

An exploration of strategies used by South African companies to expand into other African markets

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Abstract

Overall purpose of the study

While literature highlights the growing importance of, and opportunities in, emerging markets (Joosub & Coldwell, 2016; Boateng, Wang & Wang, 2017; Oguji & Owusu, 2017), there is also significant research regarding the risks associated with these markets (Khanna & Palepu, 2010; Luiz & Ruplal, 2013). These risks arise from differences in geographies, cultures, institutions, governance, languages, performance and economic structures, making the internationalisation strategies of African multinationals into other African countries complex and challenging.

Despite these difficulties, African countries still promote trade within the continent. The 2018 African Continental Free Trade Area agreement, for example, promotes intra-regional trade in order to stimulate economic activity and increase development on the continent. South Africa, being the most developed economy on the continent, seems to be leading in doing business with other African countries, having a number of its home-grown multinationals internationalising on the continent. Success stories such as MTN, Shoprite, SAB Miller and Pick' n Pay have taken their operations into other countries in Africa, however what is not clear is how they have successfully applied their internationalisation strategies. Unlike research by Boateng et al. (2017) on how Chinese multinationals are using mergers and acquisitions as their entry mode, and Buckley's (2018) findings on Indian firms targeting countries with English as their official language, little research has been conducted on how South African companies are expanding outside their national borders. This research thus sought to explore the processes by which South African companies implement their internationalisation strategies into other African countries.

Research problem

As firms internationalise, they choose markets that are physically and psychically close based on their internationalisation experience. Previous literature shows that larger firms are better able to absorb the initial cost of internationalisation and opt for a higher degree of control (Dunning, 1988), yet not much research have been done on the African continent to explore how companies deal with psychic distance, firm resources and strategic choice in their internationalisation strategies. Studies conducted outside the continent in psychically distant locations show that firms design boundaries to protect their internal resources and capabilities from unintended spill overs, and look for local partner organisations that wield substantial capability to fill voids (Dunning, 1988). In addition, Barney (1991) argued that firms seek to exploit their rare, valuable and inimitable resources to gain a competitive advantage. Psychic distance research has been

conducted on Chinese (Boateng, et al., 2017) and Indian firms (Buckley, 2018), however in Africa, where the cultural, institutional, economic and geographic distances are huge, not much evidence is available. There is also a variety of research on firm resources and strategic choices for Chinese and Indian firms, including how they are using leadership, technical talent, cheap labour (Contractor, 2013), financial resources, government to government relationships (Cheru & Obi, 2011) and home knowledge to enter African markets (Khanna & Palepu, 2010). As some South African businesses have failed in their internationalisation strategies on the continent, it is thus important to understand how those companies that have succeeded, did so.

Design of the study

A multi-method sequential explanatory approach (Ivankova, Creswell & Stick, 2006), comprised of a survey followed by case studies of internationalising South African companies, was used. The survey participants and firms were purposefully selected based on their roles in the internationalisation strategies, and the results of the survey were used to identify cases for the second phase of the research. An insurer and a bank with a total market capitalisation of R442b (JSE, 2017), representing 41% of the survey population, were selected as case studies. These cases were adopted to understand the internationalisation phenomenon in specific companies, while the research questions focussed on South African multinational enterprises (MNEs) that already had operations in other African markets. Empirical evidence from both the survey results and the two case studies were used to address the research questions.

Findings

This study revealed that South African multinationals face intense competition from local competitors in the rest of Africa, so they have to craft and adapt specific strategies during their expansions. This research confirmed the findings of previous studies by showing that the internationalisation of banks and insurance companies follow largely similar patterns (Focarelli & Pozzolo, 2008). Further, the case studies indicate complexities such as the need for local legitimacy, the tacitness of local cultures, and protracted implementation periods that cannot be explained by traditional FDI theories. For these reasons, the companies develop non-market resources such as spending periods of time in the potential host country before setting up operations to gather information and build hands-on market intelligence based on the experiential knowledge of the host country market.

The bank case study, whose first wave of internationalisation, as with other major banks, was in the late 1800, uses the ownership entry mode. While literature has shown that companies acquire

local partners when there are high psychic distances, because bank services require a high degree of information, information transfer and trust (Mulder & Westerhuis, 2015, cited in Fischer & Hasselknappe, 2017), risk management is very important. Firm resources such as good governance and ethical leadership are key for success. This case study revealed that because bank values such as integrity and accountability are global, a subsidiary's aptitude to demonstrate its ability to work within a country culture while retaining the values of the bank earns respect from regulators and customers and increases market share. In addition, it extended research conducted by Contractor (2013) on expatriates and Harvey, Speier & Novicevic (1999)'s findings on diasporas from home countries, by finding that the bank builds a pool of skilled African Diaspora, who are citizens of the host market, to manage and facilitate the integration process and bridge the cultural gap, thereby shortening the transient period.

While literature has shown that banks and insurance companies follow similar internationalisation patterns (Focarelli & Pozzolo, 2008), the insurer, an internationalisation latecomer, adopted the partnership entry mode using learnings from "small deals" to achieve its ambition of being the Pan African financial services company. Although literature shows latecomers using entry modes such as mergers and acquisitions (Oguji & Owusu, 2017) and leapfrogging into innovation value chains (Ray, Ray & Kumar, 2017), this particular study indicates that the insurer used the partnership mode to minimise risks caused by the latecomer effect. While the bank has had experience in internationalisation for almost two centuries and has operations in 20 countries, the insurer only actively started internationalising 15 years ago but has operations in 35 countries. Focarelli and Pozzolo (2008) found that accessibility to domestic markets by foreign investors is greater for insurance companies than banks, while this study found that the insurer has greater accessibility to African markets through the adoption of the partnership model, which mitigates the risk of high cultural distances. These findings were not found in the literature reviewed for this study, and therefore offer opportunities for further research.

Regardless of whether an ownership-based or a partnership-based model is used, distance and cultural integration are important determinants for both the bank and the insurer (Focarelli & Pozzolo, 2008). Although the cases in this study revealed similar internationalisation patterns, such as starting in psychically close locations (Johanson & Vahlne, 1977), using financial resources to sponsor the protracted implementation of the strategy (Dunning, 1988) and having local management run the business in the host country (Barney, Ketchen & Wright, 2011), they differed in entry mode, timing of entry and decision-making processes. In addition, this study revealed that

both companies' inflection points were characterised by a continuous commitment of resources, hoping that they would get signals to either exit or scale up with minimal reputational damage.

Contributions to research

Theory

A major contribution of this research pertains to the new research context of Africa. Most literature have focused on how global companies expanded into emerging markets (Enderwick, 2009; Khanna & Palepu, 2010), and more recently how companies from emerging markets like China and India (Boateng, et al., 2017; Buckley, 2018) have expanded globally. However, little has been done to understand how African corporates tackle such expansions. Africa, with its 56 countries and domestic institutions of a multi ethnic, multi-language (more than 500 for Nigeria alone), multi religious, multicultural and diverse colonial histories, offers a rich setting in which to study the influences of psychic distance and firm resources on internationalisation. The findings based on the African context for South African firms therefore provide important direct and practical implications for firms from other African economies.

The conceptualisation of this study provides an insightful lens into the influence of psychic distance, firm resources and strategic choice on internationalisation processes, which is unexplored territory. With scant literature on Africa as an emerging continent, this study provides some empirical and case evidence for these propositions and contributes a basis for further research.

Methodologically, this research extends the findings of Luiz and Ruplal (2013) by examining a number of sectors as opposed to a focus on mining companies alone. The research further contributes to a better understanding of internationalisation strategies by incorporating literature, case studies and a survey, as opposed to simply a survey as per Joosub and Coldwell (2016). The choice of case studies presented an opportunity to compare the internationalisation processes of an ownership-based first mover to a partnership-based latecomer, using firm resources as an enabler.

Previous studies (Herrmann & Dotta, 2002; Wood, et al., 2011; Williams & Grégoire, 2014) have shown that MNEs send expatriates with international experience to manage operations in host countries. Harvey et al. (1999) provided a more nuanced view by observing that MNEs send people from diasporas to host countries as network agents, given their global consciousnesses and familiarity with the home cultures. This research, however, shows that due to the relationship-rich

African cultures and the tacitness of host country knowledge, the bank (ownership model) specifically targeted and upskilled a pool of citizens of the potential host countries at the parent operation, who were subsequently deployed to bridge cultural gaps during implementation, thereby increasing the MNE's internationalisation capability.

Emerging market firms' internationalisation is driven by intangible resources based on learning, linking and leveraging (Ray, et al., 2017). Although this study was exploratory in nature, the two case studies have shown a consistent pattern of an adaptive management cycle when setting up operations in other African countries. Due to the huge psychic distance encountered by these companies, they make use of repetitive and protracted planning and implementation processes. This increases the transient period and costs, yet the companies are willing to pay them to protect their reputations until they find signals to either exit or scale up. This finding regarding the existence of a transient period is not apparent in other literature. Even though Zhou and Li (2010), in their study of how strategic orientations influence dynamic capabilities, found that a firm's external interactions with customers and competitors in host countries affect its internal resource assortment and reconfiguration, they did not specifically deal with the issue of a transient period. Previous research indicated that firms look for partner organisations that wield substantial capability to fill voids (Dunning, 1988), that successful partnerships are built on trust which results in greater information sharing (Dyer, 1997), and that the selection of a local partner is informed by robust market assessment (Khanna & Palepu, 2010). This research confirms these findings by showing that spending time in the host country, doing due diligence on partner Board members, and providing a joint cultural induction of both partners' executives in the parent organisation, ensures strategic alignment with partners from the onset.

Practice

Despite South African firms having huge resources, literature has not overtly mentioned the non-market capabilities that such EMNEs build when localising their businesses to suit local market conditions. Businesses utilising the ownership model combat the liability of foreignness by acquiring a local business with ethical leadership, whilst companies using the partnership model find partners with similar values. This research contributes to the existing body of knowledge on practical internationalisation strategies into developing markets with high psychic distance. Although it is an exploratory study, it clarifies the strategic considerations that EMNEs contemplate during planning, as well as when assessing their entry strategies, implementing and integrating their resources, and in rare cases, how they exit such markets.

Limitations of the study

Like most empirical studies that are exploratory in nature, there are limitations to the conclusions that can be drawn, which constrain the generalisability of this study:

- The study was heavily weighted to certain industry sectors - primarily financial services - which have a presence in other African countries. The obvious question is to what extent its findings are relevant to other industries?
- For the two cases, the knowledge of the participants regarding how their organisations plan and implement their strategies could have been diverse, but the information was limited to those interviewed.
- The volatility of African markets is very high, so between the time of embarking on the research and consolidating the results and findings, some institutional context could have changed, such as the impact of the weakening of the resources sector on Nigeria and Angola.

Suggestions for future research

- The case studies were restricted to financial services, thus a study of more industry sectors using additional case studies would be valuable to extend the results of this research effort.
- Hoskisson, Eden, Lau & Wright (2000) argued that the process “emerging economies” takes place over a long time and multinationals’ experimentation and learning is likely to be imperfect. Further research is thus needed to generate conclusive longitudinal empirical evidence theory in this area.
- The growing Chinese FDI in Africa is often driven by the Chinese government’s “Going Out” policy, which was established to support firms as they internationalise. Although South Africa has a “Trade Invest Africa” policy, companies in the study were oblivious to this government support. It is not clear whether South African companies have an advantage on the continent and how competition from Chinese companies, being embraced by African governments, impact South African MNEs’ internationalisation strategies into the rest of Africa.

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Acronyms

BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CAP	Common Africa Position
CEO	Chief Executive Officer
CSA	Country Specific Advantages
CVP	Client Value Proposition
COMESA	Common Market for Eastern and Southern Africa
DMNE	Developed Multinational Enterprise
ECOWAS	Economic Community of West African States
EMNE	Emerging Multinational Enterprise
FDI	Foreign Direct Investment
FSA	Firm Specific Advantages
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HR	Human Resources
JSE	Johannesburg Stock Exchange
LRC	Labour Research Centre
MNE	Multinational Enterprise
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location and Internalization.
R & D	Research and Development
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade and Development
VRIN	Valuable, Rare, Inimitable and Non-substitutable

Chapter 1. Introduction

1.1 Background

The rise of emerging markets has increased internationalisation and specialisation within the world economy (Enderwick, 2009a), resulting in a broad range of strategic benefits. The characteristics (Khanna & Palepu, 2010) and rapidly developing capabilities (London & Hart, 2004; Eyring, Johnson & Nair, 2011) evident in emerging markets provide fertile grounds for growth and experimenting with new business strategies for companies looking at growth opportunities outside their national borders (Khanna & Palepu, 2006; Enderwick, 2009; Luiz & Ruplal, 2013). However, emerging markets are synonymous with institutional voids (Khanna & Palepu, 2010; Luiz & Stewart, 2014) in areas such as regulatory and physical infrastructure, making it difficult for Multinational Enterprises (MNEs) to enter such markets.

Much scholarly literature has described the growing importance of emerging markets (Nakata & Sivakumar, 1997; Hoskisson, et al., 2000; London & Hart, 2004; Cuervo-Cazurra & Genc, 2008; Enderwick, 2009; Luiz & Ruplal, 2013), as not only has this global phenomenon created opportunities for growth, but it has also created global competitiveness for companies that enter these markets. Larger firms are able to absorb the initial cost of internationalisation and will opt for a higher degree of control, such as being wholly owned (Dunning, 1988). They also design boundaries to protect their internal resources and capabilities from unintended spill overs, and look for partner organisations that wield substantial capability to fill voids. Whilst the primary motivation for companies is economic benefit (Horner, Baack & Baack, 2016), firm resources alone do not determine location. Although multinationals tend to enter markets that are culturally close (Johanson & Vahlne, 1977; Contractor, 2013; Williams & Grégoire, 2014), cultural differences can lead to cultural attraction (Boateng, et al., 2017), with ownership of local companies being a preferred entry mode (Oguji & Owusu, 2017) in culturally distant countries.

While literature highlights the growing importance and opportunities in emerging markets (Joosub & Coldwell, 2016; Boateng, et al., 2017; Oguji & Owusu, 2017), there is also concern about the risks associated with emerging markets (Khanna & Palepu, 2010; Luiz & Ruplal, 2013). The internationalisation of businesses has proven to be very difficult (Nakata & Sivakumar, 1997; 2004; Andreasson, 2011; Perks, et al., 2013; Ray, et al., 2017), especially for multinational entities from developing nations that move into other developing countries (Nhleko, 2006; Cuervo-Cazurra, 2008;

Luiz & Ruplal, 2013; Urban & Sefalafala, 2015; Boateng, et al., 2017). Those companies that are actively involved in exploring opportunities in emerging markets allude to a psychic distance, such as a lack of clear regulatory frameworks, inadequate physical infrastructure and the prevalence of cultural differences, as detractors for potential investors (Nakata & Sivakumar, 1997; Luiz & Ruplal, 2013; Williams & Grégoire, 2014). Nakata and Sivakumar (1997) found that in some of these economies there are political risks that lead to civil disorder, stark poverty and illiteracy, resulting in narrower segments that a new entrant can operate in.

Thus, the risks related to investing in Africa arise from differences in geographies, cultures, institutions, governance, languages, performance and economic structure. Khanna and Palepu (2010), in their research on emerging markets, added that other inherent risks such as government bureaucracy, insecure intellectual property rights, insufficient local talent, as well as difficulties for customers to access credit, make it difficult to conduct and grow a business in such markets. As a result, the creation and implementation of internationalisation strategies by African multinationals in other African countries is very challenging (Horner, et al., 2016; Baskaran, et al., 2017).

Despite these difficulties, African countries still promote trade within the continent. The 2018 African Continental Free Trade Area agreement, for example, promotes intra-regional trade in order to stimulate economic activity and increase development on the continent. Regional integration is one of the most prominent strategies used for development across countries, and trade bodies such as the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) aim to progressively dismantle trade barriers among member countries and promote intra-regional trade aimed at creating wealth, more jobs and higher incomes for their people. Intra-regional trade promotes economic growth and industrialisation through infrastructure and investment and provides a market for the parallel development of new industries, which in turns reduce external vulnerabilities (Akpan, 2014). Some studies have argued that promoting intra-regional trade, economic development and foreign direct investment on the continent is important (Luiz & Ruplal, 2013; Akpan, 2014; UNCTAD, 2016), whilst others believe that trade is enhanced by access to larger markets and increased competition (Tumwebaze & Ijjo, 2015).

The potential of intra-trade within Africa is huge, which African countries cannot afford to ignore (Musengele, Othieno & Kapindula, 2016). In the 14 years following the establishment of the COMESA Free Trade Agreement (FTA) in 2000, intra-regional exports increased from US\$1.5 billion

to US\$10.1 billion (Musengele, et al., 2016). In light of this, African governments are critically reviewing and promoting trade through their policy frameworks. Since the 2008 global economic crisis, African firms have shown themselves to be adept to doing business in volatile political and institutional environments because of their experience within their home bases, which have relatively weaker institutions. There was thus an expectation on the continent that the South African government would leverage its membership of BRICS to seek opportunities for joint ventures, mergers and cooperation with the other BRICS countries currently investing Africa (Tan, 2009; Besada, Tok & Winters, 2013) for economic development on the continent. Linked to this, South Africa recently developed a policy called 'Trade Invest Africa' to facilitate and support South African companies involved in development on the continent (Department of Trade and Industry, 2015). Given South Africa's economic standing on a continent that possesses both developed and developing nation capabilities, South African corporates are in a unique position to navigate and contribute towards the economic growth of the continent, whilst exploiting new business opportunities and crafting innovative solutions.

South Africa, being the most developed economy on the continent, seems to be leading the economic activity, having a number of its home-grown multinationals internationalising on the continent. Success stories such as MTN, Shoprite, SAB Miller and Pick' n Pay have taken their operations into other countries in Africa, however what is not clear is how they have successfully applied their internationalisation strategies. Unlike research by Boateng et al. (2017) on how Chinese multinationals are using mergers and acquisitions as their entry mode, and Buckley's (2018) findings on Indian firms targeting countries with English as their official language, little research has been conducted on how South African companies are expanding outside their national borders. This research thus sought to explore the processes by which South African companies implement their internationalisation strategies into other African countries.

1.2 Research problem

As firms internationalise, they choose markets that are physically and psychically close to them based on their internationalisation experience. Previous literature shows that larger firms are better able to absorb the initial cost of internationalisation and opt for a higher degree of control (Dunning, 1988). For emerging market multinationals, ownership advantages enable them to generate a series of innovations and stay ahead of their competitors for an extended period by introducing new products and business models that match changing customer needs (Williamson & Wan, 2018).

These firms vary in their capacity to deal with investment risks, depending on their ownership advantages. Some recent research, including that by Luiz and Ruplal (2013) on the internationalisation of mining companies, Joosub and Coldwell (2016) on location investment decisions, and Urban and Sefalafala (2017) on entrepreneurial intensity and capabilities, has explored how certain South African multinationals are expanding their businesses into other African countries. To some extent these studies have shown that research on internationalisation into the continent is still exploratory, with little being known about how companies deal with psychic distance, firm resources and strategic choice in their internationalisation strategies.

While some South African companies such as MTN, Shoprite and Standard Bank (known as Stanbic outside South Africa) have become highly successful at expanding their operations across the continent, some large corporates such as Tiger Brands and Woolworths in Nigeria and SAB Miller in Kenya had internationalisation strategies that failed after they committed huge financial resources in some of the largest economies on the continent. Studies conducted outside the continent on psychically distant locations have found that successful firms design boundaries to protect their internal resources and capabilities from unintended spill overs and look for local partner organisations that wield substantial capability to fill voids (Dunning, 1988). In addition, Barney (1991) argued that successful firms seek to exploit their rare, valuable and inimitable resources to gain a competitive advantage. Psychic distance research has been conducted on Chinese (Boateng, et al., 2017) and Indian firms (Buckley, 2018), however in Africa, where the cultural, institutional, economic and geographic distances are huge, not much evidence is available. There is also a variety of research on firm resources and strategic choices for Chinese and Indian firms, including how they are using leadership, technical talent, cheap labour (Contractor, 2013), financial resources, government to government relationships (Cheru & Obi, 2011) and home knowledge to enter African markets (Khanna & Palepu, 2010). As some South African businesses have failed in their internationalisation strategies on the continent, it is thus important to understand how those companies that have succeeded, did so.

1.3 Research questions

Although emerging markets have moved to the top of multinational organisations' agendas (Atsmon, Kertesz & Vittal, 2011; Hoskisson, et al., 2000), one-size-fits-all strategies do not work. It is clear that although emerging markets present new settings to apply different theoretical frameworks, "the challenge to the wholesale adoption of developed economy-based theoretical

and methodological approaches in emerging economies is magnified by the heterogeneity of emerging economies” (Wright, Filatotchev & Hoskisson, 2005, p. 1). The expansion of businesses into emerging markets has resulted in multiple theoretical frameworks, such as the resource-based view, institutional theory, the eclectic model also referred to as OLI (Ownership, Location & Internationalisation) and the Uppsala model, to name a few.

The rapid changes in the political landscape in Africa have a knock-on effect on security of tenure and other related institutional voids, therefore it is important to explore the strategies of those South African companies that successfully expanded their operations into other African markets. The key questions for this research were:

- 1. How does psychic distance influence the planning and implementation processes of the internationalisation strategies of South African MNEs when moving into the rest of Africa?*
- 2. How does firm resources influence the planning and implementation processes of the internationalisation strategies of South African MNEs when moving into the rest of Africa?*
- 3. How does strategic choice (entry mode and timing) influence the planning and implementation processes of the internationalisation strategies of South African MNEs when moving into the rest of Africa?*

A firm is a unique bundle of distinctive resources and capabilities, where the primary role of management is to maximise value through the optimal deployment of resources (Peteraf, 1993). Firms seek to exploit their rare, valuable and inimitable resources to gain competitive advantage (Barney, 1991), choose locations that maximise their profits (Dunning, 1988), and use their market and non-market resources to gain competitive advantage (Penrose, 1959). However, a lack of knowledge about a target market may compromise the benefits of the resources accumulated by a multinational, thus huge importance is attached to prior experience when entering a new market. Johanson and Vahlne (1977; 2009) developed their Uppsala Model to show that firms choose markets that are physically and culturally similar. As companies internationalise, they use their dynamic capabilities to develop operational capabilities over time by learning and innovating. Distance reducing commonalities help firms maximise the business potential in the host country when multinational companies decide where to internationalise (Williams & Grégoire, 2014). However, the differences between the home institutional environments of developing country multinationals and those from advanced countries shape a company’s market and non-market advantages (Cuervo-Cazurra & Genc, 2011), which could become an advantage or disadvantage.

Companies find ways of bridging the perceived differences by appointing locals to manage subsidiaries and sending managers, specifically diasporas (Contractor, 2013), with international experience as expatriates (Harvey, et al., 1999; Herrmann & Dotta, 2002). The theory of the firm was developed on the premise of developed country multinationals, i.e. given the institutional voids and the structure of developing markets, the theory of the firm could be suffering from Western bias. There is no single theory or model that can satisfactorily explain the complex nature of FDI from emerging MNEs, thus this study utilised the Resource-Based View, the Uppsala Model and the Eclectic Model.

1.4 Key objectives

The objectives of this research were both economic and social. There is acknowledgement amongst the regional economic bodies that Africans are capable of steering development on the continent through intra-regional trade. The recent African Continental Free Trade Area agreed in 2018 (African Trade Policy Centre, 2018) requires governments across Africa to implement the action plan whilst the African private sector participates in the opportunities arising from the agreement, for sustainable economic growth and development. The aim of this study was thus to look at the perspectives of companies in the private sector that are embracing the challenge of fulfilling the economic developmental goal of the continent set in the uneven emerging market landscape. The study's focus was on the perspective of the private sector as a stakeholder, thus policy implications were not explored.

Emerging market firms' internationalisation is driven by intangible resources based on learning, linking and leverage (Hoskisson, et al., 2000). While there is plenty of literature on the entry strategies used by organisations that have expanded their operations into developing markets, there is a need to extend the literature on the internationalisation of South African multinationals for the economic development of the continent. Luiz and Ruplal (2013), in their research on South African mining companies internationalising on the continent, focussed on how psychic distance, firm and country resources, as well as institutional voids, influence internationalisation decisions. Joosub and Coldwell (2016), meanwhile, in their study on how companies make FDI location decisions, found that psychic distance, consumer factors and executive behavioural/biographical factors influence location decisions for South African executives. To build on this, the objective of this study was thus to look at how psychic distance, MNE resources and entry strategies influence the planning and implementation processes for South African companies internationalising on the

continent. On the premise that literature does not provide the step-by-step processes that companies follow when they explore these markets, the aim of this study was to ascertain what processes South African MNEs follow during internationalisation to the rest of the continent.

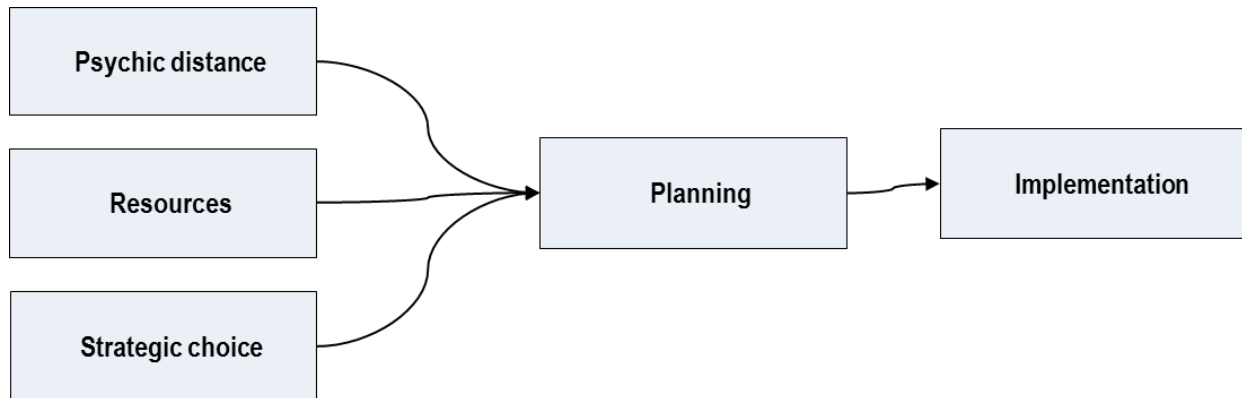
As Head of Strategy for a financial services firm, to understand the African context, the researcher pursued a “learning by doing” approach to lead a strategic initiative for the bank she worked for. The project involved crafting and leading the internationalisation strategy of wealth management through a shareholding partnership with the largest Pan African bank. Since the wealth management concept is normally prevalent in developed economies, this was viewed as a competitive capability for the partner. Given that internationalisation through the export of knowledge was viewed as a “strategy first” for the organisation, getting organisational approval on the business case had huge bottlenecks. Since this internationalisation strategy was approved three years ago, the business model has been set up in four key markets, i.e. Nigeria, Ghana, Cote d’Ivoire and Senegal. The experience has made the value of these studies not just an accumulation of knowledge, but a practical toolkit built on the experiential knowledge achieved by the researcher spending more than 50% of her time in various African markets. This research will thus be beneficial for other MNEs wanting to enter African countries, as well as executives, government officials, practitioners and various interested parties involved in planning and implementing strategies for different markets on the continent.

For multinational companies that already have a footprint in some African countries, this research offers other lenses through which they can view the market conditions, possibly resulting in the adaptation of their strategies. Assisting companies to successfully internationalise will have a huge social impact, as it will increase economic activities and employment opportunities among the communities that companies operate in.

1.5 Organisation of the thesis

Figure 1 presents a diagrammatic representation of the basic elements of the conceptual framework used to achieve the researcher’s aim of exploring strategies used by South African companies that are internationalising into the rest of the continent.

Figure 1: Conceptual framework (high level)



This paper is built around six main sections, the first of which is this introduction. The following five sections are outlined below:

Chapter 2: This chapter discusses the literature reviewed, internationalisation theories, factors influencing planning and implementation processes, and a detailed conceptual framework.

Chapter 3: The third chapter focuses on the research methods used for both the survey and the case studies.

Chapter 4: Chapter 4 covers the research results for both the survey and the case studies.

Chapter 5: This chapter discusses the major findings of this research.

Chapter 6: The final chapter summarises the key insights and offers suggestions for future research.

Chapter 2. Literature review

2.1 Internationalisation theories

Internationalisation refers to location theory, which suggests that the geographic location of economic activity is influenced by resources such as the cost of transportation and trade barriers. In other words, firms choose locations that will maximise their profits (Dunning, 1988). Investing in a business outside national borders, requires specific type of knowledge (Johanson & Vahlne, 1977) to make commitment decisions. Location relative to a market has been recognised as a key factor in determining the use of resources. Location theory gives insights into the needs of communities, countries or even regions, which become attractive location sites for particular industries that can fulfil such needs.

There are three main kinds of market failures: those that arise from risk and uncertainty; those that originate from the ability of firms to exploit the economies of large-scale production in an imperfect market situation; and those that occur where the transaction of a particular good or service yields costs and benefits external to that transaction, but are not reflected in the terms agreed to by the transacting parties (Dunning, 1988). Firm sources of sustained competitive advantage come from resources that are valuable, rare and imperfectly imitable (Barney, 1991). For new ventures coming from emerging markets, the liability of foreignness is much greater than those from developed countries due to low perceived reputation, creating challenges even before the firm sets up base in the host nation (Oviatt & McDougall, 1994).

Internationalisation strategies based on extant research from emerging markets point to three main theories: the Resource-Based View, the Uppsala Model and the Eclectic (OLI) Model. The Resource-Based View is grounded on the premise that close competitors differ in their resources and capabilities in important and durable ways (Helfat & Peteraf, 2003), while the Eclectic Model views internationalisation as a function of ownership, location (Dunning, 1988) and internalisation advantages that are possessed and exploited by some firms more than others. Whilst the focus of the eclectic paradigm is the structure of foreign direct investments, the Uppsala Model (Johanson & Vahlne, 1977) places attention on the evolution process of the MNE.

Location is determined by internationalisation motives and firm resources. When faced with internationalisation decisions, managers should consider a holistic perspective on the identification

of the most relevant location determinant for the firm in a given situation (Buckley, 2009; Jain, Hausknecht & Mukherjee, 2013). Theories based on individual influences do not always offer a sufficient response to the possible variations in causal factors, as some factors are more salient to specific locations than others. Although firms have their own strategies in terms of determining location, literature has shown that firms locate internationally in a step-wise manner, initially targeting culturally, geographically and economically contiguous host countries (Johanson & Vahlne, 1977). In addition, firms use other parameters such as population, profitability and international experience to varying degrees when determining location (Jain, et al., 2013).

In this research, it is important to employ one or more suitable theories based on research goals to gain a complete picture of the internationalisation aspects to be explored. Despite new markets presenting opportunities, they also pose challenges, such as destination governments protecting their local businesses by imposing trade barriers, misinterpretation of laws/languages, and misunderstanding of business practices. The uneven landscape of the international location makes it even more difficult to apply just one theoretical framework, thus a rich understanding of the internationalisation landscape includes the application of several frameworks. In this research, whilst the resource-based view facilitates the internationalisation of corporates, the Uppsala Model and eclectic model (OLI) are applicable in this African exploratory context (Luiz & Ruplal, 2013).

Whilst the Resource-Based theory creates a framework that takes into account the available resources, incorporating the Uppsala and the OLI models corroborates the dynamic nature of the fluid African emerging market setting, the distance between the home and host market, and the entry strategies used.

2.1.1 The Resource-Based View

The resource-based view (RBV) of a firm is grounded on the assumption that a firm is able to deliver sustainable competitive advantage when its resources are managed effectively. This aptitude for an organisation to outperform its competitors, such that its outcomes cannot be imitated, ultimately creates a competitive barrier (Wernerfelt, 1984; Barney, 1991; Mahoney & Pandian, 1992). The resource-based view lies primarily in the application of the collection of valuable tangible or intangible resources at the firm's disposal (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993) and gives it a competitive advantage. Peteraf (1993) defined the resource-based view of a firm, which is unique to the field of strategic management, simply as a model of how firms compete.

The model provides an explanation of competitive heterogeneity (Peteraf, 1993; Helfat & Peteraf, 2003), based on the premise that close competitors differ in their resources and capabilities in important and durable ways (Helfat & Peteraf, 2003). The essence lies in the emphasis on resources and capabilities as the foundation of competitive advantage - resources are heterogeneously distributed across competing firms and are imperfectly mobile and persist over time (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Mahoney & Pandian, 1992). Penrose (1959) argued that "It is heterogeneity ... of the productive services available or potentially available from its resources that gives each firm its unique character" (p. 75). The resource-based view assumes that firms within a certain industry may be heterogeneous with respect to the strategic resources they control. The model also assumes that resources may not be perfectly mobile across firms, and that this heterogeneity can be long lasting (Penrose, 1959; Peteraf, 1993; Porter, 1990). Resources controlled by a firm are complex and interdependent. Numerous resources taken by themselves or in combination with others yield different sustained competitive advantages (Barney, 1991).

Dynamic capabilities emphasise a firm's constant pursuit of the renewal, reconfiguration and re-creation of resources, capabilities and core capabilities to address new environment. The dynamic capabilities involve adaptation and change, because they build, integrate or reconfigure other resources and capabilities (Helfat & Peteraf, 2003). Wang and Ahmed (2007) defined dynamic capabilities as "a firm's behavioural orientation to constantly integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage" (p. 35).

Firm resources include knowledge, capabilities, firm attributes and the organisational processes that a company controls which enable it to improve and become effective (Porter, 1980; Barney, Ketchen & Wright, 2011). The numerous possible resources of a firm can be classified into three main categories, i.e. physical resources (Williamson, 1975), human capital resources (Becker, 1964), and organisational capital resources Tomer (1987) cited in Williamson (1975). Physical resources include buildings, technology, plants and equipment, location and access to raw materials; human capital resources include training, experience, knowledge, judgement, intelligence, insight and the relationships of the management team and ordinary staff; and organisational capital refers to the organisational structure, its planning, and its controlling and coordination mechanisms, which can be driven both formally and informally in its operating environment.

A firm's physical, human and organisational resources are attributes that help it to conceive and implement strategies that improve the company's efficiencies and competitiveness (Wernerfelt, 1984). These resources can be the source of its competitive advantage if effectively managed. This is achieved when company strategies exploit opportunities and neutralise threats. The value from resources come from attributes such as rareness, imitability and substitutability. Attributes become resources when they help companies win in the markets they operate in (Barney, 1991).

Firms obtain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to market opportunities while counteracting external threats and circumventing internal weaknesses (Barney, 1991). Companies within an industry or a strategic group are identical in terms of the primary resources they control and the subsequent strategies they pursue. There is also another assumption that should heterogeneity exist in an industry, probably through a new entry, this would be short lived since resources that are broadly used by firms are highly mobile (Porter, 1990).

Some resources which may be difficult to reproduce are identified as value-creating resources (Barney, 1991). This category consists of resources that are strongly time-path dependent or socially complex. As these resources may be difficult to reproduce or extend, the firm owning the assets is likely to have a strong advantage in extending them over other firms that lack them. In part this advantage is informational and based on complex and tacit understanding, which is not easily accessible to outsiders. Managers may thus consider approaching their entry by building other resources that are less available (say a reputation for service on the new technology). This might be possible if the secondary resource is time-path dependent or the "expectational" advantage inhibits competition from developing the secondary resource (Peteraf, 1993).

Market resources are those resources that the firm develops and makes use of to compete against other firms in the market, such as brand names, efficient production plants or product/service innovations (Peteraf, 1993). Non-market resources, on the other hand, are those resources that the firm develops and uses to interact with and operate in its environment, such as knowledge of the local language and customs, or an understanding of laws and regulations (Cuervo-Cazurra & Genc, 2011; Jain, et al., 2013). The value of market resources is dependent on non-market resources. For example, a firm's superior marketing resources are not likely to translate into profits if it does not have an adequate knowledge of the local language, customs and traditions. Moreover, in their

study, Cuervo-Cazurra and Genc (2011) showed the importance of non-market resources beyond just complementing market resources, such as the conditions under which non-market resources can be a source of advantage abroad in their own right, as well as the importance of non-market resources external to the firm and how the existence or lack of such external resources can still lead to an advantage or disadvantage for a firm.

When a firm implements a value-creating strategy utilising rare and valuable resources, it enjoys a competitive advantage that lasts until other competitors emerge (Wernerfelt, 1984; Barney, 1991). When the link between a firm's sustained resources and its sustained competitive advantage are poorly understood, it is difficult for companies that are attempting to duplicate a successful firm's strategies through imitation of its resources to identify the resources that are fundamental to their success and which ones to duplicate. Since managers are limited in their ability to manipulate all attributes and characteristics of firms, sustained competitive advantage depends on the resource endowments controlled by the firm (Barney, 1991).

Once the company growth path has been determined, the services and rents that the resources will yield depend upon the dominant logic of the top management team, which is partly shaped by the resources they will be utilising. This notion that the firm's current resources influence managerial perceptions, and hence the direction of growth, is a cognitive proposition that reinforces the economic rationale that a firm's resource profile will influence the direction of diversification of the firm (Wernerfelt, 1984; Ramanujam & Varadarajan, 1989).

Prahalad and Hamel (1990), cited in Jain et al. (2013), indicated that the combination of central strategic resources and capabilities leads to core competencies. Core competencies are viewed as the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies. Largely, the research-based view/capability-based view implies that competitive advantage arises from developing and deploying unique, valuable, inimitable, and non-substitutable resources.

Firms operating in developed countries benefit from a mature institutional environment which provides supporting resources, i.e. the firm does not have to invest in developing them. Because these supporting resources are external to the firm and the firm cannot transfer them abroad, when such a firm expands to a less developed country, it is deprived of these resources. Conversely, for firms from developing nations where the home environment does not provide such supporting

resources, the firm either develops them itself or learns how to operate in their absence. Developing such capabilities requires an understanding of what is missing in the environment and how to operate without those elements or develop new ones. As such, developing country multinationals take time to develop such institutional knowledge and cannot be imitated easily. As a result, firms from countries with less developed environments have larger non-market resources than companies from developed nations. The emerging market firm can then transfer abroad the knowledge it generated from operating in such conditions with limited infrastructure (Cuervo-Cazurra, 2008; Cuervo-Cazurra & Genc, 2008;2011; Williams & Grégoire, 2014).

2.1.2 Eclectic Paradigm (OLI)

Internationalisation advantage is central to the eclectic paradigm, which assumes that the firm controls and coordinates the resources that it owns, while the use of other resources is governed by the market mechanism, as per Coase's (1937) explanation of the existence of a firm. Dunning (1988) argued that the size of the firm positively correlates with the entry mode. In other words, larger firms with more resources are able to absorb the initial cost of internationalisation and will opt for a higher degree of control, such as being wholly owned rather than developing partnerships.

These firm specific advantages are referred to as OLI (Ownership, Location & Internalisation). Ownership refers to a company's specific competencies and an understanding of how they develop; location refers to an appreciation of the transferability of a firm's competencies between markets; and internalisation describes the alternative modes of market entry in a competitive context. A firm's ownership advantage could be a product, process or an intangible asset such as a trademark or reputation for quality, which confers valuable market power or cost advantage on the firm, creating a benefit for the company to do business abroad. Likewise, the enterprise should have location advantage, making it profitable to do business in terms of distribution and access to customers. Lastly, the organisation should have the internalisation advantage in terms of proprietary products or processes still being profitable when produced in a foreign operation (Dunning, 1988).

The choice of location is influenced by a combination of firm specific advantages (FSAs) and country specific factors, such as the availability of natural resources, access to markets, or assets that complement the FSAs (Dunning, 1988). The eclectic paradigm of international production is therefore the collocation of the ownership specific advantages of firms contemplating foreign

production or an increase in foreign production, the propensity to internationalise the cross-border markets for these, and lastly, the attractions of a foreign location for production. Yet the identification and value of the specific OLI parameters that influence individual multinationals in any particular production decision vary according to the motives underlying such production. The decision for a certain company that operates in a certain industry to enter a certain host country depends on the motives of the enterprise. For example, the parameters influencing a multinational to invest in a copper mine in New Guinea are unlikely to be similar to the motives influencing an investment by a Korean construction management company in Kuwait.

Companies internationalise because they find advantages in transferring some moveable resources (such as knowledge, intermediate products, etc.) across a national border to be combined with an immobile, or less mobile, resource or opportunity (Oviatt & McDougall, 1994; Khanna & Palepu, 2006; Chen & Orr, 2009). Dunning (1988) contended that firms invest across national borders because of an interplay between their ownership specific advantages (FSAs), the location attractiveness of countries or regions, and the advantages gained from internalising cross-border operations.

While, in principle, transactions between different parts of a domestic firm create identical problems, the gains or losses resulting from the transactions are at least contained in that country. In the case of trade within hierarchies across national boundaries, inter-country distributional questions cannot be ignored; just as governments may judge internal allocative efficiency in terms of their own economic and social goals, so they will evaluate the impact of multinationals on the extent and pattern of their trade flows (Dunning, 1988).

The more specific, idiosyncratic, or non-codifiable nature of information and related managerial assets, the more difficult it is to ensure an efficient use of them in a foreign affiliate. In addition, the greater the advantages of scale of economies and benefits that accrue to the multinational, the less likely decision making is to be delegated (Dunning, 1988). Zollo and Winter (2002) concluded that there is higher likelihood that explicit articulation and codification mechanisms develop dynamic capabilities when the frequency of experiences are lower compared with the tacit accumulation of past experiences. The more the decisions are required to be customised to local needs, the more likely such decisions will be decentralised (Dunning, 1988).

Although opportunities appear to be abundant depending on the choice of market, conducting transactions in a foreign country has certain disadvantages, especially when a foreign company is pitted against indigenous firms (Bhattacharya & Michael, 2008). These include governmentally instituted barriers to trade and an incomplete understanding of laws, languages and business practices (Oviatt & McDougall, 1994).

2.1.3 The Uppsala Model

The Uppsala Model places attention on the evolution process of the multinational enterprise. The experience that the firm gets from internationalising compels it to choose markets that are psychically and culturally similar to their home market (Vahlne & Johanson, 2013; Buckley, 2009). This phased development of firm internationalisation is described as an incremental, risk-averse and reluctant adjustment to changes in a firm or its environment (Johanson & Vahlne, 1977). Multinational companies are believed to evolve only after a period of domestic maturation and home market saturation (Porter, 1990). Advocates of a staged approach argue that internationalisation takes place in a series of stages, and that each stage involves an increasing commitment of resources. Related to this approach is the sequential nature of “learning and doing” during internationalisation, where organisations pursuing this strategy start from nearby markets before moving to more distant and unfamiliar environments (Fletcher, 2008).

The Uppsala Model explains how the evolution of the multinational business entity is developed, and incorporates building blocks from the theory of entrepreneurship and the theory of management of uncertainty (Johanson & Vahlne, 1977; Vahlne & Johanson, 2013). The Uppsala Model is consistent with the dynamic capabilities view in the sense that when new knowledge is learned or created, it will have an impact on the continued learning and creation ratifying the business model and increasing commitment decisions. Distance reducing commonalities help firms to maximise their business potential in the target host country when they decide where to internationalise (Williams & Grégoire, 2014). Companies find ways to bridge perceived differences such as acquiring country specific knowledge and having executives with prior knowledge.

When an organisation gains market experience, it uses a step-wise approach to increase the scale of its international operations and to integrate with the market environment, where steps will be taken to correct imbalances with respect to the risk situation of the market. Those firms that grow and prosper have access to competitive advantages in the shape of operational and dynamic

capabilities, allowing them to interact with other actors in the environment in a manner that is advantageous to them (Helfat & Peteraf, 2003). The dynamic capabilities imply that the firm is developing its operational capabilities over time by learning and innovating.

The Uppsala paradigm assumes that creation is an important effect of the inter-organisational interaction processes. Knowledge creation in the interaction between two parties will be an outcome of the different problems that the parties bring to the interaction (Vahlne & Johanson, 2013). Although recent observations point to firms not following the theories on incremental internationalisation, they are still applicable to some companies. They are, however, less applicable in industries where technology, specific industry environments, or in some cases organisational capabilities, have changed (Oviatt & McDougall, 1994; Ray, et al., 2017).

Vahlne and Johanson (2013) highlighted three types of dynamic capabilities considered to be of special importance for international development following the Uppsala Model. These are the opportunity development capability, which includes the capability to identify opportunities and mobilise relevant resources; the internationalisation capability, which is the capability to approach and develop different markets and locations under various circumstances, and is central in the development of the multinational firm; and the networking capability, which encompasses the ability to build, sustain and coordinate relationships in a network type context.

The Uppsala Model, which is perceived to be a substitute to the eclectic paradigm, should be very general in nature. This paradigm should be able to accommodate other international business theories, for example, concepts such as location and mode of operation (Vahlne & Johanson, 2013).

2.1.4 Theoretical frameworks summarised

The concepts used for this study are depicted in the table below:

Table 1: Summary of key characteristics of the models

Theory	Construct	Associated research
Resource-Based View	Firms possess resources and capabilities that are heterogeneous and imperfectly immobile and these differences lead to strategic competitive advantages.	<p>One condition for a firm's continued growth is having enterprising managers (Penrose, 1959).</p> <p>Resources and capabilities as the foundation of a firm's competitive advantage (Wernerfelt, 1984).</p> <p>Firms seek to exploit their rare, valuable and inimitable resources to gain a competitive advantage in the markets they choose (Barney, 1991).</p> <p>A firm is a unique bundle of distinctive resources and capabilities, where the primary role of management is to maximise value through optimal deployment (Peteraf, 1993).</p> <p>Competitive heterogeneity (Helfat & Peteraf, 2003).</p> <p>A firm's resources include knowledge, capabilities, firm attributes and organisational processes, which it controls (Barney, et al., 2011).</p> <p>The relationship between resources and internationalisation motives prioritises some locations (Jain, et al., 2013).</p>
The Eclectic Model	MNEs develop competitive ownership advantages at home and use these in specific countries (depending on location advantages) through FDI, which allows the MNE to internationalise.	<p>Firms choose locations that maximise their profits. The more the decisions are required to be customised to local needs, the more likely such decisions will be decentralised (Dunning, 1988).</p> <p>Larger firms with more resources are able to absorb the initial cost of internationalisation and will opt for a higher degree of control, such as being wholly owned rather than partnerships (Dunning,1988).</p> <p>Firms adopt a mix of learning behaviours consisting of semi-automatic accumulation of experience and by deliberate investments in knowledge articulation and codification activities (Zollo & Winter, 2002).</p> <p>Ability to co-invent custom solutions (London & Hart, 2004).</p> <p>Firm specific advantages and country specific advantages are unique to each country (Rugman, 2009).</p>
The Uppsala Model	Firms increase their commitment in a foreign market in gradual, sequential steps as market knowledge increases and uncertainty surrounding the foreign market decreases.	<p>Firms choose markets that are psychically and culturally similar (Johanson & Vahlne, 1977).</p> <p>Emerging market firms' internationalisation is driven by intangible resources based on learning, linking and leverage (Hoskisson, et al., 2000).</p> <p>Psychic distance is less costly because relevant information can be easily interpreted (Johanson & Vahlne, 2009).</p> <p>The experience that a firm gets from internationalising compels them to choose markets that are psychically and</p>

		<p>culturally similar to their home market (Vahlne & Johanson, 2013).</p> <p>Considerations that reduce commonalities and considerations that augment differences have distinct effects on internationalisation decisions (Williams & Grégoire, 2014)</p>
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2.2 Conceptual framework

Multinational enterprises have predominantly relied on advantages of scale (Porter, 1980; Khanna & Palepu, 2005) to overcome obstacles such as host country government instituted barriers to trade and an incomplete understanding of laws, languages and business practices. Yet international ventures have to rely on other resources such as firm boundaries to address and recognise their complementarities, contradictions, interdependence and trade-offs if they pursue an international strategy (Madhok, 1997).

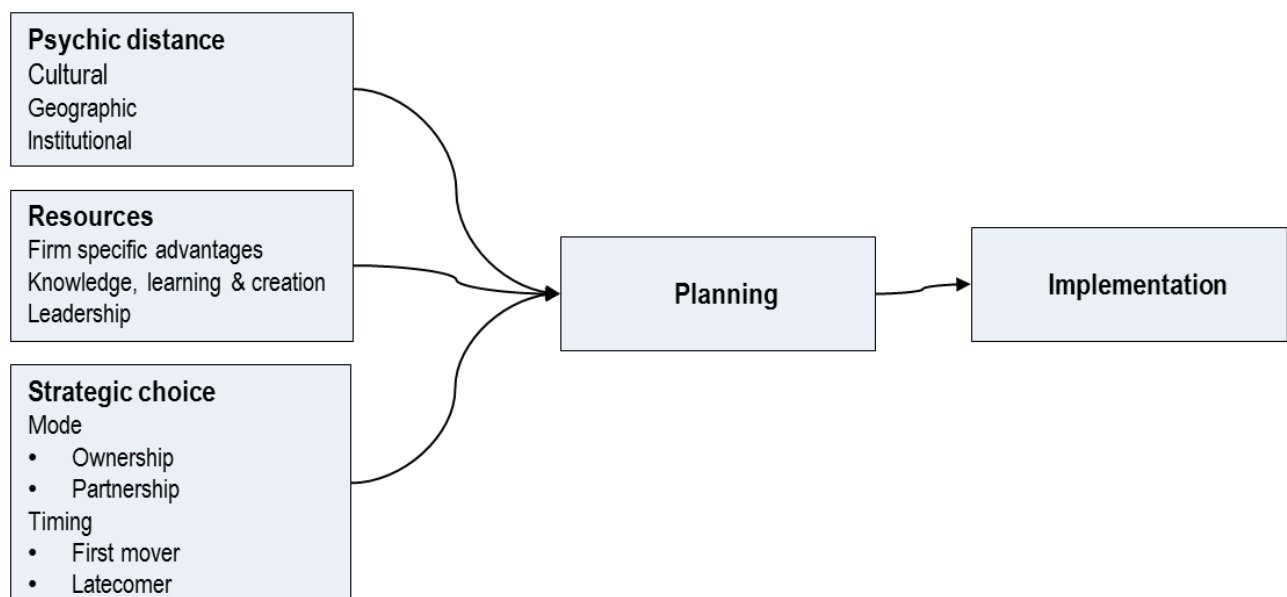
Although strategic management has drawn its notions of the firm from both economics and organisational theory, its primary goals are to explain firm performance and the determinants of strategic choice. There is a need to pay more specific attention to various considerations that are pertinent to the management of value inherent in a firm’s knowledge base (Madhok, 1997). Although the stepwise approach is no longer broadly used by firms due to technological advancements, the approach is widely used by emerging market enterprises entering similar markets (Cuervo-Cazurra, 2008; Chen & Orr, 2009; Bick, et al., 2011; Cuervo-Cazurra & Genc, 2011). Firms with more resources are expected to take larger steps towards internationalisation (Barney, 1991; Oviatt & McDougall, 1994; Angwin, Paroutis & Mitson, 2009), as the degree of control of resources and availability reduces the risk of the internationalisation process. The fact that these companies are expanding into multiple developing countries assumes that such organisations have acquired and internalised the requisite knowledge to expand and succeed in other markets.

The ability to discover and take advantage of business opportunities in multiple countries is no longer the preserve of large, mature corporations, given the availability of low-cost communication technology and high-speed transportation, which has made international markets accessible to small and new entrepreneurs (Khanna & Palepu, 2010; Luiz & Ruplal, 2013; Urban & Sefalafal, 2015). Psychic and cultural distances with the destination country are important considerations (Nakata & Sivakumar, 1997; Horner, al., 2016), closer the cultural distance, the easier it is for the multinational companies to operate with a fair understanding of the cultural norms and beliefs of the local market.

The concept of psychic distance, which appears frequently in the international business literature, applies to multiple theoretical models regarding internationalisation strategies and strategic choice processes (Horner, et al., 2016); it may affect decisions to engage in international operations, choices of country to enter, and modes and timing of market entry (Boateng, et al., 2017; Xie, Du & Shi, 2018).

Although there has been growing research on how EMNEs internationalise both into developed and developing countries, research has focussed more on Chinese and Indian multinationals (Zeng & Williamson, 2003; Khanna & Palepu, 2006; 2010; Contractor, 2013; Buckley, 2018). Despite some recent studies on Chinese and Indian multinationals' entry into African countries (Chen & Orr, 2009; Cheru & Obi, 2011), there has been limited research into the strategies used by South African MNEs expanding outside their national border into the rest of Africa. This study specifically looks at how measures such as psychic distance, firm resources and strategic choice impact the planning and implementation of business in the chosen markets. Figure 2 below illustrates the detailed elements of the conceptual framework for this study.

Figure 2: Conceptual framework (detailed)



International strategic decisions are multi-faceted, with managers having to identify attractive markets, select appropriate entry modes and consider product-service adaptations in the face of multiple market choices and external environment conditions. In their theoretical arguments, Back and Boggs (2008) provided a partial explanation regarding why a standard strategy cannot work

across different countries, revealing that developed multinational companies applying cost leadership in emerging markets struggle.

Pugh and Bourgeois III (2011) defined 'strategy' as a way of thinking about business, assessing its strengths, diagnosing its weaknesses and envisioning its possibilities. They described it as "a continuous evolutionary process rather than an outcome or end point" (p. 172). Strategy development therefore requires companies to look at the present and the future, be able to identify and bridge a gap, and make the organisation competitive into the future.

2.3 Psychic distance

Johanson and Vahlne (1977) defined psychic distance as the sum of factors preventing the flow of information from and to the market. Examples include differences in language, education, business practices, culture and industrial development. Psychic distance, which is a huge consideration in internationalisation decisions, can impose a disadvantage or provide an advantage for firms. More importantly, the impact of distance on internationalisation processes, varies by of dimensions of the environment such as obligating, pressuring and supporting. Different dimensions may be more or less important for different firms, and such nuances need to be considered in studies of distance (Cuervo-Cazurra & Genc, 2011). There are subjective distance perceptions on psychic distance, which has inspired renewed investigations of what distance dimension(s) might prove most influential for internationalisation. O'Grady and Lane (1996), cited in Williams and Grégoire (2014, p. 2), documented what they called a "distance paradox", describing it as a phenomenon whereby the apparent closeness between a home country and an internationalisation target might inadvertently lead managers to overlook important differences.

Despite the internationalisation motives of a multinational organisation, economic benefit is a key decision of where and how to internationalise, therefore economic distance often plays a primary role in such internationalisation decisions. Indices such as wealth and consumer per capita income for the host country are key characteristics affecting distance between countries, since these are used to determine the potential economic benefit (Horner, et al., 2016). While economic distance is viewed among other factors such as geographic, linguistic, institutional and cultural, the larger the psychic distance, the greater the costs, the risk and the lack of control, leading to parent companies being more inclined to reduce ownership models. When psychic distance is closer, even when emerging market firms enter developing countries, companies are able to introduce suitable

products and services because they possess knowledge of how operations are conducted in such markets, creating an advantage (Cuervo-Cazurra, 2008; Jain, et al., 2013; Horner, et al., 2016). Although developing country multinationals are able to navigate the institutional voids in other developing countries, they face intensified competition from local competitors in new markets, and have to craft new strategies when expanding outside their national borders (Zeng & Williamson, 2003; Khanna & Palepu, 2006; Cuervo-Cazurra, 2008; Cuervo-Cazurra & Genc, 2008; Contractor, 2013; Luiz & Ruplal, 2013; Luiz & Stewart, 2014).

A firm's decisions regarding where and when to internationalise aim to maximise its ability to realise its full potential in a foreign country, thus there is a huge reliance on signals of similarity to the home market. By contrast, decisions on how to internationalise largely rest on efforts to minimise any potential risk, cost and uncertainty, and thus place particular reliance on signals of difference (dissimilarity). Similarity comparisons are a useful mental tool through which humans make sense of the world, such as drawing inferences and interpretations, understanding new concepts more fully, forming categories, imagining and evaluating what courses of action they could pursue, and ultimately making decisions. This then creates a foundation of identifying commonalities, which are the indicators of closeness because they signal 'sameness' (Williams & Grégoire, 2014).

When a company expands outside its national borders, it faces a different set of conditions in the host country than at home. The firm may not know who the main actors are, and unless it already enjoys relationships with actors in that market, the firm has the liability of outsidership (Johanson & Vahlne, 2009). This difference creates a disadvantage for the firm, as it cannot effectively use all its existing non-market resources. Instead, it has to invest in the development of some new non-market resources to operate in the host country. Thus, the bigger the difference between home and host country, in other words psychic distance (Cuervo-Cazurra & Genc, 2011; Johanson & Vahlne, 2009), the greater the disadvantage the firm faces because it has to invest more in the development of new non-market resources (Johanson & Vahlne, 1977; Cuervo-Cazurra & Genc, 2011).

2.3.1 Cultural

Business studies and cultural research have examined the impact of psychic and cultural distance on the internationalisation of MNEs showing that managers tend to enter new markets that are similar to their own, such as in languages, business systems, norms, and level of economic development (Johanson & Vahlne, 1977; Contractor, 2013; Perks, Hogan & Shukla, 2013).

Preferences for selecting particular geographies for internationalisation increase when executives find more commonalities between host and destination countries (Williams & Grégoire, 2014). In addition, multinationals that enter small developing markets which are culturally close to their home countries have a greater chance of success (Perks, et al., 2013).

Ghobadian and O' Regan (2002), cited in Wöcke, Bendixen & Rijamampianina, (2007) found that there is a positive relationship between culture and performance and that strategy is influenced by culture, which, in turn, influences and develops the corporate culture. The transfer of organisational culture is often done through the use of expatriates, who are used to manage the interests of the organisation and the transfer of its competencies, systems and even aspects of its organisational culture to subsidiaries in foreign locations (Wöcke, et al., 2007).

Foreign experience affects both the mind-set of leaders as well as their capabilities (Wood, Khavul, Prerez-Nordtvedt, Prakhya, Dabrowski & Zheng, 2011). International experience and associated learning provide CEOs with the mind-set, knowledge, and confidence to select full-control entry modes, involving higher levels of information processing along with greater resource commitments and risks (Herrmann & Dotta, 2002). Expatriates who know the norms and values of destination countries are even more valuable, as they can easily identify commonalities. Diasporas are a highly treasured resource for EMNEs. The salient fact about diaspora members is that they are vastly advanced from their countries of origin in terms of tertiary education, income, technical skills, wealth, global consciousness and network connectivity (Contractor, 2013). Such individuals, placed in management positions in the host countries of their birth, reduce cultural distances, making it easy for the EMNE to do business.

Although most multinational organisations would want their business models not to change as they expand into other markets, a study in Asia has found that internationalisation of business is better understood on the basis of differences in cultural groupings (e.g. ethnic grouping) than on politically defined and artificially created national boundaries (Fletcher & Fang, 2006). Such groupings, which include language, transcend across national borders. However, this is not always the case, so for organisations to succeed, they need to be flexible and accommodate local culture in their Human Resources (HR) practices (Harvey, et al., 1999). When targeting emerging markets, approaches used in developed markets do not work (London & Hart, 2004; Khanna & Palepu, 2010; Cuervo-Cazurra

& Genc, 2011) as culture plays a very significant role in how people behave, and to some extent determines customer tastes.

In a study by Boateng et al. (2017), the researchers found that higher cultural distance between host and target countries encourages mergers and acquisitions from China. Cultural distance facilitates firms to learn and tap into valuable resources in culturally diverse organisations, enhancing their competitive advantage and capabilities. In contrast to earlier studies that show that EMNEs tend to enter markets that are culturally close (Johanson & Vahlne, 1977; Contractor, 2013; Williams & Grégoire, 2014), Boateng et al.'s (2017) study showed that cultural differences can lead to cultural attraction, resulting in increased mergers and acquisitions outflows in culturally distant countries.

2.3.2 Geographic

Faced with uncertainty about different internationalisation opportunities, and lacking knowledge and experience about how best to exploit such opportunities, internationalising executives tend to favour entering markets that are psychologically close to their home country first, before other potential markets that might have better opportunities. Over and above investment returns, considerations such as close psychic distance is less costly because it is closer and less complicated to understand because relevant information can be easily interpreted, making it simple to adjust the strategy (Johanson & Vahlne, 2009; Cuervo-Cazurra & Genc, 2011; Williams & Grégoire, 2014).

In their research, Cuervo-Cazurra & Genc (2011) found that the distance dimensions vary at firm level, and distance always has a negative impact on a firm's internationalisation. Geographical location is therefore conceptualised as a central component to the existence of a firm (Buckley, 2018). With varying institutional landscapes, emerging market economies are not homogeneous even in the same geographical location (Hoskisson, et al., 2000). This is compounded by colonial history, especially in Africa, where neighbouring countries' psychic distances can be huge because of language and boundaries created by colonial ties. A common language has been used to explain cross border internationalisation, as was the case in a study by Buckley (2018), which found that knowledge of the English language enhances the ability of Indian businesses to internationalise in English-speaking countries. The ability for South Africans to converse in English also enhances the ability of South African businesses to internationalise easily into English speaking neighbouring countries.

Liu et al. (2017) identified knowledge and skills capabilities as key differences between outward FDI (OFDI) by EMNEs and DMNEs in terms of location decisions. In their case study research of six cases from emerging markets (two from China, two from India and two from South Africa), the results demonstrate that EMNEs tend to start OFDI in developing countries (either within their region or outside), as their R&D, technological and knowledge level, skills, and product range are limited.

2.3.3 Institutional

Market imperfections lead to the convergence of institutions and companies. Institutions play a key role in lessening uncertainty and creating stable market conditions that facilitate business transactions and growth, and reduce information costs. Companies develop their business strategies based on the existence or non-existence of institutions in a given market (Hoskisson, et al., 2000). The drive for offshore FDI flows therefore may not only be driven by domestic capital market imperfections, but also by a more favourable institutional environment (Buckley, 2018).

Many firms pursuing an internationalisation strategy face institutional voids (Khanna & Palepu, 1997) or dysfunctional trade policies. The ability to manage institutional idiosyncrasies is thus a key resource that helps a firm's internationalisation strategy (Jain, et al., 2013). This is even more important when the internationalisation is into emerging economies where there are high inconsistencies in the institutional landscape. Emerging market firms can internationalise and compete effectively in certain industries where they can transfer their institutional relationship-based competitive strengths to similar markets that still have high government control over resource allocation (Hoskisson, et al., 2000). Jain et al. (2013) concluded that an emerging market multinational firm with local government relationships as its primary resource and a market-seeking motive may seek to locate in a country for institutional environment-related reasons.

Some emerging market multinational enterprises increase their internationalisation strategies by exploiting their knowledge of certain market segments, where in certain cases, some emerging giants have learned to play the role of market institutions (Khanna & Palepu, 2006), i.e. they have found that addressing institutional voids creates value. Accenture (2009) reported that SABMiller is known to repair roads that link their customers with their plants, Multichoice builds local capability by training local staff, and collaboration between Massmart and Shoprite helps the two companies minimise their infrastructure costs.

An absence of intermediaries, regulatory systems and contract enforcing mechanisms makes it difficult for companies to do business. Unfortunately, companies in different markets may be expected to adopt market-based strategies at different times and rates, because institutional factors are changing at different times and rates (Hoskisson, et al., 2000). Despite these challenges, not all the institutional voids can be rectified by governments, however the private sector can create and own intermediaries that facilitate the flow of information (Khanna & Palepu, 2006). Institutional intermediaries such as newspapers, accreditation agencies, database vendors, forums, auction sites and job internet sites facilitate the flow of information between sellers and buyers. Organisations thus have the ability to negatively or positively influence institutions through their strategies (Luiz & Stewart, 2014)

2.3.4 Psychic distance influence on planning

Given the globalisation of world markets, the abundance of information and technological advances, information has become increasingly palatable and available. Companies are using strategic intelligence as key lenses for execution (Nunes & Breene, 2011; Pellissier & Kruger, 2011). Pellissier and Kruger (2011) stated that there is a “synergy between business intelligence, competitive intelligence and knowledge management to provide value added information and knowledge towards making organisational strategic decisions” (p. 613).

When companies identify new markets for expansion, they tend to use the traditional set of indices that are used for entering developing markets. These indicators include GDP and per capita income growth rates, the population composition and growth rates, and exchange rates and purchasing power parity indices (past, present, and projected) (Khanna & Palepu, 2005). Besides the economic indicators, companies also consider the regulatory, cultural, competitor and sector specific information. In many cases, analysts also consider the target country’s standing on the World Economic Forum’s Global Competitiveness Index, the World Bank’s governance indicators, and Transparency International’s corruption ratings; its weight in emerging market fund investments; and in some cases, forecasts of its next political transition (Khanna & Palepu, 2005).

Institutional voids make it difficult for multinational companies to operate in a “global market”, for example getting accurate market data in most African countries is difficult (Ernst & Young, 2013). Success generally requires careful market research and a detailed understanding of African consumer needs. Enderwick (2009a) highlighted the importance of market insights when describing

an approach used by Nokia, which developed a highly successful mobile phone handset for the Indian market that reflected local operating conditions. The phone was dust-proof, had a non-slip cover and included a light, which was ideal for rural conditions. Because such adaptations are costly, it is important that organisations entering such markets take a long-term view.

It is important to have a strategy based on the institutional milieu of the host country which guides companies on whether to adapt their business model to preserve their competitive advantage. The decisions include either changing the institutional context or avoiding investing if the business model is impractical (Khanna & Palepu, 2005). While companies cannot use the same strategies when targeting a myriad of developing countries, they can generate synergies by treating different markets as part of a system. Institutions (or the lack thereof) in host countries clearly have an impact on multinationals, either positively or negatively, by raising or lowering the transaction costs of doing business there (Luiz & Stewart, 2014). Doing business in emerging markets potentially comes at a higher cost to multinationals that pursue ethical behaviour, as they may lose opportunities to companies that are less conscientious, especially in markets where corrupt activities to facilitate procedures exist.

With institutional structures to support market-based systems still weak or missing, opportunistic behaviour is likely because of the high cost of obtaining information, which shifts the bargaining power due to exogenous shocks (Hoskisson, et al., 2000). As Luiz and Ruplal (2013) put it, “Doing business in Africa requires improvisation, as this is a continent with weak institutions, poor infrastructure, and inconsistent government policy” (p. 125). Ernst & Young (2013a) indicated that “these are undeniably challenges, yet they are all issues that also reward flexible, innovative and unconventional approaches” (p. 11). Official datasets are poor but using this unreliable data is an unavoidable necessity, thus a careful eye must be kept on quality control at all times. The ability to critically think around a data set and measure it against recent economic and geopolitical events is particularly vital (Ernst & Young, 2013).

Major reasons for failures in new markets are shorter product life cycles, inter-industry competition, rapid economic and political changes (Hoskisson, et al., 2000), and misunderstanding institutional voids (Khanna & Palepu, 2006). In certain cases, firms have to screen large numbers of potential employees to recruit staff, because there are no such search firms in some developing countries (Khanna & Palepu, 2005). Companies can also target unsuitable countries because they used the

wrong market indicators. Composite indices such as growth competitiveness, business competitiveness, governance indicators and corruption do not send any warning signals about the presence of institutional voids to the would-be market player (Khanna & Palepu, 2005), as most corruption, for example, is done under the radar. Some companies have entered developing markets basing on a senior manager's personal experience, yet anecdotal evidence makes such companies vulnerable as they are usually very unprepared for what they face when they enter.

It is important to note that each country follows its own growth path (Leke, Lund, Roxburgh & Wamelen, 2010), thus opportunities and challenges differ from one country to the next, based on their levels of economic diversification. For this reason, companies might consider regional investment gateways to identify which markets to enter first. On the African continent, these gateways include South Africa, Nigeria and Kenya (Ernst & Young, 2013). Ernst & Young has shown that although working with the gateways or hubs may not always be a requirement, executing a strategic decision to grow strongly and sustainably on the continent will typically continue to involve the judicious use of gateway settings and services.

For those companies that have succeeded in the various African markets, it has been proven many times that things are often not the way they seem to be, so spending time in the target markets as part of information gathering and market assessment is extremely beneficial. Although the Western approach to market research does give insights, one must be in the country to understand each market, the players and how they do business (Collins, 2013). The risks of getting it wrong are huge and the rewards of getting it right are substantial, so it is important for companies planning to enter African markets to invest in getting it right the first time.

2.3.5 Psychic distance influence on implementation

As more and more companies are expanding out of their national borders, research has shown that managers tend to choose markets with similar cultures, business systems and languages (Perks, et al., 2013). Managers are more likely to believe that they are able to implement their strategies successfully with local managers, employees and distributors if they match their preferred management styles, organisational processes and structures, and there is cultural homogeneity between the two countries.

Although emerging markets are considered by multinational entities to be new opportunities for growth, Hoff (2006) argued that large sums of capital do not guarantee success. He also commented that while due diligence is imperative in such markets, follow up work needs to be undertaken. The “endemic corruption” and increasing political conflict (Andreasson, 2011) in Africa are impediments for companies with stable political home countries. Strategies also fail due to unanticipated market changes as well as a lack of focus (Sterling, 2003; Wang & Ahmed, 2007). Some multinational companies have failed in particular emerging markets because they plunged into these markets ill prepared (Khanna & Palepu, 2006; Bhattacharya & Michael, 2008), they had insufficient resources (Sterling, 2003), and/or they did not understand the local factors of production including national culture (Wöcke, et al., 2007).

Some multinationals exit a market prematurely as they misunderstand or misinterpret the institutional milieu, such as corruption. They then adopt a strategy to delay market entry or terminate operations in countries where regulations are believed to increase the chances of corruption (Luiz & Stewart, 2014). EMNEs employ ‘avoid type’ strategies, using self-regulation and corporate policies and processes in response to corruption in African markets. In the case of mining, where a multinational is perceived to be wanting to “exploit” natural resources, the need to seek local acceptance or legitimacy in the form of political lobbying before setting up operations in the host country is high; it is necessary to demonstrate and convince the host country that the principles and values under which the company operates are based on sound business practices (Luiz & Ruplal, 2013). Implementation of the strategy then becomes an ongoing iterative process of exploration and going back to the drawing board.

For multinational companies considering expansion into developing countries, it is important to recognise the role of the local competitor who can easily drive a multinational out of their turf. Given that local competitors are familiar with the domestic institutional voids, they are well equipped to serve the local customers who are looking for competitively priced local products, as they can easily customise products and services for different domestic customer tastes and requirements (Bhattacharya & Michael, 2008). With their deep understanding of their customers, these local competitors are able to segment clients according to tastes, preferences, per region, per city and even by income level (Bhattacharya & Michael, 2008). In some countries, this information is not available to traditional research organisations.

2.4 Firm resources

Prahalad and Hamel (1990), cited in Jain et al. (2013), indicated that the combination of central strategic resources and capabilities leads to core competencies. Core competencies are viewed as the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies. Largely, the research-based view/capability-based view implies that competitive advantage arises from developing and deploying unique, valuable, inimitable, and non-substitutable resources.

Firms operating in developed countries benefit from a mature institutional environment which provides supporting resources, and the firm does not have to invest in developing them. Because these supporting resources are external to the firm and the firm cannot transfer them abroad, when such a firm expands to a less developed country, it is deprived of these resources. Conversely, for firms from developing nations where the home environment does not provide such supporting resources, the firm either develops them itself or learns how to operate in their absence. Developing such capabilities requires an understanding of what is missing in the environment and how to operate without those elements, which then provides the firm with a non-market advantage abroad (Cuervo-Cazurra & Genc, 2008). As such, developing country multinationals take time to develop such institutional knowledge and cannot be imitated easily. As a result, firms from countries with less developed environments have larger non-market resources than companies from developed nations. The emerging market firm can then transfer abroad the knowledge it generated from operating in such conditions with limited infrastructure (Cuervo-Cazurra, 2008; Cuervo-Cazurra & Genc, 2011; Williams & Grégoire, 2014).

In addition to these firm specific advantages, there are country specific advantages that create unique opportunities. These can be associated with market size, natural resources and the quality of institutions (Rugman, 2009). It is assumed that emerging market multinationals possess less firm specific advantages relative to their international peers because of the “lateness” in their internationalisation journey, but their company specific advantages developed operating in less developed markets give them a competitive advantage in developing markets (Rugman, 2009). In other cases, emerging market firms learn from their domestic partnerships with a foreign partner under either supplier-buyer partnerships or joint venture relationships, and use their acquired knowledge and managerial skills to become competitive (Khanna & Palepu, 1997).

Economic and institutional environments are dynamic, hostile and complex, and factor resources are marginal in developing economies (Jain, et al., 2013). Unfortunately for emerging market firms, they are limited in developing resources such as proprietary knowledge and physical resources because these require huge financial capital. In contrast to their counterparts from developed nations that have and use the resource-based view as a catalyst to expand their businesses into developing nations (Dunning, 1988), emerging market firms' internationalisation is driven by intangible resources based on learning, linking and leverage (Hoskisson, et al., 2000). The main resources that are significant for the internationalisation of emerging market firms are country created resources, cost competitiveness-based resources, experience-based resources and relational resources. Given that these firms arrived late to international markets, it is difficult for them to compete on a single asset, pushing them to explore more complex resource mixes (Jain, et al., 2013).

2.4.1 Firm specific advantages

The structure of markets in developing countries broadly consists of the global, glocal, local and bottom of the pyramid arenas (Khanna & Palepu, 2006). Glocal refers to products that are global but have a local appeal, where certain core elements are globally standardised whilst others are localised. The bottom of the pyramid is an economic term used referring to the world's poorest population that live on less than \$2.50 a day representing multiple cultures, literacy, literacy and personal needs (Prahalad, 2004; 2012). It is an attempt to find optimal and sustainable global solutions to respond to local and/or regional problems (Aryana & Zafarmand, 2007; Luigi & Simona, 2010). This variety of markets, by their very nature, helps local companies to counter the entry of multinationals. The global customer is willing to pay for global products with all the attributes offered on the international market; the glocal market demands products with global quality but at local prices; local customers would like local products at local prices; and the bottom of the pyramid customers can only afford the cheapest products (Khanna & Palepu, 2006). As Prahalad (2004) noted, the emerging consumer is becoming aware of the many products and services available and is ambitious to share the benefits, thus the emerging market needs products and services tailored to their needs.

Dominance of local companies is normal in the local tier, however with time, multinationals learn to compete in the glocal tier, given that the customers in this segment demand global products. For the bottom market, companies need to tailor their strategies and develop customised solutions for

these customers. Classic disruptive innovation theory holds that innovations should first be introduced in markets where the alternatives fall short on some dimension or are utterly unavailable, and emerging markets fit this profile. They are excellent grounds for trying out product innovations far from competitors' eyes (Eyring, et al., 2011). Multinational enterprises often focus on the revenue generating potential of emerging economies (Hoskisson, et al., 2000). However, companies from developing countries, with their experience of home markets with similar customers at the bottom of the pyramid, use their home competitive advantage to navigate the market and circumvent the institutional voids (Khanna & Palepu, 2006).

According to Hannon, Ing-Chung & Bih-Shiaw, (1995), when a subsidiary (or affiliate) is highly dependent on the parent to provide crucial resources, the parent company is likely to exert influence through formal management mechanisms which involve integrated international human resource strategies. The standardisation of global practices across a multinational entity (MNE) helps with easing the transfer of organisational competencies across the company. To enable the smooth transfer of firm specific advantages (FSAs) between the parent and affiliates, the coordination of the management procedures need to be carefully done (Wöcke, et al., 2007). As a multinational grows, economies of scale facilitate improvement in the competitive advantage in planning and coordination (Buckley & Tian, 2017)

2.4.2 Knowledge, learning and creation

With the bulk of the customers in emerging markets being at the bottom of the pyramid, the affordability of products and solutions is very important (Prahalad, 2004). Simple aspects of customisation such as packaging can create a competitive edge in local markets; local winners package products innovatively to make them affordable (Bhattacharya & Michael, 2008), convenient to use, and easy to store. This also minimises waste as people only use what they need. Firms whose strategic approaches emphasise patience, persistence and pragmatism, with a dose of continuous learning process, have proven most capable in dynamic African settings. Companies that apply flexible, innovative and unconventional approaches to strategy implementation in Africa reap huge rewards in a sea of challenges. In their research, Govirandajan and Trimble (2011) found that the secret to winning over the long run lies in knowing what to forget and what to create. Finding the right balance among the forces of preservation, destruction, and creation is the foundation for a business to thrive into the future.

Some scholars in their studies found that emerging market companies tend to do better than multinationals from developed countries due to their knowledge and familiarity of such markets (Prahalad, 2004; Khanna & Palepu, 2006). Institutional voids in their home country may assist EMNEs in overcoming the liability of foreignness in other emerging markets because of their knowledge about, and experience in, doing business in difficult country conditions (Buckley, Clegg, Cross, Liu, Voss & Zheng, 2009). An important aspect of experiential knowledge is that it provides a framework for perceiving and formulating opportunities. The better the knowledge about a market, the more valuable the resources and the stronger the commitment (Johanson & Vahlne, 1977). Emerging market MNEs need to be involved in Research and Development (R & D) to augment their know-how (Buckley & Tian, 2017). In South Africa, when Old Mutual, an insurance company, saw a gap in the mutual funds and long-term investments business at the bottom of the pyramid, it closed the gap by creating solutions. As a result, it has become a market leader in this field. The company has also found new ways of creating innovation in its home operation using lessons learnt from some of its African operations (London & Hart, 2004; Accenture, 2009).

Knowledge transfers between EMNEs and developing host economies are predominantly one way, with the former transferring more technology and knowledge (Ray, et al., 2017; Buckley, 2018) than they gain when trading them for new growth opportunities and new business models. Emerging market multinationals are mainly driven by the business philosophy of 'mutual benefit' and appear to be more willing than developed multinationals to share knowledge. This may be due to cultural business differences (Baskaran, Liu, Yan, & Muchie, 2017). However, with increasing knowledge and experience, these EMNEs have begun to enter developed countries and gone beyond the geographies they were initially familiar with.

Companies such as Mahindra & Mahindra from India, Old Mutual from South Africa and Pollo Campero from Guatemala have become international giants in emerging markets due to their knowledge of local talent and their ability to serve their customers at home and abroad (Khanna & Palepu, 2010; Khanna & Palepu, 2006). In another example, MTN, which hails from South Africa, faced similar conditions in Uganda, and built a subscriber base that was 22 times larger than that of Celtel, a subsidiary of Vodafone which is an MNE from a developed country (Goldstein, 2004, cited in Cuervo-Cazurra, 2008).

2.4.3 Leadership

There is a variety of scholarly literature that points to leadership being key to responding to the challenges of the future, (Khanna & Palepu, 2006; Angwin, et al., 2009; Cliffe & McGrath, 2011; Munir, Prasetyo & Kurnia, 2011; Nunes & Breene, 2011). Nunes and Breene (2011) extensively covered the importance of leadership in business reinvention strategies, including developing and retaining key talent, continuously scanning the market, listening to the voices of front line employees, and most importantly, renewing top management as ingredients to successful business principles.

The lenses through which business problems and solutions are often identified and resolved are a reflection of an executive's background and functional experience. This is an important indicator of the cognitive biases and type of knowledge that executives bring to their jobs (Herrmann & Dotta, 2002). The diversity of foreign markets, especially in emerging markets, threatens firms' strategies due to the variety of rivals, suppliers and buyers (Herrmann & Dotta, 2002). These differences can be bridged by having someone with country specific knowledge or someone with prior knowledge (Williams & Grégoire, 2014). For this reason, prior learning associated with international experience can lead to fewer mistakes and a higher likelihood of success. In addition, managers need to integrate the learned culture with their own. Their international experience can have an important impact on their values and cognitive orientation. CEOs who have accumulated knowledge of foreign cultures and business practices through international experience can be expected to possess the skills sets that give them greater confidence to operate in foreign business environments.

Charismatic leadership supported by high competence and a solid management team has been identified as a popular formula for leading a company's entry strategy into new markets (Munir, et al., 2011). With most such senior positions for new ventures in emerging markets being seconded on contract from the home country, the change of leadership influences the direction and fortunes of such a company (Govirandajan & Trimble, 2011). Bungay (2011) suggested that in any implementation of a strategy, employees need to be able to adapt when the situation changes, but boundaries need to be set to manage a change. The leader's role in managing these boundaries is the key to success (Bungay, 2011; Govirandajan & Trimble, 2011).

When ethical standards are different from those of the host country, leaders are faced with choices such as not doing business with that country, maintaining own standards but risking placing the

company at a competitive disadvantage, or playing the game as local competitors do. Demonstrating integrity requires the ability to effectively observe, interpret and put their words into practice (Morrison, 2001). Morrison went on to say that global leaders need to have a strong affinity to people; they need to care about people and have an interest in the issues that affect local people. Such leaders go out of their way to help and build people. Some leaders also make an effort to understand the local languages, which in a way gives them a better understanding of some of the cultural contexts the company operates in.

Effective managers see emerging markets as repository opportunities, break down the stereotypes, and adapt to an action orientation that promotes learning by doing (Dhanaraj & Palepu, 2011). This type of approach yields results that minimise failure. Behavioural traits that are important for such managers include network building, alertness to opportunity, a frugal mind-set, multi-tasking, greater tolerance to ambiguity, flexibility and a dose of compassion and humility (Contractor, 2013). Emerging markets also present opportunities for multinationals to sharpen their competitive responses, arbitrage learning between markets, and learn how to manage in dynamic market shifts (Enderwick, 2009). Risk and uncertainty in the international expansion of a firm introduces tolerance to ambiguity, which is recognition of how uncertainty acclimatisation and risk accommodation alters over time (Liesch, et al., 2011).

Most emerging markets, especially in Africa, are synonymous with underdevelopment and inadequate structures to support economic growth (Gbadamosi & Osei, 2011). Companies wanting to expand into these markets must thus recognise the need to participate in the development of such structures and uplift the local economy or community. The mindset of top management deployed into these markets should recognise that integrity is essential in securing goodwill, and they should have a long-term view (Nakata & Sivakumar, 1997; Chen & Orr, 2009; Contractor, 2013), flexibility (Wöcke, et al., 2007), acknowledge the local culture (Wöcke, et al., 2007; Bick, et al., 2011; Contractor, 2013), and have a balance between the present and the future (Govirandajan & Trimble, 2011) to reap the rewards. Coming from a background of constrained resources, poor enforcement of legal rights, underdeveloped financial markets, unpredictable regulations, and volatile bureaucrats, such conditions teach EMNE managers to be flexible, shrewd and persistent in overcoming obstacles (Cuervo-Cazurra & Genc, 2011).

2.4.4 Influence of firm resources on planning

Although frameworks are important in strategy construction, it is an endless evolutionary process, not a be-all-and-end-all process (Pugh & Bourgeois III, 2011). Frameworks are valuable to ensure that an organisation does not just have a strategy, but has a sound strategy (Bowman & Helfat, 2001). This is vital in strategy design, most importantly when the proposed strategy has been identified. An example of a framework that can be considered by businesses expanding into other markets is Moore's strategic triangle, which looks at whether a strategy is substantially valuable, legitimate and politically sustainable operationally and administratively. Pretorius and Maritz (2011) concluded that for a strategy to be successful, the approach matters, while empirical studies such as Bowman and Helfat's (2001) have shown that success in such corporations depends on modifying the business model to service new markets. It is the type of businesses and/or the management start-up team that has to continuously craft the strategy and use specific strategy tools to fine tune the original strategy to make it a success.

Failure to address the accessibility of products or services is an important factor in why so many companies have little success adapting their current models to emerging markets; the costs of serving widespread customers in infrastructure poor developing countries are just too high. A successful business model includes the customer value proposition (CVP), a profit formula, key processes, and key resources that the company must use to deliver the CVP repeatedly and at scale. Creating a competitive advantage lies in integrating these elements to produce value for both the customer and the company (Eyring, et al., 2011). When an idea tries to become all things to everyone and lacks distinctiveness in the market, it fails due to a lack of focus. Some strategies fail because not enough resources were allocated, especially for capital intensive strategies (Sterling, 2003). As a result, resources are dissipated because there was no clarity of the primary objective and the associated commitment.

A strategy can be foiled by a highly effective response by a competitor (Sterling, 2003). To effectively anticipate a competitor's response to a strategy, a company needs a solid competitive intelligence capability; understanding their market positions and their relative competitive advantages, and in many cases the personalities of their management teams, is key. A classic example is where a new entrant misinterprets the local market segmentation or some other cultural nuances that are critical for success, and unintentionally create "cracks" (Penrose, 1959). These cracks give insights and

create opportunities for local firms to develop more appropriate solutions because of their knowledge of the local market.

Heterogeneity in an industry may reflect the presence of superior productive factors, which are in limited supply, according to the theory of Ricardian rents described by Peteraf (1993). These factors may be fixed such that they cannot be extended. This argument makes an assumption that firms with superior resources have lower average costs than other firms.

Casadesus-Msanell and Ricart (2010) defined a business model as a reflection of a firm's realised strategy. They went on to say that business models are comprised of the concrete choices made by management about how the organisation must operate and the consequences of those choices. Business models generate virtuous cycles or feedback loops, which strengthen some components of the model at every iteration. While virtuous cycles are not part of the definition of a business model, they can be crucial elements in their successful operation. As the cycles spin, rigid consequences become more significant, and such virtuous cycles can develop valuable resources and capabilities. The typical approach to strategy formulation begins with an evaluation of organisational competencies and resources. Those that are distinctive or superior, when they are matched appropriately to environmental opportunities relative to the competencies possessed by rivals, may become the basis for the enterprise's competitive advantage (Peteraf, 1993).

2.4.5 Influence of firm resources on implementation

The implementation of strategies relies heavily on leadership. Angwin et al. (2009) examined the phenomenon of strategy directors and their roles in organisations. Although their findings were directed at different stakeholders, they pointed to the value of having individuals in organisations whose role is "to achieve coherence and strategic alignment in a sea of tensions" (p. 91). Without key people who act like the conductors of an opera, effective implementation will take much longer than originally planned. Integrity plays a crucial role in global leadership for securing goodwill and the best efforts of employees. This requires personal commitment to creating and maintaining a moral environment (Morrison, 2001).

Once a company's aspirations are clearly articulated, the key to effective implementation is to create an iterative platform for further formulation and adjustment (Bungay, 2011; Nunes & Breene, 2011). The authors emphasised the importance of setting measures and priorities to track and

evaluate the progress of the implementation. This also allows the business, specifically those individuals central to the implementation of the specific strategy, to pick up red flags before it is too late. As Raps (2005) described it, “the more administrative implementation phase demands discipline, planning, motivation and controlling processes” (p. 145). The more mature home office can be used as a backbone for the provision of standardised data, systems and processes to the expanding organisation (Accenture, 2009).

With CEOs’ tenures generally being short, and in some instances contractual, CEOs concentrate mostly on performance excellence and continuous improvement. Most companies with such leadership are sleek and efficient and are good at coordinating internally within the organisation to produce the “now” results (Govirandajan & Trimble, 2011). Because their focus is on short term pressures, however, they tend to overlook the creation of the future as well as “selectively forget the past”. Unfortunately, many such companies fail because the short-term incentives for top leadership, which gives more weighting to immediate results, are not aligned with the long-term strategy of the organisation (Nunes & Breene, 2011). Exemplary leaders are those who place integrity at the pinnacle of their behaviours. The misalignment of company strategies and incentives can also lead to ethical leadership being compromised by short term personal gains.

Some managers fall into the trap of focussing on one key risk at the expense of others, with a failure to identify risks early in a project leading to disastrous results. The more risks that can be identified and eliminated, the higher the probability of success. Risk and value are inversely proportional - the lower the risk, the higher the value of the venture (Gilbert & Eyring, 2010). Ernst & Young’s (2013) *Doing Business in Africa* report highlighted that the firms that will succeed in Africa will be those that find ways to prevail and to regenerate — not just endure — amid various likely difficulties; they will probe alternatives, use learnings from failures, and adjust their approaches. Quick adjustments based on early lessons learned on the ground trump the best and most detailed strategic plan developed before the fact (Eyring, et al., 2011) .

For any new strategy, it is usually hard to predict how competitors will react to a particular set of strategic moves, as, for all practical purposes, business model best responses are impossible to envisage (Casadesus-Msanell & Ricart, 2010). Strategy is about out-performing the competition, with the exercise of designing, testing and implementing new business models being closer to an art than a science (Casadesus-Msanell & Ricart, 2010; Eyring, et al., 2011). The ability to conduct

rapid experiments inexpensively and use what is learnt from them to hone the business model is essential for success. Such experimentations provide essential answers that no survey could demonstrate the business potential. It is therefore important for managers to keep their eyes and ears open to ensure continuous improvement if they want to succeed in new markets. This will enable them to make course corrections before committing to major operational or strategic investments (Eyring, et al., 2011). The terrain is ever changing, so companies that want to succeed in this arena need to be on the lookout at all times. Khanna and Palepu's (2010) list of how companies respond to institutional voids (Table 2, see page 41) is key to this, yet an open mind is perhaps the most important asset anyone can bring to emerging markets (Eyring, et al., 2011).

Sterling (2003) found that some strategies fail because there is no buy-in from implementers, especially if they were not involved in the strategy creation and do not understand it. The closer the "front-line" employees are to the strategy, the more they should apply "in-the-moment strategy", using action-oriented tools like options strategy and effectual thinking (Pugh & Bourgeois III, 2011). To ensure overall success, these options should then be assessed in time to guide the strategy. The higher levels of management, which have broader views of the industry and market, would then pick an idea from those presented by the frontline that aligns with the overall direction of the firm.

New ventures will always be loaded with risks. The difference between success and failure comes from getting close to the initiative from the onset, quickly determining what is working and what is not, and adapting the initial strategy to new insights. Successful strategies involve getting something into the market quickly, learning from it, moving onto the next phase of development, and in some cases, being ahead of competitors with a new idea. Achievement also comes from testing one thing at a time, applying lessons learned, and being willing to cut losses when no value is realised (Gilbert & Eyring, 2010).

2.5 Strategic choice

Dunning (1988) argued that the size of a firm positively correlates with its entry mode. In other words, larger firms with more resources are able to absorb the initial cost of internationalisation and will opt for a higher degree of control, such as being wholly owned rather than developing partnerships. He went on to say that firms design boundaries to protect internal resources and capabilities from unintended spillover, and look for partner organisations that wield substantial capability to fill voids. International strategic decisions are multi-faceted, with managers having to

identify attractive markets, select appropriate entry modes, choose the timing of the entry, and consider product-service adaptations amongst diverse market choices and external environment conditions (Perks, et al., 2013).

Madhok (1997) commented that two broad issues are important for foreign market entry decisions - motivation and mode of entry. Motivation refers to the actual decision to enter a specific foreign market, i.e. whether to exploit an advantage that a firm has, to strengthen an existing one, or to develop new capabilities. On the other hand, mode of entry relates to the means by which a company decides to enter the chosen market (Madhok, 1997). These modes include exporting, licencing, joint venture or sole proprietor. The critical consideration in determining the mode of entry is the compatibility between the firm's existing routines and those needed to be successful in particular foreign markets (Johanson & Vahlne, 1977).

Table 2: Responding to institutional voids

Strategic Choice	Options for Multinationals
Replicate or adapt?	Replicate business model, exploiting relative advantage of global brand, credibility, know-how, talent, finance, and other factor inputs. Adapt business models, products, or organisations to institutional voids.
Compete alone or collaborate?	Compete alone. Acquire capabilities to navigate institutional voids through local partnerships or joint ventures.
Adapt or attempt to change market context?	Take market context as given. Fill institutional voids in service of own business.
Enter, wait or exit?	Enter or stay in market in spite of institutional voids. Emphasise opportunities elsewhere

Source: Khanna and Palepu (2010)

2.5.1 Entry mode: Partnership

When internationalisation leads to foreign investment, the firm may incur political and commercial risks due to unfamiliarity with the foreign environment. Internalisation occurs only when firms perceive the benefits of expansion to exceed the costs, which arise from the 'liability of foreignness' (Gaur, Kumar & Sarathy, 2011). Essentially, distance-reducing commonalities help firms maximise a

country's potential to internationalise and enable resource efficiency regarding when to internationalise, whereas when huge psychic distances exist, mode of entry strategies are selected such that they minimise the company's exposure to downside loss. Greater perceived psychic distance as interpreted through individual experience results in entry modes with lower levels of control and investment risk (Horner, et al., 2016), such as partnerships.

Relationships and customising solutions with local partners is key. Khanna and Palepu (2010) argued that using knowledge about local customers and factors of production creates a platform for success. It has also been pointed out that tolerance of ambiguity as well as using unique strategies for each given market is effective (Baack & Boggs, 2008; Contractor, 2013; Perks, et al., 2013), whilst Nakata and Sivakumar (1997) argued that although an in-depth market analysis creates opportunities for success, organisations planning to enter emerging markets should expect difficulties. The more the decisions are required to be customised to local needs, the more likely such decisions will be decentralised (Dunning, 1988).

The main resources that are significant for internationalisation of emerging market firms are country created resources, experience-based resources and relational resources. Given that these firms arrived late to international markets, compared to developed market multinationals, it is difficult for them to compete on a single asset, pushing firms to explore more complex resource mixes (Jain, et al., 2013). The selection of an appropriate partner is a critical strategic factor in achieving the desired benefit of entering into local partnerships. Businesses that outperform in unfamiliar environments such as low-income markets leverage their strength on existing market environments, such as co-inventing custom solutions and building local capacity (London & Hart, 2004). Partners can overcome institutional voids and provide legal insulation from corruption through reputational shields and institutional guidance (Luiz & Ruplal, 2013), however there is a risk in using local partners in markets where corruption is known to be rife.

2.5.2 Entry mode: Ownership

The growing pool of business capabilities, especially in larger emerging markets, has created new strategic options for multinationals. Ownership advantages enable EMNE generate a series of innovations and stay ahead of its competitors for an extended period by introducing new products and business models that match changing customer needs (Williamson & Wan, 2018). These firms vary in their capacity to deal with investment risks, depending on their ownership advantages. When

firms have advanced their ability to develop differentiated products, they may enter markets that are perceived to have high contractual risks using sole ventures. Generally, multinationals do not prefer the sole venture route when contractual and investment risks (even in high market potential countries) are high (Agarwal & Ramaswami, 1992). Significant managerial and financial resources (even in markets with low risks) are key drivers for the long-term success of any foreign investment.

Multinational companies, with their embedded institutional expertise, bring experience and credibility that closes gaps in their host countries (Khanna & Palepu, 2006). Despite these critical resources, however, developed country multinationals cannot compete with emerging market companies that have experience in such markets. Executives from developed market multinational companies are familiar with mature institutional infrastructures, and thus find it difficult to operate in such institutional voids (Khanna & Palepu, 2006), whilst those from emerging markets are acquainted with such markets, especially when they have strong home government support.

Home government support has played a major role in Chinese construction companies being able to expand their operations in Africa. Support such as development of a policy structure that supports international construction, establishing and strengthening a financing system to support construction and improving the size and competencies to internationalise has given Chinese companies huge advantage on the continent. Because of these advantages, their risk of competition is from other Chinese companies, rather than other international or local firms. A study of these Chinese construction companies has shown that their success depends on the availability of capital, which comes either as cash or via the “Angola mode” agreement, a barter agreement where African governments pledge natural resource supplies in return for provision of infrastructure (Chen & Orr, 2009). The system typically supports the localised sole venture mode, and Chinese contractors’ preference is to establish a long-term presence and commit large resources in the destination countries. Access to opportunities is mitigated by intergovernmental arrangements.

2.5.3 Timing: First mover

The preference to enter a particular country sooner increases when executives devote attention to any commonalities they perceive between their home country and the target country (Williams & Grégoire, 2014). Firms that can manage the daunting circumstances in emerging economies reap the benefits of first mover advantages (Wright, Filatotchev, Hoskisson & Peng, 2005). These include being the first participants in new product markets, reputation effects, economic advantages of

sales volumes, and pre-emptive domination of distribution and communication channels (Hoskisson, et al., 2000). Companies that successfully reinvent themselves have three traits in common – tracking the basis of competition in their industry, renewing their capabilities, and nurturing a ready supply of talent (Nunes & Breene, 2011).

In their study, Nakata and Sivakumar (1997) found that consideration of a pioneering strategy into an emerging market should be accompanied by an understanding of that market's economic, technological, socio-cultural, legal and competitive conditions. Firms should clearly expect difficulties so they need to prepare specific measures to overcome obstacles, and adopt a long-term view and a resolve to flourish. Chinese firms reap the benefits of the national "Going out" strategy, which is supported by several government-backed institutions that encourage FDI (Chen & Orr, 2009). Despite the easy entrance, Chinese companies entering African markets feel that threats such as political instability and collection of payments when projects are host government funded are real. However, through the Angola mode, contractors can enter countries where the local governments have very limited budget for infrastructure development, relying on payments brokered through China Exim Bank but derived from Chinese oil and resource companies.

Borchardt (2009), in his analysis of the increasing flows of foreign direct investment on the continent, suggested that this is an indication for first-mover pioneers to acquire market share, but no-one knows how long it will last. He believed that South African companies, with their experience of African business conditions and insight into African societies and markets, start with an advantage which needs to be realised soon to realise value, such as MTN, Shoprite, Standard Bank, etc. which already have strong African presences.

Early internationalisation with a clear strategic commitment allows new ventures from emerging markets to combat the liability of foreignness and acquire legitimacy (Wood, et al., 2011). External and internal institutions, which reduce uncertainty, evolve over time in a dynamic fashion. This is of huge importance to multinational enterprises. Foreignness is reduced by decreasing the degree of "outsidership", making it possible to interact and do business.

2.5.4 Timing: Latecomer

The choice of entry mode for latecomer EMNEs is an important strategic decision used to ease the disadvantage of late entry into chosen markets. When they enter new markets, latecomers are

already at a disadvantage since they still need to learn about the regulatory landscapes, the competitors and even the consumer tastes of the potential host countries. However, in some cases, being a late mover provides opportunities to grow international knowledge and experience to develop new resources and capabilities (Bartlett & Ghoshal, 2000). Such companies do so by exploiting niches overlooked by the global players and use their newcomer status to challenge the rules of the game.

The entry mode selected should avoid risks and maximise profits. Ray et al. (2017), in their Linkage, Leverage and Learning (LLL) model, highlighted the important role that global value chains play in creating opportunities for latecomer firms in emerging economies to forge linkages. The latecomers leverage these linkages to acquire technology, knowledge and market access, and accumulate capabilities through sustained and repeated learning processes. Latecomer firms also use the “leapfrog” entry modes into developing markets where there is availability of complementary assets in the host country (Xie, et al., 2018).

When faced with internationalisation pressure from the home market, EMNE latecomer executives are pressured to take risky cross-border mergers and acquisitions or greenfield investments to accelerate the process of seeking international opportunities (Xie, et al., 2018). Chinese firms, acknowledging they are latecomers in foreign markets compared to developed market multinationals, lack strategic resources and have high investment risks. They thus tend to choose mergers and acquisitions (M&A) as the fastest way to enter into foreign markets to obtain the resources they do not have at home (Boateng, et al., 2008, cited in Boateng, et al., 2017).

Latecomers use effective capability development to stand a chance of winning. A latecomer MNE uses dynamic capabilities to upgrade and reconstruct its core capabilities in response to the changing environment, such as adaptive, absorptive and innovative capabilities (Wang & Ahmed, 2007). Adaptive capability is the ability to adapt to environmental changes and align internal resources with external demand; absorptive capability involves multinationals’ ability to acquire external new knowledge and assimilate it with existing internal knowledge to create new knowledge; while innovative capability is aptitude inherent in the organisation to develop new products and/or markets through innovative strategic orientation with innovative behaviours and processes. Learning and discovery reveal the low hanging fruit for incremental improvement of the

current position. However, inventions and potential blue ocean strategies come to the fore after intellectual sweat.

2.5.5 Influence of strategic choice on planning

In emerging markets, official datasets are poor, yet using this unreliable data is an unavoidable necessity. However, a careful eye must always be kept on quality control. The ability to think critically around a dataset and measure it against recent economic and geopolitical events is particularly vital (Ernst & Young, 2013). It is always crucial to maintain an objective qualitative approach in addition to a quantitative analysis, to verify whether a given dataset is reliable or not. Institutions like Ernst & Young have developed toolsets such as 'Growing Beyond' to make sense of Africa's data deficits and to produce workable numbers. By using both qualitative and quantitative tools of this type, one can execute an effective strategy based on reasonable indicators or proxies, despite imperfect information.

Mapping strategic choices against payoffs is much more complicated than tactics, because in every business model modification, the creator needs to assess the effects that it will have on tactics, as the final payoffs are always determined as the outcome of tactical interactions (Casadesus-Msanell & Ricart, 2010). To be able to implement a successful strategy, executives should align organisational design and capabilities with the strategy, consider competitor reactions to the strategy, and involve managers in the strategy development process (Sterling, 2003). Consistent and persistent communication, monitoring and accountability, as well as alignment of information resources with strategy, are tenets of a successful strategy implementation.

In long-term concessions such as mining, infrastructure is generally provided by host country governments to the mining company and returned once the concession expires. Hybrid or "build operate transfer" models tend to be used to address institutional voids (Luiz & Ruplal, 2013), for example as water is a critical commodity to ore processing, the relatively low cost of water infrastructure means that the willingness to invest in drilling wells or installing pipelines is very high for South African mining companies. Similarly, although Chinese companies have been offering to construct infrastructure such as roads, power stations, and railroads for host country governments on the African continent in exchange for resources (Chen & Orr, 2009; Cheru & Obi, 2011), the South African mining companies do not see this as a threat since they believe they have the expertise required for African markets.

Johanson and Vahlne (1977) contended that internationalisation success is related to other internationalisation variables, thus giving a better base for planning and executing a strategy. Some strategies fail because a competitor enters the market with the same idea before the company launches its own idea in the market. Once an idea has missed the timing in the market, it loses its essence (Sterling, 2003). Challenges arise when multinationals enter emerging markets through the acquisition of local operations that do not meet global standards, or deal with local suppliers that do not comply with global standards (Morrison, 2001; Wieland, 2009). Multinationals can choose to reinforce the vicious cycle of underdevelopment, institutional weakness and corruption, or can influence institutions through the promotion of ethical conduct, good corporate governance and development. The introduction of corporate policy and policy regarding the behaviour of suppliers, for example, influences the institutional framework in host countries (Luiz & Stewart, 2014).

There is a perception that one can get away with shortcuts in developing countries, however when a company chooses not to follow standards, the world finds out. Evidence indicates that firms that have written codes of ethics are less likely to find international bribery acceptable, and these ethical frameworks are considered to play a key role in combating international corruption (McKinney & Moore, 2007, cited in Luiz & Stewart, 2014). The main standards that companies need to be aware of include working conditions, gifts and gratuities. Excellent execution and good governance are extremely valuable, and companies rely on leadership in the enforcement of contracts in developing countries (Millar, Eldomiaty, Choi & Hilton, 2005). Good governance allows firms to acquire an invaluable reputation that is paramount for a company to succeed. Such companies have evolved into emerging giants by protecting the interests of their stakeholders (shareholders and employees) and yielding high returns on their investments (Khanna & Palepu, 2006).

To get to the overarching objective of the entry strategies used by South African companies to enter other markets on the continent, new encounters require strategic recalibration and reconsideration of the pace and trajectory of the strategy rollout. It is important to have a good balance of “risk management” and “opportunity awareness” during the planning process (Ernst & Young, 2013) to make the optimal strategic choices.

2.5.6 Strategic choice influence on implementation

Good strategic management and implementation is a function of people actively considering the strategy as they make day-to-day decisions in an ever-changing world. Research conducted on the

experiences of CEOs regarding strategy implementation showed that nearly 70% of strategic plans and strategies are never successfully implemented (Sterling, 2003). These empirical results prove an old saying: “Effective implementation of an average strategy beats mediocre implementation of a great strategy all the time.” The study highlighted the importance of three areas, i.e. scenario planning and having a list of “known unknowns”; competitive intelligence capability to effectively anticipate competitors’ reactions; and allocating resources and using action planning to ensure that implementation occurs and that tactics align with strategy.

Some companies allocate money for a new venture all at once, hoping for early signs of a return on their investment, yet according to Gilbert and Eyring (2010), “The more money that is sunk into a project at the onset, the less patience the company tends to have and the more people believe in the validity of their original approach” (p. 5). Such projects fail because by committing too much money too soon, a project team can follow the wrong approach for far too long. In some cases, a team fails to adapt their strategy even if results show that their current strategy is wrong. In principle, it is wise to invest a little and learn a lot. Venture capitalists are good at investing in new ventures by adding top up funding as the value of the company increases. A lot of ventures into new markets become successful after a few iterations; essentially, success comes through the adaptation of the products or services to the right client segment, after being funded at different pay points as the value increases.

At times managers see risks early but allow the business to limp along, resulting in disastrous outcomes. Key deal-killer strategic assumptions should be tested before companies fully implement their strategies. In many cases it is important to conduct market research or pilot the concept, as this helps managers to understand and pick up early warning signals that need to be mitigated before ploughing resources into the venture (Gilbert & Eyring, 2010).

On the contrary, there are costs and risks associated with switching a strategic approach once the company has been using a certain model, but it is possible that these risks and barriers would influence a multinational entity to consider other alternatives (Baack & Boggs, 2008), such as a competitive strategy like differentiation or licensing. It is important for companies to retain their core business propositions even as they adapt. If they make too radical shifts, these companies can lose their advantages of global scale and branding. Khanna & Palepu (2005) discovered that Dell

uses this strategy where their competitive advantage has come from the strategic principle not to modify their value proposition whatever the situation may be.

When a new venture is confronted with strategic forks in the road (which is common in new projects), rather than choosing one path over others, pursuing all the paths gives managers an opportunity to test all the options and identify the one with the largest benefits (Gilbert & Eyring, 2010). To avoid complacency, the three things that high performance companies do differently from their competitors are focussing on the edges, shaking up at the top, and maintaining surplus talent. It is also important that the capabilities of the top team match the firm's organisational needs.

2.5.7 Conclusion

Theory has shown that as companies internationalise outside national borders they are faced with varying levels of psychic distance specifically cultural, geographic and institutional distance. The firms mitigate some of the risks posed by psychic distance using firm resources such as firm specific advantages, knowledge and leadership. A combination of these factors in different local settings give companies unique competitive capabilities that guide the planning and implementation processes during internationalisation. These factors also inform the strategic choices considered such as entry mode and timing of internationalisation.

Chapter 3. Research methodology

3.1 Introduction

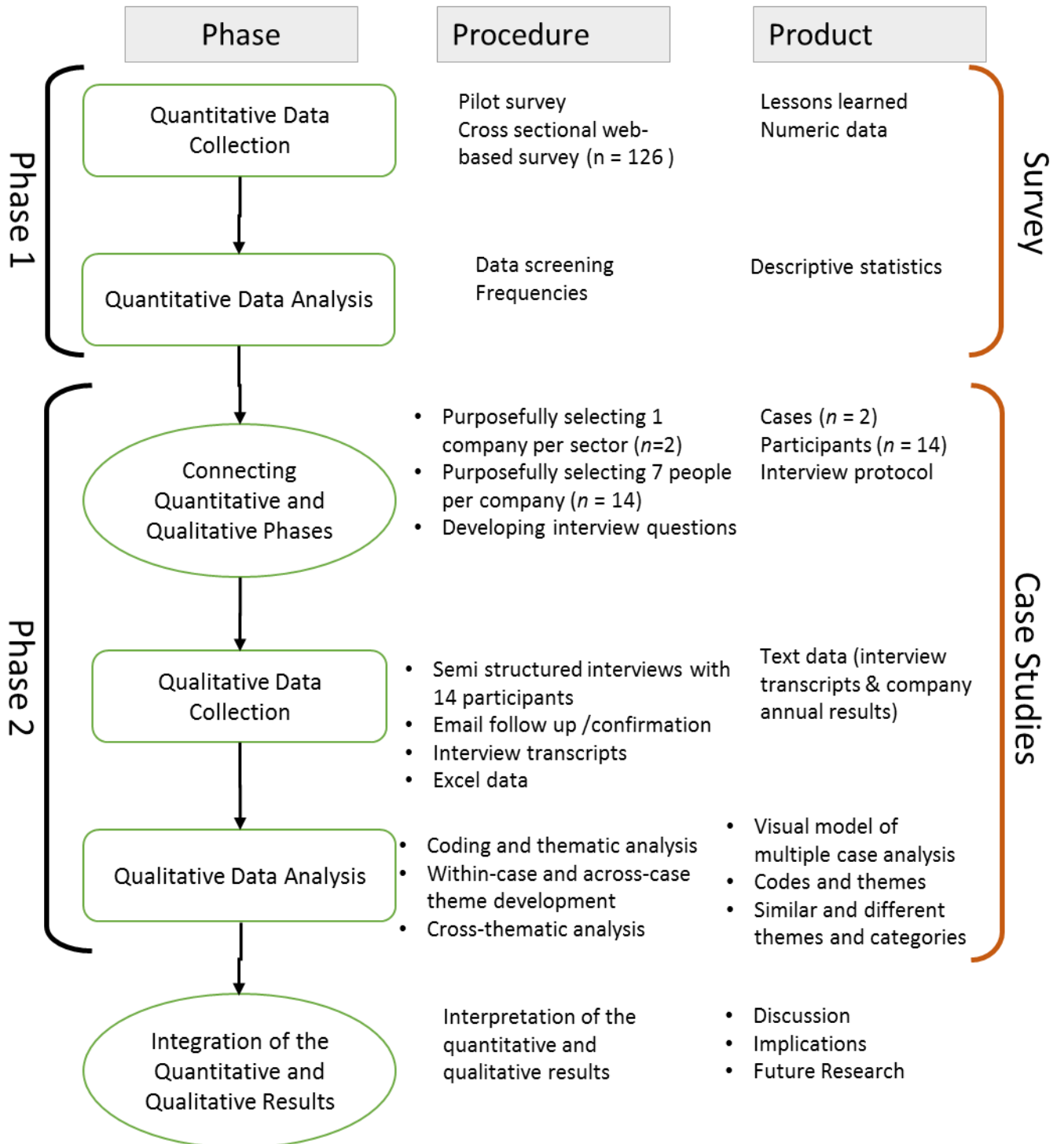
The research aimed to answer the following questions:

- 1. How does psychic distance influence the planning and implementation processes of the internationalisation strategies of South African MNEs into the rest of Africa?*
- 2. How does firm resources influence the planning and implementation processes of the internationalisation strategies of South African MNEs into the rest of Africa?*
- 3. How does strategic choice (entry mode and timing) influence the planning and implementation processes of the internationalisation strategies of South African MNEs into the rest of Africa?*

The objective was to gather evidence about what South African corporates do during the phases of internationalisation, from planning to implementation, and how they adapt their home-grown business models to fit the local environment.

The first phase of this multi-method sequential explanatory approach was intended to understand the landscape, thus a survey was used to provide some broad insights into the relationships of the subjects under study. These answers formed the basis for selecting companies for the second phase of the research. A case study approach was used for an in-depth study analysis of the phenomenon. The following framework was adapted and used in order to guide this research.

Figure 3: Visual model of the sequential mixed methods design followed in this research



Source: Adapted from Ivankova et al. (2006)

As per the above model (Figure 3), the survey encompassed the quantitative data collection and the quantitative data analysis, while the case studies connected the quantitative and qualitative phases, the qualitative data collection and the qualitative data analysis.

Quantitative research, such as a survey, involves a numerical or statistical approach to a research design. A survey can be used to investigate the characteristics, behaviours or opinions of a group of people from a sample of the population (Yin, 2014; Eisenhardt, 1989; Williams, 2007). Surveys are generally standardised to ensure that they have reliability and validity, and that the results can be generalised to the larger population. In this research, a survey was considered to be the initial step to provide and indicate relationships that may not have been as apparent in qualitative data. The advantage of a survey is to provide direct measures rather than proxy variables (Agarwal & Ramaswami, 1992). Surveys are easy to administer using web-based instruments and can be tracked in real-time while assuring confidentiality and a low cost to the researcher (Ivankova, et al., 2006).

On the other hand, a case study allows a researcher to explore and gain a better understanding of the complexity of a research phenomenon (Eisenhardt, 1989; Soy, 1997; Creswell, 2009; Maxwell, 2009). Yin (2014) described a case study as an empirical inquiry that investigates a phenomenon within its real-life context, which is also used to explore those situations in which the intervention under study has no clear single set of outcomes. Case studies typically combine data collection methods such as archives, interviews, questionnaires and observations, ensuring that the issue is not explored through one lens but rather a variety of lenses, which allows for multiple facets of the phenomenon to be revealed and understood. The evidence may be qualitative, quantitative or both. In addition, case studies can be used to accomplish various aims, for instance to provide descriptions, to test theories, as well as to generate theories (Yin, 2014; Maxwell, 2009). Furthermore, case studies allow for an empirical enquiry into a phenomenon within its natural context (Eisenhardt, 1989). Essentially, case study research is ideal for interventions that are too complex for experimental strategies, and require exploration of a phenomenon.

Although each research methodology is used to validate sensory knowledge as truth, neither approach is absolute (Ivankova, et al., 2006; Creswell, 2009). With this research aiming to add to the existing literature and possibly generate new theory, the best approach for this study was a mixed methods sequential explanatory approach, which sought to draw from the strengths of each of the methodologies and minimise weaknesses. This gave the researcher the ability to test and build theories, as well as to employ deductive and inductive analyses in the same research study (Williams, 2007; Leedy & Ormrod, 2010). Mixed methods were specifically considered for this study because such an integration permits a more complete and synergistic utilisation of data.

Since the main objective of this research was to discover new insights (Williams, 2007; Maxwell, 2009), the approach used leaned more towards exploring unknown phenomena that could not be explained. This methodology was best suited for this research given the different regional and country settings on the continent (Morgan, 1998; Creswell, 2009). Numerical data were collected and analysed first, followed by the collection of qualitative data. The data were also analysed in that sequence to allow for generalisations from the first phase to assist in the exploration of any possible unknown phenomena. A qualitative study, by its very nature, is able to illustrate and explore those situations that have no clear set of outcomes (Yin, 2014; Eisenhardt, 1989), thus in this case, the qualitative study could build on the outcomes of the quantitative data and their subsequent analysis. The two phases connected in the intermediate stage in the study, as well as in the analysis, as illustrated in Figure 3 above (Ivankova, et al., 2006; Creswell, 2009).

This chapter is divided into several sections, which detail the pilot survey, the key lessons learned, the survey method and the case study approaches used, including the choice of respondents, instrumentation and data collection techniques.

3.2 Pilot study

A pilot study was used as a trial to pre-test the planned survey. The objective of this process was to address a number of logistical issues such as clarity of instructions, wording and logical flow of the questions, as well as the research instruments and procedures that were to be used to deploy the survey on the web portal and analyse the research data. A pilot study gives advance warnings regarding any problems with a proposed study, which could point to research protocols being weak and not producing consistent results, inappropriate or complicated research instruments, and/or ambiguous or vague questions resulting in respondents not being able to complete the questions (Baker, 1994; Simon, 2011). Given that the subject under study was not clearly understood and the variables for this landscape were unknown, a preliminary study was key to define the parameters of the main survey. The pilot study was done in the first stage to guide and help formulate the survey process, specifically the survey questions, the tools to be used, and the population to be targeted for the study.

3.2.1 Methodology

The researcher decided to do the pilot study within her own organisation, which was perceived to be a safe environment. After ethics approval was given for the research, a request was sent through the internal organisational hierarchy for approval to conduct such research, which was only given after three months. A web-based tool, SurveyMonkey, was considered mostly because it was free for a maximum of 10 questions. In addition, it was easy to create, deploy and track. Questions were compiled based on themes from the literature, and the link with an email cover letter was sent to 10 personal acquaintances. The aim was to test the user experience, including whether the link would open, if the questions were logical, and if they could be answered within 10 minutes. Some questions were changed based on the feedback received.

Although senior managers and executives were targeted for the pilot, it became obvious that some of the roles and responsibilities of the survey population were not clear since this was not apparent in the given job titles. With 30 000 employees in the organisation, it was thus not easy to choose participants with full confidence. Ultimately, 22 people were identified and targeted for the pilot survey. Emails with the survey link were sent to the individuals and a deadline of three weeks was given (Appendix 2). Since the sample consisted only of internal staff, the survey link was sent to their work email addresses, yet none of the respondents could access the site as they got error messages saying that SurveyMonkey was not a “trusted site” due a security feature built into the organisation’s IT network (Appendix 3). Attempts to get the site approved by the company were unsuccessful, thus the participants were asked to forward the emails to their personal devices and the deadline was extended by a week to accommodate for the logistical issue. Ultimately, six respondents completed the full pilot survey.

3.2.2 Key lessons learned

- The logistical processes of doing this research were not robust. The participants should have been informed about the pilot survey and asked regarding their willingness to participate in the survey. For the main survey, the survey population was made aware of the planned survey, why they were chosen and asked to participate. Only those who had voluntarily agreed to participate in the survey received the survey questionnaire.
- The functionality and limitations of the pilot survey tool needed to be investigated thoroughly and be well understood before the survey was deployed. The main survey tool

had the benefits of the pilot tool (SurveyMonkey), with enhanced functionality. It was a seamless end-to-end automated tool that generated real-time reports, which was accessible using company emails without raising security flags. A tool from a reputable vendor (which was adapted from SurveyMonkey), met all these requirements and hence was then adopted. The other advantage of using the vendor was that the look and feel of the survey was customised to the researcher's specifications.

- The subject issues and considerations raised by the pilot respondents regarding internationalisation indicated that, even though issues are deliberated by organisations during planning, there is a much broader range of issues that companies are faced with during implementation. Secondly, some planning continued during implementation, mainly due to local settings that needed new approaches. Lastly, most of the respondents had very little to say about the post implementation phase, as in markets where companies battled, they continuously looked at adapting the business model to make it work, i.e. most of the companies never experienced post implementation but spent prolonged periods in the adapting and reviewing implementation stage. The line of questioning in the main survey was therefore adapted to bring out the salient issues pertaining to planning and implementation. In addition, some of the questions were enhanced and additional questions were included in the main survey to get some credible insights.
- Six respondents out of a possible 22 completed the pilot survey within the given timeline, resulting in a response rate of 27%, which was lower than expected. On a positive note, the fact that all the questions were answered by the six respondents could suggest that the questions were clear, simple and concise. The low response rate in the pilot survey indicated a need to target more people, especially in firms that have a broader footprint on the continent. Since the decisions or signing off on new markets is done at a strategic level, more executives in such organisations were targeted. A larger sample of people who fit the profile was compiled to mitigate a possible low response rate. Also, where the researcher got referrals from her personal network, she was formally introduced to the respondents. This personal contact created a social bond that made such respondents complete the surveys when they were sent through.

3.3 Quantitative research phase: Survey

3.3.1 Research design

A web-based, cross-sectional survey was used to collect data from the selected South African corporates that had operations in more than one country on the African continent, outside South Africa. The survey took the form of a questionnaire, which aimed at understanding the variables influencing each of the stages of internationalisation, and providing a general understanding of what the MNEs did and the considerations taken into account when setting up operations in the chosen markets.

3.3.2 Respondents

The goal of Phase 1, the survey, was to identify the key considerations of companies during the stages of internationalisation. The quantitative data collection and quantitative data analysis stages (Figure 3) were used to collect a broader set of the variables and a general understanding of what happens during planning and implementation, and to a lesser extent, post-implementation. The target population was senior managers in companies that had set up or managed operations outside South Africa in more than one country. This meant that identification of the respondents was based on two factors, specifically the MNE and the role of the individual in the internationalisation process.

The actual people targeted for the survey were individuals in senior management. These were key decision makers, or at least part of the decision-making team, in terms of foreign investment decisions in their respective firms — a senior strategic manager, executives of businesses/divisions, implementers of the strategy, those in mergers and acquisitions, those providing value added services, or those running the foreign operation. While interviewing more than one person in an organisation might be viewed as not consistent with traditional research protocol, to minimise the bias of using only one source, the approach of using multiple raters was meant to access the broad knowledge that was being sourced which depended on various factors such as length of service, role, geographies operated in, etc. Research based on a single respondent is vulnerable to single rater bias such as the possibility that a given respondent providing a subjective, skewed or distorted perspective based on the individual's unique perspective and limited access to information of the broader business (Boyer & Verma, 2000). Once the units of analysis are clearly delineated, respondents that could reasonably be expected to have good working knowledge of the internationalisation constructs being assessed were chosen. Respondent internationalisation role

and internationalisation experience at the point of commencement of the research was established and survey participants were chosen accordingly. The open-ended questions were designed to probe how the respective multinationals are dealing with the issues raised in the survey.

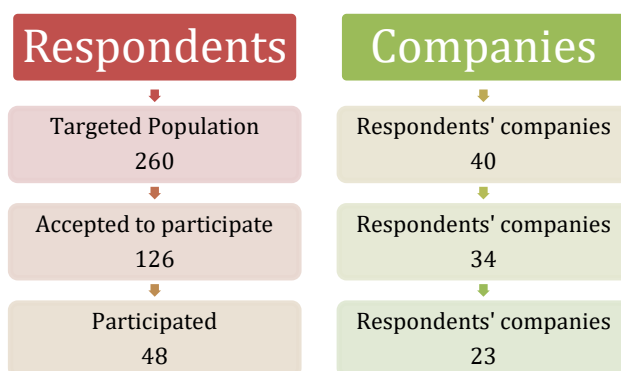
Although South Africa is a leading economy on the continent, with many companies operating in the different industry sectors, the vast majority have not ventured into, or do not have appetite to invest in, international operations, especially on the continent. The sectors of the companies targeted for the study were largely in finance, telecommunications and retail, which, according to Global Africa Network (2017), are the three top sectors exploring the rest of Africa. The MNEs were listed on the Johannesburg Stock Exchange (JSE) with a presence in more than one country across Africa. Concerted efforts were made to find a database of such entities, with the closest being that of the Labour Research Centre (LRC). Of the 106 companies that were on the database, 89 were South African, of which 27 were in the three sectors under study. The internationalisation strategies of these sectors are highly sensitive to barriers to entry, such as fierce local competitors, political instability and customer preferences (Ernst & Young, 2013a), compared to mining companies that are susceptible to security of tenure, physical infrastructure and political stability (Luiz & Ruplal, 2013; 2014) and were therefore prone to some bias in the results. Only South African companies were targeted for the study.

The sampling methods used for the selection of the respondents in this study were accidental sampling and snowball sampling. Accidental sampling (sometimes known convenience sampling) involves a sampling technique where the sample is drawn from that part of the population which is readily available and convenient (Marshall, 1986; Maxwell, 2009). This was the case for referrals from the researcher's personal network and the identification of respondents on LinkedIn. Since it was not always clear who in the population of South African executives had been involved in the formulation or implementation of an expansion into the rest of Africa, respondents were targeted based on their job profiles (on LinkedIn) and the amount of experience they had in their roles. The second technique applied was snowball sampling, where the researcher's existing 22 personal LinkedIn contacts in senior positions in the target companies were used to identify more subjects. Snowball sampling is particularly useful in cases where the population is hidden or difficult to enumerate, however the two methods do not guarantee that such samples are representative of the population, reducing internal validity (Marshall, 1986). The careful identification of candidates

who operate in the space was critical, as selecting the right people who related to the subject matter increased the response rate, and they could elaborate when more detail was needed.

It was also necessary to ensure that the MNEs targeted for the survey were carefully selected, thus purposive sampling was used to identify the respective organisations and the LinkedIn contacts were selected as such. For individuals referred by my personal network, a level of convenience sampling was utilised (Marshall, 1986; Maxwell, 2009). The sample consisted largely consisted of telecommunications experts, followed by financial services (insurance and banking) and lastly retail. There were also three participants from other sectors, one from Fast Moving Consumer Goods (FCMG) and two from mining. Although the survey respondents were working in 23 companies at the time, 20 companies were in the three target industry sectors.

Figure 4: Summary of number of respondents and companies participating in the survey



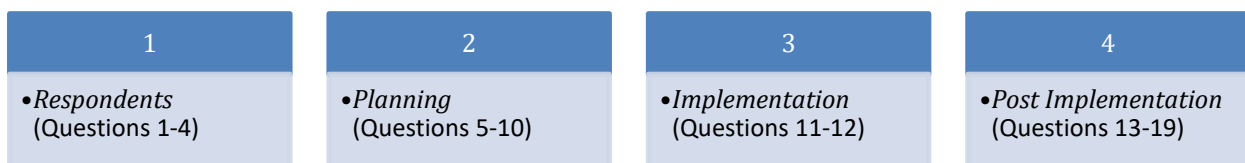
At the end of the survey period (one month), 48 participants from 23 companies had completed the survey questions, constituting a response rate of 38%.

Since the survey participants were senior managers/executives in the identified MNEs and participation was voluntary, they were able to synthesise and internalise the written request to participate in the survey (Appendix 5), i.e. the participants fully understood the nature of the study. Some even wrote back (confirming completion) after filling in the survey. Confidentiality of the data was maintained at all times, and identification of the participants and their responses will not be available after the study. All data collected were anonymised by replacing the participants' email addresses with numerical codes, S1- S48, in the order of when they responded (Appendix 6).

3.3.3 Instrumentation

The questionnaire was designed with a total of 19 questions. Initially the questions were typed in MS Word to ensure that they were well structured and the sequence flowed. An account was created with a third-party vendor, and the questionnaire was loaded onto the “trusted” vendor website. The only demographic information required was an email address (for tracking the completion of surveys and linking them back to the respondents). Questions were asked to ascertain the role of the participants in respect of planning, implementation or support. These were followed by questions regarding the extent of the respondents’ companies’ footprint on the continent, followed by planning, implementation and post implementation related questions.

Figure 5: Sections of the survey questionnaire



To achieve credible results, one of the objectives was to increase the response rate, thus it was imperative to pay attention to the logic of the questions. Open-ended questions were used when asking the respondents for facts, while comparative scales were used when asking the respondents for opinions (Geer, Chuchinprakarn & Seshadri, 2000). Five out of the 19 questions were open-ended, while the rest were multiple choice questions with an option to specify “other” if a respondent’s choice was not catered for in the list provided. In three of the multiple-choice questions, the respondents had to rate and give opinions using a scale from 1 to 5. What was very important in the design of the questionnaire was to avoid errors such as leading questions, loaded questions and asking too much of the respondents. Short and precise questions, together with appropriate content, are very important factors in stimulating response participation (Geer, et al., 2000). It was also imperative to ensure that the language and the sequence of the questions flowed, motivating the respondents to complete the survey.

Table 3: Operationalisation table for the research questions

Internationalisation process	Factor	Operationalisation
Planning	Psychic distance	Choice of market Period of organisation in African markets Strategic decisions taken when there is entry failure

	Firm resources	Sources on information Process during planning
	Strategic choice	Business model
Implementation	Psychic distance	Realities in the host country Customisation of strategy to host country situation
	Firm resources	What companies do to implement strategy
	Strategic choice	Strategic entry modes used Considerations for internationalisation Alignment of subsidiary to parent company
Post implementation	Overall	Looking back at the journey – lessons learned

Table 3 above shows the of the research questions. As some of the questions were changed based on the pilot feedback, the preliminary questionnaire instrument was sent to selected academic acquaintances and work colleagues to authenticate, proof read and attempt to answer the survey questions. This test population was asked to give feedback specifically on the structure of the questions, language errors, grammatical inconsistencies, and inadequate or too many response options. The length of the questions or the time taken to complete the survey was also of great importance to the researcher, given that the target population was senior managers and executives who had limited time.

Based on their feedback, some of the questionnaire items were adapted such that the research design was consistent with research protocol and to increase the response rate. The revised questionnaire was then pre-tested with ten randomly selected researcher network connections to confirm that the questions were understandable and unambiguous. Appendix 4 illustrates the final survey questions.

3.3.4 Data collection techniques

After the list of respondents was drawn up, an audit of all the contact information of the participants (email addresses and LinkedIn connections) was done and verified to ensure correctness. Communication was sent to the target population via email or LinkedIn, positioning the survey and asking for their participation. The mode of communication was based on the participants' available contact details. For those who confirmed their willingness to participate, a follow up communication was sent two weeks before a link to the survey was sent, with a reminder of two days before. After the web-based cross-sectional survey was deployed, the web portal link was sent to participants (n = 126), with a note advising them that the survey was ready for completion.

During the survey period, some participants sent emails confirming that they had completed the questionnaire, some asked to be interviewed because they had more information to share, whilst others indicated that they were out of the country. A sufficient lead time (three weeks) was given to ensure that participants had enough time to respond and to accommodate the extensive travel of some respondents. Whenever respondents completed the questionnaires, “Thank you” acknowledgements were sent. Friendly reminders were also sent to those who had not completed the survey the day before the deadline. A one-week extension was given to complete the survey.

Given that the link could easily be sent to the prospective respondents via email, all the data were housed on the portal, and the respondents could access the link even from their company devices. Further, the tool was easy to use as well as secure. The automated graphical presentation of results and the analysis tool made it easy for the researcher to track the responses and generate results in the form of reports, at low cost (Yin, 2014; Ivankova, et al., 2006).

The survey research design is a very valuable tool for assessing opinions and trends, thus the responses collected from the participants created the initial insights into how South African companies are managing to extract economic benefits in markets on the rest of the continent. The reliability and validity of the survey scale items were established based on both the pilot and principal surveys, using frequency distributions and internal consistency. Cross-tabulation and frequency counts helped analyse the survey demographic information and the participants’ answers to group items on each of the survey scales.

3.3.5 Data and information analysis

Descriptive statistics were generated and the information was presented in graphical form such as tables, graphs, and in some cases, network diagrams. The data were generated using Excel. Some generalisations were then made which informed the qualitative phase of data collection, which helped the researcher to understand the emerging themes (Yin, 2014; Maxwell, 2009).

3.4 Qualitative research phase: Case Study

3.4.1 Research design

The data analysis was done in line with the conceptual framework presented in Figure 2. Phase 2 of the research involved connecting the quantitative and qualitative phases, identifying cases to be studied, as well as collecting and analysing the qualitative data. The importance of a case study is

such that it is more suitable than other methods when one is not clear about certain phenomena (Eisenhardt, 1989). Some aspects of EMNEs cannot be explained by the traditional FDI theories and models, hence the case study method is likely to help explore these aspects in greater depth. Even a single case study can help a researcher to conduct a thorough analysis by answering questions such as 'what' and 'why' (Yin, 2014), however multiple case studies provide more external validity than a single case study. In this phase, a multiple case study approach was used (Yin, 2014; Ivankova, et al., 2006) to illuminate both the differences and similarities in the theoretical paradigms that applied in these cases. Although more cases would have produced richer results, due to the exploratory nature and the detailed enquiry of each case, two were considered sufficient. The sampling method used was purposive sampling, which is widely used for the identification and selection of information-rich cases related to the subjects under study (Ivankova, et al., 2006; Maxwell, 2009; Bernard, 2002). It is also used to establish particular comparisons to illuminate the reasons for differences between settings or subjects (Creswell, 2009; Maxwell, 2009). The analysis was done at two levels, within each case and across the cases.

3.4.2 Participants

After analysing the survey participants, it became clear that most respondents were from the financial services sector. The largest number of respondents was from an insurance company with 15, followed by a bank with 8. Coincidentally, the two companies each had the largest number of operations in different countries on the African continent compared to their sub-sectorial peers. The selection was a natural fit for myself as I had worked in the industry for a large part of my career and I was fascinated by the internationalisation strategies being used in the sector. The high participation rate for this industry could be attributed to the respondents having been personally referred/introduced to the researcher by her personal industry network. Although the initial assumption was that "competitor companies" would be hesitant to participate in the study given that the research enquiry was on organisational competitive strategy, surprisingly some were willing to take part in interviews. However, the companies represent a sector of South African MNEs.

The target population for the interviews included a good balance between executives and senior managers involved in EMNE internationalisation. According to Leedy and Ormrod (2010), it is imperative that quality researchers hold in-depth interviews with a few people from the sample population in order to gather comprehensive information. Having interview participants who also responded to the survey questions introduced continuity of enquiry, and gave those respondents

an opportunity to elaborate on their survey responses. Since some participants had indicated (in the survey) their willingness to participate in further enquiry on the subject, it was clear that they had an interest in the topic and wanted to share their experiences. LinkedIn was again used as a source for additional interview candidates. Network connections in the two organisations were also approached for key people that fitted the profile.

The insurance company (Company A) and the bank (Company B) lists of possible interview participants were established and the potential interviewees were approached. Respondents from these companies who were identified for the original survey sample but did not participate were also included. The identified target population was contacted and asked to participate in the interviews a month in advance. The cover letters were structured differently for those who participated in the survey, which was more of a follow up (Appendix 9), and those who were being contacted for the first time (Appendix 10). The aim was to get to seven interview participants per organisation, and previous participation would have been ideal but was not paramount. After two weeks, one company had six confirmations and the other had five. To ensure that each organisation had at least seven participants, some of the participants were asked to propose other possible participants in their organisations. Eventually the number of participants for each of the targeted companies reached seven participants. Below are the profiles of the participants:

Table 4: Characteristics of respondents

	Company	Interviewee	Position	Date of interview
1	A	A1	General Manager: Client and Product Strategy	4 August 2016
2	A	A2	Executive Mergers & Acquisitions and Strategic Alliances	18 August 2016
3	A	A3	General Manager BancAssurance Africa	18 August 2016
4	A	A4	General Manager: Client and Product Strategy	11 November 2016
5	A	A5	Corporate Development Executive	21 November 2016
6	A	A6	General Manager Mergers & Acquisitions	21 November 2016
7	A	A7	HR Executive Head	19 December 2016
1	B	B1	Head of Investment Banking Operations, South Africa & Rest of Africa	1 August 2016
2	B	B2	Head: Commercial Banking, PBB Africa Regions	1 August 2016
3	B	B3	Head of Business Development Support Africa Subsidiary 1	28 August 2016
4	B	B4	Head: Group Card & Emerging Markets	12 January 2017
5	B	B5	Executive: Africa Regions Personal and Business Banking	24 January 2017
6	B	B6	Divisional Director: Strategic Capability Subsidiary 2	31 January 2017
7	B	B7	Head: Card Acquiring Rest of Africa	6 February 2016

Company A is the insurance company, while Company B is in banking.

3.4.3 Instrumentation

An interview guide with 12 semi-structured questions was compiled (Appendix 7). The first question asked where the respondents fitted in their organisations, while the remaining questions were structured according to the theoretical questions that the study was seeking to answer.

Table 5: Broad questions covered in the interviews

	Research Questions (broad theme)	What was explored	Questions
1	Participant role	Where the incumbent fitted in the organisation, what they did.	1
2	How the organisation planned for internationalisation	Sources of data and type of data used. Process the organisation followed. How they enter new markets.	2--6
3	How they implemented the planned strategy in the destination country	Once in-country, steps taken to implement. Aligning home grown strategy with dynamics of destination country. Aligning parent company values in culturally different countries.	7-9
4	Reflecting on the past projects, what happens post implementation	What contributed to success? Any markets they have failed? What were the reasons? Upon reflection, what the ideal process is.	10-12

Most of the questions were open-ended. Although the positioning of the survey objective was done as an initial introduction to the participants, the actual interview questions were not distributed.

3.4.4 Data collection techniques

The case study data were collected from the interviews and the company's Annual Results, providing richness of information and depth to the case descriptions. Multiple data sources provide triangulation, which in turn provides stronger substantiation of constructs (Eisenhardt, 1989), as it is a mechanism to check and establish validity in qualitative research. Triangulation also combines data drawn from different sources at different times and different places, or from different people. It is characterised using different observers to balance out the subjective influences of individuals (Flick, von Kardoff & Steinke, 2004). In other words, triangulation is a powerful technique that facilitates the validation of data through cross verification from two or more sources. Although this is not a new concept, it has ensured credibility over the years for qualitative analyses, and has become an alternative to traditional criteria like reliability and validity (Eisenhardt, 1989; Maxwell, 2009). The main advantage of this method is that it can produce a more complete, holistic and contextual representation of the object under study. It is particularly significant in the case study methodology, as information from various sources needs to be checked, validated and examined from different angles (Yin, 2014). In essence, triangulation is used to reduce the likelihood of misinterpretation and increase understanding and explanation.

3.4.5 Conducting interviews

Most of the interviews were conducted face-to-face, however a few were held telephonically due to circumstances. In-person data collection enhances the validity of the data by ensuring that the

respondent who fits the profile answers the interview questions. It also offers an opportunity to clear up ambiguities around the meaning of questions, and allows the researcher to maintain consistency among the respondents (Wood, et al., 2011). The researcher prepared for the interviews by familiarising herself with information that was in the public domain about the companies, as well as the interview questions. She further learnt about probing skills as well as reading body language.

The interviews were set up based on the availability of the participants, and a location was chosen that would make them feel comfortable (Table 6). Some interviews were set up more than a month in advance, but in some cases, these were cancelled due to urgent diary conflicts. It took eight months to conduct all the interviews.

Table 6: Location of interviews

Location of interview	Company A (Head office in Cape Town)	Company B (Head office in Johannesburg)
Interviewee's Office	2	0
Meeting Room (Interviewee's company)	0	2
Coffee Area (Interviewee's company)	1	2
Telephonic	4	3
Total (number of interviews)	7	7

For those interviews that were conducted in the interviewees' offices or meeting rooms, there was more focus and clarity to the discussion. In addition, little rephrasing was needed because the supplementary communication from body language made the discussion easier to follow and understand from either side. For the interviews that were done telephonically, the researcher was either in a meeting room, at home or in a parked car. Although these areas were fairly quiet, at times it was difficult for both parties to hear each other, and in some cases the same question had to be asked in a different way. Interference came from the interviewee's location, background noises or the telephony connectivity. Also, some responses were slightly different to what was asked, but again, rephrasing the questions made the understanding easier. There were also times when the respondents asked for the questions to be repeated for clarity.

All the interviews were conducted in English and audio-taped. The semi-structured interviews were conducted based on questions listed in the Interview Guide (Appendix 7), and there was a huge

reliance on unstructured questions to solicit general knowledge and opinions (Creswell, et al., 2006; Chen & Orr, 2009). Although some questions were designed to explore the results of the survey, some of the questions were similar to those asked in the survey. The purpose of this approach was to get a deeper understanding of the generalisations that emerged from the survey, based on the nature of the quantitative responses. Creswell et al. (2006) argued that it is often important to ask the same questions in case study interviews as in a survey, in order to corroborate the information gathered from the two groups.

Although taking notes was less threatening and created an opportunity to highlight key points to probe further, it was difficult to take notes and concentrate on the responses at the same time, so active listening and recording the discussion was considered the best option. The researcher's attitude during the interviews was to be open to anything emerging, be observant, and pay attention to body language. In some cases, questions were asked differently based on the personality of the interviewees and the flow of the conversation, although the interviewer had a powerful and inescapable influence on the data collected. What an interviewee says is always a function of the interviewer driving the process and the interview situation (Maxwell, 2009). Keeping an eye on the interviewees' body language or spoken language when giving certain responses was important in understanding and giving rich insights into the subject at hand. Participants were allowed the freedom to talk about their experiences in a way they were comfortable with, and they were informed that they would receive transcripts of their interviews for checking. The possibility of secondary interviews to clarify some issues was also mentioned.

The 2017 Annual Reports were downloaded from the websites of the two companies under study. As the documents were long but in PDF format, a search function was used for each to identify sections relating to international business and international strategy. The two documents were also saved and printed for easy reference.

3.4.6 Data/Information Analysis

After audio-taping the interview discussions, each interview was personally transcribed by the researcher immediately following the interviews, i.e. while the issues were still fresh in her mind. Although the initial plan was to outsource this part of the data analysis, personally transcribing each of the interviews gave consistency to the process, and provided the researcher with a deep understanding of the nuances. The process of transcription further created a platform to reflect on

the interviews, enabling deeper insights into the data. Specific events, such as body language, how the researcher felt and the actual interview environment, added to the richness of the data gathered (Creswell, et al., 2006; Maxwell, 2009).

The transcribed text for each interview was sent to the respective participants to check the accuracy of the records (they were free to make changes), and to give/deny the researcher permission to use the information. Fortunately, none of the participants requested the content to be changed or denied the researcher use of the content. The interview transcripts (Appendix 8) were then subjected to content analysis, coding and the thematic categorisation of responses in a consistent manner, as highlighted below:

- The audio recordings were saved on the respondent's laptop and also copied onto the cloud (Dropbox) for safe keeping.
- The transcripts were saved in MS Word for ease of coding.
- Coding was done using the 'Review' tab in MS Word. Text was highlighted using the 'Comments' function and codes were allocated.
- A macro 'ExtractCommentsToNewDoc' was created, and when run the comment scope and comment type, together with page and line numbers, were extracted into a table in a new document.
- The process was done for each of the 14 interviews and all the tables were exported to Excel.

For reporting purposes and triangulation, the Annual Results were considered as additional respondents, so in total the participants were considered to be sixteen. This simple process made it easy for the researcher to personally code the data without using external parties. The process also created a platform for the researcher to acquaint herself and get a deep understanding of the data, making it easier for her to guide the analysis process and presentation of the information. The deep understanding of the information in each of the settings allowed the researcher to understand the inner workings of a particular setting with replication logic, i.e. how to think about things in a certain way.

All the transcribed material were largely qualitative data, while the Annual Results provided quantitative data. Coding and theme development were done sequentially, first using the transcribed interview data and then the Annual Results. The iteration of coding resulted in themes emerging, as illustrated in Appendix 11. The verification procedures included triangulating the different sources of information, rich and thick descriptions of the cases, respondent validations of

their data, reviewing and resolving disconfirming evidence, a supervisor audit, and multi-case inter-case comparisons (Stake, 1995; Creswell, 2009).

3.4.6.1 Within-case analysis

A large amount of data was generated from the study; however coding and classification made the volume more manageable. The analysis of the number of statements per theme and the responses for each question was done using an Excel pivot table, which showed the priority themes for the participants. Unique patterns became apparent for each case, and other patterns, based on the respondents' roles in, and stage of, internationalisation, were also explored. Tabular displays and graphical presentations of the information were used for each case.

3.4.6.2 Cross-Case Analysis

Once some familiarity within each case and patterns of each case emerged, cross-case comparisons were done. Descriptive statistics were used, and tables and graphs were compiled as illustrations. Given the large amount of data collected and the extensive descriptive statistics produced, caution was used by the researcher during the cross-case analysis to avoid being carried away by the vividness of the data, which could result in biases leading to premature conclusions (Eisenhardt, 1989; Stake, 1995; Maxwell, 2009). One approach that was used in the analysis entailed identifying and selecting certain dimensions and exploring within-case similarities, as well as intergroup differences. The overall goal of cross-case analysis is to go beyond the basic analysis and make sense of masses of qualitative data through the use of multiple lenses. These rigorous processes and tactics increase the accuracy and reliability of the emerging theory that closely fits the data.

3.4.7 Potential challenges and weaknesses of the methodology

The tests that are usually used to establish the quality of empirical research are listed below:

Construct validity: establishing correct operational measures for the concepts being studied.

Internal validity (for case studies, not surveys): establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.

External validity (for surveys, not case studies): establishing the domain to which a study's findings can be generalised.

Reliability: demonstrating that the operations of a study - such as the data collection procedures - can be repeated with the same results (Kidder & Judd, 1986, cited in Yin, 2014).

Validity issues for both the survey and case studies are covered in Tables 7 and 8 below.

Table 7: Phase 1, survey validity issues

Survey research tactics		Phase of research
Construct validity	<ul style="list-style-type: none"> • Pilot study done to get the lay of the land • Final questions reviewed by academic peers of researcher • 19 survey questions related to the three research questions • Semi-structured questions • Web-based survey 	Data collection
External validity	<ul style="list-style-type: none"> • Descriptive statistics for generalisations 	Data analysis
Reliability	<ul style="list-style-type: none"> • Two sources for participants – LinkedIn & researcher’s personal network • Respondents from 23 companies and different industry sectors participated • Only those who accepted to undertake the survey were interviewed • Surveyed companies were 70% of the population for the three sectors on the list of SA companies internationalising from the Labour Research Service database¹ 	Data collection

Table 8: Phase 2, case study validity issues

Case study research tactics		Phase of research
Construct validity	<ul style="list-style-type: none"> • Data collected based on data analysis and results from phase 1 • Interview transcripts and company Annual Results • Questionnaire was reviewed by academic peers and possible informants 	Data collection
Internal validity	<ul style="list-style-type: none"> • Informants reviewed and gave authority for use of transcripts • Coding was done to develop themes and multiple iterations were done • Data were coded and themes emerged • Intra case and inter case analysis 	Data analysis
Reliability	<ul style="list-style-type: none"> • Two companies were identified based on the results from the survey • Purposive sampling was used to identify participants • Respondents were asked for their participation in the interviews • One hour interviews were set up and conducted • Interviews were recorded and data were transcribed • Eight financial companies in the sample against 12 in the population (67%) • The eight companies had a total market cap of R552b, 52% of the total population • The two case studies’ total market cap of R442b represented 41% of the population 	Data collection

The multi-method approach was thus able to solicit information, which enabled the researcher to build a strong foundation for the subject and get extensive insights into the topic at hand.

¹ <http://www.lrs.org.za/mnc/>

3.4.8 Conclusion

This section discussed the research methodology used for the case studies and described the research design, participants, data collection techniques, instrumentation and data analysis. In summary, coding and data displays were used to help in the data analysis and data reduction processes. The data description displays facilitated both within-case and cross-case analyses. The emerging themes were then compared and linked with existing theory. As the iteration went back and forth between existing theory and the research findings, the emerging theory was refined. The results of this multi-case research analysis are discussed in the following chapter.

Chapter 4. Results

4.1 Introduction

This chapter presents the results from the research, starting with the research context for South African companies, followed by the survey results, the results from the case studies and the intra-case analysis. The survey was done in between April - June 2016 and the case study interviews between August 2016 – April 2017.

4.2 The research context

The internationalisation of business results from three interrelated decisions: where to expand (country or location), when to expand (timing), and how to expand (mode of entry) (Oviatt & McDougall, 1994). Given that these choices can create opportunities or threats, making such decisions is a challenge. Internationalisation decisions are not only high-risk/high-return gambles, they are particularly complex and challenging decisions to make. Historically, the internationalisation trend has been from developed nations to developing markets (Nakata & Sivakumar, 1997; Enderwick, 2009a; Baack & Boggs, 2008), however in the past two decades, the world has seen the rise of emerging market firms expanding to both developed (Zeng & Williamson, 2003; Khanna & Palepu, 2006; Boateng, et al., 2017; Buckley, 2018) and developing nations (Khanna & Palepu, 2005; Cuervo-Cazurra & Genc, 2008; Oguji & Owusu, 2017). From South Africa, MTN (Nhleko, 2006), Shoprite (Kota, 2015), Standard Bank and Sanlam (Cranston, 2015) already have strong African presences, and in some cases, have also moved outside Africa.

4.2.1 Why are emerging markets at the centre of the economic boom?

Given the broad characteristics of emerging markets, the classification of these countries depends largely on the institute/organisation generating the specific list. Some of the entities that classify emerging markets countries include the Dow Jones, MSCI, the London Stock Exchange, Mastercard and UNCTAD. According to a World Bank listing (World Bank, 2018), most African countries are classified as developing economies. The significance of emerging markets in the global economy, which was compounded by the 2008 – 2009 recession (Khanna & Palepu, 2010) and affirmed by the success of companies such as Metro Cash & Carry in India, Deremate.com in Argentina, and Russell Reynolds in Brazil (Khanna & Palepu, 2010; Wood, et al., 2011), has not gone unnoticed.

The rise of emerging markets globally has been widely documented in discussions on leadership (Govirandajan & Trimble, 2011; Nunes & Breene, 2011; Contractor, 2013; Morrison, 2001; Nhleko, 2006), the importance of emerging markets (Nakata & Sivakumar, 1997; London & Hart, 2004; Enderwick, 2009; Eyring, et al., 2011; Perks, et al., 2013; Boateng, et al., 2017), economies of scale (Zeng & Williamson, 2003; Ernst & Young, 2013), reinvention and experimentation (Khanna & Palepu, 2010; Cliffe & McGrath, 2011; Eyring, et al., 2011), first mover advantages (Nakata & Sivakumar, 1997; Hoff, 2006; Wood, et al., 2011; Collins, 2013), institutional voids (Khanna & Palepu, 2006; 2010; Luiz & Ruplal, 2013; Luiz & Stewart, 2014) and entry strategies (Oguji & Owusu, 2017; Buckley, 2018). Much of the previous research was on larger emerging markets (Khanna & Palepu, 2006; Enderwick, 2009; 2009a; UNCTAD, 2016) however, not on countries in Africa. Scholarly articles on large international companies entering into emerging markets, such as General Motors in India and China, L'Oréal in India, Microsoft in China, McDonald's in Russia, Monsanto in Brazil and Tetra Pak in Argentina (Nakata & Sivakumar, 1997; London & Hart, 2004; Khanna & Palepu, 2010), are abundant.

With home markets becoming saturated, resulting in limited growth potential, multinational companies are finding that growth lies in exploring opportunities in emerging markets, where they can try out innovations far from “competitors’ prying eyes” (Eyring et al., 2011). Emerging markets have the potential for instantaneous added sales, especially for those companies with continental or regional reputations (Nakata & Sivakumar, 1997). These companies are also finding that a more enduring competitive advantage comes from creating new business models. Emerging markets thus continue to attract a significant share of FDI, with \$765 billion (43%) of total flows in 2015 (UNCTAD, 2016), a growth of 9% from 2014.

4.2.2 Developed country multinationals entering developing markets

Developed country multinationals have traditionally used emerging markets to gain access to new and different market segments with less affluent customers, for products such as low-cost cell phones and cars, as well as to gain access to specialist resources through contract manufacturing, service outsourcing, joint ventures and foreign direct investment (Enderwick, 2009). These multinationals have conspicuous brand names, sophisticated technologies, efficient innovation, experienced management, skilled staff and efficient financial markets to support their growth expansion (Khanna & Palepu, 2006; Buckley, 2018; Xie, et al., 2018).

Emerging markets present an opportunity for developed country multinationals to understand the dynamic shifts of products or solutions. Efforts to transfer models and technologies from developed economies has not been successful (Enderwick, 2009), since developing countries are not “one size fits all”. Companies have to use adaptive strategies to compete in such markets. For ventures to be successful in developing countries, people need to be hired not just for the current openings, but for cultural fit. This is a key competence that ensures that someone will perform exceptionally well over time in a given environment (Harvey, 1999; Nunes & Breene, 2011). In their study, Perks et al. (2013) revealed that foreign firms that enter small emerging markets which are culturally close to their home countries have a greater chance of success.

Developed country multinationals may try to rapidly overcome the challenge of operating in the least developed countries with poor governance conditions by hiring local managers, but this may not fully eliminate the difficulty of operating in such countries. This particular option may also not be available because of a lack of trained managers in the developing country (Cuervo-Cazurra & Genc, 2008). Developed country multinationals invest in least developed countries not only to extract resources, but also to serve clients in those markets. Despite their challenging institutional conditions, least developed countries can be attractive markets (Wright, et al., 2005; Cuervo-Cazurra & Genc, 2008).

4.2.3 Emerging market enterprises entering developing markets

It is important to note that local competitors may have developed capabilities for relationship-based management in their environments, which make up for a lack of institutional infrastructure. These assets may be used domestically or in transferring abroad to other emerging economies, where such assets would likewise be useful. These developing country multinationals, by their nature, show resilience when they expand into other developing countries (Khanna & Palepu, 2006; Cuervo-Cazurra, 2008; Luiz & Ruplal, 2013; Kota, 2015), especially in the least developed countries. Khanna and Palepu (2006), in their study on emerging market companies that became global giants, argued that well managed emerging market companies expand over time and enter many geographic markets. Essentially, such companies use their knowledge of local customers’ particular preferences to build businesses founded on distinctive national characteristics. The poorer the quality of governance in a country, the higher the number of developing country multinationals among the largest subsidiaries in that country (Cuervo-Cazurra, 2008).

The 40 fastest growing African companies share several physiognomies that have allowed them to prosper. These companies range in size from \$350m to \$80bn in annual sales, and display strong growth, an international footprint, and ambitious plans to expand further internationally. They are doing business in an environment with many native advantages, including growing populations and cheap labour in a beneficial business environment. These companies have shown a willingness to be bold, and recognise that the opportunities that come with challenging economic environments need a large dose of creativity (Boston Consulting Group, 2010; Ray, et al., 2017). The study shows that they base their expansion on the continent's natural resources, less expensive labour, growing young population and an increasing collective purchasing power.

The growth of mobile telephony has also created opportunities for these companies to utilise technology to have a wider reach. The deregulation of certain economies has created additional opportunities, especially for mobile service providers and banks. MTN has become a continental giant by carefully selecting the markets it operates in. Documented case studies on MTN (Hoff, 2006; Nhleko, 2006; Bick, et al., 2011; Kota, 2015) describe how it has managed to make a success out of Africa as an emerging market (Ernst & Young, 2013a), attributing its achievements on the continent to adopting collaborative partnerships with governments and businesses, embracing Africa's diversity, and nurturing and developing Africa's human talent while providing the local communities with a licence to operate. African governments welcome responsible and committed investing, thus it is imperative that organisations add to the advancement of Africa (African Union, 2015).

In their study, Wöcke et al. (2007) found that the ability to allocate scarce skills across a global organisation, reward high performers, have succession planning in place and build a strong organisational culture creates sustainability. By implication, a flexible HR strategy that accommodate complexities of foreign conditions likely leads to HR management practices that are universally applied in the jurisdictions that a multinational operates in (Harvey, et al., 1999). Managers of developing country multinationals may also be more used to high uncertainty, flexibility and be able to manage several market inefficiencies. Nonetheless, they still prefer to operate in countries where the rule of law applies and property rights are protected (Cuervo-Cazurra & Genc, 2008; Cuervo-Cazurra, 2008a).

4.2.4 The influence of China and India on the African continent

With the growing importance of the emerging markets (Cuervo-Cazurra & Genc, 2008; 2011; Enderwick, 2009; 2009a; Joosub & Coldwell, 2016), the biggest shift in the past decade has been seen in the BRICS countries (Dhar, 2012; Besada, et al., 2013; Dube, 2013). The group's rise was significantly facilitated by the 2008/9 global economic crisis, which badly affected developed countries. Brazil, China and India accounted for a quarter of Africa's total exports in 2011, up from a little over 10% in 2005. China is Africa's most important export partner, with an annualised export growth rate of 28% between 2005 and 2011. Africa's export growth during the same period to Brazil was 14.9%. In comparison, exports to India have seen the highest annualised growth rate of 41.8%, growing from a relatively low base in 2005. China has surpassed the United States as the second largest export market for Africa after the European Union, with India now in fourth place and Brazil in sixth place. Similarly, the three emerging economies (China, Brazil and India) now account for nearly 22% of Africa's imports (US\$501bn), up from 13% in 2005 (World Trade Organisation, 2013). China and India feel secure in exploiting competitive advantages within the global economy as it is currently constituted, and they will doubtless do so at the expense of less competitive emerging markets (Andreasson, 2011).

China and India are not newcomers to Africa; both have had long historical, political and economic relationships with the continent. The most recent phase in relations has been characterised by both countries pursuing "clear Africa strategies hinged on South-South solidarity, win-win equal partnership and mutual respect and benefits" (Cheru & Obi, 2011, p. 95). This new policy thrust is meant to enhance China and India's global status as great powers in their own right. In the case of China, this has given credence to its "Go Out" policy, which is aimed at ending the country's isolation, winning more friends, and promoting its peaceful rise as a global power (Chen & Orr, 2009; Contractor, 2013; Zeng & Williamson, 2003; Boateng, et al., 2017). For India, this pragmatic economic approach seeks to connect the needs of its rapid industrial growth with its global aspirations, including support for its quest for a permanent seat on the UN Security Council (Cheru & Obi, 2011; Dhar, 2012). Africans are finding themselves increasingly 'managed' by the interests of powerful states like China and India. In some African countries, the impact of these nations in ways resembles the neo-colonial relations with the West of decades past (Andreasson, 2011).

According to a White Paper by the China-Africa Economic and Trade Cooperation (2013), since 2009, Africa has seen an overall decrease in FDI but an accelerated growth in direct investment from

China. From 2009 to 2012, China's accumulative direct investment in Africa increased from US\$9.33 billion to US\$21.23 billion, or 2.3 times the 2009 figure. The rapid growth of China's direct investment in Africa is indicative of Africa's development potential and investment appeal, and also points to the mutually beneficial nature of the China - Africa cooperation. In 2013, over 2,000 Chinese companies were investing and developing in more than 50 African countries, in fields ranging from agriculture, mining and infrastructure, to intensive processing of resource products, industrial manufacturing, finance, commercial logistics and real estate (China-Africa Economic and Trade Cooperation, 2013; Collins, 2013). China's rapidly expanding role in Africa has increased competition between developed and emerging markets for Africa's resources (Andreasson, 2011), and has created fierce competition for the home grown continental giants.

Indian firms, meanwhile, are conducting numerous takeovers abroad, and are increasingly venturing into Africa. The World Trade Organisation (2013) indicated that Bharti Airtel, an Indian telecommunications giant, purchased Zain Africa for US\$9 billion in June 2008. Indian companies had invested more than US\$34 billion in the resource-rich continent as of 2011, and further investments worth US\$59.7 billion are in the pipeline. The proposals include 337 projects in sectors such as agricultural, infrastructure and energy. The Indo-African trade volume was expected to reach US\$90 billion by 2015, up from just US\$3 billion in 2001. The Indian government has also promised to extend loans worth US\$5.4 billion to several African nations in order to nurture their growth (World Trade Organisation, 2013).

China and India's engagement with Africa is changing the dynamics of trade on the African continent, where more nations are looking to the east for FDI. These regional neighbours have close economic relations and interests, which require cooperation given that China is India's largest trade partner. Although they are both engaged in a soft form of power projection in Africa, their successes are due to a combination of policy actions characterised by swings between competition and accommodation at different levels. China and India's relationship has evolved over time, but is currently dominated by competing interests in trade, investment, economic cooperation and the quest for influence (Cheru & Obi, 2011). The successes of these Asian giants are mostly due to their competitive and mutually reinforcing strategies.

4.2.5 Home government support/policies

The lessons from Asia are that multinationals from emerging markets seek to establish common and specific collaboration platforms to raise information flows and better coordinate the negotiation and execution of investment projects (Rasiah, Gammeltoft & Jiang, 2010). Chinese multinationals are using their power as domestic leaders, their economies of scale as dedicated exporters, as well as their competitive networks, to go global. Home government support has played a major role in the internationalisation of Chinese companies (Zeng & Williamson, 2003; Chen & Orr, 2009; Buckley, 2018). Support such as speedy government approvals for foreign investments, social welfare subsidies, and easy access for bank credit for working capital is given to companies with global potential. Because the government wants China to be big player in the global economy, it also publicly recognises leaders of companies that pursued a global agenda and built global brands, such as the CEO of Haier, who led one of the first Chinese manufacturing companies to enter the US, targeting the bottom end of the refrigerator market (Zeng & Williamson, 2003; Chen & Orr, 2009). China has shown that government support can assist companies to create brands that can quietly grab market share from older, bigger rivals.

The Chinese government plays a very big role in propelling the local “dragons” to internationalise. Since the government announced in 2002 that it would support the growth of private businesses, there has been a rise in the size and numbers of “state owned, non-government run” firms. With incentives such as autonomy, these hybrids are allowed to list on the stock exchanges ahead of other companies, as well as take over other companies quickly. The less protection a particular industry has, the more competitive the hybrids become (Zeng & Williamson, 2003).

The national “going out” strategy encourages and supports Chinese enterprises to invest overseas in order to promote exports or the development of resources, while attracting and using foreign investment into China (Chen & Orr, 2009; Buckley, 2018). To ensure the success of this strategy, the government has set up institutions such as the Department of Foreign Economic Cooperation to support and assist organisations with their overseas expansions (Chen & Orr, 2009). This department is involved in directing and managing foreign investment, research and development pertaining to offshore investments, offshore resource development, international contracting and labour services, services exports, and other tasks related to foreign economic cooperation. The international contracting division of the department has responsibilities including policy making and the administration of outbound contracting and monitoring of major projects (Chen & Orr, 2009).

The support is not just based in the national office, but is also found in China's embassies in Africa; the Commercial Councillor's office, for example, is an important support mechanism for Chinese contractor entrants. As Chen and Orr (2009) commented, the Chinese government primarily controls and coordinates the business activities of Chinese enterprises in the host country. The support that Chinese exporters get from the government includes a bank to support them with credit and a Foreign Economic Office to help with foreign activities, including permits, letters of support and the coordination of different expertise. In addition, a barter arrangement, the Angola mode, has been created, where African nations pledge natural resource supplies in return for the provision of infrastructure by Chinese firms. Although this is a complex mechanism that involves the host country government, the Chinese government, the company, banks and the Contractors' Association, it is not just left up to the multinational to pave the way for doing business in the host country; the Chinese government diligently drives the process to ensure the success of such business opportunities.

Chinese contractors typically make use of "permanent entry modes", including representative offices, branch offices/companies, and localised sole venture companies. More mobile entry modes such as joint ventures are less popular, because China believes that local firms do not have the technical or managerial expertise to make joint ventures worthwhile (Chen & Orr, 2009). Chinese contractors have taken a long-term view and will continue to grow in importance as a source of competition for European and indigenous African contractors. The "hidden dragons" have used the strong base of cost competitiveness to make their presence felt outside their national borders (Zeng & Williamson, 2003; Baskaran, et al., 2017; Buckley, 2018), using the strong support from their home market.

Many governments in emerging countries have moved to coordinate their activities by proactively regulating investment outflows. A study by Rasiah et al. (2010) showed that successful investment outflows have benefited significantly from home governments addressing the characteristics and motives of target industries and locations abroad. While investor interest remains the key driver in bilateral agreements between governments, it is important for home governments to consider the broader interests of promoting capital flows to ensure the long-term development of emerging markets. A flexible multilateral investment framework among these economies incorporate elements of corporate social responsibility and national interests (Rasiah, et al., 2010; Tan, 2009).

Such an approach demonstrates that the MNE is not just entering a market to exploit resources, but is there for the long haul and will participate in the social development of the country.

4.2.6 South Africa's relationship with the rest of the African continent

Since the global recession in 2008/9, Africa has emerged as the “last major region in the world where significant opportunities exist for global investors” (Andreasson, 2011, p. 1168). The past decade has seen nations “scrambling for Africa”, with the continent now being seen as a “swing continent”, moving away from its traditional relations with, and dependence on, former European colonial powers and the US towards emerging markets, in particular BRICS. Some question whether these new partnerships/relationships will free Africa from the culture of dependence and exploitation, and put it on a road to growth and development (Andreasson, 2011). With China's increasing influence on the continent and India following suit, the unfolding trend is challenging South Africa and other potentially leading African countries' ability to play a meaningful role in this new era. South Africa's ambitions to act as a leader in Africa and as a representative of the elite BRIC group of emerging markets, is held back by its domestic impediments from assuming a leadership role in Africa (Andreasson, 2011).

South Africa's influence emerged with the “miracle transition” from apartheid, which was part and parcel of the “Mandela effect” that catapulted the country up the ranks of diplomatic high-performers. Yet the honeymoon period is definitely over, with South Africa's ability to play a leading role in changing the postcolonial order on the continent having been under the spotlight for a while (Andreasson, 2011). Given South Africa's deep societal divisions, extreme inequalities, high levels of violence and low levels of competitiveness (outside a few sectors), xenophobic violence towards immigrants from other African countries in 2008 and again in 2015 are partly related to virulent strains (Huntington, 1968) of a new black South African nationalism. These attacks damaged South Africa's standing in Africa, contributing to negative perceptions of the country as being aloof and somehow seeing itself as apart from, and superior to, the rest of the continent (Andreasson, 2011). Despite South Africa's key role on the continent given its membership in BRICS, the country has a long way to go if it is to lead the economic transformation of the continent expected by its peers.

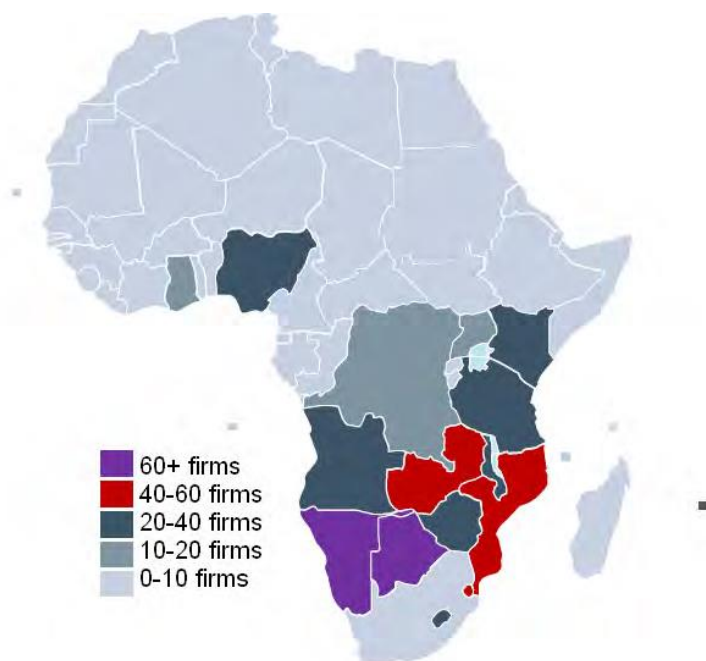
South African multinationals, with their more developed economy compared to the rest of the continent, have comparatively more resources such as internalised knowledge, financial resources and experience. It is a mature market in most sectors, so as many of the sub-Saharan countries

liberalise, South African corporates see this as an opportunity to grow. The local giants are moving north in numbers, exploring opportunities by using the capabilities they have learned from home (Hoff, 2006; Nhleko, 2006; Bick, et al., 2011; Luiz & Ruplal, 2013; Kota, 2015). South African companies have natural advantages such as geographic proximity, which can simplify logistics and allow for easier access to remote locations. Many South African companies are also perceived to be acquainted with African business cultures, therefore they can more readily adapt to local market conditions than their overseas competitors (Accenture, 2009; Joosub & Coldwell, 2016). These northwards interests are not just about testing the markets, but about sustainability. Being a first mover in own sectors is the best place to be, and as the continent continues to be attractive, South African corporates hope that opportunities to be early adopters still exist (Collins, 2013). Of the 40 African Challengers identified by the Boston Consulting Group (2010), South Africa is home to half, showing that these companies have the capabilities to compete outside their home country.

The expansion of South African corporates onto the continent has been one of the unheralded events of the past century. Virtually every sector is represented, with some companies such as Shoprite, Standard Bank and SABMiller being more than 20 years into their expansion. Reports such as Accenture's *Expansion into Africa: Challenges and Successes Revealed* (2009), Ernst & Young's *Doing Business in Africa: From strategy to execution* (2013), and The South African Institute of International Affairs' survey on *The experience of South African firms doing Business in Africa* (Games, 2004), provide insights into the typology of the African opportunity and how these South African giants that have become the epitome of African success have done it. The experience and competencies of multinational entities originating from South Africa have been formed against the backdrop of a rapidly changing society that values and embraces diversity. This has meant that these MNEs learnt lessons about managing and serving diverse customers while pursuing efficiency and standardisation within one country (Wöcke, et al., 2007).

The ability of South African companies to act as a bridge into Africa is widely recognised, and for the developed world multinationals, South Africa has become a valuable location in this new scramble for Africa (Accenture, 2009; Urban & Sefalafala, 2015). This unique position of South Africa is demonstrated by the number of South African corporates that are now active on the continent, with the highest concentration being in neighbouring countries.

Figure 6: Rest of Africa footprint for prominent JSE-listed firms



Source: Standard Bank Research, cited in DTI Trade Invest Africa (2015)

To encourage and support such companies, the Department of Trade and Industry (DTI) recently developed a policy to facilitate and support organisations doing or planning to do business in Africa, called 'Trade Invest Africa' (Department of Trade and Industry, 2015). Only time will tell how this policy assists corporates venturing further into the continent. While South Africa possesses 'structural' power on account of its sheer economic size and level of development compared to its neighbours, the country lacks the capacity to project this power continent wide.

Despite its post-apartheid diplomatic prestige on the world stage, South Africa's ability to influence global economic trajectories and adjustments to the "established pattern of world hegemony"

remains unproven (Andreasson, 2011, p. 1171). Even though it has tried to increase its economic influence on the continent through bilateral agreements and participation in continental bodies such as the Southern African Development Community and the African Union, its economic diplomacy has on the whole been weak, and its relations with African countries may actually have impeded its ability to project power, by causing resentment rather than advancing any claim to emerging market status and continental leadership. South Africa's membership to BRICS has brought with it new trade and investment opportunities in partnership with the other members to bring infrastructural development to the continent. It would be interesting to see whether South African companies are leveraging this opportunity when expanding their operations into other African countries.

Unfortunately for South Africa, China and India have found the formula to succeed on the continent, and have discovered ways of working through the institutional voids posed by each African country they choose to operate in. They enter and work with the respective governments, identifying gaps in each country that need to be closed so that they can turn their raw materials into finished products. What Chinese companies have shown through their national government is that they want to partner with Africa and develop the continent (Tan, 2009). In this way, they have earned the trust of African governments as true partners that are willing to bring big business to develop the continent, thus rendering South Africa's position weak.

4.2.7 Why is it important to understand Africa as an emerging economy?

Although there have been general assertions that emerging markets are now increasingly becoming a large part of multinational companies' strategies (Harvey, et al., 1999), these companies are becoming more and more aware of both the opportunities and the threats that exist (Accenture, 2009; Andreasson, 2011; Joosub & Coldwell, 2016). Given these opportunities and threats, multinationals should evaluate the viability of entry (Buckley & Tian, 2017; Williamson & Wan, 2018) and adopt a long-term view. The success of organisations in such markets depend on a myriad of factors, such as capital, marketing acumen, superior innovation and institutional knowledge. In the case of China, empirical analysis shows that no matter how attractive or unattractive these opportunities and threats may be, ultimately the primary driver for Chinese contractors to enter the African market and expand market share depends upon the availability of capital — either support from Chinese government or African sources to pay their invoices (Chen & Orr, 2009).

A body of knowledge is now being built around Africa as an emerging economy, including on issues such as corruption (Morrison, 2001; Beets, 2005; Asiedu & Freeman, 2009; Luiz & Stewart, 2014), emerging giants (Nhleko, 2006; Khanna & Palepu, 2010) and the African Challengers (Boston Consulting Group, 2010). There have also been studies on psychic distance (Joosub & Coldwell, 2016; Horner, et al., 2016), entry modes (Oguji & Owusu, 2017; Buckley, 2018; Xie, et al., 2018) and firm resources (Nhleko, 2006; Kota, 2015). Research on areas such as innovative approaches into Africa by Chinese companies (Chen & Orr, 2009; Cheru & Obi, 2011; Luiz & Ruplal, 2013; Boateng, et al., 2017), the rate of return on foreign investment in Africa (Leke, et al., 2010) and how South Africa can take leadership (Luiz & Stewart, 2014; Urban & Sefalala, 2015; Joosub & Coldwell, 2016) have given a window into doing business on the African continent.

In their case study research on outward foreign direct investment and knowledge flow in the context of EMNEs from 3 large emerging markets, Baskaran, et al. (2017) explored six cases from China, India and South Africa. Findings from the case studies showed that EMNEs tended to start OFDI into developing countries (either within their region or outside), using their research and development, technological despite knowledge level, skills, and product range being limited. However, with increasing knowledge and experience, they subsequently entered the developed countries and beyond the geographies they are familiar with. The findings echo literature from previous studies (Johanson & Vahlne, 2009; Horner, et al., 2016) indicating that firms chose markets that are physically and psychically similar. Although the results of this study show that some South African MNEs are driven by market seeking motives in regional and global markets, they are mostly driven by the idea of dominating Africa. Faced with the reality of the home market experiencing economic meltdown growth rates of less than 0.5% for the past five years, there pressure for South African companies to internationalise, cautiously starting in neighbouring countries. For some, internationalisation, is for survival, whilst for others it is to explore new business growth opportunities.

Companies internationalise because they find advantages in transferring some of their moveable resources into another country to be combined with immobile, less mobile resource or opportunity (Oviatt & McDougall, 1994). The South African MNE drive for offshore FDI flows may not only be driven by domestic capital market imperfections, but also by a more favourable institutional environment across the borders. The ability for South Africans to converse in English enhances the ability of South African businesses to internationalise in English speaking countries as argued by

Buckley (2018). Furthermore, South Africa is an economic hub and home to many Africans from other countries, major South African brands are already known across the continent, creating a ready market for South African multinationals to exploit. Given this institutional and market milieu, there is thus a need to explore whether South African multinationals have an advantage in Sub-Saharan Africa.

4.2.7.1 Opportunities

With most African countries having dual economies, mostly entry level and a thin layer of wealthy clients, there is a growing realisation that their middle classes are also growing, which creates potential for businesses that are planning to expand into such markets. In deconstructing the myth of the African middle class, Melber (2016) indicated that the middle class in African countries has grown significantly in the past few years. With growth rates significantly higher than those of developed markets, the new middle-class consumers are buying a broad range of products and services (Fortune, 1994, cited in Nakata & Sivakumar, 1997). African countries are characterised by sellers' markets, i.e. demand is generally greater than supply (Kale, 1986, cited in Nakata & Sivakumar, 1997). Although a wide range of dynamics contribute to this phenomenon, import restrictions due to foreign exchange controls and the rigid government controls are the major contributors to limited product ranges driving up prices. Such conditions create opportunities for companies to produce affordable quality products and services within African countries.

Urbanisation and infrastructure development is creating market expansion and multinationals have a captive market in cities. In many cases these MNE do not have to expand their operations to rural areas, as most potential buyers are based in the cities. What is also prevalent in such markets are the lower levels of marketing sophistication compared to developed nations. As Nakata and Sivakumar (1997) noted, "Since whatever is made finds a ready market, there is little need to differentiate products and lure and satisfy buyers" (p. 472). There is no emphasis on creating demand in the market, thus there are huge opportunities for new entrants to use marketing to draw in new buyers who have not been courted in the past.

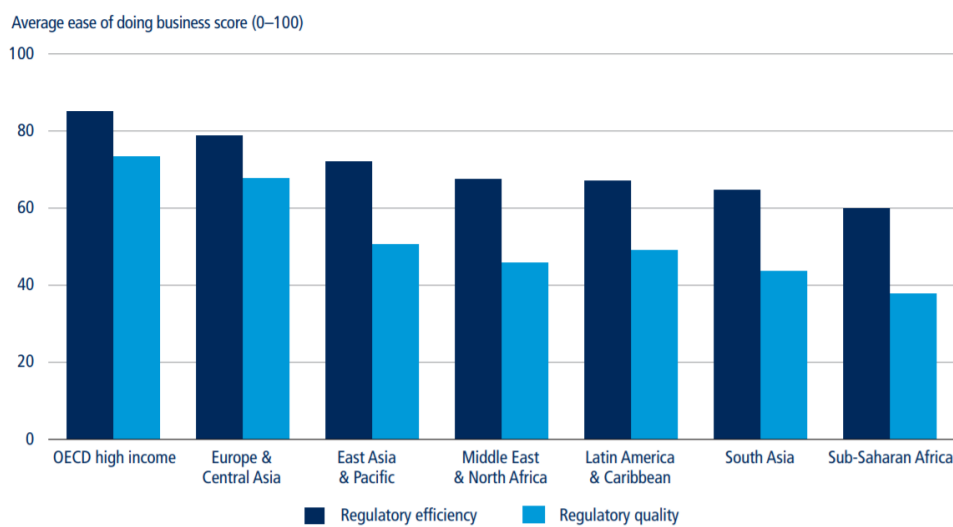
Inward direct investment is welcomed for the resources and access to markets it brings to the recipient country. It is also viewed as potentially promoting the upgrading and better deployment of existing indigenous endowments (Dunning, 1988). The debate on the impact of inward direct investment on host countries is now entering a new phase as markets and production become

increasingly internationalised. Just as multinationals are taking a global view of their strategies and view locational attributes from their perspectives, countries are also beginning to recognise that their industrial strategies and competitive postures must take an international dimension (Dunning, 1988).

4.2.7.2 Threats

According to the World Bank’s (2018) Doing Business Report 2019, out of the 190 countries ranked, 35 of the bottom 60 countries are from Africa. The economies that rank highest in ease of doing business (Figure 7) are those that have consistently well-designed business regulations, or whose regulatory environments have thrived, and thanks to comprehensive reform over the years.

Figure 7: Regional gaps between regulatory efficiency and regulatory quality



Source: World Bank (2018)

Figure 7 above shows the glaring institutional voids in Sub-Saharan Africa, thus companies exploring or planning to explore these markets should expect challenges. Only Mauritius (20) and Rwanda (29) are in the world’s top 50 countries that are considered easier to do business with. Companies must thus take the time to understand the values, needs and behaviour patterns of local consumers.

Chen and Orr (2009) noted that it is important to assess the institutional conflicts that arise when new entrants confront unfamiliar values, work practices, business conventions and legal/regulatory systems. The possible pitfalls such as poor intellectual property rights, a lack of corporate governance (Millar, et al., 2005), insufficient local talent and corruption (Luiz & Stewart, 2014;

Asiedu & Freeman, 2009; Osuji, 2011) are prevalent in emerging markets. Corruption in particular has an adverse effect on investment growth (Asiedu & Freeman, 2009), and in the process, deters firms from entering. Corrupt activities are commonly both transactional and institutional, and include dealings between governments, institutions and private individuals (Luiz & Stewart, 2014). The direct costs associated with corruption affect the strategic considerations of companies in different ways at different stages of the internationalisation process. Institutional knowledge of such markets and how to handle the prevalence of corruption is thus critical to support the business model if organisations want to succeed (Nakata & Sivakumar, 1997).

These markets are also synonymous with cultural fragmentation, thus a single approach to marketing campaigns is not effective. Yet while customised programmes accommodating cultural and language differences are paramount for success, such heterogeneity results in more product adaptations and variations, since the goods and services in such markets are sensitive to cultural traditions and values. Entering such markets presents huge threats to organisations, not least in terms of cost, because there cannot be a “one size fits all strategy”, but rather an evolving model that caters for multiple messaging, product and service adaptations (Nakata & Sivakumar, 1997). For an organisation to be successful after entering into a developing country, strategy adaptations are fundamental (Hoskisson, et al., 2000; Oguji & Owusu, 2017). In addition, technology-related factors are increasingly putting pressure on organisations — specifically in terms of competition, maintenance and security (Enderwick, 2009a).

4.3 Survey research results

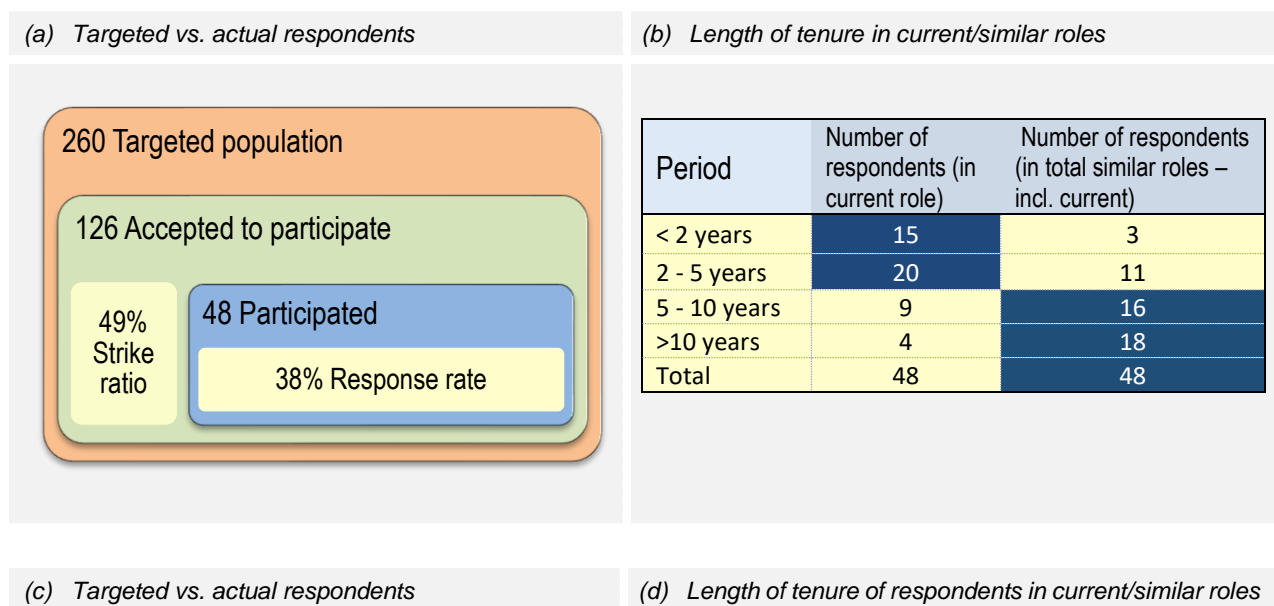
4.3.1 Respondents

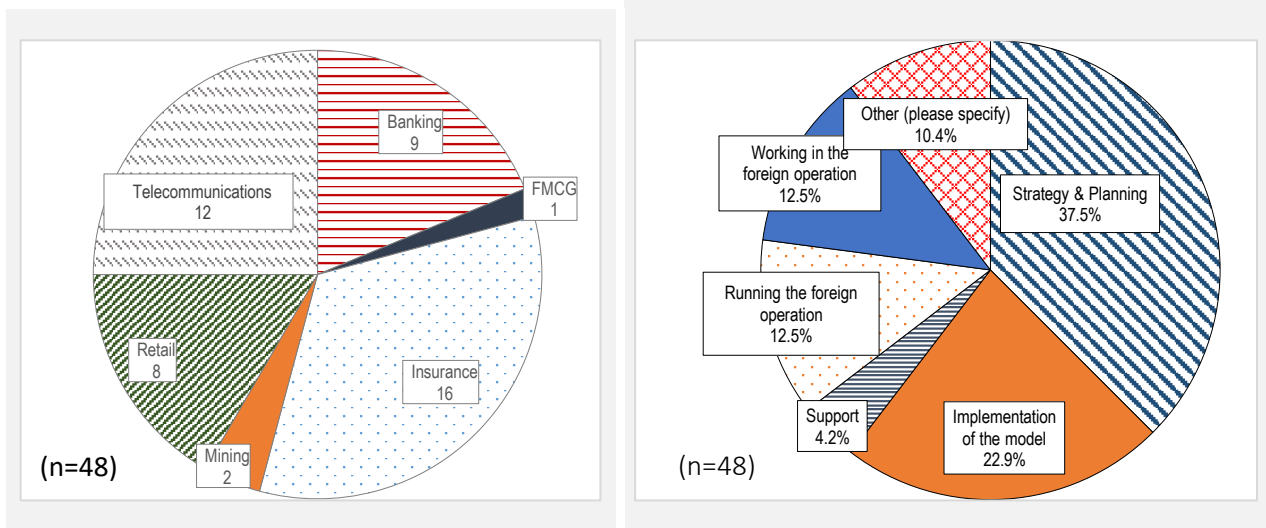
The survey was conducted in May-June 2016. For anonymity, the names of the multinational entities and respondents are not provided. The characteristics of the respondents to this research are shown in Figure 8 below. A total of 48 of the 126 respondents who originally agreed to take part in the survey actually responded to it, translating to a response rate of 38% (Figure 8a). The reason why some of the original respondents did not participate in the research could be the length of time between being asked to participate and the survey being loaded, given that the participants were senior managers, i.e. they could have been busy when the survey was deployed and some could have simply lost interest. Although the original target population was 260, only those who agreed to participate were requested to complete the survey. The realised response rate was much higher

than anticipated, since about 90% of the target population did not know the researcher before being asked to participate in the survey.

Those who were targeted and responded to the survey were generally from the larger, better established South African financial services institutions (insurance with 16 respondents, banking with 9) that had a footprint outside South Africa, followed by telecommunications with 12 respondents and the retail sector with 8 respondents. The two smaller industries were mining with two participants and FCMG with one. Further analysis of the data showed that although the telecommunications sector had the second largest number of participants (Figure 8c), the respondents came from only one company, whilst insurance had five and banking had four companies in the survey. The total number of respondents in financial services was 25, representing 52% of the participants.

Figure 8: Profile of respondents





Although more than two-thirds of the respondents were in their roles for less than five years, over two-thirds of those had been in similar roles for more than five years in their previous organisations (and/or current and previous combined), with over a third having been in similar positions for 10 years or more in their previous positions (Figure 8b). The extensive experience of the respondents thus gave credence to the subject under study. Most of the results were influenced by those in strategy and planning at 37.5%, followed by those in implementation of the model at 22.9%, which was in line with the research objectives (Figure 8d). These roles were at the level of business heads in the internationalisation of the organisation, which included positions such as General Managers, Executives, Business Heads and Chief Operating Officers.

4.3.2 Psychic distance

Psychic distance may be viewed as the distance between the home country and host country of the EMNE, which significantly influences the perception of differences between the two countries. In this research, psychic distance includes cultural, geographic and institutional voids.

4.3.2.1 The influence of psychic distance on planning processes

A list of fourteen African countries (incl. South Africa), comprising mainly of neighbouring countries and regional growth markets (based on population size and overall economic outlook), were given listed on the survey questionnaire for participants to indicate their companies' internationalisation host countries. These countries were selected based on perceived ease of doing business with South Africa. Given the prevalence of cross-border migration from neighbouring countries into South Africa, the South African brands would be more visible in such countries. In addition, neighbouring

countries presented a greater possibility of success because they were culturally close to home, whilst regional growth markets were seen as offering greater economic opportunities.

The respondents were given a list of the selected 14 countries to indicate markets that their South African MNEs had operations in. In addition, there was an option for the respondents to list other countries that their respective organisations had ventured or attempted to venture into. The results noted were as follows:

- Growth markets such as Ghana, Nigeria and Kenya were selected by 36 of the 48 respondents.
- These were followed by neighbouring countries, specifically in SADC such as Zambia (35), Namibia (34), Swaziland (33), Zimbabwe (30) and Botswana (29).
- The top five countries on the additional list were Uganda (13), Tanzania (9), the Democratic Republic of Congo (5), Rwanda (5) and South Sudan (4).

Figure 9: Countries where the companies had a presence (number of respondents) and their period of internationalisation

(a) Countries where the company has a presence	(b) Period doing business in ROA ²
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² Rest of Africa

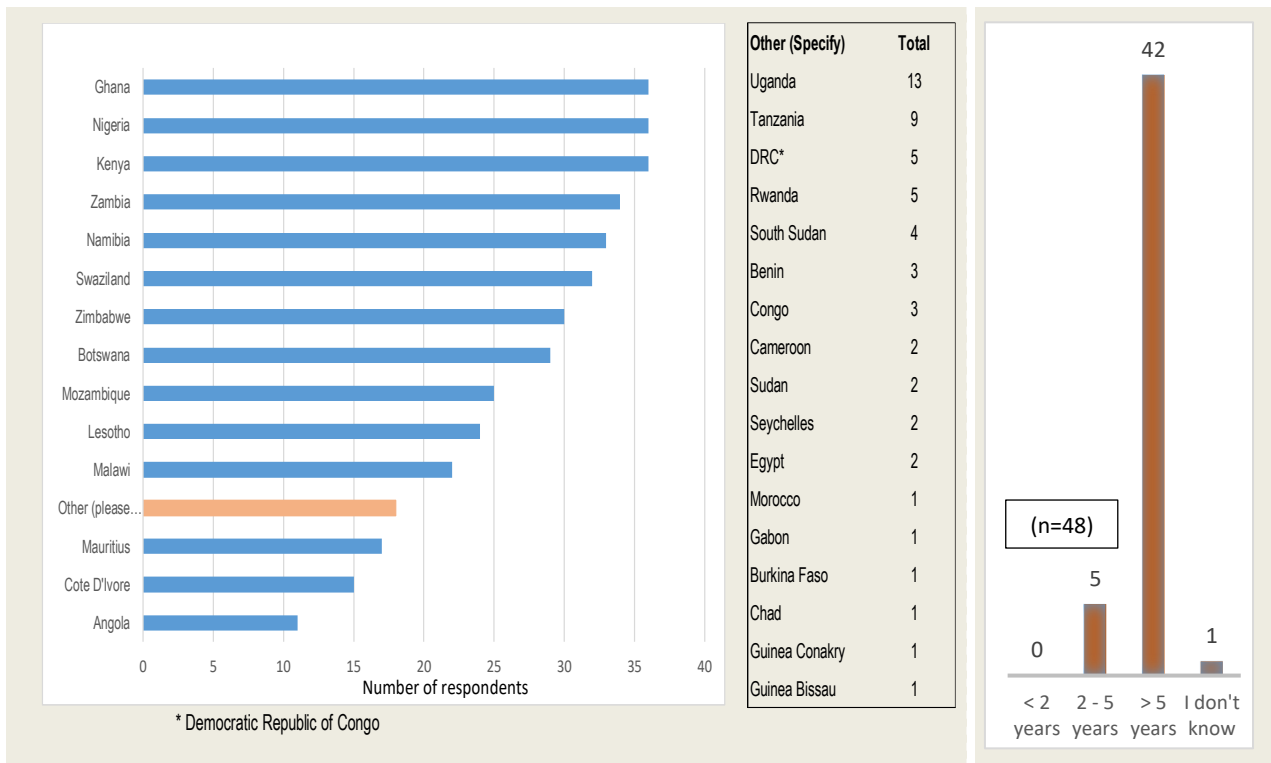


Figure 9(a) above shows the number of respondents that indicated that their organisation had operations in the respective countries (the maximum being 36). It is evident that South African corporates target regional growth markets as well as neighbouring countries. When a company expands beyond its national borders, it faces a different set of conditions in the host country and does not know who the main actors are, i.e. unless it already enjoys relationships with one or more actors in that market, the firm has the liability of outsidership (Johanson & Vahlne, 2009). The firm's decisions regarding where to internationalise aim to maximise its ability to recognise signals of similarity to the home market to realise its full potential in the chosen foreign country. The results show that South African companies target regional growth markets such as Ghana, Nigeria and Kenya due to perceived low economic distance. High population with a larger number of affluent clients in these markets presents a greater opportunity for companies entering such markets being profitable. This approach is fit well with the study by Horner et al. (2016) who found that primary characteristics of economic distance is the potential host country's consumer market such as population size (Table 10), wealth and consumer income per capita.

Even though the geographic distances may be huge (for example in the cases of Ghana and Nigeria), the size of the markets make them attractive for new entrants, i.e. the business risk is negated by market potential. Psychic distance is defined as the sum of factors preventing the flow of information from and to the market (Johanson & Vahlne, 2009; Horner, et al., 2016) such as

language, education, business practices and culture. Some countries such as Ethiopia and Egypt, despite having an economic distance that is small with regards to population size (Table 9), are less attractive to South African multinationals due to huge differences in culture and religion.

Table 9: Top 10 most populous African countries

Ranking	Country	Population (m)
1	Nigeria	186.0
2	Ethiopia	102.4
3	Egypt	95.7
4	Democratic Republic of Congo	78.7
5	South Africa	55.9
6	Tanzania	55.6
7	Kenya	48.5
8	Uganda	41.5
9	Algeria	40.6
10	Sudan	39.6

Source: World bank (2017)

The Democratic Republic of Congo, which has a larger market size and is geographically closer to South Africa, as well as part of the same regional economic bloc (SADC), is also not popular with South African MNEs mainly because of the language difference and political instability. The importance of language in facilitating international business FDI is self-evident (Contractor, 2013) in facilitating interactions between interested parties. A common language facilitates internationalisation since it is central to business communication. Despite the economic potential of a non-English speaking market, an MNE considering such a market would have to invest more in building non-market resources, increasing the cost of entry.

The next prevalent destination of choice by these MNEs was to neighbouring countries. Since South Africa is the growth market for SADC, it is the largest trading partner of most of its neighbouring countries because of its sheer economic power. Various studies (Williams & Grégoire, 2014; Joosub & Coldwell, 2016) have shown that the more an executive perceives and considers there to be commonalities between his/her home country and a potential internationalisation target, the higher their preference for selecting that particular target for the firm's expansion abroad.

For South African MNEs, the decision to enter neighbouring countries was the easiest to make since these are familiar environments. As the main business language is English, it was not surprising that the survey revealed that South African multinationals tend to target more English-speaking countries than other business languages. Most of the neighbouring countries are predominantly English speaking with a wide range of other African languages. The results showed that there is

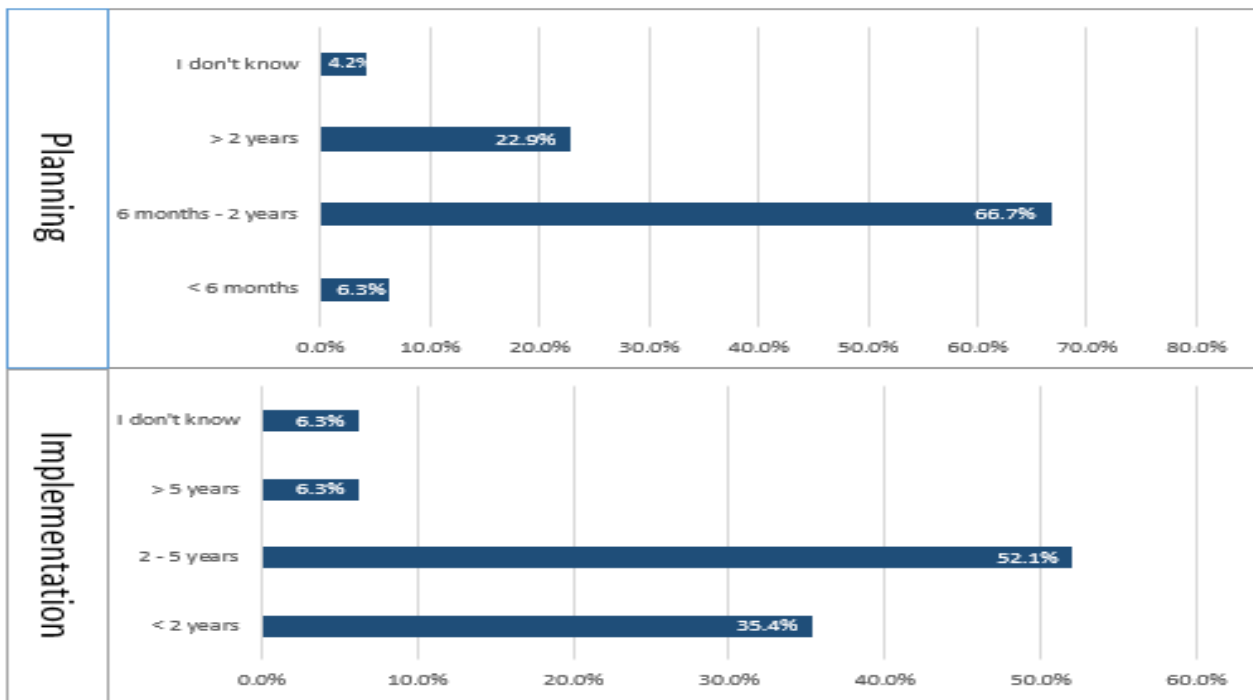
selective entry into Portuguese speaking countries such as Mozambique and Angola (despite their relatively large markets), cautious entry into French speaking markets in central and West Africa, and none in the Arabic speaking countries beyond sub-Saharan Africa. Language, geographic distance, regulatory frameworks and customer tastes are thus relatively similar, making these neighbouring countries prime destinations. Institutional structures to support market-based systems are still weak or missing in these adjacent states, while the cost of obtaining information is high (Hoskisson, et al., 2000), which is why South African MNEs, in an effort to reduce costs, are reluctant to go into counties that have limited similarities. Geographical distance is therefore conceptualised as a central component in the existence and internationalisation of multinational firms.

A large number of the respondents (88.6%) indicated that their organisation had been doing business in African countries, other than South Africa for five years or more, which gave additional credibility to the responses.

4.3.2.2 Influence of psychic distance on implementation processes

The respondents were asked about the period it takes to plan and implement a strategy for a new target market on the continent. The results showed that South African corporates generally take more than six months to plan for expansions into their targeted markets; most of the planning (66.7%) takes between six months and two years, with a further 22.7% taking more than two years (Figure 10).

Figure 10: The time that companies take for planning and subsequent implementation



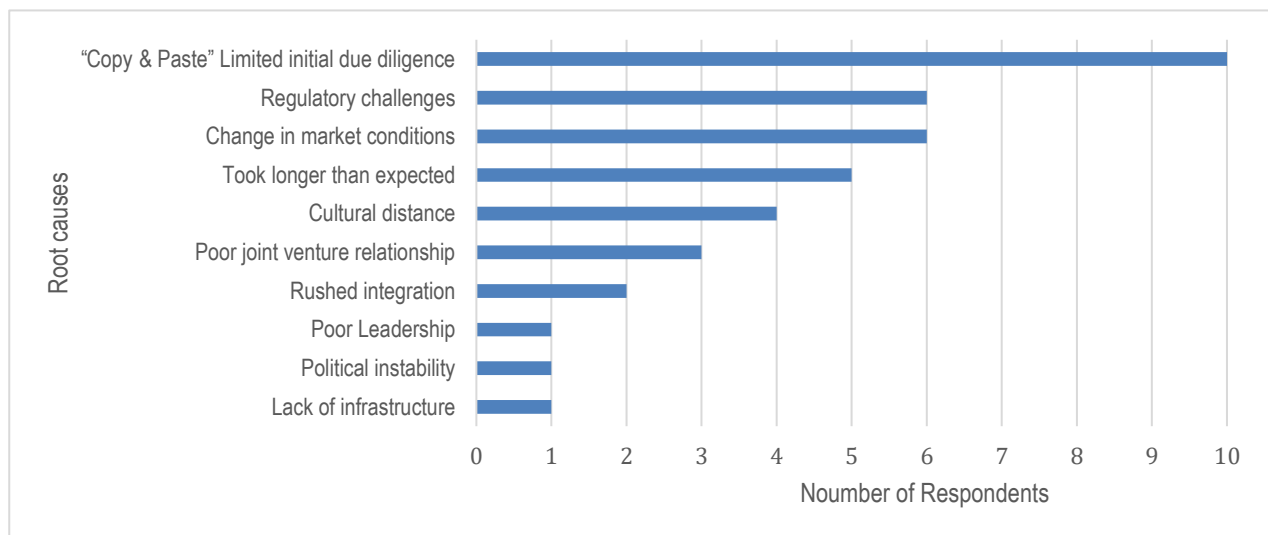
Although over 70% of the respondents indicated that planning generally takes two years or less, they also indicated that implementation takes longer. Only 35.4% stated that implementation takes less than two years, in contrast to more than 55% who indicated that due to the uneven economic African landscape, implementing strategies in these markets takes between two and five years. When companies internationalise, they tend to use traditional indicators that include GDP per capita, income growth rates, population demographics and trends, economic rates, exchange rates, etc. (Khanna & Palepu, 2005). Multinationals also consider regulatory, cultural, competitor and sector specific information. With most of the African markets being synonymous with institutional voids that result in a lack of such crucial information, there are big inconsistencies in the institutional landscape. Companies thus find themselves planning and implementing with insufficient information. It is during implementation that the gaps or challenges start to emerge, hence this process taking longer than planned. For those that complete their implementation in less than two years, this could be because of the entry mode being used, the sector of the industry or the geographic distance of the host country. Institutions can play a key role in lessening uncertainty and creating stable market conditions that facilitate a soft landing for inward FDI.

Reasons why companies failed in the chosen markets

When the respondents were asked to give reasons why companies had failed in their chosen markets, the most commonly cited root cause was “copying and pasting” the strategy currently used

in South Africa to the target country, with limited knowledge of the structure of the destination markets. The other root causes given by the respondents can be seen in Figure 11 below. As one respondent highlighted, “...this boiled down to lack of understanding of the local environment and how it significantly differs from South Africa”.

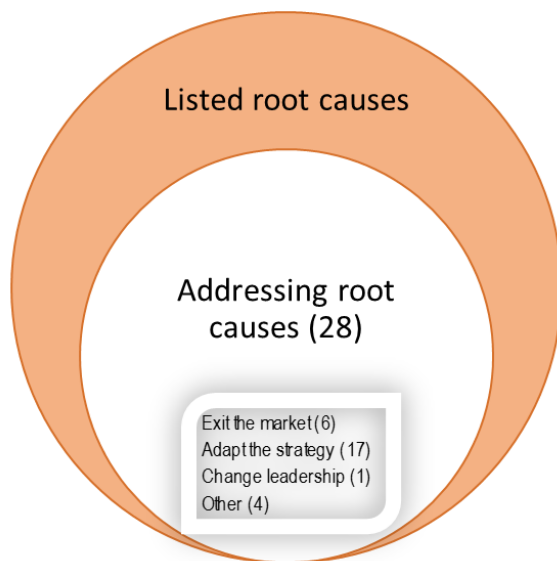
Figure 11: Root causes for strategy failures



It is clear from the above that the dominant strategy implementation failures by the South African multinationals were caused by misinterpretation and a lack of understanding of the different aspects and nuances of the psychic distance during planning. The other significant failures noted were due to regulatory challenges (6), a change in market conditions (6), taking longer than expected (5), and cultural distance (4). It is interesting to note that failures such as poor leadership, political instability and lack of infrastructure were rated as insignificant.

To gain a better understanding of how the corporates were dealing with these strategy failures, the respondents were asked to specify what their companies were doing in the face of failure. Of the 28 respondents who answered this question, the bulk (17) indicated that they were adapting their original strategies and were determined to make it work. In addition, the huge upfront investment that had been committed for such initiatives was a deterrent from exiting the market, i.e. adaptation of the model tends to be a more feasible option in order to get some form of return on investment. Exiting the market (6) and change in leadership (1) were the least considered options (Figure 12).

Figure 12: Strategic decisions that companies take when they fail in certain markets



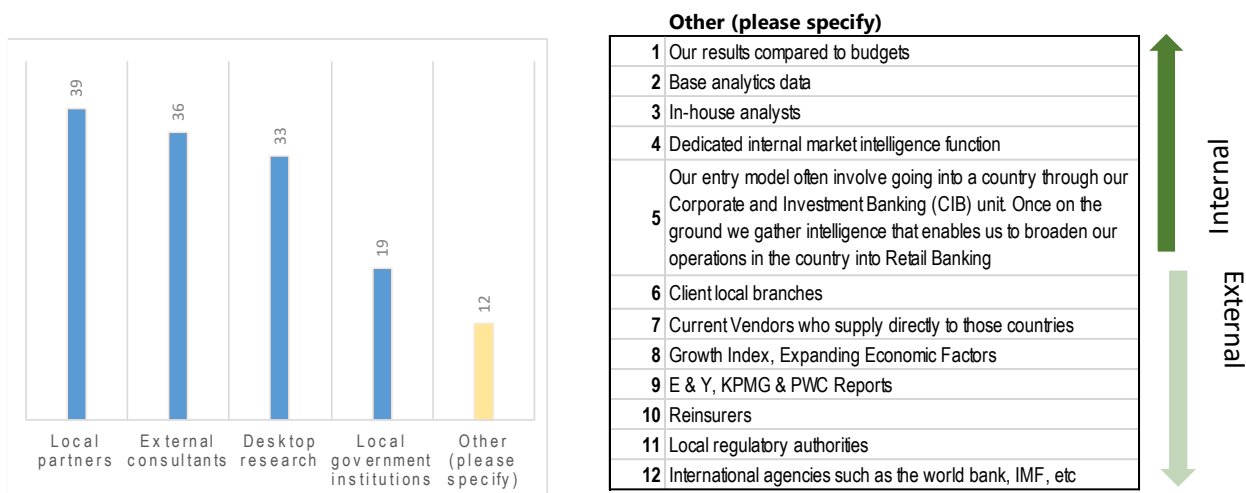
When companies expand into uncharted territory where market data are scarce and institutional voids are significant, the chances are high that the initial strategy is partly right and partly wrong. Organisations plunge into these markets not understanding the local factors of production, including national culture (Wöcke, et al., 2007) and how business is done. In a study by Gilbert (2010) of 500 entrepreneurs on new ventures, most of the successful entrepreneurs redirected their strategies at least five times before they started yielding results. It is therefore important for businesses not to go full steam along a certain strategic path when they enter new markets; it is much easier to adapt when there is acknowledgement upfront that the strategy will be prone to change. This requires a deep understanding of the institutional milieu (Oguji & Owusu, 2017). Despite some businesses not meeting their initial targets, such as the length of the implementation period, most companies were taking a long-term view and adapting their original strategies to make their initiatives successful in the long run. For those few that exited, they used their failures to internalise and grow their businesses.

4.3.3 Firm resources

4.3.3.1 Influence of firm resources during planning

In the survey, the respondents were asked to select the main data sources that their businesses utilised to assess market opportunities. They could select from a list of four choices supplied by the researcher but had an option to specify other sources (Figure 13).

Figure 13: Data sources used to assess entry into new markets on the continent

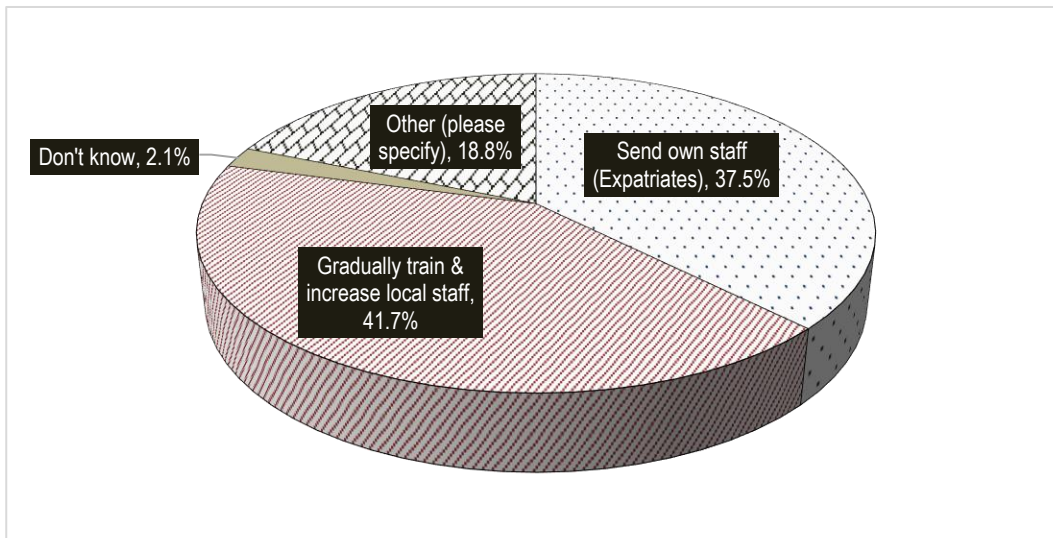


Most of the respondents (39) indicated that their main source of data comes from local partners, followed by external consultants (36) and desktop research (33). Although external consultants are usually viewed as keepers of economic and market intelligence for local markets, it is interesting to see that when South African corporates enter these developing markets, audit firms come second to local partners as a trusted data source. Twelve respondents highlighted “other sources”, such as vendors that supply directly to those countries, reinsurers and other internal departments that might have taken the lead in setting up operations in foreign markets, feeding market intelligence back to the home country. Some respondents also indicated that their organisations have internal market intelligence departments that provide and guide entry strategies. The respondents indicated that information for decision making needs to be looked at more broadly, however since this is not a “one size fits all” strategy, other ways of getting host country marketing information is important. Both internal and external sources, including international bodies such as the IMF and World Bank, can only augment the market intelligence.

4.3.3.2 Influence of firm resources on implementation processes

The respondents were asked what their organisations use to mitigate human resources capabilities and capacity constraints in the foreign markets. The responses showed that the dominant model is to localise the operation and gradually train and increase local staff numbers (41.7%), while in some cases they send their own staff as expatriates (37.5%), as depicted in Figure 14 below.

Figure 14: Alignment of strategy during implementation



A significant number (19%) indicated that their organisations use the two models together, i.e. companies use their own staff when the operation/project starts, with the aim of scaling up through training of local staff. As one of the respondents indicated, *“This question is a combination. Initially we send expats for the mission’s critical roles, with the intention of sourcing local talent as succession. This is supported by resourcing and manpower strategies that are signed off before the project kicks off”*.

Once a company’s aspirations are clearly articulated, the key to effective implementation is to create an iterative platform for further formulation and adjustment (Bungay, 2011; Nunes & Breene, 2011). The successful implementation of strategy relies heavily on setting measures and priorities to track and evaluate progress, which allows those central to the implementation to pick up red flags before it is too late. Given the internationalisation objectives for the EMNE, it is important to have someone from the home country, who was part of the vision, to champion the strategy implementation. Experiential knowledge provides the framework for perceiving and formulating opportunities (Johanson & Vahlne, 1977). With the strategy having been formulated in the home country, expatriate implementation managers can then adapt the strategy using experiential learnings in the host country. The use of diasporas enables EMNEs to connect with overseas knowledge clusters and tap into technical spillovers between the two geographies, mitigating psychic distance. Implementation becomes an “in the moment” strategy, as it depends on conditions on the ground and reviewing the plan to ensure organisations win in the chosen markets. People from diasporas members understand both the home market and the host country (where

they were born), and can thus address risks and identify opportunities. Emerging markets present huge opportunities for learning and knowledge transfer, which can then be incorporated into strategic decision-making processes (Enderwick, 2009a).

When reflecting on the internationalisation strategies after operations were set up in the preferred locations, the respondents indicated that some plans succeeded although they took longer than expected. Even after careful planning, some of the strategies did not meet the set expectations (Figure 15).

Figure 15: Outcomes of internationalisation strategies



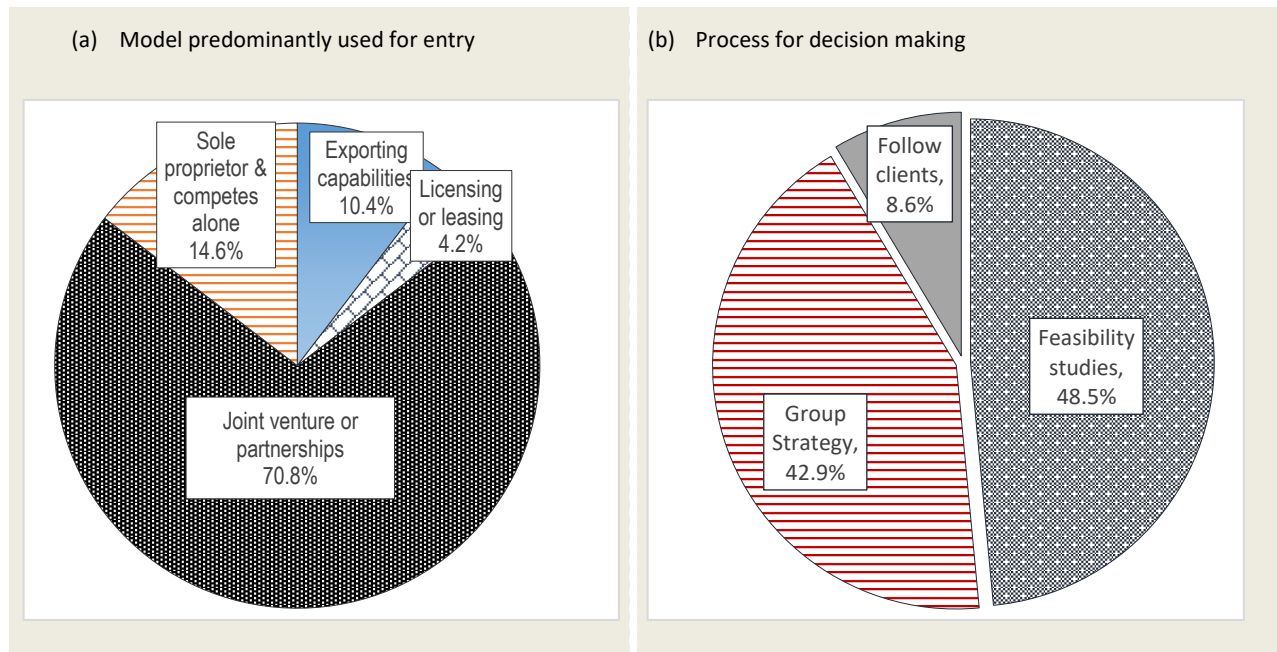
In this survey, 79% of the respondents stated that their company strategies succeeded, in contrast to 21% who said that their strategies failed to meet their expectations. Although the respondents indicated general success in the targeted geographic markets, the high “somewhat exceeded expectations” (73%) is a sign that these companies are learning from experience and are able to detect risks early and manage them by customising the intended strategy, resulting in an adapted implemented strategy. Unfortunately, some companies (21%) have failed to adapt their strategies in these uneven markets. The top three reasons given for these failures were “copying and pasting” (i.e. performing limited initial due diligence), regulatory challenges and changes in market conditions.

4.3.4 Strategic choice

4.3.4.1 Influence of strategic choice on planning

Over 70% of the respondents said that their organisations use mostly joint ventures or partnerships (Figure 16) as their entry mode. The joint venture entry mode is generally preferred as it presents an opportunity to set up quickly with a partner that knows the local market environment, the role players and the tastes of local customers. The least used strategy (9.1%) is licencing or leasing, as the risk is seen as being too high.

Figure 16: Entry strategies used for internationalisation

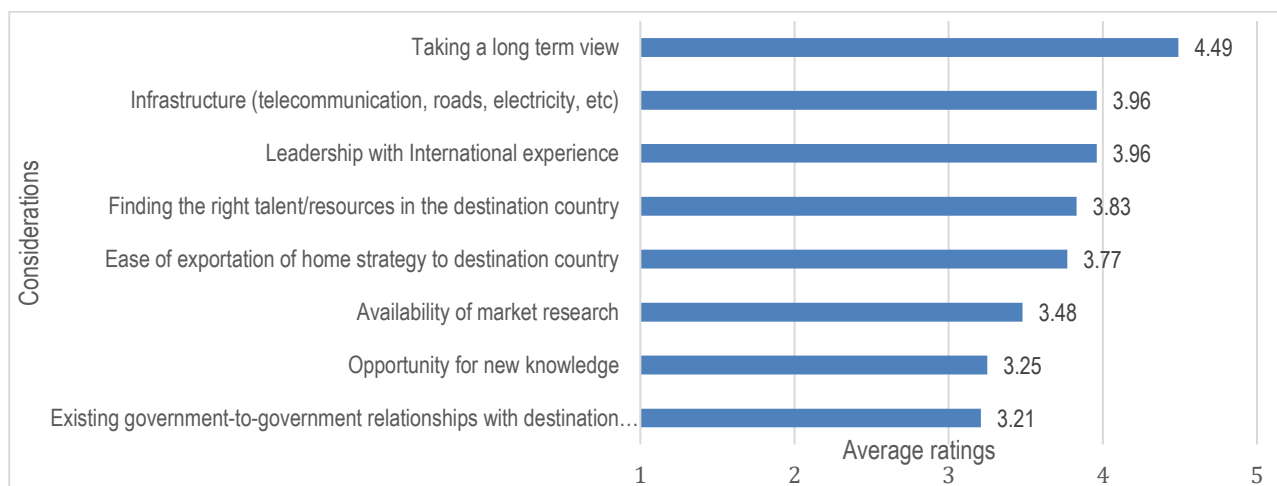


The respondents indicated that the processes followed to decide on internationalisation are broadly based on feasibility studies (49%), organisational group strategies (43%) and to a small extent the company following a client’s strategy. Feasibility studies involve testing the model in the target market. Given the unavailability of market intelligence for prospective new entrants due to institutional voids, the respondents indicated that they have a high reliance on local partners as the main source of data used to assess strategic opportunities. For multinationals exploring opportunities on the continent, the institutional setting is not as clear as developed countries, so going into partnerships offer valuable opportunities for international businesses to increase their understanding of local business systems and forge coexistence (Contractor, 2013) of such structures. The advantage of partnerships is that they potentially lessen the risk of the company being overwhelmed by foreign institutional voids (Khanna & Palepu, 2010), and they also provide local insights into the legal and regulatory frameworks of the host country (Luiz & Stewart, 2014).

The participants were also asked to rate why their companies pursue their internationalisation strategies (Figure 16) from 1 (least significant) to 5 (most significant). The responses showed that ‘Taking a long-term view’ (4.49) was the most important, followed by ‘Infrastructure availability’ (3.96), ‘Leadership with international experience’ (3.96), ‘finding the right local talent’ (3.83) and ‘Ease of exportation of strategy’ (3.77). Multinationals firms that have decided to be pioneers in

emerging markets should expect difficulties, because the need for non-market resources is high but these take time to build. For emerging market firms such as South African companies setting up operations in other African countries, internationalisation is driven by intangible resources based on learning, linking and leverage (Hoskisson, et al., 2000). The African market conditions that are significantly different from one country to the next can work in favour or against such multinationals. Though it might be easy to enter certain markets, the next country market conditions could be completely different so consideration of a first mover strategy in such markets should be accompanied by a deep understanding of the market’s economic, technological, social, cultural, regulatory and competitive conditions (Ray, et al., 2017; Buckley, 2018). Measures must thus be taken to overcome difficulties and a long-term view must be adopted to allow for countries to acquire experiential experience to successfully compete in such markets.

Figure 17: Ratings of key considerations for internationalisation



‘Existing government to government relationships with destination country’ was, unsurprisingly, the lowest rated consideration, as corporates focus on business opportunities and not necessarily on political favours. Given the political volatility in some African countries, having good government to government relationships is not seen as that valuable; political dynamics can change quickly and there would not be anything the home country could do to manage the risk. ‘Opportunity for new knowledge’ was also not rated highly, as this could be mitigated by a joint venture or partnership with local partners who would provide the required knowledge. Nine respondents listed additional considerations used during planning:

Table 10: Other considerations used for planning processes

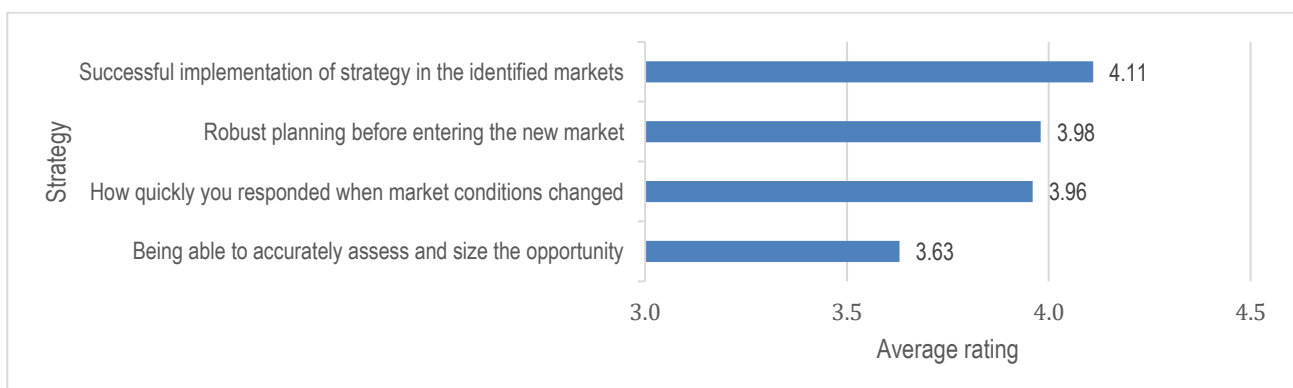
Market opportunity	<ul style="list-style-type: none"> • Demand for retail products in country of intended expansion • Raw materials, human and market development opportunities • An opportunity to grow, develop, add value, leave a lasting legacy • Market opportunity • Expected growth of the industry in the target country (5), growth projections for the country (4) • Value vs. risk, barriers to entry • Board and/or partner support and/or strong sponsorship
Regulatory	<ul style="list-style-type: none"> • Governance and regulatory environment • Regulatory regime and political stability are typically the gates that determine the expansion into the country

Seven of the nine respondents highlighted market opportunities as an important consideration, whilst two flagged regulatory constraints. Opportunities to grow their businesses are at the heart of why the corporates are expanding their operations outside South Africa’s borders.

4.3.4.2 Influence of strategic choice on implementation

It was not surprising that the respondents rated ‘Successful implementation of strategy in the identified markets’ (4.11) as their company’s best achievement, followed closely by ‘Robust planning before entering the new market’ (3.98), ‘How quickly you responded when market conditions changed’ (3.96) and ‘Being able to accurately assess and size the opportunity’ (3.63). The ratings are based on the averages of the respondents’ results.

Figure 18: Successes of the companies’ internationalisation strategies



The above shows that although accurate market assessment is important for any company entering new markets, it is common that getting precise information upfront is unattainable so implementation plans are not accurately structured. Such settings require flexible plans based on

speedy response when market conditions changed or new information became available. These results align with a study by Wang and Ahmed (2007), which found that firms must not reverse or redirect their capability development efforts at the first sign of failure, or even when no immediate results are produced. Effective capability development requires that firms maintain consistent long-term visions and plans.

The respondents were also asked to rate specific in-country factors that could have contributed to their successes in the destination markets (Figure 19). The most highly rated factor was 'Taking a long-term view' with an overall average of 4.49, followed by 'Leadership with international experience' and 'Finding the right talent/resources in the destination country' equally at 4.25, 'Infrastructure (telecommunications, roads, electricity, etc.)' at 3.96 and 'Ease of exportation of strategy to destination country' at 3.89. The issue seen as having the least influence was 'Existing government-to-government relationships with destination country' at 3.29.

Figure 19: Factors that contributed to success in the markets



It was not surprising to see 'Taking a long-term view' as the top consideration given the uneven market conditions in destination countries. Throughout the survey, the respondents emphasised the importance of investing time and money, of understanding the cultures and norms of the destination country, and of having the right nimble leadership to guide the company as it finds its way in these new market dynamics.

4.4 Case study research results

4.4.1 Introduction

This section presents the results from the case studies done on Company A and Company B, as discussed in the previous chapter. Company A is in the insurance (financial services) sector, while Company B is in the banking (financial services) sector. These two companies were chosen because of their broad footprint on the continent compared to their peers. The interviews were conducted from August 2016 – February 2017.

4.4.2 Case Study 1: Company A (Financial Services, Insurance)

4.4.2.1 Background of the company

The researcher anticipated that the more countries a company had a presence in, the broader the information gathered and the richer the insights on the subject under study would be. The insurance company, a traditionally middle market Afrikaans business with a footprint in 35 countries on the continent, started expanding after the acquisition of a small niche emerging market player. This acquisition, which had a footprint in five neighbouring countries, had developed internalised knowledge on expanding outside the South African borders. Unlike other leading South African insurance corporates, Company A prefers partnerships in the markets it decides to operate in. This strategy has seen the contribution of the emerging market business to the group's operating profit grow from 9% to 21% in the past eight years (2010 – 2017). As one of the big four insurance companies in South Africa, the company now has the most extensive insurance footprint on the African continent, in pursuit of "Pan African" dominance. The company is now ranked as one of most rapidly expanding South African companies on the continent.³

Company A provides financial solutions to individuals and institutional clients, with solutions ranging from life insurance to general insurance, investment management, credit and structuring, estate planning, unsecured lending and health management. Although the main distribution models used are tied agents, independent intermediaries, affinity groups and BancAssurance partners, these models are chosen carefully and customised to suit each of the group's chosen markets on the continent. Although Company A uses a broader range of distribution channels in South Africa, on the continent, the BancAssurance model and tied advisors are mostly used. The management

³ Business Day, 20 March 2017

structure is decentralised and operations are conducted through five clusters. There is also a central group function which sets the standards for the clusters (Figure 20).

The initial internationalisation attempts based on data and market analysis pointed to Nigeria and Uganda as the next frontier markets. A partner was found in Nigeria but the company could not find anything to buy in Uganda, so entry made was through a greenfield investment.

Figure 20: High level group structure for Company A



By means of the recent acquisition of shares in the largest insurer on the continent outside South Africa, which has a regional network predominantly operating in North and West Africa (including French speaking Africa), Company A is close to being a leading Pan-African financial services group.

4.4.2.2 Demographics of respondents

Below is the list of the respondents, their positions and their years of experience in their current business cluster as at the date of the interview (Table 11). For two of the participants, it was not clear whether their experience was earned in the business cluster or in the organisation.

Table 11: Profile of the respondents and years of experience in the Emerging Market cluster

	Name	Position	Role	Years of experience
1	A1	General Manager: Client and Product Strategy	Strategy	13
2	A2	Executive Mergers & Acquisitions and Strategic Alliances	Strategy	13
3	A3	General Manager BancAssurance Africa	VAS	6
4	A4	General Manager: Client and Product Strategy	VAS	7
5	A5	Corporate Development Executive	Support	4
6	A6	General Manager Mergers & Acquisitions	Strategy	12
7	A7	HR Executive Head	Human Resources	11

All the interview participants worked in the Emerging Markets cluster. The bulk of the participants' roles were in Strategy (3), followed equally by Support and Value Added Services (VAS) with two participants each.

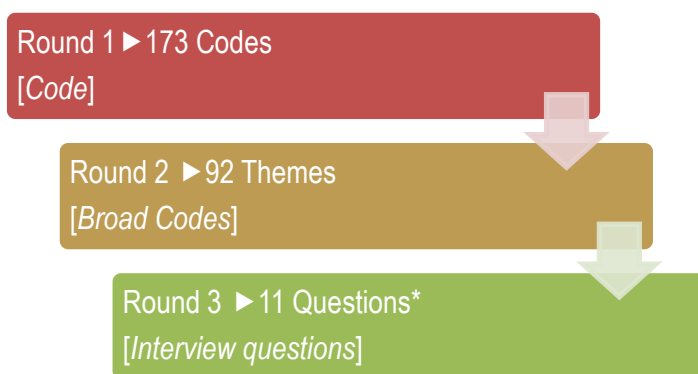
4.4.2.3 Results

4.4.2.3.a Responses

The interview participants were asked a broad range of questions (Appendix 7), starting with where their role fits into the organisation, how the internationalisation journey started, and what the business did at each stage of internationalisation. The interviewees were allowed to expand and elaborate on their responses, based on their experiences and their knowledge acquired within the organisation over the years. The questions then went further to ascertain how their company customised their strategy to the local market dynamics they faced on the ground, and what contributed to their success or failure. Lastly, they were asked how they would advise a CEO who wanted to explore the rest of Africa.

After the seven interviews were transcribed and the 2015 company Annual Results were assessed, all the text was coded. A total of 92 themes emerged from 728 key statements and phrases:

Figure 21: The streamlining of the codes for case study analysis



*Only 11 of the 12 questions were coded [Question 1 referred to the position of the respondent which was not coded]

The profiles of the participants and the number of coded statements are listed in Table 12.

Table 12: Profile of interview responses per role in the organisation

Function (in Emerging Markets)	Participants	No of statements coded	%age of total
Annual Results ⁴	1	56	8%
Strategy (Mergers & Acquisitions)	3	323	44%
Support	2	178	24%
Value Added Services (Product)	2	171	23%
Grand Total	8	728	100%

The Strategy (Mergers and Acquisitions) respondents contributed the largest amount of data (44%) with an average of 108 coded statements per contributor, followed by Support with an average of

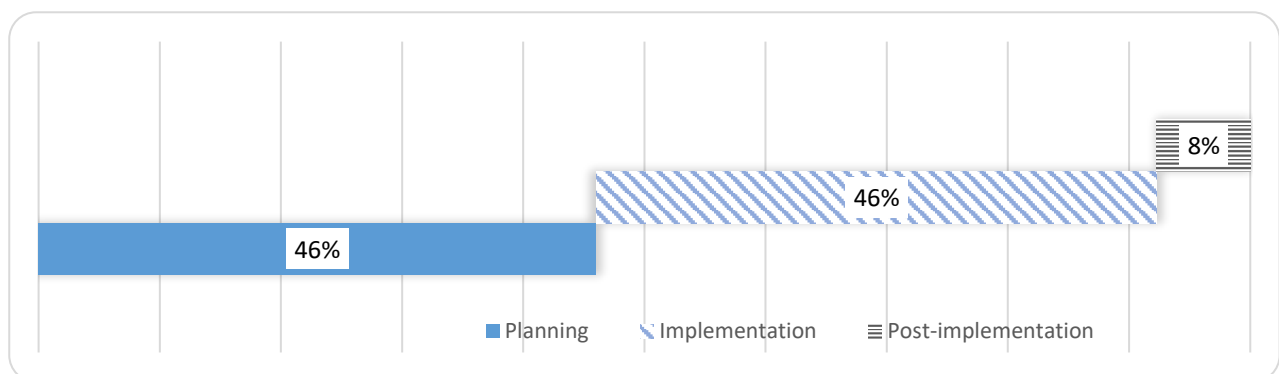
⁴ Only selected sections with reference to the internationalisation strategy were used

89 coded statements. The least number of comments came from the Annual Results. The whole Strategy team was involved in the business from the time the Emerging Market cluster was formed in 2005. The results show that the company benefited from collective resilience and experience during the incremental adaptation of the business model. With a lot of internalised knowledge mostly from the acquisition, these pioneers steered the internationalisation strategy from “trial and error” to a formula that works, hence the management saw the interview opportunity as a way of sharing their learnings.

4.4.2.3.b The three stages of internationalisation

Following the analysis, planning and implementation had an equal number of statements at 46% each, whilst post-implementation was insignificant with 8% of the coded text (Figure 22).

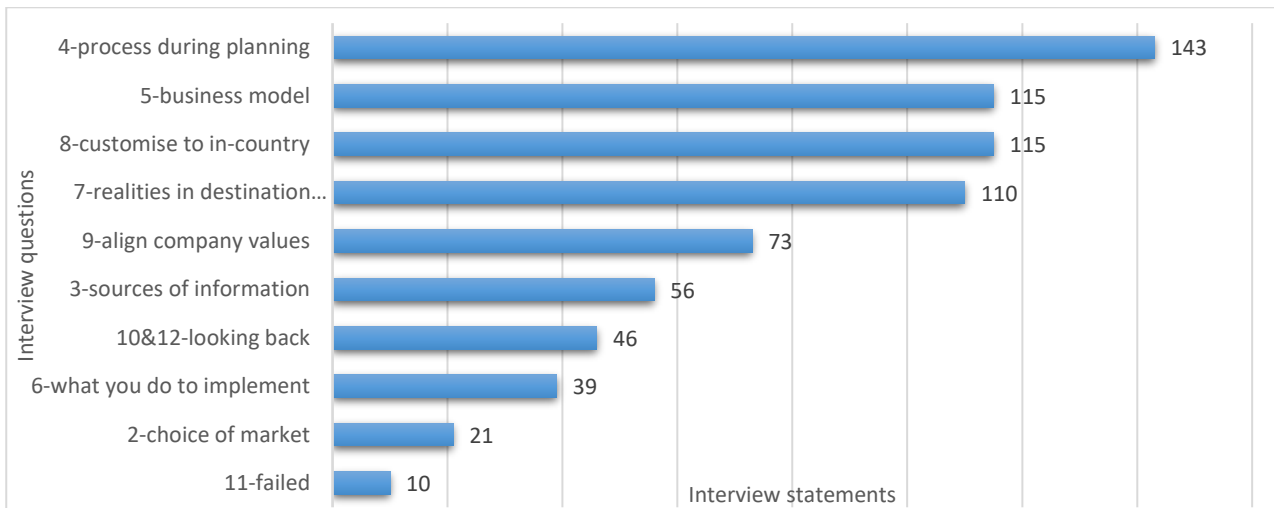
Figure 22: Percentage of coded statements per research question



4.4.2.3.c Overall responses per interview question

Next, the participant statements were plotted against the interview questions (Figure 23). The enquiry with the most responses (143) was Question 4: ‘What process do you follow in your planning?’, followed by Question 8: ‘How do you align and customise your strategy with the dynamics in the destination country?’ and Question 5: ‘Business model used’, with 115 each.

Figure 23: Total number of participant comments per interview question



The questions with the least answers were Question 11: ‘Are there markets you have failed in?’ with 10 statements, followed by Question 2 (21): ‘How does the company choose its markets’, and Question 6: ‘What does the company do to implement the strategy after a decision is made’ (16).

The above is a reflection of the areas impacting the business based on where the company is on its internationalisation journey. This company is still starting out expanding in multiple destinations on the continent, which is reflected in the high number of responses referring to the process used during planning and what the organisation does to customise solutions in the chosen markets, with very little said about strategy failures.

4.4.2.3.d Entry strategy planning processes

To understand the processes, aspects and considerations used during planning, the respondents were asked questions relating to the choice of market, sources of information, and processes followed during planning, as well as the business model used (Q2 – Q5, Appendix 7). The results of the analysis broken down according to the emerging themes is presented in Table 13 below.

Table 13: Responses for planning ranked according to interview questions and themes

Respondent	AR	A6	A4	A3	A7	A2	A1	A5	statements	No of resp. out of 8
Role	Results	Strategy	VAS	VAS	Support	Strategy	Strategy	Support	Total	
2-choice of market		7	2		5		3	4	21	5
English speaking first		4	2		2		2	4	14	5
French speaking partner		3			3		1		7	3
3-sources of information	1	5	9		5	12	13	11	56	7
Invest time in understanding local dynamics		3	2		3	2	2	10	22	6
Learn by doing small deals	1	2			1	9	2		15	5
Local industry players			4		1	1	7		13	4
Desktop research			2					1	3	2

<i>Best available information</i>							2		2	1
<i>Focus groups</i>		1							1	1
4-process during planning	11	33	11	5	8	26	19	30	143	8
<i>Market analysis</i>	2	7	3		2	3	6	7	30	7
<i>Feasibility study</i>		6	2				5	5	18	4
<i>Strategy framework</i>	3	4				3		3	13	4
<i>Business opportunity</i>	2	7	1		2	1			13	5
<i>Formula was by chance</i>		1	1			9		2	13	4
<i>Take a long-term view</i>	1	2		1	1	1	2	2	10	7
<i>Opportunity for value creation</i>	3	2	2			1		1	9	5
<i>Set targets and track</i>		1		1		6			8	4
<i>Board sign-off</i>		1	2			1		2	6	4
<i>Employee international experience and awareness</i>					2	1	1	1	5	4
<i>Follow clients</i>							4		4	1
<i>Operational due diligence</i>		2						2	4	2
<i>Value to destination market</i>				2				1	3	2
<i>Competitors do not share learnings</i>				1				2	3	2
<i>SA companies heading north</i>					1			2	3	2
<i>Generation of revenue</i>							1		1	1
5-business model	9	13	22	11	7	19	20	14	115	8
<i>Local partner understands the local market</i>	2	4	7		2	1	10	3	29	7
<i>Partnership to complement each other</i>	2	2	2	1	2	2	1	4	16	8
<i>BancAssurance model a prerequisite</i>	2			5		4		1	12	4
<i>Internationalisation core competencies</i>			2		2	4	1	3	12	5
<i>If majority, more power to make decisions</i>		3	2	2		2	1		10	5
<i>Partnerships profitable sooner</i>		1		1		1	3	1	7	5
<i>Partner has local network</i>	1		6						7	2
<i>Rest of Africa is the priority</i>	2			1	1			1	5	4
<i>If minority, influence other stakeholders</i>		1	1	1		2			5	4
<i>Partnership with local partner</i>		1	1				2		4	3
<i>Greenfields with local partner</i>			1			1	1		3	3
<i>Right of first refusal</i>						2			2	1
<i>Industry leader</i>							1		1	1
<i>Acquisitions differ in size</i>		1							1	1
<i>Greenfields with no local partner</i>								1	1	1

4.4.2.3.d.i Influence of psychic distance on planning processes

As the company already had footprint in South Africa's neighbouring countries from an acquisition, most of the respondents indicated that the company considered English speaking markets first in the choice of markets when it extended its reach further than the SADC region, then only later considered having a French speaking partner to aid its reach into French speaking markets. English was seen as a bridge to understand the internationalisation arena. One participant, an actuary, explained, "So phase 1, English speaking countries was a requirement because I can go there I can meet the regulator, I can speak the language, I can read the documentation". Having the same language between home and host countries gives psychic closeness, making it easier and less costly to obtain and interpret relevant information about an expansion target. Once the firm was familiar with internationalisation factors, it was then easier to expand into French speaking countries.

4.4.2.3.d.ii Influence of firm resources on planning processes

Overall, seven out of eight respondents elaborated on the sources of information and six themes emerged. Given the lack of information in some of these developing countries, six participants indicated that the company 'Invests time in understanding the local dynamics', followed by 'Learn from doing small deals' (5) and 'Industry players' (4). In this company, the results point to the fact that although the economic indices are important in assessing market potential, nothing replaces an on the ground, in-country assessment. Any available data are considered valuable in building a solid business case. The extension of the Resource-based view by Cuervo-Cazurra (2008) explains how the non-market resources that a firm develops to manage in its home country environment can provide it with a non-market advantage abroad. As South Africa is an emerging market, these EMNEs have learned to supplement information available from institutions in the market by spending time in the target communities, especially at the bottom of the pyramid.

The participants overwhelmingly elaborated on the processes followed during planning, translating to 20% of all the coded statements. Although they covered a broad range of subject areas, it was evident that the internationalisation processes followed by the company were very clear as there was consistency in the articulation of these. With their experience of doing business in more than 30 countries in different languages, the two themes deemed important were 'Market analysis' and 'Take a long-term view'. To some degree, 'Business opportunity' and 'Set targets and track them' were also viewed as being of some significance, whilst 'Feasibility study' had the highest number of additional comments from the participants. The results highlight the need for MNEs entering emerging markets to invest time on the ground to understand the market and acquire experiential knowledge, which in return provides the framework for perceiving and formulating opportunities (Johanson & Vahlne, 1977). Furthermore, there is a need for planning and coordination (Buckley & Tian, 2017) to realise an opportunity.

4.4.2.3.d.iii Influence of strategic choice on planning processes

In total, 15 themes emerged when the participants were asked about the business model used. There was a resounding confirmation that the 'Partnership model is to complement each other' in the destination market. These results show that there is clarity across the cluster regarding the business model used during internationalisation by the organisation. The next most common theme that emerged was 'Local partner understands the local market'. The multinational's continental

agenda is to become the Pan African financial services company. Given that it “stumbled on internationalisation” through an acquisition, this latecomer’s lack of international experience presented difficulties when managing problems associated with foreign operations, however, though partnerships present less degree of control, they are valuable in minimising risks associated with foreign markets (Khanna & Palepu, 2010).

Although the ‘BancAssurance model as a prerequisite’ was flagged by only half of the respondents, it generated a variety of discussion points on the theme. Generally, the respondents commented on the importance of embedded insurance products with very low premiums, which help in the event unseen and unplanned events without the client feeling the effects of huge premiums from standard insurance products. One respondent explained that, “No one trusts insurance companies but they trust the bank”. Having a local partner is beneficial as it can provide market insights to provide the right solutions. Going into these markets with a local partner creates competitive intelligence capability (Sterling, 2003) as local managers understand their market positions giving such initiatives a better chance. Executives in this company believe that using knowledge about local customers and factors of production creates a platform for success (Khanna & Palepu, 2010).

4.4.2.3.e Entry strategy implementation processes

Once planning has been done and the target market(s) identified, the company then ensures that implementation is meticulously executed to make sure the internationalisation strategy is realised. The participants were asked specific questions pertaining to implementation, creating deep insights into what their respective organisations actually did to implement the strategy, the realities they faced in the destination country, how they customised the strategy to suit local conditions, and how they aligned the values to those of the parent company (Q6-Q9, Appendix 7).

The implementation phase, like planning, has a broad range of considerations that need to be taken into account, as shown by the number of emerging themes (Table 14).

Table 14: Responses for implementation ranked according to interview questions and themes

Respondent	AR	A6	A4	A3	A7	A2	A1	A5	Total statements	No of resp. out of 8
Role	Results	Strategy	VAS	VAS	Support	Strategy	Strategy	Support		
6-what you do to implement	7	7	4	3	5	3	2	8	39	8
<i>Parent company provides expertise</i>	3	1	4	3	3	1	2	6	23	8
<i>Integrated approach to implementation</i>	3	3			2			2	10	4
<i>Incentives drive behaviour</i>	1	2				2			5	3
<i>Effort to speak partner’s language bears fruit</i>		1							1	1

7-realities in destination country	9	11	32	20	9	4	17	8	110	8
<i>Insurance is a luxury</i>			8	2	2		2	2	16	5
<i>Influence of cultural beliefs on products</i>			10				2	1	13	3
<i>Entry level clients in neighbouring countries are similar</i>	1		3				5	2	11	4
<i>South Africa developed market</i>	1		1	1	2		3	2	10	6
<i>Each market has own local settings</i>	1	2	1	1	2		1		8	6
<i>Lack of know how</i>				8					8	1
<i>Regulatory environment</i>		3	1	2			1		7	4
<i>Rest of Africa mostly entry level</i>	1		4	1			1		7	4
<i>Dynamic process</i>		3		1		1			5	3
<i>South Africa has expertise and experience</i>			3				1		4	2
<i>Low insurance penetration</i>	1	1		1		1			4	4
<i>Macroeconomic challenges</i>	4								4	1
<i>Lack of infrastructure</i>		1			3				4	2
<i>Fragmented regional strategy</i>				3					3	1
<i>Fierce local competitors</i>			1			1			2	2
<i>Business culture</i>		1						1	2	2
<i>Locals prefer local brands</i>						1	1		2	2
8-customise to in-country	4	12	22	17	10	17	20	13	115	8
<i>Stakeholder buy-in and commitment</i>		1		8	1		4	1	15	5
<i>Takes longer to implement</i>			2		4	3	1	2	12	5
<i>Local management in charge of running business</i>		3	1	2		3		3	12	5
<i>Customise solutions to suit local taste</i>	1		5	2		1		1	10	5
<i>Business success depends on quality of CEO</i>	1		1			4	4		10	4
<i>Local management make decisions on brand to be used</i>	1	1	1		1	2	1	3	10	7
<i>Localisation important for market acceptance</i>		2		1	1		4	2	10	5
<i>Wealthy clients</i>			7	1					8	2
<i>Simple solutions</i>		1	4	1		1	1		8	5
<i>Product sequence</i>						3	3		6	2
<i>Let locals customise the idea</i>			1	2	3				6	3
<i>Non English countries need more support</i>		4							4	1
<i>Create markets for your solutions</i>	1						2	1	4	3
9-align company values	11	7	5	3	14	13	15	5	73	8
<i>Align behaviours with brand</i>	3			2	8	1	1	2	17	6
<i>Local partner with similar values</i>			3		2	7	2	1	15	5
<i>Brand consistency is managed by parent company</i>	5	2	2			2	1	1	13	6
<i>Robust governances</i>	3	3		1	1		3	1	12	6
<i>Strong brand used</i>		2				1	5		8	3
<i>Invite partner to experience own company culture</i>						1	2		3	2
<i>Facilitated training</i>					3				3	1
<i>Expatriates</i>						1	1		2	2

4.4.2.3.e.i Influence of psychic distance on implementation processes

When the interviewees were asked about the realities in the host countries, the question generated a huge reaction on various issues. The top four responses were ‘Insurance is a luxury’, ‘Influence of cultural beliefs on products’, ‘Entry level clients in neighbouring countries are similar’ and ‘South Africa is a developed market’. Although multiple themes emerged, most of these were very personal as more than half (10) were mentioned by three or fewer participants. This indicates that the realities in destination countries vary from country to country, and that the in-country settings are generally unique and very different from South Africa’s. This confirms the importance of having a strategy based on the institutional milieu of the host country (Khanna & Palepu, 2005), which should

guide the MNE on the ideal business model for that respective market as each country follows its own growth path (Leke, et al., 2010).

With regards to the customisation of strategies for host countries, the top three themes that emerged were 'Stakeholder buy-in and commitment', 'Takes longer to implement' and 'Local management in charge of running business'. Most of the themes emerged from comments that were made by just over 50% of the participants. The realities that these South African MNEs face when they internationalise into less developed countries are similar to the challenges that EMNEs face during internationalisation. Despite such companies having the financial muscle, internalised knowledge and skilled staff, there is need to seek local acceptance or legitimacy (Luiz & Ruplal, 2013) and buy-in from implementers, especially if the implementers were not involved in the strategy creation (Sterling, 2003).

4.4.2.3.e.ii Influence of firm resources on implementation processes

Although the interviewees did not make many comments regarding the specifics of this question, all eight participants alluded to the fact that the 'Parent company provides expertise', which had a weighting of 60% of all the comments. The other point stated by half of the respondents was that the company uses an 'Integrated approach to implementation'. Given the company's approach, where there is high reliance on the local partner to deliver the strategy, it is paramount for the multinational to give it optimal support and use its expertise and knowledge to coordinate and support the cross-border business for the strategy to be realised. This theme highlights that even though locals might understand the domestic milieu and culture best, multinational resources such as internalised knowledge are central to the success of a new business. As the main resources that are significant for internationalisation of latecomer EMNEs are country created resources, experience-based resources and relational resources (Jain, et al., 2013), these results are parallel previous research.

4.4.2.3.e.iii Influence of strategic choice on implementation processes

Eight themes emerged when the participants were asked questions pertaining to the alignment of the subsidiary to the main organisation. The top themes mentioned were, 'Align behaviours with

brand’, ‘Local partner with similar values’, ‘Brand consistency is managed by parent company’ and ‘Robust governances’, with six comments each. The second most common theme (with five comments) was ‘Local partner with similar values’. These themes all point to the importance of alignment between the parties doing business together. The larger the psychic distance, the greater the internationalisation risk. The selection of an appropriate partner is a critical strategic factor to reduce risk, as aligned values enable effective decision making in a host country. Distance-reducing commonalities help firms maximise resource efficiency, and where huge psychic distances exist, a low ownership entry mode minimises the company’s exposure to downside losses (Gaur, et al., 2011), especially where values are aligned.

4.4.2.3.f Entry strategies post implementation processes

Only 8% of the total number of comments were made on post implementation (Table 15).

Table 15: Responses on post implementation

Respondent	AR	A6	A4	A3	A7	A2	A1	A5	Total statements	No of resp. out of 8
Role	Results	Strategy	VAS	VAS	Support	Strategy	Strategy	Support		
10&12-looking back	4	6	3		14	7	6	6	46	7
<i>South Africa not perfect</i>					7				7	1
<i>Be humble</i>		2	1		2			2	7	4
<i>Diligent implementation</i>	2	2					1	1	6	4
<i>Greenfields take time to be profitable</i>	1		1			3	1		6	4
<i>Greenfields have no skeletons</i>					1	2	1		4	3
<i>Acquisitions have skeletons</i>						2		2	4	2
<i>Track record with mixed results</i>	1				2			1	4	3
<i>Insurance is about trust</i>							3		3	1
<i>Non expert view</i>		1	1		1				3	3
<i>Succeeded</i>		1			1				2	1
11-failed		1	2		1	5		1	10	5
<i>Failed in some markets</i>		1	2		1	5		1	10	5

The reflections on Question 10 and Question 12 were analogous and very insignificant, so these were combined, with the total number of comments amounting to 46. Even though seven participants made comments regarding this question, most of the reflections were quite diverse. The themes emerging from comments by more participants (four each) were ‘Be humble’, ‘Diligent implementation’ and ‘Greenfields take time to be profitable’. The rest of the themes were commented on by less than 50% of the participants each. One particular participant, however, emphasised at different points of the interview that ‘South Africa is not perfect’, with a total of

seven comments. When the participants were asked whether they failed in some of the markets in which they tried to set up operations, five accepted that they had, while the rest admitted that were battling and were reassessing strategies to make them work.

4.4.2.4 Conclusion

It is evident from the research that although it is still early, the company has managed to consistently grow its footprint on the continent by learning from each subsidiary it has acquired, by effectively managing risk, and by consciously acquiring minority shareholdings to minimise the impact of failure. The company selectively looks for local partners with similar values for easier alignment; their approach is not to rush into a partnership, but to allow time to learn about each other's way of doing things to ensure the two businesses are comfortable working together.

A robust governance and risk management framework is followed, and the parent company's views and governances are passed through the Boards of these partnerships. The idea is to influence both the Boards and management to ensure buy-in. While in many instances it takes a long time to get off the ground or it takes a long time to become profitable, the initial impact is not massive on the overall business, but is beneficial in the long run. The dominant model, i.e. having a local partner, has helped the company to expand without much involvement on the ground since locals enjoy relationships with actors in the market (Johanson & Vahlne, 2009). There is an appreciation that every country has its own local nuances, which, if not understood properly, can lead to failure.

4.4.3 Case Study 2: Company B (Financial Services, Banking)

4.4.3.1 Background of the company

The second case study is also in the financial services sector, but primarily focuses on banking. The company is the largest banking group in South Africa in terms of assets held. Its approach, both within South Africa and the rest of the continent, is to leverage the strengths of all its internal capabilities and ensure that clusters (and subsidiaries) collaborate in the respective geographies to extract maximum value. The company pegged itself on the continent in the early 1990s when it bought banks in some of the key markets. This historical experience gave the company an opportunity to understand the strategies needed for sustainable growth and continued dominance on the continent. The company's long historical presence, experience and size on the continent meant that it was an ideal choice for the case study.

The group is structured in such a way that there are three main business units - Corporate and Investment Banking, Personal and Business Banking, and a major insurance subsidiary (Figure 24). The 'rest of Africa' franchise is run under Personal and Business Banking, since this is a lead business.

Figure 24: High level group structure for Company B



Despite increased concerns regarding socioeconomic instability in the markets the business operates in, the 'rest of Africa' business contribution of headline earnings to the group was 28% in 2017. The 'rest of Africa' thus increased headline earnings despite deteriorating market conditions, which included low commodity prices in Nigeria and Angola, as well as drought in most of the Sub-Saharan African countries. These countries are reliant on single commodity exports such as oil and copper which are quite vulnerable, and the falling commodity prices also contributed to currency devaluation, resulting in the slowing down of exports.

After expanding into other markets such as Europe and South America, the current strategy has been to refocus the group on Africa and dominate on the continent, by shifting the focus from core transactional and liability banking to higher value middle income and affluent personal customers, as well as higher value enterprises and commercial customers. The company has on-the-ground presence in 20 countries in sub-Saharan Africa, and mostly in the SADC countries. Beyond SADC, the organisation has targeted growth markets, in other words regional hubs such as Nigeria and Kenya, which continue to evolve and grow. The new direction is starting to yield results that are reflected in the strong growth (6%) in the number of total customers, with particularly good sales growth in private banking (75%), the middle and upper income personal banking segment (63%), and commercial banking (17%).

Although the ultimate goal is to grow their footprint and markets on the continent, the immediate focus is on improving system efficiency by rolling out the new version of their core banking system. The aim is to ensure that all the franchises are migrated onto the new platform, which happened by

the end of 2017, except for Angola, Kenya and Mozambique, which have their own unique challenges. For this reason the three countries are expected to continue on their existing system, which is seen to be able to support the new digital channel that is more agile, enhances cybercrime risk mitigation, and provides for a better user experience.

4.4.3.2 Demographics of respondents

Table 16 details information about the respondents, their positions and their years of experience in their current business clusters, as at the date of the interviews. The interviewees were drawn from Personal and Business Banking, with two being from the two main subsidiaries. The bulk of the participants were involved in Support (3), followed equally by Strategy and Value Added Services (VAS) with two participants each, and the Annual Report was included for triangulation.

Table 16: Profile of interview respondents and years of experience in the Personal and Business Banking cluster

	Name	Position	Role	Years of experience
1	B1	Head of Investment Banking Operations, South Africa & Rest of Africa	VAS	13
2	B2	Head: Commercial Banking, PBB Africa Regions	Strategy	7
3	B3	Head of Business Development Support Africa Subsidiary 1	Support	10
4	B4	Head: Group Card & Emerging Markets	Support	10
5	B5	Executive: Africa Regions Personal and Business Banking	Support	9
6	B6	Divisional Director: Strategic Capability Subsidiary 2	Strategy	11
7	B7	Head: Card Acquiring Rest of Africa	VAS	11

4.4.3.3 Results

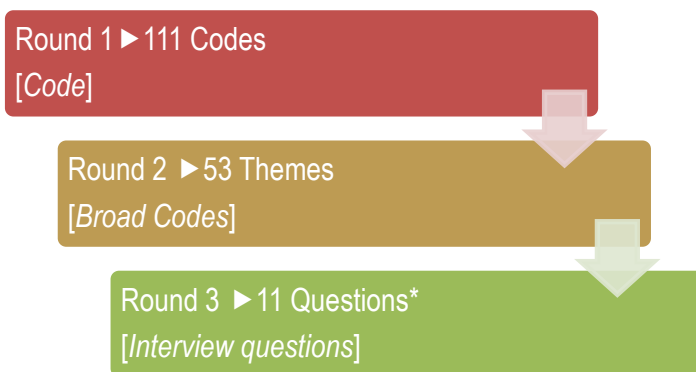
4.4.3.3.a Responses

The interview participants were asked similar questions to those in the interview guide used for Company A (Appendix 7). The first question focused on where the respondents fitted into the organisation (Table 4), and then expanded broadly into the research questions.

Consistent with the process used for Case Study A, the interview data were triangulated with extracted text from the Annual Results. After the interview text was analysed, 529 coded statements and 173 primary codes were generated with a total of 53 themes (Figure 25). To draw summaries

from the data the statements were linked to the 11 interview questions, which were subsets of the research questions (planning, implementation and post-implementation).

Figure 25: Streamlining of the codes for case study analysis



*Only 11 of the 12 questions were coded [Question 1 referred to the positions of the respondents which was not coded]

Table 17 provides the interview profiles of participants and the number of coded statements by role.

Table 17: Number of interview statements by role (source of comments)

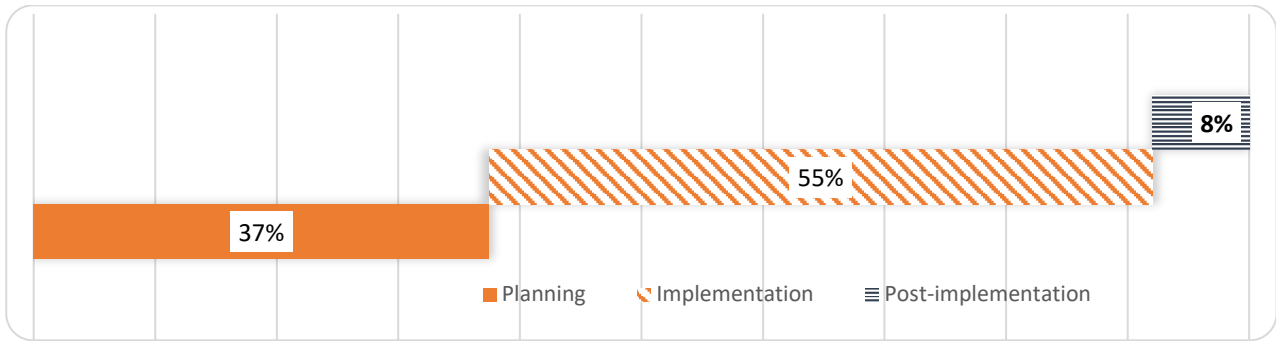
Role of respondent	Sources	No of coded statements	%age of total
Annual Results	1	66	12%
Strategy	2	149	28%
Support	3	239	44%
Product/VAS	2	85	16%
Grand Total	8	539	100%

Most of the statements used for the analysis of the case study (44%) came from those in the Support team, followed by Strategy with 28% and VAS with just 16%. In addition, the Annual Results contributed 12%.

4.4.3.3.b The three stages of internationalisation

Most of the interview statements for Company B focused largely on implementation with 55%, followed by planning at 37% and post-implementation at 8% (Figure 26).

Figure 26: Percentage of coded statements per research question



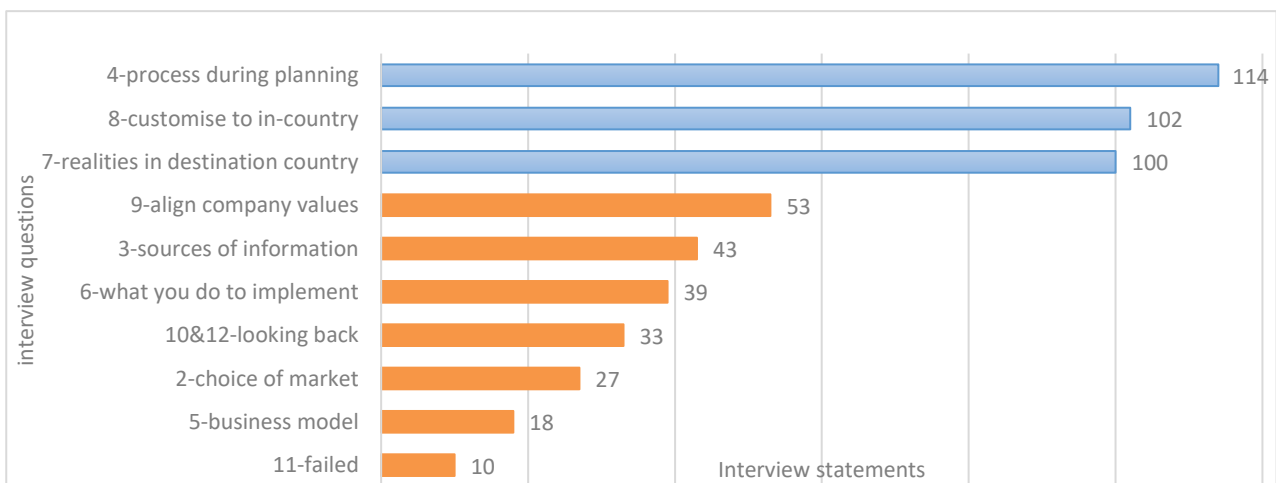
With Company B having been navigating the continent for more than 30 years, the results indicate that the organisation is now placing more effort on ensuring that the business model in the chosen markets does less planning. It is also interesting that despite the length of time that this corporate has been on the continent, the comments on post implementation are quite insignificant at 8%.

With implementations taking place in more than one country, the company has to be aware of the factors that affect different countries differently, and that some factors are unique to certain countries or geographies. Reviewing the strategy and adapting accordingly during implementation increases the chance of success, thus more sub-themes emerged regarding this stage which requires careful planning and execution, as well as agility when market conditions change.

4.4.3.3.c Overall responses per interview question

The participant statements were plotted against the interview questions (Figure 27).

Figure 27: The total number of participant comments per interview question



The results showed two distinct sets of results, with the top set being composed of three questions and the bottom set of eight questions. Question 4, ‘What process do you follow in your planning?’ had the most responses received (114), followed closely by Question 8, ‘How do you align and customise your strategy with the dynamics in the destination country?’ with 102, and Question 7 on ‘Business model used’ with 100. Meanwhile, Question 9 covered ‘How the organisation aligns company values’, which was the top of the bottom set with 53 statements, while the interview question with the least statements was Question 11, with 10 statements.

4.4.3.3.d Entry strategy planning processes

Again, as was seen in Case Study 1 (Q2 –Q5, Appendix 7), the respondents were asked questions relating to the choice of market, sources of information, process during planning and business model used, to gain a deeper understanding of the processes and considerations during planning. The results broken down according to the emerging themes are presented in Table 1.

Table 18: Responses for Planning ranked according to interview questions and themes

Respondent	AR	B3	B7	B2	B4	B6	B1	B5	Total statements	No of resp. out of 8
Role	AR	Support	VAS	Strategy	Support	Strategy	VAS	Support		
2-choice of market	2	2	2	14			3	4	27	6
<i>Growth markets</i>	2	1	1	9			2	1	16	6
<i>English speaking first</i>		1	1	1					3	3
<i>Choice of markets not influenced by language</i>				1			1	1	3	3
<i>Key French speaking market</i>				2					2	1
<i>Language facilitates basic conversation</i>				1				1	2	2
<i>French markets bilingual</i>								1	1	1
3-sources of information		14	1	8	5	8	1	6	43	7
<i>Invest time in understanding local dynamics</i>		2			5	1		2	10	4
<i>Economic indicators</i>		3		1				2	6	3
<i>Internal research department</i>		4				1		1	6	3
<i>Due diligence</i>		2				1	1	1	5	4

<i>Publicly available information</i>			4		1				5	2
<i>Invest in doing homework</i>	1		1		1				3	3
<i>Audit firms as a source</i>	1		1						2	2
<i>Subscription to research report</i>						2			2	1
<i>Commission specific research</i>	1				1				2	2
<i>Index as source</i>			1						1	1
<i>Credible information</i>			1						1	1
4-process during planning	19	17	7	22	6	7	24	12	114	8
<i>Strategy is to dominate the African continent</i>	11	2	2	3	2		11	3	34	7
<i>Business case</i>	3	6	2	4		3	3	1	22	7
<i>Feasibility study</i>	1	2	2	6		1	6	3	21	7
<i>Follow clients</i>	3	1		5	1		2		12	5
<i>Leadership's international experience</i>	1			3	2			3	9	4
<i>Take a long-term view</i>		2			1		1	1	5	4
<i>Strategy framework</i>		2				1	1	1	5	4
<i>Board signs off</i>		2				2			4	2
<i>Business sequence, follow customers</i>			1	1					2	2
5-business model		7	2	3		3	1	2	18	6
<i>Acquisitions or Greenfields</i>		1		3		1	1	1	7	5
<i>Majority stake preferred</i>		4	1			1			6	3
<i>Acquisitions reduce lead time to market</i>		2	1			1		1	5	4

The above results provide lenses through which one can understand the processes and considerations made during planning. The maturity of this company on the continent was reflected in the fewer number of codes emerging, showing that they have a better understanding of the issues related to planning. The analysis includes selected comments from the Annual Results.

4.4.3.3.d.i Influence of psychic distance on planning processes

The results show that of the 27 statements analysed under this question, an overwhelming 60% indicated that the company strategy was to focus on growth markets. This was followed by two themes that were equally commented on by three respondents, 'English speaking first' and 'Choice of markets not influenced by language'. This multinational's internationalisation mode is ownership (majority shareholder); in many of its operations on the continent, the shareholding is 100%. This strategy requires that the target markets generate economic benefit (Horner, et al., 2016). Internationalisation capability has been honed by targeting growth markets that are mostly English speaking (18 out of the 20). During internationalisation, besides economic indicators, companies also consider regulatory, cultural, competitor and sector specific information. When firms like Company B internationalise, preference is usually given to neighbouring countries which are easier

to enter given the economic activity between South Africa and its neighbours. As psychic distance increases with geographic distance, large markets, in this case investment gateways such as Kenya, Nigeria and Ghana, are the most attractive options beyond the boundaries of SADC. The results show that the biggest consideration for the choice of markets is the size of the market, while opportunity and language play a smaller role.

4.4.3.3.d.ii Influence of firm resources on planning processes

The respondents listed several sources of information being used by Company B. There was a comparatively broader range of responses, pointing to 11 sources of information. Surprisingly, the most common source was to 'Invest time in understanding local dynamics'. This was in contrast to the usual strategy formulation, where the sources of information are mainly qualitative using different readily available metrics and sources. As an example, one respondent elaborated, "They look at what's happening in the country, the market share, prospects, what is our competition - all of that. Advantage, can we penetrate? How to go about it?". The rest of Africa is full of fierce local competitors that understand their markets intricately. This question highlighted the challenges of obtaining information in developing markets on the continent, due to the limited availability of formal institutions. Companies expanding into Africa thus use multiple sources of information, which in some cases are non-traditional compared to developed markets. Although developing country multinationals are able to navigate institutional voids in other developing countries, they face intensified competition from local competitors and need to have real-time market information to localise the business (Cuervo-Cazurra & Genc, 2008; Contractor, 2013) if they are to compete in the host country. Even if the multinational has financial resources or internalised knowledge, the extent of institutional voids requires complementary methods to acquire the information. Success relies on business model modification that fit such markets (Bowman & Helfat, 2001).

It was evident from the results that the planning process is consistently understood in the organisation, as was seen by many participants flagging similar process issues. The unilateral understanding of the internal process was shown by three influences – 'Strategy is to dominate the African continent', 'Business case' and 'Feasibility study' – which were pointed out by seven of the eight participants. The strategy of following clients is highly used in the bank so, thus the extent of 'Follow clients' is expounded upon in Table 19 below:

Table 19: Following clients is a major consideration in expansion on the continent

Follow clients	No of Comments
Follow clients	9
Business sequence, follow customers (multinationals)	1
Consulting companies forerunners for big corporates	1
Learning from customers	1

In essence, the company ‘Follows its clients’ into markets they chose to operate in. When a key business client sets up operations outside the country where Company B does not have operations, the MNE sees it as mission critical not to lose the client but follow to protect its relationship with the clients and the possibility of access to new clients (Mulder & Westerhuis (2015) cited in Fischer & Hasselknippe (2017)). Business Banking is generally the first business to set up shop and becomes the source of market information, including competitor information, for the different departments of the bank to follow suit. In other words, when a major business bank client pursues opportunities in a certain market on the continent, this also creates an opportunity for the South African corporate to continue supporting the client in both banking and non-banking services, and provides an opportunity for the company to consider entry into that market. This confirms findings by Fischer and Hasselknippe (2017) in a comparative study of 2 Banks internationalisation from Europe that the main motive for internationalisation for both case the two banks was to follow their clients so that they set up international operations. In addition the study showed that banks used this entry mode of following a key commercial client and once the commercial side of the bank set up operations, these banks entered retail banking.

4.4.3.3.d.iii Influence of strategic choice on planning

When the respondents were asked to elaborate on their business model for internationalisation, the articulations were equally weighted to, ‘Acquisitions or greenfields’, ‘Majority stake preferred’ and ‘Acquisitions reduce lead time to market’. This again confirms previous study by Fischer and Hasselknippe (2017) of which the two banks that were under study, Deutsche bank AG and DNB ASA, entered the respective markets through acquisitions rather than greenfield investment. Acquisitions provided extensive branch network and immediate access to large amounts of clients. Company B’s strategy is similar with previous studies specifically so with banks from developed countries.

4.4.3.3.e Entry strategy implementation processes

Table 20: Responses for Implementation ranked according to interview questions and themes

Respondent	AR	B3	B7	B2	B4	B6	B1	B5	statema Total	resp. out of 6	No of

Role	AR	Support	VAS	Strategy	Support	Strategy	VAS	Support		
6-what you do to implement	4	18	2	5	1	2		7	39	7
<i>Integrated approach to implementation</i>	3	18	2	2	1	2		6	34	7
<i>Parent company provides expertise</i>	1			2					3	2
<i>Parent company staff learning local language</i>				1				1	2	2
7-realities in destination country	9	21	7	19	12	3	6	23	100	8
<i>Each market has own local settings</i>	2	8	1	4	1	2	1	7	26	8
<i>Rest of Africa mostly entry level</i>	2	3	1	8	2	1	3	6	26	8
<i>Significance of Nigeria</i>	1	2		2	5			3	13	5
<i>Cultural differences</i>		1	2	2			1	3	9	5
<i>Regulatory environment</i>	3	1	2					1	7	4
<i>Fierce local competitors</i>		2		1	1				4	3
<i>Lack of infrastructure increase cost of doing business</i>	1		1	1				1	4	4
<i>Takes longer to implement</i>		2					1	1	4	3
<i>South Africa is a mature market</i>					3				3	1
<i>Locals do not trust intentions of developed nations</i>		1		1				1	3	3
<i>Pockets of highly talented people</i>		1							1	1
8-customise to in-country	22	18	8	20	8	4	4	13	102	8
<i>Integrated client solutions</i>	8	9	4	2		1	3	1	28	7
<i>Local management in charge of running business</i>		4	1	7			1	6	19	5
<i>Local talent</i>	2	1		6	7				16	4
<i>Client Analytics</i>	4	1		2		1		4	12	5
<i>Localisation important for market acceptance</i>		3	3	2	1	2		1	12	6
<i>Target market</i>	8			1				1	10	3
<i>Stakeholder buy-in and commitment</i>		1		2	1			1	5	4
9-align company values	10	4	4	15	3	6	5	11	53	8
<i>Robust risk management & governances</i>	9	1		5	2	4			21	5
<i>Align behaviours with brand</i>		1	2	5		1	3	1	13	6
<i>Expatriates</i>	1		2	2		1	1	4	11	6
<i>Familiarity with brand</i>		1		1			1	5	8	4

Table 20 above shows that once planning has been done regarding geography and the company decides to expand its operations, operationalisation of the strategy takes place. Again, the participants were asked questions relating to what the company does in order to implement the strategy. The interview questions looked at the realities they face in the destination country, how they customise the strategy to suit local conditions, and lastly, how they align the values to those of the parent company (Q6-Q9, Appendix 7). The analysed participant responses are shown in Table 20.

4.4.3.3.e.i Influence of psychic distance on implementation processes

Regarding the realities that the multinational faced in the host countries, all the respondents agreed that 'Each market has its own local settings' and 'Rest of Africa mostly entry level' were the main experiences in the destination markets. These two viewpoints were very dominant with an equal weighting of a total of 26 comments each. South Africa has a more developed institutional landscape in comparison to its peers, making it starkly different from other countries on the continent, even compared to a country like Nigeria which alternates with South Africa for the position of number one economy on the continent.

The studies of Fischer & Hasselknappe (2017) explain history of banks where researchers have identified two waves of bank internationalisation, one in the 1830s and the recent one, in the 1960s. The first wave was shaped by colonisation whilst the second wave was characterised by a range of environmental and regulatory changes. This is no different to this bank which was set up under the British rule in 1862 and expanded into other British colonies and by 1920 the first wave of internationalisation was over. The second wave of internationalisation was in the early 1990's after the major British shareholder sold its stake.

With its prolonged periods of having cross-border operations, Company B internationalises using majority shareholding, i.e. it trades as the parent name. For the company to effectively implement and gain local legitimacy, the importance of balancing localisation and maintaining its brand are a careful balance, so management's background and experience have been found to be important factors (Joosub & Coldwell, 2016). Diasporas and local managers are ideal during implementation, especially if they already work in the parent company.

The next most common experiences, which were equally stated by five participants, were 'Significance of Nigeria' and 'Cultural differences'. The 'Significance of Nigeria' is a very interesting emerging trend, as stated in the company's Annual Results (2017). The organisation has a strong presence in the main growth markets of Nigeria, Kenya, Ghana and the latest addition, Cote D'Ivoire; in fact, Nigeria is the company's largest operation outside South Africa. Despite that country being negatively impacted by falling commodity prices and political challenges, the sheer size of Nigeria as a market is recognised, and there is a continued focus on the acquisition of profitable customers in clearly defined segments. Despite huge cultural and geographic distances, market leadership has been gained by having locals run the business. The participants' responses indicate that there is a clear recognition of the different markets the company operates in, which ensures that nuances are understood for effective strategy execution.

In keeping with localisation, the respondents described a range of solutions that are being used to customise the model in the host countries, with the top four being 'Integrated client solutions', 'Localisation is important for market acceptance', 'Local management in charge of running business' and 'Client Analytics'. Again, with the bank's internationalisation model including following clients, the results indicate the importance of aligning the subsidiaries' brands/strategies with that of the parent company and customising for host country customers.

4.4.3.3.e.ii Influence of firm resources on implementation processes

On the question of how the multinational implements the internationalisation process, even though this question generated the least number of comments under implementation, the participants made a very strong argument for using an ‘Integrated approach to implementation’. In keeping with the company’s strategy to dominate Africa, the process to localise the business model needs to be carefully managed and uses its organisational capability (Williamson, 1975) for internal coordination and alignment. This is achieved through an iterative platform for further formulation and adjustment (Bungay, 2011; Nunes & Breene, 2011). The case studies display a pattern of having teams of internal resources managing the internationalisation processes acting as a bridge between the home and the host countries.

4.4.3.3.e.iii Influence of strategic choice on implementation processes

The results show that despite the question not having many responses, an alignment of company values between home and host country is achieved by ‘Robust risk management and governance’, ‘Align behaviours with brand’ and ‘Expatriates’. New ventures are loaded with risk and emerging markets present multinational companies with complex challenges, which require a risk management framework that continuously identifies and manages perceived risks. Excellent execution and good governance are extremely important, and allow firms to acquire an invaluable reputation (Khanna & Palepu, 2006).

4.4.3.3.f Entry strategy post implementation processes

The respondents battled to give a concise reflection of post implementation learnings, however the company’s change of focus from being primarily transactional to offering integrated solutions to high value clients has shown that the company never stops adapting and implementing their strategy. The company takes a long-term view during implementation, and there is a long-sustained effort between when it starts providing a service until it reaches a steady state. Table 21 shows the coded responses on post implementation.

Table 21: Looking back at operations post implementation

Respondent	AR	B3	B7	B2	B4	B6	B1	B5	Total statements	No of resp. out of 8
Role	AR	Support	VAS	Strategy	Support	Strategy	VAS	Support		
10&12-looking back		5	2	5	7	2	5	7	33	7
<i>Local culture</i>		1	1	1	3	2	4	2	14	7

<i>Be humble</i>	4	3	4			11	3
<i>Greenfield long lead time to market</i>		1			2	3	2
<i>Greenfields do not have skeletons</i>					2	2	1
<i>Acquisitions have skeletons</i>				1	1	2	2
<i>Business is about trust</i>		1				1	1
11-failed	1	3	4	1	1	10	5
<i>Battling in some markets</i>	1	3	4	1	1	10	5

When respondents were asked to reflect on their learnings from internationalisation processes, they felt that executives should not overlook the impact of culture as they seek new opportunities on the continent. The other lessons pointed out by a few participants as a warning to those planning to go into emerging markets include: ‘Be humble’, ‘Greenfields take long lead time to market’, ‘Acquisitions have skeletons’, ‘Greenfields do not have skeletons’ and ‘Business is about trust’. Despite the many years this company has spent on internationalisation, the results imply that its enduring resilience in emerging markets can be attributed to the time it spends adapting its model. In summary, the company has battled in some markets due to the macroeconomic environment, political instability and at times leadership issues. To mitigate possible reputational risk, the company reassesses the business model and makes it work in the respective geographies, even though it might be outside the originally set timelines, i.e. it takes a long-term view on such investments.

4.4.3.4 Conclusion

With experiential knowledge of more than 20 years operating outside South Africa, Company B uses its knowledge of the African landscape to pursue its dominance, offering banking and non-banking services solutions on the continent. To realise this strategy the company pursues majority shareholding during acquisitions, and at times takes a greenfield approach in markets where there are opportunities but nothing to buy. The strategy is modelled on growth markets such as Nigeria, Kenya, Ghana and Cote D’Ivoire, where it has seen greater success. The respondents indicated that although the original entry into the rest of Africa was associated with transactional services, the company adjusted over time to where it now uses client analytics and targets high value clients, offering not just banking solutions but non-banking services as well. This has come about due to collaboration within the different divisions in the business, collaboration with subsidiaries, and being embedded in their clients’ value chains.

The respondents emphasised the importance of risk management and governance during the process of internationalisation. Though the ownership model increases the level of investment risk,

it tends to reduce the level of dissemination risk (Horner, et al., 2016). The firm relies heavily on its advanced ability to develop differentiated products using the vast amounts of experiential knowledge acquired over time (Agarwal & Ramaswami, 1992). Although planning is done in South Africa, implementations are more integrated and solutions are customised to be relevant for the local markets. The head office support team facilitates the alignment and consistency in the respective geographies during implementation and post-implementation. They acknowledged that success comes from not flouting the laws of a country, and by ensuring that the considerations of each of the markets are taken into account during implementation. Although expatriates are used in the initial stages of strategy implementation to ensure business alignment with the parent company, localisation is effectively achieved by appointing local management to run the business.

4.4.4 Intra Case Study Analysis

4.4.4.1 Introduction

The two companies for the case studies were chosen due to their broad footprints in their respective industry sectors compared to their peers. In addition, for these South African corporates, growing on the continent is the core of their strategies. One of them is aiming to be the “leading Pan-African financial services company” through horizontal integration, while the other wants to be the “leading financial services organisation in, for and across Africa” using vertical integration (Table 22). Their appetite and tenacity to make it on the continent could not be ignored, hence their selection for this attempt to understand how South African corporates are planning and implementing their strategies on the continent. With the companies both being in financial services but falling into the insurance and banking sub-sectors, their journeys taken during internationalisation on the continent had some similar and some different aspects.

Table 22: The positioning of the cases

	Early	Late
Planned	Company B First mover Ownership	
Unplanned		Company A Latecomer Partnership

Data and answers questions from each of the questions were compared. To make easy comparisons, only the top five themes emerged pointed out by most of the participants (starting with the most common) were tabularised as presented below. The full list of themes is displayed in Appendix 12.

4.4.4.2 Summary of responses from interview participants

The results of the case study analysis for the two case studies came from seven interview participants and the Annual Results for each company (Table 23).

Table 23: Number of respondents per functional role for the two case studies

Functional area	Company A				Company B			
	Respondents		Responses		Respondents		Responses	
	No	%	No	%	No	%	No	%
Annual Results	1	12.5%	56	8%	1	12.5%	66	12%
Strategy	3	37.5%	323	44%	2	25%	149	28%
Support	2	25%	178	24%	3	37.5%	239	44%
VAS	2	25%	171	23%	2	25%	85	16%
Grand Total	8	100%	728	100%	8	100%	539	100%

4.4.4.3 Intra-case analysis | Planning processes

The emerging themes under ‘Classification’ were done to compare how the two companies were exploring opportunities on the continent.

4.4.4.3.a Influence of psychic distance on planning processes

Table 24 below shows the steps taken by the two multinationals as they internationalised across Africa. This data was provided by the respondents, the company websites and other sources such as Annual Reports. As argued in literature on psychic distance and its influence on distance dimensions in internationalisation (Williams & Grégoire, 2014; Horner, et al., 2016), the two companies under study clearly show that distance reducing commonalities such as geographic, cultural, linguistic, institutional and economic factors play a huge role in choosing where to internationalise.

Table 24: Internationalisation of the cases under study

	Country	Company A	Company B	Region	Business language (Main)
1	South Africa	1918	1862	Home	English
2	Namibia	1928	1915	SADC	English
3	Lesotho	2012	1901	SADC	English
4	Swaziland	2011	1988	SADC	English

5	Botswana	1975	1897	SADC	English
6	Zimbabwe	2015	1892	SADC	English
7	Mozambique	2012	1894	SADC	Portuguese
8	Zambia	2002	1906	SADC	English
9	Malawi	2012	1901	SADC	English
10	Mauritius	2017	2001	SADC	French
11	Madagascar	2016		SADC	French/ English
12	Angola	2016	2001	SADC	Portuguese
13	DR of Congo		1992	SADC	French
14	Congo Republic	2016		Non-Regional	French
15	Rwanda	2014		Non-Regional	French/ English
16	Burundi	2016		Non-Regional	French /English
17	Tanzania	2016	1916	Non-Regional	English
18	Uganda	2010	1912	Non-Regional	English
19	Kenya	2017	1911	Non-Regional	English
20	South Sudan		2012	Non-Regional	English / Arabic
21	Ethiopia		2015	Non-Regional	English/ Amharich
22	Cameroon	2016		Non-Regional	English
23	Nigeria	2014	1897	Non-Regional	English
24	Ghana	2005	1896	Non-Regional	English
25	Cote d'Ivoire	2016	2014	Non-Regional	French
26	Gabon	2016		Non-Regional	French
27	The Gambia	2016		Non-Regional	French
28	Benin	2016		Non-Regional	French
29	Togo	2016		Non-Regional	French
30	Burkina Faso	2016		Non-Regional	French
31	Mali	2016		Non-Regional	French
32	Algeria	2016		Non-Regional	French
33	Senegal	2016		Non-Regional	French
34	Morocco	2016		Non-Regional	Arabic/ French
35	Guinea	2016		Non-Regional	French
35	Central African Republic	2016		Non-Regional	French
36	Western Sahara	2016		Non-Regional	Arabic/ French
37	Niger	2016		Non-Regional	French
38	Tunisia	2016		Non-Regional	Arabic/ French

4.4.4.3.a.i Neighbouring countries

Both companies started internationalisation very close to home in other SADC countries, despite having to navigate language barriers in Mozambique and Angola. The companies thus chose markets that were largely psychically and culturally similar to their home markets (Vahlne & Johanson, 2013). Echoing this view, one participant (A1Q2) explained:

“What you might find is that our neighbouring countries with many people migrating in and out of South Africa, that culture has moved across the borders into Lesotho, Botswana, Namibia, Zimbabwe, etc. So the Southern African part has been very influenced by South Africa and our local culture. Whereas in the north, funeral is almost a taboo subject, you don’t talk about it.”

When psychic distance is closer, such as when emerging market firms enter neighbouring countries, they are able to introduce suitable products and services because they possess knowledge of how operations are conducted in such markets, creating an advantage (Cuervo-Cazurra, 2008; Jain, et al., 2013). Executives of South African corporates favour entering markets closer to their home

country, because apart from investment returns, the psychic distance is less costly because relevant information can be easily interpreted, making it simple to adjust the strategy (Williams & Grégoire, 2014; Cuervo-Cazurra & Genc, 2011; Johanson & Vahlne, 2009).

4.4.4.3.a.ii *Beyond neighbouring countries*

Outside the regional economic bloc, South African companies face higher psychic distances, most of which are geographic, cultural, institutional, economic and in some cases language. These findings fit well with arguments that suggest that internationalisation happens when a firm believes that benefits exceed costs (Gaur, et al., 2011). Company A’s choice of markets has been driven primarily by language, English being the main preference, followed by French. On the other hand, Company B’s choice of markets has been primarily driven by the size of the markets, specifically growth markets, followed by language (Table 25).

Table 25: Comparing responses on Choice of Markets for the two cases

Company A	Responses	Participants	Company B	Responses	Participants
2-choice of market	21	8	2-choice of market	27	8
<i>English speaking first</i>	14	5	<i>Growth markets</i>	16	6
<i>French speaking partner</i>	7	3	<i>English speaking first</i>	3	3
			<i>Choice of markets not influenced by language</i>	3	3
			<i>Language facilitates basic conversation</i>	2	2
			<i>Key French speaking market</i>	2	1

The first mover, Company B (Table 22) using the ownership mode to internationalise then targets growth markets whilst the latecomer (Table 2) using the partnership mode uses English for determining location. As found in earlier research, depending on a company’s appetite for risk, multinationals use distance augmenting (Williams & Grégoire, 2014) strategies to mitigate internationalisation risks. The preference in this case could be explained by the length of time that each of the companies has been internationalising. Company A, a latecomer, is still fairly new to internationalisation (since 2005) compared to Company B, which has had operations on the continent since the 18th century. Despite this, Company B used its experiential knowledge and dynamic capability to localise its subsidiaries in the host countries.

4.4.4.3.a.iii *English language*

Using English as a consideration for expansion beyond the neighbouring countries presents some form of familiarity for both corporates. Responses from managers from both companies indicated that entry is into English speaking countries first, followed by French. For Company B, the growth

markets in Sub-Saharan Africa are English speaking, creating familiarity for the corporate, whilst Company A has a partner in French West Africa. One participant stated the importance of English as a language of instruction (A4Q2):

“We started out in the countries because of language. So phase 1, English speaking countries was a requirement because I can go there I can meet the regulator, I can speak the language, I can read the documentation. Once I go beyond English speaking, because I don’t speak French, so it’s a lot more complicated. I can’t speak to the regulator. I can’t even read the acts of parliament. So you can do it but it’s difficult. Or Portuguese again.”

Cross-border expansion requires a parent company to familiarise itself with the institutional setting, thus a similar language is common mental tool through which people make sense of the environment. In a prior study, English was used by Indian businesses to internationalise into English speaking countries (Buckley, 2018) and Indian firms are inclined to do business in English speaking countries.

4.4.4.3.a.iv Growth markets

The respondents from Company B (Table 20) acknowledged that large markets, such as Nigeria which has 16% of the continent’s population, cannot be ignored. Despite its current economic challenges due to low oil prices, it is a regional giant in ECOWAS and competes fiercely with South Africa as a continental giant. One of the bank executives(B2Q2) stated that:

“It’s too big to ignore. It’s just the size. It’s too big to ignore. It’s one of the biggest economies in Africa and is growing. It will continue and in fact the projection is instead of SA catching up to Nigeria, SA will end up in half the size of Nigerian economy. So it’s just too big to ignore. And again, what I said earlier, you follow your customers. Your customers cannot – any business bank customer who has the ability to go cross border cannot ignore Nigeria. So if your customers are going there, as a bank, you have to be there. And not just our African customers, its European customers, Asian customers, Americans. Customers know that Nigeria is too important, too big a market irrespective of the issues and challenges they have. So as a bank, it’s natural that we know that that’s where our customers will gravitate towards, and we have to be there to serve them.”

These findings parallel those of previous studies that indicate that consumer index factors such as per capita incomes, lifestyles and consumer preferences in a foreign market are significantly important in executives’ FDI decisions (Joosub & Coldwell, 2016; Horner, et al., 2016), as they significantly reduce economic distance. With the respondents also confirming that clients on the

rest of the continent are mostly entry level with a small layer of wealthy clients at the top, the appetite for EMNE's would then be particularly in larger markets, like Nigeria, Kenya, Uganda where the huge population present a bigger potential for more people to consume more global products which is an easy market for such corporates. As one participant stated (A4Q9):

“Most of Africa, the upper end is small. In South Africa, 1 500 actuaries and 2 000 students, go to Ghana you get 25 students and actuaries. The death is a similar measure of the number of wealthy Ghanaians. It's a tiny thin layer of wealthy Ghanaians and we generally don't target them. ... We have some products where in South Africa, 'Company A' has got the brand, between there is low level, there is middle, there is upper, there is own business owners, there are doctors, there is all sorts of divisions, pricing aimed at all sorts of the different divisions. You can't do that in Ghana. You can't sell them a product aimed at doctors or lawyers. You can't sell that. The broad products – you can't sell 25 products. It's a waste of your time. ...people that earn R100 000 per month is such a thin layer on top.”

Large emerging markets are targeted to extend product life cycles in new market segments, as well as to develop and launch new products (Enderwick, 2009a). To hedge the risk of a lack local knowledge, it is safer to enter a market with reasonable quality products at a low price (Hoskisson, et al., 2000), especially if it is difficult to determine the potential market size. This is where spending time in these markets and gathering experiential knowledge can bridge the gap of perceived differences.

4.4.4.3.b Influence of firm resources on planning processes

Although the two organisations use different sources of information, it is interesting to see that for both multinationals, the main source of information when expanding into the African markets is to 'Invest time in understanding local dynamics'. Company A, because it uses the partnership model and relies a lot on the value systems of its partners, invests time in understanding and learning about the internationalisation landscape and mostly identifying the right partner, and uses the best available information to make decisions. In contrast, Company B, which invests time in learning about the markets it sets up operations in, focuses on indices that would make economic business sense. This company now has a lot of internalised knowledge about the different markets on the continent. Company B's focus was not much on expansion but rather growth in existing operations and would rather look at other sources of information during planning (Table 25).

Table 26: Comparing responses regarding sources of information for the two cases

Company A	Responses	Participants	Company B	Responses	Participants
3-sources of information	56	8	3-sources of information	43	8
<i>Invest time in understanding local dynamics</i>	22	6	<i>Invest time in understanding local dynamics</i>	10	4
<i>Learn by doing small deals</i>	15	5	<i>Due diligence</i>	5	4
<i>Local industry players</i>	13	4	<i>Economic indicators</i>	6	3
<i>Desktop research</i>	3	2	<i>Internal research department</i>	6	3
<i>Best available information</i>	2	1	<i>Invest in doing homework</i>	3	3

What is also apparent in Company A is that the company is using lessons learned and utilising local industry players to enhance its knowledge of the local markets. Internationalisation requires learning and adaptation, so for Company B, experience in these markets has shown the importance of taking control of the information rather than depending on third parties. It has seen the need to build its own internal research capacity and due diligence when assessing operations, as these are some of the considerations that enable more sound decision making.

4.4.4.3.b.i *Learn by doing small deals*

Starting with small deals reduces the risk of the internationalisation process in dynamic markets (Enderwick, 2009). The latecomer (Company B) refined its internationalisation processes by doing small deals to grow its Africa coverage, in its quest to become “the pan-African insurer”.

As one participant explained (A2Q2):

“The first deal we did in Nigeria was very small because it was a start-up. Then we did one in Malawi which was only a few \$m. then towards the end we started doing bigger deals. In Rwanda, it was, I could say R100m to R200m. And this one eventually was R400m”.

This was confirmed by another respondent, who said:

“We learned our lessons on the small ones so that when the big one came along, we already knew how to go about it. We already had good relationships with our advisors, our lawyers, our accountants to do the due diligence. Our team internally had been quite through a few mistakes in the past in putting deals together.”

The importance of a clear motive to internationalise, signals a commitment to and receptiveness to learning as the new venture strives to persist in international markets (Wood, et al., 2011). As argued in earlier studies, this research found that experiential knowledge provides a framework for perceiving and formulating opportunities. The better the knowledge about a market, the more valuable the resources and the stronger the commitment (Johanson & Vahlne, 1977). Emerging markets present opportunities for multinationals to sharpen their competitive responses,

arbitraging learning between markets and learning how to manage and expand in a stepwise approach.

4.4.4.3.b.ii Invest time in understanding local dynamics

This data gathering methodology was overwhelmingly mentioned by managers from both companies (Table 22) as a key part of internationalisation. Although EMNEs are known for building non-market resources in host countries based on their experiences at home (Cuervo-Cazurra, 2008), building an accurate source of data to make good decisions in a foreign country with large institutional voids shows commitment. Although external consultants are considered to be a source of data to some extent, given the institutional voids that are abundant in such countries, the survey results (Figure 8) show that local partners are considered to provide more accurate, real time data, as well as market intelligence. The relatively low levels of industry development, unclear or non-existent legislation in some countries, and governments with little or no market information publicly available to potential market entrants, all play a role. Most participants suggested that companies need to invest time in the target country, speak to stakeholders on ground, and see the market nuances for themselves. As one interview participant highlighted (A5Q6):

“Take time and effort and spend money to understand the local market. Understand the local nuances and then go in and say, ‘Given what we know about insurance...’, then the broader understanding of the market and the nuances and the conditions and the needs of the clients, that’s how we are going to build a successful and sustainable business.”

Another responded also affirmed:

“Get information and get information from credible sources and not from anyone.”

This confirms arguments by Collins (2013), who believed in the structured Western approach of gathering information, but emphasised the value of being in the country to understand each market, the players and how business on the continent is done. South African giants on the continent like Shoprite, MTN and SAB Miller have proven that things are often not the way they seem to be on the continent, so spending time in the geographies makes a huge difference.

4.4.4.3.b.iii Evaluating the market potential

During the planning process, whilst Company A prioritises market analysis, Company B focusses on how to dominate the markets they are in through growth. As a latecomer, Company A also spends time on feasibility studies and evaluating business opportunities, while Company B, because of its

international experience in these markets, is deepening its presence by focussing on growth. Where it considers new markets, Company B assesses the viability of each business case, as shown in Table 27 below.

Table 27: Comparing responses regarding the influence of firm resources on planning

Company A	Responses	Participants	Company B	Responses	Participants
4-process during planning	143	8	4-process during planning	114	8
<i>Market analysis</i>	30	7	<i>Strategy is to dominate the African continent</i>	34	7
<i>Take a long term view</i>	10	7	<i>Business case</i>	22	7
<i>Business opportunity</i>	13	5	<i>Feasibility study</i>	21	7
<i>Opportunity for value creation</i>	9	5	<i>Follow clients</i>	12	5
<i>Feasibility study</i>	18	4	<i>Leadership international experience & awareness</i>	9	4

Company A is taking a stepwise approach to its internationalisation strategy, as it is still trying to make sense of the nuances and hence are taking a long-term view. Again, Company B's long history on the continent is the main reason for its wealth of tangible information, as well as the fact that they test and check before settling on a market.

4.4.4.3.c Influence of strategic choice on planning processes

Table 28 below shows the respondents' views on the business models that the two companies are using for internationalisation. Despite the participants from Company A expressing different views, the Partnership model came out quite strongly. All the managers stated that their organisation goes into Partnerships that complement each other, noting that a partnership is considered to be profitable sooner. In contrast, Company B's approach is to get acquisitions or make greenfield investments, i.e. they would rather have a majority stake. Both companies believe that whether it is a partnership or acquisition, incorporation of a home-grown business in the host country reduces lead time to market and the business becomes profitable sooner.

Table 28: Comparing responses on business model for the two cases

Company A	Responses	Participants	Company B	Responses	Participants
5-business model	115	8	5-business model	18	8
<i>Partnership to complement each other</i>	16	8	<i>Acquisitions or greenfields</i>	7	5
<i>Local partner understands the local market</i>	29	7	<i>Acquisitions reduce lead time to market</i>	5	4
<i>Internationalisation core competencies</i>	12	5	<i>Majority stake preferred</i>	6	3
<i>If majority, more power to make decisions</i>	10	5			
<i>Partnerships profitable sooner</i>	7	5			

4.4.4.3.c.i Choice of business entry mode

Based on the survey results, the predominant model used by South African companies in their expansion strategies is the joint venture model, and to very small extent, ownership. The ownership model was mostly used by those companies that expanded early and were entrenched in the chosen market before the “freedom boom” of post-1994, which saw many such companies take ill-fated decisions that ended in failure. The early starters took the first mover advantage and positioned their brands in the market. A participant articulated how they built the brand in these markets (B2Q8):

“And then when you have good people, you now need to build the brand – what we stand for, who are we. And a lot of times, this is logical, if any one of these does not fall in place like synchronised, you have a problem. Because even if I have good people and I don’t have the brand, they don’t build the brand and promote it and make it visible, you don’t get to the outcome you want. The fifth point there is to attract the customers if you continue in that line of thought - remember we are a new bank, we have managed to get acceptance, and we managed to find good people, we managed to build our brand, we managed to attract customers, now we can actually decide which kind of customers.”

Generally, multinationals do not prefer a sole venture when contractual and investment risks seem high, but the capacity to deal with investment risks depends on their ownership advantages. They may enter markets that are perceived to have high contractual risks using sole ventures when they have advanced their ability to develop differentiated products (Williamson & Wan, 2018), they have distinctive capabilities (Nunes & Breene, 2011), and they have clear motives (Enderwick, 2009a; Khanna & Palepu, 2010; Jain, et al., 2013). The ownership model fits well with Company B which has a clear motive of dominating Africa and has developed deep internationalisation capability over a century. In high potential markets, multinationals would like to go it alone and are guided by strategic considerations and cost-benefit trade-offs. Significant managerial and financial resources are key drivers for the long-term success of any foreign investment (Agarwal & Ramaswami, 1992; Nunes & Breene, 2011). Companies that are willing to be first participants in such daunting circumstances reap the benefits of first mover advantages (Hoskisson, et al., 2000).

4.4.4.3.c.ii Follow clients

The best chance of success for companies that want to pursue the ownership-based model is to follow their big clients and continue to service them across the borders. Company A uses its strong home ties with such clients to enter these new markets, creating an opportunity to learn about the market whilst servicing the client. This confirms the findings of a comparative study (Fischer &

Hasselknippe, 2017) of two banks, which showed that one of the entry modes used by banks is to follow their clients. Once the commercial side of the bank sets up operations, it becomes a source of market intelligence on the regulatory environment, competitor information and other areas. The bank then uses this capability to set up its retail network. This set-up creates opportunities for the bank to continue supporting the client and acquire more clients.

This business model shows that the private sector is taking heed of the call to contribute towards the development of the continent. Given the bank's stature as a leading bank in South Africa, as well as its slogan on their Africa strategy, "Taking Africa to the world", it is financing clients on major projects that are driving development and growth on the continent. The Head of Investment Banking Operations (B1Q2) commented that:

"So this is a huge massive project but then they would have, I think there is an opportunity to sell them multiple products because we have 2000 contractors working on a project. It's also an opportunity to sell these people retail banking accounts and you have expats coming in or engineers. Then salaries, offshore, sell products, then it's around selling them a life insurance and healthcare across the value chain – across retail. Possibilities around banking open up opportunities to sell them multiple products and services. And effectively if you take that as an example, both the connection from Africa to China and can also run cross-sell opportunities across retail and wealth."

The company then puts a local team in place and builds up their skills and capabilities to support the client. The costs of establishing the business are thus lower, as the client has done the groundwork such as liaising with the government, and they know the competitors and the local customers. Most of these clients' strategies are to build a high degree of social capital in the destination countries. Because the parent company is in collaborative and long-term relationships with its major clients, the business relationship became a win-win situation across the border, where both parties are focused on the mutual benefits. One executive stressed (B2Q2):

"With Corporate and Investment Banking, typically from the first time we ventured into Africa, a lot of that is because our customers went into Africa. We have to provide banking services to our customers going into Africa. That is why a lot of the times when we go into a market, we go with Corporate and Investment Banking first just to follow the clients and achieve some cost benefits. And then eventually once we know more about the market, we have a local team in place."

Todeva (2014) described a business ecosystem as networks of organisations that together constitute a system of mutual support and that co-evolve through participation and contributions to the networks by members. A firm is thus embedded in a business environment that it needs to coevolve with other companies. As per Todeva, “companies need to become proactive in developing mutually symbiotic relationships with customers, suppliers, and even competitors” (p. 2). Trusting relationships are built over time and maintaining such relationships and exporting them across borders is a reflection of how these relationships are nurtured in South Africa. In strong trusting relationships, high value clients tend to attract other high value clients, which are then introduced to the partner company when it follows the client. Social capital is exportable and translated into economic benefit for both parties; if the lead partner’s business is established and growing, the follower can confidently set up a business, primarily to service the client, but gradually servicing the client’s customers and ultimately the greater public. Business networks are known as the new organisational form of doing business, where cooperation and competition take place simultaneously, and where the interdependencies between firms co-evolve through complementary skills, assets and capabilities (Moore, 1993). With Africa becoming increasingly connected through technology and the promotion of intra-regional trade, if a company has a strong brand at home, it is easier to attract local customers.

4.4.4.4 Intra-case analysis | Implementation processes

4.4.4.4.a Influence of psychic distance on implementation processes

The participants indicated that psychic distance creates market conditions that are unique to each of the markets they have operations in. Company A (the insurer) acknowledges that its entry level clients in neighbouring countries are similar, arguing that entering neighbouring countries is easier for the organisation because of the commonalities. However, Company B, which has been in these markets for longer, believes that it is not just neighbouring countries but the whole continent that is mostly entry level. Company B also sees Nigeria, the largest market in terms of population (180m vs. South Africa’s 55m), as a significant market; Nigeria was the largest contributor of revenue and profit to its ‘Rest of Africa’ division for the 2017 financial year.

Table 29: Comparing responses regarding the realities the two organisations face on the ground after entry

Company A	Responses	Participants	Company B	Responses	Participants
7-realities in destination country	110	8	7-realities in destination country	100	8
<i>South Africa developed market</i>	10	6	<i>Each market has own local settings</i>	26	8
<i>Each market has own local settings</i>	8	6	<i>Rest of Africa mostly entry level</i>	26	8
<i>Insurance is a luxury</i>	16	5	<i>Significance of Nigeria</i>	13	5
<i>Entry levels clients in neighbouring countries are similar</i>	11	4	<i>Cultural differences</i>	9	5
<i>Regulatory environment</i>	7	4	<i>Regulatory environment</i>	7	4

4.4.4.4.a.i Each market has own local settings

There was an overwhelming commentary on the uneven institutional landscapes (Table 29) in the different geographies due to their cultural differences and regulations. The results, which were corroborated by the survey results (Figure 11), indicate that South Africa, despite being an African country that is expected to have close psychic distances with most African countries, differs due to the years of economic isolation during apartheid. In addition, the diverse colonial pasts of African countries led to the use of different languages (English, French, Portuguese & Arabic), which is compounded by an extensive range of African languages and cultures, i.e. Africa as a continent is complex and each country has its own settings.

Despite the factors of psychic distance affecting business decisions, African governments are pushing for the localisation of businesses to ensure knowledge transfer and the development of local economies. For example, in Namibia, localisation is expected for international companies that set up operations which includes even during the tendering of business, and those that do not have local partners are marked down. The results of this research show indicators of how companies find ways to comply with the regulatory landscape and compete in host countries by having local leadership that understands local cultures and norms,. Both case studies appoint locals into top leadership positions to bridge the perceived differences the EMNEs experience in the host countries. As one respondent described (B7Q4):

“I think that each country is different. So it would be arrogant to think that because you have been in Africa in existence for 15 years, when you go to market is not the same. Localisation is very important. And you should look at our financials as well; some markets we have not really cracked. Why? You look at it, there is a very big different in culture. There are different language barriers. There is a difference in regulation. Some markets are far regulated than others.”

Executives tend to choose internationalisation markets with similar cultures, business systems, languages and cultures (Perks, et al., 2013), however, as shown in previous studies, in circumstances where there is a high psychic distance but a good business opportunity, multinationals take steps to bridge the perceived distances by hiring someone with prior knowledge to address the differences, or someone with country specific knowledge who can moderate the effects of the perceived differences (Williams & Grégoire, 2014).

4.4.4.4.b Influence of firm resources on implementation processes

When the participants were asked what they do to implement their strategy once a decision has been made, it was clear that implementation is done in a systematic manner (Table 30). The viewpoints that were highly correlated between the two organisations were ‘Parent company provides expertise’ and ‘Integrated approach to implementation’. These findings fit the arguments that suggest that resources and capabilities are the foundation of firm competitive advantages (Wernerfelt, 1984), which are valuable during internationalisation.

Table 30: Comparing responses on how they implement their strategies for the two cases

Company A	Responses	Participants	Company B	Responses	Participants
6-what you do to implement	38	8	6-what you do to implement	39	8
<i>Parent company provides expertise</i>	23	8	<i>Integrated approach to implementation</i>	34	7
<i>Integrated approach to implementation</i>	10	4	<i>Parent company provides expertise</i>	3	2
<i>Incentives drive behaviour</i>	5	3	<i>Parent company staff learning local language</i>	2	2
<i>Effort to speak partner’s language bears fruit</i>	1	1			

Again, Company A works through local partners who need the backing of expertise and support for business success. In contrast, Company B, which has had cross-border operations for years, focuses on learning and creation, and over the years has grown its ability to create client solutions for high value clients.

4.4.4.4.b.i Integrated approach to implementation

The responses from the managers indicate that they measure success of internationalisation on the level of integration between the parent company and the subsidiary. These multinationals have recognised the huge cultural differences between home and destination countries, which need attention for their objectives to be achieved in the short term. The companies have set up special internal departments that work as buffers between the parent company and the subsidiaries, while the integration teams ensure that despite customisation of the business model by a subsidiary,

there is a clear understanding of the emerging business model that is finally adopted. In addition, the teams ensure that there is alignment between the behaviours exhibited in the subsidiary and those of the home country. These teams are considered instrumental in ensuring that policies and the company way of doing things is in line with the home company, despite the cultural distance. As one respondent said (B3Q3):

“So there is pre, during and post type analysis that happens with all the businesses we take on. So we look at acquisition or do we start from scratch, again once you are in there you start running the business and the business falls under SA as we have got a team – myself and 6 of us in the team that look after everything outside SA on content. We split the business effectively between SA, Rest of the continent & the group. Then those business reporting into the different central businesses in terms of management etc. So there is quite a tight process we follow in terms of integration. We try bring back business to head office as much as we can leverage efficiencies. So our admin and ops are done in SA with some processing done in-country.”

This confirms the literature on the implementation of a successful strategy that advocates that managers should align organisational design and capabilities with the strategy (Sterling, 2003). However, in emerging markets where market conditions are fluid, strategists need to be agile to achieve coherence and “strategic alignment in a sea of tensions” (Angwin, et al., 2009).

4.4.4.4.b.ii Localisation of business

The results show that both organisations acknowledge the importance of localisation, as the number of responses were almost even. The participants pointed out the importance of not just localising the business, but also of putting local management in charge of running the business and ensuring that the solutions are relevant for the market.

Table 31: Comparing responses on how companies customise the plans in-country

Company A	Responses	Participants	Company B	Responses	Participants
8-customise to in-country	115	8	8-customise to in-country	102	8
<i>Local management make decisions on brand to be used</i>	10	7	<i>Integrated client solutions</i>	28	7
<i>Stakeholder buy in and commitment</i>	15	5	<i>Localisation important for market acceptance</i>	12	6
<i>Takes longer to implement</i>	12	5	<i>Local management in charge of running business</i>	19	5
<i>Local management in charge of running business</i>	12	5	<i>Client Analytics</i>	12	5
<i>Localisation important for market acceptance</i>	10	5	<i>Local talent</i>	16	4

For Company A with its partnership model, stakeholder buy-in is very important, however the low risk business entry mode can sustain a long-term view to make it work. The Uppsala Model describes

this phased development as an incremental risk-averse and reluctant adjustment to changes in a firm (Johanson & Vahlne, 1977) to minimise internationalisation risk. On the other hand, as Company B uses the ownership model and follows clients, it uses client analytics to create integrated solutions for superior client service using its country-created and experience-based resources (Jain, et al., 2013).

Again, for Company A there is more reliance on local partners on strategy implementation, so buy-in and commitment on implementation decisions are a high priority. Whilst for Company B, because of its extensive experience and time spent in these African markets, the focus is on growing the share of the client's business using its competitive intelligence and knowledge management capability for strategic decisions and provide value added services to their clients.

4.4.4.4.b.iii Implementation takes longer than planning

Company A, as a latecomer, mentioned the long period needed for implementation (Table 27), which was also confirmed in the survey results. What was apparent from the interviewees was that since planning is done at the head office, it is based on methodologies used for the home business without taking the host country's psychic distance into account. The reasons given were that the heterogeneous landscape and huge cultural distance from South Africa makes it difficult to navigate and quickly arrive at a formula that works. For a business such as insurance, reputation is core to the business model and profitability, and unfortunately this takes long to build in the markets the company chooses to set up operations. As one participant commented (A1Q5):

"What we found is that it takes very long. Insurance is specialised so it takes quite a long take off. It takes anything, 4-6 years to actually become profitable. And that is quite a long time especially in these markets where you have to create a market really. People don't know insurance, you have to educate them".

This was also corroborated by another participant who said:

"Be patient. In Africa, if you got to be there, you want to be there for the long haul. We have some massive amounts of paying now in the markets but we are here for the long-term. We are very confident about long-term and very confident about our partners."

The results confirm the value of having individuals in organisations whose role it is to achieve strategic alignment by acting like the conductors of an opera (Bungay, 2011; Nunes & Breene, 2011), but due to the heterogeneity of the African continent, implementation can take much longer than

originally planned. Companies that apply flexible, innovative and unconventional approaches to strategy implementation succeed despite the challenges (Ernst & Young, 2013).

4.4.4.4.c Influence of strategic choice on implementation processes

When assessing how the two multinationals ensure that there is alignment between the parent company and their cross-border subsidiaries, both companies indicated that they ensure that they ‘Align behaviours and brand’ (Table 32), using their firm specific advantages of internalised knowledge to manage these initiatives as projects. The other common consideration between the two companies was the ‘Robust risk management and governance framework’.

Table 32: Comparing responses on how companies align the values of subsidiary to parent

Company A	Responses	Participants	Company B	Responses	Participants
9-align company values	73	8	9-align company values	53	8
<i>Align behaviours with brand</i>	17	6	<i>Align behaviours with brand</i>	13	6
<i>Brand consistency is managed by parent company</i>	13	6	<i>Expatriates</i>	11	6
<i>Robust governances</i>	12	6	<i>Robust risk management & governances</i>	21	5
<i>Local partner with similar values</i>	15	5	<i>Familiarity with brand</i>	8	4
<i>Strong brand used</i>	8	3			

For Company A, having a partner with similar values is paramount to ensure that there is strategy alignment. Once the such a partner has been identified the partner is empowered to make host country business decisions such as the brand to be used in each of the markets. The stronger brand is to be used. On the contrary, Company B’s ownership model means that clients need to be familiar with the parent brand, and the alignment of the home and host brands is very important. For consistency, the MNE therefore makes use of expatriates to oversee their implementation process.

4.4.4.4.c.i Expatriates/Leadership with international experience - preferably diasporas

The results showed that entering emerging markets is also about timing and the mode of entry. It was noted that once the parent company identifies the market, there is a time lag between finding the right local people and running the business. Moreover, the local management need to be trained on parent company norms and the way of doing business before taking charge. To ensure that there is no delay in setting up the subsidiary and that the behaviours of the subsidiary are aligned with the parent company, managers from the parent company with international experience are deployed to set up and open the business. The expatriates are usually used to instil and embed

parent company values, whilst upskilling local management to fully run the business after a set period. Management skills and experience considered for such roles include leadership skills, whereby one is able to operate across cultures, has a strong affinity to people, and has the ability to observe, interpret and practice the norms. One participant stated that (B2Q6):

“Both. So at the beginning, we need to bridge that skills transfer gap. Assuming we are able to find, even if we find good people in Ethiopia right away, we still need to bring them up to speed with Company B’s way of running a business, of doing things. Definitely there will be people going from here to Ethiopia. But the whole idea is that whoever is a local expert we bring on board, we need to introduce them into the ‘Company A’s way of doing things. And ultimately over time, we can reduce the number of any expatriates going from here and make sure that key positions and that business is run by capable locals in the country.”

The results are consistent with the internationalisation approaches, where expertise and knowledge are internalised in the parent company and experts are used to carefully manage the exportation of this knowledge. Local staff are then gradually trained to ensure that the products and approach in the destination country fits with local culture and norms. If embedding the strategy is done jointly by the business experts and the local experts, this also mitigates the foreignness of the new entrant. Expatriates from the parent country of the multinational are used to manage the interests of the organisation, including transferring its competencies, systems and even aspects of its organisational culture to its subsidiaries in foreign locations (Wöcke, et al., 2007).

As much as developing countries want skilled people to go and train local professionals, they are now strict on the numbers per company and their terms are limited because they want the locals to be equally skilled. As one executive (B1Q6) noted:

“They want for their transformation development programmes to hire locals. They are clamping down on ease and ability to issuing work permits.”

It is imperative for companies to have a clear strategy on how they will attract and retain skilled local people to run their businesses. The main mitigation strategy used by Company B is to appoint people from the host countries who grew up in South Africa. As the Head of Commercial Banking said (B2Q7):

“Locally what you find is you see again, you will be surprised to see how many Ethiopians, for example, work in South Africa. And thus we use employment agencies and our own human capital network. So diaspora is a big part of our operations in Africa. And of course Ethiopia itself. The diaspora is someone who wants to go. So we do get people from all over. And if

you look at our operations especially in Africa, many people grew up here. I was not born in South Africa, I was born in Nigeria. So if I choose now to go and work in Nigeria, I know the culture, the language. So I can go there and work there permanently instead of engaging with them like I do now. Se we do have a bit of that and we see that in a lot of our markets it has shortened the training time because they have been in South Africa, they have been in Company B so they know what the bank is all about. So when they go into a country, then they already know the dynamics. They were born there. So when they go there, it becomes a perfect fit.”

Though the South African labour law expects corporates to strictly adhere to regulation such as local South Africans are employed into senior positions to address the imbalance of the past, flexible HR strategy that accommodate complexities of foreign conditions such as employing African Diasporas into host country management is likely to boost their internationalisation capability (Harvey, et al., 1999). Companies that employ other Africans from the continent find it easier to fill their cross-border human resource capacity. In addition, expatriates from other African countries who grew up in South Africa and are employed in these South African companies are familiar with their company’s culture are thus able to bridge the cultural and language divide with the host country. This reduces the time needed to upskill local leadership, reducing the transient implementation period.

Success comes from having a continental view on human resource management; such companies see the value in having a pool of continental experts that can easily be posted to a country to set up and run a business. These experts do not necessarily have to come from the parent company, but are developed in the subsidiary geography and then considered for succession planning within the group, including other subsidiaries. Despite South African organisations having all the financial resources to win in their target markets, this study shows how important the expatriates tasked with setting up and aligning behaviours with the parent brand are; they are a key non-market resource that could either make or break the integration process. Having the right people who can relate to both the parent and subsidiary cultures makes it easy to start and shorten the transient period.

4.4.4.4.c.ii Partner with similar values

The further the distance from the home market, the larger the cultural distance increasing risks, costs and lack of control (Horner, et al., 2016; Joosub & Coldwell, 2016). Mode of entry decisions rest fundamentally on such considerations in order to increase the economic benefit. To minimise this uncertainty, Company A, a late starter in internationalisation, predominantly uses partnerships

with local companies as it expands further north. Although South African companies operating on the continent are geographically closer to other African markets than the developed Western nations, the heterogeneity of the markets drives South African companies to look for ways to lower the psychic distance to get access to the markets. As a Managing Executive stated (A2Q4):

“From the start, we realised that it is whole strain coming. These are not places we know. We cannot operate there. Even when we looked previously, in the late 90s at internationalisation, you realise that we know nothing about it, so it was almost not a deliberate decision. It was just a realisation we can’t have 100% business in the market we know absolutely nothing on. It’s not our people we can put there that can understand ‘Company A’, we are not going to get expats and are too expensive.”

He continued that:

“When we select our co-shareholders, our partners, we select people that want to do business, business people. We don’t select people that are politically connected or something, Because that’s where you get these decisions of we can’t fire him, because he is this guy’s brother’s cousin. But if you choose a partner who wants to make money, and is a business person, then they are much more rational. And if the business is not making profit, then it’s easy for them to agree with you.

Mergers and acquisitions provide an opportunity to trade otherwise non-marketable resources and to buy or sell resources, such as technological capabilities (Madhok, 1997), and robust market assessment informs the selection of local partner (Khanna & Palepu, 2010). Successful partnerships are built on trust, which regularly result in higher levels of performance-enhancing investments in specialised assets; trustworthy trans-actors engage in greater information sharing, which increases the probability that they will discover new ways to enhance performance through relation specific investments (Dyer, 1997). It is vital to find local partners who not only have similar values to those of the parent company, but which are familiar with both the local legislation and market conditions. Good relationships with the government bring tangible benefits such as access to licences, which in some countries are limited to local companies. In any event, investment in local infrastructure and skills will benefit everybody over the medium to long-term (Hoskisson, et al., 2000; Accenture, 2009; Cuervo-Cazurra & Genc, 2011).

Executives need to be very clear about what they look for in a partner, particularly when it comes to values and the way of doing things. Investing time in a prospective market and the executive

team of a potential acquisition yields results. Not just anyone from the South African company can lead such a mission; a value creating resource such as a mature individual with a solid understanding of the parent company’s way of doing things, who is consciously aware of people’s cultures and how they relate to things, is selected to champion the search for the partner in the host country. This is not a linear process. Other processes used include doing due diligence on all the board members of the partner, as well as inviting executives/senior managers to spend time at the company Head Office, where they can engage and familiarise themselves with each other to ensure the right match. The right match reduces the transient period drastically, since the parties can easily work together based on similar values and goals.

4.4.4.5 Post implementation processes

Reviewing the state of operations post implementation, respondents from both companies affirmed that greenfields have no skeletons, but they take longer to be profitable (Table 33). Both companies currently use the acquisition mode for softer landings in new markets, but Company B, with its years of experience, highlighted the risk of acquisitions since they also have skeletons. This could be the reason why due diligence is key for this multinational when it sources data for market entry.

Table 33: Comparing responses on reflection on internationalisation for the two cases

Company A	Responses	Participants	Company B	Responses	Participants
10&12-looking back	46	8	10&12-looking back	33	8
<i>Be humble</i>	7	4	<i>Local culture</i>	14	7
<i>Diligent implementation</i>	6	4	<i>Be humble</i>	11	3
<i>Greenfields take time to be profitable</i>	6	4	<i>Greenfield long lead time to market</i>	3	2
<i>Greenfields have no skeletons</i>	4	3	<i>Acquisitions have skeletons</i>	2	2
<i>Track record with mixed results</i>	4	3	<i>Greenfields do not have skeletons</i>	2	1

Cultural distance was again highlighted by Company B, which through its more than 20 years of experience in internationalisation has learned to conform with societal values, norms and beliefs they are unfamiliar with.

The results from both the survey as well as the two case studies showed that some of these corporates failed in their ambitions to expand on the continent. There was acknowledgement that because the African context is not homogenous, specifically when it comes to regulations, culture and infrastructure, the success factors of such initiatives have to be viewed differently, and more time should be generally allowed beyond the set delivery deadlines because of the harsh and uneven market places on the continent, which are largely influenced by culture. Despite such

awareness, there are cases where organisations have failed in their chosen markets. A myriad of reasons of why such failures happened relate to “Copy and paste” approaches, regulatory challenges, and sudden changes in the market conditions. As one participant elaborated (B5Q12):

“So you got to understand the political culture. You got to understand your customers. You got to understand your staff. You have got to take time. Just start with the culture. Because if you miss that you are gonna go with the most brilliant ideas and you fail and never understand why you failed. And sometimes Africa won’t be open to you. You know that passive resistance, things won’t just happen.”

Some multinational companies have failed in particular emerging markets because they plunge into these markets ill-prepared (Khanna & Palepu, 2006; Bhattacharya & Michael, 2008), with insufficient resources (Sterling, 2003) and a lack of understanding of the local factors of production, including national culture (Wöcke, et al., 2007). In some cases the leadership team fails to adapt the strategy even if results show that their current strategy is wrong. Failure to identify risks early in the project leads to disastrous results; the more risks that can be identified and eliminated, the higher the probability of succeeding with the venture (Gilbert & Eyring, 2010). Finally, in some cases, failures are due to unanticipated market changes (Sterling, 2003; Wang & Ahmed, 2007).

4.4.5 Summary of results: comparing the two cases

List of considerations influencing planning processes are illustrated below.

Table 34: Summary of the case study companies’ internationalisation planning processes

Factors	Company A	Company B
Psychic distance	Started in neighbouring countries Then English speaking Then French	Started in neighbouring countries Then growth markets Then English speaking
Firm resources	Invest time in host country to acquire local knowledge Patience - Learning from doing small deals, taking a long-term view Market analysis	Business case Due diligence Economic indicators Internal research department
Strategic choice	Partnership to mitigate risk Local partner who understand local market Partnership profitable sooner	Acquisitions or greenfields Majority stake preferred Follow clients

The main considerations influencing the implementation processes during internationalisation are listed in Table 35 below.

Table 35: Summary of the case study companies’ internationalisation implementation processes

Factors	Company A	Company B
Psychic distance	Each market has own local settings Regulatory environment Entry level clients in neighbouring countries are similar Regulatory environment	Each market has own local settings Regulatory environment Rest of Africa mostly entry level Significance of Nigeria
Firm resources	Provides resources Coordination and integration Localisation for market acceptance Partner management run the business Patience – taking a long-term view	Provides resources Coordination and integration Localisation for market acceptance Client analytics Develop integrated client solutions Local management run the business Expatriates /diasporas posted to implement business strategy
Strategic choice	Local partner with similar values Partner makes decisions on brand to be used – strong brand used Robust risk management and governances	Parent in charge of brand consistency The use expatriates and diasporas Robust risk management and governances

The two South African multinationals that were under study showed stark differences in their characteristics, planning and implementation processes during internationalisation. Table 36 provides an overview of these differences. Despite both companies being in the financial sector, it is clear that the business model and considerations for an insurance company and a bank during internationalisation are different. This is compounded by the timing of internationalisation, which differs vastly between first mover and latecomer.

Table 36: Key differences between the cases under study

	Consideration	Company A	Company B
1	Sector	Insurance	Banking
2	Timing	Latecomer (since 2005)	First mover (since 1991)
3	Motivation	To be the Pan African Insurer	To dominate the continent
4	Footprint	35 markets (2017)	20 markets (2017)
5	Entry model	Partnership (local partner)	Ownership (controlling) or greenfield
6	Shareholding	Minority	Majority
7	Choice of markets	Language (English speaking first)	Growth markets (Nigeria, Kenya, etc.)
8	Market selection	Market analysis	Business case
9	Client solutions	Basic incl. BancAssurance	Integrated client solutions
10	Market attractiveness	Partner with similar values	Follow clients
11	Learning approach	Learn by doing small deals	Client analytics
12	Decision making	Partner makes day to day decisions - parent influences through the board	Makes decisions and has ultimate say
13	Business drivers	Incentives to drive behaviour	Staff learning local language
14	Some key learnings	Stakeholder buy-in and commitment	Significance of growth markets

As an insurer, Company A does not need to trade under its name as it can enter into partnerships where it can use its actuarial internalised knowledge to co-create solutions based on local needs and customise them for the host countries. As a latecomer to internationalisation, the mode of entry chosen was partnering, with a low ownership model. The robustness of the model is found in getting partners with similar values such that they are entrusted with running and making management decisions including the choice of brand to be used in the host market (parent company or partner brand) whilst the parent participates on local boards. Most of the multinational's learnings have been gained through doing small deals. Despite being a latecomer, this approach has given the company access to 35 countries.

Contrary to this approach, Company B, which has been on internationalisation journey for more than a century, has been surpassed in terms of number of markets, only targeting 20 countries (compared to 35 by the insurer) with the last 2 having been explored in the past 6 years. For Company B, rapid expansion was done in the initial wave of internationalisation when the bank was founded in South Africa, with a UK based partner as a major shareholder. Internationalisation at that time was aimed at targeting the former British colonies. Previous studies have shown that preferences for selecting particular geographies for internationalisation increase when executives find more commonalities between host and destination countries (Williams & Grégoire, 2014; Joosub & Coldwell, 2016; Horner, et al., 2016). When the major shareholder sold its stake slightly over 20 years ago, it triggered its second wave of internationalisation, and this time, targeting growth markets for economic benefit. Experiential knowledge and client analytics are now used as a competitive edge to develop integrated client solutions as it deepens its relationships with its clients and dominate local markets.

Though there were differences in the 2 case studies, however as the cases were drawn from the same industry sector, and each is dominant in their sub-sectors, indications were that as these companies expanded beyond national borders, their internationalisation processes followed broadly similar patterns (Table 37).

Table 37: Some key similarities (between the two cases) during internationalisation

1	Sources of information (multiple)
2	Invest time in understanding local dynamics
3	Started in neighbouring countries
4	Local management in charge of running business
5	Regulatory environment

6	Integrated approach to implementation
7	Each market has own local settings
7	Taking a long-term view
9	Parent company provides expertise
10	Align behaviours with brand
11	Customise solutions
12	Rest of Africa is entry level
13	Localisation important for market acceptance
14	Robust risk management & governances
15	Be humble – respect local culture
16	Failed in some markets

Despite the industry structures of the two multinationals (insurance and banking), notwithstanding that they have sufficient resources to explore the rest of the continent, one cannot deny that South Africa’s dual economies (developed and developing) make it stand out. Further, it is evident that psychic distance has a huge influence for South African organisations exploring the rest of Africa. The multitude of considerations illustrate the extent to which psychic distance impacts the MNE internationalisation processes and the timing of setting up cross-border operations.

Figure 28: Summary of results for the two cases compared

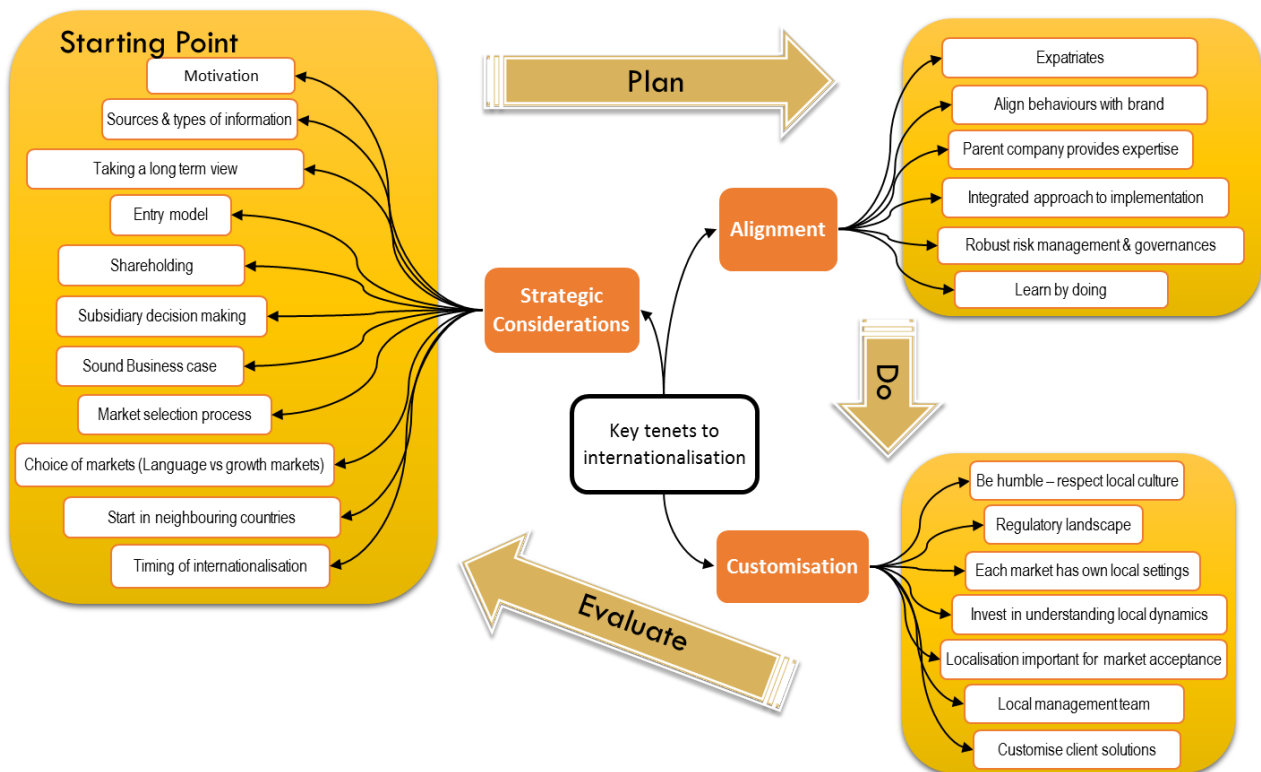


Figure 28 provides a consolidated view of the themes that emerged during internationalisation of the two cases. As internationalisation involves learning and creation (Johanson & Vahlne, 1977), the exploratory results point to an interactive, cyclic model with three distinct phases. The planning

involves various considerations, which lead to internationalisation; a central coordination function involves alignment of the strategy and customisation is influenced by local management. These operational capabilities are acquired over time through learning and innovating.

Chapter 5. Discussion

5.1 Introduction

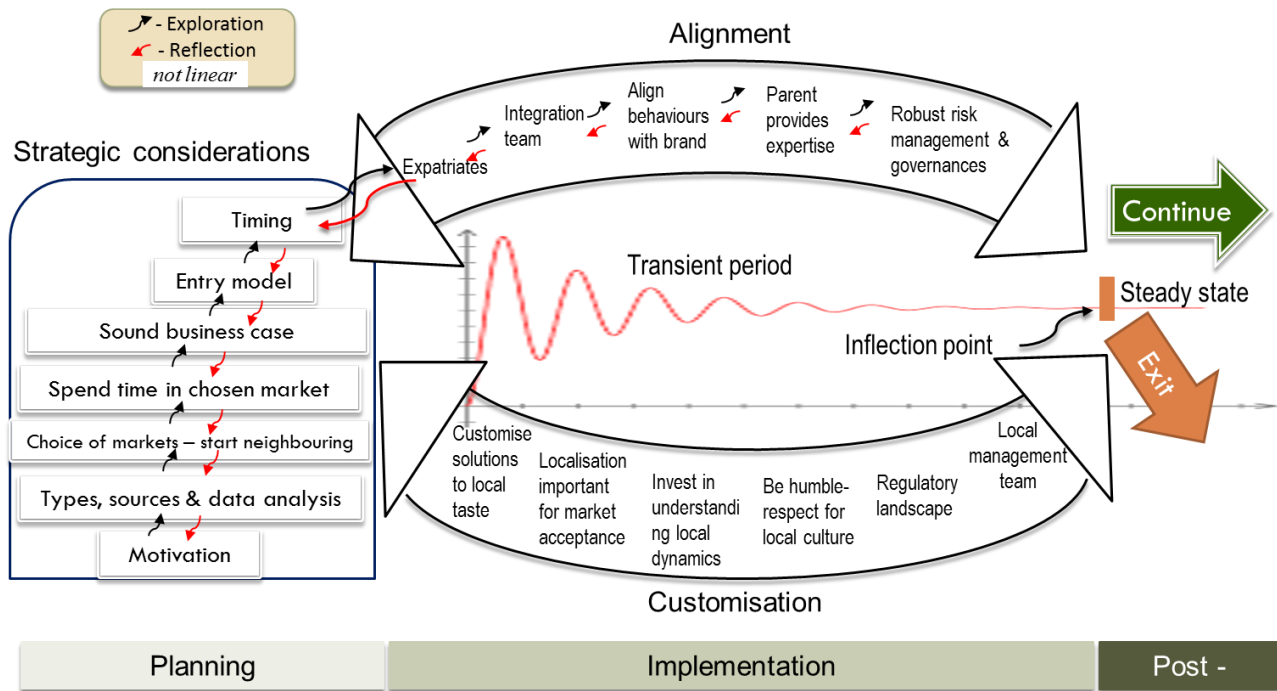
As per the literature review, it is evident that psychic distance, firm resources and strategic choice impact the internationalisation of multinational companies. The findings of this study echo previous research, but there are some emerging themes from this study that suggest some specific influences for South African corporates in their planning and implementation processes, as they expand beyond national borders onto the rest of the continent. The emerging themes contribute to the exploration of internationalisation theories suitable for the African continent, especially for companies familiar with the South African market wanting to expand further north. Through experiential learning, the multinationals continuously review and adapt their strategies and business models as new information emerges. The cyclic adaptive management process (Figure 29), derived from the results of this study, indicates that these companies have dynamic capabilities developed over time and they are always on the lookout for familiarities and differences, and then innovate.

5.2 Broad Findings

5.2.1 The basic theoretical model

Psychic distance, firm resources and strategic choice influence multinationals' planning and implementation processes differently. The two companies in this study, a bank and an insurer, have expanded following a generic model, where a host of strategic considerations are dealt with in a step-wise planning phase based on the internationalisation motive, leading to a cyclic implementation phase characterised by alignment and customisation of the strategy (Figure 29). My empirical analysis of the 2 cases, consistent with previous research (Focarelli & Pozzolo, 2008) has shown that the internationalisation of banks and of insurance companies follows largely similar patterns. These multinationals used their dynamic capabilities to upgrade and reconstruct their core capabilities in response to the changing environment, such as adaptive, absorptive and innovative capabilities (Wang & Ahmed, 2007).

Figure 29: The generic model for South African corporates expanding into the rest of Africa



5.2.1.1 Strategic considerations

With the time it takes to plan and implement, it was evident that both companies went through iterative planning and implementation processes during internationalisation. Planning is synonymous with strategic considerations, starting with a clear motive and data gathered using a myriad of internal and external sources to assess market potential. To reduce the risk of “outsidership”, companies bridge the knowledge gap by sending representatives to countries to gather tacit, market and institutional complementary information to bridge the psychic distance.

5.2.1.2 Alignment

Using internalised knowledge and capabilities, the companies under study prioritise the alignment of a subsidiary to the parent company. Firm specific advantages such as integration teams, which are acquainted with the continental dynamics, facilitate the alignment of business processes, values and the “way of doing things” between subsidiaries and the home company. Expatriates with international experience and preferably diasporas, specifically citizens of host country, are also used as forerunners to set up and influence the culture until a skilled local management team was appointed. The parent company ensures that the new subsidiary has a pool of experts at its disposal to build local capacity. A framework of formulating, and observing comes from experiential learning

taking an iterative long-term view using dynamic capabilities such as learning, creation and innovation.

5.2.1.3 Customisation

The institutional landscape in most of these markets is not fully developed, and in some cases it is non-existent. Although South Africa has both developed and developing markets, its institutional landscape, in comparison with other African markets, compares largely with those of developed markets. With each of the African markets having unique institutional and market milieu, local management is put into leadership positions, and are empowered to make decisions and run the business. However, such decisions do not follow a linear process.

5.2.1.4 The adaptive management cycle during implementation

Strategic considerations give rise to alignment, which also gives rise to customisation, and these feed back to strategic considerations. Implementation begins by creating a platform for new information for the South African corporate. The process is driven mostly by an element of exploration and reflection. Such changes then result in the review and possible adaptation of alignment and customisation drivers, showing that from strategic considerations, one can go to alignment and from alignment one can go back to strategic considerations as more information becomes available.

Similar to the adaptive management process, once some key strategic considerations change, fundamental elements such as the personality of expatriate leadership, the key positions they need to fill, as well as the expertise supplied for the destination market, tend to change. Lastly, factors that influence customisation include the time spent in the destination market assessing it, the local tastes and the regulatory landscape.

The model shows that management explore with certain assumptions and then reflect and make decisions. Ideally, implementation should be approached as a project. The heterogeneity and nature of markets on the continent present conditions where implementation never stops, but is characterised by the following phases:

- The **transient period** is characterised by alignment and customisation, which is the period between when the company starts providing a service until it reaches a steady state. The initial transient stage of the strategy is more about the market (trial and error), where the company is

trying to understand nuances such as the distribution channels, the risks, the key stakeholders and the competition. It is also a rudimentary period where customers are familiarising themselves with the product offering.

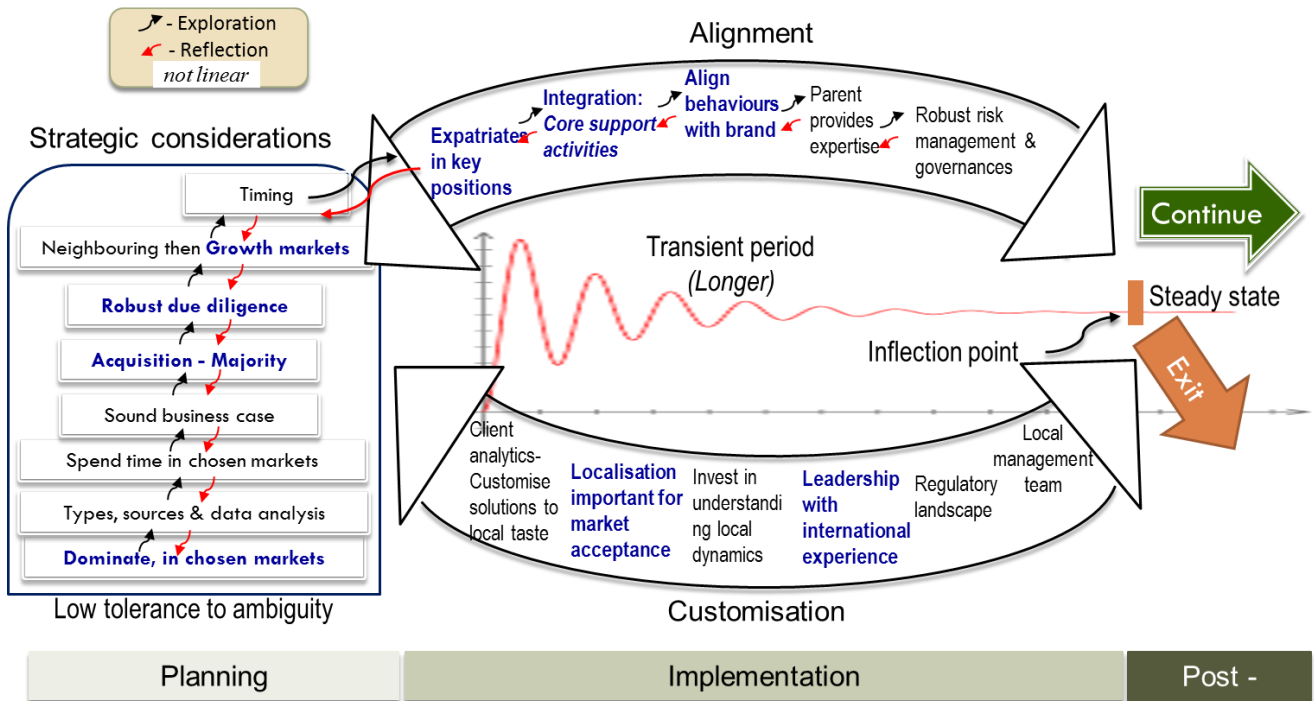
- Implementation then reaches a **steady state**, where the company starts to standardise and entrench strategies through processes, procedures and practices. It also starts to establish formalised relationships and strategic alliances.
- Experimentation and innovation are used in running the business until it gets to a strategic **inflection (breaking) point**, marking the start of significant change and defining the way forward. This is where the company makes a decision to either expand or exit the market.

This structured, iterative process of robust decision making in the face of uncertainty is also referred to as adaptive management. Consciously using such adaptive planning and implementation processes during internationalisation reduces uncertainty over time and makes it easier to make the final decision, i.e. scaling up the business or exiting the market. The main activities during the transient implementation stage are alignment with the parent company and customisation to local conditions. An entry mode is determined by the internationalisation motive and the company's tolerance of ambiguity. The model used by most companies is partnership/joint ventures, followed by ownership /majority shareholding. If the company is clear about the type of entry to be used, then shareholding and the type of integration expected during implementation is apparent. In many cases, executives are clear from the outset about the type of model to follow.

5.2.2 Ownership-based model

Based on this study, such a company wants full control to reduce the risk of information asymmetry. Instead of licensing their knowledge to independent local producers, such firms exploit this knowledge themselves in their own production facilities to give them a competitive advantage (Markusen, 1995; Boateng, et al., 2017). South African companies usually start internationalisation in neighbouring countries due to low psychic distances and easy transportation of resources. In psychically distant locations, English speaking markets are the easiest to navigate, however growth markets present a sizeable economic opportunity for companies using FDI investment with a controlling stake. Unfortunately, these markets, such as Kenya, Nigeria and Ghana, attract both international and local competitors, creating more competition.

Figure 30: The ownership-based model, trading as parent company



A typical local executive in growth markets would not accept that a European or a South African would know and do something better than locals. The need for local managers is centred around having insights into how things work globally and customising it to the local context. There is a need for global leaders with a strong affinity to people to understand how things are done; leaders with the ability to listen, observe and interpret information, as well as make inferences in a respectful manner (Morrison, 2001). On the continent, the broad diversity of cultures and religions make it even more important to have such sensitivities.

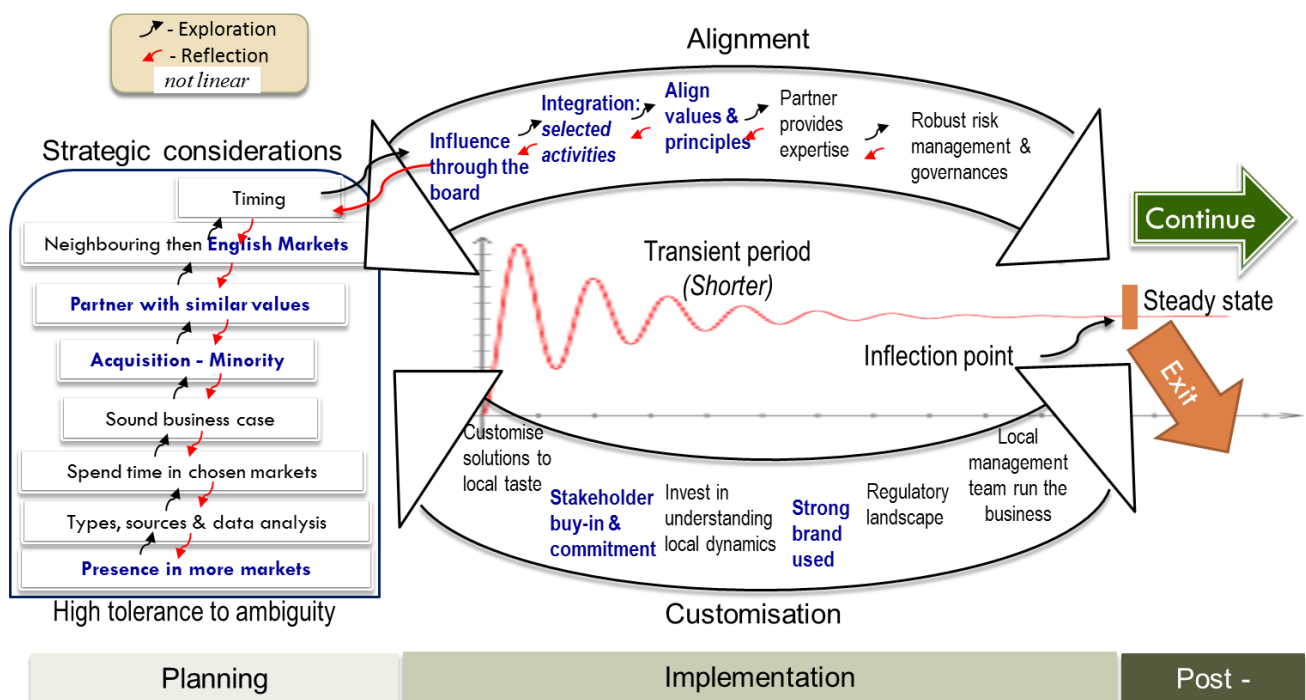
The parent company has a direct influence on the operational processes of the subsidiary. The challenge comes when the parent company wants to use a single technology platform or other group services. The result is paying for systems that might be redundant and slowing down the integration process, increasing the transient period. The operational gap thus needs to be identified early in the process so that the right resources and expertise are deployed early on. The parent company facilitates the ease of transfer of organisational competencies across the borders through standardisation and integration (Wöcke, et al., 2007). The standardisation of global practices across

a multinational entity (MNE) helps with the transfer of organisational competencies. To enable the smooth transfer of firm specific advantages between the parent and affiliates, the co-ordination of the management procedures needs to be carefully done (Wöcke, et al., 2007). When a subsidiary (or affiliate) is highly dependent on the parent to provide crucial resources, the parent company is likely to exert influence through formal management mechanisms that involve integrated international human resource strategies (Hannon, 1995; Kale, Singh & Rawan, 2009).

5.2.3 Partnership-based model

For companies that strongly believe that their knowledge of the continent is limited and would rather have locals take control of the business, the partnership model is appealing. Although this may appear to be much easier than the ownership-based model, it has its challenges, thus thorough due diligence must be done before the company embarks on this strategy.

Figure 31: The partnership-based model, partnering with a local company



Given that most markets on the continent are entry level, some business models and the broad range of solutions that South African companies offer in South Africa might not make business sense in many African countries. There is not enough scope for South African companies to set up their own operations in other countries unless they are willing to inject huge financial resources to change the landscape of the target market, however.

To hedge the risk of a lack of local knowledge, it is safer to enter a market with reasonable quality products at a low price (Hoskisson, et al., 2000), especially if it is difficult to determine the potential market size. It is also a challenge in countries where nobody has been exposed to a certain product, because no one understands the potential market of that specific product. The best chance for companies is in markets where there is some activity and the market potential is significant. Going in blind as a foreigner in such markets is business suicide, thus business opportunities are best exploited when South African companies partner with a local partner who knows the local markets and is connected to key stakeholders (Accenture, 2009; Oguji & Owusu, 2017). With partnerships that are based on similar values and business objectives, the model empowers the local partner to run the business, while the South African partner provides the expertise to grow the business.

Starting with neighbouring countries helps with testing the market potential. With South Africa being a regional economic hub in SADC, companies can consider ownership models in neighbouring countries, as potential clients will be familiar with the major South African brands because of cross border trade (Khanna & Palepu, 2006; Nhleko, 2006; Kota, 2015). As companies expand further northwards, partnership shareholding models are ideal, making English speaking markets a priority as the regulatory frameworks will be easier to navigate (Buckley, 2018). Locals generally prefer local brands, so partnering with a local company with similar values to those of the parent company presents a better opportunity. It is thus imperative to spend time identifying the most suitable partner.

5.2.4 Comparative analysis of ownership-based vs. partnership-based models

5.2.4.1 Planning processes

Planning processes involve the strategic considerations that companies use for entry into new markets outside their national borders. The key nuances for the two models are motivation, taking a long-term view, shareholding and entry model (Table 38).

Table 38: Strategic considerations for ownership-based vs. partnership-based models

Strategic considerations	Ownership-based model	Partnership-based model
Motivation	Hierarchical with low tolerance to ambiguity and a need to control. Clarity of objective.	Collaborative with high tolerance for ambiguity, respect for new ideas. Clarity of objective.
Information gathering	Spend time and immerse oneself in target country to understand the cultural dynamics.	Spend time and immerse oneself in target country to find the right partner.

Taking a long-term view	Investment in the target market should be for the long-term since immature disinvestment could lead to reputational risk – extensive due diligence is advisable.	Spend more time identifying and selecting a potential partner to ensure values and objectives are aligned.
Shareholding	Preferably 100% (greenfields or acquisitions) – controlling stake. Acquisitions preferable since they are profitable sooner.	Choice of majority shareholding in neighbouring countries but minority in culturally distant geographies.
Structure	Run acquisition with local management.	Acquisition (local partner) has autonomy.

As one of the managers in mergers and acquisitions (B2Q12) highlighted regarding the importance of spending time in the target country:

“And attitude is everything we have discussed in terms of respecting people in their country, respect the culture, respect the regulation, take time to understand how things work in that country and when you hit the ground, you will be able to render financial services in an environment you are accepted and your brand is respected. A lot of that has to do with attitude. ...But often times these soft points are crucial. Get information and get information from credible sources and not from anyone, then have the right attitude.”

5.2.4.2 Implementation processes

This basic model (Figure 29) from this research has highlighted alignment and customisation as the main routes that companies follow during implementation. A comparative analysis of the two routes is shown in Table 39 and Table 40 below.

Alignment

Table 39: Alignment for ownership-based vs. partnership-based models

Alignment	Ownership-based model	Partnership-based model
Use of expatriates (initial entry)	Selective use of expatriates in key positions (with weak management) that were identified during due diligence. Preferably COO, CFO, CRO and some experts (avoid immediate replacement of CEO).	Mostly no expatriates used unless in volatile markets such as Nigeria, Angola, DRC. Expatriates used for maximum of two years.
Integration team	Integrate main and ancillary processes.	Selectively coordinate a few activities and the need is usually driven by the local partner.
Speed of integration	Rapid	Gradual
Align behaviours with brand	Standardisation of behaviours and branding through training and same	Combination of how the two see the world as opposed to exporting the values and the principles.

	brand is used (using franchising framework). Leadership development initiatives.	Local management decide on the brand to be used. Invite partner to experience culture. Leadership development initiatives.
Parent/Partner provides expertise	Experts are brought in-country to bolster the new business in some cases as expatriates or on short term regular trips. Selected local teams are sent to parent company for training.	South African partner shares the internal knowledge and skills with the local partner through training, and sends experts to share their expertise and what can be achieved. Local partner selects the skills in need.
Robust risk management and governance	Parent in charge of the board. Key people in certain positions. Integration of processes. Parent makes decisions on day to day running of business. Understanding of the key clients in-country. Accurate evaluation of country risk profile. Full due diligence process. Standards and principles.	Participation on the boards - very stringent process of influencing the boards and management to buy into partner ideas and suggestions. Agreed values and principles. Agreed audit framework with partner.

During alignment, companies follow similar iterations to those during strategic considerations, where the process oscillates between exploration and reflection. With time and depending on the conditions on the ground, the process gets to a point where the company decides to scale up or exit the market.

Customisation

Table 40: Customisation for ownership-based vs. partnership-based models

Customisation	Ownership-based model	Partnership-based model
Local management team	Local management team is put together by parent company.	Local management team is put together by the local partner.
Taking a long-term view	Invest time in understanding local nuances to set up a solid business.	Invest time in finding the right partner with similar values and way of doing things.
Customer solutions	Global products at local prices (Glocal) Client insights to develop client centric solutions	Local products at local prices Foreign product customised
Leadership with international experience	Parent company expats used effectively in alignment of subsidiary to home.	Parent company leadership used to identify the right partner.

As an Executive Head for HR (A6Q12) stated:

“The advice is that go out there with your eyes open, with your ears open and just listen, hear and learn. Be patient.”

Drivers of the transient period

Table 41: Transient processes for ownership-based vs. partnership-based models

Customisation	Ownership-based model	Partnership-based model
In practice what happened	Company decides to use its home resources dominance, and successes to enter other markets on the continent. As a bank, it makes business sense to trade as the home business in the chosen markets. Attitude is everything – respecting people in their country, their culture, their regulation and understanding how things work in that country – the company is accepted and the brand is respected.	An insurer had an appetite to expand business beyond local borders. Due to lack of experience beyond the SADC region, insurer pursued the greenfield model. One with a partner and the other without a partner. The partnership with a local partner was profitable sooner and this model was adopted for internationalisation.
Length of transient period	Longer	Shorter
Reasons	Better understanding of the local issues become clearer during implementation. The business model has to be unpacked (if it is an acquisition) or a new business has to be set up (if greenfield). If acquisition, need for alignment of systems. Understand your competition and your service offering. Understanding target market and servicing. Understand requirements on localisation.	Invest in the identification of the best partner with similar values and principles from the onset. Local partner runs the business so has a better understanding of local dynamics and players.
Alignment	Since this is a command and control type of model, once the acquisition has been made, implementation starts immediately. Processes to be aligned with home. Familiarising with market nuances. Acquainting with regulation. Cultural dynamics and way of doing things. Branding of the whole business according to parent takes time.	Original business has autonomy. Partner can start sharing in profits from day one. Selectively align few activities or as partner requests. Partner decides on branding to be used. This is a gradual process.
Customisation	Parent products customised for the local market.	Partner expertise required to customise existing or possible new solutions.

	<p>Need to keep some products as structured in home market – penetration rate in the new market takes longer.</p> <p>One has to create market for certain solutions.</p> <p>Parent company in control of decisions but practical implementation can take much longer due to cultural distance, regulatory issues, etc.</p>	<p>Local management guides the solutions required to fulfil local product tastes.</p> <p>Products from partner home market can be white labelled with ease without customers noticing the influence of new partner.</p> <p>Proposals from South African partner entail lobbying with the chairman, management and even shareholders and directors before taking it to the board for approval - so time to implementation of day to day changes can come to six months.</p>
Risk	The longer a company experiments with an idea in this environment, without seeing the actual benefit, the more risk it is shouldering especially when it comes to issues around investment.	Choosing a partner with different values and misaligned objectives. No key unanimous decisions agreed to.
Mitigation	<p>Supplemented by concessional social capital and economic capital which is in the form of major clients that they have a relationship with. So they are actually following these guys and what is the social capital. Go for huge investments, taking the majority shareholding because they are assured that they can manage their risk.</p> <p>It is easier to buy a business and turn it around than start up a business.</p>	<p>Investing time in finding the right partner.</p> <p>Taking minority shareholding in markets with large cultural distance.</p> <p>Rather buy a small business with the right management than a big business with management not having the right attitude.</p> <p>Start small so that the company learns from small deals.</p>
Shortening the transient period	<p>Make sure that there is a fit and alignment in the goals and objectives with the local acquisition.</p> <p>Spend some time there to understand what the high level numbers really mean.</p>	<p>Make sure that there is a fit and alignment in the goals and objectives with the local partner.</p> <p>Spend some time there to understand what the high level numbers really mean.</p>

The transient periods for both the ownership and the partnership models are affected by a myriad of issues, as one of the executives highlighted (B5Q12):

“Acquire knowledge before you define your strategy, before you understand your blueprint. Know what is negotiable. Know what’s not negotiable. And then be realistic and things take a little bit longer in the Rest of Africa because of infrastructure, the processes, the governance and many other things that apply.”

5.2.4.3 Post implementation processes

In the two cases under study, despite their implementations reaching inflection points in some countries and the results pointing to objectives not being met in a few particular markets, because of their long-term views of such initiatives, both companies decided to extend their transient periods and make an effort to make it work. Although the initial motivation was to explore new business opportunities, as companies that are leaders in their own sectors, contributing towards

the economic growth of the continent has been paramount to their strategies and hence their long-term approach. Withdrawing from such markets could lead to reputational risk, as the host governments might see them as a profit-making entry rather than a development entry.

Although what happens post implementation is not at heart of this research, this piece of the puzzle completes the possible scenarios for executives considering pursuing these markets. Exit strategies are as important as entry strategies for South African corporates; if an exit is not done properly, reputations can be damaged.

Both survey and case study data was used to make sense of what happened post implementation. Only 21% of the respondents to the survey indicated that when their companies battled in certain markets, they exited those markets, which was corroborated by the responses from the interview participants in the case studies, who noted that implementation takes longer than planned. Although the destination markets are generally tough, companies rarely exit. For the few companies that do exit such markets, the main cause is being unprepared – there is a lack of due diligence, a lack of understanding the local regulatory landscape, and/or an unexpected change in market conditions.

Table 42: Comparisons of exit strategies for the ownership-based model vs. the partnership-based model

Exit strategies	Ownership-based model	Partnership-based model
Reasons for challenges	<p>Took longer than anticipated to break even and build critical mass.</p> <p>The difficulty of doing business, cultural barriers and the slow pace of execution.</p> <p>Lack of deep operational due diligence and not truly understanding culture.</p> <p>Poor due diligence of subsidiary.</p> <p>Copy and paste mother company.</p> <p>Rapid change in market conditions.</p>	<p>Poor joint venture relationships and local government ethics in doing business.</p> <p>Lack of buy-in at board and partner level.</p> <p>Poor execution of strategy.</p> <p>Poor due diligence of local partner.</p> <p>Unenforceable mandates with local partner.</p> <p>Rapid change in market conditions.</p>
Mitigation before exit	Reputational risk is very important so the company stays in-country and manage.	The right of first refusal to buy from partner.
Approaches used to exit	Sell the full equity on the market.	Sell the equity to the local partner.

Companies are very concerned about the reputational risks associated with pulling out of markets where their business models do not work; they would rather continue increasing the transient period to protect their reputations, even if the business is unprofitable. With a huge focus on, and expectation of, corporates on the continent making a difference in the markets they choose to operate in, there is pressure for these organisations to stay put and try to make it work.

5.3 Findings on factors for conceptual framework

5.3.1 Psychic distance

According to the Uppsala model, experiences that firms get from internationalisation compel them to choose markets that are physically and culturally close to their home markets (Vahlne & Johanson, 2013; Johanson & Vahlne, 1977). The model explains the evolution of multinational business entities to which psychic distance, which broadly includes cultural, geographic and institutional distances together with experiential learning as fundamental to internationalisation processes. Based on this model, South African companies initially expand to psychically close locations, and after accumulating experiential knowledge, they then expand further to psychically distant locations. The findings of this study have shown that the planning processes for the two companies started with neighbouring countries, then English speaking countries and later expanded further to locations with huge geographic, cultural and institutional distances, which echo previous internationalisation theory.

Although both companies used the step-wise approach, where they started with geographically, culturally and institutionally similar neighbouring countries, their internationalisation patterns were different. The bank's main internationalisation motive was to use its internal resources for economic benefit. It used the ownership entry mode to dominate in its chosen markets starting in neighbouring countries with low psychic distances followed by large English-speaking markets (Buckley, 2018) with high economic potential despite the high geographic and institutional distances. Using its experiential knowledge from these large psychically distant markets, it has recently entered Ethiopia, which has an even higher psychic distance due to religion and high use of local languages. However, the latecomer (the insurer) stumbled into internationalisation through the acquisition of a business that was servicing entry level clients in neighbouring countries. It then used its internalised internationalisation capability of being a leader in servicing entry level clients in neighbouring countries to compete, acquire and create new knowledge. To expand the business beyond neighbouring countries, as a latecomer, the company used its experiential knowledge to hone in on the partnership mode to fulfil its Pan African ambition to expand on the continent. Despite being a latecomer, it has matured in its internationalisation capabilities, such that it now has presence in 35 African countries in about 15 years compared to the bank with only 20 in over a century.

In their research, Williams and Grégoire (2014) concluded that distance reducing commonalities help companies to maximise a country's potential when it comes to decisions of where to internationalise. This was corroborated by Horner et al. (2016), who explained that low psychic distances or similarities would likely lead a firm entering a foreign market to assign management responsibilities to a host country national. As the geographic and cultural distances increase, the two cases under study let local managers run the local businesses as steps to reduce perceived differences increase localisation and increased commonalities in psychically distant countries. However, the steps each multinational took to bridge the differences were different. For the insurer, entering into partnerships and specifically identifying with local partners with similar values has given it access to French speaking North and West Africa, following the acquisition of a local partner with a regional footprint. For the bank, the subsidiaries are run by local management, who in turn are able to moderate the effects of perceived differences.

The internationalisation implementation process for the bank includes appointing managers with country specific knowledge to moderate the effects of perceived differences. While local managers may be appointed to run an operation in a host country, the bank also uses expatriates with international experience to manage the implementation phase and processes. Such a move is meant to bridge the gap between the parent country and the host country during the alignment of the business. The lenses through which business problems and solutions are often identified and resolved are a reflection of an executive's background and functional experience. Managers with international experience of foreign cultures and business practices are have skills that give them greater confidence to operate in foreign business environments (Williams & Grégoire, 2014). In these African countries where cultural distance can make or break a business, managers with international experience have technical skills, global consciousness and tacit knowledge (Contractor, 2013) that makes it easy to integrate into the local business milieu. Expatriates preferably diasporas born in host country, who have worked in the parent organisation and know the norms and values of the destination countries (Harvey, et al., 1999) are thus placed in senior management positions in the countries of their birth to reduce cultural distance. The focussed strategy of recruiting and placing African Diasporas (citizens of host country) in their home countries to address differences has not been explicitly covered in previous studies.

5.3.2 Firm resources

Barney (1991) explained that firms obtain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to market opportunities. He went on to say that this informational advantage is based on complex and tacit understanding, which is not easily accessible to outsiders. In the two cases under study, both displayed a similar pattern during planning for internationalisation. With African countries having unique psychic milieu and institutional voids, each market presents distinct market conditions with little or no publicly available market information. Because of such huge institutional voids, to acquire market information and familiarise themselves with the local market conditions, some companies send individuals to spend time in a target country to gather company specific information, which is then used as input into their business models for competitive advantage. The bank has even created an internal research department to store accumulated knowledge, which it uses for business intelligence such as business cases, market analysis, and providing client analytics. According to internationalisation theory, Research & Development (R&D) plays a crucial role in the promotion of entrepreneurial and innovative activities enhancing knowledge-based competitive advantages (Buckley & Tian, 2017). In the case of the bank, this research shows the crucial importance of R&D, which is now being used as a competitive advantage to develop customised client solutions in the host countries. The results of such a competitive capability has seen the bank become ranked in the top three in most of the markets it operates in, including Nigeria, where it took longer than planned to breakeven.

In their studies, Bungay (2011) and Nunes and Breene (2011) described the key to effective implementation as the creation of an iterative platform for further formulation and adjustment. They also emphasised the importance of setting measures and priorities to track and evaluate a strategy during implementation. The results of this study are confirm findings from these previous studies, as both multinationals use integrated approaches to implementation. Both cases also have special internal departments that coordinate the internationalisation processes between the parent company and the subsidiaries.

5.3.3 Strategic choice

Larger firms with more resources are able to absorb the initial cost of internationalisation and will opt for a higher degree of control, such as being wholly owned rather than developing partnerships

(Dunning, 1988). Dunning added that a firm's ownership advantage could be a product, process or an intangible asset such as a trademark or reputation for quality, which confers valuable market power or cost advantage on the firm, creating a benefit for the company to do business abroad. The bank shows results that are parallel previous literature. At the time of this study the bank was the number one bank in South Africa in terms of assets, and was also in the top three banks in most of the markets it has operations in. This could indicate that it is reaping the benefits of diligently targeting growth markets and its first mover advantages, such as product markets, reputation effects, economic advantages of sales volumes, pre-emptive domination of distribution and communication channels, and possibly influencing the institutional landscapes of these markets. In contrast, the other case study company, despite being one of the top two in South Africa, used the partnership approach. The intention of the insurer is to become the pan-African financial services provider. Other researchers (Williamson, 1975; Agarwal & Ramaswami, 1992; Baskaran, 2017) have stated that decisions regarding entry mode fundamentally rest on considerations such as costs for setting up and running the business, risk in the host country, level of control by parent company, and uncertainty of the business model. These results indicate that the internationalisation entry mode for multinationals on the continent is driven by factors such as timing and internationalisation intention. However, given the complexities of EMNE internationalisation processes, these models must be viewed differently from MNEs from developed countries as they suffer from Western bias.

In his restatement of the eclectic paradigm, Dunning (1988) detailed that firms design boundaries to protect internal resources and capabilities from unintended spillovers, and look for partner organisations that wield substantial capability to fill voids. This is as per the insurer, while the bank's preference is for ownership. The insurer "stumbled" into internationalisation through the acquisition of an asset with cross border operations, then used its ownership advantage to plan its internationalisation process. During its exploration it considered both the acquisition and greenfield models, but quickly learned that for locations far from home, the partnership model is profitable earlier than the greenfield model, giving it an internationalisation advantage. As a latecomer, with the intention of becoming the pan African financial services company, it learned from small shareholding arrangements that in some cases, a 5% internationalisation advantage can be profitably achieved through partnerships with local partners. The company, as one of the largest three insurers at home and in neighbouring countries, could then transfer its product capabilities to markets with high instructional voids at low cost with low control.

An advantage of partnerships is that they potentially lessen the risk of being overwhelmed by the foreign institutional voids (Khanna & Palepu, 2010). The internationalisation planning processes that the company follows by partnering with local businesses is evidence of how the company protects its internal resources. More important than just getting a partner, is that the company embarks on a search for a partner with similar values. The company deploys a senior executive with broad international experience gained spending time on the continent to look for the right partner in the potential host country. Once a partner has been found, the company also does due diligence on all the board members, and a deep trusting relationship results. In addition, after finding a partner, the agreement is that the parent company participates on local boards, but all the day-to-day running of the operation, including decisions on the brand to be used by the subsidiary, are made by the local partner. From literature review, it was proposed that the more the decisions are required to be customised to local needs, the more likely such decisions will be decentralised (Dunning, 1988). The empirical results from this study confirm previous findings and the partner makes decisions based on local knowledge. The partnership model therefore protects the firm against unintended spill overs. This study shows that once a strategic choice was made, robust risk management processes are followed to find a partner with similar values. Processes such as starting a senior of high standing spending time in the host country finding the ideal partner, doing due diligence on the potential partner board members and inviting executives for a week of socialisation in the home country once a partner has been found indicate the complexities of EMNE internationalisation processes, which goes beyond the FDI models and have not been clearly explained in previous research.

In their study, Agarwal and Ramaswami (1992) stated that while firms would like to establish a market presence in foreign countries through direct investment, their ability to do so is constrained by their size and multinational experience. As both financial services companies under study were in the top three in their market sectors during the time of the study, due to their size, they had financial muscle to internationalise. However, the results of this study indicate differences in the patterns followed. The bank, which has now acquired multinational experience for more a century, also uses the strategy of following clients to set up operations across the border to continue servicing them. One of the motives for the bank to internationalise is to acquire knowledge from other countries. Once it follows a client across a national border, it acquires market and institutional knowledge on the destination country and sets up a retail operation. Although it has utilised the greenfield model before, at the time of this study, the main mode of entry was through mergers

and acquisitions, as this has been seen to accelerate entry by gaining access to local knowledge (Oguji & Owusu, 2017; Buckley, 2018).

The bank has used CSAs to build up FSAs (including human capital expertise and R&D capabilities), to internationalise into the rest of the continent without seeking additional partners. The conversion of locational advantages into ownership advantages requires that firms build dynamic capabilities that enable them to innovate in the use of the locational advantages they enjoy (Williamson & Wan, 2018). The empirical results of this study illustrate innovation by this multinational. Once it sets up business in the market of choice, the company uses its internal research department to develop customised client solutions, giving it a competitive advantage. The empirical results of banks following clients are confirm studies by Fischer and Hasselknappe (2017), who showed that following clients is a prominent cross-border strategy used by banks. This South African bank however, is not just replicating its business model in host countries but using experiential knowledge, acquired knowledge from acquisitions and internalised local knowledge by its local management to create client analytics used for customised client solutions giving it a competitive edge. The bank has become a market leader or least in the top 3 positions in the markets it operates.

The cases have shown that in spite of the entry model is used, EMNEs utilise their intangible assets of being able to operate in markets with huge institutional voids. For example, the insurer adopted a more innovative approach of sending a senior executive to spend time in the target geography to ensure that it finds the right partner with similar values. Again though the insurer, initially tried to use its resources to expand outside South Africa's borders, but its lack of international experience became a huge disadvantage and barrier and though the experience changed the original model to the partnership model. Though the considerations for planning and implementation processes were largely similar, cases, which are time-path dependent, displayed different internationalisation courses due to mode of entry, timing of internationalisation and to some extent the organisational culture.

Chapter 6. Conclusion

6.1 Key findings

This study sought to explore the relationships between psychic distance, firm resources and strategic choice when it comes to planning and implementing internationalisation processes. The research procedure used was a mixed method sequential explanatory approach starting with a survey followed by two case studies. Although the limited number of cases studied is a constraint towards making generalisations for theory building, the evidence from the cases shows that new, consolidated conceptual frameworks and theories can provide the basis for furthering both empirical insights and varied appreciative conceptual frames in internationalisation by African MNEs. It is evident that the OFDI patterns of cases from South Africa are different to those of Indian and Chinese firms (Baskaran, et al., 2017); this could be attributed towards cultural business differences, which merit further research. These cases shed some light on some of the stark differences in the internationalisation planning and implementation processes of first mover ownership-based MNEs in comparison with latecomer partnership-based MNEs.

This study reveals that South African multinationals face intense competition from local competitors in the rest of Africa, which is why they have to craft and adapt bespoke strategies for expansion outside their national borders. This research also confirms the findings of previous studies that the internationalisation of banks and insurance companies follows largely similar patterns (Focarelli & Pozzolo, 2008). The case studies indicate complexities such as the need for local legitimacy, the tacitness of local cultures and protracted implementation periods that cannot be explained by traditional FDI theories. Further, the companies develop non-market resources such as spending periods of time in a potential host country before setting up operations to gather information and build hands-on market intelligence based on experiential knowledge of the local market.

The bank case study, whose first wave of internationalisation, as with other major banks, was in the “late 1800s”, uses the ownership entry mode. While literature has shown that companies acquire local partners when there are high psychic distances, because bank services require a high degree of information, information transfer and trust (Mulder & Westerhuis, 2015, cited in Fischer & Hasselknippe, 2017), risk management is very important. Firm resources such as good governance and ethical leadership are key for success. This case study revealed that because bank values such as integrity and accountability are global, a subsidiary’s aptitude to demonstrate its ability to work within a country culture while retaining the values of the bank earns respect from regulators and

customers and increases market share. In addition, it extended research conducted by Contractor (2013) on expatriates and Harvey et al.'s (1999) findings on diasporas from home countries, by finding that the bank builds a pool of skilled African Diaspora, who are citizens of the host market, to manage and facilitate the integration process and bridge the cultural gap, thereby shortening the transient period.

While literature has shown that banks and insurance companies follow similar internationalisation patterns (Focarelli & Pozzolo, 2008), the insurer, an internationalisation latecomer, adopted the partnership entry mode using learnings from “small deals” to achieve its ambition of being the Pan African financial services company. Although literature shows latecomers using entry modes such as mergers and acquisitions (Oguji & Owusu, 2017) and leapfrogging into innovation value chains (Ray, et al., 2017), this particular study indicates that the insurer used the partnership mode to minimise risks caused by the latecomer effect. While the bank has had experience in internationalisation for almost one and a half centuries and has operations in 20 countries, the insurer only actively started internationalising 15 years ago but has operations in 35 countries. Focarelli and Pozzolo (2008) found that accessibility to domestic markets by foreign investors is greater for insurance companies than banks, while this study found that the insurer has greater accessibility to African markets through the adoption of the partnership model, which mitigates the risk of high cultural distances. These findings were not found in the literature reviewed for this study, and therefore offer opportunities for further research.

Regardless of whether an ownership-based or a partnership-based model is used, distance and cultural integration are important determinants for both the bank and the insurer (Focarelli & Pozzolo, 2008). Although the cases in this study revealed similar internationalisation patterns, such as starting in psychically close locations (Johanson & Vahlne, 1977), using financial resources to sponsor a protracted implementation of the strategy (Dunning, 1988) and having local management run the business in the host country (Barney, et al., 2011), they also differed in entry mode, timing of entry and decision-making process. In addition, this study revealed that both companies' inflection points were characterised by a continuous commitment of resources, hoping that the companies would get signals to either exit or scale up with minimal reputational damage.

6.2 Contributions of this research

As the emerging economies of the world continue to grow, EMNEs are likely to play an increasingly significant role in the global economy (Contractor, 2013; Boateng, et al., 2017; Ray, et al., 2017). Considering the context of this study, research on emerging market multinationals like those from South Africa into the rest of Africa (Luiz & Ruplal, 2013; Urban & Sefalafala, 2015, Joosub & Coldwell, 2016) be considered valuable, as few empirical studies have been conducted that focus on psychic distance, firm resources and strategic choice influences on the planning and implementation of internationalisation strategies. It has been shown in other domains, such as OFDI and knowledge flow, that findings on EMNEs from South Africa depict different internationalisation patterns to other emerging markets like India and China (Baskaran, et al., 2017). With South Africa's economic standing as the most developed country on the continent, as well as its unique role as a member of BRICS, there is clearly a need to develop an understanding of internationalisation strategies used by South African MNEs, making for a promising future research agenda.

6.2.1 Theory

A major contribution of this study pertains to the new research context of Africa. Most literature has focused on how global companies have expanded into emerging markets (Enderwick, 2009; Khanna & Palepu, 2010), particularly from emerging markets like China and India of late (Boateng, et al., 2017; Buckley, 2018). However, little has been done to understand how African corporates tackle such expansions. Africa, with its 56 countries and domestic institutions of a multi ethnic, multi language (more than 500 for Nigeria alone), multi religious, multicultural and diverse colonial histories, offers a rich setting in which to study the influences of psychic distance and firm resources on internationalisation. The findings based on the African context for South African firms therefore provide important direct and practical implications for firms from other African economies.

The conceptualisation of this study provides an insightful lens into the influence of psychic distance, firm resources and strategic choice on internationalisation processes, which is relatively unexplored territory. Given the relatively few studies on Africa as an emerging continent, this study provides some empirical and case evidence for these propositions, and offers useful insights for further research.

Methodologically, this research extends the findings of Luiz and Ruplal (2013) by examining a number of sectors as opposed to a focus on mining companies alone. The research further contributes to a better understanding of internationalisation strategies by incorporating literature,

case studies and a survey, as opposed to simply a survey as per Joosub and Coldwell (2016). The choice of case studies presented an opportunity to compare the internationalisation processes of an ownership-based first mover to a partnership-based latecomer, using firm resources as an enabler.

Previous studies (Herrmann & Dotta, 2002; Wood, et al., 2011; Williams & Grégoire, 2014) have shown that MNEs send expatriates with international experience to manage operations in host countries. Harvey et al. (1999) provided a more nuanced view by observing that MNEs send people from African Diaspora to host countries as network agents, given their global consciousnesses and familiarity with the home cultures. This research, however, shows that due to the relationship-rich African cultures and the tacitness of host country knowledge, the bank (ownership model) specifically targeted and upskilled a pool of citizens of the potential host countries at the parent operation, who were subsequently deployed to bridge cultural gaps during implementation, thereby increasing the MNE's internationalisation capability.

Emerging market firms' internationalisation is driven by intangible resources based on learning, linking and leveraging (Ray, et al., 2017). Although this study was exploratory in nature, the two case studies have shown a consistent pattern of an adaptive management cycle when setting up operations in other African countries. Due to the huge psychic distance encountered by these companies, they make use of repetitive and protracted planning and implementation processes. This increases the transient period and costs, yet the companies are willing to pay them to protect their reputations until they find signals to either exit or scale up. This finding regarding the existence of a transient period is not apparent in other literature. Even though Zhou and Li (2010), in their study of how strategic orientations influence dynamic capabilities, found that a firm's external interactions with customers and competitors in host countries affect its internal resource assortment and reconfiguration, they did not specifically deal with the issue of a transient period.

Previous research indicated that firms look for partner organisations that wield substantial capability to fill voids (Dunning, 1988), that successful partnerships are built on trust which results in greater information sharing (Dyer, 1997), and that the selection of a local partner is informed by robust market assessment (Khanna & Palepu, 2010). This research confirms these findings by showing that spending time in the host country, doing due diligence on partner Board members, and providing a joint cultural induction of both partners' executives in the parent organisation, ensures strategic alignment with partners from the onset.

6.2.2 Practice

Despite South African firms having huge resources, literature has not overtly mentioned the non-market capabilities that such EMNEs build when localising their businesses to suit local market conditions. Businesses utilising the ownership model combat the liability of foreignness by acquiring a local business with ethical leadership, whilst companies using the partnership model find partners with similar values. This research contributes to the existing body of knowledge on practical internationalisation strategies into developing markets with high psychic distance. Although it is an exploratory study, it clarifies the strategic considerations that EMNEs contemplate during planning, as well as when assessing their entry strategies, implementing and integrating their resources, and in rare cases, how they exit such markets.

This research contributes to the body of knowledge regarding how South African companies can successfully expand and contribute towards development on the continent. In addition, it elaborates on how psychic distance can impact a company's internationalisation strategies. It further contributes by assessing how concessional social capital is used to mitigate risks in the chosen markets, whereby companies follow and service their clients across borders. Another contribution relates to locational advantages, which determine the choice of entry mode and what companies do to mitigate their risks. Lastly, reputational risk is critical on the continent, thus it is rare for companies to exit markets as they would rather explore new ways to succeed.

Although the partnership model tends to be used most by South African companies, followed by the ownership model, each of the models has certain key drivers that makes them successful. Despite South African firms having massive resources, competitive capabilities in the host countries stem from being able to localise the business to suit market conditions. The company using the ownership model combats the liability of foreignness by acquiring businesses with ethical leadership and sound reputations, whilst for the partnership model, having a partner with similar values in the host country has not been overtly mentioned in previous studies as a non-market competitive advantage.

The alignment of a business model with that of the home country, as well as the customisation of products/services in the destination country, are fundamental. Further, building a pool of skilled African diaspora citizens in the parent organisation for deployment in the host countries accelerates the integration process and shortens the transient period when setting up a business outside national borders.

Harnessing the capabilities of the continent requires leaders who do not bow down at the first sign of failure, but who have the determination and commitment to the economic development of the continent to make it work. Successful leaders have the ability to work within a country's culture while following the values of the company, earning respect from regulators and customers. These leaders need to invest time and effort in understanding how business is done the "local way" by identifying and selecting partners with similar values and goals, as well as by adopting a learning culture.

6.3 Limitations of the study

Like most empirical studies that are exploratory in nature, there are limitations to the conclusions that can be drawn which constrain the generalisability of this study:

- The first limitation is that the study was heavily weighted to select industry sectors - primarily financial services, hence the obvious question is to what extent its findings can be translated to other industries?
- Secondly, as the companies in the survey population and case studies did not have a footprint in all the countries on the continent, a cautionary approach should be taken when generalising the results of the study, as the results and implications might not apply in those countries in which these companies do not have a presence. The overall determinants of success may differ substantially (Perks, et al., 2013).
- Lastly, the period of the study was approximately four years, and countries evolve differently in their trajectories of development and institutional frameworks. The volatility of African markets is very high, so between the time of embarking on the research and consolidating the results and findings, a lot could have changed. For example, during the time of writing the proposal, resources were still significant in economies such as Nigeria and Angola, but by the end of the research, Nigeria had gone into recession due to subdued oil prices.

6.4 Suggestions for future research

- This study was restricted to a specific industry (the financial sector), thus including all industry sectors and additional case studies would be valuable to test and extend the validity of these results.

- Unstable market conditions and high political uncertainty on the continent necessitates longitudinal empirical evidence. Hoskisson et al. (2000) argued that emerging economies suggest a process that takes place over a long time, thus multinationals' experimentation and learning is likely to be imperfect. Prolonged research is needed to generate conclusive theory in this area.
- There is huge potential for trade between African countries, yet their diverse colonial pasts and multiple official languages means that there is need to develop theoretical and empirical studies on African MNEs regarding bridging the psychic distance.
- The growing level of Chinese FDI in Africa is often driven by the "Going Out" policy established by the home government to support Chinese firms as they internationalise. Although South African government has a "Trade Invest Africa" policy, companies in the study were oblivious to this support. The question is whether South African companies have an advantage on the continent and how competition from Chinese companies, being embraced by African governments, impact South African MNEs' internationalisation strategies into the rest of Africa.
- With most South African corporates only pursuing internationalisation on the continent after the first democratic government in 1994, it would be interesting to explore how the internationalisation pattern of these companies differ from those from other African countries that set up subsidiaries across international borders.
- Given that large multinationals leverage scale to absorb the initial cost of internationalisation (Dunning, 1988), research into how smaller home grown African companies internationalise on the continent would be insightful.

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Appendices

Appendix 1: PhD Ethics approval letter

FULL COLOUR THINKING





**GRADUATE
SCHOOL OF
BUSINESS**
UNIVERSITY OF CAPE TOWN

Dr Stephanie Giamporcaro
GSB Research Director
T: +27 (0)21 406 1180
E: stephanie.giamporcaro@gsb.uct.ac.za
Cape Town, 18 September 2015

GSB/PHD/102

Rufaro Mucheka

Graduate School of Business, University of Cape Town

rufaromucheka@gmail.com

Dear Rufaro,

RE: ETHICS APPROVAL

Thank you for submitting your ethical clearance application for your research on **“STRATEGIES FOR EXPANDING INTO AFRICAN MARKETS BY SOUTH AFRICAN COMPANIES: A RESOURCE-BASED VIEW”**.

This is to confirm that your application has been assessed by the GSB’s Ethics in Research Committee according to the rules and norms of the University and Commerce Faculty, and that it has been approved.

Please note that if you make any substantial change in your research procedure that could affect the experiences of the participants, you must submit a revised protocol to the Committee for approval.

We wish you all the best for your research.

Kind regards



Dr. Stephanie Giamporcaro, Research Director

FULL COLOUR THINKING





Appendix 2: Pilot study cover letter

Subject **Need your feedback on PhD Pilot survey**
From Mucheka, R. (Rufaro)
To XXXXXXXXXXXXXXXXXXXX
Sent 02 February 2016 06:46 AM

Dear colleague

I am a PhD candidate at the UCT Graduate of Business looking at strategies used by South African companies expanding their operations to the Rest of Africa in terms of planning and implementation. This internal survey is a precursor to the main research planned for Q2 2016. I would really appreciate your feedback. This research has been approved by the UCT Research Ethics Committee. All individual responses will be confidential and will be used for the purposes of this research only.

If you can kindly respond to the survey by **19 February 2016**, I would be able to analyse and share the results with you by early March 2016.

Please note that there are 14 questions which will take about 10 minutes of your time to complete. Please click the link below to access the survey.

<https://www.surveymonkey.com/r/Rufaro>

Should you have any questions regarding the survey please feel free to contact me.

Regards

Rufaro Mucheka
0112941431 or 0825624192

Regards



Rufaro Mucheka

Head: Strategy | Nedbank Financial Planning | Nedbank Wealth

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t +27 (0)11 294 1431 f +27 (0)11 295 1431 c +27 (0)82 562 4192 @ rufarom@nedbank.co.za

Website: www.nedbank.co.za



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Appendix 3: Confirmation of blocked survey Monkey link for the pilot

From: Stransky, A. (Alon)
Sent: 02 February 2016 12:47 PM
To: Mucheka, R. (Rufaro)
Subject: RE: Need your feedback on PhD Pilot survey
Importance: High

Hi Rufaro

Site is blocked by Nedbank

Rgds
Alon



This Page Cannot Be Displayed

Based on your organization's access policies, access to this web site (<https://www.surveymonkey.com/r/Rufaro>) has been blocked.

You are currently logged in as user NEDCOR\nb136020@nedbankza. This website is only accessible by users who have been granted higher web access privileges. If you want to login as a different user, click the link below and enter the user name and password for a user with higher web access privileges.

[Login as Different User](#)

If you have questions, please contact Email and Web Security (ews@nedbank.co.za) and provide the codes shown below.

Date: Tue, 02 Feb 2016 10:45:33 GMT
Username: NEDCOR\nb136020@nedbankza
Source IP: 10.56.22.37
URL: GET <https://www.surveymonkey.com/r/Rufaro>
Category: bl General
Reason: BLOCK-DEST
Notification: BLOCK_DEST

From: Mucheka, R. (Rufaro)
Sent: 02 February 2016 06:47 AM
To: Stransky, A. (Alon)
Subject: Need your feedback on PhD Pilot survey

Dear colleague

I am a PhD candidate at the UCT Graduate of Business looking at strategies used by South African companies expanding their operations to the Rest of Africa in terms of

Appendix 4: Survey cover letter

From: Mucheka, R. (Rufaro) [<mailto:RufaroM@Nedbank.co.za>]
Sent: 24 April 2016 07:10 PM
To: XXXXXXXXXXXXXXX
Subject: Your participation in my PhD survey

Hi There

You might be aware that I am a PhD candidate at the University of Cape Town (UCT) Graduate School of Business. I am now on the last stretch of the programme - research, with the aim of completing the doctoral studies this year.

My research is based on companies originally based in South Africa that have expanded their operations into the Rest of Africa and beyond. The focus is how they have successfully managed to do so and in some cases the hurdles they have to overcome. The pilot which I did in February, went very well and I now need to do the main survey. The research has been approved by the UCT Research Ethics Committee and all individual responses will be confidential and will be used for the purposes of this research only.

Your professional profile and experience fit the people I would like to hear from. I will be deploying a short survey (10 mins) in the next week or 2 and I would really appreciate if you could participate in the survey. If you need more details or clarity, please feel free to contact me on +27825624192 (mobile) or email on rufarom@nedbank.co.za or rufaromucheka@gmail.com

Regards
Rufaro Mucheka

Appendix 5: Survey questions (19)



Graduate school of business

PhD Research | South African companies that have expanded operations into the Rest of Africa

* 1. Please enter your email address from which you received this email

Please carefully read each question and select the correct answer or comment where indicated.

* 2. In which area does your role fit most on the internationalisation strategy (expansion into the rest of Africa & beyond)?

- Strategy & Planning
- Implementation of the model
- Support
- Running the foreign operation
- Working in the foreign operation
- Other (please specify)

* 3. How long have you been in your current role (same organisation)?

- < 2 years
- 2 - 5 years
- 5 - 10 years
- >10 years

4. In total how long have you been in similar roles both in your current and previous company(ies)?

- < 2 years
- 2 - 5 years
- 5 - 10 years
- >10 years

* 5. In which African countries outside South Africa does your business have presence (Can be more than 1)?

- Namibia
- Zimbabwe
- Lesotho
- Swaziland
- Malawi
- Mozambique
- Zambia
- Botswana
- Kenya
- Nigeria
- Ghana
- Angola
- Cote D'Ivoire
- Mauritius
- Other (please specify)

* 6. Besides South Africa, for how long has your operation been doing business in other African countries?

- < 2 years
- 2 - 5 years
- > 5 years
- I don't know

7. What process is followed to decide on internationalising (out of South Africa) the business vs. internalising (within South Africa) opportunities where the company has more control?

8. Which is the main source of data that your business use to assess such strategic opportunities (can be more than 1)?

- External consultants
- Desktop research
- Local government institutions
- Local partners
- Other (please specify)

* 9. Which foreign market entry mode does your business predominantly use?

- Exporting capabilities
- Licensing or leasing
- Joint venture or partnerships
- Sole proprietor & competes alone

* 10. How long does it take to plan for expansion these markets?

- < 6 months
- 6 months - 2 years
- > 2 years
- I don't know

* 11. After planning, how long does it take to implement/enter the new market and start to break even?

- < 2 years
- 2 - 5 years
- > 5 years

I don't know

12. The following considerations are used when planning for expansion into other countries. For your business, please rate the significance that each of the below made on your decision to choose your frontier market.

	1 - Least Significant	2	3	4	5 - Most Significant
Availability of market research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity for new knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existing government-to-government relationships with destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding the right talent/resources in the destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of exportation of home strategy to destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leadership with International experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infrastructure (telecommunication, roads, electricity, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taking a long term view	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

* 13. Have your strategy not succeeded/failed in any one of the chosen markets?

Exceed expectations

Somewhat exceeded expectations

Failed to meet expectations

14. If strategy did not succeed/failed, what were the root causes?

15. Is your company addressing the root causes of the above failure? If not why?

16. If strategy failed, what strategic action did your business take?

- Strategy did not fail (so this question does not apply)*
- Exit the market
- Adapt the strategy and made it work
- Change leadership
- Other (please specify)

* 17. Looking back at the challenges you had when setting up your operation in a foreign country, on a scale of 1 to 5, how has the considerations below attributed to your success?

	1 - Worst	2	3	4	5 - Best
Being able to accurately assess and size the opportunity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Robust planning before entering the new market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Successful implementation of strategy in the identified markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How quickly you responded when market conditions changed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

18. In the country(ies) where your internationalisation strategy was successful, on a scale of 1 to 5, please rate how each of the following considerations directly influenced your success?

	1 - Least Significant	2	3	4	5 - Most Significant
Availability of market research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity for new knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existing government-to-government relationships with destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding the right talent/resources in the destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ease of exportation of home strategy to destination country	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leadership with International experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Infrastructure (telecommunication, roads, electricity, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taking a long term view	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

- Send own staff (Expatriates)
- Gradually train & increase local staff
- Don't know
- Other (please specify)

19. What does your organisation use to mitigate HR capabilities and capacity constraints in the foreign market?

	Q6	Q7	Q8-1	Q8-2	Q8-3	Q8-4
S1	> 5 years	License opportunities and due diligence	External consultants			
S2	I don't know	Don't know				Local partners
S3	> 5 years	Dedicated International Division driving its own growth strategy.	External consultants	Desktop research		Local partners
S4	> 5 years	The key matter is to enter new markets and get new revenue	External consultants	Desktop research	Local government inst.	
S5	> 5 years	Feasibility Studies; Due Diligence; Sales Performance Analysis for the Retail brands currently present in those countries; Market Analysis, Competitor Analysis in those countries, Company Strategy for FYear etc	External consultants			Local partners
S6	> 5 years	An expansion of business opportunity for development and added value			Local government inst.	Local partners
S7	> 5 years	Defined by group strategy	External consultants			Local partners
S8	> 5 years	allow the in country staff to take ownership and the lead. we share benchmarks of processes that works and allow that to be customized to the home country, taking into cognisance the importance of culture. Before people are Old Mutual employees, they are Zimbabwean, Kenyans, Nigerians. etc	External consultants	Desktop research	Local government inst.	Local partners
S9	> 5 years	The strategy is driven mainly on return on equity hurdles. So a business where we have less control has to deliver a higher return and the business case and actual performance is driven through this.	External consultants	Desktop research		Local partners
S10	> 5 years		External consultants			
S11	> 5 years	Return on investment and Rand hedge earnings are key considerations	External consultants	Desktop research	Local government inst.	Local partners
S12	> 5 years	Strategy at Group Board level	External consultants	Desktop research		Local partners
S13	> 5 years	Empowerment and the way it applied in SA Tax Requirement for local presence Exchange controls Government efficiency				Local partners
S14	> 5 years	I do not know. I work in a technology support function				Local partners
S15	> 5 years	- Assessment on attractiveness of potential growth opportunities within vs. out of South Africa: considering topline growth trend in SA vs. outside, penetration rates and margins	External consultants	Desktop research		Local partners
S16	> 5 years	Growth and expansion potential versus opportunity cost	External consultants	Desktop research	Local government inst.	Local partners
S17	> 5 years	I work with a multinational pharmaceutical company with HQ in Paris. Initially the platform for Africa incursion was in South Africa. The major considerations are market potential for pour products and services and ability to have complimenting local partner/s	External consultants	Desktop research		Local partners
S18	> 5 years	Follow our clients into the markets that they do business. Our entry countries are generally selected by our clients with a few strategic countries where we see our clients going.		Desktop research	Local government inst.	Local partners
S19	> 5 years	Individual market analysis, based on a number of factors.	External consultants			Local partners
S20	> 5 years	The broad process is to identify countries that are expected to add value in our industry taking into account diversification and the ability to be able to extract that value while meeting the organisation's own objectives. From this, potential targets, partnerships or startup opportunities are evaluated as well as ability of the group to leverage its talent and skill set	External consultants	Desktop research	Local government inst.	Local partners
S21	> 5 years	Just as companies are subsidiaries in growth markets, which report to the Group Installed in South Africa		Desktop research	Local government inst.	Local partners
S22	2 - 5 years	GDP Growth, Ease of doing business, Personal and professional networks, FDI, Political climate.	External consultants			
S23	> 5 years		External consultants	Desktop research	Local government inst.	Local partners
S24	> 5 years	Growth opportunities and ROE	External consultants	Desktop research	Local government inst.	Local partners
S25	> 5 years	The Standard Bank Group strategy is Africa-focused. Hence, all the ensuing strategy is focused on growing existing markets in Africa, and developing new ones	External consultants	Desktop research	Local government inst.	Local partners
S26	> 5 years	Our strategy is on the back of Standard Bank expansion to the ROA we follow their footsteps and secondly we focus on Multinationals with a Pan African footprint hence the growth in more countries / territories and thirdly we look for partners in new territories .	External consultants	Desktop research		Local partners
S27	2 - 5 years	Opportunity Type Internal Capabilities and Capacity Assessment Risk Assessment Overall Relative attractiveness Manageability of Opportunity		Desktop research		Local partners
S28	2 - 5 years	Mining opportunities evaluated on a project basis.	External consultants	Desktop research		
S29	> 5 years	For our organization, when considering investing in an operating model outside of Southern Africa, there are a multiple of factors: 1. Competitor foot print in that market 2. Current strength and brand awareness of our brands in specific market 3. Viability - with the challenges in exporting our products, we need to consider all import costs (landing costs) that need to be added on to reach a selling price. Is the product still affordable ? 4. Local Talent - "Africa specific - will we find the skills in country ? Referring especially to technical production facility skills 5. Work permits - conditioned and term of permit	External consultants			Local partners
S30	> 5 years	A hub and cluster approach was used where the key economic hubs within Africa were used as entry points ie East Africa- Kenya, West Africa- Nigeria, Southern- South Africa and North Africa- it was a combination of distributors/ resellers situated in-country.	External consultants	Desktop research	Local government inst.	
S31	> 5 years	assessment of market size and opportunity; favourable and enforceable regulatory environment; availability of skilled local staff (businesses are largely run by local teams with oversight and support from SA); largely Anglophone Africa. competitive landscape locally	External consultants	Desktop research	Local government inst.	Local partners
S32	> 5 years			Desktop research		Local partners
S33	> 5 years	We are are client demand driven organisation. We expand into those territories only if completely feasible and the regulatory environment supports it. Our clients are looking for diversified revenue streams as the market in SA has become saturated and hugely affected by a whole range of socio-political factors.	External consultants	Desktop research	Local government inst.	Local partners
S34	> 5 years	Internationalisation is driven by business strategy to expand business in Africa as main market focus	External consultants	Desktop research		Local partners
S35	> 5 years	profit margins and if the margin is big enough to reward for the risk taken				Local partners
S36	> 5 years	If this refers to operations, this is decided on in terms of efficiencies and cost reduction, centralising common operations. If this relates to which countries to enter this is based on a customised framework of factors relevant to our business.	External consultants	Desktop research	Local government inst.	Local partners
S37	> 5 years		External consultants	Desktop research	Local government inst.	Local partners
S38	> 5 years	Growth opportunity Diversification Complementary	External consultants	Desktop research		Local partners
S39	> 5 years	the medium to long term view of risk and returns - RSA vs other African countries	External consultants	Desktop research		Local partners
S40	> 5 years	Largely driven by strategic imperative (at that time) to dominate emerging markets	External consultants			Local partners
S41	> 5 years	Population demographics, market penetration of competitors, regulatory landscape and product range suitability.	External consultants	Desktop research		Local partners
S42	> 5 years	Capital allocation to where a good return on investment can be made. South Africa is a mature market compared to the rest of Africa and therefore a balance should be struck to optimize our competitive position in SA as well as employing capital for expansion and growth in Africa. Decisions are made by committee on the allocation of funding for various national and international initiatives on that basis.	External consultants	Desktop research		Local partners
S43	> 5 years		External consultants	Desktop research	Local government inst.	Local partners
S44	> 5 years			Desktop research		
S45	> 5 years	Sub-Saharan Africa				
S46	> 5 years	Macro fundamntal analysis drilling down into industry specific analysis Then considering different entry methods - build, partner, buy All in context of capital availability and management bandwidth	External consultants	Desktop research	Local government inst.	Local partners
S47	2 - 5 years					Local partners
S48	2 - 5 years		External consultants	Desktop research	Local government inst.	

	Q8-Other	Q9	Q10	Q11	Q12-1	Q12-2	Q12-3	Q12-4	Q12-5	Q12-6	Q12-7
S1		Joint venture or partnerships	> 2 years	2 - 5 years	3	2	5 - Most Significant	3	3	4	2
S2		Joint venture or partnerships	I don't know	I don't know	4	4	3	3	4	4	4
S3		Exporting capabilities	< 6 months	2 - 5 years	4	3	2	3	4	5 - Most Significant	5 - Most Significant
S4		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	4	5 - Most Significant	4	3	4	4
S5	Current Vendors who supply directly to those countries	Sole proprietor & competes a	< 6 months	< 2 years	3	1 - Least Significant	2	2	4	3	3
S6		Joint venture or partnerships	6 months - 2 years	< 2 years	5 - Most Significant	4	5 - Most Significant	4	4	5 - Most Significant	4
S7		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	4	2	4	5 - Most Significant	5 - Most Significant	5 - Most Significant
S8		Joint venture or partnerships	> 2 years	2 - 5 years	3	4	2	3	2	3	4
S9		Joint venture or partnerships	6 months - 2 years	2 - 5 years	3	2	1 - Least Significant		2	2	3
S10		Joint venture or partnerships	> 2 years	2 - 5 years	5 - Most Significant	4	5 - Most Significant	5 - Most Significant	5 - Most Significant	4	5 - Most Significant
S11		Joint venture or partnerships	< 6 months	< 2 years	3	3	4	5 - Most Significant	5 - Most Significant	4	5 - Most Significant
S12		Joint venture or partnerships	6 months - 2 years	> 5 years	4	3	2	4	4	3	3
S13		Joint venture or partnerships	> 2 years	< 2 years	2	4	1 - Least Significant	4	5 - Most Significant	3	5 - Most Significant
S14		Joint venture or partnerships	I don't know	I don't know	4	5 - Most Significant	4	4	4	4	4
S15		Joint venture or partnerships	6 months - 2 years	2 - 5 years	5 - Most Significant	3	2	4	4	3	5 - Most Significant
S16		Joint venture or partnerships	6 months - 2 years	2 - 5 years	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S17		Exporting capabilities	6 months - 2 years	> 5 years	3	2	3	5 - Most Significant	4	4	4
S18		Joint venture or partnerships	> 2 years	< 2 years	3	4	4	5 - Most Significant	4	4	4
S19		Joint venture or partnerships	6 months - 2 years	< 2 years	3	4	3	3	3	4	3
S20		Joint venture or partnerships	6 months - 2 years	< 2 years	4	3	3	4	4	5 - Most Significant	4
S21	Our results compared to budgets	Licensing or leasing	6 months - 2 years	< 2 years	5 - Most Significant	1 - Least Significant	2	4	5 - Most Significant	5 - Most Significant	4
S22	E & Y, KPMG & PWC Reports	Exporting capabilities	6 months - 2 years	< 2 years	5 - Most Significant	3	3	3	4	5 - Most Significant	3
S23	Dedicated internal market intelligence function	Sole proprietor & competes a	6 months - 2 years	2 - 5 years	3	3	3	4	4	3	3
S24	Growth Index, Expanding Economic Factors	Sole proprietor & competes a	6 months - 2 years	< 2 years	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	4	5 - Most Significant	4
S25	Our entry model often involve going into a country through our Corporate and Investment Banking (CIB) unit. Once on the ground we gather intelligence that enables us to broaden our operations in the country into Retail Banking	Sole proprietor & competes a	> 2 years	2 - 5 years	4	4	4	4	1 - Least Significant	4	3
S26		Joint venture or partnerships	6 months - 2 years	< 2 years	3	4	5 - Most Significant	5 - Most Significant	5 - Most Significant	4	3
S27		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	3	4	5 - Most Significant	3	4	3
S28		Joint venture or partnerships	6 months - 2 years	2 - 5 years	3	4	1 - Least Significant	2	4	4	4
S29		Joint venture or partnerships	> 2 years	2 - 5 years	4	4	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S30		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	4	4	4	5 - Most Significant	5 - Most Significant	4
S31		Joint venture or partnerships	> 2 years	2 - 5 years	3	2	4	4	4	4	4
S32		Joint venture or partnerships	6 months - 2 years	< 2 years	3	3	3	4	4	5 - Most Significant	5 - Most Significant
S33	Local regulatory authorities, client local branches,	Joint venture or partnerships	6 months - 2 years	< 2 years	1 - Least Significant	3	1 - Least Significant	4	2	4	5 - Most Significant
S34		Joint venture or partnerships	6 months - 2 years	< 2 years	2	2	2	2	2	2	2
S35		Joint venture or partnerships	6 months - 2 years	2 - 5 years	2	4	2	2	3	5 - Most Significant	4
S36	In-house analysts	Exporting capabilities	6 months - 2 years	< 2 years	3	3	2	4	4	4	5 - Most Significant
S37		Joint venture or partnerships	6 months - 2 years	2 - 5 years	5 - Most Significant	5 - Most Significant	5 - Most Significant	3	3	4	3
S38	Base analytics data	Joint venture or partnerships	6 months - 2 years	2 - 5 years	3	4	4	5 - Most Significant	3	4	4
S39		Sole proprietor & competes a	> 2 years	2 - 5 years	4	3	3	5 - Most Significant	4	4	3
S40		Joint venture or partnerships	> 2 years	< 2 years	3	3	5 - Most Significant	2	4	4	5 - Most Significant
S41		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	3	4	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S42	Reinsurers and international agencies such as world bank, IMF etc	Licensing or leasing	6 months - 2 years	> 5 years	4	2	2	4	3	2	4
S43		Sole proprietor & competes a	6 months - 2 years	< 2 years	4	4	4	3	4	4	4
S44		Joint venture or partnerships	6 months - 2 years	2 - 5 years	3	2	4	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S45		Joint venture or partnerships	6 months - 2 years	2 - 5 years	4	3	4	4	4	4	4
S46		Sole proprietor & competes a	6 months - 2 years	2 - 5 years	3	3	2	4	4	3	3
S47	none	Exporting capabilities	6 months - 2 years	I don't know	1 - Least Significant	2	2	2	3	3	4
S48		Joint venture or partnerships	> 2 years	2 - 5 years	1 - Least Significant	2	2	3	2	2	4

	Q12-8	Q12-Other	Q13	Q14
S1	1 - Least Significant		Somewhat exceeded expectations	
S2			Somewhat exceeded expectations	
S3	5 - Most Significant		Exceed expectations	
S4	4		Somewhat exceeded expectations	
S5	3	Demand for Retail Products in country of intended expansion	Failed to meet expectations	SUPPLY ISSUES 3. Product Pricing 4. Economic performance in Country 5. Cost of Supply into country
S6	4		Somewhat exceeded expectations	For reasons of political risks and political instability
S7	5 - Most Significant		Somewhat exceeded expectations	
S8	5 - Most Significant	Governance and regulatory environment	Somewhat exceeded expectations	
S9	4		Somewhat exceeded expectations	The main issues usually relate to having the right management in the local market
S10	5 - Most Significant		Somewhat exceeded expectations	Market conditions
S11	5 - Most Significant		Somewhat exceeded expectations	
S12	5 - Most Significant		Somewhat exceeded expectations	It took longer than anticipated to break even and build critical mass in country.
S13	5 - Most Significant		Somewhat exceeded expectations	not enough option above - should have tick box that says "Met expectations" It is a function of time and resources you put into the market
S14	5 - Most Significant		Somewhat exceeded expectations	
S15	5 - Most Significant		Failed to meet expectations	Two causes:- - change in business environment and - A rushed integration process resulted in the loss and overburdening of key personnel which impacted business growth
S16	5 - Most Significant		Somewhat exceeded expectations	not applicable.
S17	5 - Most Significant		Somewhat exceeded expectations	
S18	5 - Most Significant		Somewhat exceeded expectations	Poor joint venture relationships and local government ethics in doing business
S19	5 - Most Significant		Failed to meet expectations	Excessive taxes and levies as well as other governmental (restrictive) legislation
S20	5 - Most Significant		Failed to meet expectations	-Lack of understanding of the local environment and how it differs significantly from South Africa.
S21	5 - Most Significant	Raw materials, human and market development opportunities	Somewhat exceeded expectations	The lack of consistency in the study of the environment and the ecosystem
S22	5 - Most Significant	An opportunity to grow, develop, add value, leave a lasting legacy	Failed to meet expectations	In Tanzania for example, the GDP growth, discovery of Oil & Gas and lack of competition were seen as a HUGE opportunity.
S23	4		Somewhat exceeded expectations	
S24	5 - Most Significant		Exceed expectations	
S25	5 - Most Significant		Somewhat exceeded expectations	
S26	5 - Most Significant		Somewhat exceeded expectations	Market not ready for the product
S27	4	Board and/or Partner Support and/or Strong Sponsorship	Somewhat exceeded expectations	Lack of Buy-in at Board / Partner level and/or Poor execution of strategy
S28	5 - Most Significant	Value vs. risk, barriers to entry	Failed to meet expectations	Financing restrictions post 2013 Collapse in commodity prices
S29	5 - Most Significant		Somewhat exceeded expectations	Not applicable
S30	5 - Most Significant		Somewhat exceeded expectations	need to understand the scope for growth and technology growth trends within the competing markets.
S31	4		Somewhat exceeded expectations	certain market entry strategies failed because of regulatory challenges/changes/approvals not granted
S32	5 - Most Significant		Exceed expectations	Product ranges not suitable due to Religious or culture beliefs ,Extreme lead-times
S33	4	Regulatory Regime and political stability are typically the gates that determine the market opportunity	Somewhat exceeded expectations	Regulatory regime changes
S34	4		Somewhat exceeded expectations	
S35	5 - Most Significant		Somewhat exceeded expectations	Strong partners is important to succeed Failure - bad mandates
S36	5 - Most Significant		Somewhat exceeded expectations	Slower moving pension reform
S37	4		Failed to meet expectations	Macro economic conditions: Currency devaluation as we are USD based company as well in-country financial constraints. i.e. my subscriber will rather use his her money to buy petrol for a generator/electricity then for PayTV.
S38	4		Failed to meet expectations	Cut and paste mother company Regulation Leadership Poor due diligence
S39	4		Somewhat exceeded expectations	Where we have not met expectations is because we remained sub scale for a long period
S40	3		Somewhat exceeded expectations	Local regulatory landscape
S41	5 - Most Significant		Somewhat exceeded expectations	Some markets have performed better than others.
S42	5 - Most Significant	Expected growth of the industry in the target country (5), growth projections for the country (4)	Somewhat exceeded expectations	Results have been mixed. Main investment thesis remain intact in all countries, but some will take longer to bear fruit than others.
S43	4		Somewhat exceeded expectations	
S44	5 - Most Significant		Somewhat exceeded expectations	
S45	5 - Most Significant		Failed to meet expectations	Cultural and national distance, language barriers
S46	5 - Most Significant		Somewhat exceeded expectations	Lack of deep operational due diligence and not truly understanding culture
S47	3		Failed to meet expectations	
S48	3		Somewhat exceeded expectations	

Q15	Q16-1	Q16-Other
S1	Strategy did not fail (so this question does not apply)*	
S2	Strategy did not fail (so this question does not apply)*	
S3	Strategy did not fail (so this question does not apply)*	
S4	Strategy did not fail (so this question does not apply)*	
S5	Other (please specify)	Refocus the Business into the local ZA Market
S6	Adapt the strategy and made it work	
S7	Strategy did not fail (so this question does not apply)*	
S8	Strategy did not fail (so this question does not apply)*	
S9	Change leadership	
S10	Strategy did not fail (so this question does not apply)*	
S11	Strategy did not fail (so this question does not apply)*	
S12	Strategy did not fail (so this question does not apply)*	
S13	Other (please specify)	not had a failure yet
S14	Strategy did not fail (so this question does not apply)*	
S15	Adapt the strategy and made it work	
S16	Strategy did not fail (so this question does not apply)*	
S17	Adapt the strategy and made it work	
S18	Adapt the strategy and made it work	
S19	Exit the market	
S20	Adapt the strategy and made it work	
S21	Adapt the strategy and made it work	
S22	Other (please specify)	We appointed a well known local partner in Tanzania and focused on other markets.
S23	Strategy did not fail (so this question does not apply)*	
S24	Strategy did not fail (so this question does not apply)*	
S25	Strategy did not fail (so this question does not apply)*	
S26	Adapt the strategy and made it work	
S27	Adapt the strategy and made it work	
S28	Adapt the strategy and made it work	
S29	Strategy did not fail (so this question does not apply)*	
S30	Adapt the strategy and made it work	
S31	Exit the market	
S32	Exit the market	
S33	Strategy did not fail (so this question does not apply)*	
S34	Strategy did not fail (so this question does not apply)*	
S35	Exit the market	
S36	Adapt the strategy and made it work	
S37	Adapt the strategy and made it work	
S38	Exit the market	
S39	Adapt the strategy and made it work	
S40	Adapt the strategy and made it work	
S41	Adapt the strategy and made it work	
S42	Strategy did not fail (so this question does not apply)*	
S43	Strategy did not fail (so this question does not apply)*	
S44	Adapt the strategy and made it work	
S45	Adapt the strategy and made it work	
S46	Strategy did not fail (so this question does not apply)*	
S47	Exit the market	

	Q17-1	Q17-2	Q17-3	Q17-4	Q17-Other	Q18-1	Q18-2	Q18-3	Q18-4	Q18-5	Q18-6
S1	4	4	4	2			4	3	3	3	3 5 - Most Significant
S2	4	5 - Best		4			4	4	4	4	4
S3	4	5 - Best	5 - Best	5 - Best		5 - Most Significant		3	2 5 - Most Significant		4 5 - Most Significant
S4	4	5 - Best	4	4		5 - Most Significant		4 5 - Most Significant		4	3
S5	2	3	4	2			2	2	2	2	4
S6	5 - Best	5 - Best	5 - Best	5 - Best	have a strong ability to adapt to the customs and habits facing the new ecosystem	5 - Most Significant		4 5 - Most Significant		4	4 5 - Most Significant
S7	3	4	4	3			3	3	1 - Least Significant	4	5 - Most Significant
S8	4	5 - Best	5 - Best	4			3	4	3 5 - Most Significant		4 5 - Most Significant
S9	3	3	4	5 - Best			2	2	1 - Least Significant	5 - Most Significant	3
S10	4	4	4	4			4	4	5 - Most Significant	5 - Most Significant	5 - Most Significant
S11	5 - Best	5 - Best	5 - Best	5 - Best			3	4	4 5 - Most Significant	5 - Most Significant	5 - Most Significant
S12	3	4	5 - Best	3			3	3	2	4	3
S13	4	3	3	2			2	4	1 - Least Significant	4	2
S14	4	5 - Best	4	4			4	4	4	4	4
S15	5 - Best	3	5 - Best	5 - Best		5 - Most Significant		3	2 5 - Most Significant	5 - Most Significant	4
S16	4	5 - Best	4	4		5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S17	3	4	4	5 - Best			2	3	2	4	4 5 - Most Significant
S18	4	4	4	5 - Best			3	3	3 5 - Most Significant		4 5 - Most Significant
S19	4	4	4	5 - Best			4	3	4 5 - Most Significant		4
S20	4	4	4	5 - Best			4	3	3 5 - Most Significant	5 - Most Significant	5 - Most Significant
S21	5 - Best	5 - Best	5 - Best	4			4	1 - Least Significant	5 - Most Significant	4	5 - Most Significant
S22	5 - Best	3	4	4		5 - Most Significant		3	4	3	5 - Most Significant
S23	3	3	4	3			3	3	4	3	3
S24	5 - Best	5 - Best	5 - Best	5 - Best		5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant		4 5 - Most Significant
S25	3	3	5 - Best	5 - Best			3	4	4 5 - Most Significant	1 - Least Significant	4
S26	2	3	3	3		5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant		3 5 - Most Significant
S27	4	4	5 - Best	5 - Best			3	3	3 5 - Most Significant	5 - Most Significant	5 - Most Significant
S28	3	4	3	5 - Best	Robustness of the opportunity. Scope to change		3	4	1 - Least Significant	1 - Least Significant	3
S29	4	4	4	3		5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S30	4	4	4	5 - Best		5 - Most Significant	5 - Most Significant		4 5 - Most Significant		3 5 - Most Significant
S31	4	4	4	4			4	3	5 - Most Significant	5 - Most Significant	4 5 - Most Significant
S32	4	4	5 - Best	5 - Best			4	4	3 5 - Most Significant	5 - Most Significant	5 - Most Significant
S33	5 - Best	5 - Best	4	4		1 - Least Significant		3	1 - Least Significant	5 - Most Significant	3
S34	4	3	4	3			3	2	2	3	3
S35	2	4	4	3	Ensure you get paid and can repatriate money		2	4	1 - Least Significant	3	4 5 - Most Significant
S36	5 - Best	5 - Best	5 - Best	4			4	4	2	4	5 - Most Significant
S37	3	5 - Best	3	3			3	2	5 - Most Significant	4	3
S38	3	4	5 - Best	5 - Best			3	4	5 - Most Significant	5 - Most Significant	3 5 - Most Significant
S39	5 - Best	4	3	4			4	3	3 5 - Most Significant		4
S40	5 - Best	5 - Best	5 - Best	5 - Best			3	5 - Most Significant	5 - Most Significant	5 - Most Significant	5 - Most Significant
S41	3	3	3	3			4	3	4 5 - Most Significant	5 - Most Significant	4
S42	3	3	4	3	Resourcing and leadership are the most important aspects. If you have the local leaders on your side and bought into the strategy, you have a much better chance of achieving success. Culture matching and trying not to impose on existing culture is also very important.		3	2	3	4	3
S43	4	4	4	4			3	4	5 - Most Significant	3	4
S44	2	4	4	4			4	4	2	4	4 5 - Most Significant
S45	2	2	3	2			4	3	4 5 - Most Significant		3
S46	2	4	4	4			2	3	2	4	4
S47	1 - Worst	2	3	3			2	2	2	3	3
S48	1 - Worst	4	3	4		1 - Least Significant		2	3	4	3

Appendix 7: Interview guide used for case studies

1. Which part of the business do you fit in?
2. How do you decide on the countries to enter into first on the African continent?
3. What data sources do you use to assist you in your planning?
4. What process do you follow in your planning?
5. How do you enter these new markets (partnership, acquisition, greenfield, etc.)?
6. Once you have entered the market, what steps do you take do you implement your strategy?
7. What realities do you face in the destination country during implementation?
8. How do you align and customise your strategy and solutions with the dynamics in the destination country?
9. With the cultural distance between SA and destination country, how do you ensure that parent company values are consistent in the countries you operate?
10. What has contributed to your success so far?
11. Are there markets you have failed?
12. If you were to advise another CEO who wants to enter some of the markets your organisation has a presence for the first time, what would you say? Reflections post implementation?

A1 | Company A | 4 Aug 2016

A1Q2

Why did you decide to go beyond South African borders?

When you look at the South African market obviously it was quite competitive and highly concentrated. And then at that stage, Company A had bought the African Life Group which had an existing presence in I think 5 countries. It was Botswana, Zambia, Ghana, Kenya and Tanzania. And we also had a presence in Namibia historically from the fact that Namibia was almost part of South Africa if you would look at it that way.

So we had a footprint in 6 countries, but relatively small businesses and then we undertook a study to say where should we go? And that was a big project that was commissioned by the group. Which countries make the most sense for us to go? And the one thing we identified was that language is a big thing. So it started that we are not going to enter countries that are French speaking or Portuguese speaking at that stage but we will go for Anglophone countries. And then we said, which countries have the most potential in terms of, you know, the size of the market and also which countries had the most potential in terms of future economic growth. And we short listed those. I mean that criteria basically said to us that we need to be in Nigeria, and you need to be in East Africa as a primary. So what we then said is our next countries would be Nigeria as well as Uganda and making sure that we vest ourselves in East African space. And also the next region was, we have a presence in Ghana for example and a presence in Tanzania but only life insurance. So, we should now add general insurance because general insurance because often general insurance is sold and life insurance is a follow up or life insurance is sold and general insurance is a follow up. So we found that we couldn't complement both types of insurances, we lost out on some market share.

So that is more the story and then we also decided that India was an area where we wanted to play and we found a partner there and we partnered in India. So that was 2005-2006. We followed that strategy for the next 5 years and then we got to a stage where we said, that now we have covered most of the Anglophone regions, but there are certain areas that are growing quickly but are not English speaking countries. Those were primarily your Mozambique, your Angola and also some of the French speaking countries like Rwanda and West Africa. But what we realised the whole time is that we cannot do this expansion by ourselves because culture is different and we also need a local partner to help us with distribution. So we can bring technical knowledge of how to do insurance, how to develop products and how to do all of that but if we don't understand the local culture and we don't know how to sell products in that country. And what we did in South Africa, Botswana and in Namibia, doesn't necessarily work in Rwanda, Angola or Nigeria for that matter. We wanted to partner as far as possible and that was one of our criteria to go into that country. So we did not want to go into a country and try it ourselves if we could get a good partner.

General insurance and life insurance as you rightly said, you kind of need both of them, which one do you think needs to lead before the other one is brought in?

OK. So what you find is globally it's about 50-50. What maybe you can do is there is a very good study that comes out annually that is done by Swiss-re. Just maybe just go to Swiss-re's website and you will there that they have got Swiss-re, they have got their annual studies. Basically what they do is they look at insurance globally, where are the trends, have life insurance grown markets, which markets has general insurance grown and where is it reducing. They are expressed as a percentage of GDP. So you can get a good feeling of is it insurance penetration and insurance as a percentage of GDP growing or reducing, where is it happening?

So I need to give you a picture of whether general insurance is bigger than life insurance, and in which markets. But what we find is that in Southern Africa, South Africa, Life insurance is much bigger than non-life Insurance. Likewise I think in Namibia and in Botswana. But what you find in some of the other countries where people generally think to insure their own motor car and their house and some of their other assets, general insurance has much bigger appetite than life insurance. Also because the governments, or one of the requirements for example, for buying a car, is that you must have third party insurance or you must have insurance for your car. So there is a natural thing for people to say I need to insure my car. So what else in my house burns down? So I need to have insurance because if I take mortgage and my house burns down or my furniture is stolen, then I need to still pay that bond or than loan but I don't have the asset anymore. That is the next follow up. And only later in time does life insurance really become necessary.

The other thing that I picked up in Ghana & Ivory Coast, there you don't talk about death so life cover is not very big. It could be that in the Southern Africa, our markets are a bit mature in terms of insurance. I am not sure. Is this how you also experience it?

You are 100% correct. What you find is that obviously South Africa has for decades has a very strong insurance culture especially if you look at the life side and the funeral culture. And also culturally funerals costing a lot of money being celebration. For example, a typical funeral cost say R20 000 – R30 000. This becomes burdensome and firstly it developed stokvels and became formal insurance, So South Africa is much further down the road than many other countries. What you might find is that our neighbouring countries with many people migrating in and out of South Africa, that culture has moved across the borders into Lesotho, Botswana, Namibia, Zimbabwe, etc. So the Southern African part has been very influenced by South Africa and our local culture. Whereas in the north, funeral is almost a taboo subject, you don't talk about it. So what we ended up doing in a country like Ghana, where our funeral business has grown very nicely is to almost package it as something else.

Are they going to know what it is?

They know exactly what they are getting. That is when they die. Is not packaged as funeral insurance but packaged as something else. Something that I would rather say if you are not there, what happens, who is gonna pay for you, who is going to look after family, that sort of story instead of who is going to pay for your funeral. It's all in the marketing.

I think there we have been able to establish a business-based on funeral. It might be easy to do in other countries. You have to create a market in many respects. I would imagine that in the lending space it is the same. Whereas people build the house little by little, and as money comes in, they add another room. Also the idea of taking a loan with the bank, completing the house and repaying it in the next 10 years or 20 years hasn't become that well known in the rest of Africa. I think over time it will.

A1Q3

What are your sources of information? If I look at a country like Nigeria you find that there is still very much informal sectors. Institutions that facilitate business are not well developed. So what your sources of information for you to be able to come up with a strategy that really works in the market that you choose?

So is that more when you are going to make a new acquisition or a new entry?

It can be a new acquisition but also even the business model that you are going to use

So in doing the acquisition we always go and speak to the Ernst & Young's and the PWCs. So your audit firms, speak to the banks. The banks are front runners in terms of getting a presence there. And because we have got stronger relationships with certain banks in South Africa that have entered the market, it makes it quicker when you enter the market. Insurance generally follows banking. So there is a natural progression I am sure you know that. Firstly there is some money created from economic growth. Whether it is commodities being mining or services or so. Then that money needs to be invested. Then the banks enter. Then after the banks enter, then people say how do I create a little bit of wealth. So either I need to invest further or I need to insure what I bought with it. So that's how insurance follows.

So we are not market leaders in going into a country, we are rather followers; but we prefer to be market leaders in the insurance space. And therefore I think you get a lot of information from either the people you are going to partner with or from your banks. They are willing to share information and partner with you and the audit firms.

So the audit firms that are based in country, do they normally have very accurate information?

Ya, so I think they have got the best information in country. I wouldn't necessarily say accurate but I think the best you are going to find. So I think you need to get the information and sensor it yourself. But in the bigger scheme of things, they are not going to be very wrong. They are not going to be very right but are not going to be very wrong. If you look for example at the corporate sector, consists of 200 firms and a total contribution to the GDP is 30%. That would be broadly accurate but it maybe 20% or 25%. So that is what I am trying to say.

A1Q5

Are there situations where, now maybe you have bought a local partner, yes, they might have the local knowledge? I am looking at maybe you have the Company A way of doing things and product the way it is and

maybe should not change as much. How have you dealt with situations where Company A feels strongly about something that needs to be done but the CEO in country disagrees

The first and most important thing is that when we select a partner, we select a partner that has the same way of thinking and same culture. Its culture of we want to do things for the right reasons. We also want to know insurance like we do in South Africa, we want to help the country and the people. So if they have got the same passion for that and that obviously have the same history that we can see how they are involved. That's a good starting point. And I think it's very important that it's important that both parties are not experts in each region. And that we are here to learn from them in terms of doing the local way. But we are here to help them also in terms of how to do insurance, how to set up certain structures, products, operations, etc. I think it's a mutual product, but not to say that there have not been cases where we disagree. And I must say there needs to be a lead partner. I don't think we have entered countries where there is a 50-50 partnership. It's either there is a leading partner. Either it is the local player or it's us. The other one just a facilitator and we need to understand that position upfront. So there are cases where we say we feel strongly that it will not work if we do it differently and until you pilot it but there are some cases where we say we are not the experts in this region, we listen to you.

What I was also reading in your annual results was that you are now starting to put Company A branding in some of the countries you operate, which wasn't the original strategy. Is it because the partner feels that the Company A brand is very strong or is it more from Company A saying the more you use Company A brand, the more it is easier to standardise?

So we initially set out saying we will continue using the local brand. We endorse it. In the logo we would say "a member of the Company A Group" for example. As we went along, especially with the companies that we initially started with through African life, we found that the African Life brand was no longer, there wasn't affinity to it. Whether it was African Life or Company A, it doesn't matter. So then we started rebranding some businesses Company A. And the focus is more on East Africa, Southern & East Africa. Southern Africa because they should be familiar with us. We have migrant workers. So they come to South Africa and they see Company A and they are familiar with the brand. So it makes more sense than for example an African Life brand in a country like Zambia. Then in East Africa, we found that we had established in Uganda as Company A and African Life was in Tanzania and we successfully rebrand. Then we started saying the Eastern African community is similar to the Southern African community where people migrate from one country to the next, they are trading more often, they go into, Kenya, Nairobi and Kampala more often so it makes sense to establish a brand in East Africa. That's what we are doing as an exercise. For example in Nigeria, where we are going to partner there with First Bank, First Bank has a much stronger brand. I don't think, that's on the horizon to rebrand FBN Life to Company A. It won't make sense.

And what you have said especially in Nigeria I totally agree with you. When I was there now, they were saying it is the no 1 bank if I am not mistaken. Also what I experienced very strongly is the locals love their own brands. I feel Nigerians are a very proud nation and very proud of their own, so there is a feeling of what makes yours more superior to my one?

Exactly. That's a 100% correct. So it must always make sense for the business and you must get your partner to buy in. In most cases, it has often been our local management and our local partner saying, this is a good brand no strong brand locally that people say it's a company to go to and is not a strong brand regionally. So let's rather make use of Company A brand in Africa for our business and it could be better perceived. I think DSTV makes a big difference because people watch DSTV and obviously we advertise.

I have read that your strategy is to partner or buy existing business. But I also know that for Uganda you went on your own. Are there a few of those and how successful have they been – where Company A went "with a briefcase" to set up something from nothing?

What we found is that it takes very long. Insurance is specialised so it takes quite a long take off. It takes anything, 4-6 years to actually become profitable. And that is quite a long time especially in these markets where you have to create a market really. People don't know insurance, you have to educate them. So the 2 start-ups that we did was Uganda and Nigeria. Nigeria, because we had a local partner, things went much quicker than in Uganda. But in Uganda, there wasn't anything to buy so we went with the greenfield approach. I think now if we go into a new country now, I think the preference is to buy because you get in a starting position, you get some footprint, you get some local expertise and I think you can add to that. So I think that has been our approach ever since.

A1Q6

One of the areas that is attributed to Tigerbrands failure in Nigeria is branding. If you look at how strong Dangote as a brand is very strong. Like you are saying just changing the brand in Nigeria, I suppose can actually kill your business?

Yes exactly. You have to be very careful so the decision is made with lots and lots of homework. It's not something we take lightly. Because often it can hurt our brand. It's not just the company that you are in and also our own brand. So no, there is thorough homework that has to be done before the final decision is made.

A1Q7

Has there been markets where you struggled with local knowledge in terms of having the right talent that you need?

Yes. There are definitely are markets that I think in Uganda, Marguerite will tell you that she struggled to get people from the start. In many countries they say that 2 expats are allowed and no more. So she found another expat and the rest of the people had to be local people who had hardly seen insurance being sold. So a lot of education had to take place. That's why it takes longer than if you do an acquisition.

If it's training, how do you localise your training to ensure that it is not South African?

The important thing is that trainer must understand the local environment as much as possible. But, often times, we won't take someone who has never done training in Africa. Maybe they start somewhere. So once they have exposure to one or 2 countries, then we say go and train a new country. Take what you have learned in South Africa and but also take what you have learned in other countries. The trainer don't say, in South Africa we do that but Kenya we do that and in Nigeria we have done that. So that people understand that there is a difference and they have got to find their own way but there are certain things that are similar in all of the countries.

I think it also helps the local people to feel that they are being given the other options and maybe even customise and find something in between, let's say Nigeria or Kenya, or wherever now that they know the different variations.

Yes true. But you must also note that in some of the countries, for example telling the Nigerians what the Ghanaians do is not ok. Although it is very similar, they are very proud, so they are actually "enemies" in inverted commas. You would rather say the Ghanaians are doing this can you exceed that? You would rather do something that is more of a challenge to outperform I think.

A1Q8

But you know, we sit on the southernmost point of Africa and try to support a business in Kenya for example, and if haven't got people that understand or embrace what you are coming to explain to them and do it, they will not do it. We are not going to do it but help them. It takes very long and it makes life very difficult.

If I look at with Ecobank now, we are saying lets help you set up a financial planning business, I find a lot depends on what you are saying about, are they understanding how we do it here. They have never done it and experienced it so when setting up it takes longer than anticipated since one needs to ensure that there is common understanding.

I agree with you. By way of example, Shoprite had it easier in retail space. Because they open a shop, people walk in there, they see the stuff they can buy. They can associate with the look and feel much quicker and with the sort of result. Whereas with the financial services and banking, it's a longer term. So people are like, I am giving you my money, I will get it back in the future. So that's why it is a big trust thing. You have to bring the local people to South Africa. You have to spend a little bit of money and ensure that you make it familiar. Take them to other countries as well to have them actually see and experience the different variation. Telling them does not say much.

How do you deal with the language issue? Now that you have gone into the Anglophone, how do you deal with the language issues? Have you acquired those capabilities yet in the Francophone or you are starting to do so?

Yes. Many of us have taken French courses. So you don't need to be fluent in French but you can help yourself a little bit. Also, the Francophone countries can speak a little bit of English. And if you can speak a little bit of French, then you do find that there is a way to communicate. But once again, it's important to have a partner that is conversant in English so we have recently partnered with Saham Group that is Moroccan. They are quite

westernised. And the idea is you would rather support them and they do the direct, on the ground work in Ivory Coast, for example. But you go with to Ivory Coast and but you have the local partner that can help you with the French and so on. It is important to have people that are able to speak the local language in your group.

What local partners do you have? From what I am gathering, you have local partners but you still need support from a Company A perspective. What other kind of local partners do you utilise to be able to do business with your JV partner?

The bigger countries like India, Nigeria and also in the Saham Group. In India it's a distribution partner, in Nigeria, it's also a distribution partner which is a bank, in certain other countries, there is a local group or group of people that have some distribution capabilities or some local knowledge and access to local distribution and corporates footprint, etc. So it's definitely not a 1 size fits all type approach but is about what are our options in the country and what do we think are the best?

Would you also have audit companies that you utilise on ongoing basis if you have some additional information you need? In nutshell, what other companies do you deal with in country besides your local partner?

The banks play a key role. And also your bigger corporates that are South African origin. So these are your Breweries, your MTN's, Shoprite, and the likes. Ya, in certain countries there are reinsures that you can go and see, Swiss re, they are partners. So its partners in all aspects. Whether they are partners that sell a product or help you in risk management, a partner that will help you with auditing, so in all aspects.

A1Q9

Wow, you have confirmed what we are planning to do, where we want them to come and attend our Induction so that they understand what induction is. We also plan that the following week, they go out with planners to see clients so that they familiarise with exactly what a planner does when they are doing financial planning because they have never seen it. In hindsight, I am actually glad that it was a good idea to do that.

Yes. For sure. Yes, a couple of schools of thought. One school of thought is that you send your people across to sell a product. But that is even difficult because, we will sell the product in a South African way. And the locals might not experience it and connect with it the same way. Whereas if you bring the locals to South Africa, and show them how we do it. Now you take what you have learned to go and apply it and make it Nigerian, for example, I think that's a lot more powerful. But it's expensive as well. I think a combination of the 2 is also important.

Even for now, I go there before they come so that we train them so that they have an idea of what to expect when they come to SA. We will also want them to be trained on the Nigerian regulation before they come to SA so that they have lenses to use when they get trained in SA. It would work?

Yes I agree with you. You are on the right path.

How do you ensure there is consistency in terms of management etiquette/professionalism? Do you ever bring senior management to SA for training?

What we do is we invest in our people, so on an annual basis, we identify certain people, whether they are future leaders or people with potential in our existing partners and we enrol them in our own or future learnings that we have. Some of the courses are through the University of Stellenbosch. We also send them through senior management programmes for a year or executive leadership programmes or so. So, they get more of an international feel of how to do business. Then I think it's important to make sure that some of the values we apply in SA, that Company A strives for, get instilled in a local company specially if they are going to be their brand. So that they understand that these are the minimum non-negotiables almost of how we do business, how you present yourself, integrity, honest and those sort of things. The values we stand for and those are instilled in the business. And that you can only get by sending someone there and taking them through an induction type course.

So from a training perspective, I assume you also send trainers depending on what is required? Do you send some trainers there?

Yes

A1Q11

Are there markets you can say you failed, or took much longer than anticipated to break even? Are there certain markets that you can say, Yes we have footprint but it doesn't necessarily say that we are successful?

Ya. I think Rufaro it's often a case of if you are realistic about your expectations. Let's take Uganda as an example, it took 6 years to break even. Initially we thought it would be 3. But in hindsight when we do another start-up, or when we buy another young company that maybe is operational for 2 years loss making, we will be more realistic about our expectations. So I don't think we have had any failures but I just think have become more realistic about what is reasonable. I think we have companies we bought that were best buy so yes. But simply because maybe there is something better that we could buy. Or we had to plough so much effort in turning a business around because management was not as strong as we initially anticipated. Like for me, the biggest learning is that make sure when you buy a company, you buy into a management and not necessarily a track record because you are going to achieve more with the right people than what you can do with the wrong people. But the right people on the bus story.

Because you know whatever you are going to raise or suggest is going to be done? People are going to buy into it they will plan around it and things happen?

A1Q12

You are aspiring to become the pan African insurer. In the process, I suppose there are many landmines as well. If you look back, definitely there have been a lot of learnings. I am also assuming that your strategy today has been reshaped by those learnings that. If you were to look back in the last 10 years, what would you advise another South African CEO that might also want to expand their business into the rest of Africa?

Ya, I think the biggest learnings are, I work in the mergers & acquisition side, I think it's easier to buy a business than start up a business than it is to turn it around. I think the first thing is you got to make sure that you buy. If you buy a business or you start up a business, you should do it correctly from the start and you buy the right business. I think it's very very important to buy into management. So often you have a company that is reasonably well but hasn't got strong management. And to go and change management is very very difficult. I would much take a small business that has strong management that you can support than having to go and do everything yourself and even change management. I think that for me has been the biggest learning curve. And I think for me in terms of support, it's one thing to develop a product for example fast moving consumer goods if you have it, you can sell it. You can bring the product there and you can sell it. But insurance is with banking, it's a trust thing. So people need to become familiar with you and need to trust you and in that you have got to bring a lot of knowledge, a lot of expertise, a lot of history and that your people need to be very dedicated to travel into the rest of Africa, more than they are at home. And that's a big big sacrifice. I think acquiring a business is much easier than supporting it. Simply because it takes more dedication.

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A2Q2

How did it all start with Company A expanding the business beyond the borders of South Africa?

It all started when we bought African Life business. That was not the intention to buy. I was part of the due diligence still I was in the South African Life business. We really looked at the business and we valued the South African business and the rest were merely there. So they had a business in Botswana, they had a little start-up in Kenya. Those were the main ones and a small business in Zambia.

They were already, I mean they were not part of any strategy.

What we did do during that period, so we had an international strategy. But Africa didn't really feature in that because we thought we had explored in Africa and businesses were very small.

But then those businesses without us doing much to them actually started doing well.

On their own?

Well, with a bit of help from us and a bit of new thinking by us. A bit more results driven than previously. It started performing quite nicely. We then changed our view and we said maybe there is an opportunity. And thus when I joined Company A Emerging Markets (SEM) in 2007/2008.

We did a mapping then of the African continent with the help of our Chief Economist. We looked at the market, the GDP, the insurance penetration, the cell phone penetration, electricity, and banking. So a lot of factors. Nowadays you get those consulting companies to tell you which markets are the most viable. There weren't those in those days. We just built.

Out of that came Egypt, Nigeria, Algeria, Morocco and Angola. Those were the big markets. We decided then Nigeria. So that's where we first tried to do an acquisition and it took us almost 2 years to get the license. In the meantime, we couldn't do just one. So we did start exploring smaller deals. I can give you, I don't know if you have all the deals that we have done but I can give you the timeline of that.

I would really appreciate

Let me quickly get the brochure. Maybe it's here in the cupboard. Yes, it's here in the cupboard. [PA comes to assist] It's that little table we had in the strategy session; the first or 2nd table that shows how we acquired the businesses. You know what I am talking about? It's in those strat documents. Like the 2nd table. Melissa should have it. I think this is what you saw in the annual results? You can have this.

Ya, I printed this map. Wow!

So I can't remember all the little But I think the difference between us and Mutual in that sense is we did a lot of small deals and then eventually we did one or 2 bigger ones. In Africa, the biggest one we did was the Moroccan one we did last year with Saham. So for us, it wasn't intended to be that way that way but it ended up quite nicely that first did the small ones, learned our lessons on the small ones so that when the big one came along, we already knew how to go about it. We already had good relationships with our advisors, our lawyers, our accountants to do the due diligence. Our team internally had been quite through a few mistakes in the past in putting deals together. So I won't say it was by design, it was not just luck, but a lot of luck. But it's just the way it progressed.

The first deal we did in Nigeria was very small because it was a start-up. Then we did one in Malawi which was only a few \$m. then towards the end we started doing bigger deals. In Rwanda, it was, I could say R100m to R200m. And this one eventually was R400m. It kind of built up to that.

[Interjection, PA comes with some material]

Can I just tear it out?

So you will see those are the timelines. It's not 100% accurate because we started before that. Before that we were called Company A Developing Markets. We were looking at Life businesses and not general insurance. When SEM was created in 2011, the mandate changed to Life, non-life and asset Management. So before that, Santam looked at its own internationalisation strategy, SIM had its own internationalisation strategy, we were basically the Life internationalisation.

Which meant that for example in Nigeria, we went with one partner and SIM went with another partner Which didn't make sense. And it was that situation that we said no, it does not make sense to have different partners. And it doesn't make sense that we have people flying into Nigeria, SIM people flying into Nigeria. Let's rather create one entity which manages all of those relationships.

A2Q4

For me what has been fascinating about Company A is your approach, you decided that you were not going to be alone – rather collaborate or buy a stake or collaborate. At what point did you decide on that because, I still remember when Marguerite was to go to Nigeria. It took so long. She ended up going to do the start-up in Uganda. At what point did Company A decide to change the strategy from greenfield to collaborating/acquisition?

From the start, we realised that it is whole strain coming. These are not places we know. We cannot operate there. Even when we looked previously, in the late 90's at internationalisation, you realise that we know nothing about it, so it was almost not a deliberate decision. It was just a realisation we can't have 100% business in the market we know absolutely nothing on. It's not our people we can put there that can understand Company A, we are not going to get expats and are too expensive. So it almost happened by instant rather than sitting down and saying guys, we are gonna do partnership. I mean, it started basically in Nigeria where we were offered an investment in a company. We looked at it, and we said No, this is not going to work for us. And then someone said why don't you talk, but even in that model of that company, we realised that one had to have

BancAssurance in Nigeria. We were not going to do insurance without having a bank because no one trust insurance companies but they trust the bank. Insurance companies doesn't pay but if you link it to the brand of the bank that would give you that.

So, we realised very soon that we will have to have BancAssurance. Now this company that was available to interrogate this the whole time, How are you going to do BancAssurance? Because they came up with this plan of how we were going to engage with the banks which we didn't buy into that's why we didn't buy the business but we realised from the first trip we had to have a bank. And then we were introduced to First Bank and we just clicked with them. We shared similar values and similar outlook.

So from there on, it seemed like we can't go into these markets for a startup and think that you can. We did try it. We tried it in Uganda. Marguerite went there to do a start-up. It's a good business but if you compare it to First Bank business, which was also a start-up, First Bank insurance business is doing very well. In Uganda, it is also doing very well compared to the other players there. But compared to the Nigerian one, it is not making profit yet. Nigeria was profitable in its second year already. So it just showed us that a greenfield is much more difficult especially if you don't have a partner.

So would you say Nigeria's growth is also because the size of the market?

That's why we are have gone there, but the insurance penetration is very low.

When you put agreements together, what kind of key success factors do you put because maybe there are a lot of unknowns, some landmines? Do you have some standard success factors when you enter a market? Or you do you put some hurdles saying first year we need to achieve, 2nd year, etc.?

We have to take our business case to our board. They will not approve an investment if we do not have a business case. So we have a profit forecast for at least 10 years for that business. And then we measure. That becomes the budget of the business to be measured against. You must be flexible because it's a paper exercise that you are doing at that stage. In reality, it can be much different to that. So you regularly revise whether you think this business will, whether we should be in this business. But our primary measure is return on equity (ROE). The money we put in, the primary measure is whether we get the return on that investment that we promised the board we will get. Company A has stated targets on ROE and we have to fall in with that.

As part of the agreement, do you put some hurdles with your partner saying if this is not achieved, we pull out?

NO, we are long-term investors. We go into the country to be in there. The only exits we have with our partners is if they want to sell, we normally want the right of first refusal to buy from them. But we are not a private equity player that says, in 5 years, we need to make 12% in profit terms if we have to buy back. Normally we are the anchor in that business. We are not a minority short term investor. We are an anchor investor. It's our reputation that's on the line. So we draw the business plan with our partner, or putting equity if they come in. So we have got the same targets. We want to achieve. We have to get the right management to do that.

A2Q5

You mentioned that in your partnerships, you let the local partner runs it.

In Nigeria and Ghana, are the 2 where the local partner runs it. And then in Zambia, the general business is the majority control. But in most of our businesses, we have majority control. So we primarily run it. We have control over it but local people run it. So in that case our local partner, our equity partner, the local management. Because we don't send our CEO to go and run it. We recruit a local CEO or the business that we buy, comes with a CEO. In that sense, when we buy into that business, that CEO would have been part of the process. We would have probably first approached him and said we want to buy the business and he would have helped us to convince the shareholder to sell some of the stake. So he becomes part of the process.

Given that Company A has traditionally gone with partnerships in their expansion programme and they have been very successful. It is correct to assume that greenfields would not necessarily work in the African settings?

I don't think you must discard greenfields per se. Greenfields can work as in Nigeria. We had a greenfield insurance business but with an existing company. So the positives about the greenfields is that you get a clean

licence. You know what's in the business. There is not a lot of skeletons, waiting to be discovered. We have a bought into a few businesses lot of those skeletons.

If you look at the bit that I got now from Mutual this UAP thing seems like the business they bought in Kenya has a few skeletons. So that's the problem in buying into an existing business. There is definitely the downside of buying into an existing business. It can really hurt you. And that's what happened to Tiger buying into Dangote businesses. It was a big gamble. It did not pay off.

It would be an interesting case study on what went wrong. I don't know much about that kind of business but it would be very interesting to know whether they wanted to make a big investment that would change their profit exposure quickly? Did they over pay for it? Did they pay the right price but did not manage it well? Because we have the same debates the whole time? We have also had businesses that we had to take right offs on. It's no so visible because they were small businesses but we always have those debates: Did we overpay for the business? Did the people that sold the business to us lie to us? Did they try to hide stuff from us? Or did we not take charge of the business quickly enough? Did we not put the right management into the business? So there are so many variables if something goes wrong and everyone has his own view because I did the acquisition I always think I bought something that was very good. That the subsequent guys that took over messed it up. I obviously say I bought the wrong business, I bought the mess and lift it up, fix something that is not fixable. But then again, if you make those mistakes in small businesses, it doesn't matter that much and you learn. But if you do that big deal right up front, and you make a mistake there, you are gone. Then your share price takes a hammering.

A2Q6

How do you manage in Nigeria where the market is so fragmented? What I have experienced is that regulation is there but is not mature. Is your success because of the partner who knows how to manoeuvre in the environment or you see it as a risk?

I don't think is about manoeuvring. They have got agents that sell the products. Agent just have a bank brand to help them to sell the product. The other companies are more general insurance. We now have a non-life insurance company as well. But we started with a life company. And the other company mainly concentrates on non-life. So we built a proper life company there. It probably the first proper life company that was built and probably that's why it was successful.

A2Q7

For companies where someone does the merger & acquisition of a new business and another takes over, how do you know whether the failure was due to those that took over or those that did the acquisition. Maybe there needs to be a link between the bonuses that are given to the M&A team for 3 years based on the success of the business that they bought?

In the beginning when we did the small deals and we didn't have so many businesses, my KPA was to buy and then they said that business will fall under my responsibility for another year. So I bought the business and I was on the board and had to make sure that the business was successful. That manager or that CEO basically reported into me. It can work. But that can't work if you are doing a lot of businesses. So if we do 5 deals a year, I cannot manage those 5 businesses and then move on. Otherwise you must say now I have done mergers & acquisitions, and I manage those businesses. And you get a new M & A guy who is going to buy 5 businesses again and manage them. But if you have an M & A team that you want to continue doing M & A, it's very difficult to do that. What does happen with us is, and it's not quantified somehow, but if your CEO understands what's happening in the business, he will tell you, look, you had a good year, you had quite a few acquisitions but I am not saying it's your fault, some of the acquisitions you did last year, did not work that well. So I am going to penalise you and your business because of that. That is not a quantified type of thing but if you have a good CEO, he will bring that through. So that next time before you do that acquisition, you look a bit closer to what's happening with that business. How are we going to manage it?

So how do you draw the line between the M&A and those that run the business in terms of someone is now running the business and they find that certain things do not make sense, but they cannot change it because an agreement is now signed?

But you see for us, all that happens in 1 business, SEM. The CEO. So he is responsible for acquisitions, and is responsible for running those businesses. So there is ultimately 1 person in charge. If you have a centralised M

& A team that reports into somewhere else and you have someone that is going to run that business with the CEO, then it's very difficult. If you have an M&A team that sits with Finance staff and you have someone that runs emerging markets who is going to take over those businesses, then you have that. Then your Group CEO must play that role. He must be close to the business then you have a problem. That's why I said if you look at CEO's in businesses, I can point to you those that will be successful – it's the CEO's that's close to the business. It's not a CEO that thinks and just talks to people and politics every day. It's the CEO that knows his business.

I thought Kenya was better than Nigeria. I thought Nigeria is the one that is more negative about South Africa?

No. Kenya is very big. Go read about SAB trying to go into Kenya. How they were taken up by the local guys. It now stands as one of the wars that SAB tried to go into Kenya.

So SAB has never been to Kenya?

I don't know if they are there now, but there are case studies on SAB trying to go into Kenya.

A2Q8

What I also picked up in Nigeria is you don't talk a lot about death compared to SA where we can talk about life cover, funeral plan, etc. Whilst that side you can't talk about that. The solutions are branded in a way that the words are disguised into something else. Did you also had to go through that?

I also don't know how the branding is done because really, we allow the local management to do that. Our actuaries will ensure that the products are priced correctly, and whatever. But how the local guys brand it is their job because they understand the market. It would be stupid if we try to do it the South African way.

My other question is, maybe not applicable to Company A since in most markets you operate, you have done very well?

No, there are markets we did not do very well. We can put the gloss on it but its tough markets and we make mistakes.

Now how do you rate that CEO, when you are buying into a business, for you to have an idea of whether the business will be successful?

How experienced he is. How responsive he is. You can see there is clear thinking. He is hands on in that business.

If the CEO is not cutting it, how do you influence as a partner?

If it's a subsidiary, we will fire him because it is our business. If it's an associate, and we are a minority, it's much more difficult. But then we will talk to our co-shareholders and say we have a shared interest in making the business work. So if you take the shareholders role, it's difficult. Because if it's someone they believe in, and they are the majority, then you are not going to be able to do that. You keep on influencing them. You keep on telling them.

When we select our co-shareholders, our partners, we select people that want to do business, business people. We don't select people that are politically connected or something, Because that's where you get these decisions of we can't fire him, because he is this guy's brother's cousin. But if you choose a partner who wants to make money, and is a business person, then they are much more rational. And if the business is not making profit, then it's easy for them to agree with you.

Since you look for a partner with similar values, am I right then to say that you don't rush into those marriages. You take a bit of time. On average, how long does it take for you to have a partnership that you feel comfortable to do business with?

I can't tell you it could be 5 months or 6 months, some of them took more than 2 years to put together. Nigeria took us 2 years but that was more the regulator. Ya, you must take your time. You must have discussions. We always bring our partners here first to come and see our business, to understand our operation. So that they are not dealing with one person that goes in country. We bring them here, we take them for a day or 2 to various departments, to various areas for them to talk to everybody, to get a feel of what the Company A culture is.

We would have been in their organisation and had meetings with various people to get a feel for their culture. That means you need to have people that understands the organisation. To do those investment decisions. To go out to the country. Because if you send an Investment Banker into Nigeria to come up with an acquisition and that's primarily how you do your pitches, then it's going to fail. Because they dress up any business as if it is the smartest thing.

Are there situations where Company A feels strongly that something should be done in a certain way and the local partner feels it should be done differently or the way they used to do it? When such a situation arise, how do you deal with that? It might not be Company A's way of doing things but its fundamental to Company A.

If it's a subsidiary, then we will not back off. Then we will say this is the way it should happen. We will still listen to what the people say. If it's an associate, it is more difficult. Then you have to decide whether you exit. If it is so fundamental that we have to exit. It is so fundamental that we can't live with it, we exit.

Maybe linking what you are saying now to why you said earlier about the lessons, how do you identify the right people in your team, like you said earlier if you send an investment banker, you are looking for something else? What qualities do you look into people that spot the opportunities and make sure the business runs well?

Well, for me it's always the person that understands Company A. That understands the Company A way of doing business. Because otherwise you can pick a partner that you can't work with.

So the people you send need to really understand the Company A way?

They need to understand the Company A way. The culture, the way of doing things. When you are in country, you represent the company. You want someone who you are comfortable with and represents the company. The people feel comfortable with that person. When they come back here, they will feel comfortable with the rest of the people. It's a reflection of what you see here. You can send out a very smart investment banking guy, that is well polished that sells a good story, when they come back here they say gees, these guys are so ..

For example in Nigeria, I went to Zenith Bank, into their insurance operation and I immediately knew that there was no ways that Company A would be able to work with them. Because they are the big talking guys. They know everything. But First Bank, was big. The people were humble. They were willing to listen, they were willing to learn. You immediately felt we can work with these guys. But I think for example, and I do not know the Old Mutual stuff that well but MMI went into partnership in Nigeria with an organisation, a bank, that is totally culturally different from them, UBA bank. It is a very aggressive bank. I met the CEO. He was very aggressive. That's not the MMI culture. MMI culture is like the old Met life culture, very similar to Company A where they are more conservative, total mismatch. Now they have exited. But it didn't work for them.

Branding is a very key in some of these markets e.g. Nigeria. Changing the brand can kill your business. Your experience?

In some of these markets, you have no brand, That's why we are only starting to rebrand now. Some of the businesses, we realised that we bought it for very cheap and we realised that the brand was actually negative. And there is one or 2 of them. We rebranded them Company A because, at least it's not a negative brand. It might not be a lot but it's better than having a negative brand. Some of them like Kenya, Kenya was in that package we bought in 2005. So it has been 10 years where we have been in that business where we had endorsed branding and all those things. Because Kenya, is not a market that's very positive about South Africa. So it took us a very long time to say ok let's use the Company A brand there.

A2Q9

How do you ensure that the Company A values, what I have read in your annual results is that there is a drive to rebrand some of the businesses Company A.

It is the CEO, to put more of a Company A brand into Africa. To make Company A more visible. So we have been rebranding all our businesses. In fact last night, we rebranded the Kenyan business in Nairobi.

With the cultural distance, how do you ensure that Company A values are consistent? How do you get a person gets the same Company A experience when they go into the different countries?

You will not get the same experience currently. We are not there yet, where you if you walk into Company A Kenya, you get the same experience as here. So I can't lie to you. What we have recently started doing with this rebranding is we have developed a little programme to go into country and what they basically do is let's look at your values. These businesses do share the same values. That's why we bought them. But they do not necessarily express these values in the same way. So the workshop is basically to say, tell us what your values are, and then we say here are the Company A values. Let's see if it's different. And invariably you say your values and ours are exactly the same. So the link their values to Company A values. They see the direct link. Or they might say, lets change it a bit. It's not, these are the values, so come and live them. The approach is what is important in this country. No you don't lie. The Company A value is honesty, modest. So it's a workshop to take people through and make them feel part of the organisation.

A2Q10

If you were to look into the areas that you have gone into, pertaining to right management, operations set up, etc., would you say having the right management is important for the business to succeed?

Yes! The success of the business is due to the quality of the CEO. We found that in all the markets. I can tell you which businesses are going to perform well in our stable just by the group CEO.

A2Q11

Are there markets that you have exited?

I think in the early days we did. But we were already in the process of selling it but African Life had a small business in Lesotho. When we bought it, they were in the process of selling it and we continued with the process of selling. We haven't exited any markets.

Is it still one of those principles that you feel strongly that if it get to that point you exit?

Yes. If it's a subsidiary, we would rather buy out the minority share and say if we can't work together then one of us has to leave. And with an associate is the same. The choice is either we exit or we buy them out.

A2Q12

With your journey, you have been in Company A for quite a while, even with this business, you were there when it started. If someone were also to start that journey to go beyond South Africa. It could be a company that feels opportunities are now limited in SA due to market conditions, etc. What advice would you give that company from the lessons that you have learned?

I think start small. Because you are going to make mistakes. So, rather learn, and that unfortunately it is not going to be an easy message because why do they want to go outside, they want to diversify. They want substantial earnings from outside of SA. They have 5 year targets from having 20% revenue outside of SA. Which means you start looking only at big deals.

I would rather start with small ones. Get a team together start small. Let them make the mistakes on the small deals. And once you built up the confidence and built up the team, and you built up relationships with your advisors, your accountants, your lawyers.

A3 | Company A | 18 Aug 2016

A3Q4

Do you ever have key success factors in each country that you go into? What kind of success factors?

We only manage the regional relationships. So country relationships they are their own. My only key success factor would be the regional stuff is only my primary relationship at a parent company level. And 2ndly the business that we can generate in the countries will be budgets and the growth of the BancAssurance strategy.

If you were to compare countries where BancAssurance has been successful and where it has failed. What is the main reason why they succeeded or failed?

Bank buy-in, is the biggest. The bank's commitment and buy-in and the distribution strategy. Those to me are the 2 key things. If the bank believes in it and get your distribution strategy right to do it, the other things are fluff. Marketing, training, product, everything else is fluff. If you can get your commitment and distribution. If distribution works, you can do anything.

What about distribution?

.they do not know what they want to do with distribution. They fool around distribution because they want commission but they also want you to be the expert, to outsource the selling and they don't understand what commission is. You share, and then it becomes a whole issue. Then they decide then that they don't want this product. You constantly going to and fro and then they have got a new CEO, they need to review and you start the whole process again. So the bank's inability to commit to and put a distribution strategy together. And the problem is, what is happening with the banks think that they can do insurance better than the insurance companies. And where we see success, especially Barclays, as I say, they are very good at that. Barclays says, insurer - you do insurance. Banking, we do banking. So we just need to find where split.

Some of the other banks say, We are the bank but we want to do everything. We want to keep the client data, we want to run the operation, we want to do this, we want to do that. And then everything falls down and then they look at you and say what have you done wrong. You try to do what we are supposed to do. If you want to do our job, then get an insurance license and go and do it. You keep on trading over and you are angry at us because it doesn't work. That's not the point. The issue is how do we work together to get to the end results. That's also a huge frustration for us.

A3Q7

From my understanding insurance penetration is quite high in South Africa, then followed by Namibia, and maybe Zimbabwe used to be there and Botswana is also quite high. Can one say that the way we do insurance in South Africa would be very different to the way we do it in other African countries?

Yes. You sit with a complete different economic structure in the rest of Africa. You have a huge bond market in South Africa, where you could feed off from an insurance perspective. You also sit with a culture of protection and your culture in Africa is completely different. That's why I am so passionate bot packaging embedded products because there is a difference between buying a premium and buying bread. And thus actually the case in Africa. So, where people are still trying to survive, you can't have a situation where insurance comes as a priority or as a premium. But if you can get better at embedding and packaging you can make it cheap enough where clients do not realise that they are paying it. So when the benefits finally pays out, the other passion is paying out benefits. The only way we are going to get insurance sold in Africa is if people believe insurance will pay out. And you see that. We have a little farming community in where we are packaging and embed products. The fact that you can go to that widow or the son and now you do not have to sell this piece of land because there is money for funeral. You can actually burry him in that little acre of land and keep the land. That's when the impact starts showing that insurance becomes an economic enabler rather than grudge purchase. But we are miles away from that.

You know the other thing, this is a very personal view. I haven't been sharing it with many people. You know what, everybody gets excited by being in Africa. A lot of people can get excited, it's gonna be ages before insurance becomes a commodity. I understand but what do they naturally do? They move to better neighbourhoods. They want us because that's what middle markets does. Now they want a car because that's what middle market does. They want to send their children to better schools, because that's what they do. They increase their lifestyle because now they have DSTV. If you look at all the things that we take for granted, we actually move into a more wealth environment than middle market. We have a lot of middle market but we also, I think, a lot of our middle market is more of a Wealth. You say certain things are just non-negotiable. A little car here or there. Thus my view and this is where our problems start. If you look at Africa and emerging middle market, it's gonna be years before they have the stuff that define them in the market. So where do you package that? They are going to buy things. They are going to buy houses. Its asset insurance, They are going to buy cars. It's personal accident solutions. They will take put loans to but its credit. They are going to buy more assets, general insurance, they are going to start small businesses on the side. You can take stock. Package and bundle stuff in the bank. Because that's where they are going to live. They are going to live in a bank for a long time. My view is that before the individual life becomes established, brace yourself.

It's going to take years until someone now says, you know what, I now got everything I wanted. I know middle market individual. And now I have \$3 left. At the end of the month. What is the next thing? Oh, the neighbour has an insurance policy and I think that's what I need to do.

And I think that's what Ecobank is trying to do because with Mutual they have the BancAssurance model, the stuff you are talking about. What type of training can be set up in such markets to create awareness as well as well as ensure those identified to give advice have some standardised training?

Why don't you put a training framework together from NFP side? That twice a year there is a week training academy. Give them a certificate, to say he is NFP accredited. Showing that he/she made it through the training. Think of 2 higher level modules, that at least it needs to be something significant. They can do the 3 months in Lagos. Make it 2 intense week workshops, they need to write exams. They need to be tested. You can even bring an asset manager as part of the training. There is nothing better than that. They love to learn and they want to be better until the CFP programme is officially in Nigeria.

A3Q8

Is it easy for people to buy into BancAssurance? Do you find it being operationalized the way you envisioned it to be?

The countries have been doing BancAssurance forever. So in every country, BancAssurance is part of all our businesses revenues. So it's driven by credit life. No other means of describing it. So you have, maybe there lies the answer. The businesses as we go into Africa see BancAssurance as credit life. So for them if I have done credit life, I have done BancAssurance. So you have some threats regarding those. You have some regulators that say you need more than 1 insurer in a portfolio. Some regulator say it's a client's choice in a portfolio. Some international banks will tell you that you can't on credit life. So a couple of threats emerge against the bread and butter of easy business of putting it together. You also have the broker involved obviously – under the table payment that influence that. So for them, it was credit life.

The big journey was to say, actually that's not BancAssurance. That's just doing insurance with the bank. And to try to get to the concept of what BancAssurance really is. To some degree, I think our businesses, from an insurance perspective, we understand it better. Because we have products and we have clients. Whether that client is in a bank portfolio we can package the product, the marching of products with needs, that's not the issue from an insurance perspective. The issue is for the bank to buy into it. For the insurance, it is easy – it is just business. Obviously there is some system alignment to be done, obviously there are some challenges with premium collections. Depends on what bank it is, and all those type of things. The issue is for the bank to sit with, I have seen it with so many banks to have so many discussions about packaging, so many protection plans and then going into individual life. Also the low insurance penetration in Africa is an issue. They are so afraid to commit to infrastructure, to commit to resources, to commit to money and things for example in individual life space. So at this point in most couple of instances, I can move from credit life packaging. To just say alright, let's package last expense benefit on your child education deposits or lets package retrenchment benefit on your salary account. So the thing is you need to spend so much time with the bank so that they understand your products. Very seldom do they understand their clients' insurance needs to then you need then try and understand, it's a process to understand the behaviour of the clients.

So what clients are in this portfolio, where do their salary come from, what keeps them awake at night?

That they might lose their salaries, that they might get sick, they are worried about family, there might be death in the family.

Your SME's, these guys might be market guys. Are they more formalised? What is it that worries these people? Their stock could be stolen, or burnt down?

What are the issues and to convince them to actually see that as an opportunity. And the problem is initially because when you package, the premiums are so low and the commissions are low, so it takes time before the bank sees the value. And it's such an important journey with them until they get to that point. Because they get despondent. They think if they go to another insurer, they probably would give them a better deal, you know. And then they realise that's not the problem. The problem is we are not optimising the opportunity, we need to. And they don't invest in insurance. And there is no change. The guy has been selling his little banking product for the past 10 years and getting his salary, why does he need to have the additional conversation with the client about this. The thing just cause conflict. So it's not going to happen.

So the training, the education. So I can say the biggest issue is on the bank side and not the insurance side. Where we have a challenge is the regional thing because you have 1 bank 5 countries and this bank wants 1 solution. So now you need to look in your countries and most sometimes its regulatory issues. Now you have to say, you can't have this because the regulator does not allow you to have it., now that will not work. Oh ok, that is not acceptable.

So the regional strategy puts another layer of complexity on the relationship although it should actually be simpler because you have got 1 point of entry and point of contact. And the other thing, the regional implementations, the banks on ground level in the country, they feel that they are being told what to do. They don't like that either because they have been paid under the counter by "Hollard" for ages. If you are going to work with us you are not going to pay extra in line with the parent.

So it's a whole process to get their buy-in. And obviously it's a whole process to find a standardised solutions that the bank wants. And very often you have this standardised processes and put it down, and take it to parent companies, they look at it, "we don't want it". "Our clients can't use this". You go back to the parent in Johannesburg and they say "Mozambique doesn't want this." "Oh, ok." "We have to talk to you again". So you have, there is a lot of additional buy-in that you need to do to get it right. But I think the banks are further behind.

How do you explore the regulatory landscape? Even if one were to put a process, one has to put some ticks aligning to the regulatory space. It is not as transparent as SA. How do you explore or navigate?

We don't do a lot of that technically. Because we know the insurance regulation we know exactly what needs to be done. For us thus not the issue. The banks need to deal with the bank. It's not usually not at a product level but agreement level.

But as far as regulatory stuff is concerned, anything that stand in terms of regulatory requirements but they know.

I am dealing with the bank that does not have experience with dealing insurance products. How do you create clarity regarding what to do and what not to do in the partnership?

We usually what we will do as a company is insurance, our businesses will help with all the regulatory requirements on the bank side. So we will help with the documentation. We will find what is required by the bank regulator. We will actually draft the process because to send to the banks in trying to explain it, they will not understand it. Because the bank regulator understands nothing about insurance. Insurance regulator understands nothing about banks. If you don't have someone who tries to bridge the gap, to go in and say, no no no, this is actually how it works. This is what we want to do, So the insurance company takes the lead on regulatory issues.

Marguerite, how do you come up with ideas in this space? If I look at when you went to Uganda, I suppose your lenses were based on South Africa, How do you look at these markets and be creative?

The most important thing is to say you can't do everything. The best you can do is put your idea on the table then you work with the knowledge there to merge it. So you can't do it any other way. You will alas have your approach, which is very South African approach. The only way to do it is just start in the market with the people there. "I think this is a good idea but what would you change?". What would work there? Talk to clients and see what competitors are doing and see what client behaviour is. That's the only way you can do it. It's a journey.

Who comes up with these ideas in the different countries?

Our countries are autonomous. Every country work on their own and see what the market is doing. They do the competitor analysis. They do all of that. All they do is, they ask us for info. Our input is usually actuarial. Operational issues, accounting issues - operational issues we say ya, this product exist somewhere else. We can copy and paste it for you. Here centrally, we don't dictate or develop products for them. They do it in country.

The more I think we test in the bank, the more I think those insights we can share with you. Nigeria is still a big anomaly. Their premier clients are still higher than what we have in SA.

In the rest of Africa, you have to try things. Some things look so obvious but you do them and they just shoot the lights out. It's very seldom that your plans work out exactly as you envisage them. The only way is at least to try and be flexible enough to change things and just be hands on all the time to be able to look at it. And I think that's also one of the things, that if you have a plan in place, you are possibly going to change the plan 2 times

within 3 months. So it really having that flexibility that you don't keep flogging a dead horse. Because there will be stuff jumping out that you never expected.

Have you ever been in situations where Company A believes something should be done in a certain way and the locals believe, No it should be in a certain way? Have you ever been in such situations?

Constantly. The issue is also whether you are minority or majority shareholder. So what you do is you put all the frameworks in place. When you are the majority shareholder, you are more rigid in terms of your tied principles and you apply your tied principles and you hold them accountable. You sit on those boards and you ask the questions and we make sure that those things are being delivered., If you have minority shareholding, it isn't against the laws or the country if that business is running according to the rules, the regulation, the legislation that is applicable in that country. I can't force them to do it my way. I only can check if I want to. Some of the times the guys see the benefit, they see they are moving in a more internationally competitive than not having it. But sometimes the business are small and it costs too much to put things in place, and is too much of an issue. All you do then is make sure that they are legal, in the geography they are operating in. And you need to have that flexibility otherwise you are going to kill them with governances they are not going to buy into.

I know that you have said that a lot of markets on the continent are not as mature as SA. Are there countries where there are brokerages and they do the individual life side?

Remember you need to keep your products simple. Talking a funeral policy, a personal accident policy

Would there be a planner or broker that sits in the bank?

No, it's a relationship manager. Or otherwise in some of the countries, we put our agents in the banks to do the sales, where the banks do not want to have their own agents. But then you get the problem is of who gets how much commission because commission the bank is driving commission. But now, we put our agents there, they need to get the share of commission. So then you have got those issues. The end result a successful BancAssurance strategy, is that the bank should do it themselves. The bank should own distribution. The insurance company shouldn't at all be involved. The insurance company should help with training, etc. Actually the bank should own distribution. And thus the one you want.

A3Q9

Given that for Nigeria, with Ecobank, we have found a sweet spot to offer individual products almost the same model like in SA, according to your experience, Since Company A is trying to become a Pan African insurer do you foresee this model working in some of the African markets?

The only risk is that Nigeria is the only one. Nigeria you have the anomaly. Kenya for example, one of our key markets, where you are looking at 5 000 high net worth clients in that bank. Ghana also low. The other markets are very small. So your business plan is not necessarily transferrable. That's our dilemma. How much energy do you put into private wealth structure? That's why we have not gone there yet because none of our numbers makes sense. We need to put huge business strategies in place for that sector because your issue is the numbers in the rest of the continent are just not viable.

A4 | Company A | 11 November 2016

A4Q2

How do you decide on the countries to go to?

We started out in the countries because of language. So phase 1, English speaking countries was a requirement because I can go there I can meet the regulator, I can speak the language, I can read the documentation. Once I go beyond English speaking, because I don't speak French, so it's a lot more complicated. I can't speak to the regulator. I can't even read the acts of parliament. So you can do it but it's difficult. Or Portuguese again - so it's only speaking.

The second thing to look at as well is what is the insurance penetration? Is it the GDP fuelling insurance penetration? What is the potential market size? And how many people have bought already? And so the country where everyone has got the product, it's going to be a hard slog. If nobody has got it, it can be a hard

slog too because no one understands the market. But generally what we want is a bit of activity. The breath thus too small, it takes time. It's hard work. It may not be worth your while.

You want a potential you can make money out of this. Because of the overhead costs, whether you start an insurance company in Swaziland or in Kenya, in many cases the difference in costs is not that much different:

- You have got to have an office, a CEO, a CFO, and all the things you have got to do.
- And it doesn't matter whether you are in a country with a million people, 40 million people, you have to do that.
 - So if the place is too small, you have to think well - especially small and poor.
 - If small and rich, is a very different story.
 - A mall very poor country is going to be a problem because where is the cash going to come from?

At the end of the day, our product also, I have to look at the product we are selling too. Our product is a bit of a luxury, not total luxury but you know, a person will cut the insurance before they cut the food. So a very poor consumer doesn't buy insurance, they buy groceries. They feed themselves. People buy groceries and buy airtime for their phones, they will pay the kids school fees, they will get transport from home to work, then they will buy insurance.

Insurance is - once you have got food in your stomach and you have paid school fees, you have got a phone, then you buy life insurance. But you don't buy life insurance before you pay school fees. People do it but is not really the issue. Have to make money for our product. Understand what we are selling. Us and Shoprite, is very different. A person buys groceries first. For Shoprite, I reckon it's just a market match. They make ultra-cheap groceries. They sell to people that don't buy our product because if you want super cheap mealie meal, you go to Shoprite. Those that can afford, buy insurance. So Shoprite by nature, has a different target market. They target our customers and other customers below us.

A4Q3

Where do you get the data to say Ivory Coast is better than let's say Senegal?

It's not an area I have dealt with but if you look at UN data, local country, there is data when you look around. You start by looking at local market data, and what's published. You find stuff often published on the local insurance regulator if they exist. In most cases they do.

Would they share that information?

They do usually on the web. Most regulators are on the internet, on annual reports, etc. It's often 2 years out of date but it covers the companies that are active, the market size, all sorts, and a lot of information. Even the regulator has various information let's say someone like the Kenyan regulator is good. The Zambian is pretty shocking but there is still a connection I guess. Like in Zambia it might be 3 years old data, is very hard on summaries, but its information. And it gives the list of current companies.

And I suppose with the internet as well, it is making it a bit easier now if you compare let's say to 10yrs back?

Yes it is. But again, the internet is not like you go to the regulator- it's kind of accurate. I can publish an article on the internet. You can go on the internet. It doesn't mean that I actually know anything. The internet, you take it with a pinch of salt. Because you come across articles written by a journalist who doesn't know what insurance is. And just because a journalist in Tanzania says something, it doesn't mean it's true. If you ultimately go on the internet, the internet has tons of information. Lots of it is rubbish. You have got to be out of your mind. There is no moderator out there checking the whole internet saying "That is not true, take it off the internet. You can publish anything rubbish on the internet. It's not like a phone which you can take down. It's still out there. It's useful but, a pinch of salt, lots of stuff, lots of noise.

A4Q4

Now that you have decided on let's say Nigeria. I know that in Nigeria you guys are doing pretty well there. How do you now plan? Now you say we have identified a market, this is where we want to go?

It's Robert's field. It's not my field so I am pretty sure you try to understand the licencing requirements. We usually partner with a local partner so our approach is to go to our local partner, someone who knows the local markets, and connected locally. Going in blind as a foreigner, you don't know what's going on in the local markets. You want someone who connects you to brokers and so try to find and connect to people. I think some of the audit firms. I think again, this is not my field. Robert, Ian Wise and all these guys have links. You can get in

touch with whatever their advisory guys are saying to their advisory guys - Nigeria, Uganda or whatever knows people in the market. And that often is the link into the market. You find that Audit firms are everywhere. They know people because they do audits. So they know people and they can start introducing you to the right people.

A4Q5

In fact think you have actually answered my next question which was around the fact that you try to look for a local partner. Why do you focus on a local partner?

Local knowledge kick ass. In the fishing board, if you like fishing, you go to the beach. The local guy out fishes the tourist every time at the beach because he knows the current and the tide. The fishing pod is not eaten in that part of the world

I have been fishing in Mozambique and the kids with their hand lines out-fish the guys, the foreigners with their big fishing rods. Because the kid with the hand lines, he knows he chucks that bait in that part of the world there in whatever that kind of fish is eaten in that part of the world and he catches and a foreigner chucks his line and there is no fish. The kid who fishes there every day and he can tell you where the fishes are. He knows where to find the fish.

Same thing with us, local knowledge kick us in terms of who is who in the market. If you have to ask me, let's go into Lesotho. I can't tell who is who in Lesotho, I don't know who the big businesses are, I don't know who the big brokers are, I don't know the regulator, I don't know the local customs. I don't know any of that. A right local would know that. The local would know that. That's why we want local because they know this is the right broker because they are connected - the politicians; This is the regulator; This is the minister or whatever who signed the act. It's not going to sound and complete. Basically it's a very new market and incomplete or vague legislation - because there is development potential, because they have some link to the government who can try to sort of push things the right way to get your approvals. How do we get things fixed, those sorts of things.

A4Q6

You have now identified this regulator and you your "marriage agreement" has now been signed and all the people came to the party. How do you now ensure that there is alignment in the way of doing things? How do you then make the marriage work?

Generally we find the local partners that have equity capital. Typically we don't have 100% shareholding. The local partner might have 70% shareholding, the local partner might have 30% of the business and we sit on the board.

What we bring is insurance expertise. What they bring is local knowledge. You find people you can work with. If a person is difficult that you can't work with them, it's your judgement call. You don't partner with somebody you can't trust and you can't work with. But then we partner with local partners that want this to work so they recognise they don't know how to do insurance. And we find it works. So we sit on the board and we discuss. Quite frankly we find it quite successful.

I think on expertise, South African companies have vastly raw skills than anywhere in Africa. You see it. I am an actuary. Look at the actuaries, there are 1500 actuaries in South Africa. You go to somewhere like Kenya, there are about 3 or 4. You see the difference there. You even talk to the Actuarial Society, literally all the actuarial students you would be 20 in a room. And you come here, there would be 30 000 people. So the level of skills is just incomparable. You see it from everything like CA's. I think you also see it even in your area. I am pretty sure in all areas. I am pretty sure that the level of skills you get in South Africa are much higher. It's a much more developed market. As a result, the levels of higher end skills you get is far more advanced than anywhere else. This does not necessarily translate to the local partner. Systems, much stronger here.

A4Q7

Have you at some point found yourselves creating the institutional framework? For example in Financial Planning, we are finding the need to have a "mini FPI" in Nigeria for the industry to get off the ground

We don't get involved in that much. Often on the ground guys are involved. The local CEO, would be a member of the local insurance regulatory body. So there is local insurance forums and local insurance bodies. The local guys generally go on those. We don't try to build - we are not in nation building. We don't try to build institutions. If a local wants to help, we work with them. We don't try to push regulations. So the local CEOs will

try be involved. We don't have a body out there that goes and tries to build. The Actuarial Society of South Africa, they have a body that and I am on the committee and they are sort of involved in this. And their social involvement is very vague, understaffed. Yah, there is no coordination, to try and drive it.

A4Q8

How do you ensure that the Company A values are consistent – If I walk into Company A Kenya or Company A Nigeria, I am going to experience the Company A I know from South Africa?

So, the basic principle pushed is that it is all pushed through the boards. So all the boards, you get Company A policies pushed to the boards. So the boards have to accept the policies and Company A ethics and so ethics form those policies and all that. The policies are pushed down by the boards so that is the Company A ethics, what we do and don't do.

Then the next level is the Company A brand. So we have the brand police, we call them. So any Company A branding goes to Cape Town to the brand guys. It's down to the colour of the spot. Such as this is not just blue but a particular blue. Yours is not just green, the spot size, everything is controlled. So any branding stuff, from letterheads, to brochures, if it says Company A, it goes. Some of the guys have local brands, which in this case is a different story. Then they make the local brand. If you use Company A brand, it goes to Cape Town. They check it. There are controls around the font size, colour. It's absolutely across the board.

In terms of say product being acceptable –now what is part of the most interesting thing is that it is not defined by Company A, it's often defined by local regulations as well. Markets like different things so we don't go and say well, what we do now and check it. So we don't necessarily try to define what the right products are for a country, we understand people want different things. So we might think here that a certain type product we don't like it. South Africa don't like it. So all the principles are pushed towards a body we don't really sell it but local it may not be the best in price either actually. We try to sell product we think is the best value for money. This is the key value making product. If people don't want it, they don't like it. So to some extent we can say this is the right product people will buy it. No, people won't buy it. We are not going to force them to buy. So practically we sell what the locals want.

Where you have minority shareholding and the CEO is not good, how do you influence?

It's difficult. Hopefully you can convince the majority. Once the other majority shareholders also wants to hear all is well, they should have a meeting of the minds. They can't continue losing money. Even if you are the majority shareholder and you hired the CEO, you would usually – one wouldn't just steamroll but one would have to talk to the locals first. You go to the board. You don't just go and say we are seeing descent, he should be fired, therefore everyone pays attention now. You talk to the board. As an excellent shareholders you just don't steamroll. But in practice again, if you are the one responsible for the CEO, you don't want the company that is just losing money, and badly. And locals, they have a say. They have skin in the game. They put their cash into this too. And then if it is not performing, the CEO is not performing, generally it is easy to convince them because we haven't had that in the past but they are affected too. Their capital is being burned, there is capital injections required. And you have to fund more cash into the business. You say let's fix it. They wanna fix it too. Their pockets are burning so you want a local partner who has a skin in the game. Because the local partner make money regardless of how the company is performing, they aren't your partner. If capital is being eroded, go to your partner, because it's easy to make changes.

Thank you for sharing your journey. Looks like Company A is doing well compared to their Competitors on the rest of the continent. I spend a lot of time in Nigeria and I know that Nigerians trust their companies more.

Nigeria is known to be a hard market. Clientelle was sorted when it went there. It's a difficult market. Local management kicks ass. This is a fishing term – fishing talk, "local knowledge kicks ass" they say. And the more complicated it is, the more you want the local management on board. In Nigeria, First Bank is our partner. They understand the market, they know how Nigerians think. They know how Nigerians operate. They know the market. All the unwritten rules of Nigeria, these guys know it.

There is so much about resentment of foreigners,

But bring it back to South Africa. I know how to price, how to prepare spreadsheets. I know the technical backend. I wouldn't know how to approach a Nigerian person and sell them something.

If you want me to price something, a technical, the back end system, the pricing, the detail, the technical stuff I can do that. How do I approach a man, a Nigerian, a school teacher and talk to him, I don't have the fuckin clue. And that is the part we need the local. A local knows how to talk to Nigerian school teacher, he knows how the government pays the school teacher, where money goes and who talks to the government department to put your name on the list. Who knows things, I would be the wrong person to approach Nigerian payroll department.

Understand the limits of your knowledge You don't know everything. Understand where those limits are.

Arrogance is the biggest thing. You think you know everything. And that's when you get slaughtered. You learn the hard way. You learn hard lessons and you come back with big losses.

A4Q9

How do you manage cultural differences since some countries do not want to talk about death?

If differs per country. Some countries we sell death cover, we sell savings cover - so the big bases sold in emerging markets. Things like will planning, succession planning, estate planning, that's personal problems. You know. How do you divide your wealth amongst your children and get minimum tax? That's the rich person's problem 99% of the time. Most of Africa, the upper end is small. In south Africa, 1 500 actuaries and 2 000 students. Go to Ghana you get 25 students and actuaries. The death is a similar measure of the number of wealthy Ghanaians. It's a tiny thin layer of wealthy Ghanaians and we generally don't target them. We have some products where in South Africa, Company A has got the brand, between there is low level, there is middle, there is upper, there is own business owners, there are doctors, there is all sorts of divisions, pricing aimed at all sorts of the different divisions. You can't do that in Ghana. You can't sell them a product aimed at doctors or lawyers. You can't sell that. The broad products – you can't sell 25 products. It's a waste of your time. You are not making money out of that. So in practice, out of the country, they are generally much much much poorer than South Africa. So there is a big low to middle. We call lower to middle. So people might earn R10 000 pm. People that earn R100 000 per month is such a thin layer on top. Is very difficult to target them because they aren't enough of them and sell 100 policies, you can't do that. So you can't pull through this one. So in practice what you sell is funeral and education. Those are the kind of the basics. So funeral cover and some sort of death cover and savings. So it's basic cover on death, basic funeral and education for their kids. And that's what they can afford. Estate planning is like the type of retirement for them where I can plan my kids 'education for next year vs my retirement. What do you think of it? That's what you do in practice. Once you are paid, you have got food, then you think of education, maybe funeral, then retirement when you don't work anymore. So retirement planning is not something you can plan at all because there is no market.

I can relate with it because now we have launched a pilot in Nigeria this week. Because of the cultural issues even if people have money, talking about death is like taboo. So savings and education for your kids is very attractive since most of the Nigerians send their kids overseas. We will not target the top guys because we believe they would have some wealth manager from somewhere.

Yes. Wealthy Nigerians go to either the US or UK.

The top end guys would deal with, in the East of Africa, the top end guy in Kenya, who is ultra-rich, they have wealth managers from UK or Dubai. In practice, they don't buy those products. So a very wealthy Nigerian is buying offshore products, savings products. And we can't compete in local markets because you can't build that level of sophistication. Because to build a product is an expense. You build it for local Nigerians, you will not sell it. In practice, those guys have access to foreign currency. They will take their foreign currency and spend their Dollars, Pounds or Euros on foreign products. You won't get back, in the market is very hard to get. In practice, we find that the guy must fly to Lagos for a week at a time to see his clients.

You can't offer them products. So that we haven't bothered with and the scales aren't there. So that guy, doesn't have office in Lagos, he flies in for a week and flies out again. So the mid-level that you want to target, they are not wealthy. Again death cover, depends on the regions. Death cover is usually a problem. In Southern Africa, death cover is understood I think it's because of AIDS. The AIDS epidemic understand the concept to dying because they have seen it. So in Southern Africa is lower in death cover. So in Southern Africa, you sell in the funeral cover space. So the SADC countries funeral cover is understood. What you want to sell though is high end, because high end requires a medical.

The first thing in high end is AIDS test - blood test and AIDS test. I have got life cover, the first thing they test AIDS and smoking content. So those are 2 big drivers.

In Southern African countries, people have more deaths because of AIDS. But if you ask for AIDS test, forget it. So it's very difficult to sell high end cover in South Africa. Although death cover sells well, high end does not because as soon as you ask for medical, they won't touch it. So that's our experience why we don't bother. We sell a tiny high end cover. The guys don't want AIDS test. What I often get told is that the local cultures often don't know or don't want to know. If they have AIDS, and they don't want to know, he is not going to get an AIDS test because he doesn't want to know. So high end cover in the Southern Africa is a problem because they won't have AIDS test.

Now in the east, Kenya let's say, you won't sell high end cover because every Kenyan does not think they are going to die. They won't buy it. So it's very difficult to sell high end life cover to them as well. They don't think they are gonna die.

So Kenya we sell largely savings business, they want something they are going to get out. So if you are going to die - they are not going to die, so they won't buy it.

So they think you wish them to die?

Yes that's one other thing. Yes exactly. So years back I was on the board of Uganda, we were talking about continuity plans and I said, "one of the continuity plan you know and let's say John is hit by a bus tomorrow..." They said you don't say that. They said you say "What if John was hit by the bus yesterday?" Because that's past tense. "What if John was hit by a bus tomorrow?" I am actually wishing him to die. They said you don't talk about that. But we talk about it all the time. We say "What if Josh dies tomorrow?" and so on. It's about what if one of the CEO's die tomorrow. You go on. In Uganda, you don't say that. You phrase it. It's a taboo subject. So if you want to talk about it you say, "What if John had been hit by a bus yesterday, what happens today?" It's OK because he was not hit by the bus. So it's alright. The concept of anything happening to John, because I am willing him to go. Because that makes life cover difficult. Because life cover product I am saying "If you die tomorrow, I will pay out". I can't say that to you so how do I sell you life insurance product? We haven't cracked that one. So we saw it instantly. The one thing we do sell which works is you put parents cover on. So I cover you and your parents. So people are happy to think of their parents dying because they see a friend's parents dying. In many African cultures, you are responsible for burying your parents. And people understand parents dying because they see it. They see their friends' parents die. Old people die because that's how it works. So people will buy the cover. So they buy it for the parents' cover. What you are selling is life cover for the family but what you are pushing is parents. So if your parents die, this is the pay-out R50 000. That's important because my friend's father died last year, if he were bankrupt they could not afford money for the funeral. It is expensive. You buy it then. So that's one way around it. You are selling for a future event they see in their mind but people can conceive, they have seen it. They go to university, they see their parents die, because they could see it. You die, they don't think about it. So yes people should take life cover for their own lives. They should do it but you cannot force them. You are not going to change people. So trying to change the world, generally is a corporate losing game. You are not going to win that one. If you offer a product, people want a price they can afford. Offer a product people need but they do not want, you are not going to win. That is really really a hard game plan. I don't bother trying. You spend lots of money and lose a lot's of money.

Because it becomes a lose-lose anyway?

Yes, only make what the locals want. It's a bit like coca cola. Everyone wants coca-cola. People want it. Wants to drink coke - drink water, its free and better for you. If there is coke in the canteen downstairs...

Have you had situations where the CEO was not very good, though the company looked good?

A number of CEO's in the country. Company A has fired a number of CEO's in the countries. In my days we pushed out a good number of CEO's.

A4Q10

In Company A, what has contributed to your success?

Maybe it's the way we started. We started as African Life. But this African Life was an African insurance company. Company A bought African life in 2006. I had joined African Life in 2003.

So African Life built their phases and they also ran their first concepts. They were entering Botswana, Tanzania and Kenya where nobody else was going to try. They fumbled around the dark horse. So they figured it out. They had people with 10 years' experiences in this game. So there was a core of skills. Once you have that core

of people that know what's going on, you can then bulk up. Because you start to learn from them and they kind of know what to do. You want the core memory of institution and you can bulk up and build from there. Also African Life, what helped them is that they specialised in entry level in South Africa, which in many cases is not that different to the SA market, the mass market in other countries. Especially in the neighbouring countries like, if you are going to sell in Zambia, the bulk of the Zambian market is not that different to the entry level in SA. Same things – funeral cover, basic savings, no AIDS test. People are scared of AIDS. Those sorts of things. The same family values around – your pocket is for your family, your parents and kids live somewhere else. I think that helped too. They are had skills in the market here. Market segment here is what facilitates market segment elsewhere. It's like Shoprite. Shoprite is very good at selling entry level market goods. So Shoprite don't focus on doctors - doctors or lawyers. Shoprite's focus is entry level SA market before they started out. They are good at it. So the idea is, enter the markets with reasonable quality at a low price - at a rock bottom price and average, often good enough quality. But they don't need a shop that is fancy with isles and things. If Shoprite masters it here, guess what, they will do well elsewhere because the SA entry level market is not very different to an average Zambian. An average Zambian want groceries at rock bottom price but with some sort of quality control which a spaza shop doesn't give them. Shoprite does that beautifully. Whilst with Woolworths, they focus on the top end of the market on the African customers. You go to Ghana, there aren't enough average Ghanaians. How do you get your stuff there, keep the quality up, and the price that's reasonable? You can't. Because you can't put a supply chain I guess.

For those businesses that have done well, what do you think contributed to the success? Is it because of the things you were talking about like when building a house, you have some skills, and you dust it up and it's on the market? Can one say that has been instrumental to your success?

What I can say is, what works is you get the right local partner, the right local management, you want the right guys on the ground. So the right local partner you need. The right management on the ground and then decent support from centre, support we send here and maybe a dose of luck. And find the right markets as well. Some markets are better than others.

I would say good partner, good local management combined with the right people, you should do well.

Can you say success is linked to the CEO if you were to draw a regression line

To a degree I mean – a wrong CEO you have a problem. The CEO hires staff. We can't sit at the centre here and say, here are the people. He must do that. The CEO is the local face. They must deal with the brokers. The CEO is the person who deals with the brokers. The brokers want to see the top person. It has to be the right guy. If he doesn't have the right connections and that and doesn't have the right attitude with the local stuff, you are going to have problems there. The CFO is controlled by the CEO. If the CEO is no good, you are going to find it hard to drive it from here. The CEO must drive it.

A4Q11

You battled a bit in your business in Uganda. It could have been because it was a greenfield. Are there markets you feel you have battled?

To a degree, Uganda I think we battled. One of the lessons there is we went into Uganda. A couple of things:

- We did not have a local partnership. And we battled. So we had no local partner.
- 100% shareholding.
- And we went greenfields
- And we put an SA expat CEO, who broke worlds

We had a foreign person, no local partner, no local experience. And we had a really really hard time to get this thing going. I think this confirms our view that if you have a local partner, you want senior locals. Even if a CEO is an expat, maybe, you want senior locals. It's generally better to have a local CEO when you have a local partner

Any other market you think you battled from where you are sitting at?

A couple of them took off quite slow. Mozambique is taking off. It's getting going so – I would say Uganda was a really long slow haul.

It's not one that you can get going in 2-3 years is a 5-8 year journey. Occasionally it can go quicker than that. If you are buying existing operations, obviously if you are buying an existing you can go. Trouble is if you buy high

quality, you pay a premium. So how do you add value? You pay it all up upfront. So usually we buy businesses that are not so great that you can add value. The skills we have is that we have skills.

Our business case is we have skills, we can fix things and we can build things. If you buy something perfect, it's like if you are an expert construction company, and you want to sell houses, what you don't do is buy the fanciest house in the block. Then what are you going to add to it? It's done. You buy a wreck, you then fix it because that's what you are good at. You buy a wreck, you knock it around and you build a new one. That's what you do. If you have an expert construction company, we don't go by fancy tiles because what are going to add? You pay a premium but you can't have value.

If there is another CEO who wants to expand into the rest of Africa today, what tips would you give them if they want to be successful? I mean any company in South Africa comes and say, Company A I see you have done well in the rest of Africa and I also want to rake my business there, what would you say?

First question I have is

- Should you even be doing this?
- Do you have the right product?
- Some companies do it, but look at your customer base. How big is that customer base? What sort of preferences have your customers? So if you are selling Woolworths trendy clothing, how do people buy that in the country you plan to go
- If the markets are too small, it won't work. Is your product right for the markets? And by and large these markets are entry level.

If you are a shop in Sandton City, that probably would not work. It's just the wrong thing. If your shops are in a low income area of Alberton or something like that, low income South of Vereeniging or something like that, much more aligned.

Is your product even right? Is the first question I would say. If the product is aimed at the wrong section in the market, I would say probably you are wasting your time. Or if you understand it's gonna have low sales, can you pull off on low sales? And market segment size you are aiming at?

And the cultural distance?

I don't know. It's going to be a talk with locals I believe.

Maybe what one can do there is if it is completely new product and there is no history sold, you might want to get some focus groups. Look there are business that do it - they do focus groups. Get focus group to try to understand if the locals in the country even want your product. If the answer is no, it tells you that it is going to be long and hard and expensive. Have some advice from someone who has work before. This is going to cost you.

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A5Q1

Which part of the business do you fit in?

I head up - it's one of those crazy portfolios called Corporate Services and Affairs i.e. other than having direct country responsibilities, we have these support functions that run across the cluster. Which is the portfolio I am responsible for. It starts all the way from strategy coordination for the cluster to stakeholders, to marketing. So it's a very kind of broad catch all portfolio if you will.

And in the end you become very rounded in terms of understanding the business actually?

Yah, I guess that has been my journey to Company A that I have been exposed to quite the broad cross section of the business. In my previous life, I also worked for a multinational. So yah, I think that kind of and I worked as a Management Consultant as well. So a part of my portfolio also is to give guidance whilst doing the coordination, also being the internal consultant if you will.

A5Q2

How do you decide on which countries to enter?

I guess maybe if I can start at the beginning of the journey. And I mean, I did read through the transcript or the summary of your interview with Robert. It probably started about 10 years ago. It might be slightly longer when we saw the opportunity. I think it was African Life, when we bought African life it really opened our eyes to the rest of the continent. We then put some clever people in the room. Given the economy at the time and we said let's look at emerging markets and see where we want to play and also importantly where we do not want to play. And I think that is the kind of lens we looked at some of these markets was the GDP growth, we then also looked at low insurance penetration, political stability. We took some sort of view on political stability and governance. And I think very importantly for us it was probably harder to quantify. You couldn't quantify and yet make some assumptions say:

- What value can we add?
- Is there value for us to add? Because only if for us if we could be able to add value could we make a successful entry into the market
- And I think what we did use was to look at the skills sets in various markets. I think for an insurance company perspective, we don't sell widgets. So our value add to the country and to our partner, and I talk more about our partner. It is more of our technical expertise – which is insurance.

So that was the lens at which we looked at the market.

We ruled out a couple of options. We said we don't want to play in Latin America. Reason being:

- a. We don't really understand the regulatory environment
- b. The legal environment.
- c. We don't speak the language
- d. We felt that South America draws largely from North America. For it's kind of technical expertise, guidance and input.

So that's kind of ruled out South America. Then I think the other area we looked at was the old Eastern Europe. I think similar kind of similar reasoning applied. And we ruled out Eastern Europe. We also then looked at China, which is the obvious one – the obvious big market. Similar reasons but slightly different in China is:

China you can't see as one country - I mean the size is very intimidating

We kind of said, China – not for now. I think I stopped with China. We said look, we were not going to enter China and we also could not find South African companies other than Naspers having made a success of especially China. So we kind of left China.

Then we focussed on identifying a few countries in South East Asia. India being one of them. There were a couple of other countries. We have got India, we have got currently a presence in Malaysia and there were other countries in the region that we kind of said we want to look at but let's stick with Malaysia. Let's first do Malaysia and see if we can be successful. And if we are successful in Malaysia, then we can kind of look at expanding in the region. But I think more importantly for us it was around Africa - to have the expansion into Africa. So when we bought African Life, they had a presence, if I remember correctly I think in 4 other countries, 3 or 4, I can't remember exactly in the rest of Africa. What we decided on the rest of the continent was to say at least we need to use the lens as I told you, about those kind of 4 areas. But we decided that first and foremost, let's go into the kind of old colonies, because at least they can speak English, and we have a similar legal system. For one the Brits left on the continent that people are finding it useful. And that was really how we went in, expanded, and made acquisitions on the rest of the continent.

I think very importantly, all but one of our entries into those countries, we believe that we had to go in with a local partner. So I think having a local partner was kind of key. The only one country that we entered on our own as a greenfield operation was in Uganda. So all the other countries was through local partnerships. Because we believe that what Company A knows, is pretty simple. Company A knows insurance. We have done that for almost 100 years. What we don't know is the local market conditions. So that's why we relied on local management and local boards the kind of affords the local reach and a local distribution footprint obviously as well to make it easy for us to enter those markets.

So that's kind of roughly the process that we followed.

A5Q3

Wow! That is amazing. And the data to be able to identify how you prioritised those markets, was it easy for you to get data to be able to make those decisions?

No, you are obviously reliant on the public sources of information, and I think that's what you have. But I think you there is no substitute for getting on a plane and actually going to meet people on the ground. Because I

think even if you tick all the boxes, and I don't know if Robert told you in his interview, he is in charge of the M & A. I think one of the key things, you also have got to follow your gut. You have got some form of chemistry as well between potential partners. I mean even though the numbers look right, but I mean is there is no chemistry, there is not a good fit culturally between parties, and we believe anyway that it doesn't bode well for a good partnership.

A5Q6

This perception about South Africans are arrogant, how do you manage that?

It's very difficult. Brand South Africa we haven't done ourselves any favours. And I am talking about some of our other companies that have gone in there. I think the mines have given South Africa a bad name. Some of the mining houses. And I think our neighbours up north, I am not going to tell you about this newer colonial wave coming from the south. South Africa wanting to conquer the rest of the continent. So yah. I mean, and the best way to approach this is say look, I know insurance, I don't know your country.

So let me give you an example: Funeral insurance gets sold by their bucketful in South Africa, and in Southern Africa including Zimbabwe, Namibia, Botswana, and South Africa. Once you go North of our borders, you probably know, you don't talk about funerals, you don't talk about death. Its taboo. It's bad. It's not socially acceptable. So, if you are going to go in and say, we sell tons of funeral policies and we are just going to go into Nigeria for example, and start selling funeral policies. Funeral policies are the poorest selling policies in Nigeria. So you got to understand the market. Take time and effort and spend money to understand the local market. Understand the local nuances and then go in and say, Given what we know about insurance, then the broader understanding of the market and the nuances and the conditions and the needs of the clients, that's how we are going to build a successful and sustainable business. So and I think from an insurance company as well, your horizon is very different.

You spoke about Woolworths. Woolworths going there, they want to open doors and they want to have feet through the doors and they need to start making money from day 1. Insurance companies obviously we have got very different business model where we say we sell people a promises into the future. And we need to be there for the next 20, 30, 50 years. It's not like Woolworths where they say, guys were just going to close our doors and move out.

The mining houses going, they dig holes in your backyard and take whatever they want and close the holes and leave. So I think we have got a very different business model and we need to have a very different approach to go into these markets.

I am spending time in these markets I am finding that trust is a very big thing. There is a lot around can we trust this surge from the south? Do you have good intentions?

One of the other things, you cannot conduct business by remote control. That's why you have got to go in there. You have to spend time. You have got to build relationships. People will trust you. If you build relationships, only then will you have chances of success, chances of being able to do anything. And effect any change is greater. But if you sit at your desk and give instructions via the phone or email, it ain't going to work.

Why I now spend 2 weeks a month in Nigeria is because I have realised that one has to show stuff and when we do telecons, people are busy doing other things so in the end, whatever you are trying to push through has not been understood. I am now also focussing on one on ones which each stakeholder so as to have quality engagements that lead to understanding.

Yes! You have to adopt the kind of business model. It has to be a combination of all those things. But there is absolutely no substitute for that face-to-face time which makes it challenging. Because if you are operating across 15/16 countries. We just bought this business in Morocco now where language, culture and legal systems are also different. You are spending a life on planes and out of the country and thus unfortunately a big price to pay. But thus at least improves your chances of success.

A5Q7

At times it is also about do they understand what you are saying in your email, using Harvard English?

Yes language is a challenge, it is widely spoken across the continent. Rwanda, they now call themselves English speaking country. They have now left the French behind but all the people in Rwanda are still predominantly French speaking. So we were workshoping in Rwanda. It took us 3 times as long to get through the workshop

because you have got to make sure that people actually understand what it is being said because they were not understanding all the time.

Now that you have gone into these countries, did you see any skeletons in the cupboard?

That's a scary thought. So obviously there is a process that we follow. So once we have a kind of a partner, and we start getting into the early deal stage, we obviously do quite a comprehensive scan of what is out there. We even check the boards, the individual members of the boards, just to make sure that there are no obvious things that play themselves out in the public domain. What we have discovered is that the due diligence process, I mean Robert kind of runs with that. You only uncover so much in the due diligence process. So we kind of chunked it up in terms of our engagement model. So the engagement model we say:

1. The due diligence process you have identified things that kind of need attention whether they will be those become conditions they sit in the sale agreement, that need to be addressed. So we kind of do that. And put a holistic list that from a Company A perspective we have got our process and our governance. As you know, Company A is a very conservative company. That needs to be addressed.
2. That then gets followed by a very deep engagement by Company A with the country management and the board. And that kind of spawn a separate kind of list of things that needs to be done.
3. And then there is a kind of bucket of things if you will. That from a Company A perspective, we say, given our contribution, these are the list of things we want you to do.

So those are kind of the 3 areas. Thus the process we typically follow. Now if you ask me whether this covers all our bases – absolutely not. Those skeletons are there. They come out of the closet when you least want them to. So we have come across, I mean it's confidential I cannot share some of the details, but in some of the countries we came across things. And if there is collusion between management, there is no ways that a due diligence will pick up those things. And those things come to bite you and it becomes very costly. But look, you have your warranties in there but always find it difficult to enforce. So its fine having it in a legal document, but when it comes to when you have to enforce it, it becomes a lot more challenging.

A5Q8

The fact that you do acquisitions, my assumption is that you would have seen the potential alignment of strategy and values. So how do you align your strategy with the dynamics of the destination country?

In Company A we obviously have got. Our strategy is to say let's look at the business, let's look at the strategy and we identify opportunities. So for example, in Ghana. Ghana could tick all the boxes, had a great partner and we said let's sit down and work through the strategy and find opportunities for growth. So we pioneered, I don't want to sound arrogant but I suppose we did. Even in Nigeria, the sales agents, distribution for insurance company separately on the continent, the easy win is BancAssurance. BancAssurance stay as an existing footprint, an existing client base you just tag into a service and you can get some money. Another option is to kind of get group business – going into group life, group benefits. Those are the kind of ease beans.

What is difficult is under development for the continent, is retail insurance sales. So we put in sales agents, which is kind of a similar model to what we kind of use in South Africa. So we put the sales agents in Nigeria that was new. In Ghana, that was new, even in Uganda. It was a very new way of distributing but thankfully it has been very successful. So we kind of look at:

- a. The kind of service and the service offerings,
- b. What products would be needed in the market – we introduce the products
- c. and then we look at the distribution model as well

How do you then deal with situations where maybe Company A feels very strongly in terms maybe we need to do A. Or A needs to be done in a certain way and the country maybe feels that is a non-issue or we want it to be done in a different way? How do you manage such misalignment making sure that you still move forward and ensuring the Company A interest are taken into account?

I mean that's part of the challenge. You kind of spoke through some of the cultural differences. The business culture from if you look at South Africa vs some of the countries on the continent is quite different. So our philosophy really is, a couple of things:

- We don't really believe in expats. So our model is to operate through the boards. So we try to influence boards and management and once a year we bring them together and we kind of build that alignment between Company A, boards and management. And if we want to do something. I am trying to think of an

example, I can't think of something. But if you want to do something, that is not going to be an easy sell to implement in country, we do it all through the boards.

- It's all about influencing. Yes we don't really employ CEO's and CFO's into these countries but we all have representation on the board and obviously we have got your shareholder's agreement. But we choose not to hide behind those things. It's really around a very stringent process - how do we influence the boards and influence management to kind of buy into what you want to do.

The challenge there is that, if it is in South Africa, you make a decision and you implement it. Given this model, it takes a whole lot longer to implement things and to get things changed in a way that you want to change it. And that is a challenge.

And I am also assuming that you know that once it's implemented, it's going to work because there is support and there is belief.

Yah. And I think it is getting it to that point. For example, I am sitting with something on my table, for now that we want to take to the board. If it was in South Africa, we make a decision and go and implement it. Now, we need to kind of follow that due process, it's kind of doing the lobbying with the chairman and getting management on board, lobbying some of the other shareholders and directors, then taking it to the board and then gets approved and then gets done. So your time to implementation before you even start to implement can come to 6 months. And that is often sometimes not ideal.

I am now done. What questions do you have for me?

I would like to see your dissertation once it's done and dusted. It would be quite interesting to hear what is going to come out of your research.

But coming back to our strategy, we have a very simple strategy. It's a 5 pillar strategy and every year we sit down and say ok, let's review what's working and what's not working?

We have not fundamentally made any major changes to the strategy. For us it's about saying the success is around the institution of the strategy and not in the strategy itself. And obviously, we need to review that strategy to make sure that it is strong. But we have obviously done is have shifts in focus on the strategy. So as we move, we spend the last 3 years buying up a lot of stuff. So now we are saying, it's great to grow by structural growth, by adding stuff but we need to grow what you have. So kind of the shift in the strategy is then saying let's slow down on buying stuff and lets optimise what we have. And in order to do that, we need to be nuance changers, the shift in emphasis, in the strategy.

The one thing that remains particularly consistent from day 1 is our risk management and our governance. That is part of our DNA in Company A. So that is kind of non-negotiable and consistent throughout the engagements. But on the other 4 legs, we made some shifts in focus put it that way.

Firstly, it's something that we also learn every day. And as you said, it's not like there is a lot of clever people sitting and knowing exactly what we are going to do. Some of it we make it up as we kind of go along. But it's kind of having that flexible approach. Which says it's not going to work, try something else. So we haven't had all the answers.

It is going to come down to who is better in implementing the strategy and it's a matter of time when it comes to hitting that sweet spot.

I have said to the group, "We are going to make First Bank a GREAT insurance company" not by putting a logo on it. You have got to have a very pragmatic approach on how you are going to grow your business.

When you work in Nigeria, you have got to understand their mind set. You need to understand the culture. In their mind, "We have 170m people, the biggest economy on the continent, what can South Africa possibly teach us?"

So when you understand the mind, you have to understand how to approach things and approach it very differently vs Ghana. It's their neighbour next door. Ghana has completely a different culture and a different mind-set.

I think using FBN in Nigeria was the best thing Company A did

It's not being because we said we want Company A in those markets. Those businesses have said, we believe it would be better for us to trade under the Company A brand in the broker market because they understand and they know who Company A is.

In Botswana for example, the only place we are the majority shareholder in Botswana Life, the only place you ever see Company A is in the annual report because the Batswana they believe strongly in home grown brands and they don't like South Africa. And the big brother tells them what to do and how to do things. So it's just about being pragmatic and at the end of the day what's best for the business and not for your ego.

A5Q9

With Company A being conservative and going into Africa where cultural distance is quite far from South Africa in general, how do you ensure that the Company A values are consistent in the countries you operate?

That's a lot more challenging. If you look at our footprint, our footprint is really a blend of 2 things. There is where we have subsidiaries and other services. And then we have subsidiaries that use the Company A brand and subsidiaries that use the local brand. But I mean in terms of the Company A values, I mean se don't believe in imposing our values on these companies. So what we do and it would be interesting. Have you spoken to Neil already or you arse till going to speak to him? The HR guy?

No I haven't we are still to chat

We currently go and engage the countries. We run workshops with staff and it's really around saying:

- a. Look, what is the role of values?
- b. What are your company values?
- c. How do values, brand and behaviours kind of work together?

And then we take them through a process and say, look, these are your values, these are the Company A values, There may be using different wordings, will kind of join the dots. And then, I think then more importantly, we can look at where Company A says, you know "we serve with pride and integrity". You may have it in your values worded slightly differently but really means the same thing. We want the same thing. But most importantly, one of those behaviours, that we define in the business to give life to those values. Otherwise, this becomes something that is on a wall or something on the internet. Thus a very important process where people say this is what you want to do to support the values and this is what you won't do to support those values. That for us is a whole lot more important than kind of having all these things living on a piece of paper.

And at times putting yourself in their shoes and where they are at because otherwise, we have our formal ways of doing things whilst for them, they have got other ways of doing things. And not being able to understand those norms and cultures

Absolutely. And I also think it is being able to understand the level of maturity. And I think Rufaro, one thing we have done in our country and say there is a degree of maturity in these markets and even with Management. And I think one of our key challenge is, that's why I think you need to speak to Ian as well is because you are not really the expert, you need to have the right people.

A5Q10

If I look at why I also chose Company A, just as much as you have a broader footprint, from what I have been reading and what I have seen, you have been more successful in the expansion among the big 4 insurers. From where you are sitting, what do you think has contributed to Company A success?

I think it's the partnership model. I really do think it's a partnership model. If you look at our business philosophy, our values, and you ask the question about data and what information we use. We accept that we live in a world of imperfect information. So I think it's really kind of building those relationships, having strong local partners, has contributed to our success.

I must be honest with you some of it has been luck. It's not all by design, and we kind of have to make up these things up as we go along. So yah, it has kind of worked for us.

A5Q11

Are there markets that you say you have failed or you are not as successful as you wanted to be?

I don't think we have necessarily failed, but if you ask the question differently and say, "Have you lived up - or met all the business case assumptions you put when you went to the market?"

I think yah. We have fallen short in some countries. But that's more a factor of time as opposed to you can say failure. I think if anybody, if someone wants to come from Europe into the continent and they are expecting quick wins, I think they set themselves up for failure.

A5Q12

If let's say you had an MBA class that you need to give a talk regarding Company A amazing story, or similarly to a CEO considering taking his business into the rest of Africa, what would you say they should do if they want to win in the rest of Africa?

These are the things that they don't teach you in business school, right?

I think maybe a couple of things. I think you would

- a. Try not to go it alone
- b. Do your homework. But I think don't do your homework from your desk. You start from the desk then catch a plane and go immerse yourself in the market.
- c. Go meet the people that understand the culture
- d. Understand expectations. We joke here about Ugandan time for example. They will never ever pitch up for a meeting at a time that's been agreed, that's set in everybody's diaries.
- e. Understand what you are letting yourself in for
- f. So you have done the research, the numbers all make sense. The markets are there. Get on the plane. Go and meet the people. Immerse yourself in the country
- g. Make sure, we would prefer partnership model.
- h. I say 2 things. When you get on a plane at OR Tambo and you are going there, you go with your technical knowledge and otherwise you won't be selling it to this country
 - a. Pack in loads of patience
 - b. Leave the arrogance behind

That is my typical MBA answer. These are kind of qualitative stuff. Because you assume that you get on a plane and pour capital into a country, you run all the numbers. But there is kind of stuff that live out of the numbers that I believe it would make it success. It's that tipping point between success and failure.

A6 | Company A | 21 November

A6Q1

Where do you fit in into the organisation?

I work individual markets in Emerging Markets. I deal with mergers and acquisitions and some strategic alliances in the group. So I deal with all the acquisitions in Emerging Markets outside of South Africa

So did you also used to work with Renier?

Yes, I used to work with him.

A6Q2

How do you decide on countries to enter first on the African continent in terms of a planning perspective?

When we are done with various exercises, we look at the top down approach as one mechanism but also look at opportunities that come up as well. So we are quite dynamic in that regard. In terms of the overall strategy, we look at countries where the insurance penetration is very low and also ease of doing business in those countries as well.

So first of all language, secondly legislative and regulatory environment. We have all those type of issues we need to weigh up. Opportunities, look at that. Territories which are attractive from a growth and untapped potential. After we have done that, we actually go in country, chat to all the various role players - being regulators, being all the companies that are existing within our field be it insurance, operations, and also chat to some of the other stakeholders be it the brokers that deal with the various players. We also try to engage with what used to be ERE's, which are companies that have attractive opportunities or we might just sit back and there is nothing at this point in time which is attractive.

So we all agree that this is a market that we will look at in the next few years. So we always look at top down. Is the market available? Is there good growth? And certainly going into those countries and looking at various companies. And on that basis formulate strategy. Is it worthwhile investing, can we get our hurdle rate of return and is there opportunity at this point? Because it might be a good company but there might not be stock available or any.... Or ultimately there might be companies available but are too expensive. Or also there might be other issues with the foreign direct investment issues.

In Ethiopia for example, is a very attractive market at this point but as a foreign investor, you can't invest all in the insurance space (banking or insurance). So we have got a lot of things on the radar, a lot of things we constantly monitor, but ultimately depending on regulation, and availability of investable opportunities. So that's the one side.

The other side of it is we could find something thrown our way saying this company is available in Gabon or wherever. "There is a life company or a non-life company for sale. There is a tender process in view. Are you guys interested?" It will force us to actually look at the market, look at the various aspects of the market. This is an interesting opportunity but it won't actually fit in the overall structure of the group or XYZ. So we also look at it from a bottom up point of view. The process is quite robust that we can change to circumstances where we

Has language played a big part in you identifying potential markets?

Historically we always focus on Anglophone countries – so all the English speaking countries and secondly is also based on similar regulatory environment.

So there has been the basis for it but now with our last acquisition we have moved into Francophone Africa and Lusophone Angola. I think it is difficult from a language point of view. We need to have the right resources in place. So we are looking at the various resources. But also the regulatory environments are also different because they are based on Lusophone and Francophone laws. So it's a little bit different. But it doesn't stop us from looking at it. I think it's really to get the right capacity, the right resources to look at that. As our seniors always say in Company A we are all Afrikaners

So it doesn't matter if you join the group from anywhere in Africa, Francophone or whatever, we all speak bad English.

I suppose that makes everyone feel at home I suppose

Yes, in a lot of their execs speak English not that well. And our senior Execs speak English not that well. So when they get together, they all speak bad English. We can cross the – we had Google translator, we had translators for the Saham deal. But the thing that we really struggled with was French business culture vs the Dutch dramatic business culture because a lot of the senior executives are Afrikaners. So there is a lot of Dutch way of doing business vs the Franco way of doing business. Very different. We had a lot of clashes on that side. I think the guys are making an effort to understand each other. They are tolerant of each other. They should have broken down any stereotypes. I think the overall willingness to cooperate assisted us. I think more the cultural side of things is more of an impediment than a marriage. Marriage can easily be broken I mean. I am learning French now. I have an opportunity to learn French and Execs also. One of our execs learned quite a bit and he learns. He assisted in Morocco as well. So that's what he needed for himself.

A6Q6

Since you are in Acquisitions, after acquiring the business, what steps do you take to implement the strategy? Let's say you have now done the acquisition and signed the "marriage certificate", what steps does Company A take to implement your strategy?

With that we have to have a strategy in place before we buy anything. So we have to do a due diligence exercise. We then need to understand this opportunity not only in the country, the growth opportunity and how it fits in our current business. Then into the wider group. This is what we have been tapping into this organisation or how we can make this organisation work. So we will think of all these things in terms of before we acquire the business, the board approval we also put a strategy in place. With the base strategy in place and this is strategic direction. We do the due diligence procedure.

We also look at opportunities for operational due diligence. We also look at these are the opportunities we can expand and grow this business with our existing resources. This is how we can maximise synergies and this is the overall strategy for the group. And while we have go that in play, we have got the deal, sign the deal, paid the money and we have got the blueprint of the strategy in play where operational managers have the

integration team that take from us the make of this blueprint and they all add to that, etc.. But they have got the blueprint in place of what the key is about behind this deal. And again, it's a dynamic process where you look at things changing rapidly. But at least this comes from a formulation of the blueprint in place. This is what we want in it and we better do more of the same or change the strategy and get something new.

So I think we try to formulate the strategy in terms of justifying to our board to support the transaction and enhance the information we picked from the deal exercise and also will pass it to the implementation team which will benefit and take from that.

A6Q7

Wow! Maybe I need to start doing that as well especially for my Ecobank relationships.

Ya! It is something that your partner will appreciate when you introduce yourself and you open the first few lines with French or whatever and then they kind of assist you. You win them over quickly and the conversation afterwards is going to be easier. So it's kind of saying you have done the effort. I mean when I came out and I had my whole speech in French, they were happy and they helped the whole proceedings and negotiations to go well. And all my learnings and dedication and you want to make things work. You have gone the extra mile. That stuff can help lot in terms of relationships.

This talks back to the sentiments I have experienced of can hear us rather than telling them all the time

Ya

A6Q8

Where you have made acquisitions, how do you decide on whether to brand Company A or leaving it alone the way it is? If you look at FBN, you can equally brand it Company A if you wanted to. What is it that you use from a decision making process for you to say in Lesotho we brand it Company A, but in Nigeria, we you leave is as FBN?

OK. I understand it. In terms of the branding strategy, it's not my field but I do know a bit about acquisitions. We obviously look at the following when we acquire business. We look at 2 things:

1. Can we do it? Do we have a majority stake or have significant influence in the company that we have the right to change the brand.
2. Do a brand survey.

We actually look at the in country brand and say – In Nigeria for example, which brand is stronger? If Company A that would be nice but FBN is one of the largest banks in Nigeria. Surely they would have a stronger brand than Company A in the Nigerian market.

So we look at the dynamics of the local market and we also look at what we can and can't do in the agreement as well. Our rights to share obviously. Then we make a decision. I think the key for us has been go with the strongest brand but if we don't have our brand used then we have a co-branded strategy I don't remember the name of it. The format would be "FBN, A member of the Company A Group". So it will be a co-branded strategy. So that's like a primary brand and we will have a sub-brand on the same leaflet or advertisement. So at least we have some sort of exposure if we are not in their brand, we maximise on the co-branding in the countries. So we look at it per country and gauge what is the level of the Company A brand. And we find that it is surprisingly quite strong in Africa. But if we have got a very strong partner like FBN in Nigeria, then we use their brand and just have a co-branded strategy.

I am still assuming that there are deliverables, e.g. something need to be done in Nigeria. Company A has a certain way of doing things. The local partner feels strongly that it should be done in another way different from that of Company A. How do you influence that the Company A way is the one adopted?

I haven't been involved in the operational side of things but I can just estimate what happens. With that we are all incentivised in terms of returns of equity capital and we need to generate returns from that.

And number one if we are a controlling shareholder, I think the decision is easy if we need to do it, we need to do XYZ like this.

If we are not a controlling shareholder, it gets a little bit more difficult. How we can operate those levers and change those behaviours we can say, well this shareholder this thing looks like you won't actually be making

your returns, you want to generate the right profitability, and we recommend that you would look at using this system, using this process or using this idea. This cannot continue with its current impact to business.

If they say no we say fine but you are responsible for your destiny and meeting the hurdle rates and if you don't deliberate, you impact on capital. You can't grow. If you can't grow your business then the business will suffer. We are a productivity high business in Africa with a track record of capital high businesses. And we have got excess capital in our business. So let's specifically look at how we can change behaviour. So again, if you do XYZ, we estimate that it will have a possible impact on your growth and your returns so we propose that you use a different process. We have seen in our experience in the Africa that it does work. After putting money towards this, we want to support this.

A6Q9

I can only think of Nigeria because that is where I spend my time, With the cultural distance, how do you ensure that the Company A values are consistent in the countries you operate, given Africa and the different cultures that are there?

I think what we wouldn't want to do is to "CompanyA'ise" the culture of the various African subsidiaries. I mean they have their own cultures. They have their own organisation. They have their own ... And we would definitely not want to dilute that with the Company A culture. What we need to do – what we do often is we are open to changes, we are open to all cultures, we are open to all differences. What we try and do is we entrust the people of our various counterparts in these organisations work hard and our people go there quite a lot. They would have face-to-face. They need to have relationship with people directly as opposed to the phone or over email. Once you got the relationship going and the rupoo going, it's very easy to do business.

I think in terms of the overall objective, it is to drive profitability, to drive growth and to incentivise those behaviours.

I think everyone comes to understand the profitability dynamic very quickly. They focus on returns. They focus on profitable growth. The decisions drive the culture. I think in terms of our culture, we might be very different, but we don't force the culture on to the partners. If it's working well, it must operate as is and do what they have been doing.

If it does not operate well, and there is a problem, then we go well and change management. Ultimately we look at changing the culture over time. We don't want to mess on anything that's not broken. I think with culture, what we try to do with all the successes, it's to be open and tolerant to all the differences. Diverse cultures lead to diversity and also zero tolerance in terms of fraud, in terms of governance and all kind of things. We have got a zero tolerance policy. I think everyone knows, this is what we stand for openly with diversity and this is what we don't stand for. I guess

A6Q10

The other reason why I chose Company A and Company B I thought Company A has a very broad footprint and going through your annual results, it really shows that the Africa region is generating returns that are significant as well as the contribution perspective as well. I would like to know what you think has contributed to your success so far?

I think from an acquisition point of view, it's not going as all eggs in one basket. I think some of our competitors have extremely sizeable transactions in transformational and they kind of make or break the business. I think in some instances, it is really tactical for business well ahead but in some instances if they are wrong then they have quite sizeable impact to your progress in terms of your business growth.

I think what Company A has done quite successfully in terms of the Rest of Africa, India and Malaysia expansion is - all the deals we have looked at, in terms of the percentage of the market cap, the closing value of the entire group have never been more than 5%. Even in the latest deal Saham Group which is quite a sizeable deal for us, is still not bigger than 5% of the entire group's market cap.

So you are looking at incremental changes and very small acquisitions on a relative basis in comparison with the South African business. And on that basis it's not that significant but if we continue to do deals, smaller deals, and add 1 transformational deal instead of a 1 year but over 5- 10 years. I think that's where we have done quite successfully where its smaller growth in terms of the impact because of the smaller deals but I think it has been a more prudent process and a less risky process in terms of growing the business. I think we have got a lot of opportunities to kind of expand this going forward. I think that we have a very successful strategy.

A6Q11

Are there markets that you would say you have failed or you failed to meet your business plan?

I think it's hard to say so specifically in our business, where we have done a lot of these small deals and we have learned very quickly but if you look at performances of some of the businesses, is that because you judge business on the equity growth, the underlying operational growth has been slow. And so we this is what we have got. So we went on a rapid growth of footprint relatively quickly over the last 10 years that we actually managed to extract value from those businesses. Instead of those businesses growing by targets of 20-30%, they have only been growing by 10%-15%. So we need to do more for those businesses. So I think it's almost time to make inroads now, instead of saying let's put the foot on the break in terms of acquisitions. Let's focus on maybe linking those businesses in those countries up or growing that business with adding the life business on non-life business and asset manager, etc. Really enhancing the businesses.

So try to extract more value from what we acquired. Because I think we have had such a strong growth in terms of growing businesses, now we actually need to focus inwardly on growing and rationalising those businesses and extract more value from those businesses. I think that's what we need to do. The last few years we need to focus on that.

A6Q12

My last question is if you were maybe to advise another CEO who would like to also enter the Rest of Africa market for the first time, what advice would you give him in terms of approach towards the Rest of Africa markets?

I would actually give him the most difficult advice.

My experience is that it is exciting but I will be cautious but at the same time be bold. You make decisions that are serious but take the risks. It's an amazing continent. There is a lot of growth opportunities and a lot of people out there. I think from a South African point of view, sometimes we have a narrative of we know best, its either our way or the highway. Some of the countries have really talk isolation and say "I actually don't have the facility. I don't have capabilities. I don't have the resources". But they make things work. They know how to do it properly. Where they have limited amounts of resources and expertise, they have been far more successful than we have ever been in our country.

And it is about having that willingness to hear them out. Willingness to learn from our partners and learn from the country, is quite critical. You can't go into the rest of Africa and say, you know everything. When we did that and we went by ourselves and we didn't have a partner, that's the one country we had the worst experience, completely out. But where we link up with partners, the partners do have their challenges. They know the realities and help with challenges. They know the market and they know everything about the market s and ask the business. They use what they have got, even though they do not have everything. They are very entrepreneurial. We have learned so much from our partners. We have grown into a bigger organisation. We have grown in terms of not being arrogant.

We have amazing partners and amazing people in Africa.

The advice is that go out there with your eyes open, with your ears open and just listen, hear and learn.

Be patient. In Africa, if you got to be there, you want to be there for the long haul. We have some massive amounts of paying now in the markets but we are here for the long-term. We are very confident about long-term and very confident about our partners. Ya, you just listen to your partners and listen to

A7 | Company A | 19 December

A7Q2

The countries that you have entered on the African continent, how do you decide on the countries that you enter?

I think in the end we need to be able to do business. Some of them is still tricky. So for instance Ethiopia it's a difficult. It is still not possible due to legislation. But what we then look at is we first look at the language and be able to help ourselves. And obviously we need to find a partner that do share certain things in common with Company A as a company. Because in the end this is important that there needs to be a sort of match of minds.

To be able to think the same about things and that we hang on to the same values. That is important to the company. That kind of thing.

You must remember, I will give you the more HR view on this than what the accountants will give you.

It's fine and that is basically what we need because we need the different perspectives.

It is really important that the country must be friendly for doing business. One might have major internal issues which cannot be solved from a personal perspective which might be political. The other thing is we need to be able to understand each other in terms of language is important - English language. And then the other thing is to find partners that share the same type of way of thinking, the values that live in the company

A7Q3

What data sources do you use to assist you in planning especially which countries to start with?

We also need to look at getting advice from external advisors that might have ideas of where some options are available to look at. So that is also something that we look at. There is a lot of research that goes into it. That I am not involved in. I don't want to make myself an expert on that but we define suitable options in different countries. But what we have is we have the view on Africa and then we have got the view on the rest of the world. For us, the African continent is important. That is the priority. And then we have got footprint in India and SE Asia. But I think in the end the main energy goes into Africa.

So basically HR tends to kick in once a decision has been made on which countries to enter?

Yes

A7Q5

The fact that Company A is predominantly English and Afrikaans, how do you manage in the French speaking countries?

OK. The French speaking countries, we have a stake in Saham Finances, which is based in Casablanca. And so they sit in the front. It's not that we interact, we now have got 40% shareholding in Saham but they are still the majority shareholder. So they do their business in French. That is why we basically report into them because we cannot do the French thing. We run French classes for our staff but we are not French speaking people. That is important then that you don't venture into a place where you don't understand.

A7Q6

Neil, now that you have decided, and as you have alluded to not putting the Company A flag, at what point does HR get involved in ensuring that there is alignment of values and the way of doing things?

What we obviously also expect from people involved in acquisitions is they do understand Company A and they know what we are about. What we will then do is if all is set and done, then we will work on a plan to say, Ok to make this acquisition or this stake in the company that we buy - say for instance it's a subsidiary where we have majority stake, to make this work, we need to do certain things as part of implementation. So there is a project implementation plan. On that project plan, they will cover everything. And they will be looking at products, look at finances, this and that, and the other thing. We then take it from there. And what we then also do is the culture and values in the company. So after and when everything is sort of settled, then we have workshops for staff where we talk about Company A, we talk about Company A values, try to find things that we have in common with the company we are now involved in. So that also helps that the company know the normal stuff of who Company A is. The support they need from us for us to do business with them. They are now part of the group. That kind of thing...

A7Q7

True. What I have also experienced in Nigeria is that South Africans are arrogant.

It is. And the Nigerians think they are much better than us. The other day the other lady said she cannot come to South Africa because she has now heard that it is a security risk to come to South Africa. She is based in Lagos. I said to her but don't worry. I have never been attacked. I have never been robbed at the airport. If you do exactly as you do in Lagos, you will be fine.

The other thing we need to warn people about doing business in the rest of Africa is that the infrastructure is not the same as what we have here. So I mean to get to places outside of the big cities is difficult. I would think that if one wants to do business, do it in the big cities. Don't go into the countryside too much. It also depends on the type of business you are in. Because that can be a struggle because of the fact that they do not have that many roads.

A7Q8

7. Currently I do spend about 50% of my time in Nigeria working on a project in Ecobank, I find that the cultures are very different to that of South Africa. Even the way we respect time in South Africa is quite different. How do you ensure that the people that operate in that space are consciously aware of the differences especially the Company A trainers?

We really try to make sure that when we appoint people we have the right people. You see the thing for me is what one needs to get a grip on if you work in the Emerging markets is that everything out of South Africa cannot be gospel. You cannot work like that. Because they think that you see already when people talk about Africa and African countries that we do business with. They talk about as if they are from another place. I mean you must listen to your colleagues. They will talk about the African countries. So South Africa is then what? I mean they are not stupid. They know. They tell them, "You always talk about us as if we are from a foreign planet and you are the one that makes the rules." So one really needs to be careful when you appoint people that you find people that understand that. But the fact that people are not - or everybody is not same time urgency, which is part of life. They might see - you might see a 10 o'clock meeting as it will happen at 10:00. They might see it just as an indication of it might start. You see. So you need to be aware when you appoint people that they must accommodate that. They must work with that and they must never ever be patronising. That is the other thing we tend to do.

Now Neil I am now thinking especially from an HR perspective. The one thing that I have also experienced is if my executives have never been in Nigeria, where I now spend not of my time..

They have no idea of what you are talking about

Yes and at times you find the measurements are still very much like the SA way of measuring performance whilst in those spaces it something totally different. So how do you ensure that the alignment between what's happening in the rest of Africa, is understood, let's say within the Company A senior management esp. from an HR perspective?

Ya! What for instance we try to do and I talk now as if we are successful of all of it. It is not. It's not easy because in some cases, it works great and in other cases, it needs more time. But what we try to do, if you take something like performance management, we will show them the process we follow and we will tell them we dearly would like you to do this and follow this process. I know. I have been in Company A for a while and I know when we actually started on this route of having key performance indicators and assessments twice a year. But in the beginning, it was difficult. It takes time. So what we will then do is we show them the process and say we will help in the process. This is what you want. But they go and do it. And we know they don't do it perfectly. But at least we have that in common. If you talk about the KPI or KPA, you need to understand that this is what you need to contract people to deliver. So and again, I think it is a slow, slow process because you need to be very careful and not telling them what you have done in the past is totally wrong. We know best. Again back to that thing. Because if people don't see that that process will bring value, then they are not going to implement it.

So for me, you get a sound process in, and then you work. You then chip away on the process. We have done for instance job profiles. Most of these things you can re-use. Because that's the one thing I strongly believe in. It's no point in having 50 different things if you can have something that you can reuse in different countries. So for instance for general insurance companies, we created job profiles for more or less any role you work in. And that we will give to them and say, "There, is an example, there is a template". See, this is what we do with them. You now go and panel beat them but you look like you have your own. Because they know it is a difficult process. People don't do it because it is time consuming. If you get the process right, then the rest will follow. You just need to be patient. You need to keep an eye on it also because again if you just let it be, then it's the same as somebody comes to your office and ask you something and you study it for a year.

A7Q9

From a planning perspective, I suppose HR might not be involved a lot in the planning of the entry but maybe when the company is now there around how to integrate the cultures. Are you ever involved in the planning of the entry? For example if the decision is to enter Nigeria, is HR involved?

What you must remember is the Company A view is we don't have influence. We never storm in and create something from scratch except in Uganda. But our goal is to find a company. And we will partner with that company. We share expertise as part of the partnership deal and we take it from there. We have rebranded companies but that will always come after a few years. It's not like we storm in we re-brand and off we go. So we try. But there is a culture in a specific country and in a specific company. So we try to know that culture. We don't want to change it. We don't want to push Company A down their throats. So what we really do is we "infiltrate" for lack of a better word over time and people get to know about Company A, what we can do and what we can add to their business and take it from there. Instead of doing the reverse where you say, "OK, from tomorrow morning, you are now Company A. We will run the company for you and you will be successful." That is not how we run our business. We don't do that. And I think that is part of why we are successful. I really think so. You need to have the stakes for the local company and the local employees. And I think in the end sometimes, the process can be on the slow side but still I think it is the best way of approaching it.

I can relate with that. It's a very different environment. I had to change my language even the way I draft my emails.

We for instance have a leadership programme that we have started out this year for our Managers. Not the executives but the senior managers - senior and middle management. So what we do is we don't just bring them to South Africa because we want it done in a surprise way the most affordable. So what then happened is that we bring 36 of them here, and they go through a leadership process. This was one of their university for instance. But now, for me it was extremely important that they must get the examples because we always have case studies in these things. And the case studies they use are all South African. So how arrogant can you be by telling them how perfect we are. They read the newspaper. They know we are not perfect. So the long story - I think for me the point is really exactly you need to be vigilant all the time. Try to figure out and try to understand as much as possible of that culture, of how people work and they operate, and then you work with that. Instead of bringing your blueprint from the South of Africa and try to push it down. I really think that will not work. If you start a company from scratch and you do it just exactly as we do it in South Africa, I don't think even that will work because you will not stand the times. Really for me, the thing about African countries is that you can see that they have come a long way. They have a lot of issues than South Africa. You can see. You must just experience it. South Africa, we have a lot of anger. Even if you go down the road, everyone wants to drive over each other or swear at each other. It's not there. And I know in South Africa, we don't have time to have a long discussion of why it's like that. Its stuff we still need to work through. But that is what it is for me really it's a pleasure working with our partners in the rest of Africa

The training programmes you do in aligning those values, is it standard programme or standardised per country depending on what your partner wants?

No No No. Again, we work with that. It's something we came up with in Cape Town. So we had lots of discussions on what can we do in actually carrying the Company A message because Company A wants to become a financial player in Africa for instance and for us do that, we need to help. I mean, we need employees that have works in Company A in Kenya to help us with this. For them to help, they need to understand more about us. So what we do is we go - it takes time because you cannot do it like back to back so we go to Kenya, we run a workshop with the staff. Where we get all the staff and split them in 3 groups. We get them the ones that are client facing on a Saturday, which is also rare if we look back at South Africa. They come in on a Saturday, we talk about this and we have the process we follow and that same process we then go and use in Uganda, we would use in Tanzania. I was in Kuala Lumpur 2 weeks ago with staff. So what I believe when it comes to that kind of behaviour and try to link with the company is that, you must always have an initiative where you interact with normal staff members. Because there is lots of interaction with management but not with a normal guy that just works there. So we come up with intervention that then we, from a central point, we pay for it. We don't ask them to pay for our time. Because then in the end, it's obvious then that they will look at it and say we don't have the money for this. So that helps also. I will then run sessions like that and then we go and run.

But the training we do, we try to maintain dates basically management training and also technical training. With technical training, we will send our technical experts to them to go and help them - for instance processes and on the finance side to help them to get their financials in line with Company A expectations.

A7Q10

Neil, can one then say, your approach is the one that has led to your success?

That is dangerous to say that. I won't claim that because the jury is still out on that. What I do know, there is not a blueprint that you will find on Google on how to do it. That does not exist. I suppose it depends on the type of questions. It's to find a way and not go with your way. That for me is the key. Because that, I have learned that if you go with your way of how you will do your business, it is not going to work. You really need to find something in between. That you can also find by working also with them and trying to understand them how they do it. So for me, it is somewhere there. You know Retail for instance, is different. I have no clue how they do it. Some of them are actually very successful I suppose. Shoprite with its people. But the other type of business, hey. I guess. That's why again.

Neil, how did Company A come up with this formula?

I don't know whether it was by chance. Most probably in the early days when they started to go abroad previously, someone must have made up this approach and said this is how we will do it. I don't know who was behind it. Maybe our previous CEO or it might be a result of what they saw from our other people there. We always had the thing, "We will not go and claim something that pushes them away. So we will work in a different way".

A7Q11

Are there countries that you think you haven't done well?

There are always those we do better than others. I think some of them struggle. Some of them struggle for no good reason I think. It might be just because of go quickly and then just because of some external factor. But you get for instance if you think of a country like Zimbabwe, they are actually doing the type of business we do. We don't have an associate company there but they are actually doing extremely well. We not always think that just because. And then we get to a place like Zambia, when they struggle, because of the economy, the copper price is controlled the African style and in the business, we are waiting for them to buy insurance. Buying insurance is not something that they are doing as the first choice. Ya, we have a mixed bag. I think it also goes with the potential. Ya, sometimes you need to be very patient and I suppose you target and run out of patience and say this is not going to work. We haven't got any examples like that but it is obviously possible.

A7Q12

Neil, the last one on my list is, if you were to have a conversation with a CEO of a South African company who also now wants to take his business out of South Africa because maybe they feel that the market is saturated, and they have identified certain markets in Africa. Given Company A's experience in Africa, what is it that would you give as tips to this CEO in terms of how to operate in the rest of Africa?

Oh that's a tough one. There is a hot business on one side and the other side is don't be arrogant don't be patronising, don't assume you know everything. But on the other side also, people need to experience you as, I don't know what to say, you need to listen. We are in South Africa. You will know it as well, because we have evolved. We have lots of regulation, we need to operate according to that rule. Which is really important. It is extremely important. So you must also experience you as someone that is really important. We will expect that they will come, and they will actually support that kind of behaviour also. And then in the end, it depends on the country you want. I mean, I am very proud so far of the countries so it's difficult to say you have a specific one. I think the one that has got the most potential from the ones in East Africa for instance is Kenya. Because I think there is lots of buying power in Kenya. But again, you need to understand the Kenyans if you want to go in there. You cannot go as if you know everything

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B1Q2

Given the challenges in some of the African countries, how do you plan to go into these markets?

I guess the bank strategy dictates what it is we are going to do in Africa. The bank strategy has gone from owning certain banks in Africa and through the financial crisis, was looking to becoming the emerging market bank and compete with the likes of your standard & chartered globally so they went and bought banks in Brazil, Argentina & Turkey, Russia and open up offices. Effectively those banks are virtually owned and with the crisis suddenly the whole world changes in terms of banking went. Also at that time, ICBC became a big shareholder in Company B acquired a 20% shareholding are a fairly influential shareholder. So if you look at the bank strategy from a Corporate & Banking perspective, we are a leading financial services provider in and across Africa. I think it's all on the bank's internet page.

CIB says connecting Africa to China and also Africa to pools of funding by Europe and America. And if you look at Africa is very much a focus on natural resources, and effectively the largest purchaser of natural resources is China. So the bank strategy was around, if you look at the existing bank strategy, it is around you are South African and the market opportunities was we look for something in South Africa. If we go and buy a bank in Angola, suddenly your capability is to sell clients in Angola an equity to South Africa. And so it suddenly taken your, it opens up multiple opportunities to bank clients in certain markets and make them cross other markets and within that, not only Africa but to link them to China, to Europe - east and western Europe.

So in effect, that's the bank strategy when it comes to Africa. It is a very interesting map if you look at all the powers planned, all the ports planned, all the mines being commissioned, power generation, hydroelectricity, all the infrastructure spend as well as all the mines in the countries. It allows you to bank all those opportunities.

If you take Company B other foreign bank strategies of becoming a universal bank. If you take a country like Mozambique there by we finance the oil pipe whether it is natural gas pipe, is that typically we went in there must be banked project developer its 1 plant. But that project would increase the size of Mozambique's GDP from R10bn a year to R45bn a year. So this is a huge massive project but then they would have, I think there is an opportunity to sell them multiple products because we have 2000 contractors working on a project. It's also an opportunity to sell these people retail banking accounts and you have expats coming in or engineers. Then salaries, offshore, sell products, then it's around selling them a life insurance and healthcare across the value chain – across retail. Possibilities around banking open up opportunities to sell them multiple products and services. And effectively if you take that as an example, both the connection from Africa to China and can also run cross-sell opportunities across retail and wealth. That then allows you to so many more clients.

Do you think some of those failures could have been the CEO that is there? Do you think some of the successes could have been a contribution from the type of CEO that you have?

No. I think if you look back at the history, so ANZ, it was an Australian Bank. They owned a number of banks across Africa and we actually bought those banks from them in the 1990's, I believe. And I particularly in the 1980's. So we just ran those banks, just before Africa became the flavour of the month. So back in those days, the countries we booked, where we had banks was by default, it was not by design. But where we are not successful is some of those smaller banks we bought through this deal. But they make money. So it's not like they are not making money. But the growth is just focussing on your key markets and your fastest growing economies in Africa. So those are sort of the key decisions that are being made in terms of focussing on your Nigeria, Kenya, Ghana, Mozambique, and Angola. In terms of where those opportunities were. And lots of opportunities in a country change. So Mozambique, with their issues are now almost like a risky position in Mozambique.

I think it's largely driven by- we have a presence all over Africa and then those banks don't lose money per se. But the fact that they are not making money, is based on conscious decisions around risk appetite and what assets to invest in.

B1Q4

What I wanted to check with you Murray was, what process do you follow when you plan to go into a certain country?

I guess a decision would have been made into the country so you are meaning post that?

Yes. What I mean is in your specific business unit, let's say now you decide to expand your operation from the current countries you are servicing, how do you plan for the next destination for example?

I am entirely removed from that detail but we made a decision to go into Cote D'Ivoire, and we are in the process of opening an office there. I guess the strategic decision is identify the market and identify the opportunities. I think for us the strategy has been a focus on Sub-Saharan Africa and I think based of our current presence, the only other opportunity worth exploring without our presence would almost be in the Francophone countries and that is where we are in the process of have opened an office in Cote D'Ivoire and for that to be used as a base for Francophone countries in the region.

And I must say with the growth in Cote D'Ivoire now, I think this is the right time to actually go into Cote D'Ivoire.

Ya. We are busy with that. Probably quite a lengthy period from applying for a banking licence to actually going through setting up the bank, hiring of people, deployment of technology and stuff. So, it's quite a lengthy process.

B1Q5

Do you normally do acquisitions are you start from a greenfield?

So in this instance we are actually starting a greenfield but we do and we have done a mix. So in Nigeria, we bought into a bank, in Kenya we did, Ghana I think is greenfield. I am not really quite sure. It would be in the annual report or should be to research that. Or it's a combination of acquisition and organic.

I think the trouble if you think of it from a system perspective is if you go acquisition, you are actually paying them for their systems but then if you want to get efficiencies, you almost need to work on having a single technology platform co banking group service. So you are paying market price and almost incurring double cost.

Ya and I can imagine especially if you need to monitor from Head Office, and integration might even take longer to do that.

Ya

B1Q6

With the volatility of Africa, especially their currencies, how do you manage to mitigate the risk?

You need to be there both the good and the bad times - not just the good times. And obviously your credits - your understanding of your clients is key. So in certain markets, there are key clients. In Nigeria, you have to go to SAB, MTN, you know the key clients. So when you are banking clients across multiple jurisdictions, you can't be selective in terms of what you do and provide. You put in place services and solutions for them. I guess your uncertain risks especially on the lending side. And when it's a bank, most of those products are as secured lending in those markets.

My other question is if I look at Cote D'Ivoire is Francophone and if I look at let's say your particular business, how do you then manage then? Do you learn French? How do you go about it to implement what you need to implement there?

No in that instance, it will be hiring locals. If you think of our other businesses in Mozambique and Angola, they are Mozambicans speaking and all the business language in that country is Mozambique. So in effect we hire locals who speak the language. And thus very much our intention. And a lot of central banks now, are putting banks are under pressure for hiring expats. They want for their transformation development programmes to hire locals. They are clamping down on ease and ability to issuing work permits.

B1Q7

How is Africa Doing?

Africa is quite hectic at the moment. I guess, look depends on where you go on where you go, each country has its own specific challenges. I guess at the moment, Nigeria is devaluation of the currency, and the banks suddenly undercapitalised, I wouldn't be surprised if there is more consolidation than profits.

B1Q8

Do you think the cultural distance, especially if you look at the further north that you go from South Africa? Do you think it creates a bit of psychic distance which at times is difficult to manage or do you think depending on the market, it doesn't really matter?

What? Culture?

Yes, the further you move away from South Africa, do you see culture playing a part in your success?

I think, it does not play a part at all. I think if you think about Nigeria for instance, Nigerians are very aggressive and quite expressive. You need to know where you stand. I don't think there have been any cultural clashes per se. I think it's also an acceptance of culture and an understanding of culture, rather than trying to change the culture of the country. I don't think culture does not make it easy, but you can't go into a country and say and want to counter the culture.

B1Q9

But then how do you ensure then that your values are embedded given the local settings?

I think if you think of the bank values, they are almost global. Values is a small thing I think culture plays a major role. And I think the way we manage it is you are working towards a specific objective around strategy. From a culture perspective, there are values and there are the behaviours we expect. But it is not to go and impose our values and our culture per se. You can't compare a Nigerian Bank to a South African Bank or a Kenyan Bank to a South African. So you have a culture in country and sort of reflects in how they do things. You work within the culture of the country but then around the values of the bank. So things like integrity, those are not negotiable. So I know years gone by, Nigeria had quite a bad reputation for corruption. I guess South Africa taken a handle on that.

From a banking perspective, and the value of integrity which is those values agree in multiple countries and cultures.

B1Q10

Yes. And then Murray, if I look at Company B, you have been very successful in Africa. What has contributed to your success?

I think it's a culmination of timing, I think if you look at the growth of Africa in the last couple of years, so the bank has grown on the back of the economies that have been successful. So I guess the economies this organisation mostly operates in those markets. I think also the brand also plays a large part. In Africa and to me it's always interesting when I travel is whatever airport you go to, you always see Company B in all the airports. So I think brand goes a long way. I think also the size of the balance sheet. So the countries, if they are not able to – all single limited countries if they have the ability to pop deals with African balance sheet. Also I think the size of our balance sheet also allows us to play a part.

B1Q11

And in those markets that you haven't been that successful, what do you think has contributed to that?

I think it's also goes back to how those economies are performing. The countries that are not doing well have to be a DRC, Zimbabwe. I wouldn't say we are doing badly in markets but it's largely driven by the size of those economies. So a country like Lesotho, Swaziland, to have a presence there and Zimbabwe even, you're not going to make money in those markets because they are small economies. They have so much upside and so many big ticket items.

I think a lot of it is driven by risk appetite. So for us to expect to be managing risk, where we want to have the risk and of course what basis. And they are taking the DRC risk. It's making the right choices between the transactions we do, in the capital we hold, because in DRC we hold large market capital and depending on what those returns are. I almost think from a Corporate and Investment banking perspective, it's understanding what cap size. But that risk appetite is obviously going to be driven by the size of banks in country. If you have 4 banks in a small country, it's difficult for you to make money. But then the opposite is also true. If you have small bank in a big country, you are missing out on the market opportunity. And the other is being a big bank in a small country, I would say in those situations, let's look at Uganda. Stanbic Uganda is the largest company listed in Uganda, but it has a small market though.

In a high risk country, we would make decisions that reflect the country risk of those countries, so would make decisions reflecting those risk profiles. Where we have a small balance sheet, we are limited by the size of the balance sheet due to regulatory restrictions that determine what our Single Obligor Limits are. Where those are exceeded, we would book the deal on the SA balance sheet; all of which is driven by our risk appetite across clients, sectors and country risk profiles. The ability to bank clients cross border, with a local presence in those countries we operate in; differentiates us from other banks who 'suit case' bank in those markets. This is reflected in the banks purpose, Africa is our home, we drive her growth.

B1Q12

My last question is around, if you were to advise another CEO, who given the current economic situation in South Africa and says I want to expand outside the borders. And with your experience and understanding, what are those tips that you would give this CEO who plans to explore Africa?

I think you need to be clear in what you want to achieve. You need to do due diligence around the country. Understand the country issues, cultural issues, people issues. Ease of actually doing business in those countries. I think just an element of perseverance. I don't think there is any way – I don't think there have been many corporates that have been successful in Africa. I mean too many and the ones that comes to mind there are probably MTN and Company B, SAB and being the most successful in Africa. And we hear of other stories of other stories like Tigerbrands being burned in Nigeria. I Think it's going into a country with eyes wide open. But also take a long-term view. You are not gonna go and get up and running. You can't. So I think take a long-term view.

B2 | Company B | 2 August 2016

B2Q1

I was speaking to my colleagues today about operating in such markets where I said, we need to share best practices and they need to guide us on how it will work in their markets where you need to say this is the knowledge I have, how do you package it for local settings. They need to guide. You might have the Standard way of doing things and they would have the local way of doing it. So how do you bring it together?

They always do. Even as someone born in Nigeria and have been out of Nigeria for a long time. Even if I go to Nigeria, I still have to take the same approach. I do not know more of Nigeria than the people that are out there. They live there every day – still take the same approach. And it works.

B2Q2

I know that Company B has been in many of the African markets for a while. How do you decide on markets or since you have been there for a long time, you now focus on growing the markets?

We do. We just got our banking licence in Cote D'Ivoire and that is important because it is not just another country, it's one of the key French speaking countries in West Africa and we expect that going to Cote D'Ivoire was the inroad we need into the French speaking West Africa because now we have Ghana, we have Nigeria, and those are English-speaking and we are not in Francophone countries. And of course we have Portuguese countries of Angola and Mozambique. But we haven't really broken into the French speaking West Africa and for us to be able to cover West Africa effectively, we have to be able to do that. So getting the licence in Cote D'Ivoire kind of completes that cycle. We have Corporate and Investment Banking license in Ethiopia. Again, we are in most of East Africa and we are not in Ethiopia, and we got the Corporate and Investment Banking license last year in Ethiopia, and then we should be going in the future with full Retail presence if the market conditions are conducive.

How do you decide?

A couple of things. Our group strategy is Africa, literally. So when you look at dynamics in Africa, depends on who is telling the story, usually you get more bad news than good news. But ultimately there are 4 regions in Africa. We have the South, we have the West, the East and the North. For now, North is not our flavour, so to say, because we are not in any of the markets. But if you look at Southern Africa, we are pretty much in all of them. Of course so close to South Africa is Southern Africa. So our growth markets will predominantly be East

and West. And of course East, yes we are in Kenya, Uganda and Tanzania. But Ethiopia is a key market that is closed to many outside organisations for a long time and now that it is beginning to open up, we look at a couple of things. So our banking model is like other banking models where we look at what kind of customers are there? What model are we going to use?

With Corporate and Investment Banking, typically from the first time we ventured into Africa, a lot of that is because our customers went into Africa. We have to provide banking services to our customers going into Africa. So we expect that once Ethiopia opens up, we will be able to go in. And the question then becomes cost-benefit analysis:

- What is the size of the market?
- What is the growth rate?
- What is the make-up of the population?

That is why a lot of the times when we go into a market, we go with Corporate and Investment Banking first just to follow the clients and achieve some cost benefits. And then eventually once we know more about the market, we have a local team in place. This is important. In every single one of our countries, we run the operation with local teams. So we need time to build up the skills and capabilities of local teams in place and then we can go into business banking and retail banking which is small and medium businesses and individuals. There is more competition by being on the ground, having more distribution footprint; we cannot go into retail banking with office at the capital city only. That's where we start spreading across the country.

And depending on how big we want to go, we may look at collaboration or buying an entity or organic growth. So those are the models of entry. In case of collaboration there is a need for us to have a controlling share of the entity in order to make decision-making easier. We also buy an entity outright like we did in Uganda, we bought an operation in Uganda and we own the entire entity. Or we can just set up the bank and grow it from scratch.

So, which are your large markets in Africa?

Nigeria, Kenya, Angola, Uganda and Ghana.

There is something very fascinating about Nigeria. Is it mainly the sheer size?

It's too big to ignore. It's just the size. It's too big to ignore. It's one of the biggest economies in Africa and is growing. It will continue and in fact the projection is instead of SA catching up to Nigeria, SA will end up in half the size of Nigerian economy. So it's just too big to ignore. And again, what I said earlier, you follow your customers. Your customers cannot – any business bank customer who has the ability to go cross border cannot ignore Nigeria. So if your customers are going there, as a bank, you have to be there. And not just our African customers, its European customers, Asian customers, Americans. Customers know that Nigeria is too important, too big a market irrespective of the issues and challenges they have. So as a bank, it's natural that we know that that's where our customers will gravitate towards, and we have to be there to serve them.

B2Q3

How do you, I mean in some of these countries there are no institutions that help an external person understand the market dynamics for example. You might find that maybe data is not readily available, you might not have research companies that are locally set up. So how do you find information for Company B to say there is an opportunity in a certain country?

You have research readily available on the internet. And more importantly we have large research companies literally in every country. You have research companies that specifically do research in every country. The likes of Ernst & Young, PWC and most of them have offices in African countries as well. And you find that a lot of times, they are there because of the big corporates. So if a big corporate goes into a country and they need to do some work. Already in that process, they have already gathered the research and they don't make it available free but if you need that research, you need to pay for it and have access to it. And the age we live in, the information age. Pick up any country, you go to the internet and you find a bunch of information. Go to World Bank, go to IMF, you find as much information you want about that country. It's just there except that's why I said we use publicly available information. And when you start narrowing it down to specifics, because a lot of times we talk about Finance, Banking and Economics, you don't only talk about culture which is critical. So you don't just badge into a country and assume that because these parameters work in South Africa, they should work there too. Culture is important and a lot of times these become more important. Because we know banking, we know finance, we know economics. But culturally, how do you make sure that you set up the

operation such that it becomes accepted in the country and you don't go against the values of the people in the country?

B2Q4

Do you say you want to be in the top 3 or top what?

Usually, in Africa, you have very strong local banks. So in some of these markets, even if you want to be number 1, some of those local banks can buy you out if they want to. You don't try to be number 1, but be realistic in your approach. Some markets like in Southern Africa, we are number 1 – clear-cut. But some of these markets in East and West Africa, you won't even think about it for now. So we will take it one step at a time until we get there but we want to be in tier 1.

Like in Nigeria for example, we want to be in the top 6 and then top 3. We see how we challenge for the top. Ultimately, our aim is to be the top bank. Even if it is not overall, the top bank in our segment. If we choose we are going to focus on a business banking clients or a certain category of that segment, we want to be the top bank in that category or segment.

B2Q6

If you look at Ethiopia, you said you would have local teams. As a South African company, now that you have targeted Ethiopia, do you send Company B people to Ethiopia or you identify local partners in Ethiopia?

Both. So at the beginning, we need to bridge that skills transfer gap. Assuming we are able to find, even if we find good people in Ethiopia right away, we still need to bring them up to speed with Company B way of running a business, of doing things. Definitely there will be people going from here to Ethiopia. But the whole idea is that whoever is a local expert we bring on board, we need to introduce them into the Company B way of doing things. And ultimately over time, we can reduce the number of any expatriates going from here and make sure that key positions and that business is run by capable locals in the country.

So how does a local person need to transfer knowledge?

It depends. So in the Ethiopian operation, now that we have a local person, she spends time at our head office in South Africa.

She is here in South Africa. We have different combinations with a new operation, so again to get that Company B way of doing things. She is an Ethiopian citizen. So she would go back and not only does she have Company B knowledge in Ethiopia, she knows the Company B way of doing things and she knows the kind of calibre of staff she will need to build on the ground in Ethiopia in order to run the business in Ethiopia.

B2Q7

Earlier on you said the quality of people help you in terms of exploring and growing that business. Where do you find these people?

Locally what you find is you see again, you will be surprised to see how many Ethiopians, for example, work in South Africa. And thus we use employment agencies and our own human capital network. So diaspora is a big part of our operations in Africa. And of course Ethiopia itself. The diaspora is someone who wants to go. So we do get people from all over. And if you look at our operations especially in Africa, many people grew up here. I was not born in South Africa, I was born in Nigeria. So if I choose now to go and work in Nigeria, I know the culture, the language. So I can go there and work there permanently instead of engaging with them like I do now. So we do have a bit of that and we see that in a lot of our markets it has shortened the training time because they have been in South Africa, they have been in Company B so they know what the bank is all about. So when they go into a country, then they already know the dynamics. They were born there. So when they go there, it becomes a perfect fit.

Regarding people, I was in Nigeria now. I was at a workshop we also had to do debriefing in terms of issues and how we need to deal the landscape, it was really about understanding the market based on market assessment. What I experienced was when I told them I was South African, there was a bit of resistance and when I told them I am Zimbabwean, there was some acceptance because I was originally from Zimbabwe. Linking to what you have said that people working in the Africa space are not necessarily South African, do you find that a non- South African, who is still African might be accepted better than a South African? I am just commenting.

It depends on 2 levels. In a country level yes. Especially if you take South Africa and Nigeria, you have this unwritten competition. So if you say you are South African, so already there is a separation before you even do anything. But why I say is on 2 levels, it depends on individuals. If you are open minded, and you are respectful, you would do well enough. Where the problem comes in is when you go into these countries and you want to show them that you are the expert, and you know more about their country than they do, they may respect your position, but then you don't make any headway. So that's why I say it is on 2 levels so yes you have those country dynamics but ultimately it boils down to individuals. So certain individuals will do well in such settings, others will not.

How do you manage in Nigeria because with my short stint now, I have realised that the cost of doing business is very high. So how do you mitigate that?

Usually it is custom to pass the costs to customers. Of course it is not ideal and your expectation is it will come down. Again if you look at every country, not just Nigeria, don't look at a point in time, not long ago, Nigeria was known for military coups. Now for the first time, you have this peaceful transition of power. And we have the government looking at compliance seriously, trying to stamp out corruption. This is positive. But once you see the evidence of things beginning to fall in place. The reason why the cost of business was high there was lack of infrastructure. Secondly, corruption, and they are trying to address both. It would not be resolved immediately. Whilst they are still addressing the things, what happens? What customers don't tell you is the kind of margins they are making in this market. And they say the cost of business is high. It's high because you are getting 30% margin which you will not get anywhere else. So ultimately it is the customers that suffer the consequences so to say. Because you cannot run a business and absorb all that cost and not pass it on. And again for sustainability, you don't want that to be the case. You want customers to be able to afford what the businesses are producing. So over time, the best position for you to be in, is to lower that cost which means consumers get a breather and be able to increase their purchasing power and will be able to buy and keep the businesses in business and that in the long-term benefit us. If those businesses do well and they succeed, we do well. If they don't, it bites us.

But Tanzania doesn't have similar challenges. What are the issues with Tanzania?

It is just economic environment in Tanzania. It is difficult for us as a bank to operate. It is a combination of things. And of course the target we set ourselves as a bank. It doesn't mean that the market is seen as a constraint. Finding good people in there is difficult so we make use of expatriates which we don't want to do for too long because of what we are trying to model.

On the other hand you cannot pull out? You have to be there?

Think of it, if we pull out from every market we encounter challenges, we probably would not be in any of these markets, because each of these markets has its own challenges. The truth is it tests how capable we are and being able to overcome those challenges and make a success of it. If we were to go into countries where there are no challenges, we will stay here in South Africa. Even South Africa has challenges.

But I also found that the Nigerians themselves do not trust foreigners. There is a lot of mistrust which is much bigger than when I went to Zambia. When I went to Zambia, it was like I was a neighbour, I am not sure. Do you think the mistrust of Nigerians to foreigners is because there has been a lot of "briefcase business", where people come and loot and disappear, and are leaving the country destitute? With Nigeria being independent in 1960, maybe a lot of developed countries came to "loot"?

No no no! If you look at the looting by developed countries, none of them happened without collusion from Nigerians. So it's not that. The reason why there is perceived mistrust is in a lot of times, in my opinion is because of pride. A typical Nigerian would not accept that a European or a South African can do something better than they would do it. So that's where that comes from. It's not so much the mistrust but why should you tell me what to do. Especially in Nigeria. That's the problem. So you can tell me what to do in South African and not here. Not in Nigeria. And of course, that creates a problem because that is where it creates a tense environment even before negotiations start. Even if one has clean intentions, because of that underlying mistrust, like you put it, already the environment, you have to find a way of how to diffuse that to let the party in Nigeria to know that you are not a threat. You actually have good intentions and you are not going to tell them what to do. It's a natural reaction to "hey I am a Nigerian. You can't tell me what to do".

B2Q8

Ethiopia is a very nice example. If I look at it, I think Ethiopia is the 2nd largest market, if you can manage to get it right, you can succeed. Now that you have planned, from an implementation, I know that some companies take a long-term view, it depends on the dynamics. I think there are so many factors. If you were to list the top 5 factors critical during implementation that you feel if you do them well, you break even?

We are in a fortunate position. Company B group has a stance that we start with the values. So the breakeven point is when you look at any country, we need to make sure that we observe or meet all the regulatory requirements. Of course from a banking point of view, that's the starting point. If we don't handle it well upfront, you might not get a licence to start with, not talking of making money in the first place. So all regulatory requirements must be observed. The reason why we build local teams is first for acceptance. We need to build that acceptance because the default position in a foreign market is to see you as a foreigner. We don't want to be seen as a foreign bank. Already we know that we are a foreign bank because we have a link to South Africa which has advantages and some disadvantages. What we want to do is take advantages and try to minimise disadvantages. So we don't want to be seen as a foreign bank that's why we use local people. Of course local people is not just anybody. The biggest contributing factor to whether we make money as a business or not, not just banking, any business that goes into a foreign market, is the quality of people you have on board. And that's why that's where most of the investment goes in. Get the best people you can possibly find in that market. And then when you have good people, you now need to build the brand – what we stand for, who are we. And a lot of times, this is logical, if any one of these does not fall in place like synchronised, you have a problem. Because even if I have good people and I don't have the brand, they don't build the brand and promote it and make it visible, you don't get to the outcome you want. The 5th point there is to attract the customers. And if you continue in that line of thought - remember we are a new bank, we have managed to get acceptance, and we managed to find good people, we managed to build our brand, we managed to attract customers, now we can actually decide which kind of customers. Initially we just want to get customers in. But once we have customers, we can now start deciding what kind of customers we really want. Again, it's cost benefit, if I can make more from some type of customer, I will gravitate towards that. That's why when you look at our strategy, we go in with investment banking first. Some big customers, not many of them, they are multinationals so we know them already. And learn about the environment, develop people in that process. By the time we open shop for business banking and retail we have all of these pieces in place.

We have the people, we have been accepted, we managed to build the brand, we are not an unknown entity and then we are attracting some customers. The one thing we don't want in the market we go, we do not want to be a tier 2 bank. We want to be a tier 1 bank. We want to be one of the top banks in that market.

So in the markets that you operate, do you normally have these currency issues?

No we don't. Of course we cannot deal with black markets. All our business is based on official exchange rates. And remember, it's not like countries repatriate money to SA. It doesn't really work like that. So we deal in local currency. We convert to Rand for reporting purposes but the operations is run in local currency or \$ because we have to extend loans in \$ in country. It runs like a local bank within the environment.

But then the currency fluctuations might then lead to situations where, in the local currency it might show that you are growing, but when you do in US\$ you are going backwards?

But we must hedge against that. Remember as a bank, in theory we don't own any money. It's the customers' money. So if you choose to put your money in local currency, it doesn't matter what happens, that's what we will give you back. We are not going to do any conversion. If you choose to put it in foreign currency that is what we will give you back. Whether it appreciates or depreciates, we hedge. If you hedge of course you get better. So literally, it shouldn't affect us. Where it does affect us is where we extend loans and of course like now some banks are already struggling. You extend loans in foreign currency and this happens at the end of the day some customers are not able to pay. So you end up with bad loans. Not because the operations are not good but the movement, as they really throw the dynamics out of quilt. Then we sit down with the backlog and if we remove that, literally it is deposit taking and lending. If I take your money, let's say R10 and you want your R10 back, even if it's worth R1, I give you your R10.

B2Q11

Are there markets where you felt/ where you feel you have to scale down?

Not felt but we have markets where we struggle. It's not in Company B's DNA to fail. So we do our homework thoroughly before going into any country because ideally we wouldn't want to fail. So countries like the DRC and Tanzania, we have had tough times in those markets. It's just those 2.

But these are also big markets these 2 in terms of population.

DRC has been unstable for so long so we don't have full business banking operation there yet and we still have the Corporate and Investment Banking and a small business banking component to support the Corporate and Investment banking and purely because the country is unstable. If the country is stable like any other country one would like to be the top in the country of its size. But there is still war going on in some parts of the country. And so the political situation is not very stable. So it is a lot of challenges.

B2Q12

If you were to give a lecture to a student like me about expanding businesses into the rest of Africa, what would you propose one approaches in terms of identifying the key markets, planning for entry and finally implementing successfully?

About 2 years ago, we had what we called Africa Days for all the countries in Africa we operate in, this question came up. My answer to that question then was for you to succeed in Africa, you need 2 things – information & attitude. And that hasn't changed. You need as much information as possible. And attitude is everything we have discussed in terms of respecting people in their country, respect the culture, respect the regulation, take time to understand how things work in that country and when you hit the ground, you will be able to render financial services in an environment you are accepted and your brand is respected. A lot of that has to do with attitude. Of course as a bank, I don't want to fail to talk about the economics of setting up a business. If you don't have the money, you wouldn't be thinking of going to set up an operation. But often times these soft points are crucial. Not just a big bank like ours but even to a smaller business that wants to go into Africa. Get information and get information from credible sources and not from anyone, then have the right attitude. And if you are lucky to be associated with a bank like ours, it will make it even easier because we do take our clients to Africa, not just to see our operations but we take them to our customers in those countries and they engage in a much safer environment because a lot of times, it's about the issue of trust. So when they go via a bank, it eliminates that concern about trust.

Something that you have just said has just triggered something that I have experienced especially now in Nigeria. I have been to Namibia, Zambia, Botswana, and Mozambique. I felt that in Nigeria, Trust is a very big thing. Either it could be because of the South African connotation or it could be because of the cultural distance which is so big. I wasn't sure. Are there countries from your experience in Africa where you feel trust is much more than anything else?

Trust is big in all the countries. The reason why Nigeria stands out is not because of the cultural distances, it is because what we hear on the news is about bad things. We don't hear about all the good things happening in Nigeria. So all the 419 scam, fraud, corruption, government & civil servants stashing away billions of \$ into Swiss banks, those are things making it into the news. All the good news happening you don't hear about them. So the image of Nigeria is that of a corrupt, and of course if it's a corrupt nation it means is made up of corrupt people. And corruption does happen and those are the challenges. As an organisation you have to decide. Company B no matter what, we will do business in that environment without being corrupt or paying bribes of any nature. Every business has to make that decision. Yes Nigeria has that image. It hasn't been cleaned up completely. So that's why when businesses engage with Nigeria, already, they have that at the back of their mind. That's why it is important to go through the bank. Because if they are engaging with us and engage with our clients there, at least there is an element of trust that immediately comes into the discussion.

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B3Q2

What I have noticed with Company B Subsidiary 2 is that your footprint is concentrated more in the East and a little bit on the west. Are you following Company B?

Part of it is that and part of it is legacy. Let's start with legacy. COMPANY B SUBSIDIARY 2 was born out of 2 companies – Company B SCMB (asset Management out of Company B) and Company B Subsidiary 1 hence Company B Subsidiary 2. Through that process, we inherited businesses from Company B Subsidiary 1 and Company B. Some of the businesses fell under Company B Subsidiary 1 Africa and they have contracted those businesses to Company B Subsidiary 2.

The Ghana business we bought from the Bank (Company B) circa 2 years ago. There is one other asset management business not in the Company B Subsidiary 2 stable i.e. in Nigeria.

The Group's objective is that we have the Bank, which provides banking, we have the life, Company B Subsidiary 1 and the Company B Subsidiary 2 provides asset management solutions. The 3 need to work together to provide universal banking to our clients. Our objective as Company B Subsidiary 2 is to be the asset manager of choice for both the Group and investors looking to invest across the continent.

For the bank to enter a country, it requires an unbanked market / transactional banking (PBB and CIB). Disposal income of those that need to be banked. They are going to make their money on the transactional side of things; On the life side, it fits quite nicely with the bank because it brings life products into banking side e.g. embedded products.

And then you have the asset management business. For the asset management business to survive in a country, it is slightly different to the 2 because we need to have an investment savings market. So there has to be disposal income that people are saving. And linked to that, you need capital markets in terms of equity, bonds, etc. For us to be able to invest, we need to be able to raise assets from people wanting to invest and be able to invest those funds.

So we can raise through either third party, big corporate pension funds, private individuals or we can do through group channels. Let's say Company B Subsidiary 1 sells products into the market, and premiums need to be invested, these can be invested through Company B Subsidiary 2. Although our side of the objective is to follow the group across the continent, there are slightly different nuances in terms of what makes a country attractive to Company B Subsidiary 2 vs Company B Subsidiary 1 and vs Company B.

So again, we are trying to do the universal banking where we try to provide all 3 pieces to clients. If you look at for example the bank and Company B Subsidiary 1 are in Angola, and we are not. If there are private individuals, let's say High Net worth, we could offer them offshore funds without having a physical presence but through the Bank.

Malawi, the bank & Company B Subsidiary 1 are there, but again, the savings industry are tied up by 2 big insurance companies, Old Mutual and Company A. If we have to go there, it will take management capacity to break open into those markets. So those are the nuances and the background of where we are. We are in some countries as you know.

We are hopefully entering Nigeria soon. We are looking at how collaborating with the rest of the group into those markets

Do you work with Company B in Nigeria?

In Nigeria? We do. We are now busy in discussion with them on how we collaborate on offering products to each other, offer distribution capabilities, etc.

Maybe I should have Googled a bit. What's the difference between Stanbic & Company B?

They are the same. This is historical. The rest of the continent had Standard & Chartered Bank and they were too close a name. They went with the name Stanbic.

So the Rest of Africa I will not be able to see Company B?

You will see Company B I think in the UK and global. But across the rest of the continent outside South Africa is Stanbic. I am trying to think in the Southern region whether there is a Company B. I think it's Stanbic. So they haven't rebranded SA. Because it is just the name and the goodwill in the name. I think there is continuity. So back to your point, our objective is to work with the group and where it makes sense for us.

I kind of understand the rationale why in certain markets it's possible and others not really but when I looked at Stanbic presence, it's more in Anglophone. Are we saying in Francophone there isn't much capital markets?

There is big capital markets. Obviously the likes of Egypt, Morocco, etc. Like Egypt, the size of the market is as competitive as SA. You have the European guys playing there as well. They are “bigish” markets.

Language is an issue. So Company B made a conscious decision that it would be in Sub Saharan Africa for now. Company B Subsidiary 1 is following that. We will make sure that we have covered that Sub Sahara markets first and make sure that the businesses in there are firing at the highest as they can before we can start looking at outside. Although COMPANY B SUBSIDIARY 2 has a mandate to go into other emerging markets. We could go that side of Africa potentially but that would be at a much later stage.

B3Q3

I must say Stanbic is very respected in Nigeria and Ecobank was saying Stanbic is at the top, that is how they are viewed. The other question I have is how do you plan? How do you gather information for you to say now we are going to Ivory Coast is since it is still in Sub-Saharan Africa? Ivory Coast from what I hear is also that market which is growing very fast.

If you look at it, there are a number of nuances, still slightly from the bank. We would say where is the bank and where is Company B Subsidiary 1? Because what that gives us as Company B Subsidiary 2 is the infrastructure backbone of which to leverage. We leverage on the Company B IT infrastructure, which makes entry into a country for Company B Subsidiary 2 like easy. Then we also have some share service type of support such as HR, IT or payroll with those type of services again we can leverage on. Also we have the knowledge that the bank has in terms of having been in the market that we could also leverage on so that we are not going into a country blind. That’s one of the things we look at. We then go into the fundamentals: we look at the political environment we look at the Company B Subsidiary 2 stuff like that, where we are.

Instead of saying GDP per capita, domestic savings, we must look at what are the drivers of those from the bottom up perspective. What in terms of those drivers which ones are pertinent for Asset Management business. If we talking at say savings capacity, we need to look at employment, wages, stability of the market especially where salaries are coming from. If you look again at in some of these countries, Shoprite seems to, my understanding is that their plans are into countries which are commodity-based. So if you have commodity, you will be smacked across the continent. We are also looking at whether there is diversification across the economy as well.

So besides the top down, GDP and all those numbers, we want to see the economy and what makes it up. So it is again to understand from the bottom up, the employment, the ages of the population, those type of things are very important to us. And then you start getting regulatory type stuff such as pension reform. Pension reform is something like for the country to turn around, you got to have a pension in place. Any company with more than 5 people needs to have some form of pension in place. Those type of things spiral our market and push it but though in Ghana, although they have a pension reform, the release of state assets by the government has been in place for 5 years but have not released all their assets. So we don’t bank on that being the sole driver for us as well because obviously it can change. Things like localisation have an impact and then you need the capital markets of which to invest the assets. So you could have savings, but if you don’t have say an equity market or a bond market or a fixed income interest market to invest in that, could become difficult in terms of how do you pay for those assets. Like a lot of regulation require you to have a local investments that have min local investments which also and is taken into consideration. Let’s take a country like Swaziland for example, is currently 30% (for CIS funds) and now you increase it to 50% as this is the local requirement. The change of 20% create big changes.

The clients are saying it’s not good enough to invest in money market or fixed interest like bonds, etc, does not steer the development of the country. Namibia has got 1.75% - 3% in unlisted local assets which is effectively private equity infrastructure. But there is not enough produce to absorb all those assets. So those are the things we take into consideration.

So we build a list of factors we use – we looked at what the likes of EY suggest. They have a model which has drawn data from Oxford University which has a list of factors. So you can sit there and decide which factors you want and select the countries. We have some private work done for us from group called Genesis.

And we have our own internal views. Remember we have Pan-Africa investments as well or Pan-Africa team that invests across the whole continent and so their research which we call the equity side and the bond side, they have a lot of knowledge in country.

We combine all those views.

And again what we do is look at a list of factors, and we see where the country is at and that would give us call it a scoring and we would consider based on where the group is, what the attractiveness based on the scoring and ... then will decide on whether will go into a market.

So now you have decided that you want to go into a market, exactly how do we do it COMPANY B SUBSIDIARY 2 has a slightly different approach, where we prefer to have the majority stake. In a business we would like to have a majority stake whilst a Company A is prepared to take a 20%. We are slightly different from that. When we enter a country, we want to make sure that the projections, the management effort vs the reward is there. What we do not want to do is stretch our management capacity in terms of time and effort to a business that will add very little to the bottom-line. So we are looking at the industry movers as well. We would rather concentrate our efforts on entering Nigeria or our businesses in Namibia, than buying a business that add little to the bottom line. The management effort to bring that business online and to oversee it and the risk and the compliance is not worth the reward. So we look at where we want control, so we look at “do we buy or set it up from scratch?” If there are businesses we can acquire, we can acquire because again it reduces the lead time to enter into a market. But we need to see what comes out of that business in a full DD (due diligence) process. So we looked at businesses e.g. in Malawi. We did a full DD process, we then, as part of that looked at the risks of incorporating that business into group. We follow the Company B Subsidiary 1 Corporate transaction process. So we look at integration of the business and the risks around that and the full DD. We look at the financial projections, look at the systems, and all those type of things.

So there is pre, during and post type analysis that happens with all the businesses we take on. So we look at acquisition or do we start from scratch, again once you are in there you start running the business and the business falls under SA as we have got a team – myself and 6 of us in the team that look after everything outside SA on content. We split the business effectively between SA, Rest of the continent & the group. Then those business reporting into the different central businesses in terms of management etc. So there is quite a tight process we follow in terms of integration. We try bring back business to head office as much as we can leverage efficiencies. So our admin & ops are done in SA with some processing done in country. Manufacturing in terms of managing the assets is done between SA or in country. Like Kenya all the management of funds is done by themselves and they don't feed off any funds from SA.

B3Q4

You are quite right about Nigeria. What I have observed is that given that they got their independence in 1960 people try to create informal institutions so that business can run. There are a lot of competitors but are given that there are ~ 184m people, are you not missing a lot by standing on the fringes?

Remember we need to work closely with the group. So with the group having an asset management business in there, we need to see how we can work together. We have alternative capabilities, they have institutional capabilities. What we are busy talking about now is how we bring the 3 together. We have already done some business with them where we have offered some of their clients on the ground access to our Global funds. When we say it's taking us a bit of time is that we are trying to forge other relationships and for us to get direct access to the market and for now we are working through them.

B3Q5

How do you deal with cultural distance?

We spoke about how we identify a country, how we enter it. The rest of the group would consider partnerships, JV's and etcetra. The rest of the group would look at Ethiopia. So they have gone to form partnership with government because foreign companies can't own businesses there. So in certain sectors they have set up rep offices looks but the likes of Company B Subsidiary 1 has gone into particular service agreements such as technical service agreement with someone just to get exposure into certain markets. Because we believe that when that opens, it's gonna be a very big economy. For us at the moment, everything is through the government. There are no big capital markets etc. The only investment opportunity for us would be the direct property space. But is also difficult to get in there so we focus elsewhere

We check whether the bank believes it and the rest of the group believe it. In a country we potentially do not have an analyst, and we say we believe we need collective investment scheme, we will then do a DD process for that country, etc. It is not a given that we will enter those markets.

B3Q7

How are you finding Nigeria?

Nigeria, very interesting, very tough. We started looking at it a few years ago and was up and up. A year and a half ago, you heard the crisis that hit them terribly so what you have seen is those businesses coming under immense pressure because a lot of them is oil based and or financial services and financial services are dependent on oil because they do the financial control. So there are too big areas and so they were hit quite hard. The culture in Nigeria is also very different to anywhere else in the continent. So dealing with the people trying to close deals is something that takes a lot of learning. You have been there. They are a lot more forward, I do not want to say aggressive but a lot of them are. They are seasoned business people. A lot of them (even in Kenya) are educated outside, mostly in the UK and US. So they are not uneducated or inexperienced. South Africans arrogantly believe that they know exactly what is going on across the continent until they try to do something. Before they know, they get a good hiding in the market. And you see those challenges.

Nigeria has been a tough country to get deals done and to do stuff.

How do you deal with the perception that South Africans are arrogant?

You need to listen to both sides. You need to sit with the guys and tell them not to go with this arrogant attitude you are not going to win anybody. Go there with an ear to listen first and then talk. Don't just believe that you will understand everything you know everything because you are coming from a more developed potentially economy, then what we have here is better. Because what we got here is we always tell them that

You talk about Kenya, apparently Game had issues with distribution networks. They did not understand distribution supply chain works and that. What you need to do is have certain people on your side. And if you did not have that, you could not get your trucks through certain areas and stuff. We had to sit down with our guys. What we have not done is probably certain formal training programmes on certain aspects is something that we need to do. I think it was also because, relative to some of the countries we have been to longer, we are still developing such with our HR people and how we create such content. We need to put handbooks or whatever you wanna call them.

We spend in country in how you need to deal with customers (sentence does not make sense). I sit down with the guys and say I understand how the SA forks work. I understand how the CEO works and what he is looking for. He is looking for these 5 things. You are only giving me 2, you need to fill out the other 3, and he comes back with 4 and I say we need 5. If you don't do this, it is not going to work. So for us the team in Jo'burg, we are the buffer. A lot of requests come through, either we have a deal or we push back and say no before the deal creates any friction or noise, we stop it. Thus how we try to deal with both sides. We find that you need to do that. Also, you also need to get the people from SA to go in country fulltime. If you have guys dealing with the in country guys, or asking something there we have to get involved. We would have our EXCO's in different countries. So the Rest of Africa guys also get exposed to the different things. We have forums where the guys can share information across the different countries. So when I have my distribution discussions with the guys I will say, cause I know the issues happening in different countries, like I would say you are looking at commission structure, I suggest you talk to Alex and you talk to Hendrick in Ghana and in Namibia, they will share information. Through relationships, we actually find that the guys are starting to talk to each other as well. So these informal discussions where I get a call from someone saying, this is happening in this country, is this rumour true. Even if something is still under wraps but they have to talk to each other

B3Q8

So when do you use your own people? Is it more in the initial stages because you need the Company B Subsidiary 2 way of doing things?

So let's take for example Ghana, so what we did was it was a big process, and we have call it on-boarding processes. So Alex and the team are taken through. We will send our HR people up there. We will send our branding people to rebrand. If you go to Company B Subsidiary 2 Kenya or any other branches, you will see you have same look and feel that you see here, to a certain of the meeting rooms are called same things, names like Equity room, Management Room, etc . We are very cognisant of group policies and standards on a global perspective but in the realm of understanding in-country nuances. So for example, we push certain policies into country like our money market funds to get them though standardisation of how we do it to manage risks and exposures but we were very conscious of is that we could not have 100% alignment because if we did that it would mean we were uncompetitive in markets to the detriment of our funds, etc. So we are trying to have the same culture. But what we have struggled with is that some of the regions align SA to some degree. I find that

Namibia & Lesotho are much stronger and push back a lot more as compared to Swaziland and Botswana. Nigeria is not very straight forward too. The Ghanaians are also as straight forward but also not aggressive but he will tell when he is disappointed and he will tell you when things are not working the way they should. So we have had to understand that. In Kenya it's about what they don't say and not what they do say. The guys are like, I hear you, but you are just not gonna get that. You need to build relationships and it takes time. It's all about trust. If you break that trust, you are gonna to lose them. But on the whole, the rest of the continent is not as pushy in your face as SA and we are dynamic and I think all businesses have that in that if Head Office wants something, you have rest of Africa team and you have in-country teams. We play a buffer role and these guys want something and they push. These guys do things different to SA. We have to play that buffer role. There are a lot of governances, a lot of corporate policies that they want to shove down on us. It works different in country. It's more difficult to get certain KYC requirements in some countries than others. When dealing with clients you can't be pushy like those type of things to a certain degree that the rest of the continent works quicker in some elements than SA. They are quicker to make decisions. What we have seen that you have to acknowledge that and you have to be able to put the troops together in SA to be able to keep aligned with the local competitors. Because the likes of an Ecobank, the Databank, Pine ridge, etc, those oaks can set up like a retail investment trust a lot quicker probably than we will do. But whilst they will do is they are plugging holes, a lot of holes. Whilst we wait until we are 100% and then we launch it. It means that you are safer, you must do is ground. You must find that balance between in country guys also saying we need to be fast because that is part and parcel of the service offering to clients. Whereas SA faces no advice. So you need to balance the frustration of a bureaucratic Head office with the guys in country trying to make business work and trying to make nimble and fast decisions. That's where the team that understands the in-country businesses and the people you push within that. The only way to do that is to spend time with them. You can't sit at HO and be like a seagull. You fly in crap on everybody and flies out. Like when I go to East Africa, I would do the whole week. I am going to Ghana next week and I will sit with the team and can't sit on the phone and get to understand them and all that type of things. So the problem is if you do not have senior management from your CEO down to operational guys understanding how in country works, you don't set targets to those things, they will blow up relationships or just say something that offends someone

What I am picking up is that in some countries, your success depends on the CEO. The fact that you have the majority stake in the countries you operate, how much influence do you have in the CEO appointment? If a company is not doing well, at what point do you say this is an in country issue and not CEO. If it's the CEO, do you replace?

Let's talk about the shareholder. Let's talk about the CEO. Let's talk about control

Having the majority shareholder, gives us control. We can help steer the business since we have the majority. The downfall is that you do not have as much local content which counts against you in terms of tenders. So that's why they say Company A, you have got the majority local guy but they are then at the mercy of the so called local CEO. So they can't really stamp their foot on the business. So they have shareholding, they have control, takes away localisation. And it doesn't give your in-country staff an opportunity to be shareholders unless the setup structures are right. So those are the 2 nuances you need to think about when you are creating shareholder structures, something we are busy looking at. CEO is appointed by our CEO effectively but like we have gone through now, 2 appointments there is a panel of interviews, there is a number of people, senior people in this business that go through those and we trying to find the best person. The CEO can make or break the business. The CEO in these businesses probably has 50% business development and 50% business role. Because the CEO needs to have relationships, needs to build relationships with clients. As you know all these markets are so relationship driven. Every single one is more relationship driven than SA. So the CEO has to be able to sit in front of clients, talk to consultants, and has to build those relationships. He needs to be someone who is highly networked. On the other side, that person needs to put in place the right management structure such as CFO, COO, and CIO to assist him to run the business. You need at least 2 to run the business. So when we look for a CEO or MD of the business, that person must come with that dual package – deal with clients and deal with the business, and deal the people issues in that business. If the MD is not toing the line, they report into the Head of Africa which reports into the CEO. That person tries to understand what's going on, understands what business is not working. If it is the CEO because of personality issues, or fails to run the business properly, we will talk to internal management trying to understand what's going on. We will then take it to the board. Each country has its own board. We will get the board's perspectives on what it thinks and then we will make a decision which will be in conjunction with the board as well. So we will make sure that the board is in agreement. Because what we normally find as well is if the business is not doing well, of course the guys

are going to shout, and the board is going to shout because some of those board members are also shareholders.

So they are going to put pressure on us as well. But we try to fix the business support to get the business running. If it is a support thing, we need to understand what the situation is. If it is CEO that is not competent, or not strong enough to be in that position, then we need to look at alternatives, or try to build if we can to give them all the support that they can from Head Office.

Are there situations where you felt strongly that things need to be done the Company B Subsidiary 2 SA way and the CEO says it will not work in country? Did you push the SA way?

On the money market funds we needed to align on duration. SA says on money market funds average duration must be 90 days. We took that in country and said guys to manage risks and global standard for money market these are the guidelines it should be? We took it to the guys and they said you are crazy. You are impacting my returns and making me uncompetitive. You might as well close my fund and close my business. So what we did was going forward we say when HO comes up with something, we look at it, take it in country and get their feedback and then take it back to the investment committee and continue that interaction between the 2 until a resolution is found per country. We want global best practice or group standards but within guidelines that make us competitive in-country.

Another one is complaints policy in terms of TCF. We have set standards in country where we do not have TCF regulations. These are the principles we would like implemented. Out of the 10, which can you say you can abide to? If you can't abide to them, how else can you align to those principles? If not give us the justification. A country comes back and say, the 6 I can do, 4 I cannot do because of these reasons. We will then look and say fine from a legal & compliance perspective, we are happy. It's always important to say "why it should be done in a certain way and the in country management saying why certain things cannot be done or done in a certain way

B3Q9

Cultural, is very different??

Cultural, it's very different. Outside of SA, I think you know it as well. If you look at Africa, Africa is one continent with 54 different countries, over and above 54 different cultures, you have got the different tribal elements coming into it. Like Kenya you have got, I know is quite a no. And 60% is 1 tribe which have got the majority of the business type stuff and you need to understand who is in there and who is not in there and how it works. So our HR team works quite hard in understanding all that. And our philosophy is that we want local management to run our businesses. We can't profess to know everything about local markets sitting in Johannesburg. We can understand the culture to a certain extent. But what we want to see is that clients want to see it localisation. Localisation is a big thing. For example Namibia, they want to see localisation of the business, localisation of your asset management in terms of actual portfolio managers as well as your local elements of your business as well. If you don't have those and you tender for business, you get marked down. So, the guys that fly in and fly out are not going to win at those business. But our philosophy is we try to have control of the businesses and let local people run these businesses. We then coordinate these through Africa Head businesses. We have Monthly EXCO's etc. So HR works quite closely with Company B Subsidiary 1 & the bank to understand these cultural nuances. Well will take external companies to assist with that as well.

B3Q11

Are there certain markets that initially you thought there was potential, you set up the business and realised later that the market is really not there?

Yes, South Sudan. South Sudan, we had money from the Bank of South Sudan. It was a tripartite between ourselves, the client and the bank. And it worked very well. Then you had political instability. We had fighting of recent. And although we have our MD there, the business with political issues and everything happening now, we ordered a tender and money in the East African region because in the low assets and bonds in.

The problem is you get awarded the mandate and the money you can't take it out because of policies. So money sits in a bank account and you can't do anything with it. It's a business we are looking at quite closely and how we can continue with it and how long this instability will continue. The problem that we had is if we pull out, we damage ourselves reputationally because they look at you and say, when it comes to hard times, you just pulled out. The bank has taken a decision to stay, which is positive. You then utilise their offices. This is

one where the board in East Africa has said we are giving you a certain timeframe, and will reassess. We made a call on how this impacts our 2020 strategy.

The potential revenue vs the cost is the deciding factor.

B3Q12

If a CEO of a company comes to you and say they want to expand their business into the rest of Africa, what are the tips you would give him/her?

The first thing I would ask is why do you want to go to the rest of Africa? Because there are 2 legs to this

- a. If you look at the rest of the continent with the risk lenses, you will not enter
- b. If you look at it from an opportunity lenses first, you will see the opportunity. You need to understand the size of the opportunity and how you are going to enter the market.

Are you going to enter like Company B on a coverage basis? With 20 countries or into the main hubs only? That is where one has to decide. I want to be the bank of Africa. If I go to Ivory Coast with a mind-set of making me half a million Rand or half a million dollars. I am still prepared to do to have my name there. Or do you want to go into the big hubs – Nigeria, Kenya, South Africa?

Basically there is a difference: Do you focus on risk, opportunity or coverage? And you need to make sure that you have a structure to support these businesses.

If your Head Office does not understand the risks & risk mentality and the speed of decision making. Being too bureaucratic - don't always think that going to Kenya, you will succeed. The biggest competitors are local competitors such as Ecobank, Genesis etc.

Understand your competition and your service offering. What is your target market? What are you going to take to that market and how you are going to get there? Your channel, your root to market and your networks re very important. Understand requirements on localisation.

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B4Q1

Where do you fit in the organisation?

So in the We have one business. We have a person in the Business

The changes of the continent and also just a belief about the continent. And I think those people or those of us who work on the continent, work there because that's what we want. You know, it wasn't glamorous in the beginning. I would imagine it's not even glamorous now but I think more people now are like now say Oh my God I see this is the movie, is the only movie in town is Africa with Company B. When you say Africa is a home, we stay in Africa, it's on the continent. We stay nowhere else. So I think that evolving harbour and also having businesses on the ground – that exist for themselves on the ground, with people on the ground.

If I take Nigeria, there we bought an amazing bank. It was a merchant bank. We are a small merchant bank. But it's a merchant bank that has merged with a Retail bank. But that bank we bought, those people that run that bank are some of the most ethical human beings you will find in your life. And they have got an amazing business reputation in the market. I mean I take a Petrefine when I tell Petrefine story, most people are intrigued because, they would rather listen and hear about the 3 guys who bought FNB. But in the context of Nigeria, he is one of the smaller guys who built banks. There are many other guys that built bigger banks. But with him, the bank he built was going to be an ethical bank, was going to be a global bank. That's what he set up for himself to do and was recruited some of the best people. So, the other banks are still bigger than him, but here is a guy who now sits on the board of the Company B Group in South Africa. What we have now is, our Head for Africa is Shola Dabbie Bora. She up until end of December, was the Group CEO for our bank in Nigeria. But now, she is the CEO of all of our African operations.

Wow!

Now that shows that the bank is no longer a South African bank. It will never be again. Ever.

You know, sitting on our boards, some dynamic people, even from Kenya. So those things are part of how we are evolving as an organisation. If I look at the no of people that have grown and developed in the

organisation, they now are co-owners of the bank. It's not some South African bank that has got colonial outposts. If you see the bank as part of that, then eventually they need more people from Nigeria in our management structures. And there are more people for example from Zim and Kenya in our management structures, simply because just on the intellect, the skill set and all of that from those 3 countries and to some extent, Ghana as well.

So I think all of those things kind of help as we mould and grow the business.

B4Q7

Ya

We stayed the course. I mean, I still remember when the biggest difficulties were there in Zim and there were people calling that we must leave, we must go away and people writing a report, mentioning things like Mugabe regime, and all that. We said hold on. When we buy each other alcohol, then we can talk about the politics of Zimbabwe but when we are running a bank, then we must be diagnostic of politics. Because there may be a staff member who belongs to Zanu PF.

Ya

So when they read your things you have written there, "Mugabe and his henchmen ..." You can't write those things to the board". So we censored the language. We censored the way we think. We had to then had to come and convince the board. I mean, I still remember one of the most harrowing things when we had to convince the board to do tobacco financing in business on a fanning basis and you do those things in dollars. I mean but it's only when you go through these things that you understand how we could come to the right decisions because we are not the kind of investments to run.

I remember one time, when we were trying to do this Tobacco financing, and I was in Harare at the time, and I was trying to get to the guys "These are all the questions that have been asked. Let's try and say, these are all the risks that can take place, and these are all the risk mitigants that we are putting out there". And obviously, the team was very angry, very frustrated and upset because in their minds, these questions were stupid. "Why would somebody ask the question, "What if the tobacco burns??" How do you ask the question like that?" I said you guys, people never expect to deal with tobacco." In their minds it will burn because you are smoking. The people said Tobacco does not burn. So you have to put mitigants all the way from the farm to the ship so that people understand all of the things that can go wrong. And I remember at the time of that meeting, I got an sms. There were no Whatsapp's those days. I got a text from somebody who said "Where are you?" I then text then I said "I am in Harare." "Are you ok? Oh my God". So I went back to the team and I said, look at this message. And I said it's because, everybody thinks everybody is dying of starvation in Harare. And I said, the reality is that you all know, for the right price, you can find anything you want. That is the reality. So you can go to a shop and they say we don't have this thing. But at the right price behind, is the product. But all those things you find as you interact.

So I think that we have places where we have challenges. But again it's about how do we manage. In some places we must the places. In some places like Zim we have not managed to expatriate the money. But there are lots of things we got from that business we bought. We have many people from that business and that are really have good people that are in different parts of our business that are in different parts of our business. I think already 3 or 4 of our CEO's are Zimbabweans.

On that note, you know what, Lincoln, I don't even know even what to say. I talk to a lot of people and I also meet a couple of them like at the airport when we are coming back here or something like that, you have spoken about Africa with a deep, deep passion. And I think it also really talks to how long you have been there, and you have had your humbling experience and one wishes if a lot of people can learn that. Because even for me, since July, I have been spending 2 weeks per month in Nigeria, and what you are saying is exactly that. Where people are saying "Rufaro, how do you stay in Nigeria, how do you do that for 2 weeks at a time, what are you doing?" And then the one thing I always say to that is that the way we know Nigerians in South Africa is different from the way I relate with Nigerians in Nigeria. In Nigeria they are so god fearing. Like exactly what you have said. And I say I can walk in a street on my own, and I know that nobody is not gonna to rob me. Thus how I feel in Nigeria.

Yes. And you know, in Thabo Mbeki's books he talks about a country that marches to its own rhythm. And it does, you know. If somebody comes with their preconceived ideas or whatever, Nigerians will not take from you. It won't. It refuses. It must have its own step and its own rhythm. But what lovely people. What an amazing

group of people. And I think part of the problem why people do not get it is that their reference of Nigeria is Hilbrow.

Yes

And you say you have no idea. You know it's all those films

I know! Ha ha ha !

They would say no no no! These are some of the best intellect that you will ever meet. In fact at one time, after my first visit to Nigeria, when the bosses said I should take over Nigeria. I said to them, "If my job is to rule, or manage or control Nigerians, then I need to come back because I am gonna fail." Because I don't think that neither board nor its disciples of Jesus. God and his angels and Jesus and his disciples can control Nigerians. What Nigerians want is to be challenged.

Ya

They want you to challenge them. They want you to believe in them. They want you to be part of them. And once you cross that line where they invite you to their homes – ya. Everything from there, and a deeper conversation happen then and you get to understand. And ya - for me I learned so much from Nigerians about being an African.

I must say, I really thank you for the conversation

Thank you

It was nice having this conversation before my first trip to Nigeria which will be in a week's time. So at least I have somebody who relates with what I normally tell my colleagues and my family and my everybody about for me what a humbling experience it is and it really makes one reflects on oneself. I always say to people even my language – if one were to see my emails. I even had to change the signature on my email. Even when I send a whatsapp message to a Nigerian. I have to start with "How are you and how is your family?"

Yes. Very Important. How is the family?

"How is the family" Exactly! Before I used to ask a question first. The reply used to be "How is your family". They don't answer to your question. And I had to learn very quickly and say you know what, you actually have to greet. And when you greet, you have to start with "Dear whoever" "kindly" "good morning". Thus what they believe in. And in the end you realise that that is what Ubuntu is all about.

Aha! And even the guy who is a security guard. "Hello Madam".

Yes!

"How is family?" The guy at the hotel, every time you come" How are you madam? How was your trip?". "How is the family?" They greet. Or in a meeting "How was your night?" It is in the language. And the language embodies the culture.

I totally hear you so I just want to say thank you. I can relate so much with what you are saying

And Good luck with your studies and if anything you need help or talk to some of our guys in Nigeria, feel free.

B4Q10

Wow!

We have grown in the business, 2 Regional CE's and then 2, CEO for Malawi and CEO for Zambia are from Zimbabwe and the 2 Regional CE's are from Zimbabwe. So there is a lot we can do in difficult times.

Wow! I think for me you have summarised to say, Yes there are areas we are doing very well and there are areas where we have got challenges. And I think if one looks as say Company B has grown, it could be because of the dynamic culture that you have. You have given an example of the tobacco now. I suppose thus the way you tend to get out of these challenges because of the dynamic people that you have?

Ya, because the people will tell you more than what you would read in the IMF or World Bank. And I can take a small example. In Zim - not in Zim, in Nigeria last year, many public servants were not being paid. Now the

public sector book for loans, was one of the best performing stocks in our Retail space because retailers are not like - what's the word - civil servants don't get retrenched and are stable. So that business did very well for us until then when they said they were not paying. So now we were starting to have a business portfolio that used to be the best, started being the worst. But for unsecured loans, you can't now go and get the money from anybody. We knew that at some point, and again you get that information from the guys on the ground. That "Guys this money will be paid. No government will go without paying people salary." It will come at some point. But an important nuance was an average South African cannot understand why somebody - an average South African in the corporate sector who will not understand why somebody can go for 6 months without a salary South Africa. It's because he will know that these people have other jobs. They have other little businesses. They survive. They are not just relying on the salary. So all of those nuances come from being on the ground. If I look at again Nigeria, they have 36 states. And we have branches in all 36 states.

So one of the challenges I had to give myself, going back to the thing about the thing you asked about the values. I wanted to make sure that I travel the length and breadth of that country and see as many of the staff myself. Because otherwise Company B would say we have a bank there with 180 branches. You have not seen them. You have never been there. Because Lagos is not Nigeria. So by the time I left that role to come into this role, I have been to 28 of the 36 states. And in that way you are able to have the pulse of the community because I can understand things, I can understand the differences between the North, South and the geopolitical zones and all those things. And you also get to understand the issues and the politics and because you read local newspapers. You participate in the debates about the politics. That's why someone would walk in here and someone says Gupta, and you know what that meant. It means then, how do you run a business in South Africa? Immerse yourself into the local dynamics. And I think those are the kind of things we have been able to do. It's not easy because again, the majority of the people don't travel as much. They sit here in head office. And you have got to make sure that they don't have a disproportionate voice in decision making that may disempower the people on the ground.

You know what, the more I speak to you, the more I can relate a lot with Nigeria. I really think your team members are learning so much from you because what you are talking about it's really stuff that I can relate with. It's not so much about the education you have gone to, the books that you have read, the CEO that you speak to, but it's really taking time to understand the nuances in the local settings, to be able to relate with at times the decisions that they make, why they make those decisions and what's happening on the ground. And be able to explain the numbers when those numbers come out. So I was looking at you when you said you joined in 2001. And I am thinking you have been there for quite a while. I am then hoping that your team members are learning so much experience from you experience.

Ha Ha (Laughs) I hope. I hope.

But it's a very dynamic relationship. I mean I know I learn a lot from them. And they learn a lot from me. And again these jobs allow you to go into the environment and be questioned by customers. I mean, one of the things that I don't talk about is our model - how much value we learn from customers. On the continent, because we are very hierarchical as a continent, the fact that what they call the big guy from Jo'burg come to my factory, come to my business and sometimes I would say to the guys, whenever you have a dispute don't give me the nice customers, give me the customers that are good, give me the customers that are wanting to leave even those we have pissed them off. Then you go. I mean in Nigeria you go to a place, you go and see the guys. And then I start and I apologise for what we have done and then all of them give me the detail and they are like "Ah! No! Big boss, this was not a big thing now. No the oga comes all the way from Jo'burg." Then the guy calls his Financial Director. "How much do we do with Stanbic?" "Ha, there is a 20%". "Increase it. Increase it now. The oga is here?" Again all of those things will not be in a PowerPoint presentation. It's your point. Unless you are there and understanding the culture. If you are in the north, how do people in the north think? How do they relate to things? So all those things you are get are not amazingly not priced

B4Q11

Wow! What a successful story! And I suppose maybe in the process, there are also certain markets where you feel that maybe the numbers are not like meeting your business plan or something. Do you have such markets?

Yes we do. We do have markets where we battle. And the battles had to do a lot with the macroeconomic environment in those countries. We have currently challenges in the South Sudan. We have challenges in the

DRC. We have challenges in the oil countries now, Nigeria and Angola and obviously we have challenges in Zim. But again in all of those times, we have never walked away.

B4Q12

On my last question - the wealth of information that you have, I think you can actually do a lecture on what you have and I can even hear the passion on the line as well. So if you were to speak to whether it's a class of MBA students or another CEO that says now that the SA market is now saturated, I also want to go to the rest of Africa and explore, just give him some tips. What is it that you would give this person?

OK. So I would say the following things:

The first is that Africa is not a country. It sounds a small point to make but it is one of the biggest points because there is just so much ignorance about the continent and the nuances that come from the different regions and the different countries and how much people hate their countries being misunderstood or being run as one. So that is a huge, huge issue. And I think if somebody doesn't understand that, they start in the wrong footing. And you know that even with neighbours, somebody from Ghana, doesn't want to have a sense that they are just a small whatever of Nigeria. You know someone from Uganda, does not want always to be compared to Kenya. You know, if you think you are there, Malawi hates it that they are always not looked at favourably. And you find that some of them will now bring back things that they hated when Zim, for example, was the bread basket of the region, now they bring back something they say now we are, you know. So all those nuances are important. So thus the first thing.

The second one is respect. I don't know how to overemphasize the importance of respecting the countries, the cultures, the laws, their traditions and their ways of doing things, are very, very important. So humility matters on the continent.

The third advice I will give to them is suspend judgement! Suspend judgement! Because there is so much fear in their minds that what people bring on the continent, and it gets them in trouble. And therefore, if you go with an open mind, willingness to learn, and that will really give people a good sense.

The fourth one is find the right people. Really, really, really, find the right people. Whatever it takes, make sure you got the right people.

The fifth one I would say, is that do not underestimate local competitors. They are amazingly good. I, in all these years, I really faced some of the fiercest competitors. Some of the best people we have in the business, we got from our competitors because we couldn't bank them

And I think **the last one** – I think be very clear about your ethical standards upfront. And you find that the vast majority of Africans have the same ethical stance. So if you are in South Africa, you can't judge your ethical standards on the basis of the president and his friends. And then therefore you say South Africa is corrupt. Similarly, don't do the same thing in countries. The average, confident African is god fearing, hard working person in business. What's also amazing is how advanced, many people are on the continent at a professional level because many of them studied at some of the best schools in the world. They have travelled extensively and they have worked for very good and reputable companies. Sometimes we come with our narrow minds from South Africa and talk to a guy who is already worked at Barclays, at Standard & Chartered and who spent 15 years in London, he has family in Canada and all of that and you talk to them and all you know is Johannesburg. So sometimes a bit of that understanding that helps but ya.

And then the last one I guess is really want to be there. People can sense it. If you don't want to be there, you are just there because it's a job or just there because you have to visit. You will do all the South African things. You bitch about the airport, you bitch about the queues, you bitch about the roads, you bitch about classic. But you will miss. I always say that Africa's growth is hidden in plain sight and the opportunities are also hidden in plain sight. It's only those that are willing to always look at those that will succeed.

B5 | Company B | 24 January 2017

B5Q1

So where do you fit into this puzzle, the team that goes into Africa?

So I look after customer insights and I look after the data credibility.

Customer insights looks at what do our customers want. How are they transacting with us. I look at the behaviour, just to try and understand – are they committed? Are they loyal? Do we need to do things differently? Do we need to cross sell? Do we need to try and reduce retentions? I look at customers holistically. I also try to help the bank to get to see the single view of the customer. Because we grow through acquisitions. So we go into a countries and acquire. But when we have integrated the systems, we might have customers that bank with Bank A. When you integrate them, there would be 2 of you, 3 of you or 4 of you. So when we are trying to market or even trying to understand the number of customers we have in the market, it's not the right number. Just because the information you have is not correct. So I work on those basis as well – to say let's just be real and look at truly how many customers do we have? I address all those for instance and how do we keep them where there are issues of retention. What levers do we need to pull in order to grow at the rate we want to grow in that market? What are other banks doing? So I look at how to keep and grow customers.

Am I right then to say, from a process perspective, it starts with an economist identifying a market, maybe business development team now goes in, you come in at a later stage when business has been established?

Ya!

And from what I am gathering...

This is my new role. The previous role, I was doing due diligence. I would go in first. The economist team would have looked at the markets and we would need to do acquisition. I then would go in and look at those banks/companies we are wanting to acquire. You get an understanding on the ground. Exactly. Whether what's on paper aligns with what's happening. That was my role at the time.

And then, your role now comes after the due diligence people have now gone in and say we are sharp, ready to do. You then go and study the customers to be able to get value.

Yes! To look at the products and what the need is. And Yes!

B5Q2

My first question is really to say how did it start with Company B? I know it started long time ago? How did it all start – the expansion into the Rest of Africa?

I guess it was the vision the CE's at the time had. Also, the market demands. If you look at just the SADC space, there is Lesotho, there is Swaziland, there is South Africa – just not one country. So it makes sense to be at least in those 2 countries. Because the movement of people between these 3 countries, you can't draw a line even though there are boundaries that serve these countries. Obviously because the vision was for us to be a global bank, we had to then look at where else can we grow...

May I please borrow your pen I notice don't have mine. I think I left my pen. Ok. (Interruption)

So the vision was for us to be a global bank before we want to be an African bank. So then there was some expansion to some European countries. We were in London and many places like Argentina & so on. But if you reverse all the way back, remember the bank that we are now, Company B, was part of Standard & Chattered. And Standard & Chattered is a British Bank. So they came to South Africa. Obviously them coming to Africa, SA was one of the countries and they were expanding. So during the whole sanctions and apartheid times when banks pulled out of South Africa, then Standard & Chattered pulled out of SA then we rebranded and remained Company B and we had the local shareholders. And in the markets where then Standard & Chattered was in the Rest of Africa, they remained. But where we wanted to be, we had to go and acquire. And then we can't call ourselves Company B, but call ourselves Stanbic to try and differentiate between Standard & Chattered and Company B. So that is the long and short of it. So the whole Standard & Chattered vision of really being in Africa is what drove us as well to be in Africa and also the market demands.

If you look at just the dynamics within SADC, you can't just cannot be present across the countries. You need to be looking at trade, finance and all of those. So there is a business case for it. And then we also – because the recent years we were not in Nigeria as big as we try to deny. Nigeria is one of the biggest markets in Africa and we wanted to be there. And we bought IBTC. And we are in Ghana, we are in Uganda and all the

bigger markets. We are still growing in Africa. We are now going to Cote D'Ivoire as a new market. So we moved from Standard & Chattered to Standard. And then Standard wanted to be a global bank. We tried that. It did not work. So we rationalised all our foreign and overseas assets. We pulled back and now we are an African Bank because we are in Africa and we are growing that.

B5Q3

And where do you get your data sources for you to say Nigeria needs to be no 1 in terms of our priorities or Ghana needs to be no 1? What data sources do you use?

We have an economist team internally that does the research. So they look and study different markets – mainly their economy. So they look at economic indicators. They look at what's happening in the country, the share markets, prospects, what is our competition - all of that. Advantage, can we penetrate? How to go about it?

We also look at - because I am in the data space, we also look at the customers we just have on our books. To look at do we have enough penetration in terms of our products can we still cross-sell? Can we still grow our books? So there is a number of things we look at. But in the Nigerian example, we looked at just the size of the market. There is volumes in Nigeria. And we looked at the time when it was stable, oil was doing extremely well so GDP was one of the indicators that showed that there was growth. Same with Angola. Thus why we went to Angola. Because it's an oil country and oil was doing extremely well until recent lows. Oil when it was above \$100. And it was extremely well. And now is sitting at \$38.50. I don't know. In many of these countries for them to really break-even it has to pass the 60 mark. For some 80, for some even 90.

B5Q4

How do you decide on the countries that you prioritise?

Economic factors I suppose. The market matters, the maturity, the economic indicators - like GDP growth, inflation population growth and all of that, stability in politics. It's all of those things that matter. In some markets we go in as Retail and Corporate and Investments. In some markets we go in just as Retail because Retail only was needed. And in some markets we go in as Corporate & Investments. If you look at how we did Mauritius, we went as Investment Banking and Corporate and we had Private Bank in the beginning. Same thing in Angola, we went in as Corporate because of oil companies we had to service and all of that. We went in and bought a new licence. We start building Business Banking, Private Banking. So it's various factors but there's gonna be political stability for the market for us to go there. Not that we have got it all right. If you look at Nigeria, I was in Nigeria in 2006 when we bought IBTC. And the idea was Nigeria was gonna be 4 times SA in terms of revenue. But because of the dynamics in Nigeria as a country, in the oil industry because it's heavily dependent on the oil industry, it did not work that way.

Because of the difficulty in extending - so in SA it's easy to build a branch. Real estate is easy to secure. So you secure real estate, you have the raw materials and do what you need to do. And there your branch is - 6 months, 2 months, you are finished.

In Nigeria, it was so difficult. I think over the past, maybe even 10 years, we opened probably 8 branches or something. It's not easy to deploy. We also get stuff from South Africa – the branding and all of those things and we send it to Nigeria. Customs - getting things cleared, it's just so many things that you have to overcome.

So our planning was based on SA, but the realities in other markets are always just what pulls us back.

And how does language play a part in choice of markets?

I don't think it does because we are in French markets, we are in Portuguese markets, Swahili markets, English markets. It really doesn't. Mainly because we always try to have local senior management and staff. So we don't really export a lot of South Africans into those markets. Only key positions when we are starting. But it really doesn't.

So a person like you, did you have to learn French?

I tried and I failed

So what do you do when you go let's say to Cote D'Ivoire?

Our colleagues do switch between French and English. So it works that way. It's tricky in those countries like Mozambique and Angola. But they also do switch between Portuguese and English. We are able to make sense of the conversation. There would be frustrations in some because they switch because they can't express themselves well. You gonna just have to know.

B5Q5

And do you normally do acquisitions (like you said you were in the acquisition team) or do you also do greenfields?

We do both but we have done more acquisitions than greenfields. But in Angola we tried the acquisition route and things didn't work out so we ended up getting a licence. Yes the greenfield. Same thing as Cote D'Ivoire. As a new project that we have.

So it's a combination. And it all has its pros & cons.

- So I mean if you look at through acquisition, there is already a footprint, there is already a clientele as a base. There is skills set in the organisation. That you can just rationalise and redirect. But you already have – you are set up to operate. Challenges around that are obvious that the strategy that is coming from JHB and what has been happening – getting it to align – politics, change management, the rebranding, all of those things, are not always an easy process.
- And then greenfields again – building from scratch, setting up, building a business, getting things to work,

But it's a clean slate at least. There are no skeletons in the cupboard

It's a clean slate, from that company's perspective. But we carry a lot of baggage from SA into that country because of the blueprints and the approach or model we already have. But that might not be worthy for those markets. So clean slate – Yes. But we have a lot of legacy as an organisation that we try to carry into other markets. Like if I am looking at DRC was portable, how much you need to spend before you even acquire 1 client. They are gonna carry 90 systems before we get 1 client. And the cost, because of the legacy, Global Markets has 10 systems, Retail has got their 30, TFSA has 10. Before you know it is 50 that have to go. So Yes and No.

B5Q6

Do you at times use interpreters or maybe when you come back maybe now you have this document that you need to get the gist of it

Yes we do, a lot of that. So we do translations. Even when you do the system developments, you do processes and forms for clients. There is a lot of interpretations. So there is a team that does that because we have got to do things in the local language.

You have to be professional?

Yes. It has to be professional.

B5Q7

Am I right then to say if I look at a person like you who bridges the gap between in-country and South Africa, and these perceptions I see in Nigeria that South Africans are arrogant, am I right then to say the people that operate in this space, the Thulas of this world are a special breed? What I mean by special breed is your people selection of people that operate in that space is very different, there are certain lenses you use to appoint such people.

I guess, for me, I allocate my teams, I don't really – I have got South Africans and my Regional Head is Ugandan who is working in Nigeria. So we always need to try and appoint people who understand Africa as a continent. People are not cultural in a way. We are gonna go into a Ghana and get to understand that we are in West Africa and then need to then need to understand how people behave, people who have been exposed to things. Because if you just send somebody from SA, who does not have an understanding. There they would fail. They would never succeed. We were talking about one of my colleagues. They are sending her to one of the countries, a Portuguese speaking country. She is very hard. She tells you how to do it. So we are just saying let's see how she survives. There are these beautiful girls there – so the culture is

beautiful girls, they always have a blesser, sometimes in the office. Sometimes you tell them things and are just defensive. Sometimes they speak in their language kind of like move on. Unlike us in SA. With apartheid and other things, we are very submissive and we do things in a particular way. Those ones will tell you and you won't even hear what they are saying. How many are you going to fire? So you keep on firing and in the end you realise that this just how it is. So we were laughing and say let's see this movie. I have seen many of them before. Let her go and draw the line.

So she will end up doing all the work herself (ha ha ha!)?

Yes! So you know what? You have got to get people who understand, who are well travelled, who have been exposed. Who also have a little bit of Ubuntu. Even in Nigeria, as arrogant as they are. But what talks to us is that human that thing – just being human. What made me succeed in Nigeria wasn't my knowledge, wasn't support I have from top level, it was being able to build relationships and authentic relationships as well. So you need people who are able to build relationships not based on because I have authority and position but because you are a human being and I am a human being. And that is where the success is. Just though relationships and being connected to people. You succeed.

B5Q8

How do you have support teams that go and train the local management or key staff?

Each line of business, each business function would have a team that go and train the in-country teams on the processes, just how they do work on little things how we do things. IT has got a team and there is a lot of centre support, alignment and dotted lines that are in place, to a point like things like incentives, rewards, also Centre has got a say in that. So countries know that they have to do the things that the centre is guiding them on. In the end, it will lead to their product selling. It's kind of a carrot and stick kind of thing. So there are systems in place that help us. But more support and more buy-in rather than being forceful. I work with a lot of teams in country guiding them. They might not wanna do it left, they wanna do it right but they get to a point where they see that there is value in doing it right. And where they are not seeing value, I allow them to go left. And if they succeed is my learning, if I succeed is their learning. Because I guess, we have got to allow people to learn. It's their markets and understand better. Then if it doesn't really doesn't break the bank, we allow them.

Also, we are looking at a different model now. We were very centre focussed, pushing things to them. Countries are now pushing back.

Now we are saying how do we give countries autonomy on things that can make work? We find the broad strategy but how they execute, it is their prerogative. The nuances are big to a point where for instance in the IT space, the partnerships with different companies & vendors, it's now up to them in how they do that. We support them in terms of contracting, as far as ensuring that one doesn't get ripped off by these companies that there is enterprise agreements in place, but we are giving them autonomy. This is not a non-negotiable. Therefore go ahead and do it the way you see fit and do it the way the market is receptive to. Because we have got a lot of fees – franchise fees, management fee. All of that that countries are charged. They refuse to pay it. So Nigeria hasn't paid the amount. So even if our colleagues say pay it, it's going to the central bank and Central bank won't release the payment. So therefore they owe us a lot of money. And then SA business ends up having to pick up their tab so we kind of say we are not going to do anything on their behalf. Even travel now they do it themselves, if I am not mistaken. So they will pay for themselves. We will just support them very lightly.

B5Q9

So now that you have done your due diligence like you have rightly said that now you are going to understand a lot about your clients, since you do mostly the acquisition, how do you ensure that management kind of align with probably the Company B way of doing things in that particular country? Now you have bought an acquisition, they have got their own cultures.

So if we take the case of say Nigeria, we have put our CEO there. So to try and change it from the top, and getting to influence how things are done. We had our own operations initially as well. I think the CFO was also South African. So we try to identify the key positions that are going to help us be able to transform and to change the culture. But it is not always an easy thing to do because there is legacy, there is cultures already developed. It takes time before getting better. There is also a lot of resistance. And just some of are

kind of saying what is a South African going to tell me? I am Nigerian in order to get a handle of I know all. So therefore there are a lot of forces that are at play that you need to try and overcome. And then there is regulation as well, so regulators will be saying you can't bring expats from SA to here. We have right skills. We have people with the right skills so getting visas, work visas approved in those countries then becomes a challenge. But we have got to work within that. And it takes time to instil confidence to the people that are already set. But when they see things changing for the better, then they begin to buy into that. In some instances, it takes them to fail dismally for them to realise that they need to change. I mean look at Nigeria, they had to fail, really fail like - you know what. Then say now we need help

So now there is some progress on how we integrate, how we interact. Now we are together, now we are collaborating. But before it was a lot of problems, a lot of problems.

But now how do you, coz I am still thinking, still going back to the way of doing things, there are certain principles in some cases that Company B feels that this is not negotiable and the in country management might feel that you know what this is how we do things. How do you manage to bridge that gap?

So, in terms of people management, obviously when you buy into a bank and we appoint our CE, we have got to put a person that is also confident. And then you assess and those that you have to let go, let go. Because you wanna work with people that want to work with you. You can't let everyone go. So you have to choose your battles. So we try to get that alignment and say at least 40/60 deal. There are 60 guys are willing to work with us and these 40 is very ... But people management skills also is what matter. People values e live. It's not about are we delivering but are you living the values of the bank and that contributes towards performance outcomes. So all of those things and all those processes in place are the ones that help us transform.

B5Q10

No, I can relate with that. So what has contributed to Company B's success so far, because your footprint is just growing?

So if you look at – I mean you will see our results? Our African business is – some markets we are doing well and some markets we are still struggling.

Some areas because of the economy. I think in some of the areas maybe because of the strategy we had. When we went into Africa, we were a Retail Bank and a Corporate Bank, an Investment bank. We wanted to bank everyone - niche markets. But the local banks, already have the credibility of banking the mass, then it became very hard for us to continue. If you take a markets like Kenya, one would have innovations, but because we were not really connected to the market the way the local banks are. So now that we are trying to turn things around, in many markets, we are now saying - let's do what we do best. Have segmentation and serve the top end of the market without having to neglect the mass that we already have in our books. But we will not grow them. So like the blue will not go there. But if you can't open doors and open an account, we will do it for you. We are not going to market anything. If you close your account, we allow you to leave. Mainly because we are just not making money in those segments. So I think we are just still learning. Success – I wouldn't say we have succeeded and we have a model that works for us. We are recalibrating as we are going along. The local markets – the markets closer to SA, Lesotho we are doing well because we understand and are close to the market. Swaziland I mean, being close to SA it's easier. But the minute you go further out, away from Southern Africa, it's a different ball game altogether – they are not doing as well.

B5Q11

So in those markets, where you are saying you are not doing well, what are the main reasons?

So as I am saying, we are not close to the markets. And we are trying to bank

Things like maybe the cultural distance?

It is. And I would take it that we are not listening. And we didn't gain the understanding. And probably we do not have the right kind of skill to deal in that market. We had innovations where we have and stuff that we were driving in markets. But most of those things didn't take off mainly because they are conceived in SA and developed in SA. So there is a lot of things that we are now trying to change. We say let's just get the in

country innovate it and we will help develop those solutions. But we know what we know. We know what we do right. The top end of the market we have solutions that work.

B5Q12

And Thula, this is really my last official question. With your experience that you have gathered all the years, I think you started in 2006 or thereabout but is quite a long time. If another CEO also wants to expand, maybe they say South Africa is now saturated and I want to expand my business to the rest of Africa, what kind of lessons would you give this other CEO around your learnings and going to the Rest of Africa?

I think it's a number of things:

- You have to understand, not just the market, but you have got to understand the culture. If I say culture, I mean how politics work. MTN is a case in point. We had a case also as well in point in Nigeria, with the regulators. We could not release our financials because they were accusing us of things. So you got to understand the political culture. You got to understand your customers. You got to understand your staff. You have got to take time. Just start with the culture. Because if you miss that you are gonna go with the most brilliant ideas and you fail and never understand why you failed. And sometimes Africa won't be open to you. You know that passive resistance, things won't just happen.
- When you are going to the rest of Africa, you actually should not go in with the understanding of the market economy from South Africa. Just know that what works here might not work there. Each market is different. You can't have a plan for Africa and say this is my plan for Africa. Because Kenya is a different country, Nigeria completely different. And you can never have strategies that work in Kenya and work in Nigeria. It might happen but it's not a given. So you have got to be willing to look at each market as a market and apply plans and strategies that work for that particular market. And you shouldn't take things for granted. We have brands that are known in South Africa and probably SADC, the rest of Africa doesn't really know us that well. There is a lot of brand awareness and marketing that needs to go into it to create awareness. If Zenith Bank shows up, people will relate to it more than us. If Barclays bank shows up or Ecobank shows up, Access Bank in Nigeria – they are known. So we are a non-entity. So sometimes we go into these countries as SA companies, Woolworths as a case in point as well. They went into Nigeria and opened supermarkets, people looked at Woolworths and said we are not going to eat food from there because the Woolworths they know is the Woolworths in London. They are very close to London. Therefore - so all of those things, you need to understand people in those markets. Otherwise you will fail.
- And also, just getting a local - dealing with locals, and truly and authentically dealing with them, giving them autonomy to do and trusting your people. Regulators are now refusing to pay money out. There is shortage of foreign currency. So if you are thinking Ya we are going to get a big team, in South Africa, in London or in Sandton to go and do, and I will charge franchise fees, you would have a rude awakening.

Because you won't get a cent?

No you won't get a cent. You can fire a CE but the regulator still won't pay. So its really going there and say Africa is not 1 market. Its different markets, its different cultures, different behaviours, how the customers behave. Get the understanding, acquire knowledge – acquire knowledge before you define your strategy, before you understand your blueprint. Know what is negotiable. Know what's not negotiable. And then be realistic and things take a little bit longer in the Rest of Africa because of infrastructure, the processes, the governance and many other things that apply.

B6 | Company B | 31 January 2016

B6Q2

How do you decide on the countries, like you said from a commercial basis? How do you decide on which countries to go there first?

On that on a business case basis. We do macro research first and filter that and after that, look at kind of specifics in the country and target sets available but only after we have done our prioritisation.

B6Q3

OK. And what sources of information do you use for your business case?

Obviously we get some information from Company B. Then we get public available information. We subscribe to BMI. We subscribe to who owns who. In some cases, we commission guys to do specific research for us in a big market. So it varies.

B6Q4

My first question is really to say, if I look at Company B, if one looks from a historic perspective, their relationship with Standard & Chartered and especially now after Company B decided to also go into Africa, I think they have expanded quite a lot. So, what I wanted to know from a Company B Subsidiary 1 perspective is, how do you align your strategy with that of Company B given that Company B has got this broad footprint?

So on the Company B Subsidiary 1 Holdings, we have got - we broadly follow the Company B footprint. And obviously we look at the commercial cases country by country to see in which country we enter, and which countries we don't enter. But from setting up a licence, we follow the Company B footprint.

B6Q5

OK. I know that Company B commented that in some cases they do greenfields but I think a lot of times, they go and do some acquisitions. Do you follow the same structure on the life side?

Our preference is to acquire but in cases where there is not appropriate target we have sort of principal businesses.

And if you look at where you have done greenfields vs partnerships, is there a model which you think it's better for you or does it depend on the market?

It depends very much on the market. To acquire an insurance business especially on the long-time side, long-term insurance, it means that you are buying into their liabilities for which could be up to 20 years. So it all depends on the acquisition or if we want to kind of start on a clean slate. So Ya. So it's a country by country – a target by target case that we follow.

And where you acquire, are there cases you have acquired minority shareholding or you have a position where you acquire majority or minority?

We always acquire majority.

The majority shareholding? And in that case then, I am assuming that it makes it easier when you need to implement maybe certain initiatives or certain way of doing things when you are the majority shareholder as compared to if you are the minority?

Ya. Obviously we would have local partners, we still look at and consider their position as well. We don't just bully every one so that we get what we want. But it is obviously easier where you have majority. Oh, we only have majority stake.

B6Q8

Are there situations where you strongly feel about a certain way of doing things and the in country management feel say you know what, I think in this place your idea is not going to work.

So things like that could happen but we follow strict corporate governance processes. So in cases like that we notify the board will deal with it at a board level.

The other question that I find quite fascinating is where we have cultural distance regarding death for example where we talk about life cover. I am spending a lot of time in Nigeria where I am trying to help Ecobank set up their financial planning business. And I find that when we talk about Life cover, Funeral Cover they tend not to want to engage in that space. How do you manage to penetrate and show that there is appetite for such solutions?

So I think it differs from culture to culture. Often it is the positioning of things. So she talks about, funeral cover as an example in Nigeria, and in Middle East countries and East Africa. So you don't talk about

someone's funeral. But you can talk to everyone - yes there is a need. You can take out cover that will assist when someone passes away, they need to pay for the funeral. So, it's about understanding those cultural sensitivities and addressing the need that the people had whilst taking their culture into consideration.

B6Q9

At a board level?

And so in countries, do you send your own management or do you use local people?

It's a mix. It all depends on country by country.

Country by country?

Ya

Are there situations where you have acquired a business and you realise that maybe the management is not pulling their weight and you had to fire and get your own senior management or your own CE.

We haven't had to do that in any of the countries.

OK. And from a training perspective, I am assuming that the local management normally have their own way of doing things. Are there times when you want to ensure that there is consistency in how things are done? How do you train senior management?

So, I mean in most cases we have standards and policies that we implement. So the first thing to do is implement our policies and then we train management and staff on the processes that go with those policies. It's often done in a mixture of ways. Sometimes guys come to Jo'burg. Sometimes we send guys up into country to go and do training with staff.

How do you ensure that policies are consistent in the countries you operate? It's like training good enough? Are there initiatives that you do to ensure that there is that consistency or you customise it to the in country culture?

No. So our new policies we have to customise to some degree to ensure that we comply with local regulations and acts and requirements. But once it's approved by the board, and that's what internal audit would obviously audit again. So there are processes to check that the guys comply with policies.

B6Q10

And what do you think has contributed to your success?

So I think our partnership with Company B obviously does help us.

I think the first step is that we do our homework upfront – whether it's acquisition or greenfields. Commercially it stakes up rather than just following a strategy blindly. And then implementation plays a big part. We have got a team that drive integration of businesses from start to finish. And I think that helped in ensuring that successful integration and managing of those businesses.

B6Q11

And are there markets that you believe you haven't done well according to your business plan?

No, I think up to now we have done well according to business plan.

B6Q12

And Manie, the last question from my side is - Given your experience now and you have been there for quite a while, you seem to be doing well. It lets say there was another CEO of a South African company that feels South Africa is now saturated, I also want to expand beyond the borders but onto the continent. What are those tips you would give to this CEO to succeed on the continent??

Ya. I mean I think,

- Rather spend more time doing your homework and deciding on which countries to go to than just rushing in

- I think having a local partner definitely does help in understanding the local nuances and having local network
- And then I think an important thing, the mistake people make is, you have to go spend time in that country. You can't just look at reports and base everything on that. You actually have to go and be in the country and spend some time there to understand what those high level numbers really mean. If you look at 2 years back, Nigeria's GDP numbers were fantastic but if you go dig a bit deeper, you see that a lot of that is driven by just one industry which is based on one resource. So you need to spend time on the ground not base everything on the consultancy report.

Manie, I just want to say thank you again for availing yourself, especially because I could not make it last time. So what I will do, I will consolidate our discussion and send it back to you just to make sure that my understanding reflects our discussion.

Ok, Excellent

B7 | Company B | 6 Feb 2016

B7Q1

Yah. So I wanted to know like where you fit in the organisation. That's where I want to start.

So I look after card acquiring. And my role is on the continent, so all the countries outside of South Africa.

B7Q2

OK. And, how does your business decide on the countries to enter first?

So, primarily it would start at the top of the bank. I am on the Retail Bank, not in a commercial bank. And if you look at mostly - most of the countries we've gone into, we first have Commercial Bank presence before we decide to go in from a Retail Banking perspective. That's one of the criteria.

The second criteria that we primarily stuck to, is to Anglophone countries, countries that have English as one of their national languages to help with the language barriers

B7Q3

Ok. And what sources of information do you use for you to be able to effectively plan?

So if I look at myself, we obviously look at the market. We will look at how are other banks doing acquiring. So again, I am part of a bigger bank. The Corporate and Commercial Bank component and a Retail Bank component, my product is a value added service to all that, all the other products. So they don't really work well without mine. So that that's one of the criteria you know, you can't go into a country when you are a Commercial Bank, you have got no Retail banking presence to support card acquiring. So we are all very integrated. But I will tell you is that we don't do acquiring in all the markets that we have a presence in. Because we also do a financial analysis to see how profitable will it be? What's the risks associated with this? When we look at it, we also look at the different schemes these are Master Cards and experiences. What will the acceptance be like? And how much of that market and most of our markets are like cash. And what is the government doing to encourage migration from cash to card? So all that get considered as well.

B7Q4

So do you think your presence in the Rest of Africa for quite a while, gives you the edge to understand Africa a bit better?

I think that each country is different. So it would be arrogant to think that because you have been in Africa in existence for 15 years, when you go to market is not the same. Localisation is very important. And you should look at our financials as well, Some markets we have not really cracked. Why? You look at it, there is a very big different in culture. There are different language barriers. There is a difference in regulation. Some markets are far regulated than others. So when you have that situation, the same thing as when you want ownership. When you have ownership, and you are deploying it in minorities, even though the minorities have a lot more power than you think, there is a lot more decision making to be made.

B7Q6

So when you have decided on a country for example. I know that Company B has been talking Ethiopia now. Now that you have decided on Ethiopia, how do you then galvanise as an organisation to land Company B in Ethiopia?

I am not familiar with the Ethiopia deal, which means, I have not gone into it yet. Let's talk about Cote d'Ivoire. When we look at Cote d'Ivoire, we look at it holistically. So what are the opportunities firstly from a Commercial Bank perspective? Then opportunities from a Retail Bank? How do we complement each other? How can you service those Commercial Bank customers if you do not have feet on the ground? You can't just run a bank, with what I call customer bankers. You need branches to service them. Then you have to look at in a ... space and if you look at the GDP growth of that market. If that market is growing at a rapid and becoming more electronic, all of those factors influence on why you would go there or you wouldn't go there. If you have to consider the political dynamics, or religious dynamics. All of that just say how easy will you be able to do business there. The ...index also says how easy it is to do business in that country. Because remember, in some of the markets, the government is so strong that it will decide on who you can put on a board, who you can include, whether you can bring expats in. Remember when a corporate thinks about having a brand taking the same brand into another market, you need to be able to leverage off your brand. You gonna to be able to bring some of your own culture into that country. So if you will not be able to bring expats into the country, they don't at all

B7Q9

So if a government says expats are not allowed, how do you get around there but still ensuring that the Company B culture is part of that new organisation?

If I look at most of the markets and this is over an iteration of many years. We first brought the expats in and then they realised, no it's not right thing. Localisation is very important. So you make sure you get a local person who runs the organisation but they need to understand the vision and values of the mother bank, you know the host country, the big brand you are operating under in there. Because you have to. One of the reasons why you would marry or merge 2 companies, it's because you can bring something to the party. You can improve on something. So by making sure that your culture, your values, your brand instilled in there. And that from a Head Office perspective, a lot of new regulatory stuff gets, not forced down on the local country, but gets brought into the country. I think what we have learned is that localisation is very important. You can't ignore the local people. You have to take a bit of the central view, you know the Company B group stuff and then you have to...

B7Q12

If you were to advise another CEO who wants to enter some of the markets your organisation has a presence for the first time, what would you say?

...choose the organisation that you want to consider merging with. Make sure that there should be a fit and alignment in the goals and objectives. Then you will be 100%. But if you are not aligned is not going to work out. So that's also very important and also to be able to leverage. Remember when you are a big brand, you want to be able to leverage on systems, existing processes, and product. You also can't just take product from South Africa, and plug it in another country. It doesn't work that way because of the differences.

Without taking local content, in fact most guys know, taking local content text into account. With this not put together, the team, is very dysfunctional. 6 months later, they find out that based on tribalism, so ethnicity.

Wow!

Vey very used to be talking about racism and ethnicity. Ethnicity is very important in these markets. Why? Because there is an order of rank. You will know, you see potential in someone. If they are born into the space in how office rank order come on its head. Feels very upset but that's how it works. You have to consider all of that.

Wow! Wow! Carolina, I just wanna say thank you a lot really for your time. Maybe on another note, I just want to check, you said this is similar to your research.

Yah my research

Appendix 9: Cover letter for respondents who participated in the survey to participate in interview

----- Original message -----
From: "Mucheka, R. (Rufaro)" <RufaroM@Nedbank.co.za>
Date: 09/07/2016 3:00 p.m. (GMT+02:00)
To: [XXXXXXXXXXXXXX](#)
Subject: RE: PhD Research | Doing Business in Africa - request for interview

Good afternoon XXXXXXX

Thank you again for your participation in my research survey. I would like to follow up the survey with a structured interview with selected individuals. I would appreciate if you can afford me some time in your diary in this regard. We can have a face-to-face, telecon or Skype at your convenience.

Please advise on what works for you and the proposed date & time so that we can schedule in our diaries accordingly.

THANK YOU again in advance.

Regards
Rufaro
(0825624192)

Appendix 10: Cover letter to participate in the interview

From: Mucheka, R. (Rufaro) [<mailto:RufaroM@Nedbank.co.za>]
Sent: 21 July 2016 09:11 AM
To: [XXXXXXXXXXXXXX](#)
Subject: Your participation in my PhD Research

Good morning [XXXXXXXXXXXXXX](#)

I am a PhD candidate at the UCT Graduate School of Business. My research is based on companies originally based in South Africa that have expanded their operations into the Rest of Africa. Your professional profile and experience fit the people I would like to hear from. I would appreciate if you can afford me some time in your diary for me to ask you a few questions (max 1 hr). We can have a face-to-face, telecon or Skype call at your convenience.

I am currently in Lagos, back in Johannesburg on the 29th. I am based in Johannesburg but will be in Cape Town 18 & 19 August. Please advise on what works for you and the proposed time so that we can schedule in our diaries accordingly. Thank you in advance.

Regards

 **Rufaro Mucheka**
Head: Strategy | Nedbank Financial Planning | Nedbank Wealth
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Website: www.nedbank.co.za

Appendix 11: Sample of themes that emerged through the coding process

	B	C	D	E	F	G	H	I	J	K	L
	Se	Wh	Ref	Page	Line	Comment scope	Comment text	Code	Broad Code	Classification	Questions
2	B	DMA	Strategy	8	20	And corruption does happen and those are the challenges. As an organisation you have to decide. Standard Bank no matter what, we will do business in that environment without being corrupt or paying bribes of any nature.	Robust risk management & governances	Robust risk management & governances	Robust risk management & governances	Governances	Implementation
3	B	DMA	Strategy	8	25	Because if they are engaging with us and engage with our clients there, at least there is an element of trust that immediately comes into the discussion.	Clients trust their bank	Clients trust their bank	Stakeholder buy in and commitment	Psychic distance	Implementation
4	B	DMA	Strategy	8	36	A typical Nigerian would not accept that a European or a South African can do something better than they would do it. So that's where that comes from. It's not so much the mistrust but why	Locals do not trust intentions of developed nations	Locals do not trust intentions of developed nations	Locals do not trust intentions of developed nations	Psychic distance	Implementation
5	B	DMA	Strategy	8	40	And attitude is everything we have discussed in terms of respecting people in their country, respect the culture, respect the regulation, take time to understand how things work in that country and when you hit the ground, you will be able to render	Humility is key to success	Be humble	Be humble	Leadership	Implementation
6	C	BA	Support	1	11	The Group's objective is that we have the Bank, which provides asset management solutions. The 3 need to work together to provide universal banking to our clients	Opportunity for other businesses in the group	Collaboration with other Group businesses	Integrated client solutions	Solutions	Implementation
7	C	BA	Support	1	13	Our objective as Stanlib is to be the asset manager of choice for both the Group and investors looking to invest across the continent. For the bank to enter a country, it requires an unbanked market /	Follow clients	Follow clients	Follow clients	Motivation and opportunity	Planning

Appendix 12: Comprehensive responses for intra company analysis

Company A			Company B		
	Responses	Participants		Responses	Participants
2-choice of market	21	8	2-choice of market	27	8
<i>English speaking first</i>	14	5	<i>Growth markets</i>	16	6
<i>French speaking partner</i>	7	3	<i>English speaking first</i>	3	3
			<i>Choice of markets not influenced by language</i>	3	3
			<i>Language facilitates basic conversation</i>	2	2
			<i>Key French speaking market</i>	2	1
			<i>French markets bilingual</i>	1	1
3-sources of information	56	8	3-sources of information	43	8
<i>Invest time in understanding local dynamics</i>	22	6	<i>Invest time in understanding local dynamics</i>	10	4
<i>Learn by doing small deals</i>	15	5	<i>Due diligence</i>	5	4
<i>Local industry players</i>	13	4	<i>Economic indicators</i>	6	3
<i>Desktop research</i>	3	2	<i>Internal research department</i>	6	3
<i>Best available information</i>	2	1	<i>Invest in doing homework</i>	3	3
<i>Focus groups</i>	1	1	<i>Publicly available information</i>	5	2
			<i>Audit firms as a source</i>	2	2
			<i>Subscription to research report</i>	2	1
			<i>Commission specific research</i>	2	2
			<i>index as source</i>	1	1
			<i>Credible information</i>	1	1
4-process during planning	143	8	4-process during planning	114	8
<i>Market analysis</i>	30	7	<i>Strategy is to dominate the African continent</i>	34	7
<i>Take a long term view</i>	10	7	<i>Business case</i>	22	7
<i>Business opportunity</i>	13	5	<i>Feasibility study</i>	21	7
<i>Opportunity for value creation</i>	9	5	<i>Follow clients</i>	12	5
<i>Feasibility study</i>	18	4	<i>Leadership international experience & awareness</i>	9	4
<i>Strategy framework</i>	13	4	<i>Take a long term view</i>	5	4
<i>Formula was by chance</i>	13	4	<i>Strategy framework</i>	5	4
<i>Set targets and track</i>	8	4	<i>Board signs off</i>	4	2
<i>Board sign off</i>	6	4	<i>Business sequence, follow customers (multinationals)</i>	2	2
<i>Employee international experience and awareness</i>	5	4			
<i>Operational due diligence</i>	4	2			
<i>Value to destination market</i>	3	2			
<i>Competitors do not share learnings</i>	3	2			
<i>SA companies heading north</i>	3	2			
<i>Follow clients</i>	4	1			
<i>Generation of revenue</i>	1	1			
5-business model	115	8	5-business model	18	8
<i>Partnership to complement each other</i>	16	8	<i>Acquisitions or greenfields</i>	7	5
<i>Local partner understands the local market</i>	29	7	<i>Acquisitions reduce lead time to market</i>	5	4
<i>Internationalisation core competencies</i>	12	5	<i>Majority stake preferred</i>	6	3
<i>If majority, more power to make decisions</i>	10	5			
<i>Partnerships profitable sooner</i>	7	5			
<i>Bancassurance model a prerequisite</i>	12	4			
<i>Rest of Africa is the priority</i>	5	4			
<i>If minority, influence other stakeholders</i>	5	4			
<i>Partnership with local partner</i>	4	3			
<i>Greenfields with local partner</i>	3	3			
<i>Partner has local network</i>	7	2			
<i>Right of first refusal</i>	2	1			
<i>Industry leader</i>	1	1			
<i>Acquisitions differ in size</i>	1	1			
<i>Greenfields with no local partner</i>	1	1			
6-what you do to implement	39	8	6-what you do to implement	39	8
<i>Parent company provides expertise</i>	23	8	<i>Integrated approach to implementation</i>	34	7
<i>Integrated approach to implementation</i>	10	4	<i>Parent company provides expertise</i>	3	2
<i>Incentives drive behaviour</i>	5	3	<i>Parent company staff learning local language</i>	2	2
<i>Effort to speak partner's language bears fruit</i>	1	1			

Company A	Responses	Participants
7-realities in destination country	110	8
<i>South Africa developed market</i>	10	6
<i>Each market has own local settings</i>	8	6
<i>Insurance is a luxury</i>	16	5
<i>Entry levels clients in neighbouring countries are</i>	11	4
<i>Regulatory environment</i>	7	4
<i>Rest of Africa mostly entry level</i>	7	4
<i>Low insurance penetration</i>	4	4
<i>Cultural beliefs influence on products</i>	13	3
<i>Dynamic process</i>	5	3
<i>South Africa has expertise and experience</i>	4	2
<i>Lack of infrastructure</i>	4	2
<i>Fierce local competitors</i>	2	2
<i>Business culture</i>	2	2
<i>Locals prefer local brands</i>	2	2
<i>Lack of know how</i>	8	1
<i>Macroeconomic challenges</i>	4	1
<i>Fragmented regional strategy</i>	3	1

Company B	Responses	Participants
7-realities in destination country	100	8
<i>Each market has own local settings</i>	26	8
<i>Rest of Africa mostly entry level</i>	26	8
<i>Significance of Nigeria</i>	13	5
<i>Cultural differences</i>	9	5
<i>Regulatory environment</i>	7	4
<i>Lack of infrastructure increase cost of doing business</i>	4	4
<i>Fierce local competitors</i>	4	3
<i>Takes longer to implement</i>	4	3
<i>Locals do not trust intentions of developed nations</i>	3	3
<i>South Africa is a mature market</i>	3	1
<i>Pockets of highly talented people</i>	1	1

8-customise to in-country	138	8
<i>Parent company provides expertise</i>	23	8
<i>Local management make decisions on brand to b</i>	10	7
<i>Stakeholder buy in and commitment</i>	15	5
<i>Takes longer to implement</i>	12	5
<i>Local management in charge of running business</i>	12	5
<i>Localisation important for market acceptance</i>	10	5
<i>Customise solutions to suit local taste</i>	10	5
<i>Simple solutions</i>	8	5
<i>Business success depends on quality of CEO</i>	10	4
<i>Let locals customise the idea</i>	6	3
<i>Create market for your solutions</i>	4	3
<i>Wealthy clients</i>	8	2
<i>Product sequence</i>	6	2
<i>Non English country need more support</i>	4	1

8-customise to in-country	102	8
<i>Integrated client solutions</i>	28	7
<i>Localisation important for market acceptance</i>	12	6
<i>Local management in charge of running business</i>	19	5
<i>Client Analytics</i>	12	5
<i>Local talent</i>	16	4
<i>Stakeholder buy in and commitment</i>	5	4
<i>Target market</i>	10	3

9-align company values	73	8
<i>Align behaviours with brand</i>	17	6
<i>Brand consistency is managed by parent compan</i>	13	6
<i>Robust governances</i>	12	6
<i>Local partner with similar values</i>	15	5
<i>Strong brand used</i>	8	3
<i>Invite partner to experience own company culture</i>	3	2
<i>Expatriates</i>	2	2
<i>Facilitated training</i>	3	1

9-align company values	53	8
<i>Align behaviours with brand</i>	13	6
<i>Expatriates</i>	11	6
<i>Robust risk management & governances</i>	21	5
<i>Familiarity with brand</i>	8	4

10&12-looking back	46	8
<i>Be humble</i>	7	4
<i>Diligent implementation</i>	6	4
<i>Greenfields take time to be profitable</i>	6	4
<i>Greenfields have no skeletons</i>	4	3
<i>Track record with mixed results</i>	4	3
<i>Non expert view</i>	3	3
<i>Acquisitions have skeletons</i>	4	2
<i>South Africa not perfect</i>	7	1
<i>Insurance is about trust</i>	3	1
<i>Succeeded</i>	2	1

10&12-looking back	33	8
<i>Local culture</i>	14	7
<i>Be humble</i>	11	3
<i>Greenfield long lead time to market</i>	3	2
<i>Acquisitions have skeletons</i>	2	2
<i>Greenfields do not have skeletons</i>	2	1
<i>Business is about trust</i>	1	1

11-failed	10	8
<i>Failed in some markets</i>	10	5

11-failed	10	8
<i>Battling in some markets</i>	10	5

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<i>Lack of infrastructure</i>	4	2
<i>Fierce local competitors</i>	2	2
<i>Business culture</i>	2	2
<i>Locals prefer local brands</i>	2	2
<i>Lack of know how</i>	8	1
<i>Macroeconomic challenges</i>	4	1
<i>Fragmented regional strategy</i>	3	1

7-realities in destination country	100	8
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<i>Fierce local competitors</i>	4	3
<i>Takes longer to implement</i>	4	3
<i>Locals do not trust intentions of developed nations</i>	3	3
<i>South Africa is a mature market</i>	3	1
<i>Pockets of highly talented people</i>	1	1

8-customise to in-country	115	8
<i>Local management make decisions on brand to b</i>	10	7
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<i>Invite partner to experience own company culture</i>	3	2
<i>Expatriates</i>	2	2
<i>Facilitated training</i>	3	1

9-align company values	53	8
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<i>Expatriates</i>	11	6
<i>Robust risk management & governances</i>	21	5
<i>Familiarity with brand</i>	8	4

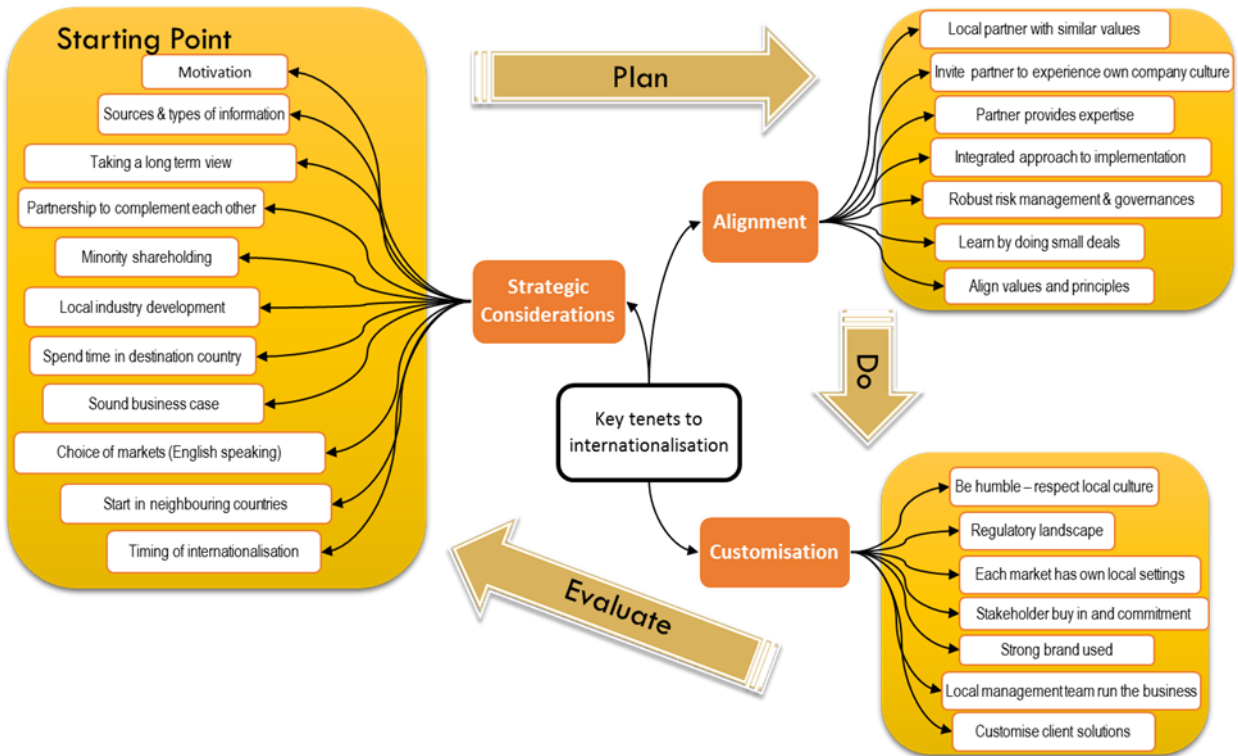
10&12-looking back	46	8
<i>Be humble</i>	7	4
<i>Diligent implementation</i>	6	4
<i>Greenfields take time to be profitable</i>	6	4
<i>Greenfields have no skeletons</i>	4	3
<i>Track record with mixed results</i>	4	3
<i>Non expert view</i>	3	3
<i>Acquisitions have skeletons</i>	4	2
<i>South Africa not perfect</i>	7	1
<i>Insurance is about trust</i>	3	1
<i>Succeeded</i>	2	1

10&12-looking back	33	8
<i>Local culture</i>	14	7
<i>Be humble</i>	11	3
<i>Greenfield long lead time to market</i>	3	2
<i>Acquisitions have skeletons</i>	2	2
<i>Greenfields do not have skeletons</i>	2	1
<i>Business is about trust</i>	1	1

11-failed	10	8
<i>Failed in some markets</i>	10	5

11-failed	10	8
<i>Battling in some markets</i>	10	5

Appendix 13: Summary of results for company A



Appendix 14: Summary of results for company B

