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From gateway country to the region: A review of South African, Developed country and Kenyan multinational enterprises expansion into East Africa

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DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted previously for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to perform this research.

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ABSTRACT

The evolving business landscape has witnessed an ever-increasing participation of multinational corporations from emerging markets (BRICS) and more recently multinationals from lesser-developed countries. Given their diverse backgrounds, the experiences and learnings these firms go through when they start playing in the same 'field', needs greater understanding (Hitt, Li, & Xu, 2015)

An inductive study was used to gain insights into the experiences of various MNEs that had regionalised into East Africa using Kenya as a gateway. A hypothetical process flow based on subsidiary evolution and current literature was developed to aid in the exploratory qualitative research through the use semi-structured in-depth interviews aimed at isolating the experiences and processes of the regionalisation process.

The findings resulted in an enhanced regionalisation model with overlapping relationships of five phases with a greater emphasis on growth and graduation of the firm through the various phases. In addition, the model also showed the progression or increase in knowledge and capabilities as a result of increased learning and experience and depicted a commensurate increase in managerial resource requirement and ability to manage and coordinate the overall firm.

The study contributed to existing literature by identifying experiences and processes that firms go through as they regionalise in addition to providing insights into what factors encouraged the development of Regional focused firm-specific advantages. By doing so, it expounded on the regionalisation aspect, which was influenced by a factor or a combination of factors identified in the research, which integrated both the region and country in one study.

The research emphasises the need for regional coordination mechanisms that align both the expansion and parent strategy by identifying elements crucial this occurrence and advocate for more comprehensive qualitative research on relationships,networks and outsidership.

KEY WORDS

Regionalisation

SMNEs – South African Multinationals (Emerging Market)

DMNEs – Developed Country Multinationals

IMNEs – Indigenous Multinationals

FSA – Firm Specific Advantages

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CHAPTER 1. INTRODUCTION TO RESEARCH PROBLEM

1.1 Description of the problem and background.

“The world has witnessed dramatic changes in the global business environment over the past 50 years many of which have been reflected in international business literature” (Tian & Slocum, 2015). This is despite significant theoretical and practical advances in international strategy research with new phenomena and practices calling for an additional in-depth examination of the increasingly complex and integrated global environment (Hitt, Li, & Xu, 2015). The evolving business landscape has also witnessed an ever-increasing participation of multinational corporations from emerging markets (BRICS) and more recently multinationals from lesser-developed countries of which some are African. The diverse backgrounds means that they would not be expected to have an equal footing in the marketplace. As such, what experiences and learnings will multinationals from developed economies, emerging market economies (BRICS) and lesser developed economies go through when they start playing in the same ‘field’ (Hitt et al., 2015)?

The resultant expansion of multinational corporations through FDI into emerging markets has received considerable scholarly attention with the focus on Brazil, Russia, India, China and South Africa (BRICS). This expansion has in addition to increasing markets, presented opportunities for profitable business activities (Gupta & Khilji, 2013). However, just as the BRICs are not homogenous and differ in regional heterogeneity, political systems and legal frameworks Schuster & Holtbrügge (2014) comparing the BRICS with other lesser developed markets in African countries overlooks the fact that they are not homogeneous and may need further study. Even within an Africa context, North African countries differ from the Sub-Saharan African countries.

“A multinational enterprise (MNE) is a business firm that sets strategy and manages operations for the development and utilisation of income-generating assets in more than one country in the pursuit of profits over time” (Teece, 2014). MNEs are increasingly finding themselves venturing into less developed markets to reach new customers and in particular, position themselves for a rapidly growing African population that will form a crucial customer base. Africa has the highest population growth rate in the world currently forecasted to more than double to 2.4 billion by 2050

(Maggie, 2015). With the saturation of other markets and increased competition, Africa still lags behind in consumption given the low income per capita, but MNEs expect this to change in the near future with a slow but rising middle class.

Amal, Awuah, Raboch, & Andersson (2013) argue that there are a greater proportion of investments from developed country MNEs (DMNEs) with these firms having a comparative advantage over the emerging markets MNEs (EMNEs) owing to their operational experience in more mature markets. In addition, the comparative advantage also manifests itself in form of a preference by consumers in lesser developed countries for brands that are perceived as being non-local or coming from developed markets (Batra, Ramaswamy, Alden, Steenkamp, & Ramachander, 2000). Hence, by extension, the ability of emerging markets MNEs to carry the same comparative advantage over lesser-developed MNEs would need further exploration.

Indigenous MNEs (home grown) to a region possess region specific advantages, which may influence key success factors in the region and become a source of competitive advantage. This almost levels the playing field for both the DMNE and EMNE. In addition, these MNEs have to overcome the “liability of foreignness” which exists as a result of cultural differences, distance and institutional relationships (Amal et al., 2013). To counter this, MNEs are best placed to adopt a regional-based approach while expanding into a region (Rugman & Oh, 2012). This results to region specific expansion strategies, which in addition to reducing the liability of foreignness, increases chances of success in the new market. With the expansion strategy in place, then how this is eventually linked to the firm’s structure and other organisational processes needs further examination (Arregle, Miller, Hitt, & Beamish, 2013).

Rugman, Oh, & Lim (2012) argued that in a new region, there was a limit to which MNEs could replicate their regional competitiveness. Hence, the expansion of MNEs into a region differs given that regions do carry unique characteristics and an MNE would need to consider the context. Firm-specific advantages (FSAs) differ across MNEs and how this are combined with country-specific advantages (CSAs) further reduces the similarities amongst firms. FSAs are firm specific and are in most cases passed on from the parent to a subsidiary. CSAs are country specific and would only be available to firms that have a physical presence in a specific country. Firms are thus expected to develop an optimal combination of FSAs and CSAs that yields the greatest competitive advantage (Arregle et al., 2013).

Rugman et al., (2012) argued that countries within a region share the same CSAs, which put MNEs within the region at a competitive advantage over MNEs from other regions. Outsider MNEs are thus likely to choose a region to venture into and then subsequently narrow this down to a specific host country from which they can launch their regionalisation efforts (Rugman et al., 2012). Being an outsider in this context refers to the state of not being part of a network that has access to resources developed from critical relationships (Vahlne & Johanson, 2013)

Whilst there has been ample literature on entry modes, the focus has mainly been country specific and in particular, lesser developed countries and recently emerging economies like the BRICS. An integration that encompasses both the region and country is required with recent studies showing that Intra-regional expansion is more achievable than inter- regional growth, especially when it comes to final product penetration (Verbeke, Kano, & Yuan, 2016).

In addition, the phenomenon of subsidiary evolution requires more detailed examination and in particular the various aspects of the phenomenon which include but are not limited to just the interplay with stakeholders but also the experiences of the MNEs (Birkinshaw & Hood, 1998). While the choice of entry mode is normally just the beginning and has been extensively covered in literature. An integration of the five sequential generic subsidiary evolution processes as proposed by Birkinshaw & Hood (1998) and the 2013 version of the Uppsala model by Johansen and Vahlne (2013) which integrates the dynamic capabilities and entrepreneurship theories through an explorative qualitative study is worth considering (Jormanainen & Koveshnikov, 2012).

As MNEs venture into new regions management need to lay emphasis on how to reduce the liability of foreignness and how the MNE can acquire competencies that are redeployable across the region (Arregle et al., 2013). It is crucial that management is also open to acquiring new FSAs that are crucial to the firm's success in the region and how this can then be integrated into the overall firm's strategy. For Indigenous MNEs (IMNEs) expanding into the region, management should be keen on acquiring competencies that are redeployable across the region. The process through which this happens is worth investigating. With the advent of globalisation, the acquisition of new FSAs can be a source of competitive advantage given that lesser developed country MNEs will increasingly finding themselves in competition with MNEs from more advanced economies.

1.2 Research Scope:

For the purpose of this study, MNEs operating in East Africa were categorised into three. Firstly, South Africa MNEs (SMNEs), secondly Kenyan MNEs or indigenous MNEs (IMNEs) investing into the region and lastly Developed country MNEs (DMNEs).

South Africa is an emerging market but for purposes of easier identification, was given an acronym of SMNE. SMNEs are members of the SADC regional trading bloc that cover the southern part of Africa and are considered an insider from an African continent perspective. South Africa was used in the study since it was the largest African investor into the East African region, for purposes of this study DMNEs are MNEs with from developed countries.

The East African countries can be described as consisting of two low-income economies (Uganda and Tanzania) and one lower middle income economy (Kenya) (WorldBank, 2015).The three East African countries are members of the East African community which is a Trading bloc covering East African countries. For purposes of this study, Rwanda and Burundi were classified as part of Central Africa and not used in the sample.

1.3 Research Motivation

At the early stages of internationalisation developed economy MNEs (DMNEs) opt for familiar markets with regional markets and value chains being a key driver (UNCTAD, 2015). However, these research have mostly focused on the BRICS countries such as China which receive the largest FDI inflows (International Monetary Fund, 2015).

To this end, little attention has been given to lesser developed countries within Sub-Saharan Africa and in particular, East Africa which has been recording the highest GDP growth rate in Africa (International Monetary Fund, 2015). This was advocated for by Jormanainen & Koveshnikov (2012) who expressed the need for expanded research into other markets like Africa. In addition, the use of specific host countries as gateways to venture into the neighbouring markets with the region is still a relatively new area. Hence, the facilitating role that host countries play in regional expansion has received little attention, especially when reviewed from an East Africa context.

Africa is increasingly becoming an attractive investment frontier and is now visible to more corporations, institutions and investors. This is despite the fact that Foreign direct investment (FDI) inflows into Africa plateaued at $54Billion in 2015 matching similar levels in 2014 (International Monetary Fund, 2015). However, inflows into North Africa declined by 15% to $12 billion and Sub-Saharan Africa increased by 55% to $42 billion. More specifically, flows into West Africa declined by 10% to $13 billion, Southern Africa declined 2% to $11 billion. Central Africa increased by 33% to $12 billion while East Africa increased by 11% to $7 billion (International Monetary Fund, 2015). Inflows into the 3 East African countries of Uganda, Tanzania and Kenya are expected to boost

GDP growth by approximately 6.6% in the entire region (International Monetary Fund, 2015).

The relative market size of East Africa countries in comparison to other emerging economies like the BRICS is relatively small. Hence, there is a tendency for MNEs to group the three countries together as a bloc when evaluating an expansion strategy. This is in line with findings by Arregle, Miller, Hitt, & Beamish (2013), where MNEs were seen to be cautious when considering institutional environments within a region while making location strategies. This is because there is a limit to the transferability of regionally acquired FSAs from one region to another in the long run when firms establish future FDI opportunities (Arregle et al., 2013).

As such MNEs are increasingly using Kenya, which was ranked second as an investment hub for global firms (Gachiri, 2014), as a key gateway to venture into East Africa. This has not only resulted in having regional head offices in Kenya to oversee the region, but has also enabled the MNEs to take advantage of opportunities presented by the East Africa Community (EAC) trading bloc (Gachiri, 2014). There is the need for greater insights into how MNEs expand into a region while using a specific gateway country, processes, and stages that they go through in developing region specific competencies.

1.4 Research Problem:

The study endeavoured to gain insights into the experiences of various MNEs that had regionalised into East Africa and explored whether there were any distinct advantages and differences across the three categories of firms. This was specific to firms that used Kenya as a gateway for entry into the East African market.

In establishing the experiences, that MNEs go through a hypothetical process flow was developed on the basis of existing literature as presented in the literature review in Chapter 2. The hypothetical process flow formed the basis of developing the questions for the in-depth face-to-face interviews. The hypothetical process flow was further broken down into five phases depicting stages that a firm will undergo as it regionalises. The five phases are an integration of the five generic subsidiary evolution processes as proposed by Birkinshaw and Hood (1998), the Uppsala model on the evolution of the multinational business enterprise (MBE) as proposed by Johansen and Vahlne (2013) and the real options theory.

The research paper essentially aims to**:**

- Gain an understanding of the experiences that various MNEs go through after entry into the host country and the coping mechanisms they employ.
- Investigate and establish how firms overcome outsidership and settle in the host country, then position themselves for regional expansion and establish the existence of tipping point for going regional.
- Establish an understanding of the experiences of the firm's after they regionalise and how this is consolidated into the overall strategy.

CHAPTER 2. THEORY AND LITERATURE REVIEW

2.1 Introduction

The literature review aims to explore five evolution phases of an MNE. The first phase involved a review of business start-ups and internationalisation. Secondly, learning and knowledge acquisition “Acclimatisation.” Third the consolidation of host country operations in what was referred to as the settling and positioning phase. Fourth, the catalyst or trigger event for going regional was discussed. Lastly, the MNEs consolidation of both strategy and alignment of subsidiary objectives with the parent was reviewed. The five phases have integrated aspects of five generic subsidiary evolution processes as proposed by Birkinshaw and Hood (1998), the Uppsala model on the evolution of the multinational business enterprise (MBE) as proposed by Johansen and Vahlne (2013) and the real options theory to develop an evolution model of MNEs in uncertain environments.

A summary of the relevant literature used in the conceptualization of the hypothesis is summarised in Table 1 below.

Table 1 Literature Review summary

<table>
<tr><th>Concepts / Phases of the model</th><th>Relevance to Literature</th><th>Specific Models in Literature</th></tr>
<tr><td>Startup Phase</td><td rowspan="3">Subsidiary Evolution
Five Generic subsidiary evolution Processes
(Birkinshaw & Hood, 1998)</td><td>Parent driven Investment (PDI)</td></tr>
<tr><td>Learning and Adaptation (Acclimatisation Phase)</td><td>Subsidiary driven charter extension (SCE) and Real Options Theory.</td></tr>
<tr><td>Settling and Positioning Phase</td><td>Subsidiary driven charter reinforcement (SCR)</td></tr>
<tr><td>Regionalisation and expansion Phase</td><td rowspan="2">Regionalisation and Regional consolidation</td><td rowspan="2">Evolution of the Multinational Business Enterprise (MBE)
Real options Theory</td></tr>
<tr><td>Regional consolidation Phase</td></tr>
</table>

2.2 Subsidiary Evolution

Birkinshaw & Hood, (1998) described subsidiary evolution as the accumulation or depletion of capabilities over time. They went on to argue that the inherent subsidiary capabilities differed from those of the parent and the geographical location and history defined a growth only specific to that subsidiary (Birkinshaw & Hood, 1998). In figure 1, Birkinshaw & Hood (1998) suggested five generic processes of subsidiary evolution and used theoretical insights to propose a series of causal relationships and linked certain contextual factors to each of the five processes.

The mandate extension in the first scenario led to enhancement of the subsidiary's capability profile since the mandate was the parent company's responsibility and that there were no pre-existing capabilities. Hence, the process was designated as a parent-driven investment (PDI). Despite subsidiary managers having had some influence over the process (notably, through high performance), they were required to actively compete for mandates with other subsidiaries within the group. Hence, it was only after the mandate was assigned that the development of subsidiary capabilities started. This first scenario would thus be commensurate with events that were likely to occur immediately setting up operations, also referred to as the start-up phase.

In scenario two, capability enhancement led to an extension of the subsidiary mandate and was designated as a subsidiary driven charter extension (SCE). It represented a strategic move by subsidiary managers to gain enhanced mandates by demonstrating the required abilities. However, the change in mandate was not guaranteed especially if the capabilities were deemed to be invaluable by the parent. This second scenario was expected to occur after the scenario 1, which was the start-up phase, and possession of these abilities was expected to be developed through a learning and adaptation process also referred to as the acclimatisation phase.

In scenario three, referred to as the subsidiary driven charter reinforcement (SCR) where subsidiaries sharpened or strengthened their existing competencies in order to maintain their mandates. Birkinshaw & Hood (1998) further argued reinforcement of existing mandates, rather than developing new ones was crucial to gaining a competitive advantage through the development of superior capabilities in comparison to the competitors. This scenario immediately followed scenario 2 and involved consolidation of key strengths. It, therefore, can also be referred to as the settling and positioning phase where a subsidiary advances and reinforces its competitive strengths.

In total contrast, scenarios 4 and 5 were the opposite of the first two scenarios. Scenario 4 was designated as parent driven divestment (PDD) where the subsidiary lost its mandate for a certain product, technology, or market, resulting in the gradual or drastic decline commensurate capabilities. Scenario 5 also referred to as atrophy through subsidiary neglect (ASN), depicted diminishing subsidiary capabilities over a period, culminating in the eventual loss of the subsidiary after a period of a declining mandate.

Hence, scenarios 4 and 5 depicted a depletion of capabilities and atrophy but for purposes of this study, an extension of mandate to regionalise was adopted after scenario 3.

Figure 1 Five generic subsidiary evolution processes (Birkinshaw & Hood, 1998)

<table>
<tr><th colspan="5">Five Generic Subsidiary Evolution Processes</th></tr>
<tr><th>Contextual Factors</th><th></th><th>Action</th><th></th><th>Outcome</th></tr>
<tr><td rowspan="5">Parent Primary factors
• Competitive internal resource allocation
• Decentralisation of decision-making
• Ethnocentrism of parent management

Subsidiary factors
• Track record of subsidiary
• Credibility of subsidiary management
• Entrepreneurial orientation of subsidiary employees

Host Country factors
• Strategic importance of country
• Host government support
• Relative cost of factor inputs
• Dynamism of local business environment</td><td rowspan="5">→</td><td>Parent: Decision to make investment; evaluation of various locations
Subsidiary: Lobbying</td><td>PDI
→</td><td>Establishment of new charter in subsidiary (CC); gradual development of commensurate capabilities (CB)</td></tr>
<tr><td>Subsidiary: Identification of new opportunities; building capabilities (CB); proposal to parent
Parent: Judgement on subsidiary proposal</td><td>SCE
→</td><td>Extension of charter in subsidiary (CC)</td></tr>
<tr><td>Subsidiary: Competitiveness-driven search; upgrading of existing capabilities (CB)</td><td>SCR
→</td><td>Reinforcement of existing charter in subsidiary</td></tr>
<tr><td>Parent: Decision to divest; evaluation of various locations
Subsidiary: Lobbying</td><td>PDD
→</td><td>Loss or diminution of charter (CC) in subsidiary; atrophy of existing capabilities (CD)</td></tr>
<tr><td>Subsidiary: Inaction; atrophy of capabilities (CD)
Parent: Judgment on subsidiary's lack of competitiveness</td><td>ASN
→</td><td>Loss or diminution of charter in subsidiary (CC)</td></tr>
<tr><td colspan="5">Key: CC, Charter change: CB, Capability building: CD, Capability depletion: PDI, Parent driven investments: SCE, Subsidiary charter extension: SCR, Subsidiary driven charter reinforcement: PDD, Parent driven divestment: ASN, Subsidiary atrophy through neglect.</td></tr>
</table>

2.2.1 Start-up Phase

When MNEs are venturing into a market they face unique challenges and need to understand the host country requirements prior to deciding what inherent capabilities and practices from the home country can be of use and tailor made for the host country market (Verbeke et al., 2016). During expansion, the approach will be largely dependent on business segment characteristics, which will include among others distribution features, consumption patterns, consumer income levels and labour costs. Regions are dynamic and evolve as a result of economic, political and financial integration, the definition of what constitutes a region varies from one MNE to another

(Verbeke et al., 2016).

Feasible internationalisation necessitates an MNE to have the resources and or competitive advantage to coordinate and control its expansion. This will not only determine the efficiency of various entry modes like exports, joint ventures, wholly owned subsidiaries Verbeke et al. (2016) but also which facilitating host country to use. Vahlne & Johanson (2013) argued that various entry modes resulted in similar success rates across entities and greater emphasis be directed towards building and developing relationships in the host country.

Deciding on the location in which to build the relationships is thus a crucial element, which is in turn dependent on the firm-specific characteristics. These in most cases, are to some extent dependent on the host country characteristics. Hence, location does play an explicit role in making the host country decision. However, Vahlne & Johanson (2013) portrayed location as not being explicit to making the location decision and alluded that firms made the host country decision prior to making decisions on networks and relationships. The host country decision, in this case, rested with the parent management who evaluated the relative merits of various host countries given that at this stage investment was driven by the parent (Birkinshaw & Hood, 1998)

Arregle et al. (2013) further argued that countries were attractive not only from an institutional perspective but also because they served as platforms for regional entry. Thus MNEs will rationally opt for a country whose CSAs can be easily aligned with the FSAs. The end goal is further development into region bound FSAs (RFSAs) with enhanced replicability into the region and exploiting them successfully across the region rather than confining them to one country (Arregle et al., 2013). Hence, a firm commits to invest in a specific country based on the host country potential to create learning opportunities, which then position the firm for future expansion within the region. However, despite RFSAs being region specific, there was a limit to which they can be effectively exploited even with the regional boundaries and this was highly dependent on the context (Arregle et al., 2013). This, in turn, led to MNEs choosing the most attractive host nation based on its potential relative to other countries within the same region (Arregle et al., 2013).

Johanson & Vahlne (2009) observed in their revised Uppsala model that firms entered into risky but potentially profitable markets with a gradual approach while ensuring that they adopted a controllable approach to conducting the business. Hence, the limited local demand in small and emerging countries may push firms to adopt a gradual approach with the tendency to focus on the greater region in the long run as they look for economies of scale.

However, upon entering a new market, the market entry strategy will be guided by the host country conditions. A vibrant host country market may favour the adoption of a sprinkler strategy where a firm rapidly expands within the host nation to gain credibility and grow market share and discourage new entrants (Sleuwaegen & Onkelinx, 2014). This approach at its extreme may involve expansion into multiple countries simultaneously over a relatively short time (Sleuwaegen & Onkelinx, 2014). However, the institutional and regulatory differences across countries may warrant the need for smaller initial commitments in order to allow for adjustments to specific host countries. This makes a waterfall approach more suitable where firms gradually expand from host country operations (Sleuwaegen & Onkelinx, 2014). With the waterfall strategy, a firm expands slowly, expanding gradually from one country to another over a longer time span (Sleuwaegen & Onkelinx, 2014)

The choice between a waterfall strategy and sprinkler strategy is firm-specific and involves a trade-off between risk aversion and revenue maximisation (Sleuwaegen & Onkelinx, 2014) The sprinkler strategy inherently results in a firm gaining first mover advantages Sleuwaegen & Onkelinx (2014) which would be crucial when a firm wants to regionalise in a competitive environment. On the other hand, the waterfall strategy maximises the learning potential in the host country and mitigates risk as expansion is cascaded gradually both within and from the host country over time.

The experiences that a new firm undergoes right after inception are crucial given that incidences of failure are greatest at this stage. The decision to internationalise carries some risks Hoskisson, Wright, Filatotchev, & Peng (2013) and experiences at the early stages play a crucial role in increasing the firm’s chances of survival in the long run. The experiences that the various categories of firms experience will differ depending on the country of origin. IMNEs carry an inherent home country advantage that makes them insiders while the DMNEs and SMNEs are viewed as outsiders owing to their foreign roots.

In spite of the home country advantage, IMNEs may not have access to huge resources, which makes expansion more difficult owing to their lesser-developed country origin. Then, there is the liability of smallness stemming from their lesser-developed country origin which when compared to SMNEs and DMNEs, puts them at a disadvantage. However, IMNEs possess an inherent ability to manage in difficult environments. A capability required for survival which gives them an edge over MNEs that have no prior experience in such environments (Cazurra & Genc, 2008).

SMNEs may also face a different experience given that they are outsider MNEs on one hand but have a regional advantage given that they share the same home continent. SMNEs may thus be perceived to have a proximity advantage Arregle et al. (2013). This according to Cazurra & Genc (2008) may manifest in the form of geographical proximity and cultural similarities. DMNEs may undergo a different experience given that they encounter both a liability of foreignness and newness. This is greater for those DMNEs without any prior experience within the country or region which in turn makes them face more difficulties due to the inability to manage under difficult conditions (Cazurra & Genc, 2008).

Once this has been addressed, the firm then moves past the start-up phase where the firm has to start laying a base for its future operations. The mutual commitments increase with an expectation of improved performance from promising prospects (Vahlne & Johanson, 2013). The improved performance also entails more active involvement by MNE management as the MNE moves from a parent driven investment to a subsidiary driven mandate extension (Birkinshaw & Hood, 1998).

With the assumption that an MNE has an objective understanding of its capacity to go past the entry phase, the following research question was developed:

Research Question 1: What experiences do firms undergo immediately after the Entry phase?

2.2.2 Acclimatisation Phase

Key decision makers on internationalisation of a firm are tasked with the role of helping the firm respond and adapt to risk and create value despite the uncertainty (Driouchi & Bennett, 2011). The management within the MNE subsidiary then actively seeks out and develops new business opportunities for onward approval by the parent company (Birkinshaw & Hood, 1998). Real options theory allows these decision makers to take into consideration the option value of projects based on different possible outcomes that have differing probabilities (Xu & Meyer, 2013). This, they stated, manifests in the form of higher risks and uncertainty owing to increased volatility of key economic, political, and institutional variables (Xu & Meyer, 2013). Key decision makers are thus more inclined to commit to decisions that are partly reversible which enables a firm to take advantage of the upside opportunities while mitigating the effect of the downside risk (Driouchi & Bennett, 2011). A real option hence confers the right, but not the obligation, to make a commitment under uncertainty that is reversible (Driouchi & Bennett, 2011).

It is this flexibility that makes the real options theory practical in contexts that are unfamiliar, uncertain, and risky. This is as evidenced in (Driouchi & Bennett, 2011) where firms that prioritised real options knowledge outperformed competitors who were unaware of real options in uncertain environments. SMNEs and DMNEs, thanks to Internationalisation experience, have the opportunity through their host country managers' learning and decision-making abilities, the potential to benefit from growth and arbitrage opportunities that are nonexistent in IMNEs (Driouchi & Bennett, 2011).

Thus, in an attempt to adapt and cope with local demand changes, government legislation, host country competition or even currency fluctuations MNEs require managers who are able to exploit real options opportunities (Driouchi & Bennett, 2011). This, in turn, calls for the concept of managerial real option awareness which though specific to each firm contributes to real options decision making (Driouchi & Bennett, 2011). This then results in a learning and adaptable firm that is able to develop coping mechanisms to counter the uncertainty and risk owing to the unpredictability of key economic and institutional variables.

However, managerial real option awareness is not sufficient to guarantee success and host country managers must balance differentiation within a local context to address unique local demands against integration, control and coordination of the entire MNE (Bruhn & Gibson, 2006). SMNEs and IMNEs are likely to encounter differing macro aspects and the isolation of specific macro contexts is thus crucial for learning and adaptation. Bruhn & Gibson (2006) further argued that MNEs required differentiated host country strategies in order to develop locally adaptive responses to options they encountered. This required managers to adopt a delicate balancing act between the various elements of micro context, macro context and the MNE global overarching strategy (Bruhn & Gibson, 2006) .

The micro context elements relate to aspects specific to the host country team and include competencies, managerial capability, feedback mechanisms, flexibility, motivation, training and autonomy (Bruhn & Gibson, 2006). These elements are crucial in the creation of a dynamic country team that is then able to facilitate learning and consequent adaptation to the host country context. In addition, these elements also play a crucial role in creating increased confidence levels within the host country team to take on additional opportunities (Birkinshaw & Hood, 1998). The country team is then able to leverage on both the local skill set and external skill set that may come from consultants or head office to then develop context specific solutions that carry the firm through the acclimatisation phase (Bruhn & Gibson, 2006).

Macro context elements relate to aspects such as the political environments, institutions, social and cultural factors, economic and demographic factors. Given that these factors affect all firms within the given host country then it is the micro elements specific to each firm that would be a differentiating factor (Bruhn & Gibson, 2006).

Whereas at the entry stage an MNE would have considered the macro elements, this would only have been on a theoretical basis and at the acclimatisation stage the experiences are real and are not as far removed as theoretical assumptions at the entry stage. Hence the ability of an MNE through real option awareness to use its micro context abilities and successfully navigate and adapt to the macro elements then increases the survival chances (Driouchi & Bennett, 2011). This is in addition to gaining credibility from the parent firm that is crucial to future resource allocation and the gaining of a competitive advantage. Birkinshaw & Hood (1998) saw this process of gaining credibility as fairly political in that it relied to a great extent on the subsidiary management getting a buy in due to their personal contacts.

IMNEs have the home country advantage and exposure to the local context. SMNEs, on the other hand, would be expected to fare relatively well but second to the IMNEs given that they have the advantage of proximity. Lastly, DMNEs would be expected to rank lower in acclimatisation and suffer from a liability of foreignness. The differing starting points across the various categories means that SMNEs and DMNEs may be forced to implement learning and adaptation mechanisms with the aim of putting them on an equal footing with the IMNEs. Levelling the playing field may indeed be a quick short-term goal with the end game being how the SMNEs and DMNEs can overcome this foreignness and eventually have a competitive edge over the IMNEs. Hence, MNEs looking to gain market share are expected to continuously review the post formation process while formulating mechanisms to overcome barriers by learning and adaptation to the host country conditions (Brouthers & Bamossy, 2006).

With the assumption that IMNEs, SMNEs, and DMNEs start this phase at different playing fields the following research question was developed.

Research Question 2: What do firms do in order to cope or acclimatise?

2.2.3 Settling & Positioning Phase

Investments destinations more often than not differ both from a macro and micro economic level when compared to the country of origin. In addition, competitors provide valuable insights to management on a firm's strengths and weaknesses leading to capability enhancement (Birkinshaw & Hood, 1998). As such subsidiaries are often forced to develop a new skill set to exploit new opportunities that may not have previously existed in the parent company (Rugman & Verbeke, 2001). With the proximity advantage of having access to local knowledge the parent in the long term gains host country knowledge through its subsidiary which was previously non-existent (Birkinshaw & Hood, 1998). The result is a knowledge base that generally differs with the initial knowledge base inherent in the parent company (Verbeke et al., 2016).

There is little evidence linking internationalisation as a catalyst in the reduction of uncertainty in emerging markets (Hilmersson & Jansson, 2012). They went on to state that Internationalisation knowledge gained in mature markets was of little use in emerging markets and uncertainty reduction was only gained from physically operating in the host market (Hilmersson & Jansson, 2012). This physical presence is expected to expose a firm to the local players such as competitors, customers, suppliers, and regulatory authorities in the host country from who relationships and partnerships are formed.

The acquisition of host market knowledge and embedding to the local context is crucial for the success of an MNE (Meyer, Mudambi, & Narula, 2011). This is due to the knowledge gap between the host market and home market. Hence, outsider MNEs capabilities relative to local competitors are weaker in the host region than in the home region which may limit the MNE’s footprint and performance outside of the home region (Verbeke et al., 2016).

However, the success of some DMNEs and SMNEs within the East Africa region and the market dominance they exhibit over IMNEs differs with this argument. Then a possible explanation is that these MNEs do adapt in the long run to an extent of being successful and dominating the market. One possible explanation is that MNEs do in fact learn from competitors and consumers alike and offer products and services that are more appealing to the low-income consumers (Ramamurti, 2012). Another possible explanation is DMNEs and SMNEs are able to capitalise on local opportunities in due course due to being sufficiently locally embedded despite their outsider status (Meyer et al., 2011).

An MNE can gain a competitive advantage by tapping resources and capabilities in a local context and integrating and leveraging them (Meyer et al., 2011).This will not only be limited to its inherent capabilities but also include the network of local firms and institutions where the MNE can learn local knowledge (Figueiredo, 2011). MNEs develop capabilities gradually though the pace may differ from one firm to another with those that have higher absorptive capacity gradually developing a competitive edge. The additional knowledge and learning are expected to come from multiple sources and are not just limited to the parent company and hence draw on a comprehensive variety of knowledge supplying partners (Figueiredo, 2011). It is at this point that an MNE gets embedded in relationships and networks in order to achieve a competitive advantage. These relationships can both be external and internal. Internal relationships refer to relationships within the MNE, while external relationships will cover external stakeholders like customers, suppliers, regulators, consultants and government and its institutions (Figueiredo, 2011).

However, not all relationships are equal and an MNE is expected to lay more emphasis on those that stand to benefit the firm most and create capabilities for increased performance, which may be measured, by financial performance, market share, and ease of doing business or even host country expansion. Hence in due course, some relationships become more significant than others and the frequency of the firm's engagements with such linkages increases as more emphasis is placed on enhancing them (Figueiredo, 2011). In other instances, host country challenges and risk factors may limit or force a firm to create relationships to counter or ease these challenges.

The infrastructure and macroeconomic factors specific to a country play a crucial role in attracting firms. Emerging markets suffer from uncertainty and unpredictability, which an MNE requires for long term strategic planning and decision-making. To counter these challenges MNEs increasingly find themselves seeking the support of host country governments. In their study on moderating effects of home country government support Lu, Liu, Wright, & Filatotchev (2014) found that government support and sound institutions within a host country made a country more attractive for FDI.

This government support not only reduced the need to accumulate experiential knowledge and capabilities prior to market entry but also increased the likelihood of FDI into the host nation (Lu et al., 2014) . In addition the government has the capacity to enhance a country's attractiveness not only through its institutions, but also because its serves the facilitating role for entry into the region, enhance regional arbitrage, create real options for regional expansion, and increase the value of pre-existing regional investments (Arregle et al., 2013).

This explains why when venturing into regions MNEs are increasingly finding themselves seeking government support given that this also reduces the level of uncertainty and as a consequence the level of risk. In return, most governments are increasingly finding themselves playing a supporting role to MNEs by facilitating such support in the host country through bilateral trade agreements that are more often than not handled by senior government officials from both countries. The resulting effect is that it may lead an MNE to opt to invest in a country based on the potential host country's institutional environment relative to the other countries in the same region (Arregle et al., 2013). Such support is crucial when reviewing strengths in specific value chain activities, which include innovation, sourcing and production versus marketing, sales and distribution (Verbeke et al., 2016).

An MNE may also develop other relationships with different counterparts aimed fostering knowledge sharing amongst local partners who over time become a key learning source for the MNE. For the MNEs the network of partners is then expected to grow through referrals with an emphasis on the ability to create synergies across the network and symbiotic relationships. The level at which an MNE engages with local partners may also be in response to the inherent limitations in the host country institutions which induces the formation of alliances for purposes of lobbying or even collective bargaining.

The building of the relationships will also involve exploring subtle ways to combine FSAs with local knowledge in order to develop context specific FSAs which can be equated to CFSAs (Meyer et al., 2011). At its extreme, the MNE may even have to develop an entirely new business strategy that is highly dependent on the extent to which strategic decision making resides with the subsidiary relative to the headquarters (Meyer et al., 2011). However, Narula (2012) observed that firms were generally averse to radical change and were more likely to anchor with partners whose patterns of learning and interaction had been successfully tried and tested.

Hence, in an attempt to supplement the already existing knowledge and competencies without any radical changes to its activities Narula (2012), an MNE may consider acquiring more information about competitors. This is acquired through market research and at its extreme may involve buyout of smaller competitors in order to acquire knowledge or poaching of staff from key competitors, which may be seen as a cheaper option. The firm is thus able to acquire strategic competencies faster and in some instances 'buy' market share, which results in the development of host country competencies and maturation of host country operations. This is expected to increase the MNE credibility in the face of its parent and set the stage for reverse knowledge flows which can then be transferred internally within the firm (Narula, 2012).

To this end, the study endeavoured to explore whether a learning effect did indeed occur Verbeke et al. (2016) and whether operating in the host country of a region did expose the firm to relationships and partners that lead to success. This lead to the following research question:

Research Question 3: How do firms consolidate their host country operations?

2.3 Regionalisation and Regional consolidation

In their internationalisation model on foreign expansion Johanson & Vahlne (1977) emphasised a learning effect where firms gradually and incrementally expanded from one country to proximate countries, with a subsequent increase in resource commitments. Their model known as the Uppsala model proposed an increasing level of involvement in each country of operation. Subsequent revisions led to the Evolution of the Multinational Business Enterprise (MBE) model developed in 2013, which incorporates dynamic capabilities and entrepreneurship theories.

The real options perspective compliments the Uppsala view and suggests that firms consider investments in small incremental commitments and once more credible information is received they then increase the investments so as to capture the upside (Oh & Li, 2015). In addition, proactive investment in a host country may give expose a firm to growth option which may lead to first mover advantages (Li & Li, 2010). Hence, MNEs can strategically position themselves by investing in non-home regions that offer abundant regional growth options (Oh & Li, 2015).

However, prior to regional expansion, firms are expected to have pre-entry capabilities that include having extra resources. The extra resources, like financial resources, are needed or need to be readily accessible to avoid hitting internal resource constraints which may have negative consequences (Teece, 2014). Thus, prior to regional market entry, an MNE needs to replicate some of the existing capabilities in the host nation and adjust them accordingly using dynamic capabilities since what works in the host country may not work in a neighbouring country (Teece, 2014)

From this, we can conclude that, there is a process through which a firm goes through, before regionalising and there is timing when a firm is ready. This can be referred to as the regionalisation and expansion phase.

2.3.1 Regionalisation / Expansion Phase

In the modern world Trading blocs have grown in prominence over the years with countries looking towards advancing trade and resource inflows in the form of FDI. To this end, there is increased economic integration within each region, particularly through increased intra-regional trade and investment amongst all the countries within each region, sometimes, though at the expense of inter-regional trade and investment (Verbeke et al., 2016).

In other research, Benito, Grøgaard, & Narula (2003) found that regional trading blocs did have an effect on both the scope and competencies of a subsidiary. This manifested in the form of tariff and non-tariff barriers, which were specific from one region to another. As such MNEs venturing into a regional trading bloc are keener to maximise on regions that minimise transaction costs and offer opportunities for enhancing the scope of their operations. Hence, an MNE may venture into a host country through one mode of entry and expand into the region using other modes of entry by taking advantage of the regional trade blocs. In this context, then despite being an outsider MNE into the host country at the initial entry phase, it becomes an insider MNE in the region over time after its operations in the host country have taken root. In other words, the MNE becomes 'one of us' and stops being perceived as 'one of them'.

Regional Trading blocs that are integrated (unified) offer a larger, unified markets that enable an MNE to gain regional scale of economies through specialising the subsidiaries located in the region (Verbeke et al., 2016). This then facilitates economies of scope through sharing of assets like brand names and best practices across the region (Verbeke et al., 2016). In addition, they form part of institutional environments that are crucial to MNEs in making decisions on where and how much to internationalise at two critical levels: selecting attractive regions and selecting attractive host countries within regions (Arregle et al., 2013).

It is the micro level benefits that accrue to Insider firms as a result of the regional integration such as administrative distance, tariff and non-tariff barriers, which give insider MNEs an advantage over outsider MNEs (Verbeke et al., 2016). This regional advantage may make it comparatively harder for the outsider MNEs to develop the location specific comparative advantage (Verbeke & Kano, 2015).

Much research has focused on financial performance, but firms do have other underlying reasons which could be non-financial in nature (Brouthers, 2013). DMNEs and SMNEs expanding into East Africa may be looking at reaching out to previously untapped markets given the relative saturation and intense competition faced in their home countries. The underlying reasons for regional expansion may vary across the various MNEs in consideration. However, the initial investment rationale may not be static but may evolve in time depending on the micro and macroeconomic factors affecting the MNE (Brouthers, 2013).

A case in point may be the expansion for the sake of enhancing domestic reputation in the home country that is most likely applicable to IMNEs that may want to be perceived as being regional. The same may, however, may not apply to outsider MNEs that may be looking at the region in totality to be a growth avenue and not necessarily an avenue to enhance reputation.

Expansion to the greater region does present firms with both opportunities and challenges. Managerial awareness enables the firm to take advantage of the opportunities that present the greatest benefit while at the same time mitigating risk. It thus expected that a firm would concentrate on strengthening its host country operations while learning more from exposure to the host country environment. This view is supported by Holtbrügge & Baron (2013) who went on to state that the longer the host country experience, the greater the accumulation of market knowledge, business cultural practices and other country-specific factors which were crucial to performance. Schuster & Holtbrügge (2014) further supported this view by stating that cultivation of local relationships with business communities and government authorities was crucial to business success. Such close ties needed time and effort given that they involved long term staff relationships built on trust, mutual understanding and legitimacy (Schuster & Holtbrügge, 2014).

Hence, success in the host country does play a crucial role in building the confidence in local staff on the firm's capabilities and also goes a long way in putting the local firm in the 'good books' of the parent. Older firms are expected to have more host country knowledge and increased confidence to regionalise which gives them a head start over the younger firms. The younger firms, on the other hand, are 'underdogs' due to increased uncertainty owing to lower relevant experience. To counter this these, they may opt to spend more resources in research to collect information or acquire more experienced staff to close the experience gap (Hilmersson & Jansson, 2012)

Without the luxury of time, the younger firms are more likely to spend more resources to bridge the experience gap and play quick catch up to their competitors. However, not all firms have the resource capability, which leaves such firms with the option to either slow down or take up more risk in the host country operations. The slowdown option may in part be supported by the fact that uncertainty is a natural ingredient reduced more through experience than by acquisition of additional information (Hilmersson & Jansson, 2012). However, the risk option may be actionable given that uncertainty cannot be eliminated and past experiences are never completely actionable in the future (Hilmersson & Jansson, 2012)

An MNE is thus arguably expected to build and develop new competencies and capabilities within its host country to a point where it becomes sufficiently confident that it can cross borders. Hence, in the long run, these capabilities may differ significantly from the initial FSA bundle at inception (Verbeke et al., 2016). The newly developed host country FSAs are crucial in transforming an outsider MNE into an insider MNE Johanson & Vahlne (2009) which are then further developed into regional FSAs (RFSAs) that are transferable to the region. Hence, rather than having FSAs that are country specific, the MNE opts to develop capabilities that can be redeployed in the region. The development of newly acquired FSAs further into RFSAs should not be a simple duplication but should involve some level of customisation to fit the various regional countries (Verbeke et al., 2016).

The resultant lower psychic distances among proximate countries within a region enhances the accumulation of knowledge and regional competencies further aiding the development of RFSAs (Arregle et al., 2013). In addition Johanson & Vahlne (2009) further stated that prior host country experience aided in overcoming the liability of 'outsidership' within the region. This represents a real option and ability to adopt an incremental regionalisation approach.

The development of RFSAs is not sufficient for successful regionalisation and an MNE would also need to develop regional network relationships that aid and act as a source of learning for the MNE (Rugman & Oh, 2012). The overall aim of the MNE would thus be to establish a good fit between strategy, processes, planning, structure and networks within the host country before venturing into neighbouring countries (Rugman & Oh, 2012). In addition, the decision to expand into the region is expected to be influenced to a great extent by the relationships with the parent, which on is dependent on the levels of autonomy of the subsidiary and confidence levels the placed on the local managers (Rugman & Oh, 2012).

Based on the literature above a research question exploring the processes and experiences through which a firm went through before regionalising and whether there was timing when the firm considered itself ready was developed as below.

Research Question 4: When is a firm ready to regionalise?

2.3.2 Regional consolidation and Integration Phase

The multi-level interactions among the various aspects of regionalisation are easily identifiable and observable based on the literature review above (Verbeke et al., 2016). However, they do not adequately explain the internal functioning of the MNE within the region (Verbeke et al., 2016). The regional consolidation and integration phase was aimed at investigating regional management practices, which are crucial to the prevention or even delaying the fourth and Fifth scenarios as proposed by (Birkinshaw & Hood, 1998). Birkinshaw & Hood (1998) in the 5 generic subsidiary evolution processes depicted in figure 1 proposed two further scenarios designated as follows. Scenario 4 was designated as parent driven divestment (PDD) where a subsidiary lost its mandate for a certain product, technology, or market, resulting in the gradual or even loss of commensurate capabilities. Scenario 5 was atrophy through subsidiary neglect (ASN), which depicted a situation where the subsidiary's capabilities diminished over a period, resulting in subsidiary's diminishing performance for the mandate and eventual loss.

An MNEs strategy has considerable influence on its organisation structure. Most firms will explore mechanisms to ensure strategic alignment and ease of management oversight which may be through incorporation of regional components into their organisational structures and systems (Verbeke & Kano, 2015). This manifests itself in the form of regional divisions, regional head offices, regional and inter-regional coordination mechanisms, and regional management systems for specific value chain activities (Verbeke et al., 2016). A regional expansion strategy is thus perceived to be both a realistic and cost effective option given that and MNE can utilise resources at its disposal to focus on the home or regional market (Rugman & Oh, 2012).

However, this leads to a challenge whereby the structural elements may be far removed from the actual ground operations resulting to a situation where the micro level specifics within and across the region are not fully captured (Verbeke et al., 2016). Rugman, Verbeke, & Yuan (2011) suggested that for a regional strategy focused MNE, having localised control, placed MNEs in a greater competitive position, which could be used to further expand into a region. Thus, an MNEs headquarters can greatly enhance a subsidiary's capability through giving it a specific mandate with the required resources (Verbeke et al., 2016). However, this is not always the case and subsidiaries often find themselves with a regional strategy that is not aligned with the macro and microenvironment in the host country. This results in a mismatch in strategy and culminates in missed opportunities or lower success rates in the host country and greater region.

The development of RFSAs is expected to enhance regional integration given the similarity in the MNE competencies across the region. This, however, does not imply that all the subsidiaries have similar capabilities. Thus, resource selection and configuration processes are influenced by the context within which firms operate (Hoskisson et al., 2013). The need to adapt FSAs to each country context may result to ever varying CFSAs which in the long run differ somewhat with the original FSAs (Verbeke et al., 2016).

The ability to create, transfer, recombine and exploit resources across the region and harness opportunities is crucial for the parent firm (Meyer et al., 2011). Meyer et al. (2011) went on to state that this created multiple embeddedness where at a subsidiary level, local responsiveness was achieved while at the same time achieved the overarching goal of the parent or regional head office. The ability of the various subsidiaries to reconcile its local business interests with those of the parent is paramount for global integration (Meyer et al., 2011). The resultant effect is an MNE that is able to harness knowledge and learnings from multiple contexts and integrate them into a range of competitive advantages and a source of new competencies (Meyer et al., 2011). This may be achieved, partly by having boards members with multiple seats across the regional subsidiaries (Hoskisson et al., 2013). This, if also complimented with representatives from the head office further enhances the linkage between the local subsidiaries and the parent company. At its best, it facilitates 'reverse knowledge flows' which enable the transfer of knowledge across the MNE (Meyer et al., 2011).

Based on the literature review above the research question below was formulated with the assumption that the regionalisation effort was successful and that both the parent organisation and regional managers would work towards an extension of the various mandates.

Research Question 5: What do firms experience during post regionalisation?

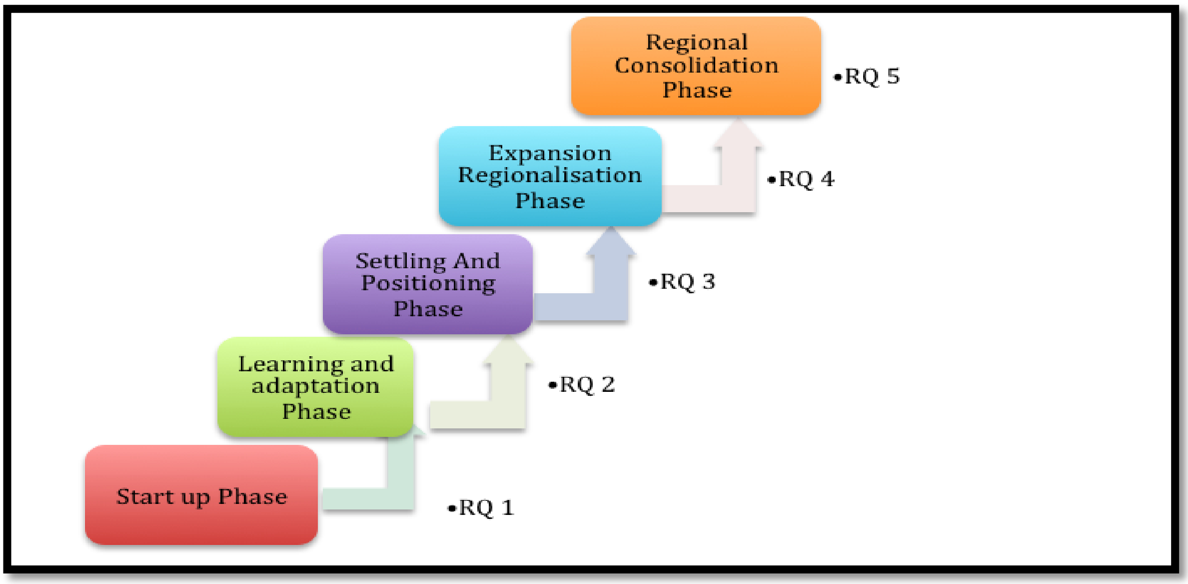
2.4 Conclusion

The literature review can be classified into two broad categories. Firstly, subsidiary evolution based on the first three processes of the Five Generic Subsidiary Evolution Processes model by Birkinshaw & Hood (1998). This was then further supplemented with current literature on internationalisation and learning so as to incorporate the latest insights, themes, and knowledge gaps on the subject matter. This was the foundation on which the first three phases of the Hypothetical regionalisation process model.

Secondly, the revised Uppsala model evolution process referred to as the Evolution of the Multinational Business Enterprise (MBE) based on findings Vahlne & Johanson, (2013) combined with current literature on internationalisation and more specifically regionalisation and real options theory were then used to derive the last two phases of the model.

A hypothetical process flow based on the literature review above is as outlined in figure 2

Figure 2 Hypothetical Model of the regionalisation process



CHAPTER 3. RESEARCH QUESTIONS

3.1 Purposes of the Research

This chapter explores the need for conducting research on the experiences that the various categories MNEs go through as they expand into a region from a gateway country. The questions were developed based on the problem definition in Chapter 1 and the concepts and knowledge gaps that arose from the literature review in Chapter 2. The research questions were formulated to gain a deeper understanding of what MNEs experienced immediately after they commenced operations, how they acclimatised and coped in the host country, how MNEs settled and positioned themselves in the host country, the tipping point that leads to regionalisation and finally experiences firms underwent after regionalisation.

3.2 Research Questions

There are five Research Questions used to develop the five Phases.

3.2.1 Start-up Phase (Post Entry)

Research Question 1: What experiences did firms undergo immediately after the Entry phase***?*** The question sought to determine what happened to firms during the start-up face. This was right after a firm has entered into the host country***.***

3.2.2 Learning and adaptation (Acclimatisation Phase)

Research Question 2: What did firms do in order to cope or acclimatise? The Research question sought to comprehend how firms adapted to the new market. In other words, what were the coping mechanisms used?

3.2.3 Settling and Positioning Phase

Research Question 3: How did firms consolidate their host country operations? The research question was aimed at gaining further insights into what firms did to consolidate /enhance their market position in the host country. How did an outsider MNE move from being “one of them” to “one of us”?

3.2.4 Regionalisation / Expansion Phase

Research Question 4: When was a firm ready to regionalise? This research question sought to gain further insights into the tipping point, which lead to the decision to regionalise and how they went about it.

3.2.5 Regional Consolidation Phase

Research Question 5: What did firms experience during post regionalisation? This research question sought to gain further insights on how the firm aligned the expansion strategy to the overall firm's strategy and any linkages that were required.

CHAPTER 4. RESEARCH METHODOLOGY AND DESIGN.

4.1 Introduction

This Chapter discusses the research methodology used in the study. The problem definition and literature review were used in the formulation of a hypothetical model of phases that MNEs go through as they regionalise after entry into a host country. The hypothetical model in figure 2 was then used to give a broad overview of the phases in the regionalisation process during the face-to-face semi-structured qualitative interviews.

Gioia, Corley, & Hamilton (2012) articulated an approach to qualitative research that generates new concepts and grounded theory via qualitatively rigorous inductive research. The suggested approach outlines the key features to be incorporated in the research design, data collection, data analysis and grounded theory articulation as summarised in Figure 3. Owing to the time constraints the researcher utilised a simplified version of this approach in the methodology in order to enhance creative imagination, in-depth analysis and theory advancement based on existing literature.

Figure 3 Features of the methodology that enhance grounded theory development (Gioia et al., 2012)

Step	Key Features
Research Design	Articulate a well-defined phenomenon of interest and research question(s) (research question(s) framed in “how” terms aimed at surfacing concepts and their inter-relationships)
	Initially consult with existing literature, with suspension of judgment about its conclusions to allow discovery of new insights
Data Collection	Give extraordinary voice to informants, who are treated as knowledgeable agents
	Preserve flexibility to adjust interview protocol based on informant responses
	“Backtrack” to prior informants to ask questions that raise from subsequent interviews
Data Analysis	Perform initial data coding, maintaining the integrity of the 1st order (informant centric) terms
	Develop a comprehensive compendium of 1st order terms
	Organise 1st order codes into 2nd order (theory-centric) themes
	Distill 2nd order themes into overarching theoretical dimensions (if appropriate)
	Assemble terms, themes and dimensions into a “data structure”
Grounded Theory Articulation	Formulate dynamic relationships among the 2nd order concepts in data structure
	Transform static data structure into dynamic grounded theory model
	Conduct additional consultations with the literature to refine articulation of emergent concepts and relationships

4.2 Research methodology and Design

For purposes of the study, a qualitative research was used and took the form of an exploratory research that sought new insights, asked questions and accessed the topic in a new light (Saunders & Lewis, 2012). The exploratory research was conducted through the use of a hypothetical model derived from the literature review and problem definition that categorised the five evolutionally phases that lead to regionalisation. The focus of the research was three distinct groups of MNEs; namely Indigenous MNEs (IMNEs), South African MNEs (SMNEs) and developed country MNEs (DMNEs). A qualitative research approach provided a foundation to interpret and understand the experiences of the respondents within a given context (Petty, Thomson, & Stew, 2012).

This was the most relevant method given the need to conduct an in-depth exploration of the perceptions and experiences of the respondents from the various organisations. While much of previous research on internationalisation had been quantitative which brought out well-defined relationships and concepts, a qualitative research enhanced understanding and isolation of key themes (Jormanainen & Koveshnikov, 2012).

The research approach was inductive and began with specific observations, patterns and repetitive occurrences which formed the basis of the hypothetical model on the five phases (Saunders & Lewis, 2012). This enabled the researcher to uncover themes, patterns, and interrelationships from the open-ended research questions that were crucial in developing deeper insights and appreciation of new phenomenon rather than the testing of theoretical propositions.

4.3 Population

The criteria used for the purposive selection was based on MNEs that matched the following primary criteria. Firstly, the MNEs needed to have on-going operations in Kenya. Secondly, the MNEs were required to have a regional footprint within the East Africa (EA) region with a physical presence in the three countries of Kenya, Uganda and Tanzania. Lastly, the MNEs were required have used Kenya as a gateway country when regionalising into EA. The decision to use Kenya was informed by the research context and on the basis of time and resource constraints. In addition, Kenya was also chosen due to the fact that it offers international investors a gateway into East Africa and is the largest economy in East Africa which was one of the only two regions to record a growth in FDI in the continent (International Monetary Fund, 2015).

Once these criteria were met, the firms were then broken down into three categories that comprised of Indigenous MNEs (IMNEs), developed country MNEs (DMNEs) and South African MNEs (SMNEs). Quotas were then used to specify the number of MNEs for in each category and in order to be more realistic, a range of three to five interviewees from each category was used. This yielded a sufficiently diverse population that supported an in-depth comparative analysis.

The indigenous MNEs (IMNEs) were Kenyan MNEs that were homegrown and had expanded their geographical footprint into the EA region. Developed country MNEs (DMNEs) were MNEs from developed countries that had invested in the EA region. South African MNEs (SMNEs) were MNEs from South Africa that had invested into the EA region. South African MNEs were used in the study since South Africa was the largest African investor into the East African region and also formed part of another trading bloc (SADC) which is not part of the EA. In addition, a key guiding selection criterion was ensuring that the firms in question did actually venture into Kenya prior to expanding into the EA region.

Once the firms were identified they were then categorised into the three categories of IMNE, SMNE and DMNE. Once classified into the three categories, the focus was then face-to-face interviews with senior management with a preference for C-level executives who were well positioned to respond to the research questions based on their experience, perceptions and holistic understanding of the firms. To maintain confidentiality all companies that were selected were denoted using alphabetical letters and respondents through the use of numbers.

4.4 Unit of Analysis

The perceptions and experiences of the senior management staff (C-Level executives) formed the basis for the final unit of analysis. C-level executives were the unit of analysis given their ability to identify new environmental trends and needs and the role they played in supporting initiatives ranging from changing practices, processes and structures which gave them a broad understanding of the firms (Vaccaro, Jansen, Bosch, & Volberda, 2012). In addition, C-level executives play a key role in among others strategic planning and leadership within the organisation and in most cases have direct communication lines with other subsidiaries and with the parent company. This often enhances their understanding of the MNE owing to constant interaction and communication between the parent and the subsidiaries. The composition of the units was; the experiences immediately after commencing operations, the learning and adaptation processes and experiences in the host country, settling and position in the host country, the tipping point that led to regionalisation and finally experiences firms underwent after regionalisation.

4.5 Sampling Method and Size

The sampling comprised of a combination of two techniques. Firstly, a non-random purposive sampling method was used in the study owing to the fact it was a challenge to get a complete list of the population and enable the selection of a sample (Saunders & Lewis, 2012). This enabled the researcher to utilise judgment and discretion to actively choose which companies and respondents were best placed to answer the research question in order to meet the objectives (Saunders & Lewis, 2012). Secondly, quota sampling was conducted, which is “a type of non-probability sampling that ensures the sample selected represents certain characteristics in the population that the researcher has chosen” (Saunders & Lewis, 2012).

Given the research timelines the original sample size was restricted to approximately 12 to 15 firms and targeted an equal number of respondents from each category comprising of IMNEs, DMNEs, and SMNEs. From the onset of the interviews, it was agreed that all respondents and organisations names would be kept strictly confidential. All companies have therefore been denoted alphabetically and respondents denoted numerically.

The interviewee’s understanding of the MNE experiences holistically was a crucial trait in deciding on the interviewee selection, coupled with the expectation that the same experience would be shared across the organisation. Hence one C-level executive or senior manager per firm was deemed adequate to address the research questions since at this level, the interviewee’s understanding, and viewpoints in relation to the research objective was more holistic. The MNEs explored in the study came from diverse industries and included banking, financial services, retail, insurance, electronic, information technology and software. A summary of the final interview population is as outlined in Table 2.

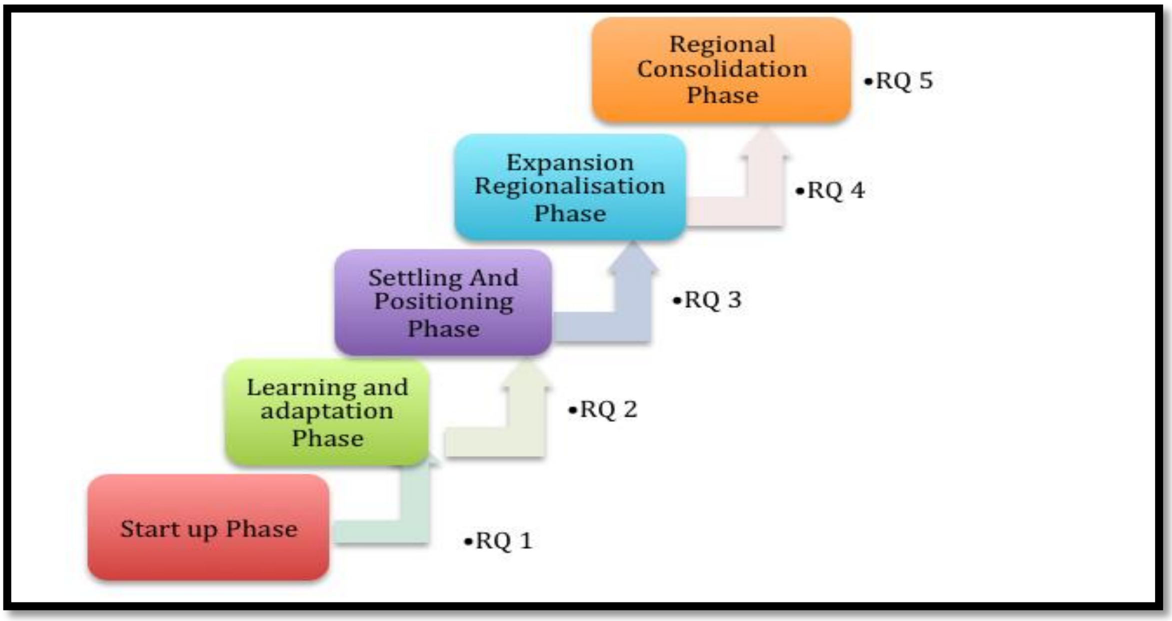
Table 2 Summary or Interview respondents and firms

Respondent Number	Firm Category	Firm Industry
Respondent 1	IMNE	Banking
Respondent 2	IMNE	Retail
Respondent 3	DMNE	Electronics
Respondent 4	SMNE	Financial Services
Respondent 5	SMNE	Information Technology
Respondent 6	DMNE	Information Technology
Respondent 7	IMNE	Information Technology
Respondent 8	DMNE	Oil and Gas
Respondent 9	IMNE	Banking
Respondent 10	IMNE	Banking
Respondent 11	SMNE	Retail
Respondent 12	DMNE	Automotive

4.6 Measurement Instrument

A hypothetical model as depicted in figure 4 below and similar to figure 2 was developed based on the problem definition in Chapter 1 and the concepts and knowledge gaps that arose from the literature review in Chapter 2. In addition to conceptualising the MNE experiences, the model also visualised the five phases for better understanding and navigation through the interviews. It also facilitated the identification and isolation of key themes by each research question while allowing the flexibility for a deeper discussion on key insights.

Figure 4 Hypothetical Model of the regionalisation process



The measurement instrument was an interview schedule with open-ended questions that ensured key research questions were fully addressed and allowed for some level of flexibility that allowed the respondents to have an open mindset. The draft interview schedule was also subjected to a dry run prior to the in-depth interviews in order to check the natural flow of the interviews and allow the sequential emergence of key themes and viewpoints, which were crucial during the data capturing process. During the dry run, the researcher identified one improvement which involved having the introduction adjusted slightly to suit the IMNEs. This change was to take into consideration that IMNEs differed from DMNEs and SMNEs in that Kenya served both as the home country and host country for IMNEs.

The research questions also formed the basis for a subset of questions that were used in the interview schedule aimed at gaining comprehensive insights, experiences, and key learnings following entry of MNEs into Kenyan market and subsequent expansion into East Africa. Based on the literature review the researcher proposed five research questions that were categorised in five phases as described below.

- **Start-up Phase (Post Entry)** – Explored the experiences firms went through immediately after the entry phase. It sought to determine the events and experiences that firms underwent right after a firm had commenced operations into the host country.
- **Learning and adaptation (Acclimatisation Phase) –** Represented the coping

and acclimatisation process. The aim was to comprehend how firms adapted to the new market and what were the coping mechanisms used.

- **Settling and Positioning Phase** – Investigated how firms consolidated their host country operations. The process through which firms consolidated and enhanced their market position in the host country. The events that lead to outsider MNE moving from being "one of them" to "one of us" were explored in this phase.
- **Regionalisation / Expansion Phase** – Investigated the events leading to the regionalisation decision. The existence or lack of a tipping point, which led to the decision to regionalise, was explored.
- **Regional Consolidation Phase –** Investigated the outcomes and experiences of regionalisation. In addition, the alignment of the expansion strategy to the overall firm's strategy and any linkages were explored.

4.7 Data Gathering

Semi-structured in-depth interviews were utilised to not only ensure coverage of pertinent themes but also gain deeper insights into the research questions. This was achieved through a set of open-ended questions designed to elicit as much information as possible from the respondents.

"In-depth face to face interviews provide an opportunity for detailed investigation of each person's perspective, for an in-depth understanding of the personal context within which the research phenomenon is located, and for very detailed subject coverage" (Ritchie & Lewis, 2003). In addition, the researcher was able to observe respondents' emotions when sharing their experiences and also an opportunity for clarification and expounding on any insights that emerged.

Prior to conducting the final interview a copy of the interview schedule was e-mailed to the interviewee and followed up with a phone call to give a general overview of the expectations. This was crucial for two reasons. Firstly, it ensured that the respondents did have a good understanding of the research questions and allowed for adequate preparation by the interviewees. Secondly, it was crucial to establish a rapport with all the respondents prior to the face-to-face interview as this encouraged dialogue as opposed to pre-set responses. The interview location was selected by the interviewee and was within office premises and usually in the early mornings or over lunch breaks owing to the often-busy schedules of the high-ranking respondents.

Eight of the interviews lasted between forty-five minutes to one hour with four lasting between twenty to thirty minutes. The duration of the interviews was defined as the period from when the first question was asked and the point of thanking the interviewee. The interview questions were designed in a simple way to allow for open dialogue and extraction of personal experiences and perceptions. The interview schedule served as a guide and reference point for discussions in order to uncover common themes while also ensuring each research question was covered comprehensively. All interviews were conducted in English, voice recorded with permission from the participants and transcribed for detailed analysis. The researcher had initially set out to conduct an estimated twelve to eighteen semi-structured face to face interviews which were further broken down into the three categories of MNEs, namely IMNEs, DMNEs and SMNEs. However, only a total of twelve interviews were recorded and the researcher took notes that would aid in the transcribing, editing, and enhancement of the hypothetical model.

4.8 Analysis Approach

The research was qualitative with the data analysis approach being an iterative one that required shuffling back and forth between data collection and data analysis (Petty et al., 2012). The qualitative data was collected during the in-depth interviews that were recorded digitally. The digital recordings were then transcribed for ease of analysis and access to the raw data.

Once the data was transcribed, the information from the interviews was categorised and integrated with the research questions that were presented in Chapter 3. The categorisation into groups was on the basis of aspects that dealt with the same phase in the process. Saunders and Lewis (2012) referred to these aspects as units of data that are appropriate for the analysis and form categories. Content analysis was then used to group the data according to the hypothetical model after which content analysis was conducted. This was achieved by capturing categories and common themes on a Microsoft Excel spreadsheet and exploring the frequencies and patterns that manifested during the regionalisation process. Frequency analysis was then utilised to allow for the aggregation and categorisation of the data on the basis of the research questions. The emergent patterns and themes from the data were then used to modify and enhance the hypothetical model.

The process of analysis was similar for all interviews and focused on disaggregating the core patterns and emerging themes, with areas of divergence being highlighted.

The synthesis of the data was also noted in order to ensure that the original thoughts and views of the participants were not lost in the disaggregation process and ensure traceability back to the original data. By exploring each individual case and then comparing across all cases, the analysis produced contextually relevant results.

4.9 Validity and Reliability

The interview schedule was standardised as much as possible in order to ensure reliability, with only minor changes to accommodate the context, for the sake of the targeted respondents. The qualitative research was evaluated based on the criteria proposed by (Petty et al., 2012). This involved a measure of confirmability, credibility, dependability and transferability (Petty et al., 2012). Adaptations of the criteria are outlined as follows:

4.9.1 Confirmability

In order to reduce researcher bias, the appointed academic supervisor also reviewed the data analysis. All the interpretations, implications and conclusions were made explicit via an audit trail in addition to using reflexivity in ensuring the researcher's personal experiences and subjectivity were documented (Petty et al., 2012).

4.9.2 Dependability

In order to enable independent judgment to be made by other researchers an audit trail of the procedures and processes utilised by the author will be available from the researcher (Petty et al., 2012)

4.9.3 Credibility

In order to enhance the credibility of the findings given the challenges associated with qualitative studies the following mechanisms were adopted. Firstly, the use of in-depth face-to-face interviews enhanced a detailed level of understanding owing to the relatively prolonged engagements during the interviews. Secondly, reflexivity was utilised to document the researchers own experiences and subjectivity influence on the interpretations. Lastly, the findings were tested for coherence and contradictions with an exploration of competing explanations to the themes that emerged.

4.9.4 Transferability

The use of purposive sampling ensured that the data was able to provide a range of perspectives in addition to the use of a robust data range that can be replicated in other areas (Petty et al., 2012)

Transferability will be especially crucial since the application of the findings in other regions within Africa may give better insights to investors and greater business community.

4.10 Research Limitations

The research limitations are as outlined below:

- The use of a qualitative research methodology, using semi-structured interviews carried inherent limitations, which included respondent bias, time constraints, and given that only one researcher collected the data, rather than a team of interviewers, skill became a limitation.
- The reliance on self-reported data came with its challenges in the form of recall bias and even though senior management were respondents, there were cases where a recent transition had taken place resulting in a perceived lower understanding of prior regional expansion motives which were challenged by the new incumbents.
- The research focused on only SMNEs investing into the EA region which was not representative of other African MNEs hence the results of the study may not be representative of the Africa region and in particular Northern Africa. Hence the outcome of a non-probability sample cannot be generalised to the entire population.

- The sample size was limited to 12 firms owing to time constraints, difficulty in obtaining interviews and the existence of a lower population of firms that met the research criteria.
- While the research was centred on the five phases, not all MNEs would go through the phases in the same exact phase sequence and in other instances it would be challenging to clearly define and isolate the specific phase that a firm is in. In addition, there are other instances where an MNE may venture into a region all at once without necessarily using a gateway country.
- The research also assumes the extension of the subsidiary mandate to the extent the initial host country subsidiary having greater control over the region. This may not be applicable in all cases especially when the parent firm opts to maintain control.

Despite the limitations outlined, the research is expected to give valuable insights into MNEs expanding into other regions in Africa. This would enable senior management from both the subsidiary and parent company proactively manage and steer the firms effectively as they go through the various phases of the regionalisation cycle

CHAPTER 5. FINDINGS

5.1 Introduction

This chapter outlines the results of the study, which was conducted through in-depth face-to-face interviews of twelve MNEs and corresponds to the research questions stipulated in chapter 3. The use of in-depth face-to-face interviews allowed the coverage of pertinent themes and allowed the researcher to gain deeper insights into the research questions. This was achieved through a set of open-ended questions designed to elicit as much information as possible from the respondents.

The research was aimed at gaining a deeper understanding of what MNEs experienced immediately after they commenced operations, how they acclimatised and coped in the host country, how MNEs settled and positioned themselves in the host country, the tipping point that led to regionalisation and finally the experiences firms underwent after regionalisation. The MNEs classified into three categories consisting of IMNEs, SMNEs and DMNEs.

5.2 Formulation of the Hypothetical Model

The hypothetical model developed from the literature review in chapter 2 was then used as the overall framework for the research questions used in the interviews. The hypothetical model in addition to acting as a visual aid, acted as a summary to the phases that MNEs went through as they regionalised after entry into a host country.

5.2.1 Purpose of the hypothetical model

The research questions had been documented and described in existing literature with the hypothetical model being used to link the various questions to form evolutionally phases of the processes and experiences that firms go through during regionalisation. During the interview, each respondent was given an overview of the five phases and then given the opportunity to share insights into each phase and the experiences through which the firm went through as it evolved through the phases.

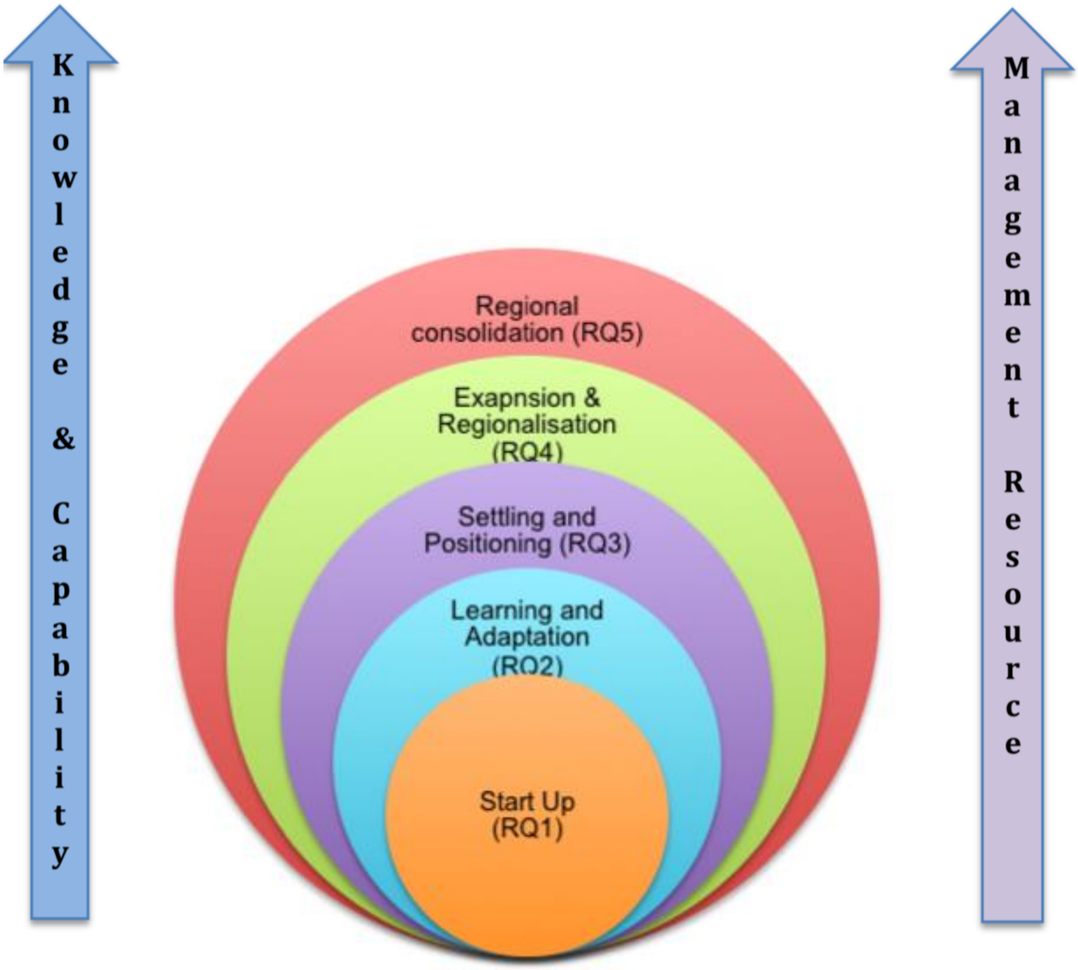
The interview results were then grouped on the basis of the five phases, which corresponded to the five research questions. The findings are presented in the same sequence as the interview schedule with each research question signifying a phase in the hypothetical model.

5.2.2 The components of the revised regionalisation process model.

The hypothetical model consisted of five phases of which each phase represented a research question linked to the interview schedule. The five phases were characterised by a sequentially cascaded movement from one phase to another with each phase representing a state of being which were linked through a process flow. After the completion of the 12 interviews, the researcher incorporated a new approach based on the data findings.

The enhanced model emphasised the overlapping relationships of the phases with a greater emphasis on growth and graduation of the firm through the various phases. In addition, it was able to incorporate situations where a firm regionalised into more than one country at the same time with each expansion country being at a different stage in the process. Lastly, the model also showed the progression or increase in knowledge and capabilities as a result of increased learning and experience. It also depicted a commensurate increase in managerial resource requirement and ability to manage and coordinate the overall firm. The revised model in figure 5 now caters for the inability to separate the distinct phases characterised by the sequential incremental approach, which meant that a new phase would only start once the preceding one was complete.

Figure 5 The revised process model for the Regionalisation process.



5.3 Analysis of in depth interview Data

As outlined in Chapter 4 data collected from the 12 interviews conducted the content and frequency analysis technique in order to identify common themes. The process required approximately 25 to 45 minutes of in-depth interviewing per interviewee and utilised the interview guidelines as presented in Appendix III. The interviews across the three groups of MNEs were transcribed and analysed using the content and frequency analysis technique in order to identify the most prevalent themes. Secondly, an exploratory method was used to review the transcripts and develop themes that aided in the interpretation of the data through the isolation of areas of similarity, patterns, areas of convergence and divergence and core themes for each of the transcripts.

The content analysis was performed by capturing the data onto a created template in Microsoft Excel. Each concept that pertained to the research questions was captured for all the respondents. For each identified theme the number of mentions by each respondent was captured using frequency analysis and then rank-ordered from the most prevalent to the least prevalent. The results with the most prevalence rates were then expounded on.

The number of responses provided in the aggregate tables is in most instances higher than the number of interviewees that participated, given the fact that some interviewees had many shared experiences. The researcher used the all the data to create a more meaningful analysis.

Lastly, these were then categorised and grouped based on the five research questions and with further categorisation into the three types of MNEs, which were DMNEs, SMNEs and IMNEs. The most prevalent themes for each category of MNEs were highlighted and grouped by each research question. Exhaustive data sheets with all questions containing all concepts are presented in Appendix III.

The results are presented as follows:

Start-up Phase (Post Entry)

- **Research Question 1: Interview Question 1, 2, 3**

  The question sought to determine what happens to firms during the start-up face. This was right after a firm has entered into the host country.

Learning and adaptation (Acclimatisation Phase)

- **Research Question 2**: **Interview Question 4, 5, 6**

  The Research question aimed to comprehend how firms adapted to the new market. What coping mechanisms were used?

Settling and Positioning Phase

- **Research Question 3: Interview Question 7, 8, 9**

  The research question was used to gain further insights of what firms did to consolidate /enhance their market position in the host country.

Regionalisation / Expansion

- **Research Question 4: Interview Question 10, 11, 12**

  This research question was used to gain further insights into the tipping point, which lead to the decision to regionalise.

Regional Consolidation

- **Research Question 5: Interview Question 13, 14, 15, 16**

  This research question sought to gain insights on how the firm aligned the expansion strategy to the overall firm's strategy and any linkages that were required.

5.4 Results for Research Question 1

Also referred to as the start-up phase, the question sought to determine what happened to firms during the start-up face. This is right after a firm had entered into the host country through the firm-specific entry mode strategy. The three most prevalent themes that emerged from the respondents' right after the start-up phase were as depicted in Table 3 and those with frequency counts greater than 3 are expounded further below:

Table 3 Key themes at Start-up Phase

Rank	Theme (Start-up Phase)	Frequency
1	Anchor Clients – Pre-existing business connection	4
1	Host country factors – Economic, resources	4
1	Inherent firm capabilities – Autonomy, Parent relationships	4
4	Risk Appetite - Risk Tolerance	2

5.4.1 Anchor clients:

Four of the respondents from DMNEs and SMNEs indicated that having an anchor client was crucial to survival right after the startup phase. The anchor client, in this case, played the vital role of being a source of revenue streams for the firm from which the firm would generate routine income that would fund the business operations. The anchor client was also a crucial source of knowledge and information for the firms with 3 respondents indicating that at the startup phase the anchor client was their principle source of revenue.

> "We experienced increasing demand from some of our key customers in other markets to provide similar services in Kenya. This made the decision to start operations in Kenya was more urgent as the clients wanted some form of standardisation of our service offering across the Globe" (Respondent 5)

> "The mistake we made was coming to Kenya without having a secured monthly revenue stream. We sold the hardware and then did not have any other customers. The second time round we got into a servicing agreement with a major client which guaranteed annuity income" (Respondent 6)

> "The foreign-owned banks were having a party and they were doing as they pleased. Who says we cannot run our own bank. At least someone had to try it. There was a lot of negative sentiment around locally owned banks at that was the biggest challenge. But we acquired a building society and that formed our initial client base." (Respondent 10)

> "When you already have a pre-existing customer base. For us, it was our only source of income. There is a lot you can learn from such customers in addition to ensuring that you treat them better than the predecessor" (Respondent 12)

However, for some IMNEs there was a perceived higher risk appetite from two respondents owing to the fact that they started out with Greenfield investments and had to actively develop a client base.

> "From experience, you need to have something running then the customers will come. You cannot go out there looking for business before you even set up shop. You need to have something going" (Respondent 2)

> "We started out with nothing. All we knew was we needed to create the market ourselves...I had to have the business operations first before I could get the customers" (Respondent 7)

5.4.2 Host country characteristics.

Three respondents from DMNEs and SMNEs acknowledged the need to set up operations in Kenya owing to the attractiveness of the country from an infrastructure, skills and market size perspective. In addition, exposure to the Kenyan environment was perceived to be crucial from both a learning and experience perspective. Although there was no specific mention of any government support, the attractiveness of Kenya compared to the other East Africa countries was crucial to increasing the chances of conducting commercially viable business opportunities.

> "Kenya is an open economy with a well-established financial services sector. There is little government interference around foreign exchange and we are able to practically transact in any major currency. The economy is also not reliant on commodities like some of the other countries. Which makes it relatively stable" (Respondent 5)

> "Some of our key clients already had viable operations in Kenya...It was thus easy to make the investment decision. If they had managed to make it work..Then it was just a matter of time and we would be successful" (Respondent 8)

> "Kenya teaches you what you cannot get in any other east African country. You get to learn the good, the bad and the ugly, all in one stop. Now that can take you to the rest of East Africa" (Respondent 11).

For one respondent from an IMNEs, Kenya served as both the home country and host country and there was a perceived confidence in IMNEs, that having had successful operations within a certain region in Kenya, then it would be more competitive and challenging to establish a successful business in the capital city Nairobi.

> "We started out small and we quickly discovered being in a small town was not going to be sufficient to grow our business. We needed to get to the capital city Nairobi and play with the big boys (foreign companies). From then on we knew we were playing in a bigger league" (Respondent 10)

5.4.3 Inherent Organisational Abilities

The firm-specific abilities played a crucial role in determining the kind of experiences that an MNE went through at this phase. These included the support structure from the head office, resources available at the disposal of the MNE from both a financial, skills perspective, and strategic intent behind the MNE activities. Four respondents felt that at this stage there was more intense micro-management with almost all major decisions having to be referred to the head office or the board for approval. Although there was no mention of explicit terms of reference for running operations, the need to advance past the start-up phase and gain a foothold in the host country appeared to drive the strategy.

> "I would say we were very cautious at first and should have probably taken on more risks. However, I can only say that now that we are here. We all wanted to grow as quickly as possible. However, the risk of losing everything in the process.. brought some level of sanity" (Respondent 5)

> "We had just taken over a microfinance bank that was not doing well. Customers were leaving in the numbers. We had to stop the bleeding and regain some level of trust with the market. It did cost lots of money though" (Respondent 10)

> "Almost 90% of all the decisions I had to make, had to be approved by the head office and at one point I felt like we were just copy pasting the global strategy in Kenya. I had to report almost about each and everything I did" (Respondent 12)

For all MNEs, the close monitoring and supervision were not only applicable to senior management but also subjected to all employee levels within the organisation. The need for survival past the start-up phase appeared to drive the senior management to also micro-manage employees within the MNE. Most respondents admitted to having to overcome an element of foreignness within the organisation. This was mainly as a result of team compositions, which in most cases for DMNEs and SMNEs involved a staff compliment consisting of both expats and local staff.

> "I was sent from the head office and had never interacted with the locals before who were part of staff. It did take some time getting used to the working with the staff but for my own comfort I needed to have everything run through me as I built trust in them" (Respondent 11)

Whereas the was no explicit duration for the start-up phase, there was consensus on the urgency placed on management to move beyond the entry phase and embark on a growth curve with almost no clear transition from the start-up phase to the next phase.

5.5 Results for Research Question 2

Also referred to as the learning and adaptation phase, the research question aimed to comprehend how firms adapted to the new market and attempt to isolate the coping mechanisms used in the process. Whereas the transition from the start-up phase to the second phase may not be as distinct and appear like a seamless transition the following were the most prevalent themes as shown in Table 4, which depicts the most pertinent themes that emerged from the learning and adaptation phase. Themes with a frequency count of more than 2 are further expounded below.

Table 4 Key Themes of the Acclimatisation Phase

Rank	Theme (Acclimatisation Phase)	Frequency
1	Local Skill Complement – local staff, managerial staff, expats	8
2	Long Term versus Short Term Orientation	6
3	Culture – Local culture, Western cultures, Cultural differences	6
4	Inherent Organisational Receptiveness - Responsiveness	5
5	Financial Resources	1
6	Parent Support - Trainings	1

5.5.1 Local skill complement

For MNEs and especially more so for DMNEs and SMNEs, there was a varying ratio of locals to expatriates across the firms. However, while the local staff compliment was more than that of the expatriates, the proportion of local staff in senior management positions seemed to be very crucial in fostering learning and adaptation. Local staff were perceived to create a higher level of business confidence amongst local clients than an expatriate would.

> "As much as possible we have local staff in most senior positions since they understand the environment better… In sales, you need locals who can create those crucial relationships with key business partners. I am South African and I cannot be as effective as my Kenyan colleagues in negotiating for contracts with the government" (Respondent 5)

> "Selling hardware is an easy sell given that one dwells on specifications. However negotiating for a service contract is a lot different. A Kenyan understands our clients better and the way things are done here is very different from South Africa" (Respondent 6)

> "It one thing to understand your product and it another to know who to sell it to. In this country, the person selling the product is more important than the product itself. There is no way you can sell to government institutions without having local staff" (Respondent 12)

While the benefit brought by expatriates was crucial in every organisation, the reliance on the local staff compliment to drive business was emphasised by all respondents. The need to have a representation by local staff in key positions was perceived to increase the ability of the MNE to manage uncertainties. In addition, the local staff were perceived to be a crucial source of learning for not only the top management within the MNE but also brought about some reverse knowledge flows.

> "There are some things which only a Kenyan would understand, know and appreciate. What is obvious for local, may not be the same for the expats."(Respondent 3)

> "The board needed to have local representation. It was the only way to localise and adapt our strategy to fit Kenya. Otherwise, without them, it would be like trying to find your way in the dark" (Respondent 11)

Though not explicitly stated, having a local representation in senior management was also good for public relations. This was in addition to the fact that Kenya did possess a diverse talent pool, which was also crucial in ensuring that even the expats were in a position to learn from the locals.

> "Having a local representative is crucial in so many ways. At the board level if you are dealing with the government…you get a feeling that things are a lot easier with one of their own. It is far much easier if you are negotiating for a contract with local representation on your side. You become politically correct" (Respondent 5)

> "No one will tell you this.It's an implied rule. When you have letterheads with only expat directors at the bottom...then you cannot get anywhere or anything especially the big jobs" (Respondent 8)

While the above was true for the SMNEs and the DMNEs, One IMNE respondent expressed the need to also have some expats as part of the board to gain some level of the corporate image.

> "We needed an expat to be part of our board. It is almost as if it gives you more credibility. You are big enough to afford to have an expat on your board kind of thing" (Respondent 9)

5.5.2 Long term versus short term orientation

A long-term orientation to country operations implied that these MNEs were perceived to be more open to a gradual and incremental approach to learning and adapting to the host country environment. These MNEs tended to be more subtle in making changes with an increased reliance on a local staffing compliment to drive strategy and change while incorporating and making gradual changes or adjustments with time. MNEs that were interested in making long-term gains also tended to opt for Greenfield investments.

> "We always wanted to be the financial services leader in Africa and hence investing in Kenya was always on the table and it was just a matter of time. Our success in Kenya was vital and it had to be done right" (Respondent 5)

> "In the long run, we expected to have more autonomy and develop the market even further with the aim of venturing into other regions. We could not afford to repeat some of the mistakes we had made in West Africa" (Respondent 6)

A short-term orientation was synonymous with MNEs that ventured into Kenya via an acquisition and adopted a more aggressive approach to achieving quicker market share growths. 5 respondents cited the use of acquisition and aggressive marketing tactics aimed at making quick gains.

> "There were already established players in the industry and it made more sense to buy out some of the smaller competitors in order to achieve economies of scale quickly." (Respondent 4)

> "It was always going to be easier to make acquisitions. We needed to understand the market quickly. A green field investment would have taken too long...and I did not have that time from head office" (Respondent 8)

> "There was just not enough time to recruit and train staff in-house. We had to poach staff from our competitors to gain that edge within the shortest time possible." (Respondent 11)

One Respondent from IMNEs expressed frustration at the short-term approach used by foreign competitors in hiring of staff that have led to increased labour costs for some skilled staff.

> "The foreign companies have had a negative impact on the cost of doing business. It takes me several years to train my staff and just when I am about to start reaping the fruits they poach them. I just cannot keep up. These graduates are just a flight risk" (Respondent 9)

5.5.3 Inherent Organisational Receptiveness.

This refers to the firm's ability to respond to both external and internal stimuli that came from its immediate environment. External stimuli mainly manifested itself in form of market and customer feedback and competitor activities. Internal stimuli related to internal information from within the organisation and head office directives. The MNE would often be subjected to these stimuli and discernment over which to prioritise and act upon at times had a huge impact on whether an organisation would succeed or struggle.

> "There comes a time when you feel that relying on the head office for input just won't work. They send all these guys who seem to have a solution for everything yet when put to test… it's all just theoretical…Yet they will keep sending these guys" (Respondent 3)

> "…It was a challenge to convince the head office that we needed to review our strategy and concentrate on the lower end of the market. We had a good product but the packaging quantities made it unaffordable to most people. Selling the product in sachets was something we have never done before and the head office was against the idea" (Respondent 11)

"The trick, in the long run, is in knowing what works and what doesn't. You have to make some bold decisions. Keep the head office informed and just sort out your in-country issues. If you listen keenly to what is around you… then you are able to make informed decisions." (Respondent 8)

Both the internal and external feedback was crucial in shaping the strategy to be adopted by the MNE and involved trade-offs and opportunity costs depending on options generated and adopted.

"The industry is not regulated with minimal controls around parallel imports which meant that despite being a new entrant into the industry we had to immediately embark on differentiating ourselves. We opted to change the product offering and also started looking at local assembly in order to be cost effective and reduce the import taxes"(Respondent 12)

The receptiveness of the MNEs also involved the set-up of proper communications channels with feedback mechanisms that facilitated open communication and knowledge share across the organisation.

"We had to set up informal meetings with for all employees to raise any concerns without feeling chastened. Our customers needed to give us prompt feedback and for this to work we needed our sales staff to often work with our customers at their premises in order to know and understand some of the challenges our customers were experiencing with our products."(Respondent 1)

5.5.4 Culture

Culture can broadly be defined as the way we do things around here. The three groups of MNEs were faced with different experiences owing to their diverse backgrounds. Unlike IMNEs that were indigenous to Kenya, both the SMNEs and the DMNEs were foreign entrants into the Kenyan market. This, in turn, led to SMNEs and DMNEs being perceived as outsiders, which placed them at a competitive disadvantage in comparison to the IMNEs.

"It took us a while for the market to accept our products given that some of the local firms claimed that we were inhibiting the growth of local industries and everything about us was foreign. The expats had to also learn and adapt some of the local practices just to get buy-in from the market" (Respondent 4)

"We thought that it would be easy to replicate our success in South Africa here in Kenya. However, things are different here and you cannot just copy and paste. I recall our marketing manager insisting that we needed to be more

> Kenyan. Some of our expats even had to take some Swahili classes” (Respondent 11)

However, despite the cultural differences most respondents were of the opinion that adjusting to the culture was not as difficult, owing to some of the historical ties to western countries, which meant that there were many areas of convergence. Interaction with locals in social forums was perceived as being crucial in understanding the local culture. This though not explicitly stated did play a crucial role in supplementing the learning in the office, which may be limited especially informal interactions.

> “For a multinational from the US the historical ties to the UK means that a lot of Kenyans speak and understand English and in addition, there is a huge population of expats in Kenya which makes most of us feel at home. It would be a lot different in the Middle East.”(Respondent 6)

Two respondents were of the opinion that being an outsider was also an advantage in some way. This was based on the perception that if the MNE was from a more advanced economy then there was a perception that they had better products and would bring value to the locals.

> “You see if you are a multinational from the US, then culture is not an issue since as Africans we tend to look up to them. Now the American culture will be received very differently in the Middle East for example. Here in Kenya you don’t expect Kenyans to be receptive to the Middle East culture as we would the American culture” (Respondent 1)

> “Our products comply with world standards and also the fact that we are headquartered in the US makes some of the local clients more receptive and trusting. Our products are perceived to be of higher quality based on the country of manufacture when compared to some of the local brands” (Respondent 5)

This view was further supported by one IMNE respondent who expressed the need for the adoption of foreign cultures for businesses that wanted to go regional.

> “You can always do things the Kenyan way. 25% of our customers are multinationals and if we are to remain relevant, we have to incorporate some foreign cultural aspects. You have to be aware of what is out there” (Respondent 2)

5.6 Results for Research Question 3

Also referred to as the settling and positioning phase, this research question was designed to gain further insights into what firms did to consolidate /enhance their market position in the host country. This, not only involved gaining market share and expansion but also how the outsider DMNEs and MNEs moved from being outsiders to insiders in the host country. Table 5 summarises the themes that emerged from this research question. The most prevalent themes with a frequency count of two and above have been expounded further.

Table 5 Key Themes from the Settling and Positioning Phase

Rank	Theme (Settling and Positioning Phase)	Frequency
1	Innovation & Technology	6
2	Strategic Partners & Alliances	5
3	Relationships & Networks	5
4	Competition	3
5	Product Diversification	2
6	Parent Influence	1

5.6.1 Innovation and Technology

MNEs viewed innovation as being very crucial to succeeding in the market and more so in an increasingly competitive market. This was, however, not linked to the overall global competitiveness of the company but to the local context. Having the MNE introduce innovative solutions with a global impact was not adequate to gain a local competitive advantage. This was mainly because some very innovative solutions that had been developed by DMNEs and SMNEs in other regions were not practical from a financial or context point of view.

> "Some of our solutions needed a complete downgrade to be feasible and that takes time. Take an example of cloud computing which is currently big in the country. Yet this was introduced long ago in the US. We could not just roll out this years ago…the market was just not ready" (Respondent 6)

> "The vehicles available in other markets like the electric cars would not work here. You would need to have the required charging infrastructure and backup systems. This technology is still years ahead for Kenya given that even our fuel quality is still below standard" (Respondent 12)

Innovation needed to be context specific that required a deeper understanding of the market with solutions that seemed to address challenges that were perceived to be specific to the country. Market research was thus perceived as being crucial in collecting information in order to offer customised solutions and gain a competitive advantage. Being the first to introduce technological advancements was associated with gaining a first mover advantage, which was a source of competitive edge crucial to gaining market share.

> "We were the first to introduce mobile banking in the country which created the impression of being a more tech savvy organisation" (Respondent 1)

> "We were the first to introduce the 24hr shopping concept which made shopping very convenient for our busy shoppers. To this day we are the only chain offering this service in the major towns…which is a key differentiator" (Respondent 2)

> "We made a strong proposition to banks who saw mobile banking as the future of banking and were more open and willing to experiment with our products especially the payment gateway" (Respondent 7)

However, in some cases, there were respondents who viewed the global innovativeness of the parent organisation as being crucial to their success within Kenya. This was mostly linked to the fact that they were also developing solutions for global clients who signified the need to offer uniform solutions across all markets for some clients.

> "They choose us because they wanted us to replicate some of the solutions we have offered to other markets in this country. Working with a different supplier would lead to some integration challenges from a global standpoint" (Respondent 5)

> "The partnership with the bank has been good. By serving them here in Kenya it has helped them see our capabilities and it was easy for us to get to partner with them in other countries. Another bank also asked us to provide them with services in Uganda and Tanzania since they saw what we had done in Kenya" (Respondent 7)

5.6.2 Strategic Partners and Alliances

Market growth in this phase was perceived to be highly dependent on strategic partners who played the key role in growing the customer base and supporting the long-term strategy of the business. Strategic partners manifested themselves in the form of key customers, key suppliers, distribution channels, institutions and in some cases competitors. Strategic customers differed from anchor clients in that they played the key role of either endearing the organisation to the general public, 'transforming' the DMNE and SMNE to an insider MNE or simply increasing market share.

> "Once you partner with the right guys and they will take you to places you have never been. Some of our partners were such as key learning resource that in a short while it felt like we had been in this country for decades" (Respondent 3)

> "Partnering with a local company was crucial to shedding off the foreign image as we were now perceived to be deeply involved with the local communities and not just a foreign company out to syphon money out of the locals" (Respondent 8)

> "Kenyans are very patriotic and the last thing a foreign owned company wants is to be perceived as driving the local companies out of business. Whereas having a significant local staff compliment helps in portraying a patriotic image…it is not enough and we needed to create some value add to the local supply partners" (Respondent 11)

In total contrast to the norm, competitors also became strategic partners in some instances and were crucial in securing and delivering on some big projects. This was the case in situations where some MNEs formed alliances with competitors in order to secure and manage large projects or jobs, which they were not in a position to deliver on while working as separate entities.

> "Some of the tenders we had to bid for involved some expertise which was not available within the organisation at that point in time. At times it was just the magnitude of the customer requirements. All this meant we had to bring a third party on board and work together to deliver on the customer requirement. At that point, a competitor becomes your greatest ally" (Respondent 6)

The achievement of economies of scale was seen as vital to long-term success. The overall goal was to reduce the cost of doing business and strategic partners played the role of enabling the MNE to concentrate on its core strategic role and outsource some of the non-core activities.

> "You cannot be everyone and everything at the same time. It would be just too expensive and inefficient. The country is huge with remote areas where it is too expensive to serve. That's when our supply chain partners come in handy" (Respondent 8)

5.6.3 Relationships and Networks

Five respondents agreed that strong business relationships and ties were crucial to long-term business success. This mainly came in form of guaranteed markets for services and goods for the MNE. This was not only crucial for business performance but gave a sense of stability and assurance to senior management on the viability of the business. This, in turn, enabled them to put more emphasis on market share growth and even take on more risk by expanding country operations.

> “We came to Kenya with only one customer and that customer base has grown over the years to over 50. In this business you need to hold onto the customers you acquire and get more …else you end up with nothing. For us, it has always been about building relationships with our customers. It is the only way to stay ahead of the competition. I want to go and look for new business without having to worry much about competitors undercutting me. I need loyal customers in order to survive” (Respondent 5)

> “At times we spend so much time within our customers’ premises. It almost feels like we are part of their staff complement. It is crucial for our customers to succeed at what they do as it’s the only assurance we get that we will have business over the long run” (Respondent 7)

> “The competition can copy and replicate our products. The reason we are number one is because of the relationships we have built over the past 20 years. It is not something that money can buy. They (competition) think that throwing money around works...it is not always about the money” (Respondent 10)

For one respondents, the formation of local networks was crucial to service and product delivery to the final customer. This was especially the case where the distribution of products was dependent on third parties with robust channels across the country.

> “We have had to invest a lot in our distributors and this includes supporting them through tough times. We have created a level of dependency on each other which is very crucial in ensuring that the end clients get our products.”(Respondent 2)

Good relationships did not just exist with customers; they extended to government and local authorities. This is especially from a compliance point of view where a good record of accomplishment was vital for business continuity.

> "The industry is heavily regulated by the government. However, the government is still one of our key customers and sources of revenue. How do you lobby the government for positive changes if you are in their bad books?" (Respondent 9)

5.6.4 Competition

The competition was viewed as having played a crucial role in enhancing the product and services available in the market with the end consumer being the beneficiary due to the availability of choice. In addition, competition also ensured that pricing was also competitive as customers had more than one option to work with. Competition came from both local and global players and was seen as key to increasing both the product and service standards as the key players embarked on differentiating themselves through a superior product and service offering.

> "The fact that there are many players in the banking industry who are both local and foreign means we have to adopt global standards. When evaluating ourselves we view ourselves from a Pan-African perspective rather than just your local East African bank" (Respondent 1)

> "Competition is good for us. It is the only way we are able to replicate global standards in this context…It just would not be the same if we were the only player in this market. Just look at what competition has done in enhancing the interconnectivity speeds in this country". (Respondent 5)

> "Healthy competition increases the standards of everyone in the industry. We started out small and had to step up our game to compete with the multinationals. We have learned a lot and now most of our products are in line with global standards" (Respondent 10)

5.6.5 Product diversification

The ability to develop a diverse product range for the local market was viewed as being crucial to not only enhancing business performance and market share growth but also for long-term survival. Offering multiple services and products to clients was seen as being crucial to locking in key customers with the aim of offering a one-stop solution for clients.

> "Initially we only provided hardware solutions but with time we have started offering support services to the same clients. This has given us an edge in that we don't just sell the hardware which a lot of our competitors are able to , but we also offer backup support in addition which most of our competitors are not able to match up to" (Respondent 6)

"Even as the regulator came into the landscape, we identified more opportunities in the banking payments industry which we started evolving into. This would bring in additional revenue streams since ringtones revenues streams were being affected by the changes in the landscape. (Respondent 7)

5.7 Results for Research Question 4

Also referred to as the expansion and regionalisation phase, this research question was used to gain further insights into the tipping point, which lead to the decision to regionalise. The key drivers for the decision to regionalise were both proactive and reactive. Proactive drivers related to situations where the organisation consciously made the decision either to regionalise as part of a strategy or to seek new opportunities. Reactive drivers related to situations where the organisation made the decision to regionalise because of external factors. There were 8 themes arising from this research question of which based on frequency counts, the top 4 proactive drivers and top 2 reactive drivers were analysed and how they relate to the expansion and regionalisation phase are as presented in Table 6 below.

Table 6 Factors leading to Regionalisation and Expansion Phase

Rank	Theme (Regionalisation and Expansion Phase)	Frequency
1	Firm Specific Abilities - Proactive driver	6
2	Competitors and Peer Pressure - Reactive driver	4
3	Anchor clients and Partnerships - Proactive driver	3
4	Regional Competition – Intra Regional competition - Proactive driver	3
5	Long-Term Strategy – Proactive driver	3
6	Extended Client Mandate – Reactive driver	2
7	Regulatory Changes – Reactive driver	1
8	Economies of Scale – Proactive driver	1

5.7.1 Firm Specific Abilities (Proactive Driver)

The majority of the respondents were of the opinion that they expanded into the region when they had developed the confidence and abilities to manage bigger operations. Though not explicitly stated, the need to have their local operations succeed first before venturing into the region was perceived as crucial but also limiting.

"You cannot leave your house burning and go to help the neighbours… there was always something that needed to be done in Kenya and we felt we needed

> to fully exhaust all the possibilities locally before venturing out. We do not have as many resources like the multinationals from the west. We just could not afford to burn our fingers" (Respondent 1)
>
> "Operating in Kenya has taught us a lot especially in terms of customer tastes and preferences. Once we got our act together in Kenya, it was a lot easier to replicate the same in the region with a few minor tweaks here and there."(Respondent 9)
>
> "Kenya was always going to be our largest market. It was easier to get into the other markets once we had confidence that our Kenyan operation was on track. In any case, it was the regional office...everything had to be right."(Respondent 11)

IMNEs were perceived to be more open to expanding within the region given the ability to replicate some of their services and products within the region. Likewise, SMNEs seemed to value the Kenyan experience and the ability to transfer this to other subsidiaries within the region.

> "You have to sell to your neighbours before you get out of town. Coincidentally by the time we got into the region our products were actually selling in some of the border towns of other countries. Some customers actually wondered why we had taken so long" (Respondent 2)
>
> "If you can figure out the Kenyan market, then the rest are pretty straight forward. They are almost a downsized replica with a few tweaks here and there. The local skill set here is easily deployable across the region" (Respondent 4)

The decision to regionalise was also perceived to be a sign of confidence in the subsidiary by the parent. This manifested itself in form of an increased mandate for the subsidiary owing to its success in the host country. Though not explicitly stated most respondents associated the opportunity or approval to regionalise with increased confidence in managerial capabilities.

> "My boss was told me that Kenya alone was not as big as the Asian markets and I needed to present other opportunities within the greater region."(Respondent 8)

5.7.2 Competitor and Peer pressure (Reactive Driver)

The expansion of competitors into the region from Kenya appeared to have driven some MNEs to expand into the region as they felt they would miss out on opportunities.

The rationale behind this was to gain a reputation as being a regional organisation and one that was at forefront of business growth.

> “Everyone was expanding into East Africa… You had to be on the bus…How do you justify not taking the opportunity while everyone else seems to be doing just fine? In life, you do not have 20 – 20 vision…you cannot always have full justification and logic behind everything you do” (respondent 4)

> “We are a lot smaller than some of the other banks in Kenya...they expanded into Tanzania and Uganda and we had to follow suit. There is some credibility that comes with being a regional bank. Customers almost feel like they can trust you more” (Respondent 9)

> “We had plans to expand into the region in near mid-term. However, the competition went into these areas a lot quicker than we expected. The pressure to regionalise from the head office increased and we decided to take the plunge. The last thing you want is to expand into a market that is already saturated” (Respondent 10)

One respondent was of the opinion that the Kenyan market was getting saturated and thus they were better placed to focus on the region if they were to achieve the scale that they expected.

> “We were a late comer into this market. It would be almost impossible to get to the client base we had hoped for. That is when we opted to look beyond and in no time we ventured into Tanzania and Uganda. At times it’s a game of numbers” (Respondent 11)

5.7.3 Anchor Clients and Partnerships (Proactive Driver)

Similar to setting up operations in the host country (Kenya), expansion into the region for some of the respondents was catalysed by the existence of confirmed business opportunities. The certainty of these opportunities was perceived to play a crucial role in reducing business risk since the chances of success then increased significantly.

> “Our operations in Kenya were going on well and some investors in Tanzania invited us to set up shop within the malls they were building as they needed anchor clients. We did our feasibility studies and it was a go. And in less than a year we had 4 outlets in Tanzania” (Respondent 2)

> “Out there, you will be amazed at how many people want to partner with you when you have a good track record…For that investor who is risk averse...you

want to put your money in safe hands. We have a good name in the region and most shopping mall owners know our presence attracts very many clients" (Respondent 9)

"One of the retail chains was struggling with their operations in Tanzania and wanted a quick exit. The wanted to sell off everything to us. Even transfer the employees to us. We did our due diligence and in a short while we purchased the company" (Respondent 11)

5.7.4 Regional competition (Proactive driver)

Respondents from IMNEs cited the regional competition as a key driver to regionalise. Most IMNE respondents cited a level of unhealthy competition especially between Kenya and Tanzania with a perceived level of distrust by Tanzanians when it came to Kenyan companies. This was in total contrast to the underlying foundation of the East African Community that was set up to foster trade amongst the countries.

"It was no longer feasible to export to Tanzania. It is almost as though the customers wanted to have a made in Tanzania Brand."(Respondent 2)

"The interesting thing about our neighbours in Tanzania is that they are more receptive to South African products than to Kenyan products. The South African multinationals have an easier time than Kenyan companies."(Respondent 1)

The presence of other regional players in these countries also seemed to play a key role in driving the regional presence. This they attributed to increased cost effectiveness resulting from having operations within the countries and challenges associated with cross-border trade.

"In Tanzania and Uganda, we have other multinationals who are our competitors. Not having a country presence put us at a disadvantage especially when it came to local market responsiveness. It is just not about paying lower taxes." (Respondent 6)

5.7.5 Parents Long term strategy (Proactive Driver)

For DMNEs and SMNEs the parent strategy seemed to have the greatest influence on the regionalisation decision. This was mainly in form of a pre-determined long-term strategy geared towards gaining a regional footprint in the medium to long term. Some respondents felt that expanding into the region was one of the mandates given to the Kenyan operation and thus regional expansion was going to be a matter of time and the timelines given for the expansion.

> "Our goal is to be leading financial services provider in Africa by the year 2020. Expanding into the East Africa region was crucial to achieving the groups' objectives. We started with Kenya then subsequently went into the other countries." (Respondent 4)

> "We had been in the country for several years and were always on the lookout for opportunities. When the opportunity to buy into this company presented itself …it was an easy decision given our need to gain entry into Uganda and Tanzania through an acquisition. A green field option was never going to work for us…they just take too long" (Respondent 12)

5.7.6 Extended client mandates (Reactive Driver)

This related to the need to provide services in neighbouring countries for clients who had a regional footprint. This driver was more specific to respondents from service industries where their existing clients opted to consolidate the supplier base and harmonise the product offering across the region.

> "One of our key clients requested us to offer support services in Uganda and Tanzania for their subsidiaries. We did not have a presence in these countries. Initially, we would send our staff from Kenya but in a short while, it became impractical…That's when we opened our two offices in these countries." (Respondent 5)

> "It did not make sense to have Kenyans working in these countries on short term assignments given the extended contracts we were getting. The hussle of having to get work permits while we could get local staff to do the same work was an easier way out" (Respondent 7)

5.8 Results for Research Question 5

Also referred to as the regional consolidation phase, the research question sought to explore how firms aligned the regional strategy to that of the overall strategy and the linkages that were required. The majority of the respondents were of the view that there needed to be an alignment of the overall strategy and the regional strategy for the organisation to succeed. The success of the regionalisation strategy was perceived to be crucial to the future of the organisation and in particular the regional subsidiary.

Eight themes emerged from this research question as summarised in Table 7 and based on the frequency counts the prevalent themes with a score of two and above have been expounded further.

Table 7 Themes emerging from the consolidation phase.

Rank	Theme (Consolidation Phase)	Frequency
1	Cross-Border Differences	3
1	Centralisation of Core Services	3
1	Local Talent Usage	3
1	Standardisation	3
1	Head Office Relationships	3
6	Cross Border Board Representation	2
7	Expats	1
8	Technology	1

5.8.1 Cross-border differences

There was the general consensus amongst respondents that despite the ability to replicate some of services and products across the region, there was a need to have some level of local adaptation. The regional countries were cited as sharing a lot in common but adjustments were needed for greater success levels. The diverse elements of culture across the region needed to be integrated into the overall organisational matrix.

> "we sell phones manufactured outside Africa…the phone I sell in Kenya is the same as that one in Tanzania…But you cannot market them in the same way. For the Kenyans we use English while in Tanzania Swahili is the preferred marketing language…that is why you need the local staff compliment in each country…they will tell you what works and what does not" (Respondent 6)

> "In Kenya, personal loans and retail are the order of the day. In Tanzania, we are more in the corporate sector…we cannot push for personal loans there since the bulk of the population have no identity cards which makes it almost impossible to track anyone" (Respondent 9)

> "Kenyans want you to get to the point without beating around the bush…In Tanzania, you have to have the informal chit chats…you know, ask about family and so on before getting down to business… Now if you don't know this, then life can become very difficult" (Respondent 11)

5.8.2 Centralisation of core services

Given that Kenya served as the regional headquarters, most respondents cited the need to centralise some of the core functions like IT, Human resources and Finance.

This enabled the replication of some processes across the region thus achieving economies of scale. In addition, the establishment of centres of excellence played a key role in upscaling the competency levels across the region. This, some of the respondents argued was crucial for cross-border operations with the ability to transfer staff across borders.

> “Kenya has the most developed IT platforms across the region and it makes sense to centralise our IT operations here. When you look at budgeting at the regional level it’s done here...It only seems practical to have the finance functions centralised here” (Respondent 9)

> “The skill set available in Kenya is the most advanced in the region. You do not struggle with getting competent staff in this country. What has worked for us is to have the other subsidiaries seconded on training here and also having some of the locals go and train staff in the subsidiaries” (Respondent 11)

However, one respondent was of the opinion that centralisation though crucial, came at the expense of local responsiveness.

> “At times some of the subsidiaries feel they were losing out due to longer turnaround times for some crucial decisions. We do not have much of a choice though especially due to the uncertainty that comes with the industry. They call it playing safe…but at times its crippling” (Respondent 4)

5.8.3 Local talent Usage

All respondents strongly felt that developing of local talent was crucial to success. Having local representation was perceived as crucial to getting a buy-in from the market. There was a perceived reduction in the element of foreignness once a subsidiary had a significant local staff compliment. The respondents also cited the need to have citizens take up senior leadership roles, as it was felt that this endeared the MNE to the local communities.

> “The last thing you want is the locals thinking you only hire foreigners…for strategic reasons, you will need one of their own. I started operations in Uganda and then handed over to a local MD who had been in Kenya as the finance director” (Respondent 4)

> “In all the countries we have expanded to, we ensure that we have adequate local representation in key positions” (Respondent 7)

While this was a general observation, one respondent acknowledged that it had its limitations especially in the aspect of differing work standards and expectations.

> "The work ethic in Kenya is very different to that in Tanzania. The guys here can be pushed and can do long hours when the need arises. In Tanzania, it's different. They will not budge and you can see it from a mile away" (Respondent 10)

5.8.4 Standardisation

Whereas from the onset products and services were context specific, most respondents were of the opinion that they would be a gradual move to standardisation of the service and product offering in order to achieve economies of scale.

> "Initially we had very different services being offered across the various countries…then with time we wanted to standardise our products to be in line with global standards and get ISO certification. This means we had to evolve our product offering to what it is now…I can now assign any of my staff in the region to a particular task and get the same result." (Respondent 9)

> "The gap between the Kenya and the other countries is reducing and I must admit they are more open to positive changes...at times you can just offer the same product but call it a different name" (Respondent 12)

However, some respondents thought standardisation would only erode the gains made in the respective subsidiaries. This they said was due to the increasingly complex customer tastes and preferences.

> "The market is used to these specifications. Having the same product across the region is risky and may backfire. Plus we may encourage illegal importation of products from one country to another" (Respondent 5)

5.8.5 Head office relationships

A successful regionalisation effort came with a mixed bag of results. Some DMNE and IMNE respondents reported increased trust and confidence level in their abilities. They felt that regionalisation had enhanced their decision-making autonomy with the parent taking a back seat in operations. These they attributed to increased level of trust from the parent owing to had already proven themselves.

> "Initially I could not even hire anyone without getting approval from the head office. Now it is different…all they need is just to be informed. The level of

interaction with the head office is a lot lower and we can just do our thing" (Respondent 1)

"Trust in earned. As long as you got your stuff straight. Then no one bothers you" (Respondent 7)

However, some respondents experienced scrutiny from the parent company and felt they no longer enjoyed as much autonomy as before. This they claimed manifested itself in form of more head office meetings, reports and an increased staff complement from the parent company. While this could be attributed to an increased materiality or significance of the regional operations, it was perceived as restrictive and demotivating.

"Now that we are making good margins and contributing significantly to the central kitty…they are sending all these head office guys on expensive packages we have to foot…When we were not making money, no one was interested...and now they keep asking and checking what we are up to" (Respondent 8)

5.8.6 Cross Border Board representation

All respondents expressed the need for strategic alignment across the region and the need to prevent unhealthy competition amongst the subsidiaries within the region. Despite the fact that each subsidiary was managed independently due to the need to have increased local responsiveness, it was also crucial to advance the group's strategy. Bearing this in mind, subsidiary senior management teams often had some form of representation from the regional head office and in return, each subsidiary had representation at the head office. This they argued fostered strategic alignment with the closer interaction of various subsidiary heads.

"The regional operations director sits on the board of all the subsidiaries. This way we are able to oversee the operations of each subsidiary. The subsidiary MDs are also part of the group board of directors. This way everyone gets to know what is expected and even build on each other's strengths through knowledge sharing" (Respondent 8)

"if you do not develop a mechanism to oversee each subsidiary and get the buy in…then you quickly discover everyone starts doing their own thing. In no time everyone starts fighting each other" (Respondent 9)

5.9 Conclusion

The results from the five research questions support the existing literature in chapter 2 and have contributed to deeper insights into the experiences and processes that MNE goes through as they regionalise from a gateway country. In chapter 6, the results in chapter 5 are analysed comprehensively. The revised hypothetical regionalisation model provided a framework for the experiences during the regionalisation process for MNEs.

CHAPTER 6. DISCUSSION OF RESULTS

6.1 Introduction

Based on the literature reviewed in chapter 2 the research findings are comprehensively discussed in Chapter 6. This Chapter provides insights into the findings in Chapter 5 based on the in-depth interview research questions gathered from the 12 interviews conducted across the three types of MNEs. The data coding and review of the transcripts enabled the emergence of themes and provided insights into the regionalisation process and the experiences. This was through the isolation of areas of similarity, patterns, areas of convergence and divergence and core themes for each of the transcripts.

6.2 Discussion of Results for Research Question 1

What experiences did firms undergo immediately after the entry phase?

This research question sought to determine the experiences that firms went through immediately after the start-up phase. Findings from the in-depth interviews and revealed pertinent themes of which those with the highest frequency counts were expounded.

6.2.1 Start-up Phase (Post Entry) Themes

The data from the interviews highlighted the key experiences that MNEs went through right after they started operations in the host country.

The first key theme that emerged from the 12 interviews related to the use of anchor clients who manifested themselves in form of pre-existing customers in the host country committed to the organisation. Birkinshaw & Hood (1998) defined this phase as the parent driven investment where the subsidiary mandate came from the parent and the use of anchor clients was an extension of the parent mandate to meet customer needs in certain different locations. Hence, the pre–existing business relationships were perceived to be crucial and even take precedence over the host country decision, which led to the set-up of the MNE in the specific country so as to address the customer needs. This is in line with findings by Vahlne & Johanson (2013) who emphasised the need for developing relationships in the host country prior to even making the host country decision.

The second theme related to inherent organisational capabilities, which are also referred to as FSAs. These, for a start-up, were expected to have been inherited from the parent and even though there is a limit of transferability of FSAs from one region to another, they form the foundation for the start-up (Oh & Li, 2015). This further supported previous findings of Rugman & Verbeke (2001) where subsidiaries would eventually develop Subsidiary Specific advantages (SSAs) which were based on the host country experience and were a build-up on the pre-existing FSAs. In addition, in this phase also referred to as parent driven investment (PDI) ,the parent had full control of operations and was the key driver in the making of key decisions as outlined by (Birkinshaw & Hood, 1998).

The third theme that emerged related host country characteristics, which were viewed as crucial while, making the commitment decision and facilitating advancement of the business into the next phase. The MNEs opted for Kenya as the host country given its higher business, better institutions and resource potential which the MNEs viewed as crucial for business. Arregle et al. (2013) indicated that in addition to serving as platforms for regional entry, MNEs opted for the most attractive host nation based on its potential within the region. Whereas this may be perceived as a host country decision, it did play a crucial part in facilitating progression past the start-up phase. These findings further supported the results of Birkinshaw & Hood (1998) who argued that the relative merits of the host country decision were crucial at the Parent driven Investment stage (PDI) otherwise referred to as the start-up phase.

6.2.2 Conclusive findings of Research Question one

The results indicated three major factors that drove experiences in the start-up phase. These were mainly host country characteristics, inherent organisational capabilities and anchor clients. Whereas these factors were a culmination of decisions made prior to starting operations, it is in the start-up phase that the impact of these decisions was greatest. This could be related mainly to the fact that the MNE was at the stage where autonomy from the parent was almost non-existent with both the learning and knowledge at its lowest level. This resulted in a lower level of adaptation to the immediate environment.

6.3 Discussion Results for Interview Question 2

What do firms do in order to cope or acclimatise?

The research question aimed at gaining deeper insights into how firms adapted to the new market and what were the coping mechanisms used. In addition, the question explored the key learning and knowledge that was acquired locally and the impact that this had on the initial strategy. The in-depth interviews, transcription, frequency count analysis revealed the following results:

6.3.1 Learning and Adaptation Phase Themes

Firstly, the local skill compliment was perceived as being crucial in fostering learning and adaptation to the host country environment. Local staffs were perceived to create an increased level of confidence with the local clients and guided the firms' strategy to suit the local conditions. This is supported by the findings of Bruhn & Gibson (2006) who suggested that a country team able to leverage on both the local and parent skill sets was more able to develop context specific solutions crucial to performance. Birkinshaw & Hood (1998) referred to this stage, as that where the subsidiary's charter is extended (SCE) where the MNEs gradually started building their capacities in readiness for extended mandates. The use of local skills across all levels in the research suggested the need to enhance the subsidiary's capabilities to become less dependent on the parent.

Long term versus short-term orientation was another key theme that emerged from the research. MNEs with a long-term view of the investment adopted a gradual and incremental approach to managing the host country growth with a perceived preference for organic growth. MNEs with a short-term approach were perceived to adopt strategies that lead to quick gains like buying out of smaller competitors, which would be viewed as an act of buying market share. While no approach had an explicit advantage over the other, the management was generally adopted the approach that stood to bring the greatest benefit while minimising the risk. This is in line with Driouchi & Bennett (2011) findings who suggested that the use of real option awareness enabled the MNEs to adopt strategies where they stood to gain the greatest advantage.

Inherent organisation receptiveness refers to the firm's ability to respond to both external and internal stimuli. An MNE was subjected to various host country environmental factors and the speed and magnitude of the response is what characterised this phase and referred to inherent organisational receptiveness. This manifested in form of the MNEs ability to respond to market feedback in addition to parent support based on market feedback. The ability of the firm to respond to this feedback was a form learning and adaptation to the host country conditions as was argued by (Brouthers & Bamossy, 2006). In addition, this learning and adaptation as argued by Birkinshaw & Hood (1998) was crucial to the MNE since its managers were less reliant on the parent but drove the mandate. It is this ability to command local abilities which were expected to lay a good foundation for gaining a competitive advantage for the MNE Rugman et al. (2011) through the transformation of the initial set of FSAs into subsidiary specific advantages (Rugman & Verbeke, 2001)

The cultural element was perceived to be very crucial in gaining acceptance into the host country. SMNEs and DMNEs were perceived to be outsiders and needed to change this perception and become insiders through adapting cultural elements of the host country. This was achieved either through the product and service offering or through a soft skills approach, which involved the learning of cultural elements, by the MNE staff. Verbeke et al. (2016) suggested the occurrence of a learning effect through having a physical presence in the host country and referred to it as “learning by doing’. The integration of new capabilities with the cultural components was crucial to becoming an insider, which was only achievable through increased local engagement.

6.3.2 Conclusive Findings of Research Question 2

The research results indicated four major factors that drove experiences in the acclimatisation phase were the local skill compliment, long term versus short-term orientation, inherent organisational receptiveness and culture. Having a product or service offering that had a global reach, resulted in lower challenges being experienced by the MNE during this phase. This is in contrast to what SMNEs and IMNEs with only regional products experienced in the host country. Hence, a DMNE venturing into a developing economy would experience lesser difficulties owing to the fact that the global reputation does give it a competitive advantage and reduce the degree of outsidership.

An interesting observation from one of the respondents was that firms from cultures that were looked up to (Western Cultures) by the various countries were perceived to an easier experience. This is because the these cultures we aspirational in nature.

6.4 Discussion Results for Interview Question 3

How do firms consolidate their host country operations?

This research question was aimed at gaining further insights into what firms did in order to consolidate and enhance their market position in the host country. In addition, this question further explored the transition of MNEs from outsider MNEs to Insider MNEs.

The in-depth interviews, transcription, frequency analysis of the pertinent themes revealed the following results:

6.4.1 Settling and Positioning Phase Themes

Relationships and networks were vital to forging business partnerships that were crucial to long-term success. The long-term success was perceived to come from access to strategic knowledge and learning from partners. The partners would be in form of key customers, suppliers and competitors. This was in line with findings by Ramamurti (2012) where learning came from both customers and competitors leading tailor-made products and services. One of the key measures of long-term success was a growth in the customer base with a commensurate increase in market share. Relationship building also involved establishing relationships with the government and institutions in the host country. Thus institutions and the government were crucial partners in promoting business success which was supported by findings by (Lu et al., 2014).

Innovation and Technology when adapted to the local context was a source of competitive advantage. Early adopters of innovation and technology gained some first mover advantage and contributed to enhanced reputations of some firms. The findings by Banalieva & Dhanaraj (2013) argued that technology was a source of competitive advantage with firms becoming standard setters rather than standard takers. While global technological solutions were an option, which would offer global standards in the host country, they were not a source of competitive edge in the local context with the need to tailor make the solution to the suit the host country. However, the customisation of the technology and innovation did not refer to the adoption of low technology and innovation, but higher levels in comparison to the competitors so as to still maintain the competitive advantage (Banalieva & Dhanaraj, 2013).

A diversified product range was viewed as being crucial to enhancing business performance and market share growth. The MNE at this phase was keen to grow and enhance its operations in the host country and reduce dependence on the product range offered at the start-up phase. Similar to findings by Birkinshaw & Hood (1998) the MNE at this stage was keen on reinforcing its mandate and specifically driven by the management of the subsidiary. Similar to findings by Meyer et al. (2011) some firms also tapped into the resources and capabilities of local competitors in order to offer products and services that would have been impossible to achieve individually.

Strategic Partners and alliances were perceived as being crucial to endearing the firm to the broader population. Both DMNEs and SMNEs used this opportunity to reduce the levels of outsidership arising from not being a home-grown MNE. While they may be perceived as a form of networks and relationships, these partnerships and alliances were more formal with the aim of portraying a specific image or achieving a specific result. These partnerships and alliances were perceived to create a level of local embeddedness and hence eliminate or reduce the outsider status (Meyer et al., 2011).

6.4.2 Conclusive Findings of Research Question 3

The results indicated four major factors that affected the MNEs experience during the settling and positioning phase. These were relationships and networks, innovation and technology, product diversification and lastly strategic partners and alliances. It is during this stage that firms consolidated their host country operations to ensure stability with increased predictability and establish a successful track record would act as a motivator for future growth opportunities.

The level of outsidership specific to DMNEs and SMNEs differed with some required to engage and collaborate with local partners in order to reduce the level of foreignness. However, for firms offering products or services not available locally, the perceived level of foreignness was lower owing to the fact that these would not be available without the MNE. The level of foreignness hence appeared to be influenced by the presence of local competitors and where there was a local product offering then the level of outsidership appeared greater.

6.5 Discussion Results for Interview Question 4

When is a firm ready to regionalise?

This research question was aimed at gaining further insights into the tipping point that led to the decision to regionalise. Further, still, the emergent themes from this research question were further categorised into reactive and proactive drivers. Reactive drivers were externally driven meaning the firm was responding to external stimuli of forces. Proactive drivers were self-initiated where the MNE consciously made the decision to regionalise to seek new opportunities. The in-depth interviews, transcription, frequency count analysis of the pertinent themes revealed the following results:

6.5.1 Regionalisation and Expansion Themes

Competitor and peer pressure a reactive driver manifested itself in form of pressure to regionalise for ‘prestige’ reasons, which in this case referred to the need to be perceived as a regional player or multinational. Respondents from IMNEs perceived this as a source of customer confidence in their abilities. In addition, there was the desire to regionalise on the basis that the competition was also regionalising. These findings complement the findings of Brouthers (2013), who argued that firms do regionalise for reasons for non-financial reasons. Lastly, regionalisation was also prompted by the perceived inability to outperform local players in the host country, which lead some firms to look for additional revenue streams within the region.

Extended client mandates, a reactive driver referred to situations where an existing client required a product or service offering outside of the host country. The MNE then responded to this requirement by setting up operations in the neighbouring countries in order to meet the clients' requirements. This corresponded with findings by Johanson & Vahlne (1977) where firms expanded from one country to proximate countries in a sequential and incremental approach. The extended client mandates differed from anchor clients in that at this stage the firm was expanding in order to meet customer needs while with anchor clients it was expansion in order to take advantage of an opportunity.

Anchor clients and partnerships a proactive driver referred to expansion into the neighbouring countries to take advantage of a confirmed business opportunity. This was to some extent related to the initial investment at the start-up phase but in this scenario, the MNE was expanding from a regional base with the subsidiary having an increased level of confidence to look beyond its borders. This, as argued by Birkinshaw & Hood (1998) was an extension of the subsidiary charter reinforcement through an increase in the entrepreneurial orientation of the subsidiary employees to the region once they were content with the initial outcome in the host country. Hence, rather than get to the point if losing the charter then expanding the market into the region was an extension of its mandate.

The parent's long-term strategy had a significant influence on the regionalisation decision. The interview results revealed that for some firms the parent mandate was to expand into the region as a whole using an incremental approach. The process, in this case, involved developing the local subsidiary's capabilities in a host country and followed by subsequent regionalisation once the specific competencies had been achieved. This corresponded to findings by Birkinshaw & Hood (1998) where a parent firm's objective was to gain access to host country knowledge clusters. In addition for both the DMNE and SMNE the subsidiary was perceived to have overcome its outsider status by developing capabilities similar to insider subsidiaries which would make it and insider in the region (Rugman & Verbeke, 2004).

Firm-specific resources a proactive driver referred to the firms' competencies that were crucial to ensuring host country success. The newly acquired FSA differed from the initial set of FSAs owing since with time the firm had developed a new set of competencies in the host country that made it successful. This corresponds to findings by Rugman & Verbeke (2001) where subsidiaries were able to develop competencies of their own. Regionalisation required the existence of pre-entry capabilities, which involved the use of extra resources. Regionalisation was perceived to be only achievable once operations in the host country were stable with reduced risk. This corresponds to findings by Teece (2014) where firms needed to have readily accessible resources to avoid hitting internal resource constraints.

Regional competition a proactive driver refers to competition within the region by the various countries and by the various firms. Competition amongst the countries referred to a situation where despite the existence of the East African trading bloc there were perceived difficulties for IMNEs when venturing into some of the neighbouring countries like Tanzania. This manifested itself in form of lower entry barriers for DMNEs and SMNEs for product penetration. Hence success in one country was not guaranteed in a neighbouring country and expansion into these countries needed the firm to adapt the product and service offering to the country. This was supported by findings of Verbeke et al. (2016) where subsidiary FSAs could not be replicated from one context to another without some level of adaptation and differed from country to country.

6.5.2 Conclusive Findings of Research Question 4

The research results showed that five major factors influenced the experiences of firms at the Regionalisation phase. These were extended client mandates, anchor clients and partnerships, parent's long-term strategy, competitors and peer pressure, firm-specific resources and regional competition. The decision to regionalise did not have an explicit tipping point across the respondents but was driven by a combination of factors that eventually led to increased confidence in the chances of successful regionalisation. The decision to regionalise was driven by both the parent and subsidiary with a key requirement being to ensure that the initial host country subsidiary was successful and had the capability to regionalise being key to getting to the regionalisation stage quickly.

In addition, the researcher found that though regional trading blocs were aimed at fostering trading relationships, the subsequent operations within the various countries were subject to competition which at its extreme favoured regional outsiders than insiders in the region.

6.6 Discussion Results for Interview Question 5

What do firms experience during post regionalisation?

This research question sought to gain insights into how firms aligned the expansion strategy with the overall firm's strategy and any linkages were required to ensure successful regionalisation. This phase was perceived to be a crucial role of both the parent of MNEs and for the subsidiary within the host country that had an extended mandate to oversee the operations of the region. This was applicable to SMNEs and DMNEs. The in-depth interviews, transcription and frequency count analysis of the pertinent themes revealed the following results:

6.6.1 Regional Consolidation Themes

Cross-border differences had a significant impact on the overall regional strategy. The countries within the region shared some aspects characteristics but adjustments were required when aligning and integrating the overall strategy with that of the specific countries. The customers and stakeholders differed from one country to another which meant that cultural differences across the countries had to be integrated in order to accommodate the diverse backgrounds.

However, similar to the findings by Vahlne & Johanson (2013) where while exchanging products, services and knowledge in network relationships, managers underwent a learning effect. A learning effect gradually resulted in minimisation of these differences either through incremental adjustments to counter any challenges experienced.

Centralisation of core services referred to integration of certain core functions like human resources, IT and Finance at the regional head office. The respondents perceived this as being crucial to achieving economies of scope through the use of shared services. In addition to reducing cost, centralisation enhanced the ability to replicate some of its core processes across the region that were perceived to align core regional processes to that of the parent or regional head office. Hence, for some firms, the replication of these processes across the region was beneficial while for others adjustments were necessary owing to the different contexts and the need to get the right fit using dynamic capabilities as proposed by (Teece, 2014). This finding was similar to that of Rugman et al. (2011) who suggested that a regionally focused approach should have localised control in order to gain a greater competitive position in regional expansion.

Cross-border board representations were perceived to be crucial in fostering strategic alignment of the various subsidiaries within the region while also not compromising on subsidiary autonomy. All respondents were of the view that sharing of senior members across the region also enhanced knowledge sharing across the region in addition to eradicating unhealthy competition between the subsidiaries. It also enhanced communication flows in that these board sessions fostered the sharing of information, which resulted to increased reverse knowledge flows with new knowledge from host country being transferred back to the parent. The cross-border board representations were further supported by findings of Verbeke et al. (2016) where regional and inter-regional coordination mechanisms were a catalyst for specific value chain activities.

The local skill complement, which involved the use of citizens in some of the key positions, was considered crucial in reducing the element of foreignness in the subsidiaries. Having local staff representation in the lower levels was perceived as inadequate representation. In addition when placed (local staff) in senior leadership positions, then there was the resultant creation of a talent pool within the region which enhanced decision-making abilities at the strategic level. This was mainly through the fact it was a lot harder to overlook certain microelements that were not applicable to the region as a whole. From this certain positive attributes were transferable across the region which is in line with findings by Teece (2014) where he argued that the headquarters and subsidiaries played the crucial role in the generation of dynamic capabilities which would be transferable across the region through the senior management.

Various respondents perceived standardisation differently. There are those who advocated for its case while others perceived it to reduce a firm's competitive advantage owing to the lack of product or service differentiation. Standardisation was viewed to have some cost benefits where the resources would be used to focus on the regional market as a whole. This is in line with findings by Rugman & Oh (2012) where an aligned regional expansion strategy was found to be cost effective.

Head office relations manifested themselves in form of the quality of interactions between the subsidiaries and the regional Head office and the regional head office and the parent company. The research results identified both increased and decreasing levels of autonomy despite the perceived success of the regionalisation ventures. Those who experienced increasing levels of autonomy attributed it to increased confidence levels in their abilities by the parent, which served as a motivator. The respondents who experienced lower autonomy levels from the parent identified increased reporting requirements and managerial secondment by the parent company, which was viewed as frustrating. This, the respondents argued, came from the increased profits generated, which increased the materiality of the operations. These findings support those of Teece (2014) where the allowance of considerable autonomy amongst subsidiaries enhanced their capabilities and allowed and facilitated technology transfers and led to exploitation of complementarities across the organisation .

6.6.2 Conclusive Findings of Research Question 5

The research results showed that six major factors influenced the experiences of firms at the regional integration phase. These were cross-border differences, centralisation of core services, cross-border representation, local skill compliment, and standardisation and head office relations. The regional integration phase was perceived to be crucial in ensuring alignment of the overall strategy with that of the parent company and prevent parent driven divestment or atrophy through subsidiary neglect (Birkinshaw & Hood, 1998).

The Researcher found that regionalisation success did not guarantee increased levels of confidence in the subsidiaries. There was increased control owing to increased levels of materiality and significance to the group.

6.7 Conclusion

The revised model on regionalisation builds on the five subsidiary evolution process by Birkinshaw & Hood (1998) and integrates it with modern literature hence making a significant contribution to literature.

The research objectives, as posed by the five research questions in Chapter 3, have therefore been met and contribute to the current literature on evolution of firms and regionalisation of MNEs

CHAPTER 7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

In this chapter, the regionalisation experiences and process is discussed based on the findings from the in-depth interviews, the original hypothetical model as presented in Chapter 4 and subsequent developments as outlined in Chapter 5 and Chapter 6. Recommendations for senior management in multinationals are presented based on the research findings. Finally, recommendations for future research are discussed.

7.2 Synthesis of Research Data

The research was a combination of supporting literature gaps and the findings of the hypothetical model to develop a hypothetical process of the regionalisation of multinationals using a gateway country. The initial hypothetical model outlined progressive, ascending sequential steps with distinct multiple steps in the regionalisation process that relate to the five research questions posed in Chapter 3. The initial hypothetical model depicted the following:

- The start-up Phase
- Learning and adaptation (Acclimatisation Phase)
- Settling and Positioning Phase
- Regionalisation / expansion
- Regional consolidation

The research findings in chapter 6 contributed to existing broader theory understanding on regionalisation in the following ways:

The first contribution relates to the experiences that firms go through right after they start operations in a host country and these include:

- Anchor clients or a pre-existing client base in a host country take precedence over the location decision. This is crucial in reducing risk and uncertainty.
- The inherent organisational abilities also referred to (FSAs) at the start-up stage are very similar to those of the parent if not the same mainly due to the high parent dependency.
- The host country factors, which relates to elements like governance and institutions are crucial in attracting FDI, which then has a ripple effect on creating more anchor clients.

The findings of the first phase affirmed the findings of Birkinshaw & Hood, (1998) relating the control that the parent firm has on the subsidiary at the parent driven investment stage. In addition, the suggestion by Vahlne & Johanson (2013) of the need for pre-existing business relationships and networks from the parent was supported by the findings. Lastly the use of Kenya as a gateway country by SMNEs and DMNEs further reaffirms the findings of Arregle et al. (2013) whose proposed that firms were most likely to use the most attractive host nation when regionalising.

The second contribution relates to the learning and adaptation of the new firm to the house country in a process known as the acclimatisation phase. The findings from the in-depth interviews identified the following:

- The use of the local skill compliment is crucial for not only staffing but also acts a crucial source of learning and knowledge for the firm. They serve as the crucial link that supplements the FSAs of the firm inherited from the parent with local knowledge.
- A long or short-term orientation to host country operations is firm-specific and mostly driven by the parent but needs to be flexible enough to allow for some level dynamism.
- The inherent receptiveness of an organisation determines how well the firm learns and adapts to new learning opportunities in the local context.
- The cultural elements within a country can only be learned to experience and being physically present in the local context

The findings of the second phase affirmed that a command local abilities can be a source of competitive advantage Rugman et al. (2011). They complement the findings of Bruhn & Gibson (2006) who suggested leveraging of both the local and parent skill sets was key to developing context-specific solutions which led increased to performance by adapting the firm to the host country conditions.

The third contribution relates to the findings from the settling and positioning phase. It explored how firms consolidated their host country operations and reduced the element of outsidership. The findings further contribute to research by identifying elements that are more likely to reduce the element of outsidership and entrench the firm's position in the host country. These are:

- Good relationships and networks foster long-term business success. These relationships are an asset to the company.

- Strategic partners and alliances with local players, in addition to supporting the long-term strategy, can be a source of positive publicity and public relations to reduce the element of foreignness.
- Competition has a positive effect on the product diversification of firms in a country.
- Innovation and technology can be a source of first mover advantage and lead to success but it needs to be practical and adapted to local requirements.
- The perceived level of outsidership reduces when the availability of substitute products is limited.

The research findings contribute to the work of Meyer et al. (2011) by revealing that firms can gain a competitive advantage by tapping resources and capabilities in a local context and integrating and leveraging them. It further advances the work of Meyer et al. (2011) who emphasised the need for local embeddedness by identifying the elements needed for sufficient local embeddedness.

In addition, the study also generated new insights into the concept of outsidership with findings that the level of outsidership is also dependent on the level of competition in the industry. The perceived level of outsidership is reduced significantly when there are few players in the market.

The fourth contribution relates to the findings from the regionalisation and expansion phase, which relates to the specific circumstances that led to regionalisation. The existence of a trigger that led to the decision to regionalise was explored in the research. While current research identifies reasons that may make a firm want to regionalise, this research further categorises them into reactive and proactive drivers.

- A firm's customers may drive it to regionalise by requesting for products and services in new markets forcing the firm to regionalise in order meet the customers need.
- The existence of anchor clients and partnerships in new markets may trigger regionalisation as it reduces the risk and uncertainty.
- The pre-determined long-term strategy of the parent towards the region has a great influence on the regionalisation decision. The regionalisation decision may be static or evolve into one.
- The resources available at the disposal to the company and the redeployability of the FSAs across the region.
- Countries within a trading bloc may not be as receptive to insider FDI as outsider FDI.

- Regionalisation may be driven by non-financial motives that include image enhancement and gaining some form of credibility.

The research findings supported findings by Teece (2014) where successful regionalisation was dependent on a firm having readily accessible resources to avoid hitting internal resource constraints. The non-financial nature of regionalisation motives emerged as a factor which is supported by findings of Brouthers (2013) where firms regionalised for reasons of a non-financial nature. The isolation of image, prestige and peer conformity is an elaboration of their findings. In addition, the success in the host country market which resulted in an increased regional mandate is an extension of Birkinshaw & Hood (1998), where there was an extension of the subsidiary charter reinforcement through an increase in the entrepreneurial orientation by the subsidiary employees to regionalise once they were content with the initial outcome in host country. These also reaffirms the findings of (Verbeke et al. (2016) on the acquisition of new capabilities and competencies by the firm.

The fifth contribution relates to findings from the regional consolidation phase and explored how the firm aligned the expansion strategy with the overall firm's strategy. Contributions to the regional integration of the various strategies include:

- Regional integration requires adjustments for cross-border differences even for countries within the same Trading bloc.
- Centralisation of core functions is dependent to some extent on the individual skill sets available within the countries in the region.
- Cross-border management facilitates the alignment of the country strategies to the overall firm strategy through cross-border representations.
- The use of local talent reduces the element of the foreignness of the firm. However, this is not sufficient and needs to be carried over to senior management.
- Standardisation or products and services is a trade-off between economies of scale and local adaptation
- Successful regionalisation should be met with a commensurate increase in competencies and autonomy at the regional level with enhanced support from the parent.

The research findings emphasised on the need for alignment of activities both within the region with that of the parent firm and still maintain some level of local responsiveness to cater for intra-regional differences. This supports the findings by Meyer et al. (2011) emphasised on the need for multiple embeddedness at a subsidiary level with local responsiveness and goal alignment to that of the parent or regional head office. In addition, the findings also expressed the need for cross-directorships in support of findings of Hoskisson et al. (2013) on having boards members with multiple seats across the regional subsidiaries. The findings contribute to existing theory through isolating focus areas that may lead to greater regional integration within a region. Lastly the study extends the work of Verbeke et al. (2016) who called for research that encompasses both the region and country in an integrated single study.

7.3 The Revised Process Model for the Internationalisation Process

The updated model was derived from the previous model, which was derived from existing literature and updated to reflect outcomes of the research findings. The updated and enhanced model includes:

- Overlapping relationships of the phases, with a greater emphasis on growth and graduation of the firm through the various phases.
- It incorporates situations where a firm regionalised into more than one country at the same time with each expansion country being at a different stage in the process.
- Depicts the progression or increase in learning capabilities that increased with knowledge and experience and a commensurate increase in managerial resource requirement and ability to manage and coordinate the overall firm.

7.4 Recommendations for Subsidiary Management

On the basis of the themes that were emerged through the in-depth interviews based on the 5 Research questions, the following are the recommendations to subsidiary managers.

- At the start-up phase, a subsidiary is expected to be heavily reliant on competencies inherited from the parent firm. Competitive advantages will accrue to the firm that adapts quickest to the host country factors. The quicker the integration of the firm-specific abilities with the country specific advantages then the greater the competitive advantage.
- It is crucial for a subsidiary to enhance reverse knowledge flows back to the parent in order to increase the parent's knowledge on the host country factors. This is crucial in eliminating any preconceived and misplaced facts.
- The use of local skill within the subsidiary should be extended to more senior positions in the subsidiary if it is to gain from the existing local talent base from both a strategic decision-making and operational perspective.

- The emphasis on having a learning organisation needs to be high and it is highly dependent on the receptiveness of the organisation to learning from local knowledge bases that come from both internal and external parties to the organisation. This can only be realised with interaction with these parties who range from suppliers, customers, regulators and competitors
- Lastly, regional business opportunities can be driven by existing clients and manifest In form of extended client mandates. Hence the customer service offered in a host country can be an avenue to regionalise when customers expand their businesses across borders.

7.5 Recommendations for Parent Company Managers

Based on the themes that were emerged through the in-depth interviews based on the 5 Research questions, the following are the recommendations to parent company managers.

- Adequate market research and an in-depth business case needs to be carried out prior to making the regionalisation decision. The existence of a one of sale is not and adequate justification to set up operations and needs to be supplemented with the existence of regular cash flows.
- Global clients can propel a firm to expand into regions it never had operations in. Hence, the need to have exceptional customer service can be a source of additional business opportunities and a guaranteed market in other non-proximate regions.
- Increased competitiveness of a country has a ripple effect on other aspects such as infrastructure and talent. Increased competition does develop the industry as a whole for the benefit of everyone. The level of competitiveness also has an impact on the perceived level of Outsidership. In instances where there are few players in the market, then the perceived level of outsidership reduces since the consumers have fewer choices.
- Subsidiary autonomy needs to be reviewed often to ensure that subsidiary level staff is sufficiently motivated and that parent control does not compromise local responsiveness.
- The existence of an integrated trading a bloc is not a guarantee that the countries are more receptive to each other. Intra-regional competition can supersede the gains expected from trading blocs to the detriment of business relationships. Outsiders to the Trading bloc may not be as disadvantaged as expected compared to insiders.

- Firms can only gain extensive local knowledge when they have a physical presence in the specific area. Hence, during expansion and MNE should not expect to have substantial knowledge of the market without having a physical presence of some kind.
- Lastly, countries within a region tend to have similarities though they are not exact replicas. Hence for an Outsider MNE, operating in a host country does present and the opportunity to become a regional insider in the long run and as such the Outsider MNE ends up having a similar set of competencies as an insider MNE which places them on a similar footing in regional expansion.

7.6 Limitations of the Research

The study offered valuable insights into understanding the regionalisation experiences and process of IMNEs, SMNEs and DMNEs. However, there were certain limitations to the study that are as outlined below:

- The limited sample of 12 interviews means that for purposes of generalising the research to other contexts would need a wider sample size. This is in addition to the fact that the outcome of a non-probability sample cannot be generalised to an entire population. To overcome this future research would need to incorporate a probability sample, which would imply adjusting the qualification criteria for the population.
- Some of the emergent themes may only be specific to the East Africa region, which reduces the level of transferability to other regions. Though this was slightly mitigated by using a diverse population, the region-specific characteristics whether objective or subjective have a significant impact on the emergent themes.
- The experiences of the firms in sample size were also dependent on their host country experience, which was a function of how long they had been operating in the country. As such, the sample size consisted of firms at different maturity levels, which would have influenced their responses.

- While the research was centred on the five phases, not all MNEs would go through the phases in the same exact phase sequence and in other instances it would be challenging to clearly define and isolate the specific phase that a firm is in. In addition, there are other instances where an MNE may venture into a region all at once without necessarily using a gateway country. While the revised model gives some level of flexibility it does not eliminate it entirely

- The study assumed that the subsidiary is successful and goes through the five phases. However, not all regionalisation efforts are successful and future research may need to provide an opportunity to scale back on operations

7.7 Recommendations for Future Research

Studies relating to regional multinationals are gaining momentum and are expected to make significant contributions to internationalisation theory. Opportunities for future research include more qualitative exploratory type of research in the following areas:

- Intra Trading bloc competition and its impact this has on insiders and outsiders to the trading bloc.
- A more in-depth investigation could be conducted on overcoming Outsidership in more competitive environments
- The effect of non-financial partnerships and alliances on the foreignness of a firm.
- The phenomenon where lesser-developed firms use foreign links and networks to improve their corporate image.

7.8 Conclusion

The study sought to understand the experiences and process through which MNEs went through as they regionalised starting with a gateway country and eventually ventured into the proximate region. This was an extension of work by Verbeke et al. (2016) who advocated the need for an integration of both a region and country in a comprehensive single study.

The study contributed to existing literature by identifying experiences and processes that firms go through as they regionalise. The research provided insights as to what factors encourage the development of Regional focused firm-specific advantages. It expounded on the regionalisation aspect in that it is influenced by a factor or a combination of factors, which have been identified in the research. Lastly, it emphasises the need for regional coordination mechanisms that align both the expansion and parent strategy by identifying elements that are crucial for the occurrence.

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APPENDICES

Appendix I: Cover Letter

Dear Participant 1st August 2016

<u>RE: MBA Research project – Multinational entry into East Africa</u>

Dear Participant,

My name is Allan Nginya. I am a registered student at the Gordon Institute of Business Science, which is part of the University of Pretoria and I am conducting an MBA research project under the supervision of Colin Rowley. The purpose of the research project is to explore the Multinational entry process into East Africa. The objective is to investigate why firms are using Kenya as the regional gateway into East Africa and experiences they go through as they expand into the region.

The aim is to conduct an in-depth interview to gain comprehensive insights and key learnings following your entry into the Kenyan market and subsequent expansion into East Africa. My intention is to explore the process the organisation goes through, as well key experiences gained during the expansion. During the interview, I will present brief theoretical background on the topic. A hypothetical cycle was developed and will be used during the interview process. The information gained from the interview will be confidential and the results and information will be aggregated. No comment will be linked to an individual.

Your participation is completely voluntary, and you may withdraw at any time without penalty. The interview will take approximately forty-five minutes to one hour to complete.

Thank you for your consideration. Your help is greatly appreciated.

Allan Nginya

Appendix II: Informed Consent Letter

Dear Participant,

I am conducting research on Multinational entry into East Africa and the experiences they go through as they expand into the region.

Our interview is expected to last about an hour, and will help us to explore the process the organisation goes through as well key experiences gained during the expansion.

Your participation is voluntary and you may withdraw at any time without penalty. All data will be kept confidential; no comment will be linked to an individual. If you have any concerns, please contact either me or my supervisor. Our details are provided below.

Researcher

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Supervisor

Colin Rowley

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+27 82 828 5413

Signature of participant: ___________________________________

Date: ____

Signature of researcher: ___________________________________

Date: ____

Appendix III: Research Questions and Interview Schedule sample

Research Question 1: ***What experiences do firms undergo immediately after the Entry phase?*** The question will seek to determine what happens to firms during the start-up face. This is right after a firm has entered into the host country***.***

Start-up Phase (Post Entry)

1) Upon entering /starting operations in the Kenyan Market please describe what worked out well? What did not work?
2) Given the hindsight what would you have done differently?
3) Are there any trade-offs you had to make?

Research Question 2*:* ***What do firms do in order to cope or acclimatise?*** The Research question aims to comprehend how firms adapt to the new market. In other words, what are the coping mechanisms used?

Learning and adaptation (Acclimatisation Phase)

4) Kindly do describe how your organisation was able to adapt to the country environment?
5) What were the key learnings? Are there any specific competencies you have developed locally?
6) What was the impact of this on your initial strategy?

Research Question 3: How do firms consolidate their host country operations? The research question aims at gaining further insights of what firms do to consolidate /enhance their market position in the host country. How does an outsider MNE move from being "one of them" to "one of us"?

Settling and Positioning Phase

7) How has the learning and the competencies developed enhanced your position within the country?
8) What role has competition played?
9) What relationships or partners have been crucial to your performance?

Research Question 4: When is a firm ready to regionalise? This research question aims at gaining further insights into the tipping point, which leads to the decision to regionalise.

Regionalisation / Expansion

10) Were there any specific events that prompted your decision to expand into the region? Are there any firm-specific advantages that influenced your decision to regionalise?
11) Was the decision to expand into the region made at the regional level, country level or in tandem?
12) How does this link to your firm's structure and organisational processes?

Research Question 5: What do firms experience during post regionalisation? This research question will seek to gain further insights on how the firm aligns the expansion strategy to the overall firms strategy and any linkages that are required.

Regional Consolidation

13) How does regional strategy fit in with you overall strategy?

14) How well have you been able to transfer your competitive advantage across the region? What specifically has enabled or inhibited this?
15) What are the key learnings from regionalisation?
16) Given the opportunity is there anything you would do differently?

Appendix IV: Ethical Clearance Approval

Dear Allan Gathimba

Protocol Number: **Temp2016-00836**

Title: **From gateway country to the Region: A Review of South African, Global and Kenyan Multinational Enterprises expansion into East Africa.**

Please be advised that your application for Ethical Clearance has been **APPROVED.**
You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker

Appendix V: Turnitin Reports