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LETTER FROM THE EDITORS

Daniel Rottig, Ph.D., Editor

This last issue of 2018 and final issue of the current editorial team focuses on Africa. The issue was co-guest edited by Ifedapo (Dapo) Adeleye, who is an Associate Professor of Practice at Georgetown University in the United States, and Nathaniel Boso, who is a Professor in International Marketing and Entrepreneurship and Dean of the School of Business at Kwame Nkrumah University of Science and Technology, Ghana. The articles were presented and discussed in panel sessions and special forums at the 2018 conference of the AIB Sub-Saharan Africa (now AIB Africa) Chapter that was held in Kigali, Rwanda, and so are the result of wide-ranging discussions and collaborations among local scholars and experts on Africa.

Interactive Lead Article

John Mezias, Ph.D., Associate Editor

The first article in this issue, authored by Mark Casson, is part of our interactive lead article series. Mark Casson raises the question of *should we be concerned about IB research?* He briefly discusses contemporary problems in IB research, the most worrying one being the lack of a gold standard for IB scholarship. He discusses the current state of IB research as a direct result of this lack of a gold standard in our field, and lays out ways to raise the standards of IB research. He then concludes with a set of questions to you, our highly valued colleagues and readership. We invite you to respond by submitting your comments through our interactive comments feature on the *AIB Insights* website at *https://aib.msu.edu/publications/insights*. We will publish replies by Mark Casson to your comments in a subsequent issue.

Special Issue on Africa Articles

The second article in this issue, and the first of four articles focusing on Africa, is authored by Nathaniel Boso, Yaw A Debrah, and Joseph Amankwah-Amoah, who ask the question of "Whether and How Africa Matters in IB Research." The authors answer the first part of their question in the affirmative and propose that the contextual richness of the continent provides invaluable opportunities for future IB research. They further discuss four key thematic areas for Africa studies that provide a rich and unique contextual opportunity to advance IB research, and thus illustrate how Africa can matter in IB research.

The third article, authored by Kevin Ibeh, Dapo Adeleye and Olawale Ajai, points to the recent rise of African MNCs and asks the question of "Whether IB Scholars are Paying Sufficient Attention to this New Phenomenon in Global Business." The authors present some key indicators for the recent rise of African MNCs, examine the implications of this trend for these companies' international competitiveness and related opportunities and challenges, and discuss whether and how the IB community can and should embrace African MNC research.

The fourth article, authored by Goriola Olusina Daniel, Theresa Onaji-Benson, and Charles Mbalyohere, is titled "Navigating Institutional Differences in Africa: Moving Beyond the Institutional Voids Perspective." Based on a multi-case study of six MNCs that entered Uganda's electricity generation industry (three emerging economy MNCs and three advanced economy MNCs) and quantitative evidence from fifteen South African MNEs operating across Africa, the authors conclude that institutional voids, as conceptualized in Western-based research, are not necessarily a detriment to the success and competitiveness of MNCs that expand to or operate in markets characterized by such voids. Instead, the authors argue that MNCs operating in Africa need to actively manage a complex set of informal and formal institutions that are not necessarily voids and employ non-market strategies. The authors further assert that MNCs from emerging markets are uniquely able to do this due to the fact that they have built extensive capabilities for dealing with the idiosyncratic institutional environment in Africa.

Lastly, the fifth article, authored by Abdoulkadre Ado and Ellis L.C. Osabutey, focuses on the Africa–China cooperation. The authors ask the questions of whether this cooperation has been good or bad for Africa—concluding "both"—and whether this partnership has significantly contributed to achieving Africa's development goals—answering, "wait and see!". The authors discuss the Africa–China relationship based on a model that conceptualizes Africa's development and institutional environment, and examine how this partnership may contribute to achieving Africa's ultimate vision of a prosperous, integrated, and united continent, which is captured by the Agenda 2063.

Daniel Rottig   John Mezias

Should We Be Concerned about IB Research?

Mark Casson, University of Reading, UK

"Why do I feel so worried about the current state of international business studies?" That is the question I keep asking myself and am asking you now. I know that I shouldn't be asking this question. I feel guilty about it. I should be upbeat. I should be encouraging my colleagues and you. I should at least pretend to be optimistic for the good of the profession. Still, I ask you: *Are you worried too?* If so, *What are you most worried about, and why*?

What worries me? It isn't the subject itself. In IB, there is always something new that needs to be explained. It began with US investment in Europe, then Japanese investment in Asia, then European investment in the States; it continued with international joint ventures, the emergence of "emerging market multinationals," the growth of global supply chains in high-technology manufacturing, outsourcing, off-shoring R&D, and the emergence of "world cities" with clusters of small innovative firms. Besides, globalization may be followed by de-globalization as political frictions and domestic discontents undermine international cooperation.

International business is even more exciting when you go backwards in time. The historical dimension of IB is truly fascinating. Its origins are lost in the mists of time – thousands of years ago. Records begin in the thirteenth century, with Italian merchant banks, Flemish textiles, English wool-growers, and so on. The chartered trading companies of the seventeenth century marked a great leap forward. The Industrial Revolution of the eighteenth century led to trade rivalry between Britain, the United States, and Germany in the nineteenth century, leading to two world wars in the twentieth century. The twenty-first century has witnessed the emergence of China as a world power. Despite "Donald Trump" and "Brexit," the number of countries actively promoting IB has never been higher in human history.

What worries me is that IB research does not engage convincingly with these issues anymore. I came into IB by accident. I got a job at Reading in 1969—as an econometrician. It was only when Peter Buckley arrived in 1974 that I got interested in IB. Later, I studied railways and suddenly geography became important too. Then, I got interested in history, thanks mainly to Geoffrey Jones when he was my colleague at Reading.

> *"In IB, there is always something new that needs to be explained.*

Basically, I wanted to find out how the global economy got to where it is today. The answer could be found, I thought, by integrating economics, econometrics, geography, and history. IB was the most promising field, it seemed, in which to locate such research. It was global, inter-disciplinary, young and ambitious—it was ideal!

I'm a "child of the sixties" so far as my education is concerned. At that time, there were "gold standards" in research. To be a professional economist, you had to understand general equilibrium theory. To be an econometrician, you had to understand the multivariate normal distribution and its properties, and simultaneous equation systems too. To be a geographer, you had to understand river systems, natural resources, demography, map projections, and so on. To be an historian, you had to know how to evaluate sources of evidence and synthesize evidence from different sources in a rigorous way.

Every discipline had its gold standard. Being a professional was not just a question of qualifications on paper and letters after your name—it was a vocation to be taken very seriously! A qualified researcher should know the gold standard in his or her field and, as a serious scholar, should strive to attain it. In economics, the emphasis was on intellectual rigor, which translated into the need to develop an argument through a formal model. In statistics, it was a deep understanding of concepts such as probability, likelihood, randomness, sample, bias, confidence and power. History required a deep understanding, not only of sources, but mainly of the wider context in which historical actions took place.

> *IB is an inherently complex subject, and no single discipline can therefore do it justice.*

My idea was this: *IB is an inherently complex subject, and no single discipline can therefore do it justice.* But teams of experts working together could make progress quickly. What was needed was an integrated "systems view" of global business. The global system would be analyzed using methods that complied with a comprehensive gold standard—namely, intellectual rigor applied to the standards I mentioned before. As one of the most intellectually demanding fields of study, IB would integrate key disciplines to the very highest standards of scholarship.

Fast forward to today. *There is no coherent systems view that commands general support in IB research.* There are some experts but only a few. It is easier for disciplinary experts researching IB topics to publish in journals outside of IB than in IB journals themselves. A qualified economist submitting to an IB journal is liable to be told by referees that the concept of rational action is absurd and that mathematical models are pseudo-scientific constructs designed to legitimate a corrupt discipline (I'm speaking from experience here). The same with statistical methods. If you use the most appropriate statistical methods, you may be advised to use instead some "state of the art" business software package even though the algorithms in some of these packages do not even converge and, in consequence, the results they generate are often nonsense.

Data sources too are suspect. Many researchers use data collected by someone else for a very different purpose, and then impose their own interpretation on them. Data sources need to be validated—for example, it only takes a single misplaced keystroke to move a decimal point and skew the entire results. Regression results are highly sensitive to outliers but the way these results are reported in IB journals tends to disguise the problem. I could go on but I think the point is clear.

The most worrying feature of the modern scene, from my point of view, is that *there is no gold standard for IB scholarship. There are merely conventions.* You have to structure your paper in a specific way or you are told that "You don't know how to write a paper." You can't engage with the bigger picture because, if you do, you will be told "it's not research, it's just an essay." If you present a formal model, you'll be told that words would be better; as a concession, you may be allowed to stick it in an appendix. Indeed, the very idea of a gold standard is seen by many as "elitist"—who am I (or anyone else for that matter) to impose my personal standards on others? Intellectual rigor is a value-laden concept so why should IB scholars not strive for ambiguity or irony instead?

The lack of any gold-standard, it might be suggested, allows path-breaking research to flourish while imposing rigorous standards would inhibit creativity. No one has the right to set these standards anyway. And so on. Let me suggest, however, that creativity is not the outcome we have achieved. *Anarchy is what you get when you have no standards, and anarchy, I suggest, is exactly what we have got.* Careers in IB are advanced by coining new terms, inventing new concepts and even, in some cases, by hyping up results. Not all careers advance in this way, of course. But in terms of developing rigorous models, there seems to have been little progress at all in IB.

There is an alternative view, of course. Measured by the number of papers, IB research is flourishing. Record numbers of papers are submitted to leading IB journals. The cumulative stock of IB publications is enormous. We now know a whole lot more about IB than we did fifty years ago when IB first emerged as a distinctive field of study. Well, I agree that IB studies have grown in terms of quantity but the quality is highly debatable, as I have argued above. *Do we really know more than we did fifty years ago, or do we just think that we do? How reliable is this knowledge that we think we possess?*

When you read an article in a "four-star" journal, you are supposed to believe that it must be reliable. If an article in another four-star journal says the opposite, then you are expected to reconcile them somehow in your literature review. A possible explanation, of course, is that one of them is incorrect. *The most plausible explanation, I suggest, is that actually both of them are incorrect!* I find it impossible to believe that the referees acting for four-star journals are so expert in IB that they would be able to weed out every error. Checking every reference, every logical deduction, and every data point is hugely time-consuming. Indeed, in many cases the reviewer does not get to see the data and may not be able to access some of the references either.

In some subjects, like medicine and law, it is crucial that research be correct—otherwise, people may die, be wrongly convicted or whatever. These disciplines have rigorous standards which are diligently enforced. I cannot help thinking that if the IB community were more concerned with the way its research is used, it would be more diligent in enforcing standards. Perhaps they think that no one uses their research or maybe they just can't be bothered.

One way of raising standards would be to encourage the replication of key results. Perversely, however, some journals discriminate against replication on the ground that such exercises lack originality. However, this assumes what ought to be proved—namely, that the original research was indeed correct. Replication, it has been suggested, lacks "impact" but I would contest this view. A paper that demolishes previous research would attract a lot of interest and have considerable impact on future research, and, possibly, journal policy too. Opposition to replication, on the other hand, can be explained by vested interests—namely, the desire of leading scholars to protect their legacy. In my experience, journal editors can be very lenient towards established scholars whose work is later attacked by critics!

It seems to me that enforcing higher standards in IB would provoke debate and make the subject livelier. It would empower intellectual challengers and force the gate-keepers of orthodoxy to defend themselves. There would need to be standards of debate, of course, and debate would have to be open. History suggests a model here: historians still publish books which are reviewed in the pages of history journals, with authors having, in principle, a right of reply. The debate is public, reviewers are identified, and their reputation suffers if their review is unfair. *Debate goes on in IB but mainly behind closed doors.* The editorial boards of journals adjudicate in private between authors and reviewers. Crucial issues are resolved without the participation of the protagonists and without the knowledge of the wider readership.

I would like to believe that things will soon change for the better. After fifty years in which standards have eroded (in my opinion, that is), the next fifty years might reverse that trend and see standards increase. *But I'm not convinced that it will happen.* Our field needs a change in the way that IB departments recruit. It implies that people who have not trained as professional specialists in the disciplines mentioned above will start to recruit those who have. It implies that gate-keepers will throw open the gates to critics of previously published work. There are also many reasons for not making a change, and I know them well: "It won't be popular with students, because they don't like maths or economics, Business clients will hate it: they just want a simple message to take away, The IB group is already under threat: if we open up to other disciplines, then other departments will take away our jobs."

The alternative, however, could be even worse. I'm not the only person who holds the opinions I have set out, but I might be the only person inside the IB community who does although I doubt it. If the IB establishment doesn't change, then splinter groups may form. I have no reason to believe that this is imminent. But remember that sociology split off from economics about 1900, that international business split off from "business policy" about 1970, and that IB itself is currently split by functional area (marketing, HRM, finance, etc.). The unity of the IB community depends on everybody wanting to belong to it, yet we seem to live in a time, politically speaking, when everyone seems to want to go their separate ways! *I'm sure that all of us in IB are "stronger together than apart,"* but professional specialists may well decide to go their own way unless academic standards are raised.

Now, the Big Questions for you: *What do you think of my concerns? What is your diagnosis of "the state of IB research"? What other remedies would you suggest? Will you have to "retool" in order to engage in good IB research?*

Please **send me** your answers and relevant comments through the *AIB Insights* website at https://aib.msu.edu/publications/insights by April 30, 2019. I will reply to them in a subsequent issue of *AIB Insights*.

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Concerns about the direction taken by IB studies are nothing new; see:

Buckley, P. J. (Ed.). 2005. *What is International Business?* Basingstoke: Palgrave Macmillan.

To see what I mean by intellectual rigour you could look at my recent text:

Casson, M. 2016. *The Theory of International Business: Economic Models and Methods*. Basingstoke: Palgrave Macmillan.

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(How) Does Africa Matter for International Business Scholarship?

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Yaw A. Debrah, Swansea University, UK
Joseph Amankwah-Amoah, University of Kent, UK

Introduction

It is now a widely accepted view that the whole of Africa is opening up for business with promising opportunities not only for expansion of multinational enterprise (MNEs) activity, but also for development of fast internationalizing African small- and medium-sized enterprises (see Allafrica, 2018). In tandem with the launch of the "Africa Open for Business Forum" is a host of countries, including Sierra Leone and South Africa, launching their own "Open for Business" initiatives to exemplify the growing importance of projecting an outward-looking continent and national economies (see Allafrica, 2018; Thomas, 2018). Although Africa continues to trade with traditional trading partners of Western Europe and North America, intra-Africa trade is now growing and trading activities with BRIC emerging market nations is increasing. There is a push towards intra-Africa free trade zone that has the potential to transform African economies by creating a "single continental market for goods and services" through elimination of import/export taxes and tariffs. The goal is to increase intra-Africa trading activity, which currently stands at a mere 18% (*Economist*, 2018; World Economic Forum, 2018).

Despite major institutional weaknesses infrastructural challenges, Africa's GDP is projected to hit US$29 trillion by 2050, making Africa one of the world's fastest growing economies. Given Africa's projected average growth rate of 3.4% in 2017, which is expected to increase to 4.3% in 2018 (African Development Bank, 2017), and with rapidly growing middle-income consumer segments, along with a growing potential for infrastructural advancement, Africa is likely to remain a fruitful location for international business (IB) activity. The increasing growth of African markets may be attributed to a variety of factors; however, dominant among these is the increased financial inflows estimated at US$180 billion from Greenfield investments from emerging markets, and growing remittances from Africans in the diaspora. The growing inflows of foreign investments coupled with increasing domestic private sector investments, entrepreneurial zeal, emergence of a rapidly growing middle-income consumer markets, vast natural resources, and now a free trade zone reflects the dynamism of contemporary African markets (Boso et al., 2018; Mol et al., 2017).

Against this background of resurgent Africa (Amankwah-Amoah et al., 2018), we contend that future progress is more likely to be predicated on not just attracting foreign firms and investments to the continent but also creating the institutional settings that allow innovation, creativity, and entrepreneurship to flourish while also taking advantage of the rapidly growing middle-income markets on the continent. Below, we discuss how the changing business landscape in Africa may serve as a fertile ground for advancing IB research.

Contextual Richness of Africa and Opportunities for International Business Research

Increasingly, IB scholars have argued that Africa and conditions in Africa are just like any other places (Mellahi & Mol, 2015), and there is a recognition that African management literature in general has gained and would continue to obtain significant traction within the mainstream management literature (see Kolk & Rivera-Santos, 2018; George et al., 2016). Interestingly, while the contextual richness of some exotic regions (e.g., Middle East, South and Central America, and Central and Eastern Europe) have received insightful attention from scholars in terms of their unique potential to enrich IB discourse (e.g., Jaklič et al., 2018; Mellahi et al., 2011), the African context has received limited IB scholarly attention. In the sections below, we discuss four thematic areas that we believe Africa offers rich and unique context to advance IB research.

Duality of African Market Structure

Business activity in Africa has to a large extent been influenced by Africa's historical experiences from pre-colonial trading activities, which were governed by informal community ties with trading disputes typically adjudicated by community leaders. Much of the trading activities in contemporary African economies seem to be imprinted with Africa's historical "informal" approach to economic value exchange (Rizzo et al., 2015). For example, the open-air market concept in Africa is a uniquely ingrained approach to retailing that draws its existence from traditional African notion of local networks and community affinity (Asomani-Boateng, 2016), a phenomenon that is unique to Africa and may be strange to Western economies. Thus, an argument can be made that the continuous dominance of informal economy in African economies could be attributed to the enduring influence of traditional African approaches to economic value exchange. On this note, Africa has emerged as an economy with a dualistic socio-economic system that provides legally and spatially accepted divide between formal and informal economies (Charman et al., 2017; Debrah, 2007).

While the formal economy is highly regulated, taxed and located in urban centres, and thus constitute the bulk of tax revenue to African governments, the informal sector exists on the margins of regulation and taxation and tend to be rural based. On average, the informal sector in Africa is estimated at 42% of gross national income, ranging from about 28% in South Africa to 60% in Ghana, Nigeria, Tanzania and Zimbabwe (African Development Bank, 2017). The sector accounts for about 80% of employment and income generation and as such has a large consumer base. The difficulty of levying taxes on the informal sector means that direct taxation in Africa is just about 6% of GDP compared to 23% in developed economies. Although the informal sector defines typical consumption in Africa, the phenomenon currently remains poorly understood. Thus, studies that attempt to explain how MNEs deal with the dualistic market structure in Africa can help enrich knowledge on the effect of legal and geographical diversity on internationalization process. Additionally, although it is largely accepted that the retail industry is not homogeneous (due to differences in sectors, players, format and governance modes), heterogeneity on the basis of formality versus informality of consumption behavior of host markets has received limited scholarly attention, especially with respect to Africa's unique dual market context. Thus, there is an urgent requirement for scholarly research into the strategies that global large retailers and African retailers use to serve formal and informal sectors in African markets.

Furthermore, studies that investigate suitable business models for driving international business performance in this kind of market environment can help advance research on international market diversity and its effects on MNE performance. Given that consumers in the informal economy are often found at the base of economic pyramid, studies looking at consumption patterns in the informal economy may provide new insights into potential new business models and policy directions for pushing up consumers the economic ladder. Relatedly, many African governments are implementing policies that aim to move citizens up the economic pyramid: this raises interesting research question of how national government policy objective may impact on the success of MNEs in host African markets.

Dynamism in Economic Development Trajectory

The developmental trajectories of Africa, from periods of colonial domination through post-independence era and military dictatorships to contemporary embrace of market-based economic policies, are indicative of the argument that Africa is a unique context for scholarly IB research. Notwithstanding the growing embrace of market-based policies, important challenges remain requiring scholarly attention. For example, levels of development of key industrial sectors (e.g., ICT infrastructure, transportation, and natural resources) remain diverse across the continent. While countries such as Ghana, Kenya, Nigeria and South Africa have decent infrastructure in most major cities, others (e.g., Burkina Faso, DR Congo, and Zimbabwe) continue to experience fragilities in infrastructure. Although natural resources are abundant in most part of the continent, leadership is lacking in the management of such resources. Accordingly, it remains common to see misallocation and misappropriation of national resources. Indeed, despite some countries such as Angola, Nigeria, and Sudan are well-endowed with natural resources such as oil and natural gas, this has often been squandered and yet to be translated into sustained economic growth. Below we highlight some of the key areas and conditions necessary for development of African firms and represent a fruitful line of research.

Although infrastructure remains one of the major problems facing many African economies, it is the case that infrastructure development is crucial for propelling intra-African trading activity. Growth in modern infrastructure, especially in areas of ICT, air, sea, and road transportation linkages can help boost intra-Africa mobility of people, goods and services. By backing the infrastructural development with necessary financial resources and human capital, African economies can begin to sow a seed for new business growth (Asemota, 2018).

It has been argued that individual African country markets are too small to be able to compete in an increasingly interconnected global marketplace. The competitive disadvantage of smallness has led several African countries to form regional economic communities. However, the newly minted Continental Free Trade Area deal is expected to create a "single continental market for goods and services" by eliminating import/export taxes and tariffs and make the "African market" a force to reckon with in the global business arena (*Economist*, 2018; World

Economic Forum, 2018). Although it is widely accepted that a continent-wide economic bloc can help sustain growth, not much is known in the IB quarters with respect to how and when continental trade integration can affect performance of MNEs in Africa. Certainly, there is currently little knowledge on the role that IB activity plays in boosting continental economic integration and intra-Africa trade.

Learning from Business and Policy Failures

While Africa has gradually emerged as a more "hopeful" continent, there is a need to not only look at successes stories, but also examine policy failures, state failures, and business failures as sources of learning to inform and facilitate transfer of best practices (Byrne & Shepherd, 2015). Such knowledge could help minimize the often misallocation of resources associated with replicating failed policies elsewhere and not learning from African history. Moreover, given that new business development and entrepreneurial successes are increasingly predicated on learning from failures and errors, it might be worthwhile for researchers and policymakers to examine the mechanisms for learning from policy and business failures. Paradoxically, while failure is frowned upon in Africa, entrepreneurs face significant family and social pressures for economic support. This raises the question of whether lack of safety net in the society may affect the type and performance of international businesses in Africa. To sum up, the need to learn from successful and thriving firms in and out of the continent cannot be overemphasized.

The optimism about the sustainability of Africa's economic fortune has also generated significant and growing scholarly interests on the continent. However, ongoing debates from different disciplinary perspectives on the sustainable development of Africa do not seem to engage with one another. Indeed, the role of multinational enterprises and international business in economic development and new wealth creation in Africa remains contentious. Hence, there is a need for scholars with interest in Africa to begin a new dialogue on Africa's sustainable economic development in a post-aid environment where MNE activities and new business models become key driver of sustainable development of the continent. Sheth (2011) has taken a lead in this dialogue, albeit from a broader emerging market perspective, by arguing that research is urgently needed to address the question of which business models and management practices work best for serving close to a Billion Africans at the base of the economic pyramid.

Socio-Cultural Richness of Africa

International business scholars interested in Africa should begin to investigate and theorize about the effect of Africa's traditional cultural institutions on continental economic value exchange and their implications for the performance of MNEs on the continent. Additionally, the resilience of traditional African cultural institutions to western influence requires additional IB research. Of course, variations are to be expected across the continent in terms of how different traditional trading and western approaches to value exchange co-exist, however, theoretical and empirical works that carefully sort through the differences would help enrich knowledge on the uniqueness of the African business setting.

Furthermore, the wide diversity of languages across Africa raises important research questions for IB researchers interested in Africa. Importantly, while language and its implication for IB theory and performance of MNEs has been researched extensively (e.g., Welch & Piekkari, 2006), how language diversity and fractionalization influence IB activities in African MNEs and foreign MNEs doing business in Africa remain under-researched (Luiz, 2015). A major under-researched research questions is: does language plurality (or fractionalization) a facilitator or an inhibitor of IB activities in Africa? Does international higher education in IB help mitigate the effect of language plurality on IB activity in Africa?

Concluding Remarks

It is now largely accepted that Africa is open for business, to the extent that evidence is pointing to growing diversification of international business activities and destination of African firms. Although export of commodities has dominated Africa's international business activities, we are now witnessing export of value-added products and services from Africa. While Western Europe and North America have been the major destination of African businesses, African businesses are now broadening their export destinations to include emerging markets, and an increasing number of African multinationals are now expanding their activities within the continent.

In view of the huge opportunity (and challenges) that this internationalization phenomenon presents to African businesses competing in the international business arena, this article has discussed four broad thematic issues that future research can explore to make meaningful contribution to the IB literature. First, the duality of African market structure presents IB scholars with opportunity to examine how the co-existence of informal and formal markets impacts on the strategies and performance of NMEs. Second, the dynamism in the Africa's developmental trajectory with significant differences in the levels of development and size of individual markets raises the question of whether there is a need for economic integration of African markets for global competitiveness. Third, there are several reports on policy failures in Africa and while many businesses are failing across the continent, limited research exist on how policy-makers and business leaders learn from these failures. Finally, the richness of socio-cultural setting in Africa, with particular reference to the impact of IB activities on traditional African cultural institutions and languages, and the effect of Africa's cultural institutions and language diversity on IB activities and performance, need additional scholarly attention. It is our view that research that carefully investigates these four thematic areas can help enrich scholarly understanding of how Africa matter in IB research.

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The Rise of African Multinationals: Are IB Scholars Paying Sufficient Attention?

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Introduction

One outcome of the recent sustained period of economic growth achieved by several African countries has been a marked uptick in the population of home grown MNEs, i.e., African enterprises establishing and coordinating operations in a plurality of jurisdictions outside their home country. This highly welcome trend is illustrated by several indicators, notably Africa's growing outward foreign direct investment (OFDI) stock, the rising number of source countries, accelerating intra-regional FDI flows, and mounting cases of OFDI outside the continent. The modest but improving resource and capability profiles of African MNEs, both established and nascent, including their superior capacity to adapt to institutionally challenged contexts, bode well for these firms' journey towards stronger international competitiveness and impact. However, a myriad of endogenous and exogenous challenges, including institutional factors, demand attention. The opportunity beckons for IB scholars to, as in earlier epochs, take the lead in strengthening the knowledge base on African MNEs, particularly given these firms' potential to transform their lagging continent as well as impact IB theory. A compellingly pertinent question recently posed by Mol et al. (2017) is rephrased thus: how might the MNE research field look if African MNEs received the kind of scholarly attention and engagement afforded other emerging market MNEs?

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Indicators of African MNEs' Rising, Competitiveness, and Challenges

Africa's Growing OFDI Stock and Rising Number of Source Countries

According to UNCTAD (2018), Africa's OFDI stock rose from US$39.9 billion in 2000 to US$365 billion in 2017, nearly a ten-fold increase. Outflows between 2015 and 2017 were US$10.8 billion, US$11.2 billion, and US$12.1 billion respectively. These figures, though marginal in absolute terms, indicate the pace of expansion of OFDI activity from Africa. The recent headquarter relocations by some major African MNEs and the widely recognised under-reporting of intra-African cross-border investments further suggest that Africa's actual OFDI stock could be much higher, a view supported by a recent reference to the existence of some 500 African service multinationals (UNCTAD, 2015). Significantly, six African MNEs were ranked among the top 100 MNEs from developing and transition economies in 2016 (UNCTAD, 2016). These and the appearance of a larger group in the *Forbes* 2018 list of world's largest 2000 companies reinforce the increasing, albeit marginal, contribution of African MNEs to South-South and South-North FDI flows (Ibeh, 2015).

The return of South African MNEs to world markets following the end of Apartheid-related sanctions is a significant factor in the observed OFDI growth, but so also are the outlays by a new generation of innovative and ambitious African champions originating from an increasing number of countries (UNCTAD, 2018). As Table 1 shows, although South Africa still accounts for approximately three quarters of Africa's OFDI stock, followed by North Africa with roughly 10 percent, other countries, including Angola, Nigeria, Kenya, Nigeria, Togo, Congo Democratic Republic, are markedly increasing their OFDI activity. For example, between 2010 and 2017, Angola's OFDI stock more than quadrupled, while Nigeria's nearly trebled. Togo and Congo DRC's rose more than twenty and ten-fold respectively, albeit from a much lower base.

Accelerating Intra-Regional FDI Flows

Africa-to-Africa investments by indigenous MNEs are reportedly rising faster than FDI from any other region; this reflects an increasing tendency by dominant national players to exploit their firm-specific assets in geographically and culturally proxi-

Table 1: FDI Outflows and FDI Stock of Selected African Countries

	OFDI Outflows (US$ million)	OFDI Stock (US$ million)			Percentage contribution
	2015-2017	2000	2010	2017	
South Africa	17578	27326	83249	270287	73.9
Angola	5437	-	6209	26776	7.3
Libya	945	1903	16615	20283	5.5
Nigeria	4044	4144	5041	14285	3.9
Egypt	588	655	5448	7426	2.0
Morocco	2193	402	1914	5892	1.6
Liberia	252	2188	4714	4562	1.25
Algeria	145	205	1513	1893	0.5
Togo	921	-	126	2716	0.7
Congo DRC	1072	34	229	2557	0.7
Kenya	218	115	267	826	0.22
Mauritius	120	132	864	842	0.23
Senegal	295	22	263	703	0.2
Zimbabwe	93	234	297	580	0.15
Ghana	252	-	83	382	0.1
North Africa	4201	3199	25777	35991	9.8
West Africa	6300	6381	10553	24190	6.6
Central Africa	843	1720	2363	3674	1.0
East Africa	366	387	1457	2052	0.56
Southern Africa	22447	28198	94198	299711	81.2
Africa	34156	39884	134348	365619	100

Source: Adapted from the 2017 World Investment Report (UNCTAD, 2018).

mate intra-regional markets. Recent statistics, for example, put these investments at 76 per cent of the continent's greenfield outflows (UNCTAD, 2015). The investors include pan African groups such as Togo's Ecobank, which has presence in 33 African countries, Nigeria's UBA and Dangote, Morocco's Attijariwafa and BCP, Egypt's Elsewedy Electric, and South Africa's MTN, Standard Bank, Telkom, Dimension Data, Massmart, Nampak and ShopRite, each of which operates in at least a dozen African countries. As noted earlier, the end of Apartheid-linked sanctions appeared to have catalyzed established and younger South African companies from a variety of sectors to deploy their pent-up capital and reassert their regional dominance. The observed intra-regional expansion is also aided by Western MNEs' divestments from Africa. Recent examples include Nigerian First Bank's acquisition of Swiss ICB Group's West African units, Ecobank's acquisition of German Banco ProCredit in Mozambique, and Moroccan Attijariwafa's acquisition of Barclays Egypt.

Mounting Incidence of Extra-Regional OFDI

South African MNEs, reflecting their country's unique dual economic structure, have long standing presence in some Commonwealth and OECD countries. As Ibeh (2018) further shows, other African MNEs have also invested in Europe, North America, and elsewhere. These include Egypt's Elsewedy and Orascom Construction Industries, Morocco's Attijariwafa and BCP, Nigeria's First Bank, Togo's Ecobank, Algeria's Sonatrach, and Angola's Sonangol. A few South African and Egyptian MNEs have, however, recently relocated their headquarters to more institutionally stable advanced economies, and are therefore susceptible to the blurred nationality phenomenon increasingly observed among MNEs (UNCTAD, 2016).

Narrow but Expanding Pockets of Global Competitiveness

Although most African MNEs exhibit relatively modest resource and capability profiles, hence global competitiveness, compared to their traditional and emerging market counterparts, the earlier-noted appearance of several in major international league tables arguably suggests appreciable competitive strengths by the ranked African MNEs. More significantly, preliminary literature review (see Ibeh and Awa, 2018) credits more successful African MNEs, including those expanding intra-regionally, with firm-specific capabilities, including transferable intangible knowledge, learning orientation, entrepreneurial and management capacity, new technologies, and organisational resilience, developed mainly through their dominant leadership of their domestic market (Ibeh et al., 2018). African MNEs also seem to be "weaponising" their psychic proximity or superior adaptability to slack institutional contexts (Ibeh & Makhmadshoev, 2018) as they compete with traditional MNEs across Africa. Capitalizing on such regional advantages reflects Rugman's widely canvassed view that all but a handful of major international companies are regional rather than global competitors (Rugman et al., 2012).

Monumental Challenges Still Abound

The foregoing positive markers do not minimize the external, institutional and internal challenges militating against African MNEs' international competitiveness and impact. Although their earlier noted status as slack institutional natives offers some advantage over traditional MNEs within African markets, any such benefits tend to be severally negated by the deleterious effects of resource and capability deficits and under-developed institutional contexts on the building and sustenance of capabilities required for global competitiveness. Examples of the former include the so-called liabilities of smallness and newness, lack of conventional advantages such as high knowledge bases, world class organizational and managerial capabilities, and "deep pockets," while the latter encompass weak governance and policy-making capacity, human capital, technology, infrastructure, financial market mechanisms, funding cost, stable currency, and country/region-of-origin liabilities. These institutional factors reportedly influenced the earlier-noted headquarter relocations by South African (Barnard, 2014) and Egyptian MNEs (Ibeh, 2018). Variations of the above institutional factors coupled with resource/knowledge-based challenges are also implicated in the failure of the OFDI projects of some African MNEs. Notable examples include South African Telkom, Woolworth and Nando's struggles in the Nigerian telecom, retail and fast food markets respectively; Nigerian IGI's difficulties in Ghana's insurance market; and South African Mocality's toils in both the Kenyan and Nigerian web services markets. Others are South African Tiger Brand's disastrous acquisition of Nigerian Dangote Flour Mills and some Nigerian banks' ill-judged entry into regional markets. Ajai (2015), for example, primarily attributed these failed OFDI projects to the

> *"A brief reflection on the raison d'etre for researching international business might help address the sufficiency or otherwise of scholarly attention to African MNEs.*

investing MNEs' relatively meagre resources and knowledge, entrepreneurial, organizational and managerial capabilities, whilst also noting the serious threats posed by institutional and infrastructural inadequacies.

OFDI failures are, to be sure, part of the inevitable churn that characterise the international business world. It would be unwise to expect all fledgling African MNEs to break through into successful global competitors, but similarly churlish to expect all to stagnate and go nowhere. African MNEs lacking substantive firm-specific advantages would naturally succumb to the force of gravity, or be gobbled up by their more effective and efficient rivals, national, regional or international. They are, in this sense, no different from MNEs from other regions.

Are IB Researchers Paying Sufficient Attention to African MNEs? Should They?

A brief reflection on the raison d'etre for researching international business might help address the sufficiency or otherwise of scholarly attention to African MNEs. The rationale, by most accounts, revolves around the discipline's traditional role of facilitating international exchanges and the performance of economic entities operating internationally. Crucially, IB scholarship dominantly shapes the policy infrastructure for governing world trade and investment, and this and the field's intellectual guidance for international businesses, including MNEs, contribute to improved living standards for billions. The IB community has meritoriously supported several generations of MNEs and their governments through this policy-influencing role, and thus deserves credit for the observed net positive effects of MNEs' activities on economic development indicators such as domestic employment, productivity, and knowledge assets (technological and managerial), and institutional and infrastructure quality.

The strong indications that African MNEs are already contributing to job creation, capability development, knowledge transfer, infrastructure, the emergence of corporate role models, the integration of African markets, diaspora inflows (financial and knowledge), and value chain linkages (Ibeh, 2013, 2015), underscore the need to invest greater research attention to these MNEs than has so far been the case. Scepticism about African MNEs in some IB circles must not be allowed to stifle the growth of much needed work. Whilst such scepticism, or a quest to raise the threshold for conferring the multinational status, may lead to overall strengthening of MNE scholarship, it could also unhelpfully deny research attention to newer MNEs from economically peripheral regions. Indeed, applying overly restrictive and exclusionary standards based, for example, on evidence of game changing innovations, could have meant ignoring the Japanese creative imitators of the post–second World War period, or their nearest successors, notably the Asian tigers. As IB history teaches us, those creative imitators of bygone era subsequently evolved into market challengers and even leaders in several global industries.

African MNEs' journey toward greater global competitiveness would, thus, benefit from increased attention from IB researchers. Studying their increasing participation in the so-called FDI–MNE world is bound to enhance their prospect of climbing the value creation and global impact ladder. Rather than wait until such future time when these MNEs routinely exhibit comparable characteristics as their better established traditional or emerging market counterparts before privileging them with research attention, the IB research and policy communities should actively "champion" African MNEs to actualise their change-making potential.

Indeed, IB strategy scholars who routinely counsel businesses, policymakers, and learners to take a long term view should take the lead in challenging the field to look beyond the current profile of African MNEs vis-a-vis their advanced economy or emerging market counterparts and envision what these MNEs could become given appropriate intellectual and policy backing. By channelling research resources to African MNEs via, for example, dedicated workshops and conferences, journal special issues, and new research institutes, the IB community would be empowering and oxygenating these firms' OFDI activities and, in so doing, bolster their corporate confidence and brand profile. Managerial and policy insights from well executed IB research are also likely to advance managerial and policy practice in a manner that benefits these MNEs and their home and host economies.

This article is not necessarily calling on more IB scholars to start studying African MNEs. That would amount to an ill-advised interference in the autonomous decision of every researcher to pursue their scholarly interest. The message is for the IB community, particularly its more influential gatekeepers, to show greater recognition of the legitimacy of scholarly interest in non-standard MNEs, and to be more accommodating and encouraging of those IB colleagues that chose to focus on the 'minority sport' of African MNE research.

In this regard, the authors gladly appreciate the helpful advocacy of some IB scholars, including a handful of journal editors, who have recently devoted coveted print pages to African-focused special issues. More mainstream IB journals are urged to follow suit, with dedicated special issues on African MNEs.

Conclusion and Implications

This article has discussed some pointers to the rise of African MNEs, including the continent's growing outward foreign direct investment (OFDI) stock and rising number of source countries, accelerating intra-regional FDI flows, and mounting cases of investments outside the continent. It underlines the global presence of some African MNEs and acknowledges the modest but improving resource and capability profiles and international competitiveness of the more successful players. Fragments of their observed behaviour align can be explained using established IB theories, notably the resource/knowledge-based and institutional perspectives. The unfolding journey of nascent African MNEs additionally reflects the Rugmanian notion of predominant intra-regional expansion (Rugman et al., 2012), whilst also reinforcing the evolutionary pattern observed among earlier generations of MNEs.

Continuing progress along this growth path lies in African MNEs prioritising the development of higher level capabilities and identifying distinctive and sustainable product-market niche(s). More effective redressing of the many endogenous and exogenous, including institutional, challenges sabotaging the competitiveness of African MNEs would be further helpful. Finally, cognizant of African MNEs' potential to impact MNE theory as well as lift hundreds of millions out of poverty, the present article calls on the IB community to take appropriate steps to galvanise interest on African MNE research.

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Navigating Institutional Differences in Africa: Moving Beyond the Institutional Voids Perspective

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Introduction

According to analysis from the McKinsey Global Institute, Africa has more than 400 companies with annual revenues exceeding US$1 billion. Many more are required to fuel the growth that will unlock the estimated US$5.6 trillion in Africa's business opportunities by 2025 (Bughin, Manyika, & Woetzel, 2016). Despite the success of these noted exemplars, MNEs operating across Africa often need to develop distinct capabilities that enable them to navigate and respond to weak or non-existent formal institutions – what Khanna and Palepu (2005) describe as "institutional voids." This description ignores the reality that institutions across Africa have evolved from a distinct history that accentuates the relevance of informal institutions in a manner that may be uniquely different from other regions, and worthy of closer examination, especially as most studies examine the institutional environment in Africa and its implications for firm performance and strategy from a predominantly Western perspective (Mair, Marti, & Ventresca, 2012; Khanna & Palepu, 2005).

We contribute to this debate by examining the institutional landscape in Africa from the perspective of MNEs operating across the continent. We draw on qualitative evidence from six advanced economy (AMNE) and emerging economy MNEs (EMNE) operating in Uganda and quantitative evidence from fifteen South African EMNEs operating across Africa to argue that the wide-scale reality of institutions that significantly differ from what some MNEs are familiar with should not necessarily imply institutional voids. This was a critical point of debate at the 2018 AIB Africa conference panel on "How MNEs navigate different institutional environments across Africa." We begin with a brief discussion on the relevance of institutions and the conceptual basis of our critique of the institutional void thesis. We then examine evidence from six in-depth case studies that outline how six MNEs developed strategies to participate in the liberalisation of Uganda's electricity sector. We build on these insights with further quantitative evidence from across the continent on the influence of transactional political strategies on the performance of fifteen South Africa MNEs operating across Africa.

Institutions Matter

Institutions matter and play a critical role in the function of markets and society as a whole, in developed economies, as well as in emerging and developing economies. There are, however, observed differences in the characteristics, operations, and maturity of institutions across economy types.

Institutions as distinct from the organizations that develop and enforce them, have been defined as "humanly devised constraints" or "rules of the game" (North, 1990) that shape the social and economic interactions between members of society. These so-called rule-based institutional environments have been shown to be conducive for firm performance, providing a predictable regulatory environment that reduces transaction costs and enables MNEs to plan ahead and focus on value-adding activities. By contrast, in emerging economies, formal institutions are often weak or absent (Khanna & Palepu, 2005; Peng, Wang & Jiang, 2008; Meyer, Estrin, Bhaumik & Peng, 2009). Where they exist, they are enforced poorly, or not at all.

While the institutional voids thesis provides a useful framework from which to explore and respond to the peculiarities of the institutional context firms operate in across emerging markets, some have questioned the accuracy of the term "voids" and what it implies. Olthaar, Dolfsma, Lutz, and Noseleit (2017), for instance, challenge the idea of an institutional "vacuum" implied by the term "voids," and have suggested that even where formal institutions that regulate the proper functioning of markets and economic activity are absent, or do not function as expected, institutions still affect firms; these can either be informal norms and practices or formal institutions from a different or adjacent practice or domain. Khanna and Palepu's (2005) arguments on institutional voids in emerging economies leans heavily on the new institutional economics view, which pays little attention to the normative and cognitive expressions of institutions. They assert that emerging markets are different from Western markets and are characterized by increasing transaction costs and an absence of (Western-style formal) institutions. This position ignores the role of informal institutions, which provide the essential legitimacy for formal rules and assumes that institutions can be transferred across differing contexts. In African emerging economies, the influence of informal institutions cannot be ignored (Bagire & Namada, 2015; George, Corbishley, Khayesi, Haas & Tihanyi, 2016, 2016; Zoogah, Peng, & Woldu, 2015). Though their enforcements are not regulated in the strict Western style, they form a significant part of the rules of the game that guide operations within these contexts.

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In reality, informal and formal institutions co-exist to establish the institutional mix of host countries, particularly in emerging markets. And depending on the context, can have a variety of configurations or interrelations, including, complementing and increasing their joint effectiveness, substituting informal institutions for non-functioning formal institutions, or informal institutions competing against ineffective formal institutions (Helmke & Levitsky, 2004). This is particularly true across Africa where distinctive economic, institutional, and cultural systems and norms have emerged from a unique history and culture to evolve a business environment that is distinctively different from other regions in many ways – a phenomenon that is best examined with evidence from the experience of MNEs that operate across Africa, as detailed in the following sections.

Divergent MNE Experiences with Institutional Environments in Africa

In gathering evidence about heterogeneous responses to institutions in Africa, we draw on six MNEs that entered Uganda's electricity generation industry shortly before or after the implementation of pro-market reforms in the electricity sector in 2002. The qualitative, multi-case sample consists of three emerging economy MNEs and three advanced economy MNEs, thus offering insights into diverse MNE responses. The findings (established through exposing the qualitative data to a grounded analysis), suggest that some MNEs are most competitive at the early stages of pro-market reforms, when formal institutions are least developed and effective and informal institutions are most prevalent. EMNEs generally adapt best at this stage, indicating an above-average possession of capabilities that are suitable for responding to informal institutions. Conversely, AMNEs adapt more effectively at later stages, reflecting capabilities to effectively respond to more formal institutions. When they enter strategic partnerships, however, EMNEs and AMNEs appear to create synergies and complementarity in the capabilities to respond to both informal and formal institutions. They hence get positioned to adapt well at both early and late stages of reform, irrespective of the evolving institutional constellation.

We conclude from these findings that the lack of effective formal institutions, something that characterizes the early stages of pro-market reforms in sub-Saharan African and other emerging and emerging markets, does not necessarily translate into a universal competitive disadvantage. Since the MNEs that derive advantage here do so using explicit institutional responses, we further infer that the response is not to "voids," but to a set of institutions that are not formal. The EMNEs in our study demonstrate extensive capabilities in responding to these informal institutions and understanding their dynamics. The capabilities are gathered in the host market and in other African markets that serve as incubators to nurture experience. In the end, some of the cases in the study acquired even more refined capabilities that positioned them well for entry into more challenging markets in the wider region. One of the cases, for example, leveraged its experiences in Uganda to win a new licence to develop a dam project at the border between Rwanda and the Democratic Republic of the Congo.

EMNEs are often better able to understand the rules governing informal institutions, and therefore develop the corresponding capabilities to respond competitively. Consequently, AMNEs that enter strategic partnerships with experienced EMNEs position themselves to fill the gaps they have in responding to these institutions (Mbalyohere, Lawton, Boojihawon, & Viney, 2017). In such partnerships, there is a complementarity between the two partners. One partner adapts to local informal institutions while the other partner adapts to global formal institutions. In our cases, the informal institutions constituted the norms surrounding African traditional religious beliefs, expectations about gifts and favours, and relationships with diverse stakeholders at the grassroots of community. Global formal institutions, on the other hand, were typified by the regulatory demands of the World Bank, environmental protection agencies and similar bodies. The synergies that develop from such strategic partnerships are ultimately important, not only at the early stages in helping AMNEs adapt to informal institutions, but also at later stages of reform in assisting EMNEs in the partnership to respond better to emerging formal institutions.

More broadly, we propose that what the MNEs in our study respond to are not institutional voids, but rather a constellation of institutions with generally different rules than those AMNEs from highly formally institutionalized contexts are familiar with. In light of the growing attractiveness of new frontier markets, like those in sub-Saharan Africa, for foreign direct investment, we suggest that these markets are increasingly emerging a more localized approach to institutions. Instead of seeking to further spend their meager resources to develop more sophisticated formal institutions after foreign templates, such countries have the strategic option to let institutions develop more organically, with a higher appreciation of informal institutions. This will, in turn, strengthen the strategic complementarity between informal and formal institutions. More importantly, it will provide a stronger context for the emergence and the nurturing of an African version of the free market economy. Since African economies are characterized by high rates of informality, informal institutions would be expected to have a significant influence under such circumstances.

Making the strategic institutional re-orientation in Africa even more intense is the growing entry of EMNEs from Asia, especially from China and India. Since these markets also have a strong history of informal institutions, experiences with these institutions in Africa are getting more complicated. We expect that hybrid experiences will emerge and influence what ultimately works or does not work in Africa. We also envisage that African countries will increasingly become more assertive in creating conditions in which local informal institutions get prioritized and are enabled to develop further.

The informal institutions at the bottom of the pyramid are particularly important, given that this accounts for the majority of Africa's population, and it is here that efforts to help people escape poverty have most impact. Consequently, MNEs involved in major projects located in the communities at bottom of the pyramid can respond to informal institutions in ways that either strategically support or undermine anti-poverty programs.

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Employing Non-Market Strategies in Sub-Saharan Africa

The reality of weak or different institutional environments requires that MNEs operating in Africa critically consider what strategies are being transferred from institutionally different contexts. In this section, we discuss the contradicting influence of transactional political strategies on subsidiary performance to what is obtainable in developed economies as indicated in previous research (Hadani & Schuler, 2013: Hillman, 2003).

Drawing on evidence from quantitative research surveys of senior executives of South African MNE operations across sub-Saharan Africa, we find that unlike in developed economies such as the United States, where transactional political strategies like lobbying and political action committee contributions are effectively part of the formally institutionalized system that requires that all firms declare their political expenditure policies, Africa has a different institutional environment. Our evidence suggests that transactional political strategies, employed as and when needed in Africa, do not necessarily provide competitive advantages for the firms (Hillman, Keim, & Schuler, 2004) in the long run. While they provide an entry point for the firm, to sustain performance, MNE subsidiaries need to develop relationships through constituency building, with stakeholders in the host environment. This may signal to MNEs to move away from such transactional political strategies to other relational-based ways of gaining influence, especially given the collectivist nature of sub-Sahara African societies, and the need to employ non-engaged approaches, like low visibility and rapid compliance to informal institutions in these environments.

Even though the use of transactional political strategies signifies a firm's buffering mechanism to proactively influence their environment, the evidence suggests that this does not apply in all contexts. Hillman and Hitt (1999) argue that within weak institutional environments, such transactional political strategies are more effective, the evidence suggests differently. Premised on our findings and corroborated by the positions of a number of scholars (Rajwani and Liedong, 2015; Mbalyohere, 2015; White, Hemphill, Joplin & Marsh, 2014), it can

> *"The institutional environment in many African countries is still evolving, yet informal institutions continue to play a significant part in the rules of the game.*

be argued that a transactional approach to political strategies is not a precursor to increased subsidiary performance, but rather MNEs need to exploit other political strategies (De Villa, Rajwani, Lawton, & Mellahi, 2018). For example, a relational strategy that thrives on a continuous maintenance of relationships, and constituency building may yield more positive results for MNEs. In Africa, where communal informal institutions abound, this remains important.

Though similar to the relational motive of engaging in corporate social responsibility (CSR), relational political strategies are different, in the sense that unlike firms' use of CSR which seeks to influence the social environment and improve their triple bottom line, the application of relational political strategies seeks to, in a myriad of ways, influence the political environment by building its legitimacy within that environment. Such socio-political legitimacy is necessary to be able to adequately harness the MNEs political strategy as it relates to embeddedness in the environment.

Conclusions

This article re-examines the institutional voids perspective from the lens of MNEs operating across Africa. Drawing on qualitative evidence from the experience of six AMNE and EMNEs operating in Uganda and quantitative evidence from fifteen South African EMNEs operating across Africa, we propose that the use of the term to describe the institutional configuration of emerging markets proposes a judgement on contexts that are institutionally different from Western developed economies, which may limit our inclinations to actively interrogate these contexts to understand and co-evolve with them.

In reality, MNEs operating in Africa respond to a mix of informal and formal institutions that have evolved from a distinct history that accentuates the relevance of informal institutions in a manner that is distinctively different from other regions. Given this difference, MNEs need to critically consider what strategies can be transferred from institutionally different contexts; and what new capabilities are required to successfully operate across Africa.

The institutional environment in many African countries is still evolving, and informal institutions will continue to play a significant part in the rules of the game. We propose that strategic partnerships that incorporate non-market relational strategies that thrive on a continuous maintenance of relationships, and constituency building may yield more positive results for MNEs operating in Africa.

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Africa–China Cooperation: Potential Shared Interests and Strategic Partnerships?

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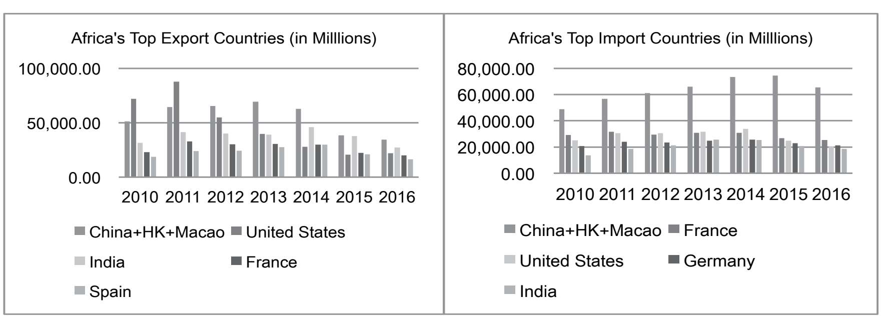
Introduction

Burgeoning Africa–China trade has reached a new high of more than $100 billion in 2017. Over the last decade, Chinese investments and financing in Africa have exceeded $300 billion, and China now holds $110 billion of FDI stock in Africa. Notwithstanding continuing trade with traditional Western partners, China is now Africa's leading trade partner, with continuously increasing trade volumes. Figure 1 shows that exports from Africa to China surpassed $380 billion between 2010 and 2016. This outstripped African exports to France and Spain combined. The figures are even higher for imports from China to Africa, which reached over $445 billion during that same period; more than the continent imported from US and France combined. This demonstrates a clear shift in Africa's trade pattern.

Figure 1. Africa's Major Trade Partners



Source: Adapted from IMF data warehouse

There is emerging debate on the long- and short-term potential gains or losses for Africa. Is this rapprochement a strategic one? Some analysts credit China with promoting the strong economic growth of some African countries, while others blame China for crashing local African businesses. There are calls for a more win-win relationship through the identification of potential congruent policymaking and development agendas.

Potential of Congruent Agendas and Policies

Africa has increasingly turned toward China for funding of development projects in recent years, making the Dragon the new top financier of Africa's construction sector, according to a Deloitte's 2017 report. Arguably, new aspirations expressed in Agenda 2063 to develop and industrialize Africa in the next five decades or earlier (African Union, 2018) can have inextricable links with China's recent Belt and Road Initiative (BRI) towards increasing Chinese globalization. These two major visions (Africa's Agenda 2063 and China's BRI) require mutually beneficial cooperation.

The Forum on Africa–China Cooperation (FOCAC) can serve as an institutional bridge toward achieving Africa's priority goals (value chain upgrade, integration and infrastructure, and knowledge gain) and development vision alongside strategically positioning China into the global economy. This requires government policies, especially on the African side, that are aligned with the dynamics of the tripod (Bridge – Goals – Vision). Deliberate and well-regulated policies can help attract more relevant Chinese investments, which would support Africa in its quest for Chinese technology and knowledge. Such an integrated and symbiotic developmental relationship would engender an impetus for a more significant participation of China and Africa in the global value chain. Since the benefits to Africa of Africa–China relations are often subject to scholarly debate, this paper offers insights from a multifaceted perspective. Figure 2 presents the framework of our analysis.

Figure 2. Bridging Institutions, Goals, and Visions

Figure 2 shows how we conceptualize African development through the Agenda 2063 lens. Africa can achieve its development objectives if it capitalizes on its cooperation with China while developing policies that utilize FOCAC and BRI as bridging institutions. In addition, financing from China would help reduce Africa's reliance on Western and multilateral traditional financiers. China can, therefore, support African integration, infrastructure development, and knowledge transfer toward the continent's better positioning in the global value chain.

In the following sections, we present some insights on how Chinese investments can augment African efforts in developing more value-adding activities. Second, we discuss how FOCAC and BRI, as institutional bridges, can contribute to Africa's Agenda 2063 regarding infrastructure development and integration. Third, we evaluate how the Africa–China relationship can serve as a conduit for technology and knowledge gain. Finally, we conclude and synthesize related implications.

Africa's Global Value Chain Upgrade: Role of Chinese Investments

While China's share of global manufacturing of value-added activities as well as related wages have been on the rise, there is an increasing interest in supporting Africa to develop (or relocate) a manufacturing base. Some Chinese companies have already moved lower-value manufacturing facilities to Africa. African companies can take advantage of this development to tap into global value chains. A growing number of Chinese entrepreneurs are setting up processing and production facilities to add value to raw materials in Africa. Some Chinese manufacturers are also taking advantage of emerging opportunities such as the African Growth Opportunity Act, which give African-based firms preferential access to markets in the US. Inadvertently, China is bringing Africa in the global value chain by outsourcing much of its lower-end production. Some African businesses fear such competition in production and the import of cheap Chinese products could annihilate some of the continent's infant industries (Zhao, 2014). However, African countries generally need to catch up technologically (Osabutey, Williams & Debrah, 2014) and could acquire new technologies and capabilities via Chinese engagement for meaningful integration into the global value chain.

Policymaking in Africa should monitor China's low value-added and non-environmentally friendly activities. African countries should avoid previous experiences with former colonial and Western multinationals which invested in offshore business activities, such as dirty mining, that were considered unacceptable in their home countries. Thus, Africa needs to prioritize investments that tie in with its long-term prosperity. To ensure a win-win symbiotic cooperation, Africa needs to evaluate and learn from previous experiences with the global West to guide its increasing engagement with China (Ado & Su, 2016). African countries need to, individually or collectively, prioritize Chinese investments that are impactful in upgrading economic activities into the global value chain.

Africa needs to look for foreign technologies to upgrade their competitiveness in the global value chain (Osabutey et al., 2014). There are potential cultural and institutional synergies between China and Africa to facilitate South-South technology and knowledge transfers. (Ado, Su, & Wanjiru, 2017). Existing evidence is mixed, and the Chinese presence has not sufficiently transferred significant technology or built much local capacity in Africa (Elu & Price, 2010). Related training courses for African officials (Tugendhat & Alemu, 2016) and demonstration centres (Xu et al., 2016) are often fragmented and lack proactive initiatives from Africans to upgrade priority sectors (Ado et al., 2017).

African Integration and Infrastructure Development: Role of FOCAC and BRI

A major aspiration of Agenda 2063, as stated by the African Union (AU), is to establish a united, prosperous, and integrated continent based on the ideals of Pan Africanism (African Union, 2018). The initiatives include (a) Continental Free Trade Area (CFTA), (b) Integrated High Speed Train Network, (c) African Commodity Strategy, and (d) Continental Financial Institutions. FOCAC, since its inauguration in 2000 with three-year African engagement plans, is well-placed to support and coordinate Chinese investments to achieve these initiatives. At the recent FOCAC meeting, China extended $60 billion of financing and investments to Africa for the next three years. The Chinese President intimated that a significant portion of this commitment will primarily go to Africa's infrastructure development (Xinhua, 2018). African governments should therefore take advantage of this opportunity to channel the funds towards Agenda 2063, which prioritizes infrastructure development (roads, railways, airports, etc.) towards regional integration and geographical connectivity.

FOCAC has the advantage of providing a multilateral engagement framework and can provide a platform for a bargaining power for both Africa and China vis-à-vis the West and other nations. FOCAC has played a significant role in strengthening economic interests between China and Africa and engineered humanitarian benefits to Africa. Since the formation of FOCAC, China waived billions of dollars of debt to many African countries and trained thousands of Africans across various sectors (Ado et al., 2017). There have also been zero tariff rates for hundreds of products from Africa. In addition, China is involved in peace-keeping operations on the continent. Moreover, President Xi announced, at the 2018 FOCAC, that China is exempting several African countries from their debt (Xinhua, 2018). Therefore, FOCAC is instrumental in enhancing gains from the relationship but requires good negotiation skills and strong strategic thinking from the African side.

Africa can increase benefits by encouraging Chinese investments that support Agenda 2063. For instance, China has one of the most efficient high-speed trains in the world and should thus be considered by Africans as a strategic source of finance and expertise for specific AU flagship projects. Such strategic collaborations can deliver efficient and pragmatic project outcomes with requisite technology and knowledge transfers for future projects as well as repair and maintenance.

China's new BRI can also be a conduit for achieving Agenda 2063 particularly with respect to Africa's vision for infrastructure development. Since Africa is expected to play an important role in BRI (Kodzi, 2018), aligning infrastructure needs with achieving CFTA within China's BRI framework is key. The BRI can further internationalize Chinese companies as well as increase global economic and political influence. Meanwhile, the framing of the BRI gives Africa unprecedented opportunities to negotiate for more inward Chinese FDI. Roads, railways (Integrated High-Speed Train Network), airlines, and maritime infrastructures are some of the most significant opportunities for Africa with regards to China's BRI. Examples of BRI's significant spillovers include ongoing construction of a major port and mall in Djibouti. This means Chinese FDI in BRI constitutes a good avenue for boosting African economic integration. In addition, aligning BRI with CFTA would reduce transportation costs to improve continental trade.

Since the BRI aims at forging win-win cooperation that supports development and prosperity through investment and trade, a strategic and well negotiated CFTA and BRI through FOCAC can integrate investment and development in Africa. To achieve these objectives, Africa needs to reduce related Sino-African power asymmetry (Kodzi, 2018) through a new approach to policymaking. Africans need to understand the dynamics of how foreign investments can interact with development programs. This would help to evaluate the suitability of Chinese investments.

Africans cannot assume that they need Chinese investments in every sector of their economies. Since China is currently classified as a developing country, it too exhibits weaknesses in some sectors. For instance, Africa can evaluate if it needs to look elsewhere or within itself for investments in education infrastructure. Meanwhile, it should prioritize technology and knowledge transfer, necessary for global value chain upgrade, by learning from China's recent development history and experiences.

Africa–China Relationship as Conduit for Technology and Knowledge Transfer

Most of the emerging scholarly debate appears not to adequately look beyond historical relations between Africa and the Global North (Lumumba-Kasongo, 2011) to explore potential benefits of Africa–China cooperation and how that could accentuate African development. Mohan and Lampert (2013) observe that most analyses of China's recent engagement with Africa portray China as the dominant force, with Africa simply being a passive receiver of Chinese investments with a relatively insignificant power to impose conditions. They note that such studies tend to focus on Chinese and African state actors and political relationships (Carmody & Kragelund, 2016). While this dependence has the potential to support African economic growth, Kaplinsky and Morris (2009) argue that countries in Africa require deliberate strategies and policies that can enhance potential gains and limit negative effects. They argue that current aid, trade, and policy frameworks appear to be one-sided and do not necessarily serve Africa's best interests. A more proactive policymaking and engagement is therefore required from the African side. African countries ought to be able to mobilize strategies that integrate trade, aid, financing, and development (Carmody & Kragelund, 2016) so that Chinese investments and related technology and knowledge transfer can contribute to upgrading firms from Africa into the global value chain.

The impact of increasing Chinese investments varies across African countries. In some cases, investments are timely and significantly support many underperforming sectors. Other investments have also opened the door for African infant industries to access technology and knowledge. Indeed, the case of the Lekki Free Zone Development Company (LFZDC) illustrates how some Nigerian partners have taken advantage of China's presence in Africa (Ado et al., 2017). LFZDC is attracting new Chinese investors in Lagos but also enabling the relocation of segments of the value chain to Nigeria. Indeed, finished goods that used to be imported from China, such as Chinese trucks, are now being assembled in Lagos. Chinese investments can therefore be channeled towards strategic and symbiotic technology and knowledge transfers.

Conclusion and Implications

The international business and related literature is beginning to explore the nuances of Africa–China relations. However, some analysists are often overly simplistic: Can we say that everything that China is doing in Africa is great? Certainly not. Can we say that China's presence in Africa is entirely bad? Certainly not either. The reality is that the relationship is developing in such a way that both parties, at least at the governmental levels, appear comfortable. Is this direction sustainable and strategically beneficial for both parties from a rational analysis? The answer will vary across countries. One of the peculiarities of Chinese engagement and investments is that Africans feel heard by the Chinese when they present their development aspirations and financing needs.

An integration of the remits of FOCAC, BRI, and Agenda 2063 backed by proactive policymaking from the African side can achieve a lot. In addition, strategic Chinese investments could enhance technology and knowledge gains to help Africa develop requisite infrastructure development for effective CFTA and integration into the global value chain. The objective of the CFTA to create a continental market requires improved African infrastructure to facilitate transportation of goods and services across borders. This can be achieved by developing better regional or sub-regional coordination of priority projects while proactively improving Africans' negotiation skills to benefit more from Chinese engagement.

Finally, the burgeoning Africa-China relations pose an important question: When can we conclude that, indeed, the relationship has significantly contributed to achieving Africa's development goals? It is, perhaps, still too early to give a definitive answer. So, the best answer, as of now, is probably, "wait and see!" With cautious optimism, however, we can suggest that more proactive, forward-looking strategic policymaking from the African side has the potential to enhance Sino–African development possibilities for both sides.

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