective of the primary motive (Rentocchini et al., 2011). Lastly, Cuervo-Cazurra et al. (2015) propose a different set of motives for investment based on EMNEs and their differing internationalisation motives. These motives include: 'sell more' which involves the company leveraging existing home resources and seeking favourable conditions in the host country; 'buy better' which entails the company utilising resources abroad while avoiding unfavourable conditions in the home country; 'upgrade' which involves the company seeking new resources while benefiting from favourable host country conditions; and 'escape' which entails the company exploring new resources while steering clear of unfavourable conditions in the home country (Cuervo-Cazurra et al., 2015).

In contrast, when scrutinising divestment, the motives for divestment are not found to be classified to the same extent as the motives for investment. However, according to Yadav and Iqbal (2020), the motives for FDD can be categorised based on whether the motive is related to the parent company, the subsidiary, or the host country. Factors associated with the parent company encompass various elements such as poor financial performance, diminished operational scale, limited expertise in executing international business strategies, restricted cross-country diversification, and inadequate understanding or negative prior experiences within the host market (Merza & Alhussainan, 2023; Yadav & Iqbal, 2020). Extant studies determined characteristics such as profitability, size, leverage as well as corporate governance as drivers of divestment (Edo & Nnadozie, 2023). Regarding the subsidiary, contributing factors encompass limited growth prospects, initial setbacks or failures in the host market, insufficient connections with other units within the same company, and a deficiency in possessing resources that cannot be easily transferred (Merza & Alhussainan, 2023). Lastly, factors associated with the host economy encompass economic recessions, increasing operational costs, sector-specific crises, political instability, and disparities in cultural norms (Castellões et al., 2023; Edo & Nnadozie, 2023; Merza & Alhussainan, 2023). Subsequently, these factors are essentially the antecedents that drive divestment which will be further explored below.

### *2.3. Antecedents of Divestment from Three Perspectives*

Understanding the antecedents of divestment is important as it provides insights into the factors influencing the withdrawal of investments. As discussed above, antecedents of foreign divestment have previously been categorised according to whether it is related to the parent firm, the subsidiary, or the host country's economy (Merza & Alhussainan, 2023; Yadav & Iqbal, 2020). Similarly, Ameyaw et al. (2023) explored the antecedents of FDD from two perspectives, environmental factors, and firm-specific factors, which encompass the parent firm and the subsidiary level. Where environmental factors include economic downturns, unstable exchange rates, political instability, increasing operating costs, cultural differences, and other industry specific factors, namely competition (Ameyaw et al., 2023; Merza & Alhussainan, 2023). Additionally, within the context of firm-specific factors, influences on divestment decisions include financial performance, experience or knowledge of the host

market, internationalisation strategy, partners or alliances and scale of operations (Ameyaw et al., 2023; Merza & Alhussainan, 2023).

Drawing upon these perspectives, divestments can be examined through three distinct lenses, amongst other lenses: (1) host country turbulence leading to divestments, correlated with environmental factors; (2) home country issues influencing divestments from the host country; and (3) firm-related influences on divestments, associated with factors pertinent to both the parent and subsidiary entities.

### *2.3.1. Host Country Turbulence Leading to Divestments*

In the examination of the factors influencing divestment decisions, a pivotal focus lies on understanding the antecedents within the host country environment, particularly regarding any prevalent turbulence. In this case, turbulence refers to the extent to which the external environment of a firm is characterised by volatility, unpredictability as well as uncertainty (Rego et al., 2022). Initially, it is necessary to differentiate between the host country being a developed market or an emerging market as this distinction will impact the turbulence experienced. Developed markets are referring to countries or markets that are most developed or progressed with regard to their economy (Peng & Meyer, 2019). Conversely, according to Peng and Meyer (2019), emerging markets refer to economies that have just recently established institutional frameworks which can facilitate international investment and trade. The challenges and intricacies involved in operating within emerging markets could potentially exceed those encountered in developed markets (Han et al., 2018). However, most research on divestment tends to generalise the causes and consequences of divestment, predominantly concentrating on developed markets and neglecting to account for emerging markets (Ameyaw et al., 2023).

Subsequently, emphasising the research's concentration on divestment from emerging markets, a deeper exploration of these markets' intricate institutional landscapes becomes necessary. This pursuit aims to grasp the inherent turbulence within these nations, which frequently acts as a catalyst for triggering divestment decisions. Emerging markets have previously been characterised by market instability, political and economic risk, relatively weak institutions and even corruption (Gammeltoft & Hobdari, 2017; Zhao et al., 2014). More specifically, Nigeria, which is the focus of this research, is recognised for its robust informal institutions that foster

corruption and elitism, consequently resulting in institutional deficiencies within the country's formal systems (Ahworegba et al., 2022; Areneke & Kimani, 2019; Ekanem et al., 2019). These gaps in national institutions have contributed significantly to Nigeria's political and economic instability. The prevalence of strong yet unstable informal institutions profoundly influences the business landscape in Nigeria (Ahworegba et al., 2022). Given this context, host country turbulences encompass various factors that can lead MNEs to consider divestment from a particular country. Some main forms of host country turbulence that could prompt divestments include economic instability and friction, political uncertainty, and exogenous shocks, such as social unrest and terrorism.

#### *2.3.1.1. Economic Instability and Friction*

Ameyaw et al. (2023) suggest that emerging markets present a distinct set of challenges for foreign investors, largely stemming from economic volatility and uncertainty. This economic friction and volatility within host countries is often an influence on divestment decisions. Similarly, Doh et al. (2017) suggest that divestment occurs as a result of the uncertainties created by inflation, currency fluctuations and unstable institutions of emerging markets. This is confirmed by Berman and Héricourt (2011) who indicated that divestment occurs when MNEs suffer losses in profit when converting it back to the currency of the parent firm or home country, revealing the impact of fluctuating currency values and market volatility.

Additionally, Nguyen et al.'s (2022) research confirmed a curvilinear relationship between economic friction and the probability or likelihood of foreign divestment. This means that as MNEs encounter heightened economic friction, there might be a gradual or moderate influence on the probability of divesting from a particular country. However, as economic friction intensifies beyond a certain threshold, the effect on divestment probability may not only become more pronounced but potentially accelerate. Consequently, the likelihood of divestment noticeably rises, indicating a nonlinear relationship between escalating economic friction and the probability of MNEs opting for divestment strategies (Nguyen et al., 2022).

#### *2.3.1.2. Political Uncertainty and Friction*

Similarly, political friction within host countries poses considerable challenges for MNEs and ultimately, influences divestment decisions (Sartor & Beamish, 2020). Political differences,

encompassing governmental pressures, opaque business regulations, and heightened agency costs, create an unfavourable operating environment for foreign subsidiaries. The complexity and lack of transparency in political systems exacerbate the difficulties for MNEs, leading to increased probabilities of divestment (Dhanaraj & Beamish, 2009; Gaur & Lu, 2007).

Political friction correlates to another significant influencer of divestment, corruption. Corruption within a host country constitutes a significant facet of turbulence in the business environment, thereby exerting a substantial influence on the strategies and decisions of firms. Extensive literature acknowledges corruption as a pervasive issue that causes an atmosphere of unpredictability and operational challenges for businesses (Goel & Saunoris, 2020; Sartor & Beamish, 2020). Goel and Saunoris (2020) highlighted that elevated levels of host country corruption significantly diminish the likelihood of firms' survival if they do not align with corrupt practices. Similarly, Sartor and Beamish (2020) underscored that discrepancies in institutional frameworks between host and home countries become decisive factors leading to divestment, particularly in cases where corruption prevails at high levels within the host nation. These findings illuminate how corruption acts as a deterrent, compelling firms to reconsider their operations and potentially opt for divestment due to the unfavourable business environment created by corrupt practices. Thus, corruption can be perceived as a form of turbulence within a host country's business environment.

### *2.3.1.3. Exogeneous Shocks*

Exogenous shocks, such as social unrest or terrorism, create sudden disruptions and unpredictability within the operational realms of MNEs, often leading to divestment decisions (Ameyaw et al., 2023; Liu & Li, 2020). Terrorist attacks, as highlighted by Czinkota et al. (2010), introduce substantial unpredictability and instability into the affected environments. Previous research indicates that MNEs rely on their own experiences with terrorist attacks to assess potential consequences and to inform their divestment decision (Oetzel & Oh, 2014). However, Liu and Li (2020) highlighted that MNEs consider the actions of their industry peers. Consequently, when industry peers opt for divestment in response to the turbulence, in the form of terrorist attacks, in the host country, it significantly raises the likelihood of divestment by the affected MNEs.

### *2.3.2. Home Country Issues Influencing Divestments*

Another significant aspect of studying divestment involves evaluating the influence of factors originating from the MNEs' home country on the decision-making process. The distinction between AMNEs and EMNEs is based on the MNEs' home country, indicating whether it originates from an advanced or an emerging economy. Understanding this distinction sets the groundwork for delineating the specific challenges and characteristics faced by EMNEs, which is the primary focus of this study.

EMNEs are MNEs originating from emerging markets, which have expanded their operations beyond their home country and established operations or subsidiaries in foreign or host countries (da Fonseca et al., 2023). Conversely, AMNEs are MNEs from advanced or developed markets. EMNEs have conventionally been considered as inferior when compared to AMNEs (Ozkan et al., 2022), and previous research on foreign divestment has mostly focused on AMNEs rather than EMNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020). AMNEs leverage the inherent advantages offered by their home markets and institutions. Consequently, their divestment strategies are often influenced by a different set of considerations compared to EMNEs. The divestment decisions made by AMNEs could be seen to exhibit a more strategic approach. For instance, Schmid et al. (2021) highlighted instances where firms opt for divestment as part of an overall business strategy change or a reorientation toward their core business objectives.

In contrast, the institutions and markets of their home countries are often considered as disadvantages for EMNEs. Therefore, given the focus of this study on EMNEs, more specifically South African MNEs, it is necessary to delve deeper into these aspects for a comprehensive understanding. Consequently, three pivotal perspectives regarding home country factors will be explored: home country turbulence, home government support, and home country counterparts.

#### *2.3.2.1. Home Country Turbulence*

Research conducted by da Fonseca et al. (2023) indicated that home country institutions have a substantial impact on the decisions of EMNEs regarding divestment strategies in foreign subsidiaries. This aligns with prior research highlighting the greater volatility and dynamism of institutional environments in emerging markets (Buckley et al., 2008; Grellmann et al.,

2022), the more minor shifts in the home country's institutional landscape can significantly influence the business climate, thereby affecting strategies adopted by EMNEs (Luo & Wang, 2012). The research suggests that companies within countries characterised by turbulent political environments and unstable macroeconomic environments might be inclined to divest their foreign operations more readily (da Fonseca et al., 2023). These observations are in line with earlier studies emphasizing how environmental uncertainty within the home country can substantially impact the performance of EMNEs (Grellmann et al., 2022) and detrimentally affect their competitive position (Cuervo-Cazurra et al., 2018; Peng et al., 2008). This growing body of evidence underscores the critical influence of home country turbulence on the divestment decisions of EMNEs, therefore highlighting the importance with regard to South African MNEs. Within this context, Luiz and Barnard (2022) indicated that in recent years when instability within a firm's home country escalated it led to a series of divestment actions across Africa. This included the divestment from Nigeria where the firm had operated for fifteen years.

#### *2.3.2.2.Home Country Government Support*

Previous literature by Tan and Sousa (2020) found that governmental financial support effectively decreased the likelihood of exit from underperforming foreign subsidiaries. However, different research has emphasized the dual nature of governmental financial support, often likened to a "double-edged sword" (Wu & Chen, 2014, p. 685), indicating its potential to both facilitate investments and trigger divestments. This assertion is corroborated by da Fonseca et al.'s (2023) findings, illustrating that despite being a significant incentive, EMNEs receiving governmental financial support for establishing foreign subsidiaries exhibited higher divestment rates compared to those without such support.

#### *2.3.2.3.Home Country Counterparts*

Lastly, the findings of da Fonseca et al.'s (2023) research suggest that the divestment decisions of EMNEs can be influenced by the level of activity of their home country counterparts' foreign subsidiaries. If EMNEs' domestic suppliers, clients, or competitors from the same home country reduce or cease their business activities in a particular country, management tends to reassess their firm's investments in that country. Consequently, firms tend to imitate their counterparts when making divestment decisions, irrespective of whether this change is directly

linked to a situation in the host country. Overall, events within the home country strongly affect divestment choices, as shared ideas and beliefs can shape similar actions, influencing divestment decisions (Soule et al., 2014).

### *2.3.3. Firm-Related Influences on Divestments*

As previously highlighted, an alternative perspective for examining divestment antecedents involves delving into firm-specific factors. This categorisation can be further subdivided into two key dimensions: parent-level antecedents and subsidiary-level antecedents (Ameyaw et al., 2023; Merza & Alhussainan, 2023).

#### *2.3.3.1. Parent-level*

Investigating parent-level antecedents is necessary due to their direct influence on subsidiaries, significantly impacting their divestment determinations. The first parent-level antecedent is financial performance. According to Lee et al. (2022), when a parent firm encounters poor performance or financial challenges, it often initiates divestment from specific markets. Such actions can be seen as strategic in nature, aimed at divesting non-core assets, enabling a focused approach to the firm's core business activities, and ultimately enhancing its financial standing (Ameyaw et al., 2023). This is particularly relevant for emerging markets, given that companies often generate a major portion of their revenue from developed markets. Consequently, divestment is more prone to occur in markets exhibiting lower revenue and poorer performance (Luo et al., 2022). Aligned with this perspective, Schmid et al. (2021) identified that a parent firm, initially seeking to diversify its portfolio by investing in various markets might opt to alter its business strategy. Subsequently, this strategic shift can prompt the divestment of a subsidiary as part of the firm's efforts to redirect its business focus.

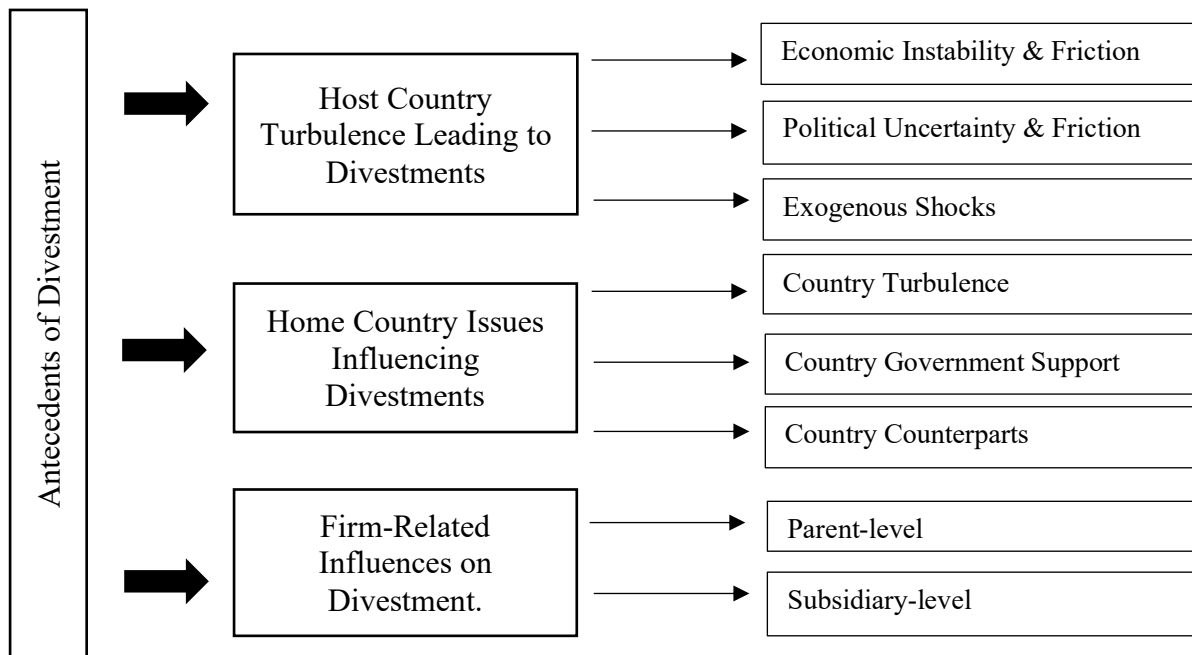
Distinct attributes of the parent firm also significantly influence decisions regarding divestment. These attributes encompass factors such as the size and experience of the parent firm (Berry, 2013; Luo et al., 2022; Merza & Alhussainan, 2023). According to Ameyaw et al. (2023), smaller parent firms might lack the operational capacity and financial resources necessary for their subsidiaries, particularly in emerging markets, to thrive. This insufficiency in resources might hinder smaller firms from establishing and sustaining a competitive foothold in a given market, ultimately leading to divestment. Additionally, market-specific experience

significantly impacts decisions regarding divestment. As suggested by Luo et al. (2022), parent firms with limited experience might encounter challenges in gaining a foothold in the market, adapting to local dynamics, and establishing business networks. These difficulties could potentially prompt divestment from the market, particularly in the context of emerging markets, known for their complex environments and regulatory structures. Consequently, comprehensive market knowledge and expertise become imperative for the parent firm to navigate these complexities successfully and avoid resorting to divestment (Ameyaw et al., 2023).

### *2.3.3.2. Subsidiary-level*

While parent-firm-level antecedents wield significant influence over divestment, Schmid and Morschett (2020) found that the strongest influences of divestment were on the subsidiary level. This indicates that it is strongly the subsidiary's characteristics that determine the fate of the subsidiary, rather than the characteristics of the parent firm or the host country. Similar to the parent firm, the subsidiary's financial performance significantly influences divestment decisions. Underperforming subsidiaries often become candidates for divestment (Ameyaw et al., 2023). This aligns with Schmid and Morschett's (2020) research, which suggests that strong financial performance by subsidiaries decreases the probability of divestment. Additionally, the establishment and entry mode of the subsidiary into the host country is also an important antecedent of divestment. Schmid and Morschett (2020) demonstrated that the mode of establishment exerts a strong effect on divestment, with subsidiaries entering via acquisitions encountering a higher likelihood of divestment as opposed to Greenfield investment. Another determinant contributing to divestment is the lack of product-relatedness, or product unrelatedness, between the foreign subsidiary and the parent company's core business, which heightens the probability of divestment (Ameyaw et al., 2023; Merza & Alhussainan, 2023; Schmid & Morschett, 2020).

Figure 1: Summary of Antecedents of Divestment



#### 2.4. Divestment Approaches

Various methods exist for firms executing divestments, influenced not only by strategic approaches or firm-related influences but also by the dynamics of both host and home countries. These methods encompass approaches that include spin-offs, equity carve-outs, sell-offs, and lastly closures (Borga et al., 2020; Castellões et al., 2023; Zschoche, 2016).

Spin-offs represent a method where a legally independent but controlled subsidiary is established, allowing the parent company to divest specific assets or business units while retaining a level of control or ownership (Zschoche, 2016). Similarly, Feldman and McGrath (2016) demonstrate that spinoff occurs when a listed company gives its shareholders shares in a new separate company based on its subsidiaries. This creates two distinct companies: the original parent company and the new spinoff company. Moreover, equity carve-outs involve the partial sale of the divested unit's stock through an initial public offering (IPO) (Zschoche, 2016). Sell-offs constitute another approach, wherein divested assets or entire business units are sold to other firms or entities. This method involves transferring ownership and operational control of specific components of the business to another company (Borga et al., 2020; Zschoche, 2016). Lastly, in certain scenarios, divestment culminates in closures or liquidations, marking the most extreme measure (Zschoche, 2016).

Therefore, the exploration of these strategies delves into the ‘how’ emerging market multinational enterprises divest and subsequently, the specific approach or approaches that they take when divesting from a market.

### *2.5. Conclusion*

In summary, this comprehensive literature review delves deeply into foreign divestment, exploring its definition, various methods, motives for investment versus divestment, and the nuanced antecedents influencing divestment decisions from three perspectives: host country turbulence, home country issues, and firm-specific factors. Furthermore, it analyses the various approaches that divestment can take, including spin-offs, equity carve-outs, sell-offs, and closures. Thus, demonstrating divestment strategies of firms. Overall, this literature review has unravelled the intricate motives and antecedents underpinning divestment decisions as well as explored the various divestment approaches taken within EMNEs, particularly in emerging markets. Moreover, it underscores the complexity of divestment and the need for an in-depth understanding in the realm of international business. Additionally, the structured approach of the literature review, with its focus on three broad reasons for divestment (host country turbulence, home country issues, and firm-specific factors), not only facilitated a comprehensive understanding of the complexities surrounding divestment motivations but also established a robust foundation for analysing and interpreting the results of this study. In conjunction with this, the inclusion of another section dedicated to divestment approaches or strategies further enhances the structure and understanding of the literature review, ensuring that it comprehensively addresses both aspects of the research question: the ‘why emerging market multinational enterprises divest from emerging markets’ and the ‘how emerging market multinational enterprises divest from emerging markets.’ This dual focus on the motivations behind divestment and the strategic approaches, along with an introduction to divestment, employed underscores the comprehensive approach of this literature review. Overall, laying the groundwork for research into the divestment of multinational enterprises operating in emerging markets and, in this case, South African MNEs divesting from Nigeria.

### 3. METHODOLOGY

#### *3.1. Research Strategy and Approach*

Qualitative research starts by framing assumptions and interpretive/theoretical frameworks that inform the research problem. These frameworks guide the exploration of how individuals or groups assign meaning to certain issues (Creswell & Poth, 2018). According to this definition, employing a qualitative approach is appropriate for investigating a research problem that necessitates the exploration of a problem or when a complex, comprehensive understanding is required (Creswell & Poth, 2018). Subsequently, this research was defined as a qualitative study that focused on analysing why and how EMNEs divest from emerging markets. Owing to the intricate nature of divestment decisions within emerging markets, the employment of qualitative methodologies proved advantageous in uncovering comprehensive insights and unravelling the inherent complexities.

In qualitative research, categories, patterns, and themes are developed from the ‘bottom-up’, where theories are used as a base, and then data is inductively organised to make observations and explanations (Creswell & Poth, 2018). In this case, it is regarding EMNE divestment from emerging markets. Therefore, this inductive, qualitative approach proved particularly relevant when investigating the underlying reasons and strategies involved in the divestment of EMNEs from emerging markets. Moreover, qualitative research serves as a valuable tool for theory development when existing theories are limited or inadequate for specific populations or samples (Creswell & Poth, 2018). This was particularly relevant in the context of EMNEs operating within emerging markets, where there are limited studies addressing the intricacies of divestment decisions and strategies. Thus, qualitative research was chosen as the aim of this research was to gain a deeper understanding of the complexities of divestment within these specific contexts. Furthermore, this research intended to question EMNES and thus, it would have proved difficult to quantify the responses due to the questions being exploratory in nature and focusing on ‘why EMNEs divest from emerging markets’ and ‘how EMNEs divest from emerging markets.’

Lastly, this research was an exploratory study. This served as a valuable approach which involved posing open-ended questions to uncover dynamics and acquire insights into a specific research question or topic interest (Saunders et al., 2019). Subsequently, this research aimed to

explore EMNE divestment and gain a comprehensive understanding of the research question. Overall, a qualitative, inductive, and exploratory approach was the most effective approach to provide a holistic and comprehensive answer to the question of why and how EMNEs divest from emerging markets.

### *3.2. Research Design and Methodology*

Derived from the research strategy outlined above, this research followed a case study approach. Creswell and Poth (2018) describe case study research as a qualitative method where the researcher delves into a specific real-life and contemporary system, known as a case, or multiple bounded systems, known as cases, over a period. According to Saunders et al. (2019), in the context of case study research, the term 'case' could encompass various subjects including an individual, a collective, an organisation, a collaboration and a transformation process. Subsequently, the researcher reports detailed descriptions and themes derived from the cases. The case study approach was an appropriate approach and best suited for examining why and how EMNEs divest from emerging markets due to its focus on contextual understanding within real-life settings. By delving deeply into specific cases, this method allowed for a qualitative exploration of the complex factors driving divestment decisions. Its qualitative nature enabled an in-depth examination of diverse influences such as host country turbulence, home country issues and firm-specific factors as well as the various divestment approaches or strategies.

The unit of analysis within case study research can encompass either multiple cases, referred to as a multisite study, or a singular case, termed a within-site study (Creswell & Poth, 2018). As such, this research adopted a multiple case study approach or multisite study. Subsequently, multiple cases were selected to demonstrate the area of concern, EMNE divestment from emerging markets (Creswell & Poth, 2018). The aim of the multiple case approach is to conduct a comparison to reveal common patterns, similarities, or relationships (Yin & Campbell, 2018). Therefore, this approach was implemented to gain qualitative data from multiple South African MNEs that have divested from an emerging market. From these South African MNEs, this research focused on three specific cases, which include 'Firm A', 'Firm B' and 'Firm C'. Hence, it offered comparability between the firms, afforded the opportunity to find common themes, and allowed a comprehensive understanding of divestment among EMNEs. The case selection followed the Eisenhardt Method, and it specifically utilised a 'careful case selection' or 'theoretical sampling' design (Eisenhardt, 2021). This approach involves selecting cases

where the phenomenon that the research focuses on has occurred or is likely to occur. (Eisenhardt, 2021). Therefore, the cases – ‘Firm A’, ‘Firm B’ and ‘Firm C’– were chosen due to them having the same focal phenomenon, divesting from Nigeria. As such, ‘Firm A’ divested in 2023<sup>1</sup>, while ‘Firm B’ divested in 2020<sup>2</sup> and ‘Firm C’ divested in 2020, with operations fully discontinued in FY2021<sup>3</sup>. Moreover, this method facilitates the comparison of firms with similar characteristics, in this case, South African retail firms, but potentially different motivations and outcomes (Eisenhardt, 2021). Therefore, a notable similarity, beyond the focus on divestment, is that all the cases are retailers in South Africa.

Furthermore, these three cases were selected for this research not only because of their divestment from Nigeria but also due to the fact that the cases met the following criteria. First, the firms needed to be founded and operational for at least a decade or more, ensuring they have been in operation for a substantial period, and be listed on the Johannesburg Stock Exchange (JSE). Second, the firms should have a significant presence across South Africa and a noteworthy cross-Africa footprint. Third, the firms must have substantial revenue and large operational scale, reflecting their significant influence and market presence. Consequently, the firms met the aforementioned criteria. All three firms were founded in the 1900s, having been operational for at least three or more decades and are listed on the JSE. ‘Firm A’ has approximately 5,800 stores across South Africa and other African countries including Angola, Malawi, Mozambique, and Zambia. ‘Firm B’ operates around 3,500 stores in South Africa and other African countries such as Namibia, Botswana, Zambia, Eswatini, and Lesotho. ‘Firm C’ has about 2,900 stores in South Africa and other African nations including Botswana, Ghana, Lesotho, Namibia, Eswatini, Zambia, and Kenya. In terms of revenue, ‘Firm A’ recently reported approximately ZAR 43 billion in annual revenue, ‘Firm B’ around ZAR 56 billion, and ‘Firm C’ about ZAR 40 billion. This selection ensures a comprehensive analysis of major players in the South African retail industry and their divestment motivations and strategies from Nigeria.

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<sup>1</sup> Firm A’s 2023 Integrated report

<sup>2</sup> Firm B’s 2021 Integrated report

<sup>3</sup> Firm C’s 2021 Integrated report

*Table 1: Summary of Firms' Characteristics*

	<b>'Firm A'</b>	<b>'Firm B'</b>	<b>'Firm C'</b>
<b>Entry into Nigeria</b>	2012	2012	2012
<b>Exit From Nigeria</b>	2023	2020	2020/2021
<b>Total No. of Stores</b>	5800	3500	2900
<b>Employees</b>	Approx. 50 thousand	Approx. 46 thousand	Approx. 20 thousand
<b>Most Recent Revenue</b>	Approx. ZAR 43 billion	Approx. ZAR 56 billion	Approx. ZAR 40 billion

### *3.3.Data Collection Methods and Research Instruments*

Case study research involves comprehensive data collection from various sources such as interviews, observations, documents, audio-visual material, and reports (Creswell & Poth, 2018). Subsequently, this research utilised semi-structured interviews as the main data collection method as well as triangulation with secondary research. Where triangulation is the process of validating data from various perspectives in order to deepen the understanding of themes and to ensure verification (Stavros & Westberg, 2009). Each South African company was approached to conduct a semi-structured interview, which entailed open-ended and discussion-prompting questions that afforded the opportunity to explore themes and responses further (Saunders et al., 2019). In conjunction with this, triangulation with secondary documents and data, such as firm reports, analyst reports and market data, was included to cross-check, validate and add depth to the interview findings. Overall, this offered a comprehensive means to unravel the intricacies behind EMNEs' divestment decisions and approaches in emerging markets, contributing to theory development in this area. As mentioned previously, this research utilised semi-structured interviews and triangulation as the data collection methods. However, this was not the only process in the data collection. Creswell and Poth (2018) demonstrate a 'data collection circle' approach to qualitative research that goes beyond conducting interviews and making any observations. It emphasises the multiple activities and phases that take place during data collection, as seen below. Therefore, this research study employed this framework to comprehensively address all facets of the data collection process.

Figure 2: Data Collection Circle



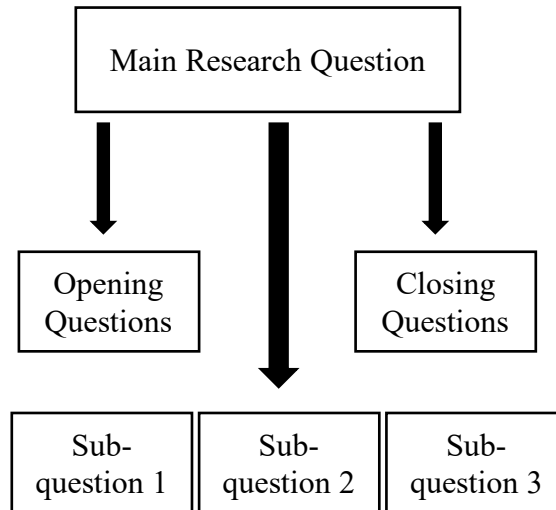
Source: Creswell and Poth (2018, p. 146)

### 3.3.1. Developing the Questionnaires

Given that this research question and the overall study are highly theoretical and based on extensive preliminary research, the structure and questions of the interviews had to be meticulously designed and outlined to ensure that all aspects of the research question were covered and discussed with each participant. Furthermore, the questionnaire was structured to cover the three main sub-questions of this research, including both opening and closing questions. This design aimed not only to obtain the necessary information to answer the research question but also to gain a deeper understanding of the firm, the participant and their experience as well as to get a comprehensive overview of the divestment. Thus, it included addressing questions regarding both pre-divestment and post-divestment. The figure below illustrates how the structure of the questionnaires was designed which ultimately led to the questionnaire that can be seen in the appendix (Appendix 8.2.). Moreover, this design was used to create three types of interview schedules for the different interview participants. Therefore, a questionnaire was created specifically for the participants from the South African MNEs ('Firm A', 'Firm B', and 'Firm C') and then two slightly different questionnaires for the experts in the field, the retail analyst and the international business academic. By designing and creating different schedules and questionnaires, it allowed the questions to be adapted and

tailored to each participant and their background and it provided variation in this research approach (Creswell & Poth, 2018).

*Figure 3: Illustrating the Development and Design Process of the Research Questionnaire*



### *3.3.2. Conducting the Interviews*

All the interviews with the participants were conducted online and remotely, this was achieved using Microsoft Teams, a video conference application, and lasted between thirty to sixty minutes. This platform enabled the interviews to be both recorded and transcribed. Additionally, it allowed for the collection of observational data from the participants who had their cameras switched on and those who shared additional, visual information via the screen-sharing tool on Microsoft Teams. Prior to each interview, the participants were sent a brief introduction to the research, an agenda, a preview of the questions and a consent form via email. This was to allow the participants the opportunity to understand the research as well as prepare for the interview. The interview schedule and questionnaire were checked and tested through a pilot interview to ensure that the questions made sense and would result in suitable responses and data. At the start of each interview, a short description of the researcher, an outline of the research, and the guidelines regarding consent were reiterated to confirm with each participant that they were still willing to participate and have the interview recorded, as seen in the appendix (Appendix 8.1.). During the interview, the interview schedule and questionnaire were followed. However, when new ideas emerged, additional questions were asked, and new, relevant areas were explored. In conjunction with this, as more interviews were

conducted, refinements were made to the questionnaires. Additionally, it was observed that participants occasionally anticipated questions and provided answers before they were asked, resulting in those questions being skipped later in the interview. Lastly, all consent forms, interview recordings and interview transcriptions were saved and stored securely on cloud storage and backed up to ensure no data was lost.

### *3.4. Population and Sampling*

Illustrated in Figure 2 above by Creswell and Poth (2018), purposeful sampling stands out as a main element within the 'data collection circle' in qualitative research. Consequently, this research utilised purposeful sampling, meaning that the sample was selected based on their connection to the selected case studies as well as their capacity to inform an understanding of the research study, in this case, EMNE divestments from emerging markets. More specifically, maximum variation sampling was adopted in this study as maximising differences initially increases the likelihood of the data reflecting distinct differences (Creswell & Poth, 2018). Therefore, this research purposively sampled from the population in question, South African MNEs that have previously divested from Nigeria as well as from the cases selected. More specifically, the population sample comprised of both former and current employees, including managers, directors and executives of the respective firms. Furthermore, the snowball method was also adopted in the process of this research to find additional interview participants through connections with previously interviewed participants in order to broaden the scope of the study and get as many insights as possible (Creswell & Poth, 2018; Yin & Campbell, 2018). Nevertheless, the snowball approach was still contained to the intended population of the research and remained within the three cases as referrals were made by participants within the same firms.

Sample size is another important aspect of the sampling process. In qualitative research, it is advisable to focus not just on studying a small number of sites or individuals but also on gathering thorough details about each one studied (Creswell & Poth, 2018). Hence, the sample size for this research was approximately two to three individuals (employees, managers, directors and executives) from each South African MNE or case. Additionally, two expert interviews were conducted in order to get an outside perspective on the divestment. This included a South African retail analyst as well as an academic who specialises in the field of international business and emerging markets. As previously mentioned, this research targeted

three cases, given pseudonyms ‘Firm A’, ‘Firm B’ and ‘Firm C’. Thus, the overall sample size was nine individuals as seen in the table below. Given the consent form that was signed by all participants to ensure confidentiality, the names of the participants and the firms will remain anonymous and not be included. However, a list of the participants, their general role to the firm or otherwise, link to the case, nationality and location of their work is seen in the table below.

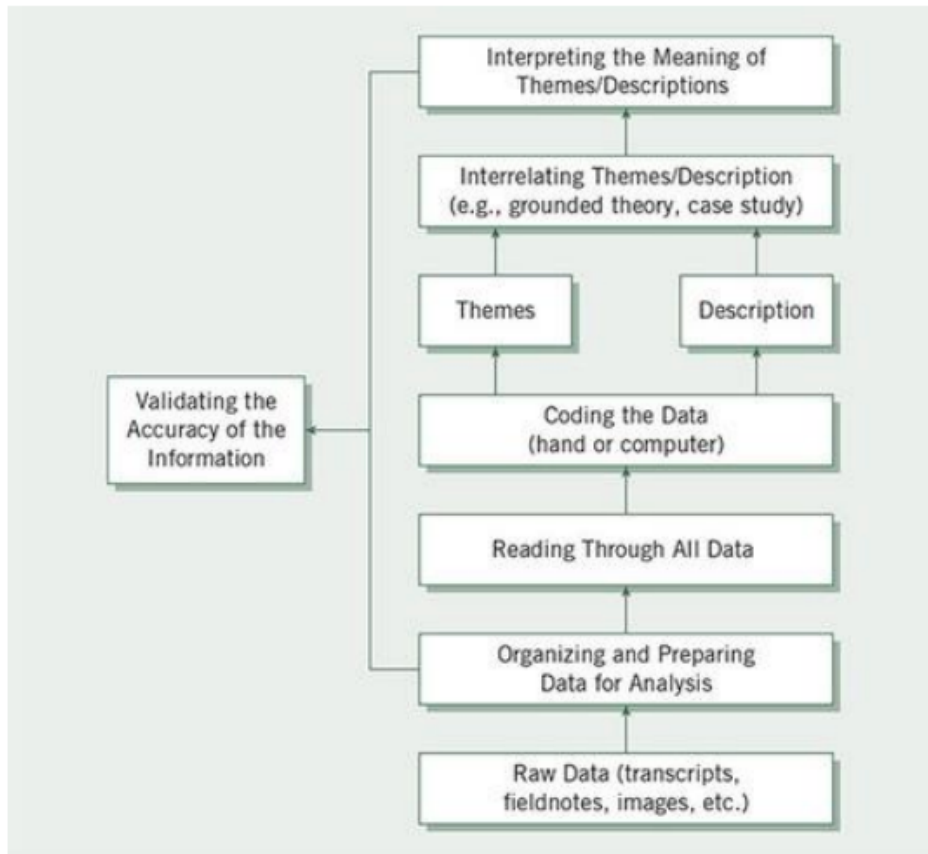
*Table 2: Summary of the List of Interview Participants*

<b>Participant Category</b>	<b>Participant Code</b>	<b>Role</b>	<b>Case</b>	<b>Nationality</b>	<b>Current Location</b>
<b>1. Internal to the Firm (South African MNE)</b>	P1	Former Manager	A & B	South African	South Africa
	P2	Former Group Executive	C	South African	South Africa
	P3	Former Senior Manager	A	South African	South Africa
	P4	Group Director	C	South African	South Africa
	P5	Group Director	B	South African	South Africa
	P6	Group Executive	A	South African	South Africa
	P7	Group Executive	C	South African	South Africa
<b>2. External to the Firm (Experts)</b>	P8	Retail Analyst	-	South African	South Africa
	P9	Academic in International Business	-	British	United Kingdom

### 3.5. Data Analysis Methods

Drawing from Creswell and Creswell’s (2018) data analysis framework, this research utilised the thematic coding approach. This method follows a structured five-step process, briefly outlined in the accompanying Figure 4, and further detailed in the adapted Table 2 below.

Figure 4: Overview of the Data Analysis



Source: Creswell and Creswell (2018, p. 309)

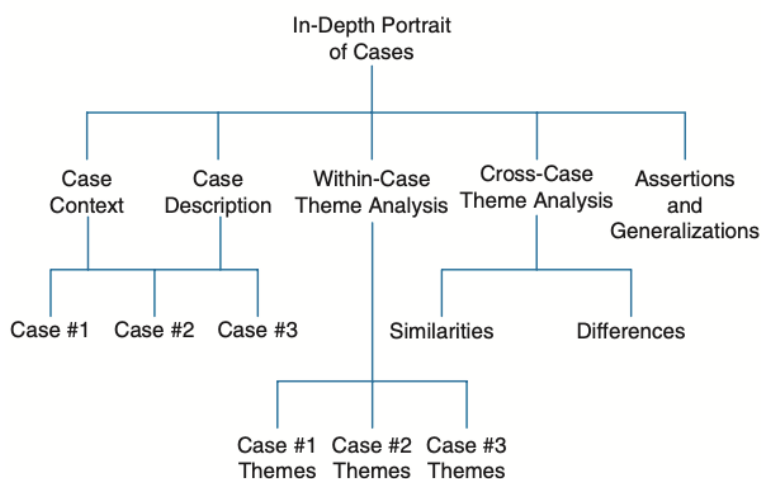
Table 3: Five Step Data Analysis Process

Step 1: Data Organisation and Preparation	Prepared the data for analysis by transcribing interviews from the recordings. This includes double-checking the transcriptions against the recordings to ensure all information was accurately transcribed.
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Step 2: Initial Data Review and Reflection	Read or view and reflect on all the interview transcriptions to gain a broad understanding of the data.
Step 3: Coding Data	Began coding by segmenting and highlighting text and then assigning representative words or categories.
Step 4: Generating Description and Themes	Used the coding process to create detailed descriptions and categories/themes for analysis. Developed a small number of significant themes supported by diverse quotations and evidence from the interviews.
Step 5: Representation of Description and Themes	Decided on how to represent the description and themes within the qualitative narrative. This was achieved through an overall coding figure.

For additional insights into the coding process that was applied in this research (step 2 and step 3), refer to the accompanying Figure 5 below – a case study coding template by Creswell and Poth (2018). The outlined process was selected as the most appropriate data analysis method because it allowed for the effective identification of themes and revealed patterns pertinent to EMNE divestments in an emerging market context.

*Figure 5: Template for Coding a Case Study (Using a Multiple Case Approach)*



Source: Creswell and Poth (2018, p. 209)

Furthermore, while the interviews were taking place, an initial set of notes were taken by the researcher to highlight significant points, indicate early findings that could be useful at a later stage, as well as to ensure appropriate follow-up questions were asked. Each interview was recorded as well as transcribed. A preliminary read-through of the transcription was then conducted, comparing it to the recording to ensure that all information was correctly captured in the transcription. This was done to make sure that all information as well as quotes were accurate and would be a true reflection of what the interview participant said. Once this was completed, an initial pre-coding was conducted by reviewing each transcription individually and highlighting key points. Following this initial process, a more in-depth review was conducted where major themes became apparent from the data, and each theme was assigned a heading or a code in order to group relevant information and quotes accordingly. These major themes, and accompanying quotes, were then transferred to a master coding table. Finally, the data and subsequent themes were further interpreted to create an overall coding figure. This coding figure aimed at providing an overview of first-order concepts, second-order themes and aggregate dimensions gathered from the data. Overall, all coding of the data from the interviews was done manually and did not utilise any coding software or application.

### *3.6. Research Criteria*

To ensure that this proposed research met the necessary criteria, it emphasized reliability, by demonstrating the replicability of methods to yield consistent results through a complete, comprehensive, and easy-to-follow methodology. Additionally, it focused on validity by identifying the most suitable approach for this research (Yin & Campbell, 2018). In conjunction with validity, 'trustworthiness' has also been identified as a crucial aspect of qualitative research which includes criteria such as credibility, authenticity, dependability, confirmability, and transferability (Creswell & Poth, 2018; Lincoln & Guba, 1985). Each criterion by Lincoln and Guba (1985) is further outlined below in the context of this study.

#### *3.6.1. Credibility*

To ensure accurate, true, and plausible results, this research carefully selected and interviewed suitable participants through purposeful sampling. Essentially, all interview participants were

from the three selected cases and were in senior positions, meaning they had sufficient and strong knowledge of the firm's divestment from Nigeria. Furthermore, it ensured credibility by accurately representing all participant accounts by checking the transcriptions against the recordings and ensured that the interview process fostered the acquisition of reliable and unbiased answers by asking open-ended questions and not asking any leading questions. In addition to this, this research also used triangulation with secondary research and sources, including firm reports, analyst reports and more, to ensure the credibility and validity of the research findings.

### *3.6.2. Authenticity*

Authenticity pertains to the extent to which the research initiates appropriate action or a response. This was accomplished by ensuring participants possessed a comprehensive awareness of all research aspects and their intent before the start of the interview. Additionally, it was achieved by creating an interview environment conducive to fostering discussions and eliciting detailed responses, further supporting this objective. More specifically, interview participants were afforded the opportunity to ask any questions themselves or ask for any clarification throughout the interview.

### *3.6.3. Dependability*

To ensure the dependability and replicability of this qualitative research that would yield similar results and conclusions, clear and detailed descriptions of the data collection process and data analysis methods were provided. These processes and methods were also based on strong theory and dependable sources to ensure their replicability and dependability. Moreover, this was also achieved by following this set process of the research methodology, checking the coding, and keeping all evidence (including interview scripts, transcripts and recordings) of the data collection during interviews.

### *3.6.4. Confirmability*

Confirmability refers to ensuring that the data and findings originate from the participants' responses, independent of the researcher's biases. This was achieved by recording interviews and taking extensive notes during data collection as well as maintaining ethics by truthfully

interpreting data. Additionally, results or themes were offered to be shared with participants for further confirmability.

### *3.6.5. Transferability*

Referring to the extent to which the results of the research can be applied or transferred to different contexts or settings outside of this study. This was accomplished by including a variety of three cases, through purposeful sampling technique and by consistently using the relevant frameworks as well as the application of appropriate theory.

### *3.7. Limitations*

It is essential to acknowledge and critically examine the limitations inherent to this research study to ensure a comprehensive understanding of its scope and any potential constraints. The first limitation arises from the utilisation of multiple cases in this study, restricting the depth of the analysis for each company. This constraint might result in some missing information within the study. However, the study's primary aim is to reveal the various divestment decisions and strategies of South African MNEs and therefore, due to this objective, this limitation was mitigated.

Another notable limitation in researching divestment decisions and strategies pertains to the willingness of participants to disclose information about their firms. Due to the sensitive nature of divestment, companies might be hesitant or reluctant to share detailed information regarding their decision-making processes, strategic considerations, or financial data related to divestment activities. This limitation was addressed by ensuring confidentiality and anonymity assurances to the participants and establishing trust through transparent communication. Each participant also signed a consent form to further ensure this risk was mitigated. Moreover, it was crucial to select participants who possess a comprehensive understanding of divestment strategies or have experienced such processes in their firm. This was achieved by selecting, reaching out to and interviewing managers, directors and executives within the firms that had first-hand experience and knowledge of the divestment from Nigeria and therefore, mitigated this limitation.

### *3.8. Research Ethics*

In order to maintain research ethics in this research study, ethical clearance was obtained from the University of Cape Town's Research Ethics Committee (REC). The main ethics considered for this research include:

#### *3.8.1. Informed Consent*

Informed consent was acquired by each participant before the interview and pre-data collection. This was achieved by emailing the participant the consent form, as seen in the appendix (Appendix 8.3.), which was then electronically signed by the participant and returned. Furthermore, each consent form also included organisational consent, as this was particularly relevant due to the study's focus on South African MNEs. Additionally, verbal consent was also obtained at the start of each interview before the recordings began to ensure informed consent was still provided.

#### *3.8.2. Voluntary Participation*

Voluntary participation was encouraged, and it allowed individuals the choice to participate based on their willingness, interest and their schedule. This also included that participants were free to withdraw their participation at any stage without any obligation or repercussion. All of this information was clearly stated in introductory communications as well as in the consent form provided to and signed by each participant.

#### *3.8.3. Confidentiality and Anonymity*

Confidentiality and anonymity were maintained whether or not the participants and/or the organisations requested or required this. Thus, no names of the participants were revealed and the positions that they held were only vaguely given. Moreover, the names of the firms were not disclosed and were rather given the names 'Firm A', 'Firm B' and 'Firm C'. This was to safeguard the privacy of participants and the organisations, ensuring that their identities and sensitive information remain undisclosed and protected throughout the research process.

### *3.9. Methodology Summary*

To summarise, the methodology employed in this research was grounded in qualitative inquiry, reflecting the commitment to uncovering the intricacies of the divestment decisions and

strategies among the South African MNEs in their divestment from Nigeria. Beginning with a theoretical framework that underscores the interpretive nature of qualitative research, the study's approach was well-suited for exploring the 'why' and 'how' of EMNE divestment from emerging markets. By adopting an inductive, qualitative methodology, the research aimed to develop insights from the bottom-up, allowing for a nuanced understanding of the complexities surrounding divestment. Employing a case study design facilitated a detailed exploration of specific real-life instances. Moreover, the selection of multiple case studies, more specifically three cases, enabled comparison and theme identification, shedding light on commonalities and differences across diverse divestment antecedents and strategies. Data collection relied on semi-structured interviews, offering flexibility for probing emergent themes while ensuring consistency across participants. Moreover, purposeful sampling was utilised to find interview participants as well as the snowball technique. The analysis process followed a thematic coding approach, allowing for the identification and exploration of key themes and patterns across interviews. Moreover, the coding process allowed for the creation of first-order concepts, second-order concepts and aggregate theoretical dimensions. This was achieved by manually coding the transcriptions from each interview.

Rigorous attention to research criteria, including credibility, authenticity, dependability, confirmability, and transferability, safeguarded the integrity and validity of the study. Lastly, despite limitations inherent in studying sensitive decisions and information regarding firms, meticulous ethical considerations, including informed consent, voluntary participation, and confidentiality, were upheld throughout the research process. Overall, this methodological framework provided a strong foundation for comprehensively addressing the research question and generating valuable results and findings that could be used for the discussion.

#### 4. RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

The research findings, analysis and discussion, ultimately the results of this study, are structured and presented based on the main research question and three sub-questions outlined in Chapter 1, the literature review demonstrated in Chapter 2 as well as the research methodology developed in Chapter 3. The aim of Chapter 4 on the research analysis, findings and discussion is, firstly to present the research and country contexts as well as case backgrounds. This is to provide an understanding of the research setting and provide a foundation on which the analysis of the data can be made and to make it more clear going forward with the analysis. Secondly, it aims to then answer ‘why emerging market multinational enterprises (EMNEs) divest from emerging markets?’. Ultimately, the analysis aims to gain an understanding of the antecedents, motivations and reasons for divestment. Lastly, the intent is to answer ‘how emerging market multinational enterprises (EMNEs) divest from emerging markets?’ and therefore, it aims to gain an insight into the divestment strategies and approaches taken by EMNEs.

##### *4.1. Research and Country Contexts*

This research focuses on Nigeria as the host country and South Africa as the home country of the EMNEs for several compelling reasons. Nigeria was selected as the host country due to its status of being one of the largest economies in Africa, boasting a Gross Domestic Product (GDP) of approximately 362 billion USD and a population of around 223 million individuals (World Bank, 2023). This significant economic stature and demographic size make Nigeria an appropriate emerging market for conducting this research. Additionally, Nigeria’s selection as the host economy is also attributed to the challenging nature of its business environment, which has historically led to the divestment of many foreign investors, providing a rich context for examining the motivations and strategies of EMNE divestment. For instance, Nigeria ranks 131<sup>st</sup> out of 190 economies and has a score of 56.9 in the ease of doing business index, according to the (World Bank, 2023).

South African multinational enterprises were chosen as the focus of this study for several reasons. Firstly, these MNEs are categorised as emerging market multinational enterprises due to South Africa’s status as an emerging market. Secondly, South Africa is also one of the largest

economies in Africa, with a GDP of around 377 billion USD and a population of approximately 60 million individuals (World Bank, 2023), with a diverse and dynamic corporate sector. In addition, South Africa ranks 84<sup>th</sup> out of 190 countries and has a score of 67 in the ease of doing business index.

Moreover, the historical and economic ties between South Africa and Nigeria further justify this choice. The early 1990s brought an end to apartheid in South Africa, leading to the establishment of democratic rule in 1994. Similarly, Nigeria saw a return to democracy five years later in 1999 after nearly two decades under military dictatorship. Since the advent of democracy in both nations, trade between South Africa and Nigeria has expanded significantly, increasing more than ten-fold (Ezeamalu, 2023). In 1999, there were only four major South African companies active in Nigeria. Within two decades, this number surged to over one hundred, with South African businesses prominently represented in the telecommunications, retail and banking sectors (Ezeamalu, 2023). By 2006, Nigeria had become South Africa's largest trading partner, with bilateral trade reaching around \$1.5 billion, up from a mere \$16.5 million in 1999. Nigeria now accounts for approximately 60% of South Africa's trade in West Africa, and in 2020, the trade volume between the two countries had grown to around \$2.9 billion (Ezeamalu, 2023). Therefore, this considerable number of EMNEs operating in Nigeria that originate from South Africa makes it a pertinent case study to understand the dynamics of EMNEs in emerging markets.

Ultimately, the selection of Nigeria as the emerging market and South African firms as the EMNEs for this research was driven by the significant number of companies that entered the Nigerian market with high hopes for growth and expansion but ended up exiting and divesting. An analysis of data for the last four years revealed that investment from South Africa to Nigeria had decreased dramatically from approximately \$2.3 billion in 2019 to \$428 million in 2022, signifying an 81% drop over the period (Olisah, 2023). It has also been noted that these withdrawals of South African MNEs have been especially within the retail sector. The prevalence of this drop and these divestment cases provides a rich and instructive backdrop for investigating the difficulties encountered by EMNEs in emerging markets and understanding the factors that influenced their decisions to divest, thereby offering valuable insights into the dynamics of operating in emerging markets.

#### *4.2. Background of the Cases*

In conjunction with the research and country context provided above, it is important to present background on the three cases, ‘Firm A’, ‘Firm B’, and ‘Firm C’. These three cases are where the data originates from, as they are focal South African retail firms for this research. Therefore, this sets the scene for the analysis and further contextualises the research. Firstly, ‘Firm A’ is a large South African retailer, established as part of a larger retail group in 1965, the firm initially focused on its domestic market, South Africa, before expanding internationally into Africa. ‘Firm A’ first ventured outside its home country in 1994, starting operations in Mozambique. Years later, in 2012, the firm expanded into Nigeria. However, due to reasons that will be thoroughly discussed, ‘Firm A’ exited the Nigerian market in 2023<sup>4</sup>. Nevertheless, ‘Firm A’ still has a significant international presence across Africa in Angola, Malawi, Mozambique, and Zambia.

Secondly, ‘Firm B’ is another one of South Africa’s leading retailers, established in 1924<sup>5</sup>. The firm first internationalised into Africa by entering South Africa’s neighbouring markets, Namibia, Botswana, Zambia, Eswatini, and Lesotho, and then in 2012, the firm expanded into the Nigerian market. Despite the initial optimism surrounding the Nigerian retail market, ‘Firm B’ exited Nigeria in 2020 for reasons that will be comprehensively analysed and discussed.

Lastly, ‘Firm C’ is also a prominent South African retailer and was established in 1985. The firm grew and first internationalised into Africa by entering the Namibian and Botswana markets, followed by Swaziland, Lesotho, Zambia, Kenya, and Ghana. ‘Firm C’ expanded into Nigeria in 2012, however, exited at the end of 2020 with operations being completely discontinued during the firm’s 2021 financial year<sup>6</sup>.

The aforementioned research and country context as well as case backgrounds lay a solid foundation for the analysis of the interviews and subsequent research findings. However, the rest of the analysis and discussion will focus on answering the main research question ‘why and how emerging market multinational enterprises (EMNEs) divest from emerging markets?’. Therefore, this analysis will firstly address ‘why emerging market multinational enterprises

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<sup>4</sup> Firm A’s 2023 Integrated report

<sup>5</sup> Firm B’s 2021 Integrated report

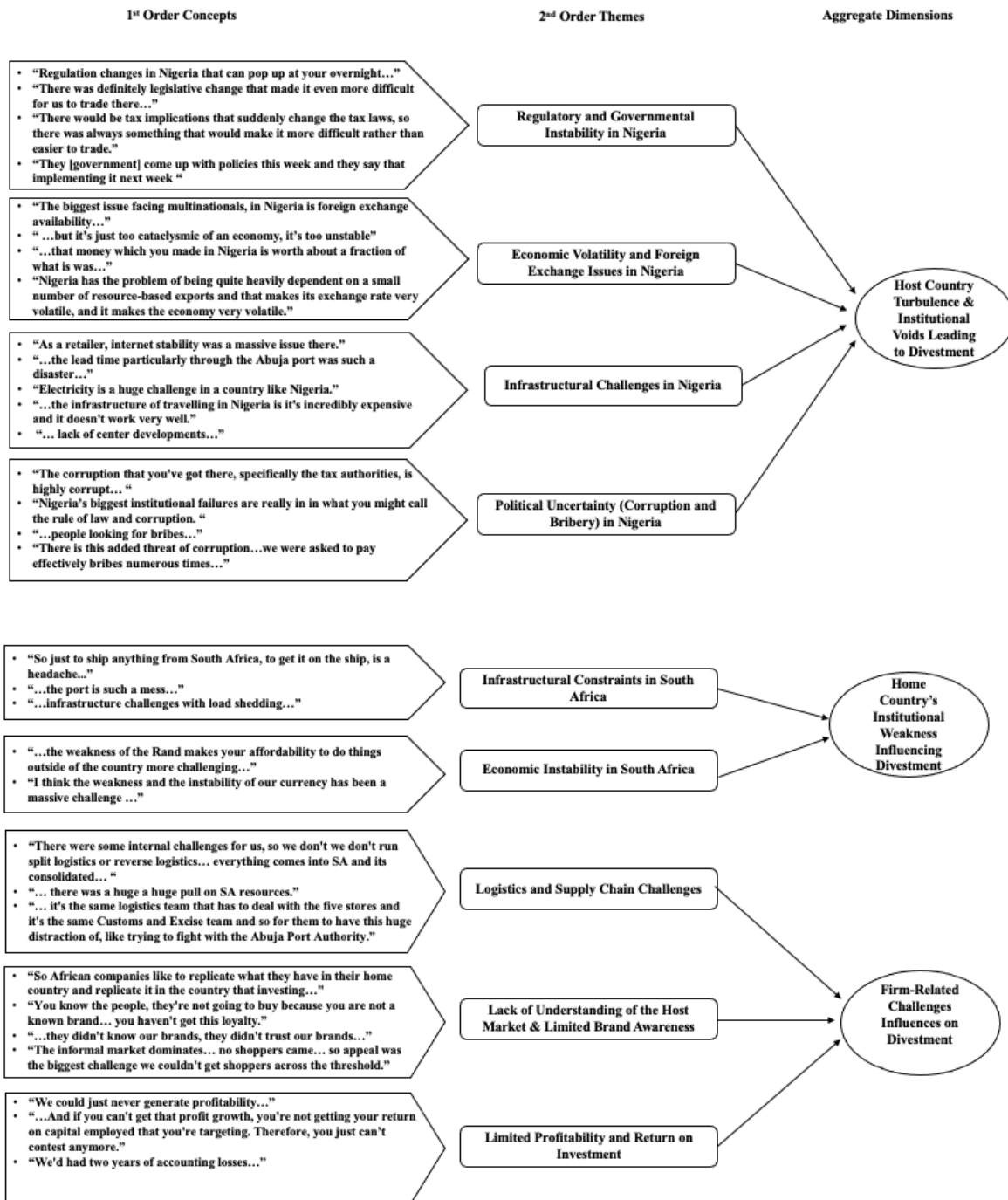
<sup>6</sup> Firm C’s 2021 Integrated report

(EMNEs) divest from emerging markets?’ and ultimately discuss the reasons that motivated the South African MNEs to divest from Nigeria. Secondly, this analysis will unpack the ‘how emerging market multinational enterprises (EMNEs) divest from emerging markets?’ and outline the various divestment strategies and approaches taken by the South African MNEs when they exited Nigeria.

#### *4.3. Divestment Antecedents and Motivations*

Firstly, below is a coding figure which illustrates the structure of the data and the major themes that emerged as a result of the interviews and analysis of the data for the initial part of the research. This figure presents direct quotes from the interviews as first-order concepts, followed by the second-order themes that arose, and ultimately the aggregate dimensions that were derived. Essentially, this figure provides the structure and framework within which the data, themes, and concepts will be unpacked and discussed. This figure was created using insights from the literature review, secondary research and primary research conducted in the form of semi-structured interviews. By systematically addressing these questions and presenting the data in a structured manner, this analysis aims to provide a comprehensive understanding of the divestment motivations and processes of South African MNEs in Nigeria. Therefore, the three main aggregate dimensions that emerged as a result of the coding and analysis of the data from the interviews are: host country turbulence and institutional voids leading to divestment, home country’s institutional weakness influencing divestment and firm-related challenges influences on divestment. These aggregate dimensions and the second-order themes will be further and thoroughly discussed with the use of quotes from the participants as first-order concepts.

Figure 6: Coding Figure Illustrating Aggregate Theoretical Dimensions



Before analysing and discussing each aggregate dimension, along with the subsequent second-order themes and first-order concepts, it is equally important to consider why these divestments by South African MNEs occurred when they did and provide some general insights. Beyond the reasons, motivations, and antecedents of divestment that will be examined below from the

perspective of the three aggregate dimensions, additional aspects influenced the timing of these divestments.

From the interviews, it became evident that leadership changes within the firms played a significant role. Essentially, different approaches for the future growth of the firm, as noted by one participant, clearly decided and indicated that Nigeria was not going to be a substantial part of the firm's profitable growth strategy due to its operational past and complexities in the country. Thus, it is to be believed that this shift in strategic priorities accelerated the decision to exit the Nigerian market. Additionally, shareholder and board impatience, particularly in the retail sector, seemed to pressure the firms to divest from underperforming markets, such as Nigeria. Essentially, it was the demand for quicker and safer returns on investment as well as profitable growth that contributed to the timing of these divestments, as firms were unable to meet the immediate expectations of their investors and shareholders.

*“It overlapped with me coming in and having a different vision for the company, where I could get future growth, profitable growth from and it was just quite clear that Nigeria wasn't going to play a big part of it.”(P7)*

*“...reason why the companies that I worked for have divested is because shareholders are impatient, especially in the retail business.” (P1)*

Furthermore, the somewhat simultaneous or continuous exit of multiple South African MNEs from the Nigerian market could have mitigated the overall impact of each individual departure. As one participant noted, the collective withdrawal over a few years meant that the market did not feel the loss of any single company as acutely. However, this wave of divestments could likely have influenced other firms to reconsider their positions in Nigeria, creating somewhat of a domino effect. Essentially, seeing South African retail peers divest might have reinforced the perception of insurmountable challenges or untenable conditions, prompting other firms in the industry to follow suit. Thus, while the collective action softened the potential impact, it also possibly fuelled the divestment momentum, as the firms observed their home country counterparts' decisions and were potentially influenced by the prevailing sentiment to divest.

*“...so because a lot of companies pulled out at more or less the same time, the impact wasn't felt that much.” (P1)*

However, based on the interviews and subsequent analysis, many participants highlighted and emphasized that it was ultimately a culmination of various challenges and other factors that led to the decision to divest from Nigeria. These challenges and factors, which will be comprehensively discussed through the aggregate dimensions – host country turbulence and institutional voids leading to divestment, home country institutional weaknesses influencing, and firm-related challenges influences on divestment – collectively influenced the divestment, with some playing more influential roles than others to different firms.

#### *4.3.1. Host Country Turbulence and Institutional Voids Leading to Divestment*

Previous research and literature in international business have demonstrated that the institutional environments of countries influence a firm's behaviour, resulting in varied outcomes for the firms (Khanna & Palepu, 2005; North, 1990). Furthermore, numerous studies have highlighted the inefficient functioning or challenges within the institutional environments of emerging markets (Khanna & Palepu, 2005), with these economies being characterised as having weak institutions, unstable markets and a high degree of political and economic risk (Gammeltoft & Hobdari, 2017; Zhao et al., 2014). Khanna and Palepu (2010) refer to there being 'institutional voids' when institutions are weak or do not function efficiently or effectively, indicating a lack of market-supporting institutions that are necessary in order to facilitate an economy's transactions and market operations. These 'institutional voids' include weak laws and legal enforcement, political instability, high corruption levels, currency volatility, bureaucratic obstacles, unreliable governments, and more. In conjunction with this, the level of turbulence within a country also significantly influences the institutional environment and business landscape of the economy, where turbulence refers to the degree to which the external environment of a firm is considered to be volatile, unpredictable as well as uncertain (Rego et al., 2022).

In this case, the turbulence and institutional voids of the host country, Nigeria, played a significant role in and contributed to the divestment of multiple South African MNEs from the market. Prior research has recognised Nigeria for its robust informal institutions that have resulted in institutional deficiencies or weak institutions in the formal systems of the country

(Ahworegba et al., 2022; Areneke & Kimani, 2019; Ekanem et al., 2019). As a result, these institutional deficiencies have largely contributed to the political and economic instability and volatility in Nigeria, which have had a significant impact on the business landscape in the country (Ahworegba et al., 2022). Based on the data collected from the interviews with individuals within the South African MNEs, and subsequent coding and analysis of the data, four main second-order themes relevant to the aggregate dimension of host country turbulence and institutional voids in Nigeria emerged. These insights were gained by asking the interview participants various relevant questions. Subsequently, the four subset themes are regulatory and governmental instability, economic volatility and foreign exchange issues, infrastructural challenges, and political uncertainty (corruption and bribery). While all these themes are interconnected and contribute to host country turbulence and institutional voids leading to divestment, each will be discussed separately to comprehensively unpack the challenges that they created for the South African MNEs and thoroughly explore how these challenges ultimately influenced the divestments.

#### *4.3.1.1. Regulatory and Governmental Instability in Nigeria*

The data from interviews with the individuals from the South African MNEs highlights the substantial impact of regulatory changes and government interference on their business operations in Nigeria. The respondents expressed significant challenges and frustrations with the unpredictable and often obstructive nature of the Nigerian regulatory environment stating that “... *the operating environment in Nigeria became incredibly difficult...*” (P8) and “...*Nigeria, there are a number of you know company’s specific issues around regulation governance, and you know I would say compliance more generally, that have made it quite difficult for the South African retailers to operate.*”(P8). However, the following analysis delves into the more specific key themes emerging from their experiences.

##### a) Regulatory Unpredictability and Overnight Changes

One of the most prominent issues highlighted by the interview participants is the sudden and unpredictable nature of regulatory changes in Nigeria. These changes can occur without warning, creating a volatile business environment, where studies have suggested that regulatory uncertainty creates uneven play fields for firms and MNEs (Karna et al., 2022).

*"Regulation changes in Nigeria that can pop up at your overnight..." (P1)*

*“There was definitely legislative change that made it even more difficult for us to trade there... There would be tax implications that suddenly change the tax laws, so there was always something that would make it more difficult rather than easier to trade.” (P5)*

*“Another thing that you would look at from emerging market is the ease of doing business and any regulatory challenges, is the government making it easy to do business? And in the case of Nigeria, it's not, they were really making it very hard. They come up with policies this week and they say that they are implementing it next week, but they themselves are not ready to actually police this new regulation and they haven't actually thought it through properly... So that makes it really hard because you've got you run a process and run your business, and then they suddenly change a regulation which throws your business completely out.” (P6)*

These quotes reflect the lack of stability and foresight in the regulatory landscape in Nigeria. This unpredictability forced the firms to have to constantly adapt to new rules and regulations, often with little time to prepare for these changes. Additionally, there was a significant amount of uncertainty around the implications surrounding the changes. Essentially, these quick and frequent changes are a form of institutional volatility. In this case, it does not necessarily only indicate the weak institutions but rather also reflects the rapidity and frequency with which institutional voids change (Andrews & Luiz, 2024). In conjunction with this, interview participants also expressed other sporadic changes or actions taken by the Nigerian government that significantly impacted their firms' business operations. One respondent recalled when the Nigerian government closed all the banks for three days, while another explained how they closed land borders, leaving only the ports available for imports as seen in the quotes below. Both actions negatively affected the firms, and ultimately led to increased costs and decreased profits for them. This is in line with previous literature that suggests that institutional weakness and voids often result in economic inefficiency, increased transaction costs as well as other market-related challenges (Khanna & Palepu, 2010; Liedong et al., 2020).

*“All the banks were closed for like 3 days... and it's the biggest economy in Africa, but they run with cash... Now nobody's got cash so our stores are open, but nobody can come in.” (P3)*

*“The Nigerian government... they closed all the land borders so you could bring nothing through over the border from all the neighbouring countries... what then happened was everyone was using the ports and what that what that meant was you had port congestion.”*  
(P1)

These actions were particularly harmful to these firms as retailers, with the quotes below further explaining this and highlighting the challenges that these firms faced as a result of the instability and changes of the regulations and the Nigerian government.

*“...probably the biggest if you're a clothing retailer, you're very seasonal and you got to get fashion into your stores, trading on old inventory never works in any retail environment and we really struggled to get our inventory in through the ports and we struggled to work with the right clearing agents... everything is just tied up in bureaucracy and we really struggled.”* (P5)

This regulatory unpredictability and volatility were further exemplified by import restrictions and the stringent requirements of Form M, which significantly hampered the firms' ability to plan and execute their import operations effectively and efficiently.

#### b) Import Restrictions and 'Form M'

A recurring challenge mentioned by multiple interview participants was the requirement of the Form M for importing goods. This form, described as an import document by the respondents, severely restricted what could be brought into Nigeria. More specifically, the Form M is a required statutory document that all importers must complete to import goods into Nigeria. The form, which was introduced by the Central Bank of Nigeria (CBN) and the Nigeria Customs Service (NCS), is valid for 180 days for general merchandise and 365 days for plant and machinery. Moreover, the participants highlighted that it was not just the restriction on what could be imported but it was also the limited availability and renewal process of Form Ms that made it difficult for the firms to import necessary products and equipment, which led to significant operational disruptions.

*“To import anything, anything into Nigeria, you need a form M, now a form M is an import document... the government would only make so much form Ms available at a certain point in*

*time... So unless your product that you bring in and it's not just your product, that's all your other equipment that you need in your store, your point of sale, your technology, if those things are not listed on your form, you can't bring it into the country. So form Ms was a massive challenge as well.” (P1)*

*“They introduced this thing called the form M so essentially that's almost a permit to import stock...There's a list of products that's banned that you're not allowed to import...” (P6)*

*“We had quite big supply chain challenges and Nigeria put a thing in place called a form M.” (P4)*

*“The form M issue and the port was becoming absolutely untenable.” (P4)*

This sentiment of the interview participants, as seen above and below, is shared by a South African retail analyst who argued that it made sense for firms to exit Nigeria due to the issues surrounding importing clothing into the country, expressing that “the stuff is subject to excessive duties, it lies at the ports for ages before it could be cleared” (Buthelezi, 2020). In conjunction with the restrictions and operational difficulties created by the introduction of the Form M, the retail clothing firms were further restricted by the Nigerian government on products that they could import. The most frequently highlighted example by multiple interview participants, as seen in the quotes below, was the prohibition on importing shoes into Nigeria, essentially “...they're trying to protect an industry that exists in Nigeria” (6). Local competitors pressured the government into imposing these restrictions to avoid competing with MNEs and get firms to purchase from them instead. This posed a significant issue as shoes, being clothing retailers, comprised a large part of these firms' product offerings. Although this government policy aimed to promote local manufacturers and boost the local industry, it posed a challenge for these firms as they had to alter their operations and source shoes from unfamiliar local manufacturers, complicating their supply chain processes.

*“...the local competitors, I think put pressure on the government... so we couldn't bring in shoes...” (P2)*

*“...there were certain categories of product that you could only buy from local manufacturers...” (P4)*

*“There was a bit of pressure for localisation, that is as foreign company coming in, they want you to think about sourcing locally... So it's just another process and your pricing is not going to be good at all so that was a big issue for us.” (P7)*

Lastly, the Nigerian government and the Central Bank of Nigeria (CBN) also implemented a list of items that were not valid for foreign exchange at the Nigerian foreign exchange window. Where essentially, when a transaction is deemed valid for foreign exchange (FX), it allows payment to be made with foreign exchange (FX) obtained from the official market, such as the CBN or Interbank. On the other hand, if a transaction or product is considered non-valid for FX, it means that payment cannot and/or will not be obtained from the official market, including the CBN and Interbank, and thus has to be sourced outside of the official market. On this list of items not valid for FX, as seen in the appendix (Appendix 8.4.), textiles, woven fabrics and clothes were listed. These items are crucial for these retailers and, the challenges and severe implications of this can be seen in the quote below.

*“Now, we can get the form and we can send the stock, but the banks cannot give you access dollars... You've got to now source your own dollars and essentially they are stimulating what they call a 'parallel market' for foreign exchange or a 'black market' for foreign exchange. This is where you get agents that source dollars from legal places and then they make it available for businesses like us but it comes at a huge premium, you can't buy it at the spot rate... So they actually stimulate this 'parallel' or 'black market', the trading of currency and to the letter of the law that is illegal... But if you look at the way they do business there, that's the only way you do business. So now you're in this almost ethical dilemma, specifically in Nigeria, where well, if you want to have your doors open, you got to trade in this 'black market' otherwise, you must close your doors and that creates this ethical dilemma or moral dilemma. So you need to say well, especially if you're a listed business, are you prepared to put your reputation on the line... so why one would exit is because that is not to the letter of the law and the reputational damage to your business, being a listed business, is not worth it.” (P6)*

Therefore, this quote not only outlines the challenges faced by firms due to the foreign exchange regulations instilled by the CBN and Nigerian government but also highlights the ethical and moral dilemmas generated by these constraints, especially for companies listed on the Johannesburg Stock Exchange (JSE). These firms are obligated to operate above board and adhere to ethical standards. The necessity to engage in 'parallel' or 'black market' currency trading to keep operations running in Nigeria places these companies in a precarious position, potentially risking their reputations and legal standing. This situation directly links to the second theme within the overarching theme of host country turbulence and institutional voids leading to divestment which discusses the economic volatility, specifically related to foreign exchange issues in Nigeria.

#### *4.3.1.2. Economic Volatility and Foreign Exchange Issues in Nigeria*

Building on the first theme, another significant challenge – or in this case, another form of institutional turbulence – that the interview participants from the firms repeatedly mentioned was related to the economic volatility and foreign exchange issues in Nigeria, saying “... *it's just too cataclysmic of an economy, it's too unstable*” (P2). These issues played a significant role in their decision to divest. This finding aligns with previous research by Doh et al. (2017), which suggests that uncertainties created by inflation, currency fluctuations, and unstable institutions in emerging markets often result in divestments.

*“...what we found was that particularly in West Africa, the economy is incredibly strongly linked to the oil price and then they are very dependent on the dollar. And so the currency volatility of operating in West Africa was just, I mean we had years where we made a 50 million Rand profit and then the next year we'd make a 50 million Rand loss, but we'd actually sold more jeans and more T-shirts year on year. But you know from an accounting point of view, it was incredibly volatile and also from a currency point of view, which made life very tricky.”* (P4)

*“Nigeria, the economy is highly tied to the commodity cycle or a particular commodity... and you know what you find with these African countries that are tied to a particular commodity is basically a lot of fluctuation in the GDP cycle, so it makes it quite difficult for foreign entrants to operate in these markets because these markets are inherently quite volatile.”* (P8)

*“Nigeria has the problem of being quite heavily dependent on a small number of resource-based exports and that makes its exchange rate very volatile, and it makes the economy very volatile.” (P9)*

Firstly, the aforementioned quotes highlight Nigeria’s heavy reliance on oil exports and the economy’s strong tie to oil prices, which significantly influences the economy and the foreign exchange landscape, creating substantial volatility and uncertainty. Given that oil accounts for the largest share of the Nigerian economy’s foreign exchange earnings, its influence on determining the value of the Nigerian Naira's exchange rate cannot be overstated (Abubakar, 2019; Osuji, 2015). Studies have found that oil prices have a significant negative impact on the exchange rate and cause exchange rate volatility in Nigeria (Englama et al., 2010), with oil price shocks strongly impacting exchange rate volatility. Overall, this sets the tone for the economic and exchange rate difficulties encountered by the firms, which will be further analysed. It is also important to note that Nigeria experienced a recession in 2016 when these firms were operational in the country, where negative oil prices and shocks in production reportedly contracted the Nigerian economy by 1.6% (Varma et al., 2017). This had significant effects on the country’s GDP, the exchange rate and the effects also spilled over into other non-oil sectors, including the retail sector. Following the 2016 recession, the retail sector in Nigeria faced multiple challenges and subsequently, led to decreased confidence in the market (Omidire, 2021).

One challenge mentioned by nearly every interview participant was related to foreign exchange. All firms, that were renting store locations, were required to pay their store rentals to the Nigerian landlords in US Dollars, while their earnings and other transactions were conducted in Naira, the local currency. Their profits made in Naira then had to be converted to US Dollars before being expatriated to South Africa. This situation forced the firms to manage three currencies – Nigerian Naira, US Dollars, and South African Rand – exposing them to significant exchange rate volatility and unpredictability, thus creating a complex tri-currency risk. First, they had to deal with the volatile exchange rate between the Naira and the Dollar, often facing delays and significant losses due to the depreciating Naira. Second, they had to navigate the exchange rate between the Dollar and the Rand, which added another layer of financial risk, especially when there are significant rates attached.

*“... So the biggest thing was they wanted a dollar rent but we earn in Naira, you don't sell in Dollars in Nigeria, you sell in Naira, in the local currency...then to bring your Nairas back to the Reserve Bank in Johannesburg, it needs to come in dollars, it can't come in Naira... so now you need to exchange it in Nigeria at a ridiculous rate.” (P3)*

*“...So we report in Rand, the leases and the landlords wanted to be paid in dollars, the staff get paid in Naira and you transact in Naira. And so it wasn't a dual currency risk, it was a tri-currency risk and we had years where both currencies went against us.” (P4)*

*“With dollar rentals... your percentage of rent to cost just goes out of kilter for what you are in South Africa.” (P7)*

In addition, another significant hindrance for these firms was the scarcity of foreign exchange in Nigeria, making it difficult to convert Naira to US Dollars for repatriation to South Africa. The interview participants highlighted this issue in the quotes below, noting the severe shortage of US Dollars in Nigeria. The participants emphasized that the prolonged waiting periods for obtaining dollars were particularly detrimental, as both the Nigerian Naira and the South African Rand often depreciated further during these waiting periods and delays.

*“The biggest issue facing companies, multinationals, in Nigeria is foreign exchange availability. The availability of US currency exchange because that is the common currency that you exchange and that's the biggest issue with trading in a country like Nigeria because you are trading in the Naira but when you expatriate your currency back to your home country, like South Africa, you do it in dollars.” (P1)*

*“Now, because you don't have the dollars available, you can't actually bring your money back into the country.” (P1)*

*“There was no dollars because everything is being taken out of the country, so you wait for sometimes at least 8 months...But during that, the Naira has already depreciated more and the South African Rand has depreciated more so you've lost...So there's this massive lack of forex on the ground.” (P3)*

*“There isn't dollars available for you... you couldn't get dollars and if you got them, they weren't a rate exchange rate that was favourable to us at all.” (P7)*

The issues with foreign exchange in Nigeria extended further. Many of the interview participants discussed additional hurdles, such as government-imposed limits on the amount of US Dollars that could be repatriated. These regulations compounded the difficulties in their business operations, creating significant financial bottlenecks. Furthermore, the general challenges in the expatriation process from Nigeria to South Africa added another layer of complexity. Essentially, this cash had to be classified as *“restricted cash” (P6)* in the firm's balance sheet as the cash could not be repatriated and therefore, it cannot be considered an asset to the firm. Overall, the firms had to navigate a labyrinth of bureaucratic procedures and restrictions, which not only delayed the transfer of funds but also increased operational costs and general financial uncertainty.

*“The other problem is also there's a limitation on how much dollars you can repatriate... the government imposed a lot of regulations on terms of foreign exchange and in terms of how much money you can take out of the country.” (P1)*

*“...we had huge issues with expatriation of funds.” (P4)*

*“... A challenge that we had as a business is that we pay a dividend on group profit. So if you can't expatriate the money from offshore, your ability to invest in South Africa gets diminished because you have to pay the dividend on behalf of your foreign territories out of your South African cash.” (P4)*

*“So in the years that Nigeria was, you know a positive contributor, it actually became a detractor from our biggest market because we couldn't expatriate the money.” (P4)*

*“...the regulations restrict the flow of capital repatriation.” (P6)*

Lastly, the interviews revealed that after incurring all necessary costs and finally exchanging and repatriating the money to South Africa, it was often worth less than originally anticipated. Although this was not always the case, with some years differing from others, the overall

uncertainty and unpredictability were unfavourable for the firms. This sentiment is echoed in the quotes below and ultimately played a key role in their firms' divestment decisions. This aligns with previous research by Berman and Héricourt (2011), which found that divestment often occurs when firms experience profit losses due to currency conversion and repatriation back to the parent firm's or home country's currency, highlighting the significant impact of economic volatility and fluctuating currency exchange rates on divestment decisions.

*"...that money which you made in Nigeria is worth about a fraction of what it was..." (P3)*

*"I mean we had years where we made a 50 million Rand profit and then the next year we'd make a 50 million Rand loss, but we'd actually sold more jeans and more T-shirts year on year. But you know from an accounting point of view, it was incredibly volatile from a currency point of view, which made life very tricky." (P4)*

These compounding challenges underscored the difficult and volatile economic environment that the firms had to operate in, ultimately significantly influencing their decision to divest from the Nigerian market.

#### *4.3.1.3. Infrastructural Challenges in Nigeria*

MNEs operating within emerging economies constantly face challenges due to continuous insufficiencies in the country's infrastructure (Bu et al., 2024). The infrastructure in question in this case, as described by Bu et al. (2024), is referred to as hard or physical infrastructure. This includes tangible components and their reliability, efficiency, and coverage, such as electricity, roads and transportation, water, and communication networks. Therefore, when there are infrastructural challenges or deficiencies, it suggests inadequacy, inefficiency, incompleteness, as well as high costs for the firms compared to international standards (Bu et al., 2024). Although hard infrastructural deficiencies were not considered a major challenge by many interview participants in comparison to other challenges faced, it did contribute to the operational difficulties experienced by firms in Nigeria. This is evident in the quotes below which reflect some of the main issues that these firms were faced with, especially as retail firms.

*"Electricity is a huge challenge in a country like Nigeria." (P1)*

*“Roads... massive issue” (P1)*

*“As a retailer, internet stability was a massive issue there. So to broadcast or to get data out of your stores, we were using satellite internet which is way more expensive than your traditional landline internet.” (P1)*

*“...lack of centre developments.” (P7)*

Furthermore, the interview participants also elaborated on the difficulties associated with air travel and port logistics. The Lagos airport, in particular, was described as a ‘disaster’, making travel within Nigeria not only expensive but also inefficient for the firms’ South African managers and employees to visit their locations. The inefficiencies extended to the Abuja port, where the interview participants expressed that the lengthy lead times and inefficiency often resulted in missed business opportunities and trading delays. For example, it was noted that the firms often missed critical sales periods such as Christmas, Valentine’s Day, Back to School and winter seasons. It was further emphasised that the port's inefficiency and deficiencies significantly impacted the cash flow and stock turnover since the firms own the stock while it's in transit and sitting in the port. Subsequently, these additional hold costs are then added to the overall costs for the firms.

*“...one of the biggest challenges for Nigeria, as a business, is that the Lagos Airport is just a disaster.” (P4)*

*“So I mean the infrastructure of travelling in Nigeria is incredibly expensive and it doesn't work very well.” (P4)*

*“...the lead time particularly through the Abuja port was such a disaster, we often missed seasons in Lagos, but more than anything, we couldn't trade in.” (P4)*

*“...the port was becoming absolutely untenable because we own the stock while it's on the water so just having a huge impact on cash conversion and stock turn.” (P4)*

*“Sometimes you have the ship going in there, the ship docks, but they cannot offload because of port issues...but it was a major issue where retailers would miss Christmas and miss Valentine's Day and miss winter because of port issues.” (P6)*

*“The product has to get shipped to Nigeria, which is weeks and can often sit in port... Not the most efficient port in the world, and so this just adds holding cost onto our stock” (P7)*

These quotes collectively paint a picture of a challenging business environment in Nigeria, where infrastructural deficits in electricity, road networks, internet connectivity, air travel, and port operations severely hinder commercial activities and increase operational costs for the firms. Ultimately, these issues played a role in the firms' decisions to divest from the Nigerian market. This aligns with research by Bu et al. (2024), which suggests that in emerging markets, inadequate infrastructure heightens environmental uncertainty, deterring and obstructing the operations of foreign firms, which consequently results in reduced investment levels.

#### *4.3.1.4. Political Uncertainty (Corruption and Bribery) in Nigeria*

Political friction, particularly corruption and bribery, significantly influences the operational and business environment, and hence contributes substantially to divestment decisions by firms (Sartor & Beamish, 2020). Moreover, prior research recognises corruption and bribery as a persistent problem that generates unpredictability and uncertainty for firms that operate among it (Goel & Saunoris, 2020; Sartor & Beamish, 2020). According to the Corruption Perception Index, a global corruption ranking system, Nigeria ranks 145<sup>th</sup> out of 180 and has a score of 25 out of 100, indicating that the country is perceived to be highly corrupt (World Bank, 2023).

The interview participants provided insights into the challenges faced by their firms in Nigeria due to political uncertainty and instability. One recurring theme was the widespread demand for bribes and the corruption, which affects various levels of business operations. The participants mentioned how the expectation of bribes was not limited to low-level interactions but extended to significant encounters, such as dealing with tax authorities. The tax authorities were described as highly corrupt, often approaching firms with excessive tax assessments that could be "resolved" through bribes, thus adding another layer of difficulty in managing operations.

*“...people looking for bribes...” (P2)*

*“Nigeria’s biggest institutional failures are really in what you might call the rule of law and corruption. But also in deficiencies in the off functioning of the state.” (P9)*

*“The corruption that you’ve got there, specifically the tax authorities, is highly corrupt so much so that they’ll approach, they’ll pitch up at your office and say, listen, you’ve got outstanding taxes, we’ve assessed you with this amount, but we can make it go away... And that’s where corruption and regulations and ease of doing business comes in and that was also really hard.” (P6)*

Another significant point raised was the challenge of maintaining compliance with anti-corruption standards, as South African firms listed on the JSE, while operating in such an environment. These firms that are linked to stringent anti-money laundering, financial control standards and ethical business practices found it particularly hard to justify unaccounted expenses, such as small bribes, which are often unavoidable in Nigeria. This dilemma illustrates the broader issue of how corruption in the host country conflicts with the ethical and regulatory frameworks of firms and their host countries, further complicating their operations. This is evidenced in the quotes by the participants below. Previous literature suggests that, from the perspective of institutional theory, firms are likely to exit a market if they face the liability of foreignness due to their inability to align with the host country’s institutions, including practices of corruption (Zaheer, 1995). However, Minbaeva et al. (2021) note that these firms cannot always adapt perfectly to the host country’s regulations and norms, otherwise known as the rules of the game. Although corruption and bribery exist in South Africa, these firms do not engage in or conform to these behaviours in their home country. Consequently, they still experience the liability of foreignness in the host country as they are unwilling to conform to unethical business practices in Nigeria, making the decision to divest more likely.

*“...for listed businesses in South Africa that are very strongly linked to the anti-money laundering and King 4 code of conduct and massive internal financial control declarations, you know it’s quite difficult to come back and tell group finance and you know, sorry, I gave the guy at the airport for \$50.00, but I don’t have a receipt for it...” (P4)*

*“There is this added threat of corruption. So we were asked to pay effectively bribes numerous times to get our containers released and we just wouldn't do it, just not something that we entertained but it just doesn't help you because others are doing it.” (P7)*

The above findings also indicated that while some firms, including these firms, refuse to engage in corrupt practices, this stance can be disadvantageous. The firms that choose not to pay bribes face delays and additional hurdles, as other businesses may comply with corrupt demands to expedite their processes. This creates an uneven playing field, where ethical businesses are penalised, further discouraging their investment and complicating operational decisions. This observation is consistent with Goel and Saunoris (2020), who noted that high levels of corruption in host countries significantly reduce the chances of survival for firms that do not engage in corrupt practices.

#### *4.3.1.5.Theme Conclusion*

While conducting the interviews and examining the data, it is evident that South African multinational firms conducted extensive research and due diligence before entering the market. However, despite these preparatory efforts, the true nature of the business landscape often reveals itself only after operations commence in the emerging market and this was the case in Nigeria. This reality is succinctly captured in the statements below.

*“...it comes with a host of complexities and often these complexities, despite DD [due diligence], will only really surface at the point where you're hitting the ground and you're trading, and then they become a lot more evident” (P7).*

*“It's just the initial hopes never translate into getting traction on the ground...” (P7)*

*“And sometimes our accountants and our financial guys, they tend to sort of use speculation when they're doing their initial analysis and when you actually hit the ground running, you actually find that there's a lot of costs that you didn't foresee.” (P1)*

This underscores the dynamic and unpredictable nature of the Nigerian market, where initial research can only go so far in preparing the firms for the actual operational challenges they will

face. The firms found that the gap between anticipated and actual operating conditions was too wide, leading to unforeseen challenges and costs that impacted the profitability and sustainability of their businesses. The persistent unpredictability and constant changes in the environment can strain resources, increase costs and erode confidence, ultimately playing a crucial role in the decision to divest.

Consequently, the culmination of these challenges, regulatory and governmental instability, economic volatility and foreign exchange issues, infrastructural challenges, and political uncertainty (corruption and bribery), demonstrates that institutional voids and host country turbulence are critical determinants in the decision and motivation to divest, especially in the case of South African MNEs exiting Nigeria.

#### *4.3.2. Home Country Institutional Weaknesses Influencing Divestment*

Previous research by da Fonseca et al. (2023) has revealed that home country institutions have a considerable impact on the decisions of EMNEs concerning their divestment strategies in foreign investments. This effect is particularly pronounced when the home country exhibits institutional weaknesses. Once again, where institutional weakness refers to the condition where institutions are underdeveloped, inefficient, and incapable of supporting the market effectively and efficiently (Liedong et al., 2020). Consequently, the findings indicate that firms originating from countries experiencing volatility and unstable macroeconomic conditions are more prone to divest their foreign investments (da Fonseca et al., 2023). This observation aligns with Grellmann et al. (2022), which highlighted the significant influence of home country environmental uncertainties on the performance of EMNEs. This often occurs because these EMNEs must prioritise addressing institutional weaknesses in their home country, which reduces the resources and capabilities available for their foreign investments. As a result, divestment enables these firms to reallocate their focus and resources back to their home country.

In this context, the institutional weaknesses of South Africa, an emerging market known for its economic instability and volatility, have contributed slightly to the divestment decisions of firms that operated there. From the interviews conducted with individuals within South African MNEs, and subsequent coding and analysis of the data, two second-order themes relevant to the aggregate dimension of home country institutional weaknesses emerged. These insights

were obtained by asking relevant questions to the interview participants. The two identified second-order themes are infrastructural constraints and economic instability. While these themes are linked and collectively contribute to the aggregate dimension of institutional weaknesses that drive divestment, each will be discussed separately to thoroughly examine the specific challenges they posed for South African MNEs and how these challenges ultimately influenced the divestment motivations of the firms.

#### *4.3.2.1. Infrastructural Constraints in South Africa*

As previously discussed regarding the infrastructure challenges in Nigeria, infrastructural constraints in this context similarly refer to inefficient, inadequate, and incomplete hard infrastructure (Bu et al., 2024). As such, this includes issues with electricity, communication, roads and transportation, water supply, and similar essential services.

Several quotes, as seen below, from interview participants underscore the slight infrastructural constraints faced by the business in South Africa while they operated in Nigeria. One interview participant highlighted load shedding in South Africa as an infrastructural challenge that has an impact on business operations. This is confirmed by analysts who have noted that load-shedding has profoundly disrupted retail companies in South Africa, causing a drop in sales as well as an increase in costs (Buss, 2023). This point is relevant in this case as it illustrates how having an unreliable power supply in the home country can increase overall operational costs, thereby reducing overall profitability and influencing investment and divestment decisions. In conjunction with this, logistical issues and inefficiencies were discussed by a few interview participants in relation to the South African ports and their systems.

*“...I think the cost of doing business in South Africa because of our infrastructure challenges with load shedding has reduced the profitability of South African businesses...” (P1)*

*“So just to ship anything from South Africa, to get it on the ship, is a headache...” (P3)*

*“...the port is such a mess... we probably sitting in the same space in our in our own country.” (P4)*

*“...when you're having a huge port delay in your own market, it just has an absolute knock-on effect.” (P4)*

Although these constraints and inefficiencies are less severe compared to those in Nigeria, they still have knock-on effects on the firms' foreign investments and operations. This is due to the fact that initial delays at South African ports can hinder timely stock delivery to Nigeria, potentially also causing firms to miss critical sales periods. This is due to the fact that most of the retailers consolidate their stock in South Africa before exporting to Nigeria. Moreover, these constraints often lead to increased costs and require additional effort from the firms. This aligns with existing literature, which suggests that weak institutions can impede foreign investment and raise the overall cost of such investments (Buchanan et al., 2012). Consequently, infrastructural constraints in South Africa have hindered their foreign investment operations in Nigeria.

#### *4.3.2.2. Economic Instability in South Africa*

Emerging markets, like South Africa, can present both domestic and foreign firms with many challenges, mostly deriving from economic and market instabilities and uncertainties (Ameyaw et al., 2023). This instability and uncertainty are typically because of factors such as inflation, fluctuations in currency, and the overall volatile institutions that can be present within emerging markets. This is pointed out by Luiz and Barnard (2022), indicating a South African firm experienced a series of divestments across Africa, including Nigeria, in recent years due to an escalation in instability within a firm's home country.

This became evident during some of the interviews with the participants, as seen in the quotes below. The weakness and the depreciation of the local currency, the South African Rand, make it more expensive for these South African firms to operate internationally, thereby reducing their competitiveness and motivation to continue exploring foreign investments. For example, in this case, these South African firms had to pay their rent in US Dollars and also exchange the Dollars repatriated from Nigeria – already devalued due to the conversion from Naira to Dollar – back into the South African Rand. Reports have indicated that over a ten year period ending in 2022, the Rand has cumulatively declined by -50.1% against the US Dollar (Barker, 2023). Thus, given the Rand's weakness, volatility and an average depreciation of -5.9% over the years, this exchange would typically be unfavourable for the firms.

*“...Dollar rental versus a very volatile Rand, doesn't quite work out.” (P1)*

*“...the weakness of the Rand makes your affordability to do things outside of the country more challenging than it was a few years ago and because you know just every Rand gets you so much less, particularly when a lot of the continent's business in terms of kind of foreign work is moving to Dollar base. So it's making it less and less affordable for a business.” (P4)*

*“I think the weakness and the instability of our currency has been a massive challenge and then I think the cost of doing business in South Africa because of our infrastructure challenges with load shedding has reduced the profitability of South African businesses and therefore reduced their appetite and ability to do things in emerging markets because it's always easier to expand when you actually are making money in your home country.” (P4)*

The above quotes highlight how economic instability, combined with infrastructural issues, as discussed previously, reduces the profitability of the firms' domestic operations, thereby diminishing the capacity and willingness of firms to invest in additional foreign markets as well as forcing them to reconsider their current foreign investments.

#### *4.3.2.3. Theme Conclusion*

Extensive research has demonstrated that when EMNEs expand into other emerging economies, they possess an advantage over their MNE counterparts from developed economies, as they are more adept at navigating challenging institutional environments. This is due to these firms experiencing similar conditions in their home countries (Cuervo-Cazurra & Genc, 2008; Luiz & Barnard, 2022). However, it is also worth noting that EMNEs may not always have the financial resources, scale or other beneficial characteristics of their counterparts from developed markets for their foreign investments and operations (Luiz et al., 2017). Therefore, this appears to be the case in this situation, where there are similarities in the infrastructural constraints and economic instability in the home country, South Africa, and the institutional challenges faced in the host country, Nigeria. Moreover, the sentiment is also evident that economic instability, in the form of a weak Rand, sometimes reduces the firms' financial capabilities and motivation to continue with foreign investments. Lastly, the institutional weaknesses in these firms' home country, South Africa, often necessitate that they

focus on mitigating and managing these weaknesses before concentrating on foreign investments. Therefore, when the home country experiences institutional challenges, it influences divestment motives, as firms may need to divest from their foreign investments to reallocate capital, resources, and capabilities to their home country.

Overall, although the infrastructural constraints and economic instability in South Africa, described collectively as home country institutional weaknesses, likely played an influential role in the investment and divestment decisions of the firms, the interviews suggested that these factors did not play as significant a role as host country-related factors and were not as influential as anticipated.

#### *4.3.3. Firm-Related Challenges Influences on Divestment*

Previous research has indicated that within the context of firm-related factors, influences on divestment motivations and decisions include factors such as the knowledge or experience in the host market, the financial performance of the firm and its foreign subsidiaries, internationalisation strategy, scale of the operations, and lastly, partnerships (Ameyaw et al., 2023; Merza & Alhussainan, 2023). Therefore, while external factors such as the environments of the home and host countries significantly drive the motivation for divestment as previously discussed, firm-related factors also play a noteworthy role in this decision-making process. Consequently, it is essential to discuss these internal aspects of divestment decisions, even though many firms might be reluctant to admit that internal challenges or an inability to adapt to the foreign environment contributed to their decision to divest. However, in this case, based on the data collected from the interviews, and subsequent coding and analysis of the data, firm-related factors did emerge. Subsequently, three main second-order themes applicable to the aggregate dimension of firm-related challenges materialised. These insights were obtained by asking the relevant and necessary questions. Consequently, the three second-order themes are logistics and supply chain challenges, lack of understanding of the host market and limited brand awareness, and limited profitability and return on investment. While interconnected, each theme will be discussed separately to thoroughly examine the challenges they presented for South African MNEs while operating in Nigeria and how these firm-related challenges influenced their divestment decisions.

#### *4.3.3.1. Logistics and Supply Chain Challenges*

Understanding the firm-related challenges influencing divestment, as an aggregate dimension, has been analysed through the second-order themes that were derived from the interviews and relevant quotes from the participants. The first of these second-order themes is logistics and supply challenges. From the analysis and interpretation of the interviews, it was found that at least one of the firms experienced significant challenges due to the incompatibility of cost models and other operational models when they attempted to replicate their home country model in the Nigerian market, resulting in inefficiencies because the different infrastructure and operational conditions were not adequately addressed. This is evident in the quote below.

*“So African companies like to replicate what they have in their home country and replicate it in the country that they are investing in... But replicating what you have in South Africa in another country, that's where the trouble comes in because you using the same cost models that you have in South Africa and you're trying to replicate it and the cost model is not the same because the infrastructure is not the same.” (P1)*

Additionally, it was noted by an interview participant that internal operational challenges arose from an over-reliance on home country consolidation, which proved to be both expensive and impractical in the context of the Nigerian market and their operations there. This inefficiency in logistics strategies was highlighted and addressed as a rather significant hurdle in their operations between South Africa and Nigeria. Furthermore, the allocation of resources posed an additional challenge, as managing foreign operations in Nigeria often strained domestic resources and capabilities in South Africa, leading to reduced profitability and overall operational inefficiencies. This is made clear in the quotes from an interview below.

*“There were some internal challenges for us, so we don't we don't run split logistics or reverse logistics... everything comes into SA and its consolidated... so as I say, some of the stuff I think was internal, but when you're only running seven stores [in Nigeria], it's very expensive to run multiple processes.” (P4)*

*“...it's interesting for me when I think about these things because it's actually such a small part of the business, but it can cause such a huge distraction in the core of your business... it's the same logistics team that has to deal with the five stores and it's the same customs and excise*

*team and so for them to have this huge distraction of, like trying to fight with the Abuja Port Authority when we had 1800 stores in South Africa that we're making a lot of money.” (P4)*

*“... there was a huge pull on SA [South African] resources.” (P4)*

Therefore, after the interviews and analysis of the data, it became apparent that balancing the demands of both domestic and international operations became a critical issue while operating in Nigeria, impacting the firms' performance and contributing to their divestment decisions.

#### *4.3.3.2.Lack of Understanding of the Host Market and Limited Brand Awareness*

The next important aspect to analyse and discuss with regard to firm-related challenges is both the firms' lack of understanding of the host market, in this case Nigeria, and the limited brand awareness around these South African firms in Nigeria. More specifically, to unpack how these factors played a role in influencing the firms to divest from the Nigerian market. Previous research by Luo et al. (2022) suggests that firms with limited experience in emerging markets may encounter challenges in obtaining a foothold in the market and establishing their business operations, or struggle with adapting to local conditions and dynamics, and establishing business networks. Thus, these firms could experience less market share and profitability and ultimately be a motivation for divestment. Although these South African firms have substantial experience operating in emerging markets, both because their home country, South Africa, is an emerging market and because they have operations in many other emerging African countries, their experiences did not shield them from challenges in Nigeria. It became evident that their previous experiences in emerging markets did not provide them with a significant advantage as previous research has suggested. This sentiment can be seen in the quote below, which suggests that each African market has its own nuances and differences. This indicates that foreign firms would still need to figure out and understand the local environment, and having previous experience may not always be beneficial due to the distinct differences between markets.

*“I think each of these African markets have its own set of nuances in terms of cultural differences, which sometimes take a foreign player a while to work out what the lay of the land is.” (P8)*

Additionally, many interview participants highlighted a crucial realisation that despite Nigeria's large population, the potential customer base for formal retail is much smaller than initially anticipated, as noted below. Therefore, this insight underscores the challenge that, while Nigeria's market appears attractive due to its sheer size and population, the actual market for formal retail is actually limited. In conjunction with this, it was also brought up that the informal market also dominates in Nigeria, and this has an impact on these formal retail firms trying to establish a foothold and gain customers.

*“I think that what a lot of people probably underestimated was just the number of people of that 200 or 220 million people that actually do shop in formal retail as opposed to markets, it's actually quite small so it's definitely not the 220 million you're looking at, it's a subset of that...” (P7)*

*“The informal market dominates... no shoppers came... so appeal was the biggest challenge we couldn't get shoppers across the threshold.” (P5)*

Another crucial challenge for these retail firms and a divestment motivation was highlighted by participants, as quoted below, they noted that the firms struggled to build economies of scale in Nigeria. It is worth noting that it was the economies of scale that these retail firms built in South Africa that allowed and prompted them to expand into other African countries, and as mentioned below, it is a crucial aspect of retail operations. Establishing economies of scale would have potentially reduced the overall firms' costs in Nigeria and supported their operations more efficiently. The inability to achieve economies of scale in Nigeria can be attributed to various factors, however, a significant one is the “...*lack of centre developments.*” (P7) in Nigeria. Additional research has confirmed that the lack of quality rental space in Nigeria is one of the biggest challenges for firms trying to achieve economies of scale (Ogbuokiri, 2024).

*“...retailers decided to divest from Nigeria was they were struggling to build economies of scale and you know which is a critical component for any retail business model.” (P8)*

*“You just can't get economies of scale...” (P7)*

Moreover, the South African firms, in particular, found that their presence in only a few cities, such as Lagos and Abuja, restricted their access to the broader population of Nigeria. Although these were essentially the only viable places to operate for the South African firms, the concentration of their operations in these major cities still meant that they could not tap into the full market potential. This geographic limitation, coupled with the overestimation of the market size, significantly impacted their performance and ultimately influenced their decision to divest.

Another critical point that was discussed, as evident in the quotes below, is the lack of brand awareness for these South African firms and their products in Nigeria. Many of the participants noted that their operations in other African countries, such as Namibia, Botswana, Zambia, Eswatini and Lesotho, particularly those neighbouring South Africa, are aware of their firms and brands and benefit from brand recognition due to their proximity to South Africa. However, due to the fact that Nigeria is further north and significantly distant, this familiarity and awareness of their firms and brands is absent. Additionally, as foreign firms entering the market, there is also a lack of trust and understanding of the brands and their products, leading to an absence of customer loyalty and regular customers. Consequently, it requires more effort to attract customers across the threshold to purchase the firms' products. Ultimately, this lack of brand awareness and trust presented a notable challenge for South African retailers operating in Nigeria and became a considerable factor in their decision to divest. This is as divesting would allow the firms to then refocus their efforts on markets where they had loyal and growing customer bases rather than the Nigeria market where these hurdles presented.

*“You know the people [in Nigeria], they're not going to buy because you are not a known brand... you haven't got this loyalty.” (P3)*

*“...they didn't know our brands; they didn't trust our brands and they didn't understand the price value equation in our product. So that was one of the biggest challenges.” (P5)*

Lastly, this sentiment is further illustrated in the following quote, which shows that South African firms faced challenges and hurdles not only from customers but also from the government, as previously discussed. This highlights that these firms were not well received in

Nigeria and underscores the multifaceted difficulties these firms encountered, contributing to their ultimate decision to divest from the Nigerian market.

*“It doesn't seem like South African businesses are well received, so either from a consumer point of view or just from a government dealing, agencies dealing with South African businesses there tends to be a bit of a loggerhead at times.” (P7)*

#### *4.3.3.3.Limited Profitability and Return on Investment*

The last second-order theme to be analysed and discussed under the aggregate dimension of firm-related challenges influencing divestment is related to the limited profitability and return on investment experienced by some of the South African firms operating in Nigeria. According to Ameyaw et al. (2023), the financial performance of a firm's subsidiary plays an extremely influential role in the decision to divest. More specifically, where a subsidiary is underperforming financially, it is more likely to be divested. Therefore, this literature is aligned with what was revealed from the coding and analysis of the interview data. Multiple interview participants revealed limited profitability and the struggle to generate profits became a substantial hurdle for the firms. Based on the interviews and analysis, it was found that the firms consistently struggled to generate profit in the Nigerian market due to the culmination of challenges, such as operational difficulties, governmental and regulation instability, economic volatility and many of the factors that were discussed previously. This lack of profit growth meant that the firms were unable to achieve their targeted return on capital, making continued investment unsustainable. In conjunction with this, it was also mentioned that the risk of operating in Nigeria was not matching the return, making the risk less worthwhile. This observation aligns with the literature suggesting that while foreign investors recognise that emerging markets are risky, they expect higher returns to justify these risks (Smimou, 2015).

*“We could just never generate profitability in those stores, in those environments, where difficulty getting the product in and challenge of getting customers across the threshold.” (P5)*

*“I think some companies take a view that if you go after top-line growth, sales growth, start making inroads into the market, that's often obviously a good sign, but it's got to translate down to profit-driven... And if you can't get that profit growth, you're not getting your return on capital employed that you're targeting. Therefore, you just can't contest anymore.” (P7)*

Additionally, it was also demonstrated by one participant, as seen below, that sustained accounting losses over a two-year period of one of the firms led to increasing dissatisfaction from audit committees, further highlighting the financial strain on their parent firm. These cumulative financial challenges made it evident that achieving the necessary profitability in the Nigerian market was not feasible.

*“We'd had two years of accounting losses so the audit committee was getting very unhappy about, you know, this process of having to report a loss.” (P4)*

Therefore, the above quotes illustrate the poor financial performance and limited profitability experienced by the firms while operational in Nigeria. Consequently, the financial struggles faced by these firms in Nigeria were a critical factor influencing their decision to divest from the market. Once again, this aligns with previous research by Sohl and Folta (2021), which suggests that MNEs tend to divest from poorly performing markets in order to redeploy their resources to more profitable subsidiaries. In this case, the participants from the South African firms highlighted focusing back on the home market and the other African markets that were making a profit.

#### *4.3.3.4. Theme Conclusion*

Prior research into firm-related antecedents of divestment has classified these antecedents further into parent-level factors and subsidiary-level factors (Ameyaw et al., 2023; Merza & Alhussainan, 2023). In this case, the firm-related challenges influencing the divestment from Nigeria were predominantly subsidiary-level factors. The first-order concepts and second-order themes discussed and analysed above, such as logistics and supply chain challenges, lack of understanding of the host market and limited brand awareness, and limited profitability and return on investment, were all predominately related to the subsidiaries in Nigeria of the South African firms.

In conclusion, based on the data collected from the interviews and subsequent coding and analysis, firm-related challenges emerged as notable contributors to the decision to divest from Nigeria for the South African firms. Although many firms might be reluctant to admit that internal challenges or an inability to adapt to the foreign environment played a role, the

evidence from this study clearly highlights these issues. Overall, the firm-related challenges faced by South African firms significantly influenced their decision to divest from Nigeria. While these firm-related challenges and internal issues may not have been as impactful as the host country's turbulences and institutional voids, they nonetheless played a crucial role and deciding factor. However, it is understood that the firms' failure to achieve the anticipated profit and return on investment was a major factor in the final decision to exit this emerging market.

#### *4.4. Divestment Approaches and Strategies*

According to prior research, firms utilise a range of methods when executing divestments, influenced by strategic approaches, firm-specific factors, and the dynamics of both the host country and the home country. These methods include spin-offs, sales, equity carve-outs or buyouts, liquidation and closures (Iqbal & Nyiwul, 2022; Borga et al., 2020; Castellões et al., 2023; Zschoche, 2016). The data collected from the interviews and subsequent analysis reveals a variety of strategies employed by the South African MNEs to divest their assets from Nigeria, reflecting the complexities and nuances involved in exiting markets. The participants outlined different approaches based on their operations in Nigeria, their experiences and the specific conditions they faced, highlighting a multifaceted view and approaches to divestment. These insights were obtained from the interview participants by asking relevant questions, including how their firms divested from the Nigerian market, focusing on the strategies or approaches the firm decided on and adopted in order to efficiently and effectively exit Nigeria. Consequently, to fully unpack the data from the interviews, the research findings and analysis will be conducted in two parts: first, by examining the processes and precautions taken by the firms before fully divesting, and then by analysing the strategies and approach they took to end their operations and exit Nigeria.

##### *4.4.1. Pre-Divestment Processes*

During the interviews with the participants and from the subsequent analysis, it became apparent that each firm implemented lengthy processes and numerous steps before divesting. Therefore, it is necessary to dissect and discuss these findings in detail. The pre-divestment processes highlighted by the participants from the South African firms in the quotes reveal the comprehensive and strategic efforts undertaken to ensure a smooth and compliant exit from the Nigerian market. It was noted that the firms worked closely with local authorities, attorneys,

and tax experts in order to navigate the complex legal and financial landscape, emphasizing the necessity of leveraging local knowledge to handle bureaucratic and financial challenges effectively in Nigeria. This included engaging with experts, including labour agents and government officials, which was crucial in managing costs associated with negotiating and exiting lease agreements as well as providing fair severance packages to employees where necessary. Additionally, tax implications were raised as a significant concern by participants when considering divesting, with firms consulting tax advisors to avoid substantial penalties for their divestment, highlighting the importance of adhering to tax regulations to prevent unforeseen financial liabilities. Moreover, the firms also sought out legal advice on employee compensation and notice periods to ensure compliance with local laws, preserving the firm's reputation and keeping the door open for potential future market re-entry into Nigeria. This is evident in the multiple quotes displayed below from the interview participants.

*“They worked with local authority, local attorneys, city attorneys, local tax guys that knew how and it was a long process to get whatever remaining money out and they had to use a couple of intermediaries, predominantly the banks.” (P1)*

*“I think the first thing we did is we consulted with experts...we made sure that we consulted with a local labour agent, consulted with local government. Then we started with the lease agreements and how we could exit without too many cost-related issues and predominantly the focus was on the people and making sure that we when we exited the severance packages were in place properly. Ultimately, it cost us money to exit but it was certainly the lesser of two evils, persisting and trying to trade in an environment then we just knew that there was no alternative.”(P5)*

*“I think that one of the biggest things was that we had to meet with the tax advisors, tax consultants, we didn't want any massive penalties for divesting.” (P5)*

*“We got legal advice, how to pay our people and what notice period to give... an approach that if we ever wanted to go back, you could because you haven't burned bridges and you've done things completely legal.” (P7)*

*“So our process of closing... it involved a huge amount of negotiation with the landlords because not all of the leases were expiring at the same time and most of the leases come with a penalty if you close early. So for us from like a business case perspective, we kind of then went into the process of analysing what would the cost of closing the stores be in terms of penalties to landlords and right off of underappreciated CapEx, liquidation of stock and retrenchment of staff... And when we did that, even though it was a very unpleasant closure cost at the time, the kind of short-term pain, it did not feel like it outweighed any ability to ever make that make that money back.” (P4)*

Overall, although the immediate financial hit of the divestment and the effort of pre-divestment processes was substantial, the firms determined that it was preferable to continuing their unprofitable and challenging operations in Nigeria. This meticulous planning, expert consultation, and ethical consideration by each firm not only minimised the overall financial losses that could have occurred through penalties but also maintained the firms’ reputations and strategic flexibility for future opportunities. Therefore, it can be noted that the firms prioritised the long-term financial implications over the short-term financial implications.

#### *4.4.2. Divestment Processes*

Following the discussion of the pre-divestment processes, the interview participants began to unpack the specific exit strategies that their firms used. These approaches and strategies were tailored to their business operations in Nigeria and were chosen based on what would be the most effective approach for their particular circumstances. Therefore, the divestment processes undertaken by the South African firms exiting the Nigerian market are multifaceted, involving various strategies to ensure a smooth and effective withdrawal. One interview participant highlighted that there were essentially three primary approaches that many of the South African retail firms adopted. These included shutting down operations completely, selling the business as a going concern, or stripping and selling off assets. While other participants emphasized that these decisions and approaches could also be heavily influenced by the underdeveloped capital markets in emerging economies, expressing that Nigeria *“doesn’t have a deep capital market like we have in South Africa” (P6)*, necessitating sales either through management buyouts or to other companies. Although Nigeria’s capital market has made progress in recent years and is relatively well-developed compared to other African economies, it still has challenges and is not a viable option for these South African firms.

*“So they can either shut the operations down completely, and the second alternative is to sell it as a going concern, or thirdly, do an asset strip and sell off the various assets and in most instances you know the retailers have been able to find buyers for these assets...” (P8)*

*“One of the things about being in an emerging market is capital markets aren't developed... So the chances are you're going to have to sell either to the management in a buyout or you're going to have to sell to another company, either foreign or domestic.” (P9)*

Consequently, the interviews revealed that among the three case studies, two primary divestment methods were employed. The first method is a management buyout, while the second involves liquidation or the straightforward sale of all assets to facilitate their exits.

#### *4.4.2.1. Management Buyout*

From the cases, it was found that firms opted for a management buyout as a divestment strategy to leave Nigeria. This is similar to the sell-off method of divestment, where the assets of the firm are purchased by another firm (Zschoche, 2016). This management buyout process was illustrated by one participant, it was described as offering a fair price and payment terms to the management, facilitating a gradual exit over an extended period. This strategy included continued product supply, supporting them using their systems until they have set up their own, and ensuring business continuity and customer satisfaction during the transition. By transferring operational responsibilities and risks to the management, the firm secured a smoother exit, albeit at the cost associated with it. This method, although potentially less profitable, provided a somewhat easy break and minimised disruptions, including tax issues. While another participant revealed that the firm opted for a management buyout in order to maintain some form of the brand within the country with the potential to re-enter the market if conditions in the Nigerian market improved.

*“...what we then opted for is management buyout...where we essentially said, OK, we'll give you a decent price and some payment terms with that and a slow exit where we give them 12 months, we will keep on supplying your product and hopefully we can supply them product for the rest of the existence if they wanted to... so it was more of a management buyout over a period...” (P6)*

*“...decided to go with a management buyout so they still want to keep the brand in the country with potentially a view of maybe going back at a later stage when if market conditions ever change.” (P1)*

#### *4.4.2.2.Liquidation*

Conversely, liquidation was the chosen exit path for other firms. Essentially, the subsidiaries or divested parts were completely shut down, which is considered one of the most extreme forms of divestment (Zschoche, 2016). From the interviews, one participant described a structured process the firm used to liquidate stock through proper legal channels, ensuring maximum recovery of remaining assets and cash. Another participant from the same firm detailed consolidating stock into a single store until the lease expired, effectively managing inventory and reducing overheads. This is evident in the quotes of the participants below.

This method was most appropriate for this firm due to its small number of stores, all of which were rented rather than owned. Consequently, they could simply liquidate their assets and exit when the leases expired. As previously mentioned, the majority of the leases ended simultaneously, except for one store. The firm utilised this exception to move all its stock and assets into the remaining store, attempting to sell and liquidate everything before fully exiting at the end of that lease. This approach, combined with the decision to rent rather than buy store spaces, allowed the firm to cut losses efficiently and divest without prolonged financial burdens. By writing off stores with expiring leases and strategically managing remaining assets, the firm minimised ongoing costs and streamlined its divestment from Nigeria. This approach underscored a pragmatic response to challenging market conditions, prioritising immediate financial relief over potential future gains. It also demonstrates that the firm understood that renting in an uncertain and unstable environment such as Nigeria was the best approach, as it ultimately allowed for a smoother divestment process.

*“... we went through a structured process to liquidate our stock and went to a proper legal thing, through the right channels to get out whatever money we had leftover out...” (P7)*

*“We've closed the stores...we wrote them off and then we had one store. So there was an agreement in place that we would trade for probably another six to nine months and what we did is we just consolidated all of the stock into that store until that lease was up.” (P4)*

#### *4.4.3. Theme Conclusion*

Overall, the second and final topic of the findings and analysis demonstrated that the processes and strategies adopted by South African firms to exit the Nigerian market extended beyond the method of divestment alone. The participants indicated that their firms incorporated various steps and precautions prior to divestment to ensure all legal and proper procedures were followed. This analysis of the pre-divestment processes highlighted the necessity of these steps and precautions, not only to avoid negative implications on the business but also to maintain good relations for a potential return to the market.

Regarding the actual divestment strategies and processes, the participants described two main methods adopted by their firms, management buyout and liquidation. This analysis underscored that the chosen method of divestment depended on the firm's presence and operations in the market, aiming for the smoothest possible exit. Additionally, the participants noted that their firms considered the long-term financial implications of divestment rather than the short-term costs. Therefore, this analysis indicates that the cost of divestment did not significantly influence the choice of strategy and process.

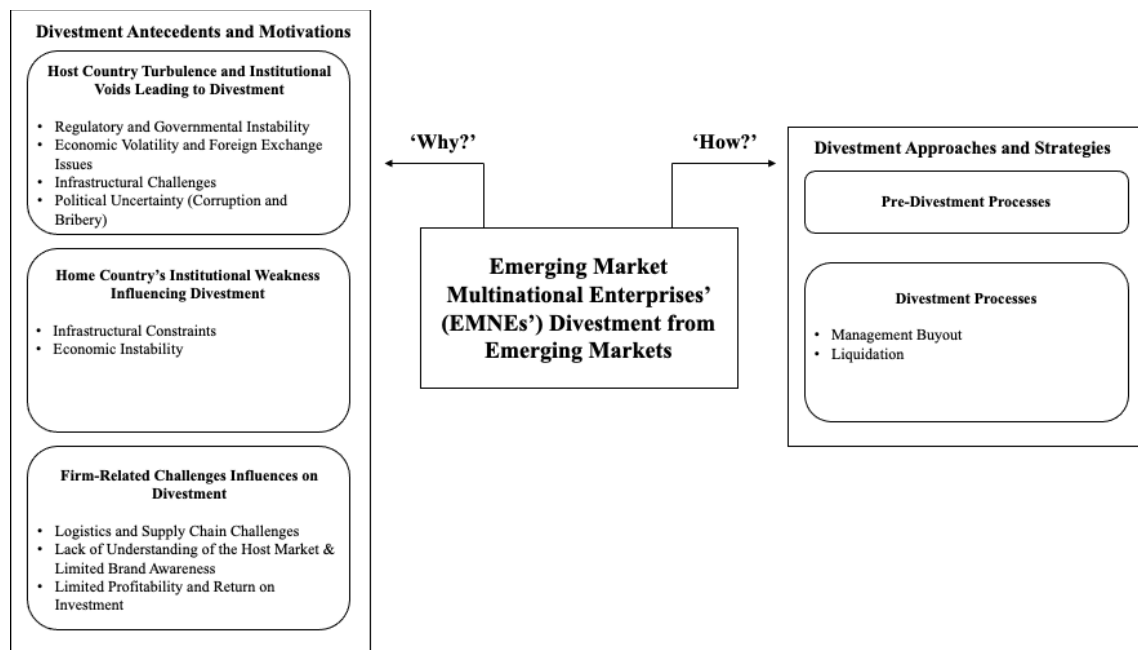
In summation, the findings, analysis, and discussion detailed the two main divestment methods, management buyout and liquidation, along with the various other procedures and steps utilised by South African firms when exiting Nigeria. This answered part of the main research question, 'how do EMNEs divest from emerging markets?'

## 5. RESEARCH SUMMARY AND CONCLUSIONS

This research sought to explore emerging market multinational enterprises' (EMNEs') divestment from emerging markets, more specifically it aimed to discover why and how EMNEs divest from emerging markets. The study utilised South African retail firms as the representative EMNEs and Nigeria as the emerging market context in order to conduct the research and draw these conclusions. Interviews of the participants, including individuals from the respective firms and experts, were conducted, coded and analysed along with triangulation of secondary research in order to reveal, demonstrate and answer the main research question and the three sub-questions of this study. In conjunction with this, the study utilised literature on international business, divestment, emerging market multinational enterprises, emerging markets, institutional voids and weakness, and internationalisation in order to analyse the results, supplement the discussion and ultimately, demonstrate the research findings and conclusions.

The figure below illustrates a simplified summary of the overall research analysis and findings. On the left hand side, answering the research question 'why EMNEs divest from emerging markets?', ultimately identifying the divestment antecedents and motivations of the firms. The research and analysis concluded that the antecedents and motivations can be classified into three main aggregate dimensions, including host country turbulence and institutional voids leading to divestment, home country's institutional weakness influencing divestment and firm-related challenges influences on divestment. On the right hand side, answering the research question 'how EMNEs divest from emerging markets?', ultimately determined the divestment approaches and strategies adopted by the firms. Consequently, the research and analysis concluded that the two main divestment processes used were management buyout and liquidation. However, it also discovered and highlighted that there were many steps and precautions employed prior to the actual divestment, thus underscoring the importance of the pre-divestment processes.

Figure 7: Summary of Research Findings



The findings of this study indicate that among the various antecedents and motivations for divestment, host country turbulence and institutional voids exert the most significant influence. While it is evident that the decision to divest results from a combination of host country turbulence and institutional voids, home country institutional weaknesses, and firm-related challenges, the research highlights the paramount importance of the host country's conditions. Interviews with participants from South African firms and insights from expert individuals heavily highlighted and consistently pointed to the turbulence and institutional voids within the Nigerian market as the primary factors driving the divestment decisions of these firms. In terms of the timing of the divestments, one of the reasons, as mentioned previously, was a shift in leadership and vision for the firm, which did not include Nigeria in the new strategy. Additionally, the challenges and factors thoroughly discussed above were worsening with no indication of improvement in the near future. The timing was also influenced by the expiration of rental agreements. Firms decided it was the appropriate time to exit, as they were unwilling to renew long-term rentals with Nigerian landlords and the landlords did not want to offer shorter agreements. Therefore, these factors collectively played a role in the timing of the divestment. Thus, the study concludes that the unstable and deficient institutional environment in Nigeria played the most critical role in influencing the divestment actions of South African retail firms.

Moreover, concerning divestment approaches and strategies, this study identified two main methods, management buyout and liquidation, employed by South African firms in their divestment from Nigeria. While alternative approaches may be applicable to other EMNEs as there are multiple methods, these methods were specifically tailored to the operational structures and processes of the firms under study in Nigeria. Thus, it can be inferred that a firm's choice of divestment approach and strategy is significantly influenced by its established presence and operational dynamics within the market.

Finally, drawing on insights gleaned from interview participants, this study also underscores the importance of pre-divestment processes, including obtaining external advice and adherence to legal frameworks when exiting a market. Such measures not only safeguard the reputations of firms but also foster a favourable environment and maintain positive relationships, potentially facilitating future re-entry into the market.

## 6. IMPLICATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

### *6.1. Implications of the Research*

In terms of the implications of this study, there are implications for academia and theory, EMNEs and other related individuals involved in international business. Academically, this research contributed to international business, more specifically it enriched the research surrounding EMNE divestment from emerging markets which has previously been limited. There has been comparably more research conducted into foreign investment rather than divestment and has predominately focused on multinational enterprises from advanced markets rather than EMNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020). In conjunction with this, there is also significantly less research conducted in an African context (Adeleye et al., 2020; Boso et al., 2019). Therefore, as this research involves divestment, South African MNEs as the case firms, and subsequently home country context, and Nigeria as the emerging market context, it is filling this academic gap in the international business and contributing to research on divestment, EMNEs and emerging markets as well as adding to research that focuses on the African context. Additionally, this study contributes toward the theoretical knowledge surrounding divestment by analysing and discussing the antecedents and motivations of divestment from three perspectives: host country turbulence and institutional voids leading to divestment, home country's institutional weakness influencing divestment and firm-related challenges influences on divestment. It provides a comprehensive framework for both understanding and categorising the multifaceted factors driving divestment decisions, thereby contributing to existing academic literature.

This study sheds light on the challenges associated with institutional voids and weaknesses in emerging markets, offering practical insights for EMNEs and other stakeholders involved. Therefore, in terms of implications, it is suggested that conducting a deeper level of due diligence and understanding of market dynamics is critical and indispensable for EMNEs. Merely grasping the surface characteristics or background of an emerging market falls short in preparing firms for the volatile and unpredictable nature of institutional voids and weaknesses (Peng et al., 2009). The research findings and insights from participants indicate that despite rigorous preparatory efforts by the firms entering the Nigerian market, the true complexities and vulnerabilities of the institutional landscape often only manifest post-establishment and as operations commence.

Therefore, it is imperative for EMNEs to move beyond superficial market assessments and develop robust, context-specific capabilities and resources (Andrews & Luiz, 2024). Taking a proactive approach is essential to attempt to mitigate the risks posed by unforeseen institutional gaps and weaknesses, which can result in increased operational costs, resource strain, and reduced profitability. While previous research indicates that EMNEs may have an advantage in navigating the challenging institutional environments of emerging markets due to their experience in similar conditions in their home countries (Cuervo-Cazurra & Genc, 2008; Luiz & Barnard, 2022), this does not negate the necessity for thorough due diligence. Therefore, EMNEs must avoid assuming they can handle new conditions without comprehensive preparation for their foreign investments.

### *6.2. Research Limitations and Recommendations for Future Research*

Although this study attempted to mitigate any limitations, there are still constraints to this research that could have restricted the results of this study. Firstly, this research focused solely on South African MNEs, specifically retail firms, and their divestment from the Nigerian market in order to explore and understand why and how EMNEs divest from emerging markets. While this focused the study, it potentially limits the research's ability to generate universally applicable conclusions and generalisable insights that could be applied to a broader spectrum of emerging markets and EMNEs. Therefore, future research should explore EMNE divestment in different contexts by examining MNEs from various emerging markets and their divestment activities in different emerging markets.

Secondly, this study concentrated on three case studies, designated as 'Firm A', 'Firm B' and 'Firm C', and included nine semi-structured interviews to gather and obtain data. Although these case studies and participants provided sufficient and critical insights to analyse, discuss, and address the research questions, as well as draw conclusions, this may have constrained the comprehensiveness of the findings and limited the study. In conjunction with this, the research could be limited because it was conducted at a single point in time. However, the interview questions required participants to reflect over a period of time. Nevertheless, future research could address this limitation by adopting a longitudinal approach, conducting the research over a longer period and collecting data at multiple points, as well as including more cases throughout that time.

Overall, research on divestment within international business has predominately focused on MNEs from developed markets rather than EMNEs (Arte & Larimo, 2019; Schmid & Morschett, 2020), more specifically, research addressing African emerging markets and divestments are notably insufficient (Ahworegba et al., 2022). While this research aimed to contribute to the body of knowledge in international business, Africa still remains one of the least studied and researched continents (Adeleye et al., 2020), and requires significantly more studies. Therefore, it is recommended that future research should prioritise exploring and understanding international business and emerging markets from an African perspective.

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## APPENDIX

### *Appendix I: Interview Schedules*

#### **Interview Schedule: EMNEs (South African Firm Participants)**

##### *Opening Questions:*

1. What is/was your role at the company and how long have you been working at this company and in this specific role?
2. Did you play a role in the company's investment and/or divestment from Nigeria? If so, please explain the role that you played.

##### *Main Questions:*

3. Firstly, could you provide a brief overview of your company's internationalisation strategy, particularly focusing on its expansion into emerging markets?
4. What were the motivations behind your company's decision to invest in Nigeria, specifically?
5. Could you describe the key challenges your company faced while operating in the Nigerian market?
6. What were the primary reasons or motivations guiding your company's divestment decision?
  - a. Were there any particular triggers or events that accelerated your company's decision to divest from Nigeria?
  - b. Were they related to the host country (Nigeria), the home country (South Africa) or the company itself?
7. How did your company assess the risks and opportunities associated with divesting from Nigeria?
  - a. Can you elaborate on the decision-making process involved in the divestment from Nigeria?
8. How did your company navigate the regulatory and operational complexities during the divestment process?
  - a. What strategies or approaches did your company adopt to manage the divestment process effectively?
9. Could you briefly discuss the impact of the divestment from Nigeria on your company?

- a. Did this impact your company's African internationalisation strategy or overall internationalisation strategy at all? If so, please could you elaborate.
10. How did your company communicate the divestment decision to stakeholders, both internally and externally?

*Closing Questions:*

11. What lessons did your company learn from the experience of divesting from Nigeria, and how have they influenced your future internationalisation efforts?
12. In hindsight, are there any aspects of the divestment process that your company would have handled differently?
- a. Based on this, what advice would you give to other foreign investors thinking about investing in Nigeria?
13. Finally, how do you perceive the future prospects for your company's involvement in emerging markets, considering the experience of divesting from Nigeria?
- a. Is the company considering expanding into any other African countries?
  - b. Under what circumstances would you consider reinvesting in Nigeria?

## **Interview Schedule: Expert 1 Participant**

### *Opening Questions:*

1. What is your area of expertise surrounding international business?
2. What is the extent of your knowledge of emerging economies, particularly African economies?
3. How extensive is your knowledge of EMNEs divesting from emerging markets, particularly Nigeria?
4. What are your insights into the economic and institutional landscape of Nigeria concerning divestment activities by EMNEs?

### *Main Questions:*

5. Are you familiar with examples of EMNEs that have divested from Nigeria? If so, could you provide some examples and insights into their divestment?
6. To what extent are you aware of the factors that have driven EMNEs to divest from Nigeria?
  - a. Could you describe the key challenges faced while doing business in the Nigeria?
7. What do you believe are the primary reasons or motivations guiding divestment from Nigeria?
  - a. Do you believe that they are predominantly related to the host country (Nigeria), or do you believe that the home country (South Africa) or the company itself play a role as well?
8. In your opinion, what strategies, if any, could EMNEs have employed while operating in Nigeria to manage or prevent the need for divestment?
9. Following this, what are your thoughts on the divestment strategies of EMNEs from Nigeria or other emerging markets?
  - a. What do you believe are the best strategies for EMNEs to take when divesting?

### *Closing Questions:*

10. Based on the divestment experiences of EMNEs in Nigeria, what advice would you offer to EMNEs considering investment or divestment in other emerging markets?

11. Despite the divestment trend, do you believe Nigeria still holds potential for EMNEs?

Please provide your insights.

a. Under what circumstances would you consider reinvesting in Nigeria?

## **Interview Schedule: Expert 2 Participant**

### *Opening Questions:*

1. What is/was your role and how long have you been working in this capacity within the retail sector?
2. Have you been involved in analysing retail companies' investment and/or divestment from Nigeria? If so, please elaborate on your role in the process.

### *Main Questions:*

3. Firstly, could you provide an overview of the international expansion strategies of various retail companies, particularly focusing on their entry into emerging markets?
4. What were the key drivers behind the decisions of different retail companies to invest in Nigeria?
5. Can you outline the major obstacles various retail companies encountered while operating in the Nigerian retail market?
6. What were the main factors influencing different retail companies' decisions to divest from Nigeria?
  - a. Were there specific events or triggers that accelerated the decision to divest?
  - b. Were these factors predominantly related to the Nigerian market (host country), South Africa (the retail companies' home countries), or internal company dynamics?
7. How did various retail companies assess the risks and opportunities associated with divesting from Nigeria?
  - a. Could you delve into the decision-making processes employed during the divestment from Nigeria?
8. How did different retail companies manage regulatory and operational complexities throughout the divestment process?
  - a. What strategies or tactics did retail companies utilize to facilitate a smooth divestment process?
9. Can you briefly discuss the repercussions of divestment from Nigeria on various retail companies?
  - a. Did this impact the retail companies' African expansion strategies or broader internationalisation endeavours? If so, please provide details.

10. How did various retail companies communicate the divestment decisions to stakeholders, both internally and externally?

*Closing Questions:*

11. What insights do you believe the various retail companies have gained from the experience of divesting from Nigeria, and how have these insights shaped their future international expansion efforts?
12. Looking back, are there any aspects of the divestment processes that various retail companies could have approached differently?
  - a. In light of this, what advice would you offer to other retail investors contemplating entry into the Nigerian market?
13. Lastly, how do various retail companies view their future engagement in emerging markets, considering the experience of divesting from Nigeria?
  - a. Are the companies exploring expansion opportunities in other African countries?
  - b. Under what conditions would these retail companies consider reinvesting in Nigeria?

**(CEMS) MASTER'S IN INTERNATIONAL MANAGEMENT**

**INTERVIEW CONSENT FORM:**

**Participant name:** .....

I volunteer to participate in a research project conducted by **Hannah Chambers** as partial fulfilment of the requirements for the CEMS MIM Degree at the Graduate School of Business. I understand that the research is designed to gather information about **'Exploring Emerging Marketing Multinational Enterprises' (EMNEs) Divestment from Emerging Markets'** and that I will be one of approximately **six to fifteen** people being interviewed for this research.

Background and purpose of the research

This research intends to understand why and how emerging market multinational enterprises (EMNEs) divest from emerging markets, specifically focusing on South African multinational enterprises divesting from Nigeria.

Ethics approval

Ethical consent for the study has been approved by the *UCT Commerce Faculty Ethics in Research Committee*.

Participation and confidentiality

I understand that my participation in this research is voluntary, that I will not be compensated and that I may withdraw at any time.

The interview will take approximately 45 - 60 minutes to complete and will be audio recorded.

I understand that I will not be identified by name in any reports using information obtained from this interview and that my confidentiality as a participant in this study will remain

Appendix III: Nigeria's 'Not Valid for FX' Document



**CENTRAL BANK OF NIGERIA**

Corporate Head Office  
Central Business District  
P.M.B. 0187, Garki, Abuja, FCT

09-46237804  
09-46237802

TRADE AND EXCHANGE DEPARTMENT

E-mail address: [ted@cenbank.org](mailto:ted@cenbank.org)

**TED/FEM/FPC/GEN/01/010**

**June 23, 2015**

TO: GENERAL PUBLIC/  
AUTHORISED DEALERS

**INCLUSION OF SOME IMPORTED GOODS AND SERVICES ON THE LIST OF ITEMS NOT VALID FOR FOREIGN EXCHANGE IN THE NIGERIAN FOREIGN EXCHANGE MARKETS**

In the continuing effort to sustain the stability of the foreign exchange market and ensure the efficient utilization of foreign exchange and the derivation of optimum benefit from goods and services imported into the country, it has become imperative to exclude importers of some goods and services from accessing foreign exchange at the Nigerian foreign exchange markets in order to encourage local production of these items.

The implementation of the policy will help conserve foreign reserves as well as facilitate the resuscitation of domestic industries and improve employment generation.

For the avoidance of doubt, please note that the importation of these items are not banned, thus importers desirous of importing these items shall do so using their own funds without any recourse to the Nigerian foreign exchange markets.

The list of the items which may be reviewed as the need arises is attached.

All Authorized Dealers are enjoined to ensure strict compliance.

Signed by candidate

**ODIKOBAYI OLUKUNLE**  
DIRECTOR,  
TRADE AND EXCHANGE DEPARTMENT

**LIST OF ITEMS NOT VALID FOR FOREIGN EXCHANGE AT THE NIGERIAN FOREIGN EXCHANGE WINDOW**

1. Rice
2. Cement
3. Margarine
4. Palm Kernel/Palm oil products/vegetable oils
5. Meat and Processed Meat Products
6. Vegetables and Processed Vegetable Products
7. Poultry - chicken, eggs, Turkey
8. Private Airplanes/Jets
9. Indian Incense
10. Tinned Fish in sauce (Geltha)/Sardines
11. Cold Rolled Steel Sheets
12. Galvanized Steel Sheets
13. Roofing Sheets
14. Wheelbarrows
15. Head Pans
16. Metal Boxes and Containers
17. Enamelware
18. Steel Drums
19. Steel Pipes
20. Wire Rods (deformed and not deformed)
21. Iron Rods and Reinforcing Bars
22. Wire Mesh
23. Steel Nails
24. Security and Razor Wire
25. Wood Particle Boards and Panels
26. Wood Fiber Boards and Panels
27. Plywood Boards and Panels
28. Wooden Doors

Signed by candidate

29. Toothpicks
30. Glass and Glaseware
31. Kitchen Utensils
32. Tableware
33. Tiles - vitrified and ceramic
34. Textiles
35. Woven Fabrics
36. Clothes
37. Plastic and Rubber Products.  
Polypropylene Granules, Cellophane Wrappers
38. Soap and cosmetics
39. Tomatoes/Tomato Pastes
40. Euro bond/Foreign Currency Bond/Share  
Purchases