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Emerging Markets Multinational Enterprises: Internationalisation of South African Chemical Companies into the rest of Africa

Nomvula Luxomo

13417852

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Abstract

The internationalisation of multinationals from emerging markets has increased remarkably over the last two decades which has caused a fundamental shift in the global economy whereby more focus is now being directed to the foreign expansion strategies pursued by these firms. There is a growing debate amongst IB scholars about the applicability of existing theories and frameworks in explaining the rise of emerging market multinationals.

The objective of this research was to explore internationalisation strategies of multinationals from emerging countries to provide more insights and understanding into the foreign expansion approaches employed by these multinational companies (MNCs) when investing in other emerging economies with the focus on foreign expansion of South African chemical companies into the rest of Africa.

A qualitative exploratory study was followed where 15 semi-structured interviews were conducted with senior managers and executives across four South African chemical companies. The findings indicate how the rising competition in the domestic market due to the introduction of international competition and the increase of local market competitors led to the successful internationalisation of South African companies from the chemical. The study also shows that chemical companies from South Africa adopt a gradual internationalisation approach when expanding into the rest of Africa and these companies based their foreign expansion on firm-specific advantages that were shaped by the unique history South Africa.

Key Words

Internationalisation Strategies

Emerging Markets Multinational Enterprises

South African Chemical Companies

Competitive Advantages

List of Tables and Figures

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 before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Nomvula Luxomo

Date: 10 November 2014

Dedication

To my Amazing Grace…Thank you for allowing me the gift of life through you.

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Almighty God, You are the pillar of my strength. I know the plans you have for me, to prosper me and do me good. I will forever honour you, my Heavenly Father.

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1 INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

The current unprecedented rise of multinational companies from emerging economies has led to a shift in the global economy whereby more focus is now being directed to organisations from emerging markets as well as the internationalisation strategies pursued by these companies (Cuervo-Cazurra, 2012; Guillén & García-Canal, 2009; Hennart, 2012; Luo & Tung, 2007; Ramamurti, 2009)

Ernst and Young (2013) and The Economist (2008) concur with some of the International Business (IB) scholars by stating that over the past few years the world has witnessed fundamental shifting dynamics in the global economy and corporate landscape with emerging markets progressively steering the attention of investors and capital flows. In addition, Ernst and Young (2013) also state that emerging markets nowadays exhibit an increasingly strategic role in defining the future economic agenda. For instance, the African continent possesses appealing elements of investment proposition namely; natural resources, a growing consumer base, rapid economic and population growth, evolving political systems as well as investment returns that are remarkable (Ernst & Young, 2013).

The rise to prominence of enterprises from emerging economies can be measured by the fact that these economies not only account for notable inward foreign direct investment (FDI) but also significantly contribute to the outward FDI (Singh, 2012). The United Nations Conference on Trade and Development (2013) report states that for the first time ever, in 2012, developing countries engrossed more FDI than the advanced economies accounting for about 52% of global FDI flows with four developing markets rated amongst the global top five recipients of FDI. In 2012, developing economies also experienced a continual upward trend generating approximately one third of global FDI outflows. On the contrary, FDI inflows from developed economies in 2012 accounted for merely 42% of global flows (UNCTAD, 2013).

Hennart (2012) supported by Luo and Tung (2007) agree with the findings stipulated in the United Nations Conference on Trade and Development (UNCTAD,2006) report by indicating that in the past two decades multinationals founded in emerging economies, in particular those from Brazil, Russia, India, China, and South Africa (BRICS) as well as Vietnam, Indonesia, Turkey, Argentina, Mexico and Thailand have started to expand internationally through exports and direct foreign investment. These companies based in emerging markets are now contending for market share and growth with multinational companies originating from advanced economies.

In the past, most of the research on foreign direct investment has been concentrated on investment originating from developed countries (Guillén & García-Canal, 2009; Ramamurti, 2012). Now the increasing significance of firms from emerging markets has led to an intensive debate amongst international business scholars on whether existing IB theories still have explanatory power to predict the internationalisation activities of firms effectively or whether new IB theories are required (Cuervo-Cazurra, 2012; Hennart, 2012). Furthermore, the IB theories debate shows a significant gap in the IB and strategic management fields on the drivers of internationalisation strategies of firms from emerging economies (Luo & Tung, 2007; Gammeltoft, 2008). Mathews (2006) also alludes to the lack of substantiation on the correlation between the competitive advantages of emerging market companies and the nature of their internationalization strategies.

Emerging market multinationals possess distinctive resources and development patterns which are not only different from firms from developed economies but are also different within their own diversity. (Luo & Tung, 2007; Wright, Filatotchev, Hoskisson, & Peng, 2005). Therefore the analysis of multinationals originating from emerging markets will assist in addressing the existing gap which in turn enhances existing IB theory (Jain, Lahiri, & Hausknecht, 2013).

Gammeltoft, Filatotchev and Hobdari (2012) correspond by stating that the increasing significance of emerging markets firms from countries such as China, India, Brazil and Russia to the international economy is not only as appealing destinations for exports, FDI and supply sourcing. However, theories established from the analysis of internationalisation strategies of firms from developed economies may not be directly applicable to the emerging market context and thus exploring emerging markets multinational companies could lead to important insights of specific features of these multinationals in their early internationalisation stage as well as development of research in the subject (; Fleury & Fleury, 2011; Gammeltoft et al., 2012).

According to the Human Development Report (2013), the United Nations Development Programme (UNDP) supports the view point of some of the international business (IB) researchers by highlighting the profound shift in global dynamics; steered by the increasingly significant role played by developing countries such as Brazil, India, China, South Africa, Indonesia, Argentina, Turkey, and Mexico in the 21st century. These countries share significant characteristics and encounter several similar challenges. However, each country has its distinctive history with its own unique development approach (UNDP, 2013).

The foreign expansion strategy adopted by a number of companies from the emerging economies is to invest in both the developed countries and other emerging markets. The emergence of multinationals from these economies is subsequent to acquiring economic liberalisation and institutional transformation, as well as increasing wealth. Firms from India and China expanded into bordering Asia, South African companies into the rest of Africa and Brazilian firms into other Latin American countries (Ramamurti, 2012).

1.2 Research Motivation

In recent years as emerging markets opened up to the global economy, a substantial amount of domestic organisations not only survived the competition for market share at home; these companies also expanded abroad through exports and foreign direct investment to become fledgling multinational firms (Ramamurti, 2009). The UNCTAD (UNCTAD, 2006) report corresponds with Ramamurti (2009) supposition by stating that multinationals originating from developing and transition economies have become significant players in foreign direct investment and cross-border acquisitions. The emergence of foreign expansion by firms based in developing economies as well as the rise in FDI inflows to these economies have been prompted by global economic liberalisation, significant changes in the foreign trade regulations plus increasing wealth (Hoskisson, Eden, Lau, & Wright, 2000).

Guillén and García-Canal (2009) also assert that a decade ago many of the firms originating from emerging economies were viewed as insignificant competitors however recently these companies are challenging some of the most advanced multinationals in an extensive scope of industries and markets. Ramamurti (2012) concurs with Guillén and García-Canal (2009) by affirming that multinational enterprises from the emerging economies seem to be causing disruptive effects on established Western multinationals. The influence of the rise of emerging economies on multinational businesses is also crucial for international business scholars (IB) as it offers novel theoretical and empirical spheres to advance the IB study (Singh, 2012). There has also been a rise in studies on multinationals from emerging economies by international business scholars (IB) albeit no agreement has transpired on the differences and similarities of multinationals from emerging markets and advanced markets (Ramamurti, 2009).

The emergence of multinationals from emerging economies can be viewed as a long term trend with significant outcomes for the global economy. This does not suggest that the rise of emerging markets multinationals (EMNEs) could be perpetual due to various economic and political risks faced by these companies from emerging markets. However, rapid domestic market growth plus openness to global competition could lead to more multinationals from developing and transition countries that will be involved not only in low technology and commodity industries but also in advanced businesses (Ramamurti, 2009).

Studying EMNEs is realised as an approach to enrich existing theory, especially about the process by which companies expand abroad and grow into multinational enterprises. MNEs are relatively new global players that originate from heterogeneous countries despite the fact that these countries are normally grouped together as emerging economies (Ramamurti, 2009). This research would provide business leaders with a better understanding of how managing in emerging economies challenges extant ideas given the characteristics of these countries as well as the fact that most of the existing IB models and frameworks were based on internationalisation patterns and behaviours of multinationals from established economies.

1.3 The South African Chemical Industry

1.3.1 General Overview

The South African chemical industry is of substantial significant to the economic growth of the country contributing approximately 5% of the gross domestic product, around 23% of the South African manufacturing sales and is ranked among the top 25 chemical manufacturing countries globally (Chemical & Allied Industries' Association, 2011). The history of the chemical sector in South Africa can be traced back to 1896. The discovery of diamonds near Kimberley in 1868, gold on the Witwatersrand in 1886 as well as coalfields around Witbank and Vryheid resulted in an increasing demand for explosives and chemicals to support the mining industry. The development of the chemical sector in South Africa has been influenced by three factors during its 100 years of existence namely; the demand for explosives by the mining industry, the abundance of relatively cheap coal, and the political and regulatory environment in which it operated between 1948 and 1994 (International Union of Pure and Applied Chemistry, 1999)

South African companies grew out of protected markets during the apartheid era whereby most companies including those from the chemical industry were isolated from international competition. These companies concentrated on meeting the demand of their domestic customers and being competitive locally. On the other hand, during the same period a number of South African companies maintained strong relations internationally and invested in advanced economies relative to expanding into other developing countries. Ironically, this has not stopped South Africa from developing into a key contributor of foreign direct investment for many countries in Africa (Goldstein & Prichard, 2009). After 1994 a number of South African chemical companies began to focus on the need to be competitive on a global level resulting in a growing trend of foreign expansion into the global markets.

1.3.2 Industry Structure

Chemical products can be classified into four broad groups namely; base chemicals, intermediate chemicals, chemical end-products and speciality end-products. Base chemicals are crucial chemical building blocks obtained from the petrochemical industry as well as inorganic chemicals. Intermediate chemicals include waxes, solvents, phenols, tars, plastics, and rubbers. Chemical end-products comprise of explosives, fertilisers, paints and plastics suitable for processing. The speciality chemical end-products category comprises of more differentiated and sophisticated products such as agro-chemicals, bio-chemicals and pharmaceuticals (Chemical & Allied Industries' Association, 2011). Base chemicals, intermediate chemicals and chemical end-products are mainly manufactured by Sasol Chemical Industries, AECI, Omnia, and Dow Sentrachem. Besides these dominating firms, other companies who are active in these categories include, Hoechst SA, Afrox, Bayer, Shell Chemicals, BASF, Engen Petroleum, Rolfes and Imperial Chemical Industries. Speciality chemicals are produced by several companies that are also involved in the importation of these chemicals (Chemical & Allied Industries' Association, 2011).

1.3.3 The Chemical Industry in Africa

The chemical industry is the largest of its type in Africa and is extensively heterogeneous. Chemical industry investment in Africa is driven by the fact that the continent is amongst the fastest growing economies globally, propelled by the emergence of substantially larger middle class with access to disposable incomes as well as availability of low-cost labour (Mahembe, 2013). In addition, opportunities for the chemical sector and its investors in the African countries is centred around high growth, major oil and gas reserves as well as increasing demand in agriculture, consumer products, infrastructure development and construction (Deloitte, 2013).

Africa faces challenges typical of many emerging economies: uncertain regulatory setting, social volatility, unreliable electric power and a weak infrastructure which hinder supply chain management. Nevertheless, growth within the chemical sector depends predominantly on supporting infrastructure across the continent (Deloitte, 2013). South Africa plays an increasingly fundamental role as a source of FDI for other rapidly growing African economies in the global and emerging markets context. This is in view of the fact that in the past decade South Africa has been ranked 5th in terms of FDI projects into the rest of Africa. Furthermore between 2007 and 2012 the compounding growth rate of South African investments into other African countries was 57% resulting in the country being the largest foreign direct investor in the rest of the African continent not taking into account investments from other countries into SA (Ernst & Young, 2013).

1.4 Research Objective

The primary purpose of this research is to provide more insights and understanding into the foreign expansion approaches employed by multinational companies (MNCs) from emerging markets when they invest in other emerging economies. This study will seek to contribute to the existing gap in the international business field on the subject of multinational companies based in emerging markets.

This research will explore internationalisation strategies and competencies that South African chemical companies adopt to expand into the rest of Africa. This will include the countries that have been targeted, the speed of internationalisation process and the modes of entry that have been used plus the underlying reasons for selecting the specified entry mode. This study will further seek to ascertain the key factors that motivate emerging market multinationals to enter other emerging economies as well as explore the specific competitive advantages that these emerging market firms possess that account for their foreign expansion strategies. The challenges faced by these emerging market firms will also be explored.

1.5 Research Limitations

Restricted time frame was used to conduct interviews with all respondents. The sample comprised of 15 respondents with varying roles within international division of the South African chemical industries that were studied. Due to the time limitation as well as accessibility and willingness of individuals to participate in the research, a relatively small sample size was use and a number of individuals who could significantly contribute to this study were not interviewed.

Multinational firms based in emerging markets have started to invest abroad where they compete with advanced multinational corporations from developed countries. This research will concentrate on the analysis of internationalisation strategies of multinationals from the South African chemical industry that have expanded to countries in the African content. Consequently, one of the limitations of the research could be lack of generalisation of research findings particularly to other emerging market multinational companies.

The interviews were conducted by the author of this study as a result the semi-structured interviews may be influenced by the researcher bias arising from subjectivity. Furthermore, exploratory research methodology relies on the subjective judgments and perceptions of the key individuals that will be interviewed. Thus there may also be participant biases due to the subjective aspect of exploratory studies (Saunders & Lewis, 2012).

1.6 Research Delimitations

The delimitations explain the boundaries of the research study and describe the scope of the study.

Firms from emerging markets are adopting international venturing strategies as they seek global opportunities; however research to date has not fully explored the factors driving this phenomenon (Liu, Jiang, Zhang, & Zhao, 2013). This study will not explore the internationalisation strategies of multinationals from other emerging markets other than South Africa. In order to examine the complexity of foreign expansion of emerging markets multinationals, the research will employ a qualitative approach. Additionally, a qualitative methodology is suitable considering the limited time frame that is available for the research project. Quantitative methodology will not be part of this study.

Hoskisson et al., (2000) describe emerging markets as low to middle per capita income, rapidly growing in terms of size of the economy and population; that have experienced radical institutional changes in preceding years such as augmented openness and liberalisation. The African continent is one of the fastest growing economies globally and comprises of a heterogeneous set of countries with a number of these countries having gone through institutional transformation (Hoskisson et al., 2000). South Africa is one of those African countries that have experienced significant political and economic transformation with the end of the apartheid era in 1994 which gave rise to rapid openness of the economy. A number of South African companies started to expand abroad whereby some companies emerged to compete for global leadership positions in some industries although much of the internationalisation has been into the rest of Africa (Klein & Wöcke, 2007) .

South Africa plays an increasingly fundamental role as a source of FDI for other rapidly growing African economies (Ernst & Young, 2013). According to the UNCTAD World Investment Report (2014), in 2013, South Africa ranked the best foreign direct investment performer in Africa with reference to both inflows and outflows of FDI. The report (UNCTAD, 2014) illustrates that FDI outflows from South Africa almost increased twofold, from $2.9-billion in 2012 to $5.6-billion in 2013. This driver of the rise in FDI was mainly investments in telecommunications, mining and retail (UNCTAD, 2014).

The research will focus on foreign expansion strategies of South African multinational companies from the chemical sector as classified on the JSE listed companies that have expanded into the rest of Africa. The scope of the African emerging markets was determined by the target markets in which the sampled South African chemical companies have established their subsidiaries. The study is restricted to a selected sample from South African companies since accessibility to multinationals from other emerging markets such as Brazil, China, Nigeria and India was not practical considering the limited time frame of the research.

1.7 Significance of study

Insights from this study are directed towards South African companies, international investors with an interest in the African continent as well as policymakers that can shape the business climate to encourage expansion of multinational companies.

1.8 Roadmap of Study

This research study consists of seven chapters which are briefly outlined in this section.

Chapter 1 introduces the research problem and the motivation underpinning this study. It also outlines some of the assumptions, limitations and delimitations of the research.

Chapter 2 will cover a detailed literature review of the subject field which will comprise of an outline of established theories and practices in the field of international business, and the applicability of these theories to multinationals from emerging markets. The researcher will also explore the underlying motives that may drive foreign expansion of multinationals, foreign expansion internationalisation strategies of multinational firms from emerging markets as well as the competitive advantages of emerging market multinationals.

Chapter 3 outlines the research questions encompassing the internationalisation strategies of South African multinationals from the chemical industry into the rest of Africa.

Chapter 4 explores the research methodology and the reasons why a qualitative methodology instead of a quantitative methodology was the selected approach for this study. This chapter will also confer the population, sample size and the criterion for sample selection method. It will also elucidate the data gathering methodology and the employed questionnaire.

Chapter 5 will cover the results obtained from the analysis of the data in relation to the research objectives and research questions.

Chapter 6 interprets and evaluates the research findings and insights with support from the literature.

Chapter 7 is the concluding section, and will accentuate the main findings of the study and the recommendations for future research.

2 LITERATURE REVIEW

2.1 Introduction

The foreign expansion of companies from the emerging markets has challenged established theories and practices in the field of international business (IB) (Cuervo-Cazurra, 2012; Hennart, 2012). Existing models and theories have been established and examined based on multinationals from advanced economies. A major topic of discussion amongst scholars in the IB field has been whether the internationalisation of organisations from emerging markets signifies a new phenomenon that requires novel theories, or whether it can be elucidated within the existing theoretical frameworks that were based on analysis of advanced economy multinational companies (Guillén & García-Canal, 2009; Hennart, 2012; Luo & Tung, 2007).

2.2 The Orthodox Internationalisation Theories of Multinational Enterprises (MNEs)

International business has several tenets that provide an explanation of the internationalisation of multinationals: the Eclectic Paradigm also known as Dunning's Ownership Location Internationalisation (OLI) framework developed by Dunning (1988); which highlights the importance of transaction cost and ownership advantages, the Uppsala Process Model proposed by Johanson and Vahlne (1977); which identifies the different development stages of internationalisation as well as the Product Life Cycle (Vernon, 1979) framework; which indicates that innovations flow from advanced economies to developing countries.

2.2.1 The Eclectic Paradigm or Dunning's Ownership-Location-Internalisation Theory of International Production

Dunning's eclectic or OLI paradigm (Dunning, 1988) is the leading theoretical framework of multinational enterprise in the field of international business ((Hennart, 2012; Rugman, Oh, & Lim, 2012). The OLI model is founded on three interdependent concepts: ownership (O) specific advantages of firms, locational (L) attractiveness of countries or regions and internalisation (I) advantages that may influence a firm's decision to expand globally. It asserts that multinational organisations invest in foreign markets to exploit their existing competitive advantage (Dunning, 1988).

The OLI framework draws our attention to the firm's specific competencies that offset the organisation's drawbacks in competing abroad. It states that organisations should possess significant ownership advantages which comprise of asset advantages (Oa) namely; proprietary cutting-edge technologies, marketing competence, and strong global brands. Furthermore, organisations must have transitional-based advantages (Ot), which are the firm’s proficiencies in coordinating separate value-added activities across geographic markets as well as reducing environmental and foreign exchange risks (Dunning, 1988). In response to contemporary MNE internationalisation activities, Dunning and Lundan (2008) later expanded the ownership advantages to incorporate institutional advantages (Oi), which are capabilities dealing with formal and informal institutions at the firm level that governs the daily operations of a firm.

The eclectic paradigm recognises the importance of the locational attractiveness of countries as a determinant of the foreign production of multinational enterprises. The model further indicates that companies set up production facilities in foreign countries where they have location advantages, which determines the geographical market where ownership advantages will be exploited. The OLI theory also asserts that organisations must have the propensity to internalise cross-border markets by keeping the foreign operation within the organisation in an endeavour to seek effectiveness and efficiency (Dunning, 1988). This is what Dunning (1988) describe as internalisation advantages which develop from imperfections in the international market.

Most IB researchers have applied the OLI paradigm to the internationalisation of EMNEs and came up with differing conclusions on the applicability of the OLI model and foreign direct investment of firms from emerging economies (Cuervo-Cazurra, 2012; Guillén & García-Canal, 2009; Luo &Tung, 2007; Ramamurti, 2009). Rugman (2009) argues that EMNEs are not truly novel relative to MNEs from developed economies thus the OLI framework is adequate to explain foreign investment of EMNEs. They propose that the firm specific advantages (FSAs) and country specific advantage (CSAs) model can also be used to describe the behaviour of multinationals from emerging markets.

Rugman (2009) also contends that EMNEs do not possess ownership advantages and their foreign expansion is a result of local country comparative advantages such as cheap labour and natural resources. EMNEs have invested abroad based on their access to country specific advantages such as oil and gas in Russia, minerals in Brazil and South Africa, and cheap labour in India and China. Rugman (2009) further asserts that these CSAs cannot provide a long-term basis for multinational activity because they are available to both local and foreign firms located in a particular country.

In contrast, Ramamurti (2009) insinuates that multinational enterprises from emerging markets possess ownership advantages that are different from those articulated by multinationals from developed countries. The ownership advantages attributed in the literature to EMNEs are in part due to their profound understanding of customer needs in emerging markets; their ability to function in difficult business environments and their low-cost manufacturing ability (Cuervo-Cazurra, 2012; Guillén & García, 2009; Ramamurti, 2009)

Multinationals from emerging markets invest internationally to exploit locally developed ownership benefits. They also complement their national ownership weaknesses in order to improve the competitive advantage of the organisations in the local market thus integrating the viewpoint of exploitation and exploration advantages (Cuervo-Cazurra, 2012; Luo & Tung, 2007).

On the contrary, some IB researchers propose that EMNEs are new phenomena that require new theories and models to explain their behaviour since extant theories were based on the analysis of multinational companies from advanced markets (Guillén & García-Canal, 2009; Luo & Tung, 2007; Mathews, 2006). Mathew (2006) proposes the linkage, leverage, learning (LLL) framework in an endeavour to elucidate the differing behaviour of EMNEs. The LLL model states that EMNEs expand abroad by acquiring external advantages (linkage), utilising networks to acquire resources (leverage) and advancing through repetition and improvement (learning). Luo and Tung (2007) assert a springboard investment viewpoint whereby EMNEs invest abroad to gain strategic assets required to compete more effectively against multinational companies from advanced economies and avoid home country institutional and market deficiencies.

In the OLI model, firm specific advantages namely: technology and brand names are perceived as crucial to effectively compete in foreign markets. However many latecomers from emerging economies may lack original ownership strengths but choose to go abroad to seek advantages. It has increasingly become evident that this approach of examining the prerequisites for foreign direct investment cannot fully illustrate why EMNEs invest abroad as they possess few of the technologies and brand names that the OLI framework indicates are a necessity for foreign expansion (Cuervo-Cazurra, 2012).

Ramamurti (2009) contend that although the OLI model brings together several islands of IB theory and answers the ‘why’, ‘where’ and ‘how’ questions with regard to the internationalisation of firms, it is not sufficient as a guide for developing internationalisation strategies since it is static, abstract and context free. This is due to the fact that the OLI framework posits a set of general conditions that a company must meet to become multinational. It asserts that a firm cannot become multinational unless it possesses firm-specific or ownership advantages that offset the disadvantages of operating in a foreign country. It further stipulates that firms expand internationally only if there are location-bound advantages in foreign countries that cannot be exploited without presence in those countries, or that a firm will internalise international transactions only if alternative arm-length arrangements for exploiting foreign opportunities are less expensive (Ramamurti, 2009).

2.2.2 The Uppsala Internationalisation Process Model

The Uppsala internationalisation process model proposed by Johanson and Vahlne (1977) also known as the incremental model of expansion, elucidates the characteristics of the internationalisation process of an organisation. Firstly, the model asserts that multinationals in an effort to minimise risk, tend to expand abroad in a sequential process whereby they initially invest in neighbouring geographic countries and then gradually enter markets further away in terms of psychic distance. Psychic distance, the fundamental concept used in the Uppsala model is defined as factors that make it complex for firms to learn about and understand foreign environments (Johanson & Valhne, 2009).

Secondly, the Uppsala model explains the selection of the mode of operation in a foreign country, indicating that companies expand abroad through an internationalisation pattern known as the establishment chain. The incremental model of expansion asserts that firms' internationalisation processes commence with exporting; followed by low commitment modes such as deals with intermediaries who represent the company in the foreign market. Subsequent to continual business growth, the agents are replaced with sales subsidiaries and ultimately the company establishes its production division in the foreign market (Johanson & Valhne, 2009).

The fundamental assumptions of the Uppsala model are uncertainty and bounded rationality and thus the model can be utilised for prescriptive intents. The incremental model of expansion is based on the supposition that knowledge development is essential to the firm's foreign investment; especially knowledge that grows out of learning through experience. This process of incremental and gradual expansion allows the company to gain knowledge about foreign markets and such learning is facilitated through sequential expansion to more risky foreign markets (Johanson & Valhne, 2009).

On the contrary, Dunning and Lundan (2008) argue that the Uppsala model is abstract and inflexible considering the fact that companies undertake diverse internationalisation approaches. A number of EMNEs carry out their outward FDI in an aggressive manner in both emerging and developed countries, which is also opposed to the deterministic prediction of the Uppsala model. Changes in the global business environment have resulted in the rapid internationalisation by multinationals from emerging markets (Guillén & García-Canal, 2009; Madhok & Keyhani, 2012).

Owing to subsequent changes in business practices and theoretical advances over the last three decades, Johanson and Vahlne (2009) reviewed their original approach of the internationalisation process of firms. The revised Uppsala model depicts that existing business relationships make it possible to identify and exploit opportunities and therefore have a substantial influence on the geographic market a firm will choose to enter as well as the mode of entry to use. The Uppsala model now perceives the business environment as a network whereby trust-building and knowledge creation from relationships are more critical than the liability of foreignness (Johanson & Valhne, 2009; Rugman & Oh, 2013).

Cuervo-Cazurra (2012) denotes that the Uppsala model highlights the risks faced by EMNEs when they expand internationally while overlooking the potential gains and market attractiveness of augmented internationalisation. In order to apply Uppsala model to the internationalisation of EMNEs it would be essential to complement the framework with novel aspects such as market attractiveness and firm characteristics (Ciravegna, Fitzgerald, & Kundu, 2013).

2.3 Internationalisation Theories of Emerging Market Multinationals Enterprises

Hoskisson et al. (2000) identify three conceptual perspectives as the foremost theories when examining emerging economies: transaction cost theory (TCT), the institutional theory (IT) as well as the resource-based view (RBV). Emerging markets present a novel context in which to compare strengths and weaknesses of these different viewpoints. In spite of this, the heterogeneity of emerging economies poses a challenge to the general adoption of developed theoretical and methodologies that are economy-based (Wright, Filatotchev, Hoskisson, & Peng, 2005).

Hoskisson et al. (2000) states that in the early phases of market emergence, institutional based theory is significant in elucidating influences on the strategy of a company for the reason that government and societal impacts are relatively profound in emerging economies than in advanced economies. The transaction cost perspective follows and subsequently the resource-based view become more vital as markets mature. Nevertheless, Hoskisson et al. (2000) also accentuate the significance of focusing on the integration of the institutional-based perspective with the other conceptual perspectives in distinguishing the differences between emerging and developed economies.

2.3.1 Transaction Cost Theory

The transaction cost theory explores the interaction between the firm and the environment through a contractual approach (Williamson, 1979). It is centred on the efficiency of the markets whereby firms ought to establish governance structures that will minimise costs and inefficiencies related with foreign expansion. Thus the selection of governance structures requires a trade-off between the transaction costs related to the mode of entry, a firm's control requirement and governance costs of hierarchy (Hoskisson et al., 2000).

Transaction cost perspective has been mainly applied to developed economies. These economies have strong legal systems and mandatory social norms which are not common in emerging economies. On the other hand, emerging markets are characterised by political and economic instability whereby formal rule may suddenly change, corruption and bribery are prevalent thus increasing uncertainty. The TCT has been critiqued by some scholars regarding its applicability to emerging markets and some researchers have advanced the theory to incorporate the cultural and institutional context (Hoskisson et.al, 2000; Kogut & Singh, 1988; Martinez & Dacin, 1999).

Many companies may delay investments in countries where there is uncertainty and a high possibility of opportunist behaviour by the government of a particular emerging market since these scenarios might results in high transaction costs. Furthermore, emerging markets are inherent of weak institutional infrastructures to support a market-based system; as a result, transaction costs are likely to be relatively higher in emerging markets than in developed economies (Hoskisson et al., 2000). Therefore, institutional and cultural aspects have to be taken into account when applying the transaction cost perspective in the internationalisation process of firms into emerging markets.

2.3.2 Resource-Based Perspective

The resource-based perspective explores the key questions pertaining to why organisations differ and how they achieve and sustain competitive advantage (Hoskisson, Eden, Lau, & Wright, 2000). The resource-based view introduced by Penrose (1959) and enhanced by Wernerfelt (1984) and Barney (1991) states that firms possess specific resources and capabilities that managers utilise in creating sustainable competitive advantage. Penrose (1959) contend that the distinctive character of a company is facilitated by its heterogeneous capabilities which are the essence of competitive advantage.

Wernerfelt (1984) suggests that assessment of firms in relation to their resources might give rise to insights different from the traditional industrial-based view asserted by Porter (1980) which argues that conditions within an industry determines the strategy and performance of a company. Resources of a firm comprises of assets, capabilities, organisational processes, firm attributes, information and knowledge controlled by a company which enables the firm to formulate and implement strategies that augment its efficiency and effectiveness (Wernerfelt, 1984). Subsequently, Barney (1991) supplemented the RBV by suggesting that the strategic resources and capabilities that a firm ought to possess in order to develop sustainable competitive advantage can be differentiated based on four criteria namely; value, rareness, inimitability, and substitutability.

According to Barney (1991), a company is alleged to possess a sustained competitive advantage when it has the ability to execute a value creating strategy which is not concurrently being implemented by current and potential competitors as well as when the company's competitors are not able to replicate the strategy gains. It must be noted that sustainable competitive advantage does not imply perpetuity as changes in the economic environment of an industry may invalidate the competitive advantage of a firm.

The study of multinational firms from emerging markets emphasizes that the development of resources and knowledge is influenced by the country of origin of the multinational. This has led to the notion that the resource based theory ought to be augmented with the institutional-based theory and the knowledge-based theory (Cuervo-Cazurra, 2012). The institutional voids that are associated with emerging economies compels firms from these economies to focus on developing intangible resources such as business models, organisational capabilities, process innovations and the competence to manage in the challenging and volatile institutional setting (Cuervo-Cazurra & Genc, 2008). EMNEs expand abroad concurrently as they acquire new resources and capabilities through alliances or acquisitions of companies to enhance capabilities at home and catch up to firms from developed economies (Luo & Tung, 2007).

Firms originating from emerging markets possess idiosyncratic resources and development paths that substantially differ from not only to companies from advanced economies but also to other firms originating from emerging markets (Luo & Tung, 2007). Ramamurti (2009) support Lung and Tung (2007) by stating that existing theory indicates that EMNEs do not possess firm specific resources similar to developed country multinational companies such as proprietary cutting-edge technologies, marketing competence, global brands, exceptional human capital and reputation. Madhok and Keyhani (2012) assert that EMNEs suffer from liabilities of foreignness and being late comers in the global landscape.

Nevertheless, EMNEs possess unique resources which can be categorised into three groups namely; relationship-based resources, home-experiences-based resources and country-created asset-based resources (Jain et al., 2013).

a) Relationship-based resources

Firms from emerging markets generally develop their competitive advantage from managing relationships (Madhok & Keyhani, 2012). Relationship-based resources can be further subdivided into three types of relationships: business relationship, ethnic relationship and institutional relationship (Jain et al., 2013):

Resources originating from business relationships: EMNEs establish business relationships with firms originating from advanced economies through joint ventures. This result in spill over effect whereby EMNEs acquire know-how associated with advanced economies, which permits emerging market multinationals to follow their customers into other foreign markets (Luo & Tung, 2007).

Resources stemming from ethnic relationships: In order to ease the comprehension of the host country's regulatory and legal system, and culture, a number of EMNEs internationalise based on their relationships with the indigenous group of the host country (Jain et al., 2013).

Resources origination from institutional relationships: Firms origination from emerging economies develop relationships with both local and foreign governments as well as home and foreign financial institutions (Dunning & Lundan, 2008; Gammeltoft, Barnard, & Madhok, 2010; Johanson & Valhne, 2009). This initiative is done by EMNEs in an attempt to curb institutional voids such as corruption, inefficiency which are predominantly caused by government involvement in businesses (Cuervo-Cazurra, 2008).

b) Home experiences-based resources

Ramamurti (2012) postulates that emerging market multinational companies possess a deep comprehension of local consumers and thus optimise products and processes to effectively meet their customers' needs and infrastructure hurdles associated with emerging economies. These firms often exploit the home experiences-based capabilities in other geographically proximate emerging markets to expand across borders (Khanna & Palepu, 2006; Madhok & Keyhani, 2012; Ramamurti, 2009).

c) Country-created assets-based resources

Some firms from emerging markets have employed their local government resources such as financial support in education and research and development to augment their technological and marketing capabilities resulting in these firms becoming competitive abroad (Mathews, 2006).

2.3.3 Institutional Theory

There is an increasing perception in international business regarding the need to incorporate the institutional aspect into the understanding of internationalisation decisions of emerging economy firms (Gammeltoft et al., 2012; Peng, Wang & Jiang, 2008). Peng et al. (2008) stipulate that the emergence of an institutional-based view of international business strategy along with the industry-based and resource-based views can be regarded as a strategy tripod which could provide insights into what drives a firm's strategy and performance in international business as well as determinants of a firm's success or failure as it expands into foreign markets; particularly companies from emerging economies. The industry-based and the resource-based perspectives have been mainly criticized for overlooking the institutional settings which provide the context of competing among industries and firms. This is due to the fact that resource-based and industry-based views stem from research based on advanced economies in conjunction with the assumption of a relatively stable market-based institutional framework leading to the view that institutions are merely background conditions (Peng et al., 2008).

According to North (1990) institutions can be categorised as formal rules: constitutions, law and regulations and informal rules: ethical norms, cognitions and self-imposed code of conduct. North (1990) argues that institutions provide “the rules of the game” that shape human interactions in societies. North (1990) further accentuates that firms are the players circumscribed by the formal and informal rules known as institutions.

Hoskisson et al. (2000) and Khanna and Papule (2006) postulate that strategic choices are not only motivated by industry conditions and firm capabilities however, formal and informal constraints of a specific institutional framework faced by managers also drive the strategy selection. Peng et al. (2008) concur with other researchers by pointing out that institutions in emerging economies differ substantially from those of developed countries which led to the increased deliberation that formal and informal institutions significantly influence the strategy and performance of companies. EMNEs originate from countries with low to middle income per capita, and exhibiting weak institutional infrastructure (Amal, Awuah, Raboch, & Anderson, 2013). Therefore, firms expanding into emerging countries ought to be aware of the institutions that exist in the host country so as to determine what strategy to formulate and implement in order to create competitive advantage (Khanna & Palepu, 2006; Peng et al., 2008).

Khanna and Palepu (2006) contend that emerging markets are embedded with the lack of specialised intermediaries, contract enforcing mechanisms and regulatory systems known as institutional voids. Therefore, when multinational corporations explore business opportunities in emerging markets, they ought to develop business models to deal with these institutional voids. Such business models comprises of “replicate or adapt, compete alone or collaborate, accept or attempt to alter the market context as well as enter, wait, exit” (Khanna & Palepu, 2010).

However, most multinational companies particularly those originating from developed countries are familiar with operating in sophisticated institutional structures and hence are ill equipped to deal with institutional voids. Conversely, EMNEs originate from countries which are entrenched with institutional voids and as a result are experienced at how to work around them which provides these companies with competitive advantages over their developed markets counterparts (Khanna & Palepu, 2006; Ramamurti, 2009). Guillén and García-Canal (2009) agree with some strategy researchers by indicating that host country institutions determine the attractiveness of that country and significantly shape market entry strategies of multinational firms.

2.4 Internationalisation Motives of Emerging Markets Multinational Enterprises

There are two comprehensive aspects of significance in foreign market entry strategies: reasons for companies to internationalise and the means by which companies select to internationalise. Internationalisation motives depend on the strategy that MNEs pursue when expanding into foreign markets (Hill, 2009; Singh, 2012). Foreign expansion of companies may be either to exploit a firm specific advantage, to bolster an existing one or to develop a new one which is normally related (Madhok, 1997).

Dunning and Lundan (2008) posit that motivations for firms to engage in foreign expansion can be categorised into four groups: resources seeking; market seeking; efficiency seeking and strategic asset seeking. Firms from emerging markets have been mainly expanding into foreign countries utilising asset-seeking motive and market-seeking motives, and less efficiency seeking motives (Luo & Tung, 2007; Mathews, 2006; Singh, 2012). However, several emerging markets provide multinational companies with the opportunities to participate in all four motives (Singh, 2012).

Resource seekers tend to invest in foreign countries to acquire locational specific resources namely natural resources and raw materials such as agricultural produce, minerals, oil and gas as well as factors of production such as low-cost unskilled or semi-skilled labour. These enterprises enter a foreign market driven by cost minimisation and the guarantee of access to economic natural resources and raw materials. Moreover resource seeking firms use foreign investment to gain technological, innovative, marketing and management proficiencies from the host country (Dunning & Lundan, 2008). Luo and Tung (2007) argue that EMNEs systematically employ international growth to gain essential resources required to compete alongside global competitors locally and abroad.

Market seeking multinationals invest abroad primarily to gain access or proximity to customers in a specific country or region. The openness of a country to international companies results in increased local competition and market saturation which compels local firms to seek new markets in foreign countries in order to compensate for the declining market share in the home-country as well as to improve competitiveness and profitability (Dunning & Lundan, 2008). The selection of a location for foreign expansion of market seeking companies may be determined by the number of new potential customers or in some instances by the country-specific consumer preferences (Jain et al., 2013). Outward foreign direct investment driven predominantly by market seeking motives is influenced by transportation costs and government policies.

The efficiency seeking motive acquired by enterprises that venture into foreign economies is characterised by streamlining operations of existing resource-based or market seeking investments in order to exploit comparative advantages in the region or to exploit economies of scale and scope as well as of risk diversification(Dunning & Lundan, 2008). Furthermore, firms seek to enhance efficiency in productivity costs by partially or entirely relocating the business operations to low labour costs economies. Outward foreign direct investment of efficiency seeking firms is primarily driven by cost reduction whereby the significant determinants of foreign expansion are labour and productivity costs along with the cost of physical infrastructure (Holtbrügge & Kreppel, 2013). Singh (2012) argues that locational choices merely grounded on cost advantages such as low cost labour is not a sustainable competitive advantage since most MNCs have access to such a resource and it is probable to reduce with time.

According to Dunning (1994), strategic asset seeking foreign direct investment is relatively the fastest growing of the four foreign expansion motivations. Multination companies engage in FDI to obtain strategic tangible or intangible assets that are domestically unavailable so as to advance or sustain their global competiveness (Dunning & Lundan, 2008). Strategic asset seeking firms comprises of both advanced MNEs pursuing an integrated global and regional strategy and newly established investors seeking to access competitive advantages in a foreign market (Amal et al., 2013).

Contrary to the other internationalisation motives, Dunning and Lundan (2008) argues that strategic assets seeking investment does not entail the exploitation of the firm’s existing ownership advantage however, foreign expansion of a strategic asset seeker is predominantly to enhance the company’s global portfolio of physical assets and human competencies in order to strengthen the ownership advantages of the firm or weaken the competitive position of its competitors. This is a trend that is prevalent with a number of emerging market firms whereby the motive for foreign expansion is asset augmentation and acquisition as opposed to asset exploitation in an attempt to acquire rapid access to marketing skills or research and development skills (Gubbi, 2009; Guillen and Garcia-Canal, 2009).

2.5 Market Selection Criteria for Emerging Markets

Established market selection criteria are based on macroeconomic and political factors and fail to take into consideration the dynamism and future potential of emerging markets that have an impact on specific industries and market receptiveness. Multinational firms are faced with the complicated exercise of exploring the international expansion potential of emerging markets due to their heterogeneity and unstable nature, and lack of available research. Nevertheless, owing to the growth potential presented by most emerging markets, innovative companies are eager to tackle the challenges associated with emerging markets such as erratic changes, cultural differences, poorly developed communication and distribution systems, and expand their operations into these markets (Sakarya, Eckman, & Hyllegard, 2007).

To enhance extant international selection models, Sakarya et al. (2007) introduced a specialised approach to market evaluation which comprises of four additional criteria that can be utilised for preliminary assessment of emerging markets as international expansion opportunities. The four measures are: the future potential of the emerging market, the cultural difference between the emerging market and the country of origin (Hofstede, 2001), competitive strength of the specific industry in the emerging market (Porter, 1990), and customer receptiveness to the products of the foreign industry and its country of origin. Sakarya et al. (2007) highlight that the specialised approach is not a substitute for existing market selection methods instead it complements them.

Contrary to traditional market assessment studies which rely on aggregate ranking of countries' market potential and overall attractiveness, the specialised approach incorporates both qualitative and quantitative approaches to steer strategic decisions of market selection as well as takes into account the heterogeneity of a country through the assessment of competitive advantage of the specific industry. The growth potential of a host country in terms of both product and industry is a significant aspect that ought to be considered by multinational companies when assessing the market attractiveness of a country. The long-term growth opportunities inherent of emerging markets as the fastest expanding markets globally are not exposed by the application of traditional market selection analysis in view of the fact that established international market selection theories are static (Sakarya et al., 2007).

A fundamental subject in internationalisation is the ability to adapt to culture of the foreign country. To determine the subjective opinion of uncertainty, the specialised approach to the evaluation of emerging markets also encompasses the evaluation of cultural distance between the home and host countries. Furthermore, analysis of consumer receptiveness to foreign products and business for a particular industry plus their perceptions of the country of origin are crucial elements when evaluating the prospects of emerging markets as it results in awareness of the commercial and political risk (Sakarya et al., 2007).

2.6 Entry Mode Strategies

The selection of the market entry mode is a crucial strategic decision in the foreign expansion of a company and has an effect on the performance of the company when doing business in the foreign market (Brouthers, 2002). Root (1994) describes mode of entry as an institutional agreement that allows a firm to introduce its products, management and other resources into a foreign market. The different modes of entry are dependent on the level of market commitment and the required level of control (Bartlett & Beamish, 2014), and local market knowledge as stipulated by the Uppsala model (Johanson & Valhne, 2009). In order to gain competitive advantage, firms ought to be cognisant of how many resources should be committed as well as the level of control required.

Companies can select between non-equity and equity entry modes entry modes. Non-equity modes of entry encompass exports or contractual agreements whereas equity mode of entry comprise of joint venture or wholly owned subsidiaries. Although a number of firms internationalise gradually, commencing with exporting through to joint venturing and then to direct foreign investment; some companies such as the “born globals” select to internationalise rapidly by moving establishing wholly owned subsidiaries directly. Mode of entry choices should be aligned with the overall strategic objectives and motivations of a multinational company (Bartlett & Beamish, 2014).

The impact of industry type on the selection of market entry mode by multinational companies has been explored by a number of scholars (Brouthers & Brouthers, 2003; Kogut & Singh, 1988; Morschett, Schramm-Klein, & Swoboda, 2010). Morschett et al., (2010) postulate that in high income countries manufacturing companies have a preference for wholly-owned subsidiaries compared to the preference cooperative modes of service companies. The rationale to this observation could be that utilising own subsidiaries in emerging markets permits effect transfer of tacit knowledge by a firm as well as protection of the reputation of the company (Contractor & Kundu, 1998).

2.7 Foreign Expansion of South African Companies into the Rest of Africa

The rising presence of emerging markets multinationals from countries in both the global and regional landscape has led to a dynamic shift in the world of business with companies from India and China internationalising into bordering Asia, Brazilian companies into other Latin American markets and South African companies into the rest of Africa (Ramamurti, 2009). South African companies have established themselves as significant investors across diverse industries (Goldstein & Prichard, 2009).

According to the UNCTAD World Investment Report (2014), foreign direct investment inflows to Africa propelled by international and regional market seeking flows, and infrastructure investments increased by 4 per cent to $57 billion in 2013. Sustained economic and population growth predictions keep on attracting market seeking FDI into consumer focused industries. Intraregional investments are rising with companies from South African, Kenyan and Nigerian leading. Majority of the outflows were directed to other markets in the continent creating a path for regional integration which is investment driven.

The internationalisation patterns of South African companies have been shaped by the unique history of the country. These companies originated from a country which consists of vast mineral resources, heavily protected markets, and had two parallel unequal economies under the apartheid regime. Economic concentration and conglomeration were the embedded aspects of the South African economy. This resulted in a level of industrial development and business sophistication which is not common in countries originating from emerging markets (Goldstein & Prichard, 2009).

The end of the apartheid regime led to the opening of the country's economy to global markets which presented an opportunity for South African companies to expand across borders. In addition, the rising competition amongst domestic companies as well as the fact that opening of the South African markets introduced international competitive forces resulting in local market saturation also prompted the internationalisation of South African companies.

Goldstein and Prichard (2009) asserts that foreign expansion of South African companies is mixed whereby some companies have focused on expanding regionally into the rest of Africa whilst another group of companies have expanded across the borders of the African continent. The internationalisation patterns of South African companies may differ across companies from different industries and different sizes. Figure 1 shows trends in foreign expansion of South Africa into the rest of Africa.

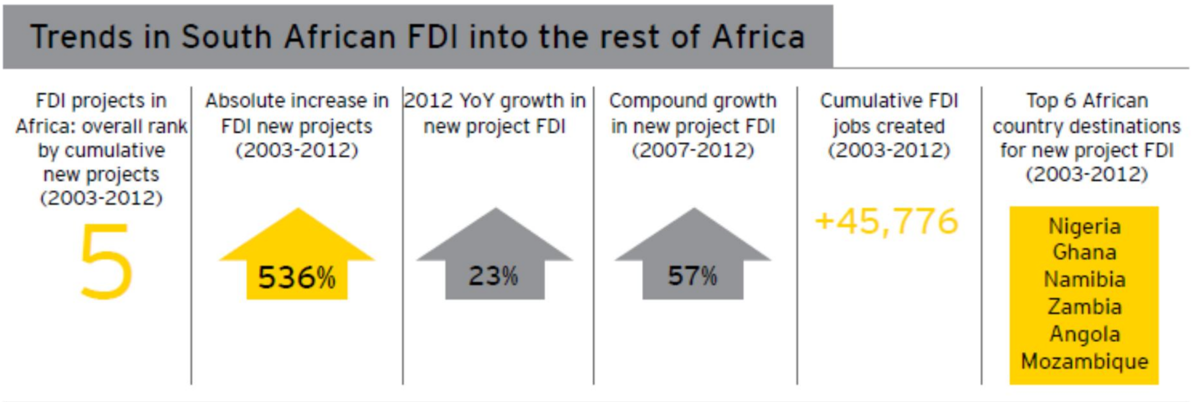

Figure 1: Trends in South African outward direct investment into the rest of Africa

(Source: Positioning SA in the context of the Africa growth story, Ernst & Young)

The internationalisation patterns of South African companies may differ across companies from different industries and different sizes. This research will explore the internationalisation of South African companies from the chemical industry in an effort to gain insights into the foreign expansion process of South African companies.

2.8 The Competitive Advantages of Emerging Markets Multinational Enterprises

Emergence of multinational enterprises and the drivers of foreign direct investment have been defined by a set of national and historical context (Guillén & García-Canal, 2009; Williamson, Ramamurti, Fleury, & Fleury, 2013). On the contrary, the environment that prevails nowadays differs from the historical context that shaped existing theories and thus the behaviour of EMNEs will be expected to be different from those of multinationals from advanced economies. Today's environment comprises of higher level of global integration, less restriction with regard to the flow of capital and information internationally plus communication systems have become technologically advanced (Williamson et al., 2013).

In view of the fact that multinational companies from the emerging economies are swiftly becoming significant players regionally and globally as well as that established theories appear to provide limited elucidation of their behaviour and performance; it is fitting to explore competitive advantages that EMNEs employ as they expand across borders (Ramamurti, 2012). In order for companies from emerging markets to be successful when expanding abroad, they required a source of competitive advantage that both differentiates them from advanced global players and also offset their drawback of being late comers.

The influence of home-country on a firm's specific advantages is more prominent in the early stages of internationalisation relative to the later stages. Meyer and Peng (2005) argue that the types of resources and capabilities that permit competitive advantages in emerging markets are diverse. However, instead of exploring the selection of a foreign country on a country to country basis it is crucial to look at the location choice as a comprehensive decision for the MNC. Different emerging markets and different regions in a specific emerging economy offer diverse benefits and thus multinational enterprises can augment their competitive advantage by comprehensively leveraging these advantages (Singh, 2012).

Rugman (1981, 1996) developed a matrix of country-specific advantages and firm-specific advantages (FSA/CSA matrix) in order to examine and explain the competitiveness of multinational enterprises. Rugman, Oh and Lim, (2012) later expanded the FSA/CSA matrix and assert that competitiveness of multinational companies is dependent on the nexus between country-specific and firm-specific advantages. This perspective of the internationalisation competitiveness differentiates between firm-specific advantages: distinctive capability proprietary to the firm which may be founded on product or process technology, managerial, financial or marketing competencies, and country-specific advantages: nation specific factors unique to the company in each country which could be based on natural endowments, labour force, cultural, political and institutional factors It also explore how MNEs leverage their FSA derived from both local and host country advantages (Rugman et al., 2012).

A number of scholars outlined potential sources of competitive advantages for emerging markets firms such as the skill to unravel latent demand at the bottom of the pyramid competences in dealing with institutional voids (Cuervo-Cazurra & Genc, 2008). Other sources of competitive advantage are economies of scale, home and host government policies, market power, branding, institutional context and governance. Furthermore the creation of a firm’s competitive advantage can be influenced by country-specific advantages from both the company’s home and prospective host country markets (Williamson et al., 2013).

Country-specific advantages, CSAs

The perspective of the significance of home country-specific advantages is coherent with Porter’s (1990) viewpoint that the international competitive performance of a business is influenced by home country factors. Research on the strategy and performance of MNEs highlights that CSAs in both home and host countries ought to be taken into account (Dunning, 1998). Williamson et al. (2013) argued that EMNEs possess a number of valuable intangible assets and foreign expansion of these multinationals does not rely only on country-specific advantages since foreign firms can exploit CSAs such as low-wage by outsourcing or establishing manufacturing facilities in low-wage countries.

Yamakawa, Peng and Deeds (2008) allege that institutional support from the local government influences internationalisation decision of firms from emerging economies whilst Peng and Heath, 1996 indicates that emerging market firms utilise inter-organisational networks to gain information and resource support in their foreign expansion initiatives. Some governments in emerging countries such as China have implemented going- out programmes to enhance international competitiveness of local companies such as tax relief, favourable exchange rates and subsidised insurance for expatriates (Luo & Tung, 2007; Luo, Xue & Han, 2010).

Institutional and relational advantages are external resources and thus the issue is in what way firms could transform these strategic assets into specific objectives (Peng, 2012). Augier and Teece (2009) highlight that allocation and transformation of assets to pursue opportunities has become crucial for internationalisation.

Studies on emerging multinationals in emerging markets have indicated a number of country-specific advantages that these companies leverage internationally. For instance, multinationals from South Africa, Russia and Brazil took advantage of the country's vast natural resources endowment whilst companies from China and India took advantage of the size of their local markets and the accessibility to a large pool of low-cost skilled and un-skilled labour which relates into low manufacturing cost. The apartheid era in South Africa led to unforeseen advantages for local companies in the post-apartheid period (Ramamurti, 2009)

The weak institutions in emerging economies prompted local companies to be innovative to evading institutional voids (Khanna & Palepu, 2006). The capabilities that companies created to cope with country-specific institutional voids became firm-specific advantages that could be exploited in other emerging countries.

Firm-specific advantages

Firm-specific factors have an effect on the competitive advantage of EMNEs. Firms from emerging markets are alleged to have limited resources relative to companies from advanced economies. The OLI framework (Dunning, 2000) suggests that firms internationalise to exploit ownership advantages. However, recent research on EMNEs argues that these late comers do not possess original ownership advantages instead EMNEs engage in foreign expansion to access new resources and knowledge in order to enable them to enhance their competitive advantages in addition to exploiting existing competitive advantages locally and in foreign countries (Williamson et al., 2013; Ramamurti, 2012; Mathews, 2006); a point also alluded by Luo and Tung (2007) by suggesting that firms from emerging markets invest across borders to exploit existing strengths and explore new advantages.

Dunning (2006) later proposes that competitive advantages of firms may be diverse nevertheless Liu, Jiang, Zhang and Zhao contend that in order for firms to sustain their foreign operations they still require distinctive ownership advantages which might not be similar to the traditional ones. This is a distinct juxtapose to the development patterns of multinationals from advanced markets that expand into foreign countries predominantly with the objective of exploiting their existing competitive advantages (Ramamurti, 2012; Williamson, Ramamurti, Fleury, & Fleury, 2013).

Ramamurti (2012) proposes the following as typical competitive advantages that firms from emerging markets leverage as they internationalise across borders.

Innovation and Competitive advantages

Innovation by EMNEs encompasses reinventing existing products, processes and business models which is not based on the traditional cutting-edge technologies prominent to multinationals from developed economies. The innovation capability of EMNEs is founded on deep insights into emerging market customer needs and the development of products well suited for emerging markets so as to satisfy the needs of their customers at the right price level (Ramamurti, 2012). Furthermore, process innovation necessitates capabilities in technology absorption and process optimisation to suit local factor costs.

Operational excellence in adverse conditions

EMNES have learned the skill to function effectively and efficiently in the highly erratic business environment of emerging markets (Ramamurti, 2012). Whilst firms from advanced countries struggle to operate effectively in the dynamic environment of emerging markets, EMNEs are accustomed to the uncertainty of the environment by virtue of being cultivated in such settings and thus are capable of operating effectively and efficiently. Multinationals from emerging markets are generally capable of crafting ways to compensate in cases of weak infrastructure and difficult logistics due to congested ports and roads. These companies have also learnt to be proactive in countries where there is ambiguity and volatility in government policies and regulatory system is unpredictable (Khanna & Palepu, 2006). In addition in emerging countries where there is skills shortage, EMNES grow them internally (Ramamurti, 2012).

Privileged access to resources and markets

Another kind of FSA for some firms from emerging economies is the support from local government in a form of preferential regulations as well as preferred access to markets and capital allocation. Several countries from the emerging economies reserve natural resources for exploitation by national firms and state-owned companies. Although state support may be regarded by the international competition as an unfair practice, it does create tangible and valuable advantages for companies from the emerging market (Ramamurti, 2012).

Traditional first-mover advantages

Firms originating from emerging markets are known later comers but a few of them have caught up with firms from developed markets to become significant global players and are at the frontline of technology whilst some EMNEs have integrated ground-breaking technologies acquired from advanced economies ((Madhok & Keyhani, 2012; Ramamurti, 2012).

2.9 Internationalisation Strategies of MNEs from Emerging Markets

Many companies from emerging economies have expanded into other emerging markets particularly within their own region. Brazilian enterprises have invested in other parts of Latin America, Indian and Chinese companies into neighbouring Asia and South African firms have expanded into the rest of Africa (Ramamurti, 2012). Even though it is fitting to comprehend the internationalisation motives of multinational companies, it is also vital to link motivations to the overriding strategies that they pursue in their internationalisation paths (Williamson et al., 2013).

Ramamurti and Singh (2009) categorised emerging markets enterprises into five groups based on their internationalisation strategies: (i) natural-resource vertical integrator, (ii) local optimiser, (iii) low-cost partner, (iv)global or regional consolidator and global first-mover. Notwithstanding the heterogeneity of firms, EMNEs typically employ one of the five generic internationalisation strategies whereby each of these strategies influenced different CSAs and FSAs resulting in distinct internationalisation patterns. Nonetheless these generic strategies are neither mutually exclusive nor collectively exhaustive (Ramamurti, 2009).

2.9.1 Natural-resource vertical integrator

EMNEs expand across borders to integrate vertically in the natural resources industry. Firms that pursue this strategy originate from emerging countries with abundant natural resources, engage in cross-border forward integration to secure downstream markets; or countries with a large demand for natural resources, integrate backwards to secure natural resources for conversion into products for local markets. Emerging market firms in the natural resources sector are either state owned or have connections with local government (Ramamurti, 2009).

2.9.2 Local Optimiser

This strategy focuses on leveraging FSAs based on the capability to optimise products and processes for emerging markets. The ownership advantages of firms following this strategy result from optimising products and processes for the conditions of emerging economies. This comprises designing products that meet two unique conditions of emerging markets: low-income consumers who prefer products that offer a different price-feature mix than high-income consumers in advanced economies, and underdeveloped infrastructures that require unique products and service features. In addition to optimising products for the home market, firms optimise production methods to lower costs or increase reliability in the difficult operating environment that are embedded in other developing markets (Ramamurti, 2009).

2.9.3 Low-cost partner

This strategy endeavour to exploit low-cost advantages more effectively than competitors and hence it is based in exceptional domestic knowledge of how to minimise costs together with process excellence. Low-cost partner firms enhance their ability to produce low cost products by expanding into developed countries through partnerships with firms from these advanced economies. The internationalisation pattern of low-cost partner firms relatively different from local optimisers in that low-cost partner firms direct their foreign investments or services to advanced economies as labour cost arbitrage is unlikely between two low-cost labour countries; whilst direct their foreign investments services to other emerging markets (Ramamurti, 2009).

2.9.4 The Global (or regional) consolidator

This strategy for expanding abroad is distinguished by FSA in operating excellence together with restructuring capabilities. Industries such as cement, steel, beverages and auto parts which are viewed as matured in developed countries are regarded as high growth industries in most emerging economies. Consequently emerging market firms in these sectors strengthen their home market positions to become market leaders with strong cash flow; thus utilise that impetus to acquire firms in other countries (Ramamurti, 2009).

2.9.5 The Global first-mover

The global first-mover is a company that establish a global business in a new industry or segment. This generic strategy is based on three country-specific advantages: a large and rapidly growing domestic market in the relevant industry, the emerging market firm becoming a global innovator and home base low-cost advantage. Although the global consolidator strategy is also based on similar CSAs and industry-specific advantages, the difference is that the global first mover expands in both advanced and emerging markets whilst the global consolidator focuses on investing in advanced economies (Ramamurti, 2009).

2.10 Conclusion

Multinational companies from emerging economies are increasingly becoming global competitors and there is a growing debate amongst IB scholars about the applicability of existing theories and frameworks in explaining the rise of emerging market multinationals. Studying the internationalisation strategies of multinationals from emerging countries will provide a better understanding of the patterns and behaviours of these companies when they expand abroad as well as test whether existing theories and frameworks can be used to explain these new phenomena (Cuervo-Cazurra, 2012; Ramamurti, 2009).

In summary, most IB literature comprises of context-free generalisations which are highly abstract or context-dependent generalisation with less abstract. The former concepts are universally applicable however are too broad to guide managerial decision makers or policy makers. The latter are relatively specific and valuable to managerial decision making but their applicability is normally restricted to the specific contexts such as location and time in which they originated. The international business requires theory in between which includes contextual variables as contingencies. International business researchers ought to consider four dimensions of context when analysing multinational companies: home-country context, industry context, stages of the internationalisation process and temporal context (Ramamurti, 2009).

3 RESEARCH QUESTIONS

The overarching research question to be answered by the end of this paper is:
What are the key strategies pursued by South African multinationals from the chemical industry when building international presence in the rest of Africa?

This research paper seeks primarily to answer the following questions which have been developed from reviewing literature in an attempt to achieve the objectives of the study. To answer these questions, this research project will explore the key factors that motivate South African multinationals companies from the chemical industry to expand into other emerging markets, and ascertain the internationalisation process through which these firms build their positions in other African markets. The research report will also consider specific competitive advantages that South African chemical companies possess which account for their foreign expansion strategies as well as challenges faced by these South African chemical companies in their African operations.

The overarching research question then give rise to the following sub-questions regarding foreign investment strategies of South African companies from the chemical industry.

Research Question 1

What are the key factors that motivate foreign expansion of South African companies from the chemical industry into the rest of Africa?

Research Question 2

What internationalisation patterns do South African chemical companies adopt when expanding into other African markets?

Research Question 3

What are the competitive advantages of firms originating from emerging markets and how are these advantages shaped by the environments of the home and host country?

Research Question 4

What are the challenges faced by multinationals from emerging markets when doing business in Africa and how do they deal with them?

4 RESEARCH METHODOLOGY

According to Saunders and Lewis (2012), there are three major purposes of conducting a research study namely; exploratory, descriptive and explanatory research. Exploratory research is conducted by a researcher to seek new insights and understanding of a topic that is not distinctly comprehended. Typically exploratory research involves collection of qualitative data by means of searching literature and interviewing subject-matter experts (Saunders & Lewis, 2012). As stipulated by Zikmund et al. (2012), exploratory research is generally conducted with the expectation that a more detailed research will be required to provide more conclusive evidence. Therefore exploratory research is regularly used to guide and refine these succeeding endeavours.

Business research is the application of a scientific method in seeking insights and understanding of business phenomena therefore facilitating managerial decision making. A research should be conducted systematically, objectively as well as rigorously. Objectivity helps to circumvent the distorting effects of personal bias. In order to obtain beneficial research result, it is crucial that the specific decision made by management corresponds with the right type of research (Zikmund, Babin, Carr, & Griffin, 2012).

On the contrary, descriptive research is used to provide a precise description of people, organizations, or environments thus accuracy is crucial in this type of research. A descriptive study is usually conducted to answer the 'what' questions and requires quantitative responses which are obtained through the collection of measurable, quantifiable data (Saunders & Lewis, 2012).

Explanatory research seeks to identify cause-and-effect relationships between variables and thus permits causal inference to be formulated (Zikmund et al., 2012). This type of research can employ either the quantitative or qualitative approach depending on the focus of the research (Saunders & Lewis, 2012).

4.1 Research Design

A research design is a master plan approach to a research topic that stipulates the research methodology, data collection technique as well as the specific approach to data analysis that will be utilised by the researcher (Ying, 2009). Zikmund et al. (2012)

contend that there is no specific best research design thus a researcher can apply several options to accomplish the stated research objectives.

Enterprises from emerging economies are adopting international venturing strategies as they seek global opportunities. However, research to date has not fully explored the factors driving this phenomenon (Liu et al., 2013). In order to examine the complexity of foreign expansion strategies by multinationals from the emerging market, the researcher employed a qualitative and exploratory research design as recommended by Saunders and Lewis (2012). An exploratory study was best suited for this research project, in accordance with Saunders and Lewis (2012) postulation that an exploratory research endeavours to gain new insights and fuller understanding of a topic. Qualitative study design is an iterative process whereby data collection and research questions are adjusted according to what is learned through the process (Saunders & Lewis, 2012).

Through the qualitative exploratory approach, the researcher got the opportunity to explore the foreign expansion processes of emerging market multinational companies as well as to comprehend the essence of this phenomenon. This was done by formulating a questionnaire, and gathering data through conducting semi-structured face-to-face interviews with participants from different chemical companies in South Africa. The formulated questionnaire comprised of open-ended questions around the subject of foreign expansion strategies of emerging markets.

The questions were developed so as to instigate a dialogue with the identified subjects of the research project in order to gain new insights on the subject field as well as answer the posed research questions of this study. The researcher was able to obtain different viewpoints of the key stakeholders involved at a strategic level in the international division of the South African chemical companies that were sampled. Given the available limited time frame for this study, the employed exploratory approach is appropriate as this type of research can be conducted within a short period of time (Saunders & Lewis, 2012).

4.2 Scope

The research focused on South African multinational businesses from the chemical sector that have a presence in other African economies. These firms were therefore the population from which specific companies and individuals were contacted by the researcher in an endeavour to obtain interviews from key individuals involved in decision making related to internationalisation strategies undertaken by the South African chemical multinationals.

4.3 Population

A population is described by Saunders and Lewis (2012) as the entire set of group members for instance people, employees, organisations or places. The target population was defined as stakeholders that play a key role in the African operations of South African chemical multinational companies; that are listed on the Johannesburg Stock Exchange, and have expanded into the rest of the African continent.

4.4 Unit of Analysis

The unit of analysis is the perspectives of the key individuals of the South African chemical companies that have been selected in the sample of the research.

4.5 Sampling

4.5.1 Sampling Method

According to Saunders and Lewis (2012) purposive sampling is applied in cases where a researcher needs to use his or her judgement in selecting individuals who will be able to respond to the research questions and meet the objectives appropriately. The sample unit was multinational firms which fall under the South African chemical industry that have operations in the rest of the African continent. This sample unit was chosen based on practicality as it would be difficult to test the entire population of multinationals originating from the South African market.

Non-probability sampling technique was employed as it was not practical to obtain a complete list (sampling frame) of all multinational chemical companies origination from South Africa with international operations in other African countries. The type of non-probability sampling method used for the research was firstly heterogeneous purposive sampling to gain access into African operations of South African companies. This was followed by snowballing sampling whereby referrals were received from the earlier sample members. This assisted the researcher by providing support in gaining access to other relevant key strategic leaders within the African operations of the different chemical companies that were sampled. To prevent obtaining a homogeneous sample through snowballing, the interviews were conducted with strategic leaders from different South African chemical companies who are involved in African operations at different levels and different African clusters.

The sample selection criteria for the purposes of this study were based on the premise that the organisation has a base of operation in their country of origin which is South Africa with additional international operations in Africa. The MNCs chosen were companies that have been listed in the Johannesburg Stock Exchange under the chemical sector for the past five years for accessibility to published annual reports that adhere to international reporting standards. The selection of individuals involved in African operations within the South African chemical companies listed on the JSE was mainly reliant on the availability of the respondents from the respective companies. The heterogeneous criteria across the four different chemical companies that were selected ensure that the sample provided maximum variation possible in the data collected.

4.5.2 Sample Size

A sample is defined by Saunders and Lewis (2012) as a subgroup of the entire population. The subgroup can be a subset of people, employees, places or organisations dependent on the research project and possible availability of the targeted sample of the population. (Saunders & Lewis, 2012). As stipulated by Saunders and Lewis (2012), if a sample is selected using non-probability sampling techniques, the sample size will be dependent on whether the population is heterogeneous or homogeneous. The population that was used in the research is heterogeneous as it includes different South African companies from the chemical sector. The total purposive sample size was 15 senior employees of the different South African chemical firms; that are involved in the African subsidiaries of their companies at a strategic level as detailed in Table 1.

Table 1: Interview distribution across designations of research respondents

Designation	Number of managers interviewed
International Business Development Managers (Sub-Saharan Africa, East Africa, West Africa and the Middle East)	4
General Manager: Business Development (International)	1
Managing Directors	3
Executive Director – African Operations	1
Chief Executive Officer	1
Executive Director – Southern African Development Community (SADC)	1
Global Head Key Accounts	1
Global Supply Chain Manager	1
Cluster Managers (East Africa and West Africa)	2

The complete sample with the exception of one respondent is based in Johannesburg, South Africa where the headquarters of the different chemical companies are located. All 15 interviews were conducted face-to-face including the interview of the individual who is based outside of South Africa which was conducted when the respondent was in the country for a company workshop.

4.6 Research Instrument

Qualitative research strategy emphasizes words instead of quantification in the collection and analysis of the data. The credibility of the research findings was established by using multiple data-collection methods. The use of a variety of independent sources of data or data collection method within one research study is known as triangulation (Saunders & Lewis, 2012). Firstly data collection involved informal discussions with key experts in the field of international business and individuals who are deployed in foreign countries by multinationals from the South African market as well as scanning of documents namely: company reports, articles, local newspapers; research database and company websites.

Subsequently, the exploratory strategy involved semi-structured, in-depth interviews with the application of open-ended questions; which was conducted with the South

African chemical multinational companies' senior executives and middle management who are involved in strategic decision making with regards to foreign expansion tactics. This was to develop comprehensive insights and understanding of why and how various strategies were adopted by these multinational companies from South Africa.

Participants were selected to provide a broad representation of the four firms that were sampled; the sample included business development managers, cluster managers, supply chain managers, international key accounts as well as executives of the foreign operations of the company. The selection of senior executives and managers was based on the perception of their knowledge and experience in strategy formulation and implementation regarding foreign expansion. Thus some of the executives and managers with longer company tenure were preferentially selected. The potential participants were contacted telephonically or through email and then an interview was scheduled dependent on the willingness and availability of the targeted individual.

One advantage of qualitative methods in exploratory research is the use of open-ended questions which allows the researcher the flexibility to encourage participants to elaborate their responses related to the firm's internationalisation. An interview guideline comprising of open-ended questions which were formulated from a review of literature, was employed by the researcher. Open-ended questions also permit the researcher to engage with the participants according to their styles and personalities as well as provide the researcher with the flexibility to easily change the direction of the investigation so as to explore objectives comprehensively (Saunders & Lewis, 2012).

The interviews were conducted face-to face whereby the researcher conducted the interviews at locations which were familiar and convenient to the respondents such as their place of work. Before commencing with the interview, each participant was asked to consent through signing the consent form shown Appendix 1. The interviews were recorded using a voice recorder which was supplemented with cell phone recording. The recordings were saved on a laptop and a hard drive immediately after each interview to avoid the risk of possible data loss or damage. These recordings were subsequently transcribed.

Before conducting the interviews, a pilot test was carried out with respondents similar to those that were used in the research as proposed by Saunders & Lewis (2012). This was done to pre-test the questionnaire so as to establish clarity of the question, possible duration of the interview as well as to ascertain if the questions will provide the researcher with the required data to accomplish the objectives of the research. The questionnaire was reviewed based on the feedback from the pilot stage. A pilot study is crucial in refining research questions and objectives, in addition to minimising the risk that the collected data will not be beneficial to the intended research objectives (Zikmund et al., 2012).

4.6.1 Reliability and Validity

The concept of reliability is based on consistency. Saunders and Lewis (2012) assert that a research is deemed to be reliable if the data collection techniques and analysis processes employed by the researcher produces consistent findings. The aim of reliability is to reduce errors and biases in a study(Ying, 2009). The research involved a triangulation of different sources of data such as interview data with secondary data and existing literature so as to validate and ensure reliability of each method used; thereby reducing participant bias. Collected secondary data incorporated companies' reports and public information such as press releases and annual reports, published news articles, as well as reports from industry associations and government entities. The interviews also involved participants from diverse organisational levels and business units so as to minimise retrospective bias and to improve credibility of this study. Furthermore, the interviews were recorded and transcribed in order to allow comparative interpretations against raw data.

The data collection procedure and the analysis of the results were designed to ascertain that different individuals can obtain similar findings supposing the same interview approaches and data analysis procedures remain consistent.

Validity relates to the credibility of research findings and conclusions. External validity refers to the extent to which the research findings can be generalised to other research cases and context (Saunders & Lewis, 2012). The researcher prudently selected different South African multinationals from the chemical industry who have invested in other African countries so as to ascertain validity of the study. The study also involved evaluation of extant literature and key findings from data analysis to determine the credibility of the research findings and conclusions.

4.7 Data Analysis

A popular method for assessing qualitative data specifically interview data is content analysis, which attempts to summarise data into meaningful categories. The interviews were recorded, transcribed, and then followed by coding and structuring of the transcripts to identify consistent themes stemming from the interviews. As part of the data management system, copies of all the collected data were stored in an electronic format and interview notes were also retained. Content analysis of the text data was undertaken in an attempt to summarise the interview responses into meaningful themes and patterns. The analysis was performed concurrently with the data collection process. This aided the researcher to enhance succeeding interviews through capturing and testing of emerging themes and patterns during the interview process as well as to determine saturation of specific themes.

Subsequently the transcripts were analysed for common themes which were categorised into logical groupings. This was essential in order to interpret the findings and answer the research questions.

4.8 Ethical Considerations

Saunders and Lewis (2012) highlight the importance of assuring confidentiality to research respondents specifically pertaining to personal data which may permit the respondents to be identified. Guaranteeing confidentiality of respondents aids to prevent potential harm to the research participants. Confidentiality is in relation to gathering and reporting of collected data. The ethical clearance process of the Gordon Institute of Business Science was followed whereby the researcher applied for ethical clearance and approval was attained preceding conducting interviews and data collection. This was to ensure that the participants of the research project are protected. Before commencing with the interview, each participant was informed about their entitlement to confidentiality as well as that all acquired information will only be used for research study purposes. Data and findings were reviewed throughout the analysis of data in order to ensure the concealment of companies and individuals.

4.9 Research limitations

Multinational firms based in emerging markets have started to invest abroad where they compete with advanced multinational corporations from developed countries. The sampling method that was employed by the researcher was non-probability sampling which might make it unreliable to generalise on the population.

This research concentrated on the analysis of internationalisation strategies of multinationals from South African chemical industry that have expanded to countries in the African content. Thus the sample was limited to the chemical industry only. Consequently, one of the limitations of the research could be lack of generalisation of research findings particularly to other South African multinationals from different industries as well as other emerging market multinational companies originating from other African countries. In addition, insights may have emerged from other industries other than the chemical industry.

Exploratory research methodology relies on the subjective judgments and perceptions of the key individuals that will be interviewed and the researcher. Thus there may be a researcher and participant biases due to the subjective aspect of exploratory studies (Saunders & Lewis, 2012). Another limitation is related to the limited experience of the researcher in the qualitative research. The researcher made an effort to alleviate this limitation by interacting continuously with relatively experienced researchers throughout this study.

5 RESEARCH RESULTS

5.1 Introduction

This chapter presents the findings of the fifteen in-depth interviews conducted with senior managers and executives across four different South African chemical companies. The interviews were conducted in an attempt to explore viewpoints on the internationalisation strategies of multinationals from emerging markets with the focus on foreign expansion strategies of South African chemical companies into the rest of Africa. The sample was confined to individuals who are extensively involved in African operations of their companies at a strategic decision making level. The researcher employed the qualitative exploratory research approach as mentioned in the previous chapter, whereby a questionnaire comprising of open-ended question was developed and data captured through conducting semi-structured interviews with the selected research participants. This approach allowed the researcher to comprehensively explore objectives and have the flexibility to encourage respondents to elaborate on their responses to the questions posed with regard to foreign expansion strategies of their firms.

5.2 Sample Description

The complete sample with the exception of one respondent is based in Johannesburg, South Africa where the headquarters of the different chemical companies are located. All fifteen interviews were conducted face-to-face including the interview of the individual who is based outside of South Africa, which was conducted when the respondent was in the country for a company workshop. Research participants were selected to provide a broad representation of the four firms that were sampled. Accordingly, the sample encompassed business development managers, cluster managers, a supply chain manager, general managers as well as executives of the foreign operations of the company.

Specific details such as company name, names of the individuals that were interviewed, company products and other information that may have an impact on the anonymity of the companies have been excluded. Respondents from Company B are in employment of two different subsidiaries of the parent company, which is a similar case with respondents from Company C. On the other hand respondents from Company A belonged to the same subsidiary of the parent company. Regarding respondents from Company D, one is the chief executive officer of the company whilst the other respondent is a recently (March 2014) retired managing director of one of the company's subsidiaries. Company D is a relatively small company in comparison to the other companies and started expanding into Africa in the past four years. The researcher is aware that interviewing a chief executive officer of Company D and a managing director might result in a carbon copy of the company's African expansion strategy. However, the reason for interviewing the previous MD of one of the subsidiaries of the company was to eliminate subjectivity of the CEO's viewpoints as he was the only individual permitted by the company to be part of an interview pertaining to the company's African operations initiatives. The number of countries across Africa which the selected companies have expanded their operations ranges from six to thirty countries. The African countries where the sampled companies have expanded into are depicted in Table 2 below.

Table 2: Countries in which the South African chemical companies operate

Firm Reference	**Footprint in the rest of Africa**
Company A	Angola, Zambia, Namibia, Zimbabwe, Mozambique, Tanzania, Kenya, Nigeria, Democratic Republic of Congo (DRC), Botswana, Ghana, Malawi, Uganda, Lesotho and Swaziland.
Company B	Namibia, Botswana, Mozambique, Zimbabwe, Zambia, Tanzania, Malawi, Kenya, Ethiopia, Eritrea, the DRC, Angola, Mali, Senegal, Sierra Leone, Mauritania, and Burkina Faso, Liberia, Ivory Coast, Zambia, Swaziland and Lesotho.
Company C	Namibia, Botswana, Angola, Zambia, DRC, Zimbabwe, Malawi, Mozambique, Tanzania, Kenya, Uganda. Gabon, Nigeria, Ghana, Ivory Coast, Burkina Faso, Senegal, Swaziland, Lesotho, Cameroon, Ethiopia, Egypt, Guinea, Mali, Sierra Leone, Morocco, Nigeria, Uganda, Mauritania and Senegal.
Company D	Botswana, Zambia, Nigeria, Tanzania. Zimbabwe and Mozambique.

The fifteen respondents that were interviewed were fairly diverse with regard to experiences in the South African chemical sector and the number of years that they have been involved in African operations. The number of years of employment in the chemical sector ranged from 1 year to 30 years. The mean was 16.3 years. Furthermore, the number of years that the interview respondents have been involved in the African operations of their companies varied between 1 and 17 years with a mean of 8.3 years. This is depicted in Figure 2.

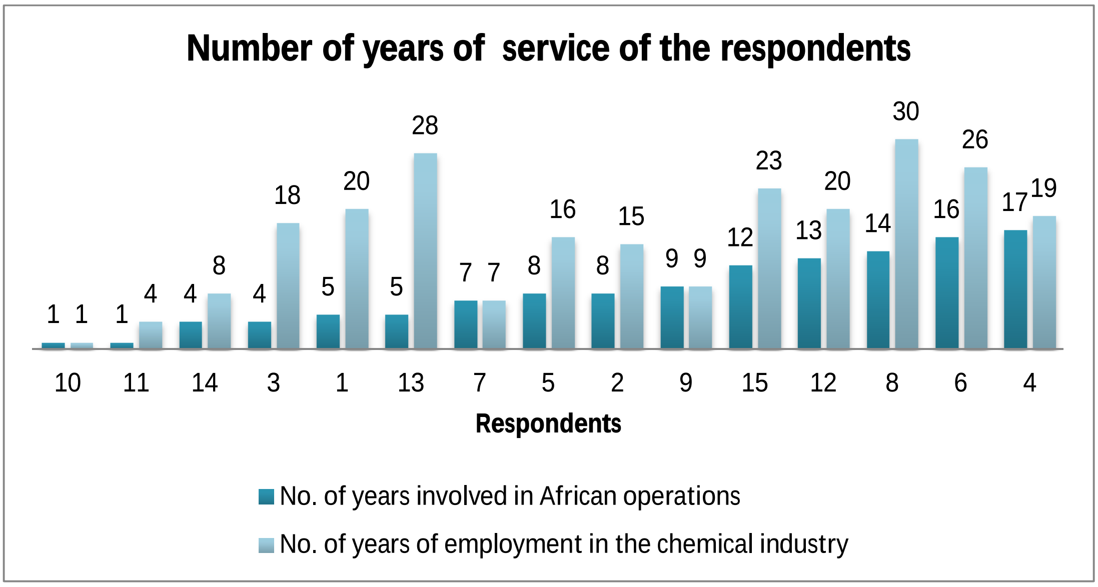

Figure 2: Number of years of involvement in the chemical sector and African operations

A brief description of the interview participants is represented in Table 3.

Table 3: Description of interview respondents

Firm Reference	Manager Reference	Description
Company A	Business Development Manager	The first respondent is responsible for the company's strategy and business development in Sub-Saharan Africa. This participant has been the company for twenty years with five of those years working for the company in its operation in Africa.
Company A	Cluster Manager: West Africa	The second respondent is in charge of the company's operations located in the western side of Africa; which includes countries like Ghana, Nigeria, Angola, Namibia, Botswana, Zambia and the DRC. This participant has been with the company for fifteen years and at the time of the interview the

		participant has been in the Cluster Manager role for a year and half. The respondent has also been based in Namibia and Angola as a managing director of the company's subsidiaries in those countries for about seven years.
Company A	Cluster Manager: Eastern Africa	The third respondent is involved in the strategy formulation of the company with regard to its African operations and is also responsible for the east African cluster of the company which comprises of countries such as Zimbabwe, Kenya, Tanzania, Malawi, Uganda and Mozambique. This respondent has worked for the company for almost eighteen years with almost three of those years serving in the board of directors for the company's subsidiary in Zambia and has been in the current position for a year.
Company B	General Manager: Business Development	The fourth respondent is involved in business development of the international division of the company focusing on the rest of Africa. The areas under his responsibility include Namibia, Botswana, Angola, Mozambique, Zambia and Zimbabwe. This participant has been with the company for seventeen years and has been involved in the company's African operations for nine years.
Company B	International Business Manager: East Africa and the Middle East	The fifth respondent is in charge of business development mainly in East Africa which covers just above Mozambique all the way to up Cairo and Middle East; anything to the Eastern side. This respondent also sits on the boards of all the entities that the company has in the different countries of his responsibility. This respondent has worked for the company for six years and has been involved in the chemical industry for

		twelve years whereby he spent four years in Tanzania as an expatriate.
Company C	Managing Director	The sixth respondent's main focus is to works with the senior management team of the company to drive strategy, expansion for the company, to deliver growth targets and then ultimately to ensure that the quality of the business is to the expectations of the shareholders. This essentially encompasses controlling the profitability of the organisation, and also more importantly ensuring that the company has the right resources: financially, human capital or training and technology; to support its growth plans. Of the twenty six years that this respondent has been with the company, thirteen years has been in the current position with involvement in the company's African footprint for sixteen years.
Company B	Business Development Manager	The seventh respondent is responsible for the business development mainly in Zimbabwe, Botswana and Madagascar and has been with the company for seven years. When this participant joined the company he was involved in business development in the West Africa cluster.
Company C	Executive Director: African Operations	The eighth respondent has been with the company for almost thirty years. This participant has recently changed positions but has been in charge of the company's Africa operations outside of South Africa for the past fourteen years. This included running the company's African portfolio and supporting the growth aspirations of the company north of Botswana all the way up to Morocco and Egypt. At the time of the interview the participant was in the process of moving into the new role. The new

		position is at corporate head office and involves facilitating business development for the rest of the group into Africa and into the world. So the interview was based on the respondents involvement as an Executive Director: African operations
Company A	Managing Director	The ninth respondent has been with company for nine years based in one of its African subsidiaries operation outside South Africa. The participant is responsible for running all the companies operations in that country including overseeing all the safety, sales and distribution, compliance to governance including legislation as well as business development in that country which forms a larger part of his responsibility.
Company C	Global Supply Chain Manager	The tenth respondent has been working the company for almost a year, responsible for the supply chain activity of the organisation, which mainly involves strategy pertaining to getting product to market. The participant's area of responsibility encompasses logistics, sales and operations planning and customer service. The unit consists of both centralized and decentralized operations across the globe that is managed from this supply chain portfolio.
Company C	Global Head Key Accounts	The eleventh respondent recently changed positions and at the time of the interview, the participant has been in the new position for about a month and thus the interview was based on his previous position in Africa Business Development. The previous position comprised of setting up companies in Africa, doing bids for new business, procuring tenders and meeting with potential customers to sell the company's value proposition. In addition, the respondent was

		involved in dealing with the host government in an attempt to register entities as well as ensuring that the company's entities are compliant with the explosives legislations across the African continent.
Company B	International Business Manager: Central Africa	The twelfth respondent has been involved in the chemical industry for almost 34 years and in African operations of the company for just over three years. The respondent has also previously worked for an international chemical business for approximately ten years in its west African operations where the respondent was an expatriate stationed in a number of countries responsible for the company's west African business including countries such as Ghana, Nigeria, Mali, Côte d'Ivoire, Burkina Faso, Guinea and Mauritania. The participant's current position entails growing the company within the central African countries including countries such as Zambia, Tanzania and DRC.
Company D	Managing Director	The thirteenth respondent has been involved in the chemical sector for approximately twenty eight years. This participant has been involved in different positions ranging from project consultant to managing director for twelve years in one chemical company to eighteen months in another chemical company whereby the respondent was also involved in African operations of those companies for almost five years. The areas of responsibility in the last company that this participant worked for included Zimbabwe, Zambia, and Nigeria and Mozambique.
Company D	Chief Executive Officer of the Group	The fourteenth respondent has been with the company for eight years and has been involved in African operations for the past four years.

		The participant's position involves implementing the strategy as approved by the board and managing the day to day running of the business. This entails primarily driving the strategy of the company whether it is expansion organically or by way of acquisitions.
Company C	Executive Director: African Operations	The fifteenth respondent has been working for the company for twenty three years and has been involved in its African operations for about twelve years. This participant is currently responsible for the company's operations in the southern part of Africa at a strategic level and was once posted in several countries for duration of about six years in total: Central Africa, Democratic Republic of Congo, Zimbabwe, Malawi and Zambia.

Although some of the participants were fairly new in their current position, they have been involved in African operations of the previous companies that they have worked for. For instance, respondent eleven has been with the current company for approximately one year but has been involved African business development for almost four years.

Respondent Eleven **"***My current position is Global Head Key Accounts and that generally involves...it is a new position; it is just started, so maybe it is not the most accurate reflection. That all began on 1 September, so the role that I was in previously, I was involved in Africa Business Development. Before my current company, I worked for a large company for three years where I was responsible for their Africa business development."*

The researcher formulated rank ordered tables by examining all the responses of the individuals who participated in the semi-structured interviews and coded them into common themes that emerged from the gathered data. Subsequently, the researcher utilised the occurrence of the different number of constructs across the sample to determine the ranking of each construct and recorded that in a rank ordered table. This is shown in a number of tables in this chapter. It is observed that in certain cases the frequencies are higher than the sample size since respondents provided more than one response to a specific question which is an intrinsic trend when using open ended questions in exploratory research.

5.3 Reasons for expanding into Africa

To comprehend why South African chemical companies expand into Africa, the context in which they select to enter and compete in the emerging market may provide deeper insights of the motivations behind their behaviour. Table 4 below outlines the motives for entry into the African market and the frequency of each motive across the sample.

Table 4: Reasons for entry into the African market

Ranking	What are the motives for expanding into Africa	Frequency
1	Growth opportunities	13
2	Saturation of the South African markets	5
3	Following customer	4
4	Diversification	2

Looking at the rank ordered in Table 4, a significant observation is that the majority of the respondents from the chemical companies indicated that the reason that their companies chose to enter the African markets was because of growth opportunities as well as the need to support the growing industries in the continent. This supported the perspective that Africa is one of the fastest growing continents and presents growth opportunities for companies who want to broaden their customer base. Respondents stated the motivations of expanding into the rest of Africa as;

Respondent Ten *"…..they realized the South African market is not where they really wanted to see all of their growth taking place and they of course had a dominant position in the local market and they wanted to expand that into the other African countries looking at growth, and looking at mining, lots of that growth is outside of South Africa from a gold perspective and the future of mining really is probably lying in some of the emerging African countries other than South Africa. I think really based on that sort of premises how they started to engage in the rest of Africa in wanting to expand really into those regions."*

Respondent *Fourteen "the company must grow and we constantly looking for new markets. Africa is a growing continent; an awakening very fast and the time is now* *because the Chinese and the Indian are piling in here big time and we as Africans do not wake up and utilize our opportunities in our continent we are the losers. So we just had to…it is a growing continent whereas Europe and the America are very saturated economies."*

It was also interesting to see saturation of the South African markets ranking as the second most common reasons the respondents cited across the sampled companies.

Respondent Eleven *"...the South African market was starting to become very saturated in terms of competition…"*

Respondent Four *"…the reason is because South African market has almost reached a ceiling in terms of the volumes that could be traded hence we looking for other avenues outside of South Africa".*

Other motives for investing in other African countries that emerged from the discussions that the researcher conducted with the respondents was "following customers" as they expand across the border into new African markets as well as diversification of exposure risk of the company. The customer following strategy was to offer the companies' products and supporting services to their customers associated with the different foreign expansion initiatives that the customers embarked on.

Respondent Seven *"…at that time, it was becoming clear to us that a lot of our customers that we are serving here are expanding into areas of the continent. Also the market here was starting to be quite difficult and saturated, so we knew that the next growth phase would be to look elsewhere."*

Respondent Fifteen *"Well, we saw that the South African market was not going to remain buoyant so we diversified into Africa very successfully; now we are off Africa into the rest of the world; selected international markets."*

5.4 Internationalisation Patterns

Three questions were posed to the respondents in an attempt to understand the expansion process adopted by the South African chemical companies that were selected for this study. This was done by exploring the selection criteria that the companies use when choosing a foreign market, the countries that the companies targeted as their first foreign markets as well as the selection of mode of entry.

5.4.1 Foreign country selection criteria

The third question was to inspect the criteria that the sampled companies use to select a foreign country. The researcher employed the occurrence across the sample to determine the ranking of the factor that the sampled companies take into consideration when choosing a foreign company as shown in Table 5 below.

Table 5: Foreign country selection criteria

Ranking	Foreign country selection criteria	Frequency
1	Ease of doing business: Legislative environment	13
2	New market opportunities in terms of industry and product	12
3	Political and economic stability	11
4	Logistics	7
5	Infrastructure	4
5	Corruption	4
6	Competitive forces	3
7	Level of education	2
7	Safety of expats	2

From the discussions with the respondent, the researcher picked up that the legislative environment of the host country, new market opportunities and political and economic stability of the foreign markets were the most prevalent measures that the sampled firms use when selecting a foreign market to enter.

Respondent Three *"Political stability, high growth rates and ease of doing business in that country because it can be complex to operate in some of these countries, for example, the Democratic Republic of Congo's tax legislation is horrible. We look at ease of doing business indices that get published…We also tie up with the banks to determine where they see the growth because a lot of the banks get approached first for funding. So they sort of know where things are happening, they sort of see the leading indicators. We also look at discoveries in terms of minerals such as oil and gas, agriculture such as sugar industries, big fabrication countries where it actually suits* *your products, logistics also makes a big difference because you have to get the product there."*

Respondent Five *"We look at the risk profile; the ease with which we will be able to repatriate funds and the exchange rates controls…One of the things we look at is the political stability; over and above that what we normally analyse is that is it a one state party, is it multi because that makes a huge difference in terms of the political landscape in terms of whether the parties are involved because things can move very swiftly. Then we always look at the sensitivity of the local currency...Those are the things we mostly look at."*

Respondent Seven "One *needs to have some kind of clear or consistent rules from a government and legislation. It is not necessarily to say what the rules should be, but they need to be clear and consistent, that is most important because whatever you are going to decide is going to be based on that. Now if rules keep changing all the time, it just makes it that much difficult. When I say rules, I am talking about things for example like local participation in ownership structures of the company. What the deal is in terms of tax incentives for bringing capital into the country, the ease with which you can move money out of the country, employment of bringing in foreigners as expatriates into the country…"*

Respondent Eleven *"The first criterion is a stable political and economic climate…The second area that we look at is: does the country have industries and businesses that we can provide products? Then thirdly the growth experienced in the economy, is the economy growing? Those are the three main criteria we look at. Stability, what is the potential market place and is the country growing. What we found there is that where there is political stability and good economic climate the economy is growing faster than others because everyone wants to invest there."*

Some of the respondents also pointed out that their companies also assess logistics relating to the ease of moving raw materials and products in that country, distance between the source of supply and the hubs; as well as the infrastructure such as roads, rail, availability of water and electricity. Corruption was also mentioned by four of the respondents as a factor that informs their choice of country.

Respondent Fifteen "*The day to day running of a business can be onerous where the roads infrastructure is not there; supply chain breakdown; trains are not working. So* *you have to be self-sufficient in Africa. If you do not have your stuff sorted you can end up not delivering to your customers."*

Respondent Four "*Infrastructure, obviously with logistics you look at road and rail because rail is cheaper but sometimes it comes with its own challenges because all these are part of your plans."*

Respondent Six *"Obviously we also look at ethics and quality of their ethic sort of behaviour in countries. Ethics and how business is managed, and how the business is operated is very important to us obviously because we are a public company group and they have to comply with the ethics and with the corporate governance."*

Some of the determining factors relate to the level of education in the host country and safety of expatriates were viewed by the respondents as secondary measures that their companies consider when selecting a country to expand their operations.

Respondent Five *"…One of the other things that has become an issue nowadays is the safety of our expatriates."*

5.4.2 Mode of Entry

The second question was related to the type of mode of entry that the firms select. The internationalisation process of the South African chemical companies with regard to the selected mode of entering the African market was inspected and it was found that the choice of mode of entry is driven by strategic value, the host country dynamics such as political and economic stability, and is also dependent on the required level of control of foreign operations.

The three types of entry mode that were pointed out by the respondents were exporting through an agent or distributor, joint venture with a local partner and foreign direct investment in a form of wholly owned subsidiary. Through the dialogue with the executives and senior members the complexity of the choices that companies encounter when entering a foreign market was accentuated.

Although it was observed that most of the companies adopted different strategies pertaining to the mode of entry, it appeared that the preferred mode of entry that was highlighted by most of the respondents was to establish wholly owned subsidiaries.

Some respondents underlined the preference for direct foreign investment as opposed to joint venture because wholly owned subsidiaries provide their companies full control of the entity and with the ability to protect the company's intellectual property. It also allows them to avoid the complications that come with joint ventures such as relational issues and compatibility of the company relating to business ethics and culture, with the local partners. The participants expressed that at times the companies are compelled by the regulations of the host country to form a joint venture with a local partner thus adopting that route.

Respondent Five *"…we have always said we do not want partnership. We want to go there and make money. It was easy for a long time to do that because of the fact there was only three…companies in Africa; well now four. But things are changing now. What we are seeing is that we getting more requests coming from governments they are no longer now from players. So business is actually changing in that sense....So now in some countries we are going joint ventures and we are doing agencies as well."*

Respondent Eight *"Typically we go on our own, but we employ and grow lots of locals and we use local service providers. But if we have to and we have, we will find partners and use partners".*

Respondent Nine *"The company I work for, has in all instances that I know decided to go on their own so they will take on all the risks and all the rewards they would not share it with a partner and they would not invest in an existing company. I think it is called a wholly-owned company those were the modes. It differs from country to country where legislation prohibits wholly owned subsidiaries there they have chosen to form a joint venture but maybe sell off some equity or get a local partner."*

Respondent Eleven *"Generally speaking we like to wholly own subsidiaries and control the entity to its fullest. Even though we would love to just trade, I don't think that ever happens because of the nature of our business."*

Respondent Twelve *"We do not do partnerships, like I said, it is our own entity,…the only partnerships we will have in there is most probably local directors,…That is non-executive directors and then obviously the local people that get into senior positions with time, but no partnerships."*

Respondent Fifteen *"In the four countries that I have mentioned; we have people on the ground and we own companies...There are people employed there and we supply* *products there or we import directly to those countries and we distribute. So, it is full enterprises. The other mode is we appoint a distributor in that country and we sell our products to him and he delivers for us. The other one is when we sell our product directly to the end user. We are not locked on one model; we do whatever is appropriate. We do not go on the route of spending a lot amount of capital to enter; we use the least amount of capital to enter."*

5.4.3 Foreign markets targeted by the firms

The first question required respondents to indicate the countries that their companies entered as the first foreign markets and the reason for selecting those countries. From the different discussions conducted with the different executives and senior managers, it was found that the first three companies: Company A, Company B and Company C have been operating in the rest of Africa for more than ten years whilst Company D has been involved in the African markets for four years.

The first operation established by Company A outside of South Africa was in Zimbabwe after which Zambia followed and then Kenya and Nigeria. The first subsidiary of Company B started with Zimbabwe and Zambia followed by Mozambique and then Malawi. The second subsidiary of Company B, first expanded into Tanzania and Mali followed by neighbouring countries such as Namibia, Botswana and Zimbabwe. Company C first expanded into the countries closer to South Africa: Botswana, Zimbabwe and Zambia, then Ghana and Company D started with Zambia, after which Zimbabwe followed and then Mozambique which was subsequently followed by Nigeria.

The discussions with the respondents revealed varying reasons that led to the selection of countries as the first foreign markets to enter. Some respondents indicated that the rationale for choosing certain markets such as neighbouring geographic countries was proximity and similarity relative to the South African markets. It also emerged that the "following customer" approach was another predominant reason for choosing a particular country. Another reason was that it was easier to select those countries that were British colonised based on the fact that the previous parent company originated from the United Kingdom. Some respondents expressed the reasons their companies targeted certain countries as first foreign markets as:

Respondent Four *"...the reason for that was because the market is almost the same as South Africa. If you look at the calibre of the customers it is mostly commercial customers so it made sense then to enter into those countries because the kinds of services could be exported to those countries. Another thing is that it is closer as well in terms of exporting, technologies and other related services. The proximity of these two countries to South Africa made sense then it was basically an extension of South African market hence the business model is the same as the one currently used in South Africa in terms of servicing those markets."*

Respondent Eight *"So probably Botswana, Zimbabwe, Zambia, the closer countries to South Africa…and therefore the closer countries it was easy and more commercially cheap to do so."*

Respondent Twelve "...*from here it was the neighbouring states obviously which makes it easier, Namibia, Botswana, Zimbabwe until recently with all the problems and then after that the decision was basically to skip over and to go into the West African business which is obviously a very big market…it makes much more business sense, your logistics is much easier to expand in that and also to understand the business outside of Africa, if you are closer to home you understand what that business entails."*

Respondent Thirteen *"Because it is just across the border and if you work with...it is was easier to deal with Zimbabwe at that time."*

Respondent One *"The Company entered a long time ago during the old British colonisation in areas such as Kenya and Nigeria during which time the parent company set up businesses in those particular areas, so we have been there for a long time in those particular areas from a company representation perspective and through acquisitions for example, and then the acquisition by the parent company, we have been able to establish a presence in those countries. It was Nigeria and Kenya because those were the end-market entries that the parent company did…because they were all British colonies."*

5.5 Resources, Capabilities and Competitive Advantages

5.5.1 Resources and Capabilities

Resources and capabilities tend to have an effect on the competitive advantage of multinationals. Questions pertaining to the resources and capabilities that the chemical companies possess were asked by the researcher. The frequencies of the responses in this regard were ranked as indicated in Table 6

Table 6: Resources and capabilities

Ranking	Resources and capabilities	Frequency
1	Competency to manage in erratic and volatile institutional settings	9
2	Relationship building	8
2	People skills	8
3	Working capital	3

Flexibility and adaptability were the key capabilities that the respondents perceived a firm must possess when internationalising into other African markets. The following quotes encapsulate this notion;

Respondent Two *"So you need to adapt literally on a daily basis because the conditions change."*

Respondent Seven *"The second thing I think, people; people who can adapt to these harsh different cultures and not just culture in the way of living, culture in the way of doing business."*

Respondent Eleven "*Capabilities, I think you need to be able to as a company have a very, very open mind about different cultures. If you fail to have an open mind and you fail to have flexibility you will fail."*

Respondent Four "*The other thing is an issue of flexibility especially when you looking at different categories of customers..."*

Respondent Fifteen *"You have to go there to make Africa successful; you have to be highly adaptable… You must be highly comfortable with diversity."*

Respondent Fourteen *"….flexibility and adaptability are absolutely critical. This is not the first world; this is a developing continent with all its pluses and minuses. It is not a walk in the park. So you have to be streetwise but it is changing fast. It is developing fast…It is evolving fast."*

The other salient points that caught the researcher's attention when considering the responses of the participants regarding the main resources and capabilities that a firm must possess to succeed when doing business in the rest of Africa was around building relationships with the key stakeholders in the host country as well as people skills. This is evidenced in the following quotes;

Respondent Four *"Capabilities obviously that comes without say, for you to be competitive in that market you must have something that others do not have and whether its price or quality...also the choice of local partners that you use but also those markets are import trade so you need to have good relations with overseas manufacturers of product…In terms of human capital, if you going for instance let me give to you like in terms of the trading business you need somebody who can create business relationships. But also people skills as well because I believe business relations personally are very important in sustaining a business in a foreign country."*

Respondent Thirteen *"…marketing personnel must really be able to speak the language, you must understand the culture, you need to establish trust that you can supply and want to supply… In Africa, relationships are almost more important than the quality of the product."*

Respondent Three: *"You also need to team up with the locals and need to understand the culture of that country... It is also important to leverage global contacts because a lot of the companies especially in the bigger products are actually global companies that we already work with in South Africa. So we sort of need to add on the high levels of the network going that will help you in that country to get the work. Lastly, you need to know what's happening on the ground. Information and knowledge is crucial, so you need to know who is moving on the ground, and who is doing what and what challenges are they faced with."*

Respondent Fifteen *"The other thing is that capability-wise you need to have good connecting leadership. You cannot go up there and just sit in your little business. You* *must connect with all the stakeholders; the chiefs in the area; the politicians in your area become network."*

Respondent Twelve *"I think people is a very important factor, to have the right people, quality people because like I said, it's not easy in these countries, so first people with the knowledge and with the personal qualities to live in these areas, that is a very important thing. Good relationships with customers and an understanding of what the customers are doing, where they are going to go, where they are expanding to, that is very important to us."*

Availability of working capital was identified by three of the participants as a resource that a firm should have when expanding across borders due to long payment terms that companies are normally faced with in African markets. Thus it was observed to be a secondary resource that will enable a firm's performance as it internationalise. One of the respondents stated specifically the need for capital as;

Respondent Six "*So you need resources, you need money; you need working capital because the payment terms in Africa are long".*

5.5.2 Firm Specific Advantages

This section explores the competitive advantages that the sampled South African chemical companies employ as they expand across borders. Firms require a source of competitive advantage that differentiates them from their competitors. Table 7 depicts the competitive advantages that were pointed out by the executives and senior managers that were interviewed by the researcher.

Table 7: Firm specific advantages

Ranking	Competitive advantages	Frequency
1	Technical expertise and industry knowledge	12
2	Supply chain	6
3	Reputation	4
3	First mover advantage	4
4	Global brand	3
5	Robust product	2
5	Proximity	2

It was evident from the views of most of the respondents that technical expertise and industry knowledge play a significant role when it comes to competing in the chemical sector in Africa, this was followed by competences in supply chain and subsequently reputation of the company and first mover advantage ranked as the third source of competitive advantage that distinguishes a firm amongst its competitors.

Respondent Six *"One would be IP and technology, the fact that we have an international company as the technology partner that already differentiates you quite a lot. In the sense that the customer knows that they are dealing with global technology and so they have the best supply from a technology perspective… So really for us it is the technology side that differentiates and gives us quite a good scenario. Secondly is our knowledge of the industries, we have a very strong technology and knowledge base of industry…and we train our people well. So we are able to understand the customers processes very well and then put value add projects behind that to support the customer."*

Respondent Nine *"Another thing is that we sitting on a lot of is technical knowledge and expertise, just because of the history of the company we have been operating almost from the beginning of the century so there is lots of tacit knowledge in our organization."*

Respondent Four *"Like I mentioned its facilities for instance laboratory, technologies, and technical know-how from specialists because we have specialist in different products. Those are unique to any other company."*

Respondent Eleven *"I would say definitely supply chain…I think one of the key success factors in Africa's reliability is supply. If you are able to establish yourself as a reliable supplier, despite very difficult conditions that is a competitive advantage."*
Respondent Six *"I think we understand how to get products in Africa, I think our supply chain is reasonably good. We have got focus and we have got industry working and developing and improving the supply chain into Africa."*

Respondent Two "…we *have a reputable name without a doubt. Our parent company is well known all over the world. So they associate the parent company with quality and safety and ethics."*

Respondent Eight *"So the big advantage now strategically is the fact that we have the track record. We've been there, we are not just trading, and we are putting people on the ground.*

A lot of the countries now want to see investors; they want to see long term sustainable business. They want to see us employing local people, growing skills and knowledge; we've been doing that for fifteen years."

Respondent One "*… I think that when we have the first-mover advantages knowing what we need to do first time around to be able to establish good businesses and good business practices and that allows us to lead certain market practices…the history actually already provides us with enough evidence that what we doing is the right thing."*

Notwithstanding the fact that most of the respondents mentioned technology as one of the competitive advantages of their companies, some respondents indicated that their operations are simple and robust, and are fit for purpose.

Respondent Seven *"Our plants are quite simple and robust and for this kind of application it is best. So it's not the sophistication of the technology, it's actually fit for purpose."*

5.5.3 Country specific advantages

This section explores the viewpoints of the respondents on the subject of home country and host country variables relating to government influences on internationalisation decisions of the South African chemical companies. This was done to determine whether the country of origin as well as the host country has shaped the competitive advantage of the sampled firms. The researcher posed four open ended questions to the respondents regarding support that these companies gain from the South African government as well as the government of the African markets where they have expanded their operations. In addition, the researcher also scrutinised whether there were any benefits or drawbacks that these companies possess by virtue of being South African companies.

5.5.4 Home-country government

Two open ended questions were posed to the respondents to ascertain the role that the South African government play to enable or hinder foreign expansion of South

African companies to the African continent. The responses obtained from the dialogue between the researcher and the respondents were diverse whereby some of the respondents indicated that the home country government supports the regional foreign expansion of South African companies, this was more evident from the companies that are more involved in exporting. Some of the respondents indicated financial support and export incentives. A number of respondents felt there is little or no support their companies get from the South African government particularly the embassies in those countries they have operations. Furthermore, some respondents alluded to the fact that there is lack of engagement between the government and businesses in South Africa when it comes to foreign expansion; hence in order to tackle issues pertaining to internationalisation of South African companies such engagements need to happen.

Government policies of the host countries

The majority of the respondents that were interviewed indicated that governments in some African countries are very supportive of foreign companies attempting to expand their operations into those countries. The respondents stated that the typical support from the host government their companies get are through tax and import incentives as depicted by the following excerpts;

Respondent Two *"Some countries have got some benefits for the investors for bringing in capital equipment; from a clearance and duty point ... from a tax point of view at least for the first three to five years that you do not pay any taxes on profits to the government when you invest over a certain amount. So some countries do have that in place but in countries like Nigeria, there is no incentive from a government or tax point of view to do that."*

Respondent Six *"So I think the governments out there are supportive of foreign entities trying to move into the countries and supporting and having them expand in their country. So we do not find any resistance, it makes easier....Angola is probably the most difficult one up to now. Nigeria was no problem, most of the other countries, their government policies to establish businesses are quite simple, it is not very difficult."*

Conversely, two respondents mentioned that the government policies of the host countries have not influenced their businesses; instead the companies that obtain support from the host government are the companies that these chemical companies provide services to. The reason for that as indicated by the two respondents was that their customers have investments worth billions of US dollars relative to the investments of the chemical firms.

Respondent Five *"I would say we are very immune from that in terms of that the government policies in the different countries have little to do…. to influence our businesses because they only influence our customers as a whole."*

5.5.5 Advantages and disadvantages of South African companies when doing business in other African markets

In an effort to ascertain if being from South Africa has shaped some of the companies' competitive advantages, the researcher also posed a question to the respondents relating to the benefits and drawbacks of being a South African company when doing business in Africa. Mixed responses were observed from the interview participants.

Respondent Two *"I think South Africa is well developed. I mean of all the companies in Africa, South Africa is by far the best developed country. So obviously we can learn a lot and leverage a lot from South Africa on how they are approaching things some business models that South Africa did and so we basically leverage the South African experience into Africa as well….with the South African involvement there is usually a lot of skills and knowledge transfers that takes place. So they would definitely see that as well. The skill and knowledge that South Africa can bring into Africa cannot be underestimated."*

Respondent Fourteen *"The protected environment cost us of all the negatives which obviously outweigh the positives, but one of the positives is that we were forced to think for ourselves and develop our own products. Because South Africa did not have access to technology or anything, they said you know what no one will help us; we have to help ourselves. Then that brings out the best in people in terms of the brain power. South African companies possess extreme fancy technology. We are really not behind the wall when it comes to technology; just look at the Sasol and the multinationals we have fancy, fancy, technology. We produce world class products because the brain power and the knowledge are there".*

Respondent Five *"Our history in mining and the fact that we have been at it for a long time has made most of the SA companies to be competitive; made most of our professionals to be sort after in Africa because of the exposure"..*

Respondent Eight *"The down side is for a lot of countries, South Africa became persona non grata. People do not like South Africans because everybody walks and says I am from South Africa, we do it better than you. We know better and this is the way we do it in South Africa and no one likes that. So we are very aware of that and guys still do it today, they do not take the time to understand the environment and why things were done and where they come from and culturally to respect people. So it is very easy in today's fast paced world to walk in and say, you should do this, this is a better way of doing it, but you have not asked why they do it the other way, and often there is a very good reason, and it's often not apparent".*

Respondent Four *"Not necessarily, disadvantages because you are a South African company but obviously if they are, that means everybody else is at a disadvantage so at the end of the day the playfield is still at level."*

Respondent Thirteen *"No, not really, I would say being a South African company doing business in Africa makes no difference".*

Respondent Six *"Disadvantages, I do not think so".*

Performance of the South African companies in the African markets

Respondents were interrogated whether they considered their companies to be successful or less successful in doing business in Africa based on the countries that their companies have expanded operations. The researcher also explored the drivers that led to the company's African operations success stories. All the respondents indicated that albeit to battles they encountered in some countries, overall they presumed their firms were successful in doing business in Africa. It should be pointed out that the researcher observed that most of the countries where the respondents mentioned their companies were less successful are the Portuguese and French colonies.

Some of the reasons stated by the respondents for the success are;

Respondent Two *"I think so if you look at the returns that we make it is much better than what our South African based operations are achieving and it is also done with very little capital investment actually."*

Respondent Twelve "*Yes, we are very successful in west Africa and now in central Africa and in the SADC countries which for the company that is now almost half of the yearly revenue that comes from international business and that happened just through international business, so it is a very lucrative business for us".*

Respondent Ten *"I would say it is pretty successful and that's demonstrated by the number of years that we have been to some of the harshest countries really and our market shares have always just been above 60%. It took considerable time and effort to get to that point…"*

Respondent Fifteen *"…obviously Mozambique is quite a struggle. We thought it would be a lot easier and it is not. It also depends on market share and your presence there. We also had some difficulties in Tanzania, just because we lost the market share. Mali is difficult. Egypt is very difficult because a lot of the African countries in our case are military that run the explosives businesses. They are not businessmen at all they are bureaucrats. It becomes very difficult there to do business there. The Franco-phone countries have not been any easy but we prevail."*

Respondent Seven *"I think in Angola we have battled a bit, I think in Angola it is difficult to do business. I think to register entities in Angola is very difficult, it is very expensive to register a company there. So I think Angola would probably be one of the areas where we would say we have been slow and not very successful initially."*

Major Drivers of the Success

A number of key elements that shaped the success achieved by the sampled firms when doing business in the rest of Africa were stipulated by the respondents ranging from innovation, knowledge of the industry, relationship building, putting the right people in place, decentralisation of subsidiaries, application of appropriate business model which is customer and country specific to alignment of foreign expansion strategy to overall corporate strategy.

Respondent Twelve "I think again it's the vision from the Board to expand into Africa. So the expansion into the rest Africa initiative is aligned with the corporate strategy as well as employing basically the right people to support this function, and ongoing support from corporate for that."

Respondent Fifteen *"Fit for purpose value proposition. So you have to understand what your customers what they want. You must understand that market very, very well. So market entry; market analysis; market understanding; if you do not do that you are going to fail."*

5.6 Challenges of doing business in the African markets

5.6.1 Key Challenges

To further comprehend the internationalisation strategy of South African chemical companies into the rest of Africa, it is crucial to also explore the challenges these companies are faced with when doing business in Africa. Furthermore, the approach the firms apply to overcome these challenges was investigated. The researcher used the frequency across the sample to determine ranking of each challenge that was stipulated by the respondents as shown in Table 8.

Table 8: Challenges faced by South African chemical companies

Ranking	Key Challenges	Frequency
1	Lack of skills	7
1	Corruption	7
2	Logistics	6
3	Erratic legislative environment	5
4	Culture and language barrier	4
4	Infrastructure	4
5	Exchange control issues	3
6	Competition	1
6	Long term payment	1
6	Cost of doing business is relatively expensive	1

The key challenges that South African chemical companies encountered in African markets are lack of skills and corruption. These challenges were followed closely by logistics and erratic legislative environment as corroborated by the response to the tenth question where seven of the participants pointed to lack of skills and corruption respectively, six alluded to logistics being a big issue whilst five respondents indicated that uncertainty regarding to legislation of the host countries was also a significant challenge.

Respondent Fourteen" *The biggest challenge is corruption so normally what we try and do there, obviously we do not entertain that; but we use local companies to get licenses and stuff like that so we outsource most of our service functions."*

Respondent Two *"Then also the difficulty of doing business in terms of corruption …. In some countries they make it very difficult for you to tender, or to get tax documents or whatever the case might be. So we do not facilitate any bribery or corruption payments."*

Respondent One "*…at skill levels finding the right people to manage the businesses it's also just as difficult."*

Respondent Three *"I think it is skills, like people's skills because it is not that easy to get the right skills especially technical skills. A lot of them you actually have to train up even put people there expats to get the locals up and running…so it's about the skills and product knowledge of our price and our processes."*

Respondent Fourteen *"…the challenge is logistics because there is still lack of infrastructure in Africa. We outsource all our logistics, we do not have our trucks and driver because going through the border is quite a mission."*

Respondent Six *"I would say supply chain is one of the most difficult issues, to get products into countries, and I think that is where a local player becomes quite important. So I think local partners are very important that understands the business and how to do it."*

Respondent Seven" *You need to have some kind of clear or consistent rules from a government and legislation. It is not necessarily to say what the rules should be, but they need to be clear and consistent, that is most important because whatever you are going to decide is going to be based on that. Now if rules keep changing all the time, it just makes it that much difficult. When I say rules, I am talking about things for example like local participation in ownership structures of the company .There are basic structures on the framework on an industry and if you tamper consistently with those basic building blocks, you make it difficult to people to commit to the country."*

Apart from the key challenges identified by the respondents that have already been discussed language barrier and culture as well as infrastructure were also observed to be challenges that South African chemical companies are faced with in the African economies. The following quotes depict this perspective;

Respondent Eleven *"I think culture does, absolutely, because when you go and you try and make a joint venture arrangement, if you cannot understand your partner and you do not feel like you can trust your partner, because of the lack of understanding, you are using translators, all you are really going on is body language and body language across cultures is different. Then to add to that issue you've got language barrier, to add to that issue you've got different cultures around thinking about bribery and corruption."*

Respondent Two *"The next one is infrastructure. If you look at the road and railway networks of the countries it is totally dilapidated. Some countries have a good harbour but the in-country stuff and then the huge problem in Africa is electricity."*

Competition, late payment terms and relatively high cost of doing business in the rest of Africa were also reflected by some of the respondents as challenges that their companies encounter, nonetheless each of these mentioned challenges were highlighted by only one respondent correspondingly thus suggesting that most respondents did not view these challenges as relatively significant.

5.6.2 Differences amongst African countries and Business models adopted by companies

Africa is a continent that comprises of fifty four different countries and to further understand the context in which these chemical companies choose to compete in and also how they deal with the unique differences amongst the African markets, the researcher posed questions to the research participants regarding to the business models that their companies apply in the African market and whether the models were host country specific or the same.

Differences amongst the African countries

The respondents alluded to the fact that although Africa is a continent, it comprises of countries which are different in their own right and thus companies ought to accept these unique differences and approach the countries differently.

Respondent Five *"We have embraced that each country will be different. We do not try to standardize because it's impossible. We have decided that we treat each country as a separate entity it's a separate different separate government."*

Respondent Thirteen *"Language is the biggest sort of difference that we have; you need to be able to speak the language, first of all. You need someone that can build a relationship, not just speak the language; you need to build a relationship, which is very important in that respect. For instance in Mozambique, I need to get someone that is actually preferably established in Mozambique that speaks Portuguese and can speak English because I also need to understand what is going on, so that is very important."*

Respondent Ten *"I think the thing is really about understanding the culture that you are working in. Every African culture like I said is different and I think what makes it unique is that we work with diverse teams so it is easier to relate. But I think in a sense we understand the African culture although we are diverse and we are different countries and all sorts but we still have that DNA of operating so we understand that context of operating in Africa."*

Adopted Business Models

From the business models perspective majority of the respondents indicated the business models their companies employ are driven by both customer need in a particular market, and dynamics in the host country. Conversely a few respondents indicated that their companies utilise the same business models when they enter the African market.

Respondent Seven *"Business models are both customer and country related because I think customers are the subjects of the country, so if you look into for instance on country X you might decide to go for model Y because the dynamics of that country. So it is both country and customer related and sometimes the legislation determines the kind of customers that are within the particular country."*

Respondent Eight *"… you identify what the gaps and vulnerabilities are. Whether it is incompetent officials, or lack of legislation or lack of infrastructure or whatever, you identify those vulnerabilities and you have a solution for it…Some places are very corrupt and some places are very flexible, other places they are very controlled and if you work within the system and you understand it then you can do good business…*

We adjust the way we do business in that country to cater for that legislative framework, if that makes sense."

Respondent Eleven *"The expansion models are driven by the customer need in that market; they are driven by the legislative need in that market. So Mozambique for instance has a localisation requirement, Zimbabwe does too; Ghana does not, so based on that we drive the model based on legislation and market."*

Respondent Six *"We use the same business model we use in South Africa. It is primarily one of putting a support structure in place, putting resources behind our business, selling based on technology. We do not do anything different in Africa than we do in South Africa."*

5.7 Key Lessons for South African leaders seeking to expand into Africa

The respondents were also requested by the researcher to elaborate on the lessons learnt whilst doing business in Africa as well as recommendations to other South African companies seeking to expand into Africa. This was to further ascertain how the African market context shapes the behaviour and performance of chemical companies when expanding across borders. Some of the lessons learned and recommendations to other leaders advanced by the respondents are;

Respondent Five *"Business is not all about figures but it is all about creating relationships and we are picking up more business because of relationships with the guys. What makes a person more receptive to your business is because they feel that you have shown them respect."*

Respondent Ten "*Each country is unique and you have got to treat them individually, you cannot treat Mali the same as Mozambique. Each country presents a completely new challenge, new set of rules and new set of laws, and you have got to tackle it case by case, you cannot have a one size fits all approach you will never succeed."*

Respondent Six *"The key lesson for me is that you must have a long term goal and you must be patient. Things do not happen quick in Africa, it takes time…"*

Respondent Fifteen *"resolute, resilience, fortitude and humility"*

6 DISCUSSION OF RESULTS

6.1 Introduction

This chapter interprets and evaluates the research findings presented in Chapter 5 in relation to the research objectives in Chapter 1 and the research questions in Chapter 3. The results will be analysed and discussed in combination with the literature that was reviewed in Chapter 2 to answer each of the research questions relating to foreign expansion of South African companies into the rest of Africa. The relevance of international business literature will be established by the correlation between the behaviour and performance of the South African chemical companies that were sampled and the principles and strategies proposed in the literature review.

To reiterate, the primary purpose of this study was to understanding the foreign expansion approaches employed by multinational companies (MNCs) from emerging markets when investing in other emerging economies. Data used in this study was gathered from 15 in-depth interviews conducted with senior managers and executives of companies from the chemical sector. All the four chemical companies in this study originate from South Africa and have been exposed to similar industry conditions both at home and where they have invested.

6.2 Research Question 1

What are the key factors that motivate foreign expansion of South African companies from the chemical industry into the rest of Africa?

The literature states that impetuses for firms to engage in foreign expansion can be categorised into four groups: resources seeking, market seeking, efficiency seeking and strategic asset seeking (Dunning & Lundan, 2008). Firms from emerging markets have been mainly expanding into foreign countries utilising asset-seeking motive and market-seeking motives, and less of efficiency seeking motives (Luo & Tung, 2007; Mathews, 2006; Singh, 2012). Conversely, Singh (2012) suggests that several emerging markets provide multinational companies with opportunities to participate in all four motives.

The research indicates that the leading reason for foreign expansion of South African firms from the chemical sector is as a result of growth opportunities presented by the African market as shown in Table 9.

Table 9: The three foremost reasons why South African chemical companies expand into the rest of Africa

Ranking	South African chemical companies
1	Growth opportunities
2	Saturation of the South African markets
3	Following customers

Out of the 15 research respondents that were interviewed 13 respondents concurred that growth prospects in African markets is one of the leading reasons for expanding their operations across borders. This articulates that South African chemical companies are market-seekers. This notion appears coherent with the literature which dictates that market seeking multinationals invest abroad primarily to gain access or proximity to customers in a specific country or region (Dunning & Lundan, 2008).

Chemical industry investment in Africa is fuelled by the fact that the continent is one of the fastest growing economies globally due to the availability of low-cost labour as well as the emergence of a substantially larger middle class who have access to disposable incomes (Mahembe, 2013). In addition, opportunities for the chemical sector and its investors in the African countries is centred around high growth, major oil and gas reserves as well as increasing demand in agriculture, consumer products, infrastructure development and construction (Deloitte, 2013). Clearly the African market provides South African chemical companies with the opportunity to grow their businesses and increase profitability.

Interestingly, saturation of the South African market also appears to be another major reason for foreign expansion of the companies that were selected. This perception concurs with Goldstein and Prichard (2009) who highlight that South African companies grew out of protected markets during the apartheid era whereby most companies including those from the chemical industry were isolated from international competition and thus focused on meeting the demand of their domestic customers and being competitive locally.

This study illustrates that the South African chemical sector is becoming saturated due to rising local market competition as more players within the industry emerge, and the unremitting sluggish economy of the country relative to other African countries also fuelled the situation. Companies who have always dominated the chemical industry locally started to feel the pinch; forcing them to seek opportunities outside South African borders. Literature indicates that the openness of a country to international companies results in increased local competition and market saturation which compels local firms to seek new markets in foreign countries in order to compensate for the declining market share in the home-country as well as to improve competitiveness and profitability (Dunning & Lundan, 2008). (Jain et al., 2013) supports Dunning and Lundan (2008) by stating that the selection of a location for foreign expansion of market seeking companies may be determined by the number of new potential customers or in some instances by the country-specific preferences of the consumers.

Another motive for expanding into the rest of Africa mentioned by some of the senior managers and executives of the sampled South African chemical companies is that these companies tend to follow their South African customers as they broaden their prospects into the African market. This is enabled in most circumstances by the close relationships the chemical firms have established with their South African customers. The research illustrates that the "follow customer" approach is also enabled by the fact that some of their existing customers essentially requested these chemical companies to join them when they started to invest into other African markets.

6.2.1 Conclusion

The key factors that led to foreign expansion of South African chemical companies were growth opportunities within African markets, saturation of the South African chemical industry as well as following customers who have expanded into the rest of Africa. This supports the argument put forward in the literature that increased local competition and market saturation compels local firms to seek new markets in foreign countries in order to compensate for the declining market share in the home-country as well as to improve competitiveness and profitability (Dunning & Lundan, 2008). This research illustrates that the South African chemical companies have expanded into the rest of Africa as a result of shrinking margins in the South African chemical market which was triggered by the rise in domestic competitors and the introduction to international competition post-apartheid regime.

The economy of the African continent is growing at an alarming rate providing market opportunities for foreign direct investors who are searching for new markets such as the chemical companies from South Africa.

6.3 Research Question 2

What internationalisation patterns do South African chemical companies adopt when expanding into other African markets?

The insights of senior managers and executives of the South African chemical companies selected for this study are utilised to answer this research question. Once a company have made a decision to expand its operations across borders, the next logical phase is to focus on the different approaches to enter the foreign market which typically vary based on the settings of the different countries. The three questions that were posed to the respondents in an attempt to answer this research question are; firstly, what selection criteria did these companies use to choose a foreign country; secondly, which countries did these companies enter as the first foreign markets and the reason for selecting those countries; and finally, what mode of entry mode was selected by these firms.

6.3.1 Foreign market selection criteria

The literature asserts that multinational firms are faced with a complicated exercise of exploring the international expansion potential of emerging markets due to their heterogeneity and unstable nature, and scarcity of available research of these markets. Furthermore, the literature stipulates that established market selection criteria are based on macroeconomic and political factors and fail to take into consideration the dynamism and future potential of emerging markets that have an impact on specific industries and market receptiveness (Sakarya et al., 2007). This study shows that strategic decisions relating to the selection of a foreign country to enter are based on the outcome of the market selection assessment that companies normally undertake when intending to expand into the rest of Africa.

The dialogue with the research respondents indicates that the selection of a foreign market relies highly on the ease of doing business in that particular country which mainly refers to the legislative prescripts of the foreign country. Other significant factors the chemical companies take into consideration when selecting a foreign market in Africa are new market opportunities in terms of product and industry, political and economic stability as well as logistics. This is evidently shown by the number of respondents that concurred with the mentioned determining factors as indicated in Figure 3.

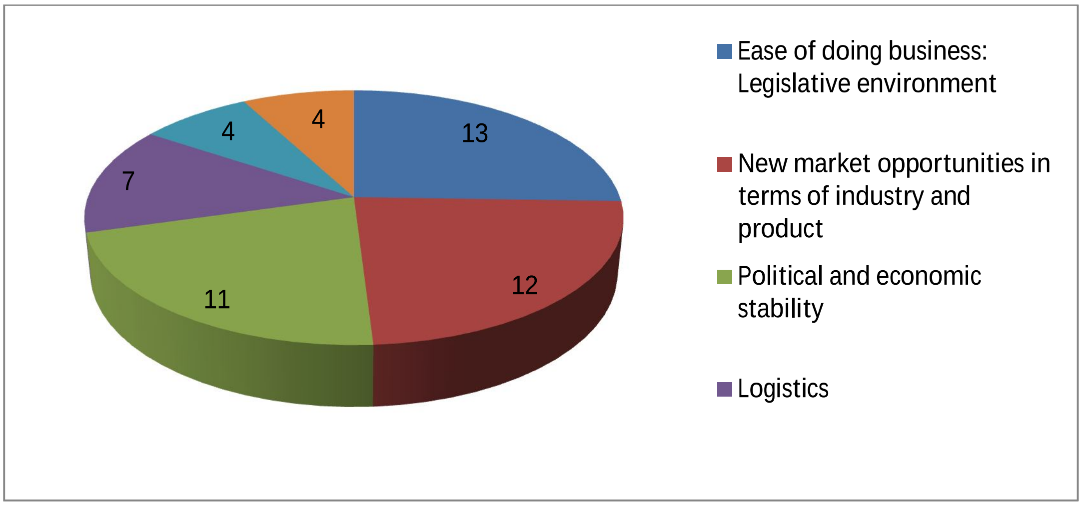

Figure 3: Market selection factors for international expansion

Sakarya et al. (2007) introduced a specialised approach to market evaluation which comprises of four additional criteria that can be utilised for preliminary assessment of emerging markets as international expansion opportunities. This was done to enhance extant international selection models. The four measures are: the future potential of the emerging market, the cultural difference between the emerging market and the country of origin (Hofstede, 2001), competitive strength of the specific industry in the emerging market (Porter, 1990), and customer receptiveness to the products of the foreign industry and its country of origin.

According to literature, there is an increasing perception in international business regarding the need to incorporate the institutional aspect into the understanding of internationalisation decisions of emerging economy firms (Gammeltoft et al., 2012; Peng et al., 2008). Peng et al. (2008) also point out that institutions in emerging economies differ substantially from those of developed countries which led to the increased deliberation that formal and informal institutions significantly influence the strategy and performance of companies.

The research appears to complement the literature which states that firms expanding into emerging countries ought to be aware of the institutions that exist in the host country to determine what strategy to formulate and implement in order to create competitive advantage (Khanna & Palepu, 2006; Peng et al., 2008). The dimension that senior management and executives consider as the most important is the ease of doing business which speaks to “the rules of the game” as stipulated by North (1990). Laws and regulations of a foreign country have a huge impact on the ease of doing business and thus it is not surprising that all of the chemical companies in this study incorporate it in their market selection analysis.

Literature highlights that the growth potential of a host country in terms of both product and industry is a significant aspect that ought to be considered by multinational companies when assessing the market attractiveness of a country. The long term growth opportunities inherent of emerging markets as the fastest expanding markets globally are not exposed by the application of traditional market selection analysis in view of the fact that established international market selection theories are static (Sakarya et.al, 2007). The research results attained in this study support this theory as most of the respondents indicated that the long term market potential of countries in the African continent is one of the most significant aspects in country appeal and market selection.

Emerging markets are characterised by political and economic instability whereby formal rule may suddenly change, corruption and bribery are prevalent thus increasing uncertainty (Hoskisson et al., 2000). The research deliberates the importance of taking into account political and economic stability of a country when evaluating and selecting attractive foreign markets which correspond to literature. Although political and economic stability are not one of the four dimensions that Sakarya et al., (2007) mentioned, it is worth noting that it does not dictate that companies must not take those factors into account. Sakarya et al. (2007) highlight that the specialised approach is not a substitute for existing market selection methods instead it complements them.

6.3.2 Mode of Entry

The perspectives of senior managers and executives are used to analyse the entry modes that South African chemical companies choose when entering into the rest of Africa. The selection of the market entry mode is a crucial strategic decision in foreign expansion of a company and has an effect on the company performance when doing business in the foreign market (Brouthers, 2002). The different modes of entry are dependent on the level of market commitment and the required level of control (Bartlett & Beamish, 2014), and local market knowledge as stipulated by the Uppsala model (Johanson & Valhne, 2009). Bartlett and Beamish (2014) further stipulate that the mode of entry choices should be aligned with the overall strategic objectives and motivations of a multinational company in order to gain competitive advantage, firms ought to be cognisant of how many resources should be committed as well as the level of control required.

This research indicates that the mode of entry for chemical companies is driven by strategic value, the host country dynamics such as political and economic stability, as well as the required level of control of foreign operations and market commitment level which concur with the postulation of Bartlett and Beamish (2014). The executives and senior members also highlighted the complexity of the choices that companies encounter when entering a foreign market was accentuated.

The respondents pointed out three types of entry mode that their companies normally adopt when expanding across the borders of South Africa. The first approach indicated is exporting directly from South Africa, the establishment of warehousing facilities together with the employment of the services of a local distributor or agent. The second entry mode is joint venture with a local partner and last strategy mentioned is foreign direct investment in a form of wholly owned subsidiary.

Noticeably, these approaches are not in a particular order and the chemical companies adopt different strategies in different countries with the most preferred mode of entry being to form wholly owned subsidiaries. This does not correlate with the Uppsala model which suggests that companies expand abroad through an internationalisation pattern known as the establishment chain whereby companies commence with exporting; followed by low commitment modes such as deals with intermediaries who represent the company in the foreign market. Subsequent to continual business growth, the agents are replaced with sales subsidiaries and ultimately the company establishes its production division in the foreign market (Johanson & Valhne, 2009).

6.3.3 Foreign markets targeted by firms

The Uppsala internationalisation process model asserts that multinationals in an effort to minimise risk, tend to expand abroad in a sequential process whereby they initially invest in neighbouring geographic countries and then gradually enter markets further away in terms of psychic distance (Johanson & Valhne, 2009). The data concurs with literature by showing that most of the foreign expansion initiatives of the South African chemical companies first started in the neighbouring countries: Zimbabwe and Zambia and later moved further north into other parts of Africa such as Mali, Senegal and Nigeria; with the exception of one company which initially invested in Tanzania and subsequently expanded into neighbouring countries such as Botswana, Namibia and Zimbabwe The research reveals varying reasons that led to the selection of countries as the first foreign markets to enter. Some respondents indicated that rationale for choosing certain markets in the neighbouring geographic countries was proximity and similarity relative to the South African markets.

The literature further posits that owing to subsequent changes in business practices and theoretical advances over the last three decades, Johanson and Vahlne (2009) reviewed their original approach of the internationalisation process of firms. The revised Uppsala model depicts that existing business relationships make it possible to identify and exploit opportunities and therefore have a substantial influence on the geographic market a firm will choose to enter as well as the mode of entry to use. Unsurprisingly, it also emerged from this research that the "following customer" approach was another predominant reason for choosing a particular country which led to some companies expanding into countries such as Tanzania and Mali that are further away from South Africa. One company also targeted former British colonised countries based on the fact that the previous parent company originated from the United Kingdom and thus it was easier to expand into those countries as relationships with countries were already established. Therefore relationships also play a critical role when selecting a country for international expansion.

6.3.4 Conclusion

The selection of a country in which to do business in Africa is a complicated process and companies need to be aware of the erratic environment that exists in emerging markets. It is worth noting that this research emphasises the importance of market opportunities when exploring foreign expansion. Interestingly, the literature states that firms expanding into emerging countries ought to be cognisance of institutional settings that exist in the host country so as to determine what strategy to formulate and implement in order to create competitive advantage (Khanna & Palepu, 2006; Peng et al., 2008). The study also found that ease of doing business and market opportunities are one of the most important determining factors when it comes to selection of a foreign market and attractiveness of a country. Political and economic stability plus legislative settings relating to tax legislation, repatriation of funds and exchange control rates in the foreign country are also important aspects to take into account when targeting an African market for foreign expansion. In addition, logistics plays a crucial role in determining the success of chemical companies in Africa as highlighted in this research.

The research underscores the significance of the interface between potential and risk factors which influence the selection of a mode of entry the South African chemical companies adopt. It is evident from this research that the risk factor also influences the choice of mode of entry. The research data implies that in riskier countries the chemical companies mainly adopt the export approach, which is based on lower level of market commitment, and they at times prolong establishing wholly owned subsidiaries in those particular countries because of the erratic environment. In some instances where legislation of a specific country prohibits wholly owned subsidiaries, firms utilise the joint venture approach. Notwithstanding the fact that the research also revealed that some companies choose to partner with local businesses based on the importance of establishing relationships with local people. In stable countries, the companies' level of market commitment and control are relatively higher where they established fully-owned subsidiaries.

The choice of entry strategies that the companies employ concurs with the literature which pronounces that different modes of entry are reliant on the level of market commitment and required level of control (Bartlett & Beamish, 2014). This correlates with the literature which stipulates that many companies may delay investments in countries where there is uncertainty and a high possibility of opportunistic behaviour by the government of a particular emerging market since these scenarios might result to high transaction costs (Hoskisson et al., 2000).

This research also indicates that the internationalisation approach of most of the chemical companies in the sample is gradual whereby the companies commenced with expanding into neighbouring countries particularly countries that are located in the SADC region before moving into countries located in the West, East and North of Africa which concurs with the literature that was reviewed. This is in agreement with Johanson and Valhne (2009) who argue that in an effort to minimise risk multinational firms have a tendency to expand abroad in a sequential process whereby they initially invest in neighbouring geographic countries and then gradually enter markets further away in terms of psychic distance.

6.4 Research Question 3

What are the competitive advantages of firms originating from emerging markets and how are these advantages shaped by the environments of the home and host country?

Research question three speaks to the unique competitive advantages that South African chemical companies employ as they expand to the rest of the African continent. According to literature, in order for companies from emerging markets to be successful when expanding abroad, they required a source of competitive advantage that differentiates them from other multinational players (Ramamurti, 2012). Of particular interest was also the resources and capabilities that these companies possess which also have a significant influence on the strategy approach that multinational companies adopt when investing into foreign markets. Attention was given to determine the influence that the country of origin has on the firm specific advantages that these companies possess.

6.4.1 Firm Resource and Capabilities

The resource-based perspective explores the key questions pertaining to why organisations differ and how they achieve and sustain competitive advantage (Hoskisson, Eden, Lau, & Wright, 2000). The literature stipulates that firms possess specific resources and capabilities that managers utilise in creating sustainable competitive advantage. The distinctive character of a company is facilitated by its heterogeneous capabilities which are the essence of competitive advantage. Resources of a firm comprises of assets, capabilities, organisational processes, firm attributes, information and knowledge controlled by a company which enables the firm to formulate and execute strategies that augment its efficiency and effectiveness (Barney, 1991; Wernerfelt, 1984)

A key finding with regards to capabilities was competence of the chemical companies to manage in challenging and volatile institutional settings which are inherent in most African countries. A number of respondents articulated that flexibility and adaptability are crucial when doing business in the Africa, a company ought to be accommodating about cultural differences, diverse customer expectations and the ever changing unpredictable environments, and be able to adapt to those changes. This complements with the literature which states that EMNEs have learned the skill to function effectively and efficiently in the highly erratic business environment of emerging markets (Ramamurti, 2012). Whilst firms from advanced countries struggle to operate effectively in the dynamic environments of emerging markets, EMNEs are accustomed to the uncertainty of the environment by virtue of being cultivated in such settings and thus are capable of operating effectively and efficiently (Ramamurti, 2012)..

Also notable from this research is the importance of owning resources which are based on relationships. A majority of the senior managers and executives interviewed, pointed out the significance of building relationships with key stakeholders in the foreign countries they target for investments as a source of competitive advantage. The research indicates that this is inspired by the fact that locals have a better understanding of the country such as the language spoken in that particular country, the market as well as the cultural context. This concurs with literature which postulates that companies originating from emerging markets generally develop their competitive advantage from managing relationships (Madhok & Keyhani, 2012). Relationship-based resources are mainly: business relationship, ethnic relationship and institutional relationship (Jain et al., 2013). In order to ease the comprehension of the host country's regulatory and legal system, and culture, a number of EMNEs internationalise based on their relationships with indigenous groups of the host country (Jain et al., 2013).

The data also shows that some of the companies have established relationships with firms from developed economies through partnership, mergers and acquisitions. One company perceives that because they have a global company as their technology partner differentiates them from their competitors, concurrently another company agrees that the technical support obtained from the parent company which originates from a developed country gives the company a competitive edge. This research is consistent with the literature as Luo and Tung (2007) state that EMNEs establish business relationships with firms originating from advanced economies through joint ventures. Such joint ventures results in spill over effect whereby EMNEs acquire know-how associated with advanced economies, allowing emerging market multinationals to follow their customers into other foreign markets.

6.4.2 Key Competitive Advantage

According to Barney (1991), a company is alleged to possess sustained competitive advantage when it has the ability to execute a value creating strategy which is not concurrently being implemented by current and potential competitors as well as when the company's competitors are not able to replicate the strategy gains. It must be noted that sustainable competitive advantage does not imply perpetuity as changes in the economic environment of an industry may invalidate the competitive advantage of a firm. To seek understanding and correlation with literature pertaining to competitive advantages that chemical companies possess and how these advantages are shaped by both the country of origin and the host country, this research explores firm specific advantages and country specific advantages of the companies in the sample.

Firm Specific Advantages

Firms originating from emerging markets possess unique resources and development paths that substantially vary from companies from advanced economies as well as other companies originating from emerging markets (Luo & Tung, 2007).

When considering the findings relating to competitive advantages, respondents' viewpoints clearly stated that to successfully implement value adding strategies when doing business in Africa, firms ought to possess technical expertise and industry knowledge and superior supply chain expertise. Company reputation and first mover advantage were also indicated by the respondents as competitive advantages that positively influence the success of the companies in the African markets as shown in Figure 4.

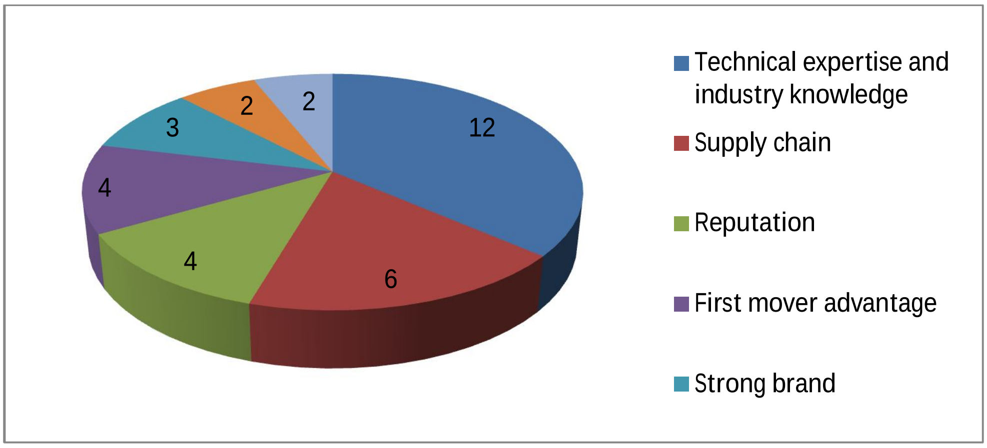

Figure 4: Firm-specific advantages

The above finding denotes a divergence from literature which indicates that EMNEs do not possess firm specific resources similar to developed country multinational companies such as proprietary cutting-edge technologies, marketing competence, global brands, exceptional human capital and reputation (Luo & Tung, 2007; Ramamurti, 2009). On the other hand the finding concurs with established theories such as the OLI framework which states that companies ought to possess significant ownership advantages: innovative technologies, strong global brands and marketing capabilities.

The history of South African companies who grew in a highly protected environment may perhaps have influenced this behaviour. The combined effect of a highly protected market, vast mineral resources and economic concentration might have led to the inconsistency with the literature pertaining to emerging markets. Many South African companies cultivated their competitive advantages in a highly isolated environment prior to the end of the apartheid era. In addition, although South African companies originated in a protected setting, it did not stop some of the companies from establishing relationships with European business which also enhanced their technological expertise. Consequently, the status of industrial development and business sophistication in South African firms is relatively higher than other countries in the African continent (Goldstein & Prichard, 2009). This concurs with what some of the respondents articulated by stating that their company possess technical knowledge and expertise due to the history of the company which have been operating almost from the beginning of the century.

Research gathered also refers to the first mover advantage as another competitive advantage that differentiates some of the chemical companies that were sampled. This is in alignment with literature which asserts that companies originating from emerging markets are known as ‘later comers’. However, a few of them have caught up with firms from developed markets to become significant global players and are at the frontline of technology whilst some EMNEs have integrated ground-breaking technologies acquired from advanced economies (Madhok & Keyhani, 2012; Ramamurti, 2012).

Despite the fact that most of the respondent mentioned technical expertise and knowledge as one of the competitive advantages of their companies, two of the respondents indicated that their operations are simple and robust, and are fit for purpose. This correlates with Ramamurti and Singh (2009) who postulate that emerging market multinational companies possess a deep comprehension of local consumers and thus optimise products and processes to effectively meet their customers' needs and infrastructure hurdles associated with emerging economies. These firms often exploit the home experience-based capabilities in other geographically proximate emerging markets to expand across borders (Khanna & Palepu, 2006; Madhok & Keyhani, 2012; Ramamurti, 2009).

Country-Specific Advantages

The views of the of the executives and senior management are utilised to determine how both the host and home countries of the chemical companies shaped the competitive advantages of these firms which enabled them to be successful when expanding into the rest of Africa. Literature indicates that being from a specific country may present important competitive advantages on a company (Goldstein & Prichard, 2009). Cuervo-Cazurra (2012) agrees with Goldstein and Prichard (2009) by highlighting that the development of resources and knowledge of multinational firms from emerging markets is influenced by the firms' country of origin. Emerging markets are known to be characterised by institutional voids which have an impact on the performance of businesses from other countries. This has led to the notion that the resource based theory ought to be augmented with the institutional-based theory and the knowledge-based theory (Cuervo-Cazurra, 2012).

Firms originating from emerging economies develop relationships with both local and foreign governments as well as home and foreign financial institutions (Dunning & Lundan, 2008; Gammeltoft et al., 2010; Johanson & Valhne, 2009).. This initiative is done by EMNEs in an attempt to curb institutional voids such as corruption, inefficiency which are predominantly caused by government officials being highly involved in businesses (Cuervo-Cazurra, 2008). The perception of most of the research respondents denotes that governments of some of the countries in Africa where their companies have established operations are supportive of companies looking for market opportunities and growth in those countries. This is done by means of tax and import incentives in a bid to encourage inward foreign direct investments which in turn enhances the economy of those countries.

Respondents also pointed out the ease of government policies to establish a business in some of the host countries. The relaxation of exchange controls especially in the SADC region was also viewed by some respondents as an aspect that makes doing business in this region easier. This corroborates with literature which asserts that other sources of competitive advantage that some emerging markets possess are economies of scale, home and host government policies, market power, branding, institutional context and governance.

It is noted that two managers stated that in some countries government provide support to foreign investors based on the size in monetary value of the investments; as a result, their companies have not received foreign government support when doing business in Africa instead their customers who have enormous investments in those markets have obtained support from the government.

The research also analysed the role of the South African government in enabling foreign expansion of South African companies into the rest of Africa. Diverse viewpoints were expressed by management of the chemical companies. One of the companies in the sample indicated that the South African government through the Department of Trade and Industry offers their company financial support to expand their operations in South Africa wherever they acquire a new customer in a foreign market to supply their product. This incentive is based on the notion that the company will create jobs for South Africans.

The research results seem to complement Yamakawa, Peng and Deeds (2008) who allege that institutional support from the local government influences internationalisation decision of firms from emerging economies whilst Peng and Heath, (1996) indicates that emerging market firms utilise inter-organisational networks to gain information and resource support in their foreign expansion initiatives. Some governments in emerging countries such as China have implemented going- out programmes to enhance international competitiveness of local companies such as tax relief, favourable exchange rates and subsidised insurance for expatriates (Luo & Tung, 2007; Luo, Xue & Han, 2010).

Nonetheless, some managers supposed that the South African government does not play a crucial role in the foreign expansion initiatives of their companies. The view of the managers sampled was that there is insufficient engagement between the South African government and corporations regarding internationalisation of companies into Africa. They also alluded to that there is a need for such interactions.

6.4.3 Conclusions

South African chemical companies have the ability to manage in challenging and volatile institutional settings which are inherent in most African countries. This management feat is achieved through flexibility and adaptability whereby the companies embrace their customers' cultural diversities and the ever changing and unpredictable environments in the different countries. This complements with the literature which posits that companies from emerging markets are have learned the skill to function effectively and efficiently in the highly erratic business environment of emerging markets (Ramamurti, 2012).

The chemical companies in the sample based their foreign expansion on firm-specific advantages such as technical expertise, industry knowledge, superior supply chain expertise, reputation and first mover advantage which were primarily shaped by the unique South African history. Incorporated into this background are massive mineral resources, the existence of two parallel but unequal economies under the apartheid regime and highly protected markets.

Intriguingly, the fact that South African companies originated from a highly protected environment did not prevent some of the companies from establishing relationships with European businesses which also augmented their technological expertise and industry knowledge (Goldstein & Prichard, 2009). These firm-specific advantages have enabled South African chemical companies to successfully execute value adding strategies when doing business in Africa. This finding portrays a divergence from literature pertaining to firm specific advantages that companies from emerging markets possess.

The importance of building relationships with governments of both host and home country as well as the support of both governments in enhancing successful establishment of investments in the foreign countries also emerged from this study. The research findings appear to complement Yamakawa, Peng and Deeds (2008) who allege that institutional support from the local government influences internationalisation decision of firms from emerging economies.

6.5 Research Question 4

What are the challenges faced by multinationals from emerging markets when doing business in Africa and how do they deal with them?

This section explores the challenges that multinationals from emerging markets encounter when doing business in Africa and mitigating factors that the companies implement to deal with the challenges. Perspectives of the senior managers and executives are used to answer this research question. This research delves into the reasons attributing to the companies' lack of success when doing business in some of the African countries. Specific attention is also given to the key challenges faced by the chemical companies as well as the business models that these companies adopt in order to alleviate the challenges presented by the African market.

6.5.1 Key Challenges

The insights of senior managers and executives of South African chemical companies that were sampled are utilised to comprehend the challenges faced by these companies in other emerging markets, particularly African countries. The recurring premises across all the companies that were selected for this research are lack of skills and corruption which were identified by majority of the respondents; these challenges were followed closely by logistics and erratic legislative environments and lastly culture and language barriers together with infrastructure were also indicated as significant challenges. These key challenges based on the number of respondents are shown in Figure 5.

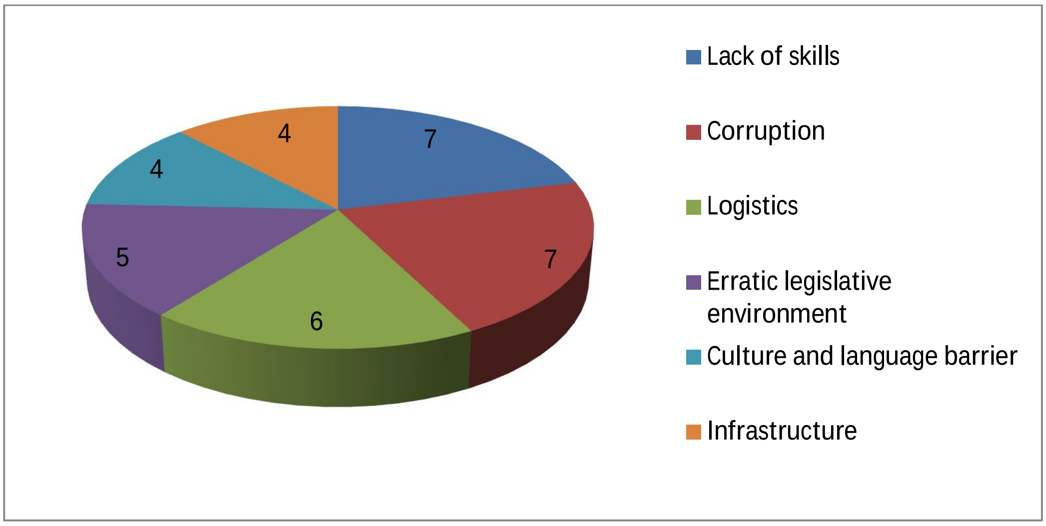

Figure 5: Key challenges

One of the key challenges that this research results revealed is dearth of skills. One respondent mentioned that finding the right people to manage the businesses in the foreign countries is difficult. Another respondent assents by alluding that shortage of people's skills is a challenge as it is not easy to get the right skills especially technical skills, product knowledge and processes.

The literature complements the findings of the research by stating that emerging markets are characterised by political and economic instability whereby formal rule may suddenly change, corruption and bribery are prevalent thus increasing uncertainty (Hoskisson et.al, 2000). Owing to the growth potential presented by most emerging markets, companies are eager to tackle the challenges associated with emerging markets such as erratic changes, cultural differences, poorly developed communication and distribution systems, and expand their operations into these markets (Sakarya, Eckman, & Hyllegard, 2007).

In emerging markets countries corruption is normally viewed as pervasive, thus companies attempting to invest in those countries are occasionally expected to pay bribes, which consequently requires a strategic response by multinational companies before investing. (Cuervo-Cazurra, 2008). The literature is aligned to the research findings, one of the respondents alluded that the biggest challenge when doing business in Africa is corruption, therefore what the company normally does is to use local companies to get licenses as well as outsource most of the service functions of the company which in turn allows the company to focus on the core business which is manufacturing.

Perceptions of leaders in the chemical companies also referred to logistics and erratic legislative settings as some of the key challenges that their companies encounter in the African markets. Africa faces challenges typical of many emerging economies: uncertain regulatory setting, social volatility, unreliable electric power and a weak infrastructure which hinder supply chain management (Deloitte, 2013). Furthermore, emerging markets inherently have weak institutional infrastructures to support a market-based system; as a result, transaction costs are likely to be relatively higher in emerging markets than in developed economies (Hoskisson et al., 2000). The literature corresponds to the findings of the research pertaining to challenges such as erratic legislative environment and infrastructure.

Apart from the key challenges that have already been discussed which were identified by the senior managers and executives of the chemical companies in the sample, culture and language barriers were also mentioned as challenges these companies face in the African economies.

6.5.2 How to overcome challenges

The literature illustrates that emerging market multinational firms originate from countries with low to middle income per capita, exhibiting weak institutional infrastructure (Amal et al., 2013). Khanna and Palepu (2006) concur with Amal et al. (2013) by contending that emerging markets are embedded with the lack of specialised intermediaries, contract enforcing mechanisms and regulatory systems known as institutional voids. Therefore firms expanding into emerging countries ought to be aware of the institutions that exist in the host country so as to determine what strategy to formulate and implement in order to create competitive advantage (Khanna & Palepu, 2006; Peng et al., 2008). The institutional voids that are associated with emerging economies compel firms from these economies to focus on developing intangible resources such as business models, organisational capabilities, process innovations and the competence to manage in the challenging and volatile institutional setting (Cuervo-Cazurra & Genc, 2008).

When reviewing the data analysis with regards to business models that the firms adopt in order to alleviate the challenges that these companies encounter in the African markets, most of the leaders indicated that the companies adopt business models that are both focused on the consumer need and the dynamics of the foreign market. The research points out that companies embrace the differences in each country and the strategy is to consider each country as a separate entity. Interestingly, most of the respondents alluded that the businesses identify the diverse customer needs and institutional voids in a particular country whether it is unpredictable legislative environment, corruption, skills shortages, logistics and infrastructure related issues, cultural differences or language barrier. Subsequently, these companies become accustomed to the dynamic environment of the foreign markets and adjust the business models to suit that particular environment.

Furthermore, the fact that South Africa is also an emerging market is an intrinsic advantage when it comes to doing business in other emerging countries although some of the institutions are relatively established when compared to other African countries. EMNEs are accustomed to the uncertainty of the environment by virtue of being cultivated in such settings and thus are capable of operating effectively and efficiently. Multinationals from emerging markets are generally capable of crafting ways to compensate in cases of weak infrastructure and difficult logistics due to congested ports and roads. These companies have also learnt to be proactive in countries where there is ambiguity and volatility in government policies and the regulatory system is unpredictable (Khanna & Palepu, 2006). In addition, in emerging countries where there is skills shortage, EMNEs grow them internally (Ramamurti, 2012).

The research recognises the significance of creating relationships with local people who understand cultural differences, the market as well as the legislative settings of the host country. The networking strategy also assists in connecting the companies with the relevant people from reputable distributors and agents to highly regarded business partners, and also alleviate the language barrier challenge, as local people are familiar with the local language nuances in the host country.

The managers also emphasised the importance of flexibility and adaptability when it comes to doing business in the African market. The research findings draw a parallel with literature which speaks to resources stemming from ethnic relationships. In order to ease the comprehension of the host country's regulatory and legal system, culture, a number of EMNEs internationalise based on their relationships with the indigenous group of the host country (Jain et al., 2013). A fundamental subject in internationalisation is the ability to adapt to culture of the foreign country. To determine the subjective opinion of uncertainty, the specialised approach to the evaluation of emerging markets also encompasses the evaluation of cultural distance between the home and host countries (Sakarya et.al, 2007).

6.5.3 Conclusion

In summary, although African markets pose a number of challenges to South African chemical businesses that expand their operations in those markets, these companies have formulated business strategies to help alleviate the challenges thus enabling their success. The strategies adopted by the chemical companies involve application of business models which are customer and country specific. These range from decentralisation of subsidiaries, relationship building, training of local people, and putting the right people in the African operations who can to adapt and adjust to the dynamic environment inherent of emerging markets and encompasses sending expatriates to train local people.

7 CONCLUSION

7.1 Introduction

The preceding chapter discussed the result findings in combination with the literature review and the research questions relating to foreign expansion of South African chemical companies into the rest of Africa. This section determines whether the research objectives are consistent with the key findings. The contribution of this research project to existing literature is also discussed.

This chapter seeks to consolidate all the key findings of the research and provide recommendations to business leaders, policy makers as well as investors who are looking to expand into Africa. The chapter also presents suggestions on future areas of research based on the limitations of the study.

7.2 Research Background and Objectives

The current unprecedented rise of multinational companies from emerging economies has led to fundamental shifting dynamics in the global economy whereby more focus is now being directed to organisations from emerging markets as well as the internationalisation strategies pursued by these companies (Cuervo-Cazurra, 2012; Guillén & García-Canal, 2009; Hennart, 2012; Luo & Tung, 2007; Ramamurti, 2009). Firms from India and China have expanded into bordering Asia, South African companies into the rest of Africa and Brazilian firms into other Latin American countries (Ramamurti, 2012).

Most of the research on foreign direct investment has been concentrated on investment originating from developed countries (Guillén & García-Canal, 2009; Ramamurti, 2012). The increasing significance of firms from emerging markets has led to an intensive debate amongst international business scholars on whether existing IB theories still have explanatory power to predict foreign expansion of firms effectively or whether new IB theories are required. No agreement has transpired on the differences and similarities of multinational companies from developing and advanced markets (Cuervo-Cazurra, 2012; Hennart, 2012).

The primary purpose of this research was to provide more insights and understanding into the foreign expansion approaches employed by multinational companies (MNCs) from emerging markets when investing in other emerging economies with the focus on foreign expansion of South African chemical companies into the rest of Africa. The motives that led to internationalisation of these companies including countries that have been targeted were investigated. The internationalisation process and the modes of entry that have been adopted as well as the underlying reasons for selecting a specified entry mode were also determined. Further study was conducted to explore the specific competitive advantages that the chemical companies possess that account for their foreign expansion strategies, and the key challenges encountered by the companies as they invest in other African markets.

7.3 Key Findings and Recommendations

7.3.1 Motives for expanding into the rest of Africa

The key finding from the research is that there are commonalities amongst the four South African chemical companies relating to motives for expanding into Africa. The main impetus behind the internationalisation endeavours of the chemical companies into the rest of Africa is growth opportunities in these markets owing to the increasing competition in the home market and the unremitting sluggish economy of the country in relation to other African markets. The revenue contribution of the African operations to the overall performance of these companies is conspicuous and rising. The international expansion of South African companies from the chemical sector is also driven by the fact that the African continent is one of the fastest growing economies globally and opportunities for the chemical sector and investors in Africa is centred around high growth, abundant mineral resources as well as rising demand in agriculture, consumer products and infrastructure development and construction.

7.3.2 Internationalisation Patterns

A further key finding is that the selection of a foreign market and country attractiveness is primarily reliant on the ease of doing business and market opportunities offered by a particular foreign country. Political and economic stability plus legislative settings relating to tax legislation, repatriation of funds and exchange control rates in the foreign country are also important aspects that all four chemical companies take into account when targeting an African market for foreign expansion. Factors such as logistics and infrastructure also contribute a country's attractiveness and competitiveness for investment.

The research also shows that the internationalisation approach that South African chemical companies adopt is to expand into the African markets gradually; whereby companies commence with expanding into neighbouring countries particularly countries located in the SADC region before moving into countries located in the West, East and North of Africa.

The selection of an entry strategy is a crucial strategic decision that company leaders ought to make when expanding into foreign markets. The trade-off between potential and risk factors which influences the selection of the mode of entry is significant. The choice of entry mode is dependent on the level of market commitment and the company's required level of control and knowledge of the market. Notwithstanding the fact that in some countries legislation also influences the choice of entry mode that these companies adopt.

The common preferred entry strategy amid the companies when expanding their operations into Africa is to establish wholly owned subsidiaries so as to have full control whilst also showing a high level of market commitment in that particular country. In riskier countries, the companies mainly export directly from South Africa, establish warehousing facilities and engage the services of a local distributor to do internal work. In countries where legislation prohibits wholly owned subsidiaries, the South African companies apply the joint venture strategy. However, the companies also choose to partner with local businesses based on the perceived importance of establishing relationships with local people.

7.3.3 Resources, capabilities and competitive advantages

The internationalisation of the South African chemical companies appears to have been based on resources and capabilities cultivated over a period in their home market. The noteworthy competence that these chemical companies possess and have contributed tremendously to their success is the ability to manage in challenging and highly erratic institutional settings through flexibility and adaptability.

A further critical source of competitive advantage is the cognisance of the importance of strategic alliances established with key stake holders in the host countries and the business community from developed economies. The chemical companies comprehend that partnering with locals assist in the performance of their businesses as the locals have a better understanding of the country with regard to language, culture and the market. On the other hand partnering with firms from developed countries has led to spill over effect through the acquirement of technology that differentiates the companies from their competitors.

The core insight from this research is that some of the firm specific advantages that the South African chemical companies possess are similar to multinationals from developed countries. This is a reflection of the unique history of South Africa that entailed a highly protected environment, vast mineral resources and economic concentration. The chemical companies have successfully implemented value-added strategies when doing business in Africa due to technical expertise, industry knowledge, superior supply chain expertise and first mover advantage.

7.3.4 Key Challenges

Another key finding from this research is that although African markets present huge growth potentials, South African chemical companies appear to have encountered challenging institutional environments. Shortage of skilled labour, erratic legislative environment, culture and language barriers, corruption and the dearth of established distribution networks are significant challenges that the South African chemical companies face when doing business in Africa. The chemical companies have formulated business strategies to help alleviate the challenges thus enabling their success. The companies adopt strategies that involve the application of business models which are customer and country specific ranging from decentralisation of subsidiaries, relationship building, sending expatriates to train local people, and putting the right people in the African operations, with the ability to adapt and adjust to the dynamic environment inherent of emerging markets.

7.4 Recommendations to Businesses and Policy Makers

Despite the limitations, the researcher considers that the key findings from this research report may have significant implications to managers and policy makers. Although the study of companies from one industry and country cannot result to general conclusions, it may point towards valuable theoretical implications.

Recommendation to business leaders is to comprehend the necessity to match foreign expansion motivations with resources and capabilities as well as competitive advantages that the company possess. Managers must painstakingly assess the foreign market and employ strategies that leverage their firm specific advantages. Managers ought to embrace and have a better understanding of the host country context when internationalising into countries with diverse institutional settings.

A growing concern is the arrogance that South Africans are perceived to have when doing business in Africa. Company leaders ought to take time to understand the reason behind why other countries tend to do things differently instead of trying to enforce the South African way of doing things. It is also crucial for managers to know that successful mode of entry in a particular emerging market may not replicate in other emerging markets due to the heterogeneity of these markets thus the "one size fits" all concept is not viable when doing business in the African continent.

This research shows that there is insufficient engagement between the South African government and corporations regarding internationalisation of companies into Africa. Thus a recommendation to the South African government is to establish forums to enable interactions between the government and South African companies which will enable the formulation and implementation of foreign expansion policies that will be of benefit to both the country and the South African businesses. These initiatives can also be facilitated by South African embassy officials in the different African markets.

Furthermore, incentives such as tax rebates for research and development centres must be designed in such a way that enables smaller companies to also benefit. The development of technical expertise and technology induced by alliances with companies from developed countries highlights the significance of such partnerships and thus governments from emerging markets should promote such initiatives.

7.5 Implications for Future Research

This study accentuates the importance of home country context in foreign expansion of multinationals from emerging markets and may assist in enhancing the growing research regarding bringing the context aspect into international business theory.

This research focused on internationalisation strategies of chemical companies and it has shown that all four companies are exposed to similar environments both in South Africa and in the African markets. Industry type is perceived to have an impact on the strategy and value proposition that a company will adopt. Future research recommendation is to extend the scope to other South African companies from different sectors as well as other emerging markets in particular; Brazil, Russia, India and China (BRICS). Widening the research scope to include a larger sample will give rise to additional findings. Ramamurti and Singh (2009) emphasise the need for in-depth exploration of international expansion strategies of companies from emerging markets in different context. Analysis of companies from different emerging markets will provide a better understanding of why and how internationalisation strategies differ in diverse settings.

The study of international expansion of South African companies from the chemical sector shows that building firm specific advantages in the home market is a foreign expansion requirement. The firm specific advantages of the chemical companies are a reflection of the unique South African history. Another future recommendation is that it will be interesting to test the consistency of this construct using South African companies from diverse industries.

7.6 Conclusion

The research project has provided some insights into the internationalisation of companies from emerging markets through the examination of South African chemical companies. The research explored the motives of foreign expansion of companies from an emerging market. The study shows how the rising competition at home as a result of the introduction of international competition and the increase of local market competitors led to the successful internationalisation of South African companies from the chemical companies into the rest of Africa. The research highlights the effect of competitive forces on the decision to expand internationally.

The study also establishes that chemical companies from South Africa adopt a gradual internationalisation approach when expanding into the rest of Africa whereby the companies first invest in neighbouring countries that are relatively similar to the South African markets before moving to other African regions such as Western, Eastern and Northern regions. The mode of entry utilised by the firms is different from what established theory stipulates. South African chemical companies selection of an entry strategy is based on both the needs of customers and the institutional environment in that particular country and thus these companies do not follow a specific entry process but they adapt and adjust to suit the country and customer.

The companies based their foreign expansion on firm-specific advantages such as technical expertise and industry knowledge which were shaped by the unique history South Africa which incorporated massive mineral resources and highly protected markets. The research also observes that the viewpoints of established theories of foreign expansion strategies may not adequately elucidate the behaviour of companies from emerging economies as they invest into other emerging companies. Companies from emerging markets may have advantages that are different from those of firms from developed countries but they may also possess competitive advantages which are associated with companies from developed countries whereby some of these advantages are acquired from their local market environments.

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Appendix A: Research Schedule

Emerging Markets Multinational Enterprises: Internationalisation of South African Chemical Companies into the rest of Africa

Section A

1. How long have you been working for your company?
2. Please give a brief description of your current position and what it involves.
3. Please indicate the total time you have been working for the company in its operations in Africa.
4. Please specify the name of the countries in Africa whereby your company is currently operating.

Section B

1. Motives for expanding into African markets

1.1. When did your company first enter the African market? What were the reasons that led to the decision for your firm to expand into the Africa?

2. Internationalisation Process

2.1. Please give me a list of the criteria that your company use when choosing a foreign country to investment in.

2.2. What entry mode did your company use to enter the chosen market and what was the basis for selecting the mode of entry?

2.3. Which country did your company enter as the first foreign market and why? Reason that led to the selection of that country as the first location.

3. Competitive Advantages

3.1. In your opinion, what should be the main resources and capabilities that a company must possess in order to perform well when doing business in Africa?

3.2. What are the key competitive advantages (What are your company’s unique strengths) that drive and support your company when expanding into Africa?

3.3. What role does your domestic government play in enabling (encouraging) or disabling foreign expansion of South African companies into Africa? What kind of support have you received from the South African government?

3.4. What government policies are in place in the host countries that helped to facilitate the establishment of your investment?

3.5. What are the benefits or disadvantages of being a South African company when doing business in Africa?

3.6. Why would you say your company has been successful in doing business in Africa considering the countries that you have expanded into? Please give examples. What are the key drivers for the success?

3.7. Why would you say your company has been less successful in doing business in Africa considering the countries that you have expanded into? Please give examples.

4. Challenges faced by South African Companies and how to overcome them

4.1. What are the most significant challenges that your company is faced with in its African operations and how do you overcome them?

4.2. How does your company address the unique differences amongst the countries that you have expanded into in Africa? Please give examples.

4.3. What business models do you use when you expand into a foreign country and how do they differ in the different African countries that you have invested in?

5. Key lessons and final message

5.1. What are the key lessons that you have learned while doing business in Africa?

5.2. Any final message for leaders of South African companies seeking to expand into the rest of Africa.

Appendix B: Consent Form

Dear Participant

Informed Consent Statement

I am conducting a research on Internationalisation Strategies of Multinationals from Emerging Markets: The Case of South African Multinational Enterprises; and would like to request your participation in the study. The research is intended to provide more insights and understanding into the foreign expansion strategies employed by multinational companies (MNCs) from emerging markets. Our interview is expected to last about an hour.

Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. The research is in partial fulfilment of the requirement of my Masters of Business Administration studies with the Gordon Institute of Business Science.

If you have any concerns, please contact me or my supervisor. Our contact details are provided below:

Researcher: Nomvula Luxomo	Research Supervisor: Wayne Sussman
Email: nsluxomo@gmail.com	Email: wayne.sussman@gmail.com
Phone: +2783 310 5055	Phone +2776 833 8597

Signature of participant: ______________________

Date: ________________

Signature of researcher: ______________________

Date: ________________

Appendix C: Consistency Matrix

Emerging Markets Multinational Enterprises: Internationalisation of South African Chemical Companies into the rest of Africa

RESEARCH QUESTIONS	LITERATURE REVIEW	INTERVIEW QUESTION	DATA ANALYSIS
Research Question 1 What are the key factors that motivate foreign expansion of South African companies from the chemical industry into the rest of Africa?	Dunning, J. H., & Lundan, S. (2008) Cuervo-Cazurra, A. (2012). Singh, 2009	1.1	Frequency counts and Content Analysis
Research Question 2 What internationalisation patterns do South African chemical companies adopt when expanding into other African markets?	Johanson & Valhne (2009) Cuervo-Cazurra, A. (2012) Bartlett & Beamish, 2014 Goldstein & Prichard (2009)	2.1, 2.2, 2.3	Frequency Counts and Content Analysis
Research Question 3 What are the competitive advantages of firms originating from emerging markets and how are these advantages shaped by the environments of the home and host country?	Williamson, P J; Ramamurti, R; Fleury, A & Fleury, M (2013) Ramamurti, R. (2012) Rugman, Oh, Lim (2012) Goldstein & Prichard (2009)	3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7	Frequency Counts and Content Analysis
Research Question 4 What are the challenges faced by multinationals from emerging markets when doing business in Africa and how do they deal with them?	Gammeltoft, Filatotchev & Hobdari (2012) Khanna and Papule (2006) Peng, Wang and Jiang (2008)	4.1, 2.2, 4.3	Frequency Counts and Content Analysis