ASSETS OF FOREIGNNESS: COLONIAL MENTALITY AND WESTERN PRIVATE EQUITY MANAGERS IN THE EX-WESTERN COLONIES

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This dissertation is dedicated to the memory of my mother, the greatest woman I have ever known.

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Abstract: This dissertation provides the first exploration of the effects of colonial mentality within a business field by examining how indigenous entrepreneurs and business managers interact with Western private equity managers as deal partners in the ex-Western colonies. It does so through the use of an exploratory pilot survey and a quantitative dataset to study the effects of colonial mentality as a source of competitive advantage for Western private equity managers in deal sourcing and investment performance in the ex-Western colonies. It argues that westernness in the ex-Western colonies is a special case of foreignness that can be an asset instead of a liability because of the colonial mentality-engendered attitudes in these markets. The private equity professionals who participated in the pilot survey did indicate that colonial mentality is quite prevalent and does manifest itself in the activities of deal sourcing, fundraising, and is ultimately reflected in the investment performance. However, the archival dataset did not support the hypotheses presented in this research, potentially due to certain private equity data limitations that are discussed in this dissertation.

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CHAPTER I

INTRODUCTION

1.1. BACKGROUND OF THE RESEARCH

In a globalized world, more and more businesses are venturing outside of their home countries in search of new markets. And in these efforts it is vital to identify, understand and exploit any opportunity that can provide a tactical edge or a strategic competitive advantage. This is especially true of Western businesses which are and have been globalizing aggressively (Noar et al., 2010). One of the natural markets for these Western businesses are the ex-Western colonies where they enjoy certain known natural advantages like a common language, and a historic familiarity with these countries.

However, there is another less studied, and possibly less-recognized potential advantage that they can capitalize on without much effort and that is the colonial mentality of many of the citizens of these ex-Western colonies. As a psychological phenomenon manifesting itself in the systematic preference of what is Western over what is indigenous, it is a potential costless, and passive advantage for Western businesses in these host markets.

Over the past few decades, Western private equity managers have been investing in the ex-Western colonies, attracted by the massive potential of these markets (Klonowski, 2013). Additionally, more and more indigenous private equity managers are launching their own funds. This provides an adequate set up to observe and explore the extent to which colonial mentality might shape the attitudes of indigenous actors towards Western managers and be a source of competitive advantage for them.

1.2. NEED FOR THE STUDY

Colonial mentality is a phenomenon that has received some attention in the field of psychology through the pioneering work of E.J.R David and Sumie Okazaki (2006) on the Filipino-American community. However, the present research is the first exploration of the effects of colonial mentality in a business setting to the extent of this writer's knowledge.

This research contributes to the need to understand how the colonial experiences of both people from the ex-colonial powers and people from the ex-colonies perceive each other and how their colonial past affects their present business interactions. Understanding these dynamics should contribute to our general understanding of international business, foreign direct investments, and the behavior of indigenous consumers (in this study, indigenous entrepreneurs and business managers).

In addition to the contributions of this study to the literature on colonial mentality, it also contributes to the extant literature on foreignness (c.f. Hymer, 1976; Zaheer, 1995; Zaheer & Mosakowski, 1997; Mezias, 2002; Nachum, 2010). Scholars have so far treated foreignness mostly as a homogenous phenomenon while in this research I suggest that it is more complex and heterogeneous. In other words, I propose that what constitutes negative foreignness (the type that will result in a liability) in a certain host market might constitute positive foreignness (the type that will result in an asset) in another host country. The specific example presented in this research is that of westernness as a special case of foreignness that should be an asset in host markets where colonial mentality exists and a liability in host markets where it doesn't.

1.3. COLONIALISM AND COLINIAL MENTALITY

1.3.1. WHAT IS COLONIALISM?

"And Englishmen like posing as gods."
— E.M. Forster

The definition of colonialism has always been difficult to pin down with precision. It often depends on the lens that scholars have used to view it: the lens of the colonizer, the lens of the colonized, and possibly the lens of the independent observer if such a thing actually exists. This explains why "the academic establishment possesses no widely accepted theory of colonialism, nor does any substantial agreement exist upon what colonialism is." (Strausz-Hupe & Hazard 1958:470).

Colonialism as a social phenomenon goes back to the dawn of humanity. Stated differently, "it might be said that the history of colonization is the history of mankind itself" (Luthy, 1961:485). And for as long as people recounted oral stories or put down written records about colonialism, their views on it took the color of their morality at the time. And since human morality changed and evolved, so did the definitions and descriptions of colonialism over time. And this "changing morality of colonialism contributes to our lack of understanding." (Horvath, 1972).

In contemporary history, discussions of colonialism have often been accompanied by strong emotions on both sides of the moral divide. "people feel strongly about colonialism --- it has either been a dirty business engaged in by evil people or a praiseworthy endeavor undertaken by fine gentlemen for the noble purpose of saving the wretched, the savage, the unfortunate." (Horvath, 1972)

Beside the perspective-related difficulty in defining colonialism, Horvath suggests that a few other reasons hindered the development of a common definition of colonialism. They are: insufficient cross-cultural perspective, lack of theoretical perspective, lack of flexibility in definitions of colonialism, and an ultraconservative attitude towards words and their meanings. (Horvath, 1972).

This lack of definitional consensus sometimes leads to the confusion of colonialism with another very similar and equally controversial construct: imperialism. Any systematic approach to defining both (colonialism and imperialism) needs to look as exhaustively as possible at the forms of interaction between human groups that have led to the domination of one group by another. As reported by Horvath, scholars have identified three types of interactions (relationships) between the colonial/imperial powers and the people (groups) they bring under their domination. Those people (groups) can be:

- *Exterminated*: This type of interaction is self-explanatory. The dominated groups are eradicated completely or partially. Examples of total extermination happened in places like Tasmania and a few Caribbean Islands (Horvath, 1972). Examples of partial extermination can be found in America, Australia, Canada, and Tsarist and Communist Russia (Baczkowski, 1958).

- *Assimilated*: Cases of colonial assimilation of the dominated groups include the Hispanicized Latin America (Foster, 1960; Reed, 1967) as wells as the Arabicized or Islamicized Middle East and Sinicized East and Southeast Asia (Wiens, 1954). In the case of assimilation, "the colonizers acted as a "donor" culture and the colonized people constituted a “host” culture, with a vast amount of cultural transfer going, as the name implies, from donor to host”. (Horvath, 1972)

- *In a state of equilibrium* where neither assimilation nor eradication occurs. The colonizer and the colonized live side by side and some cultural exchange might take place. Examples include Algeria, Indonesia, South Africa, and Kenya (Horvath, 1972).

One of the most accepted definitions distinguishing between colonialism and imperialism remains the one put forth by Horvath back in 1972: “Colonialism refers to that form of intergroup domination in which settlers in significant numbers migrate permanently to the colony from the colonizing power. Imperialism is a form of intergroup domination wherein few, if any, permanent settlers from the imperial homeland migrate to the colony.” (Horvath, 1972).

However, even though what took place in most of my geographies of focus can best be described as imperialism and therefore this research should be discussing imperial mentality, the conventions in the extant literature seem to consistently prefer the use of colonialism and colonial mentality. For consistency purposes with past research, these are also the terms I employ throughout this study.

In my geographies of interest, colonialism left a deep impact on almost all aspects of life including the cultural and business arenas. Looking today at these ex-Western colonies, one would see that their culture and business have generally developed along one of two tracks: A British track with common law (including the relatively short-lived German colonial forays) and French track with civil law (including the limited Belgian and Portuguese colonies). These two colonial powers carried out their colonial policies in significantly different ways: while the French tried to "Franciser' or "Frenchize" their colonies and make them part of a united French empire, the British did not and limited their interactions at the economic and cultural spheres (Fenwick, 2009). The subtle traces of these differences will be seen in my theoretical development of colonial mentality throughout this research.

1.3.2. WHAT IS COLONIAL MENTALITY?

Wu yi Nyame a Obroni na eba (The Whiteman is Next to God)
Twi[1] expression from Ghana

Colonial mentality is a psychological by-product of colonialism. One of the earliest authors to write on the psychological underpinnings of the relationship between the colonizer and the colonized, and the process of decolonization was Franz Fanon. His seminal works were *Black Skin, White Masks* (1952) and *The Wretched of the Earth (1961).* His works dealt with three issues related to colonialism: racism, cultural alienations, and political oppression. But what is of most significance to the present research are his views on group psychology and collective unconscious which he saw as "a social and cultural phenomenon; not inherited, but acquired" (Geismar, 1971). This is in line with the formal definition put forth half a century later by David and Okazaki.

There are other authors who addressed the relationship between the colonizer and the colonized, some scientifically (e.g. Bulhan, etc.), while others did so in a more emotional and political fashion (e.g. Memmi, Cesaire, etc). While I recognize the impact and contribution of both, given the nature of this research, I did not use the more political sources. But there is no

[1] Twi is dialect native to the Ashanti region and spoken by the Ashanti people in Ghana.

denying that they were and continue to be influential on the subject of colonialism in their own way.

In the 1970s and 1980s, H.A. Bulhan examined the reactive identity formation of Western-educated Africans (Bulhan,1978), and internalized colonialism among African populations (Bulhan, 1980). But it was not until 2006 that colonial mentality was formally defined, studied, and measured by academics E.J.R. David and Sumie Okazaki at the University of Illinois at Urbana-Champaign. In the context of the American-Filipinos that they used for their research, they defined colonial mentality as “a form of internalized oppression, characterized by a perception of ethnic or cultural inferiority that is believed to be a specific consequence of centuries of colonization under Spain and the United States. It involves an automatic and uncritical rejection of anything Filipino and an automatic and uncritical preference for anything American.” (David & Okazaki, 2006). It has also been described as “the notion that superiority, pleasantness, or desirability are associated with any cultural values, behaviors, physical appearance, and objects that are American or Western (Root, 1997; Strobel, 2001; David & Okazaki, 2006a, 2006b). The study of David and Okazaki (2006) was successfully replicated in a limited way (including the development of an African scale) to assess the psychological implication of colonial mentality for Africans in Ghana (Utsey et al., 2015).

Other constructs that are very similar to colonial mentality are those of *cultural cringe* and *cultural alienation*. Cultural cringe is a phenomenon that can contribute to the preference of certain foreigners, their ways of life, their management styles and their products. It is an “internalized inferiority complex which causes people to dismiss their own culture as inferior to other cultures (Phillips, 2006). The term was coined by the Australian Arthur Phillips to describe the attitudes of his countrymen towards their own culture.

There are wo steps to the cultural cringe process. The first stage is characterized by negative feelings towards one's own culture. These negative feelings manifest themselves in the form of disappointment, a sense of inferiority and ignorance. In a second stage, the diametrically opposed feelings are felt towards (certain) other cultures. These feelings manifest themselves in the form of favorable impressions, enjoyment and satisfaction. (Xu, 2010).

The other similar construct is that of *cultural alienation*. A culturally alienated individual places little value on his or her own culture and is attracted by the culture of a colonizing nation. (Gianmaria et al. 2010).

The difference between cultural cringe and cultural alienation can be too subtle to grasp. But some scholars insist they are quite different. They argue that *cultural alienation* is generally used within the framework of analyzing colonialism and post-colonialism and refers to the "'process of devaluation or abandonment of their culture or their own cultural background on the part of indigenous peoples subjected to colonization and forced into a rapid modification of their traditional values. It is implicated in the processes of decay of whole populations or individuals deprived of their traditional cultural and social values." (Gianmaria et al, 2010). In this sense, it is identical to colonial mentality. *Cultural cringe* on the other hand is sometimes referred to as "*cultural humiliation*" and "is used in the studies of social and cultural anthropology to denote a kind of inferiority complex that causes people of one nationality to devalue their own culture as inferior to the dominant one." (Gianmaria et al, 2010)

Regardless of one's opinion on the extent of the difference between colonial mentality, cultural cringe, and cultural alienation and the commonalities they share, the one that is of interest here is colonial mentality. It is a construct that has been defined, operationalized and measured in psychology as stated earlier. In this study, I want to extend those earlier efforts to the business sphere and specifically, to private equity.

1.4. WHAT IS PRIVATE EQUITY?

There is a significant consensus on what private equity is and what it is not. A common definition is that "Private equity is an alternative investment class that provides investors, both individual and institutional, with professionally managed investment vehicles for equity investing in unregistered securities of private and publically-traded companies (Fenn, Liang & Prowse 1995). The instances in which, private equity investors invest in publicly listed companies is when they buy them out and delist them thus taking them private.

As an asset class, private equity was born in the U.S. and adopted shortly after in Europe. It is in these markets that private equity achieved it greatest successes and reached its highest level of sophistication. Over the past couple of decades, private equity investors started venturing into emerging and frontier markets. In this study, we focus on two of these markets: Sub-Saharan Africa (SSA), and the Middle East and North Africa (MENA).

CHAPTER II

REVIEW OF LITERATURE

COLONIAL MENTALITY

This chapter starts with a further development of the definition of colonial mentality that was presented in Chapter I, before transitioning into the larger framework of this research.

The theoretical development of the construct of colonial mentality was done within the field of psychology among the Filipino-Americans by E.J.R. David and Sumie Okazaki at the University of Illinois at Urbana-Champaign. This early work conducted among the Filipino-Americans resulted in a robust definition of colonial mentality and the development of a scale to measure it. These studies were replicated, to a limited extent, to assess the psychological implication of colonial mentality for Africans in Ghana (Utsey et al., 2015). The studies of Bulhan examining the reactive identity formation of Western-educated Africans (Bulhan, 1978), and internalized colonialism among African populations (Bulhan, 1980) can also be seen as significant earlier efforts at the study of colonialism and the reactions to it.

Even though the definition of colonial mentality put forth by David and Okazaki (2006) was presented within a Filipino context, it can easily and logically be extended to all the ex-Western colonies. By substituting “indigenous” for “Filipino” and “Western” for

"American and Spanish" we arrive at the following more generalized definition of colonial mentality as "a form of internalized oppression, characterized by a perception of ethnic or cultural inferiority that is believed to be a specific consequence of centuries of colonization under (Western powers). It involves an automatic and uncritical rejection of anything (indigenous) and an automatic and uncritical preference for anything (Western)." (David & Okazaki, 2006).

Colonial mentality is therefore a psychological phenomenon[2] affecting how those who exhibit it see their culture and their self-worth as compared to the culture and self-worth of the people of the colonial powers. It is reasonable and theoretically justified (Hayden, 1972; Weathington et al., 2011; 1972; Saad, 2012) to expect it to influence other aspects of life including business. The exploration of colonial mentality within the business sphere in general, and commerce and investment in particular, is therefore the goal of this research.

Colonial mentality, by its very nature, can only be defined in relation to the foreign other. This foreign other has to be associated in one's mind with the colonizing culture (in reality or in perception). One can therefore argue that colonial mentality can only exist with foreignness as its reference. In other words, one cannot study colonial mentality without studying foreignness, and specifically the form of foreignness to which I refer here as Westernness. So, what do we know about foreignness?

[2] As I further develop my theoretical framework, I will also show that colonial mentality is an institution.

FOREIGNNESS

The concept of foreignness must go back to the dawn of humanity. Its starting point is the notion of the group. A foreigner was, is, and will most likely always be the other who is not a member of one's own group. The foreigner has always been recognized as "the other' wherever he/she is. "This recognition appears to operate as a means both of maintaining distance between Self and Other, and of neutralizing the threat that he might pose by placing him in a familiar, 'known' category" (Barclay, 2010).

But as Julia Kristeva writes, it is "with the establishment of nation-states (that) we come to the only modern, acceptable, and clear definition of foreignness: the foreigner is the one who does not belong to the state in which we are, the one who does not have the same nationality." (Kristeva, 1991). Within this national state framework, the perception of the foreigner as a threat at both the individual and institutional levels, and the need to neutralize his foreignness remain prevalent (Barclay, 2010). And the process of neutralizing foreignness has been described historically as "either the Other is seen as equal and therefore as the same or identical (the logic of assimilation), or viewed as different and therefore as unequal or inferior (the logic of slavery and massacre). Difference which cannot be assimilated—and in practice this applies to all difference—inevitably equates to inferiority. Such disavowed ethnocentrism is at the root of the racism often experienced by foreigners" (Barclay, 2010).

However, it could be argued that, nationality as a legal reference, does not really account for all the shades of foreignness. Examples illustrating this abound in Europe, North America, and many other countries and regions where one finds countless immigrants who are legally citizens and yet, for all practical (non-legal) purposes, are still foreigners. These immigrants, even though some of them might no longer have the legal nationality of the countries they came from, still enjoy more legitimacy in their countries of origin than in their country of immigration and citizenship.

I suggest that, in addition to legal citizenship, the cultural dimension can also help achieve a better understanding of the concept of foreignness in the sense that, in a given country, cultural integration or lack thereof often determine the level of perceived foreignness, and by extension, of legitimacy gained by foreigners. The extant literature seems to support this suggestion of a difference between the notions of judicial and cultural citizenship (Ngai, 2007).

I would therefore argue that both the granting of legal citizenship and the gaining of cultural legitimacy are important as they serve two different legitimacy purposes. The first addresses legal acceptance (the legality of being with the group) i.e. the regulatory legitimacy and the second addresses cultural assimilation (the practicality of being a member of the group) i.e. a combination of both normative and cognitive legitimacy.

Researchers have historically looked at the business life of foreigners to understand how a given country or community deals with foreignness. From a business perspective, most of the extant literature on the subject of foreignness have found it to the source of additional costs to doing business that scholars have referred to as liability of foreignness or LOF[3] (Zaheer & Mosakowski 1997; Zaheer 1995). But what exactly is LOF? What drives it? and what are its outcomes?

[3] A number of other studies actually found a small but statistically significant positive correlation between internationalization and performance (Bausch & Krist, 2007)

LIABILITIES OF FOREIGNNESS (LOFs)

Liability[4] of foreignness (LOF), as a term, was coined by Srilata Zaheer in 1995. She also defined the construct as "the additional costs that multinational enterprises (MNEs)[5] face compared to their local competitors when operating in foreign markets. These costs generally "arise from the unfamiliarity of the environment as well as the geographical, cultural, economic, and political differences (Zaheer, 1995).

An earlier scholar who addressed this concept formally was Stephen Hymer. He referred to it as "*costs of doing business abroad*" (CDBA), and provided a definition that is very similar to the one later presented by Zaheer. According to him, "indigenous firms, compared to international firms that operate at the same location, have better access to relevant market information, are more deeply embedded in the national environment, and do not face any foreign exchange risks" (Hymer, 1976).

ANTECEDENTS OF LIABILITIES OF FOREIGNNESS

The additional potential costs associated with foreignness and borne by foreign firms doing business outside of their home market are sometimes described as hazards of liabilities of foreignness. As hazards, they might materialize and they might not. Scholars have organized these hazards into three categories:

a- Unfamiliarity hazards are a reference to the disadvantages and costs borne by the MNE as a result of its lack of knowledge of the host country market compared to

[4] In the extant literature about foreignness, both the singular and the plural are used. In this research we will sometimes refer to "liability" and other times to "liabilities" of foreignness.
[5] MNE (Multinational Enterprises). The extant literature also uses MNC (Multinational Corporations), and TNC (Transnational Corporations).

its local national competitors (Eden & Miller, 2001). These hazards can take on a dual form consisting of unfamiliarity with the industry as well as with the country. They can generally be attributed to the lack of international experience, the lack of embeddedness in local networks, and the lack of local business and institutional knowledge.

b- Relational hazards "involve transactions costs of search, monitoring, dispute settlement and trust building. These are the administrative costs of managing the relationships between the parties involved in doing business abroad" (Buckley & Casson, 1998 as cited in Eden & Miller, 2001). These hazards are generally driven by external conformity pressures, lack of local legitimacy[6], limited access to resources, and negative nationalistic tendencies (Denk et al., 2012).

c- Discrimination hazards reflect the costs potentially incurred and the revenues potentially foregone as a result of the relatively discriminatory attitudes and practices of the host country actors such as the government, the consumers, and the suppliers, etc. (Eden & Miller, 2001). In other words, these hazards are a reflection of the challenges to the legitimacy of the MNE's sub-units in the host country that can take the form political actions (e.g. governmental actions towards the firms) or ethnocentric attitudes (e.g. consumers attitudes towards the products and their country-of-origin). These hazards are usually driven by a firm's degree of network integration, the extent of the difference in corporate culture between the foreign

[6] Legitimacy "is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p.574)

firm and the companies in the host country, the lack of trust, as well as the ownership structure of the foreign firm.

Other antecedents that can be considered to be common to all three categories of hazards are cultural sensitivity, distance (institutional, linguistic, spatial), economic development and stress of host market, firm characteristics (size, business group affiliation, learning capabilities, and management qualities), and industry characteristics (foreign competition, industry growth, industry-specific knowledge intensity, seller concentration). (Denk et al., 2012)

A thorough understanding of these antecedents is essential for the creation of any successful strategy to mitigate the liabilities of foreignness. It is also important, from a research perspective, in order to understand the logic of the various theoretical approaches that have been used to explore the liabilities of foreignness. However, this discussion would not be complete without exploring the consequences of LOF or its outcomes.

OUTCOMES OF LIABILITIES OF FOREIGNNESS

Researchers have identified three types of outcomes that are attributable to liabilities of foreignness. A first type that includes the outcomes related to the impact of internationalization on the performance of the MNE. A second type with outcomes related to the impact of internationalization on the internal operations and resources of the MNE, and a third type with the outcomes related to how the MNE's foreign sub-units deal with other foreign MNEs and present themselves in the host country (Denk et al., 2012).

The first set of outcomes involves the LOFs' effects on the success and failure of MNEs in the host country. In other words, it deals with how LOFs impact the business performance of the foreign subsidiary of the MNE. These outcomes have been measured through such proxies as firm survival in host market (Li et al., 2008), profit growth, return on sales, and return on assets (Miller & Eden, 2006).

The second set of outcomes deals with the impact of the LOFs on the internal operational processes of the firm in the host county. Some of the effects identified in the extant literature include a reduction in the firm-specific advantages of the foreign subsidiary compared to the parent MNE (Nachum, 2003; Rangan & Drummond, 2004). For example, the MNE might have certain advantages (resources) that are useful and valuable in its home market but that are of little or no value to its foreign-based subsidiary. There might also be a reduction in the effectiveness of knowledge transfer within the MNE as a whole (Schmidt & Sofka, 2009), and a reduction in the amount of committed local resources to the efforts of the subsidiary (Kronborg & Thomsen, 2009). For example, with the addition of new foreign subsidiaries, the demand on the LOF-reducing resources of the parent MNE increases resulting in a reduction of what each sub-unit can expect to receive. These outcomes are the result of the liabilities of foreignness, but at the same time they can also be considered drivers since, once they take place, they tend to further worsen the negative effects of the LOFs.

Finally, the third set of outcomes deals with the impact of LOFs on how the foreign subsidiary competes with the actors in the institutional environment of its host country including other foreign firms and how it chooses to enter the host country. For example, research indicates that local employees prefer firms that are headquartered within the host country to those with foreign headquarters (Newburry et al., 2006 as cited in Denk et al, 2012). This can impact the way the foreign company chooses to move into the host country and impact its competitive positioning compared to other foreign firms. Another example is how the foreign sub-unit capitalize on the characteristics of its host country. For example, if the host country is home to people who are ethnically similar to the home country of the MNE, the MNE's subsidiary can derive significant advantages from that similarity compared to other foreign competitors who lack similar advantages (Miller et al., 2008; Kronborg & Thomsen, 2009).

An understanding of both the outcomes and antecedents of the liabilities of foreignness cannot be complete without a theoretical lens that would provide an explanatory framework for how and why they happen. Even though many theoretical frameworks have been used, there is a recent shift in the extant literature towards the adoption of institutional theory as the preferred theoretical framework for exploring and explaining the liabilities of foreignness (Denk et al., 2012).

LIABILITIES OF FOREIGNNESS AND INSTITUTIONAL THEORY

The liabilities of foreignness have been studied from various theoretical perspectives. One such perspective is what is known under the umbrella name of theories of international expansion. Of these theories, two are of special significance in the study of LOFs. The first is the internationalization theory which simply argues that a firm's decision to enter a foreign market rests upon a systematic analysis of the benefits of internationalization and the liabilities of foreignness. (Hymer, 1976; Dunning, 1981; Rugman & Verbeke, 2004).

The second theory is the approach that has become known as the Uppsala[7] model of internationalization. This model argues that in the process of internationalization, MNEs choose host countries that are culturally proximate to them first before expanding to more culturally distant ones. The premise of this model is that cultural distance is positively associated with the level of LOFs (Johanson & Vahlne, 1977).

Another theoretical perspective that has been used by researchers to explore the liabilities of foreignness is the social network theory. The argument underlying this theory is that social networks influence the performance of firms in a positive way (Peng & Luo, 2000; Batjargal, 2003) through the business opportunities these networks help identify and the scarce resources and the knowledge they give access to (Styles & Ambler, 1994; Ellis & Pecotich, 2001). Foreignness is generally associated with the lack of these social networks.

Yet another theoretical perspective that has been used in the existing literature on the liabilities of foreignness is the resource-based view of the firm (RBV). Whether a firm is operating in its home market or that of a host country, scholars argue that its performance and the sustainability of its competitive advantage depend on the amount and quality of resources it has at its disposal or to which it can have access (Barney, 1991). Therefore, the success of a given firm in tackling the liabilities of foreignness depends on three main factors: a- transferability of firm-specific resources from the home country to the host country, b- how the resources are viewed in the host country in terms of the firm's

[7] The Uppsala Internationalization Model is a theoretical model developed at the Uppsala University in Sweden to explain how firms expand globally.

foreignness status (advantages or disadvantages), and c- lack of the complementary resources required for success in the host country[8]. (Cuervo-Cazurra et al. 2007).

Finally, as mentioned earlier, there is institutional theory around which a sort of consensus seems to be forming in the extant literature as the most adequate theoretical framework to study the liability of foreignness (Vargas-Hernández, 2008; Zucchella & Magnani, 2016, p. 64-68)

The focus of institutional theory is the study of the interactions between the organization and the environment (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Zucker, 1987). With regard to the present study, its starting premise is that institutional environments vary from one country (or culture to the extent that each country has a unique culture) to another and that, in order to achieve legitimacy within any give market, a foreign firm needs to mimic indigenous firms (mimetic isomorphism) to facilitate its adaptation to that country's environment (North, 1990; Delios & Henisz, 2003). Within this framework, liabilities of foreignness arise from a given MNE's inability to conform with the institutions present in a given host country (Zaheer, 1995; Petersen & Pedersen, 2002; Eden & Miller, 2001, 2004). For reasons already mentioned and others that will become more evident later in the present research, my exploration of foreignness is done within an institutional framework.

Most of the extant literature on foreignness have found it to be a liability. However, there are relatively newer streams of research that see certain advantages in foreignness that some firms can and do use as assets of foreignness (Nachum, 2010; Freiling &

[8] These are the resources that cannot be transferred to the new country (Rugman and Verbeke, 1992; Hu, 1995). These can also refer to the additional resources that may be necessary in the new country that are not necessary in the home country.

Laudien, 2012). The assets of foreignness are the other side of the foreignness coin and it is important to understand what they are.

ASSETS OF FORIEGNNESS (AOFs)

The idea of foreignness as an asset clearly runs counter to most of the extant literature that sees foreignness as a source of liabilities. It also goes against the basic sense of logic expressed in the findings of social identity theory as a framework for how in-groups and out-groups interact and are defined and identified (Ashforth & Mael, 1989). Unfamiliarity with the host country and lack of knowledge are not only known sources of liabilities for organizations, but they act as well at the individual level. For example, "social identity theory indicates that such unfamiliarity may cause a foreign individual to unknowingly violate expectations in the host country, thereby being perceived as an outgroup member posing a threat to their identity" (Joardar & Wu, 2011). Such perception will logically lead to unwillingness on the part of people in the host country to identify with an out-group member (Verkuyten, 1998). This attitude should consequently mean that "fewer host country nationals will conduct business with an international entrepreneur or use his /her services, thereby putting him/her at a disadvantage relative to the local people" (Joardar & Wu, 2011). However, and contrary to these findings, scholars have indeed identified certain assets that are attributable to foreignness.

Lilach Nachum in her 2010 study of financial firms operating in London introduced a more systematic approach to looking at the issue of foreignness as an asset or a liability. She argued that "the bundle of assets and liabilities that distinguish foreign firms from local firms is a net asset under certain circumstances and a net liability under others" (Nachum, 2010). In addition, she introduced the notion that not all local firms are equal in terms of their competitiveness with foreign affiliates. She divides the local companies in the host country into purely domestic firms and local MNEs (i.e. multinational enterprises originating in the local market) and addresses the differences between each of these sub-groups with the foreign firms. She found evidence that the advantages that a foreign firm has over purely domestic firms disappear when they are compared with local MNEs (Nachum, 2010). In other words, the advantages that foreign firms bring with them do not necessarily represent sources of sustainable competitive advantages since they can be acquired or imitated by local MNEs through their foreign activities.

Another significant contribution that Nachum made is her attempt to address the three types of contradictory findings encountered in the earlier studies on foreignness. The largest portion of these studies indicated that foreignness is a liability and that foreign firms underperform local competitors (Mezias, 2002; Miller & Eden, 2006; Miller & Parkhe, 2002; Zaheer, 1995; Zaheer & Mosakowski, 1997). A number of them found that the opposite was true and that foreign companies outperform the local ones (Kronborg & Thomsen, 2009; Li & Guisinger, 1991; Nachum, 2003). The third group of studies concluded that there was no significant difference between the performances of local and foreign firms (Jungnickel, 2002; Mata & Portugal, 2002). See appendices for a table of empirical studies on the liabilities of foreignness and their findings.

To overcome these contradictions, Nachum suggested that the effect of foreignness is not as simple or as straightforward as some have proposed. According to her, "these mixed findings entail that the variety of performance differentials between foreign and local firms observed in international competition is an intrinsic feature of international competition, which originates in the complex impact of foreignness on performance" (Nachum, 2010). In other words, there are other factors that have to be studied and controlled for along with foreignness like the type of foreign markets (for example, cosmopolitan markets like London and New York create very little LOF or none at all), and the type of ownership of the firm (for example, majority ownership by the foreign parent company adds more costs and more advantage than minority ownership), etc.

Jörg Freiling and Sven M. Laudien (2012) used the competence-based theory of the firm to explore the assets of foreignness of TNCs (Transnational Companies). They argued that TNCs, by their very nature, have certain specific assets that they identify as assets of internal resource building and learning (derived from economies of speed), assets of weak ties (derived from social capital), assets of re-allocation (derived from economies of flexibility) and assets of external absorption (derived from human and social capital). Their research indicates that "these specific assets constitute an 'advantage of foreignness' for TNCs and make it possible that TNCs – although they suffer from a lack of local market knowledge and following liabilities of foreignness – are more successful in local markets than smaller companies that originate from these markets" (Freiling & Laudrieu, 2012).

Other advantages that have been considered as assets of foreignness (AOFs) in the extant literature include home market technology if it is more advanced than that available in the host country, brand name if it is perceived to be better known than the competing brands in the host country, and managerial and organizational capabilities if they are proven to be more efficient than those in practice in the host country (Nachum, 2010).

My review shows that the extant literature consistently explored the assets of foreignness using the foreign company as a reference. In other words, the source of the proposed or studied asset of foreignness in these studies has generally been derived from a resource of the company in question (technology, brand, etc.) or its type (MNCs, MNEs, TNCs, etc.). I am proposing another potential asset of foreignness that is not related to the resources or type of the company, but rather derived from the attitudes of individuals and societies in certain markets (the ex-Western colonies) towards the West and Westerners. Putting it differently, I am suggesting that Westerness as a form of foreignness can be an asset in certain areas under certain conditions.

The attitudes I am referring to are the result of colonial mentality in countries that underwent significant periods of Western colonization or were influenced by the West on certain institutional levels (i.e. regulatory, normative, and cognitive). As stated in the definition of colonial mentality, it manifests itself through the preference among these societies for what is Western over what is indigenous (David & Okazaki, 2010). These preferential attitudes can therefore be an asset of foreignness for Westerners in many fields of business. In this research, I specifically use the private equity industry to explore the extent to which Westerness as a form of foreignness can be an asset in the ex-Western colonies.

WESTERNNESS AS A FORM OF FORIEGNNESS

Some of the key words that I use in this research are Westerness, Western, and West. It is important to clarify what they mean within the context of this dissertation. Looking at the extant literature, it is difficult to come up with a formal definition of what is the West. Historically, it might have started with a geographical meaning indicating Western Europe mostly, but over the years, its geographical boundaries expanded (inclusion of the US and Canada, for example), and it took on a host of other connotations ranging from the level of technological and economic development (the inclusion of Japan in some definitions), to political and cultural common grounds (liberal open market societies), etc. But, as stated earlier, for the purpose of the present research, I am treating the West from a purely ethnic perspective that defines a Westerner as simply a white or Caucasian individual primarily from one of the ex-Western colonial powers (Perry, 2001), but not exclusively since the stereotypes and experiences underlying the concept of colonial mentality have now become inclusive of the Caucasian (white) race as a whole regardless of whether an individual's country was a colonial power or not.

The extant literature on the subject of foreignness treats it as a homogenous phenomenon (c.f. Denk et al., 2012). In other words, the research that has been done so far does not acknowledge or theorize about the existence of different types of foreignness that can result in different types of liabilities and assets depending on the reference country or society. In the present research, I am proposing that foreignness should be studied in a more differentiated and nuanced manner. For example, while I am proposing that Westernness can be an asset in the ex-Western colonies (contrary to all extant literature), I expect it to be a liability in the countries where no colonial mentality exists (in accordance with all extant literature). It is reasonable therefore to expect the existence of other types of foreignness that might lead to different results in different markets and under different conditions.

From the perspective of the people of the ex-Western colonies, and from the literal definition of foreignness presented earlier, Westernness is a special case of foreignness. However, it is only special within a context where colonial mentality exists. Without colonial mentality, it makes less sense to differentiate Westernness from the more general concept of foreignness. To understand this relationship, it is important to understand colonial mentality beyond the basic definition provided earlier. What is the nature of colonial mentality?

COLONIAL MENTALITY AS AN INSTITUTION

As stated earlier in this chapter, the behavior and attitudes of an individual with colonial mentality are characterized by a habit of preference for what is Western over what is not. And a habit has been defined as the predisposition to respond or react in certain predictable ways to certain situations or stimuli (Dewey, 2002, 42). Habits have also been described as a repertoire of potential responses lurking under the surface and ready to be triggered under certain conditions or in response to a certain stimulus (Hodgson, 2004). The link between habits and institutions flows from the fact that "social habits are one of the keys in understanding the enduring aspects of social reality – that is, institutions." (Gronow, 2012). More specifically, "institutions are always based on habits" (Veblen, 2002, 77). And since colonial mentality is based on the (pre)dispositions to favor the Western over the non-Western, and since institutions are "systems of established and prevalent social dispositions" (Hodgson, 2006, 138) one can conclude that colonial mentality is indeed an institution. This is in line with the conclusions of other scholars who have used the now familiar classification of institutions as regulatory institutions (e.g. laws), normative institutions (e.g. professions), and cognitive institutions (e.g. habits). (Grewal & Dharwadkar, 2002).

The institutional process through which colonial mentality and the habits underlying it becomes an institution is called *habitualizing*. The way in which the invisible base-level institutional process in which the repetition of an act turns it into a recognizable pattern is what is referred to as *habitualizing (*Berger & Luckmann, 1967). Like any other cognitive institution, the process of colonial mentality *habitualizing* is done through two different mechanisms: imprinting and bypassing.

Imprinting is described as preservation of structures and processes over time (Grewal & Dharwadkar, 2002). Specifically, over time, people stop questioning the causes, the rationale, and the consequences of colonial mentality; and its characteristics and mechanisms are then preserved and transmitted through this process of imprinting from one generation to the next.

Bypassing occurs when (informal) cultural control substitutes for (formal) structural control, thus bypassing formal structures and processes (Zucker, 1977). In the case of colonial mentality, as a cognitive institution, it relies on informal controls built within a cultural infrastructure that allows for the transmission of colonial mentality habits, bypassing the need for a formal transmission system. This is compatible with the general view that cognitive institutions represent culturally supported habits that exert subtle influences on actors, which then tend to be repeated (Grewal & Dharwadkar, 2002).

Having established that colonial mentality is an institution, and explored its transmission mechanisms, how does the institutional framework explain the behaviors and attitudes associated with it?

COLONIAL MENTALITY AND INSTITUTIONAL THEORY

Most of the limited scholarly attention that colonial mentality received was within the field of psychology (David & Okazaki, 2006, Bulhan, 1978, 1980). These early works established the existence of colonial mentality as a psychological condition that can be diagnosed and that can be expected to have effects that would manifest themselves in all facets of the individual's life including its business aspects. However, these manifestations have not been explored within any business sphere to the extent of this writer's knowledge.

Colonialism created or changed institutions in every colonized country and colonial mentality is the product of the resulting institutional environment. It could be argued that colonialism no longer exists (at least in its direct form), but there is no doubt that its influence still goes on and that it is part of the institutional heritage of the ex-colonies. It is part of their history and as such it plays a crucial role in shaping their destinies (Bertocchi, 2011).

Even though certain ex-colonies have achieved a limited level of economic success, most of them are still characterized by various degrees of various types of instability that can be attributed to the undermining of their initial institutional equilibrium. For example, there is evidence that "current political and economic instability in the Global South[9] may be attributed to institutional changes that took place in the colonial period" (Rothenberg, 2004). And most ex-colonies (if not all) are part of that Global South. Such a historical perspective allows the recognition of the role played by "institutional factors, besides purely economic ones," in shaping the present of a specific country given that "the historical and institutional dimensions complement each other since the economic impact of institutions tends to manifest itself more clearly in the long run (Bertocchi, 2011). This furthers the argument that colonial mentality and its effects are the results of the institutional environment created or influenced by colonialism.

[9] Global South is a reference to the developing nations in Africa, Asia and Latin America.

The processes and tools used by the colonial powers to dominate the ex-colonies affected every pre-existing institution possessed by the colonized people. These processes and tools included "military force, anointing of indigenous elites, exploitation of the local labor, and the 'divide and rule techniques" (Houngnikpo, 2010). For example, these methods "influenced the modification or abandonment of local culture and social customs and traditions" (Morrock, 1973). The traditional institutional environments in the colonies were weakened and their pre-colonialism equilibrium was undermined through "the development of dissimilarities within the indigenous population, the amplification of present (existing) dissimilarities, and the manipulation and exploitation of dissimilarities to increase colonial power" (Morrock, 1973).

This was happening in parallel with the creation of new social, political and economic institutions that relied on the anointing and use of small indigenous elites that were chosen and nurtured to be the proxies of the colonial powers to do their bidding. And so "through exclusionary rule and corporatist tactics, colonial powers were able to use native elites and traditional powers as administrative supports while repudiating their power to make laws or advocate on behalf of their communities (Makoa, 2004). The colonial system also used education as a tool to spread and institutionalize these changes. This approach often resulted in the cultural alienation of the indigenous populations as they agonized over the adoption of the ways of the colonial power and the abandonment of their own. An example of such approach can be seen in Africa where "the colonial school system taught the African who went through it to adopt the European culture, values and ways at the expense of their own traditional culture and value. In a way, it could be characterized as a form of (re-education)[10]. Its results however were powerful as the Africans who went to the colonial schools and who therefore were "those who had the most education were to be found the most alienated Africans on the continent" (Rodney, 1982, p. 248).

This transformative process of domination therefore created a new institutional environment that was built to foster the goals of colonialism. The mechanism linking this institutional environment to colonial mentality can be explained from two competing perspectives. A first perspective that explains institutional changes in function of the individuals within the institutional system. This perspective is usually referred to as *methodological individualism*. And "methodological individualists propose that social structures, institutions and other collective phenomena should be explained in terms of the individuals involved" (Hodgson, 2007). In other words, the argument here is that to explain the colonial institutional environment (its structure and its change) one has to understand the individuals within it in terms of their properties, goals and beliefs (Elster, 1982). And since colonial mentality as an institution is a result of the colonial institutional environment (David & Okazaki, 2006), the methodological individualism perspective would seem to argue that individuals first developed the colonial mentality condition and then shaped the colonial institutional system to reflect it and further foster its spread. Put differently, they developed the appreciation for and the belief in the superiority of the West and then shaped their institutional environment to reflect that appreciation and belief. This can be a circular argument since individuals created and/or shaped the change of the institutional environment, and the same institutional environment will in turn also shape and influence the behavior of the individuals.

[10] I put "re-education" instead of the original "miseducation" used by the author as I believe it conveyed better the essence of what replacing a set of values by another means.

The second perspective, sometimes referred to as *methodological holism*, argues that individual behaviors cannot be properly explained independently of social phenomena (i.e. institutions, social structures and culture). According to the holist line of reasoning "social entities like nations and societies have causal powers that are independent of, and override, the causal powers of the individuals who comprise these entities. For instance, it is held that nations develop in such a way so as to realize some goal, yet without the implicated individuals having any influence on this development" (Zahle, 2016).

The same line of reasoning can be extended as "it is contended that societal structures may ensure that individuals perform certain functions in society; the individuals have no choice in this matter. However, specified, social phenomena that have these independent and overriding causal powers produce effects that cannot be accounted for by offering individualist explanations; individuals are simply not causally responsible for these effects. The explanation of such social phenomena is only possible by way of holist explanations that lay out how the phenomena brought about the effects in question" (Zahle, 2016).

In other words, there must be a pre-existing structure within which the behavior of individuals exhibiting colonial mentality should and can be understood. According to this perspective, it could be that colonial mentality behaviors and attitudes are caused by the institutions and not by the individuals. This is in line with the extant literature indicating that "institutional circumstances may affect individual preferences" (Hodgson, 2007), in this case, preferences of what is Western over what is indigenous. This view is also in line with the argument of institutional theory "that institutions in general, and culture in particular, shape the actions of firms and individuals in a number of subtle but substantive ways" (Bruton & Ahlstrom, 2003). Subtle and substantive are also descriptive of the effects of colonial mentality as a cognitive institution (Gronow, 2012).

Within the framework of institutional theory, there are two broad and complementary approaches to the analysis of institutions: economic and social (Hirsch & Lounsbury, 1997; Scott, 1992). From the economic perspective, institutions in a given society create a predictable and understood structure for production, exchange, and distribution of goods and services, and establish the ground rules for economic activities (North, 1990; Roy, 1997). They (the institutions) do so through the shaping and influencing of the economic, social, and political incentives available to the actors in the society. In most ex-colonies, the economic institutions were either founded by the colonial powers directly, built under their control and supervision, or strongly influenced by them.

From the sociological perspective of institutional theory, the primary "focus (is) on legitimacy building and role-shaping actions of institutions" (Suchman, 1995). This perspective intersects with my argument that colonial mentality in the ex-colonies, as a widespread psychological and cultural phenomenon, leads to the institutionalization of the attitudes and behaviors associated with it (e.g. preference for the West that leads to the granting of unearned legitimacy to what is Western without the usual requirement for institutional conformity) (Bruton & Ahlstrom, 2003; Scott; 1992; Zucker, 1987).

In almost all the countries that were colonized there is a colonial institutional and organizational heritage that influences and shapes these institutions and organizations. Many of these institutions were established initially under the colonial rule or right after independence and often with the direct help of colonial experts and advisors or the expertise of indigenous individuals who were schooled and trained in the colonial educational system and in the colonial language. These indigenous experts were shown to be the most attached to the colonial culture and the most alienated from and rejecting of their indigenous one (Rodney, 1982), and it is expected that their colonial conditioning will be reflected in the institutions they create and will be transmitted forth to the future generations.

I argue that these institutional environments and the institutions that generated them have an institutional memory, and embedded in it, are the triggers that create and activate colonial mentality. Institutional and organizational memory have been defined as shared and stored understandings and beliefs (Sproull, 1981; Langfield-Smith, 1992; Prahalad & Bettis, 1986; Lyles & Schwenk, 1992; Sims et al., 1986) and as a basis for organizational sense-making and social construction of reality (Daft & Weick, 1984; Dutton & Jackson, 1987; Schneider & Angelmar, 1090; Bougon, 1992). Or as the "collective set of facts, concepts, experiences, and knowledge held by a group of people, as well as the interpretations applied to it".

The institutional memory of these colonial institutions is expected to maintain alive the "notion that superiority, pleasantness, or desirability are associated with any cultural values, behaviors, physical appearance, and objects that are Western (Root, 1997; Strobel, 2001; David & Okazaki, 2006a, 2006b). Research indicates that this memory is not easy to change as it "leads to inflexibility, inertia and waste of managerial resources (Walsh & Ungson,1990). It is therefore expected that institutional environments created by these institutions will influence the behavior of indigenous individual actors through colonial mentality into favoring everything that is Western over its indigenous alternative. Here, I am specifically exploring the extent of the applicability of this argument to Western private equity managers in the ex-colonies of Western powers.

WESTERNNESS, COLONIAL MENTALITY, AND PRIVATE EQUITY

Many of the earlier studies that examined LOFs used samples of financial institutions, (Zaheer, 1995; Nachum; 2003; Nachum, 2010) and the present study does the same by examining Westernness as an asset of foreignness among Western private equity managers in the ex-Western colonies. This is not to say that there is any evidence that private equity is especially more suited to the study of these phenomena (LOF and AOF) than other industries. Actually the opposite might even be true. The very nature of private equity, characterized as it is, by a significant level of asymmetry in terms of access to information and other resources, should, in theory, give an edge to indigenous private equity managers over Western competitors (Tykvova & Schertler, 2011). If colonial mentality is shown to be a source of competitive advantage to Western private equity managers over their indigenous counterparts (despite evidence to the contrary), this would not only show that colonial mentality, when combined with Westernness, results in an asset of foreignness, but it will also be quite telling about the strength of its effects.

The West is the birthplace of private equity and it is where it has reached its highest levels of maturity and sophistication and achieved the most success. Most Western managers bring with them large accumulated stores of knowledge, experience, and established brands (KKR, Carlyle, etc.). Research has shown these resources (experience, knowledge, brands, etc.) to be sources of competitive advantages and assets of foreignness (Zaheer, 1995; Nachum, 2010) that can be translated into a relative investment outperformance.

Western private equity managers operating in the ex-Western colonies can be classified in two groups. The first group is made up of the subsidiaries of large and well-established Western managers (ex. KKR, the Carlyle Group, TPG Capital etc.). These sub-units generally target a given market in which they specialize while benefitting from the significant experience, connections, financial and non-financial resources at the disposal of their parent companies.

The second group consists of independent Western private equity managers that were created specifically to target certain markets in the ex-Western colonies. The principals (decision makers) of these managers are usually private equity professionals who have had a significant experience in the West and a certain level of experience or exposure to the markets in these formerly Western-colonized countries.

However, both groups have the same mission and goals: to source the best deals they can find to make their investments, then manage these investments to deliver the best investment performance they can achieve. An examination of the effects of colonial mentality on private equity managers should therefore focus on the two main missions of private equity managers namely deal sourcing and investment performance.

a- WESTERNNESS, COLONIAL MENTALITY AND PRIVATE EQUITY INVESTMENT PERFORMANCE

When entrepreneurs or business managers make deals to sell their businesses partially to private equity managers, they are not seeking just a transaction in which they exchange equity in their businesses for money from the GPs. They are also, and as importantly, seeking a partner that can contribute to the further development and success of the business (Andrieu & Stagliano, 2016). That is what private equity investors generally provide.

Besides money, when private equity managers acquire a company partially, they bring to it other significant contributions such as their own managerial experiences and business networks, the managerial experiences and networks of their portfolio companies (the other companies that the private equity manager owns totally or partially), and the managerial experiences and networks of their limited partners (the institutional investors who committed capital to the manager and who, therefore, have a direct interest in the success of its investments).

These resources (managerial knowledge, industry experience, and business networks) are believed to be resources that improve the performance of companies (Peak & Marshall, 2009). As discussed earlier in this research, colonial mentality is expected to create a perception among the indigenous stakeholders that Western private equity managers have more of these resources than their indigenous counterparts. The attitudes and behaviors associated with colonial mentality would also mean that all these stakeholders will give preferential treatment to Western private equity managers. This preferential treatment will come in the form of unearned and costless legitimacy granted by the indigenous institutions, preferential treatment by service providers as preferred clients (e.g. lawyers, accountants, etc.), and most importantly, they can be expected to be treated as preferred deal partners by indigenous entrepreneurs.

Beside the argument derived from the very definition of colonial mentality, there are almost no academic works that deal with the manifestations of colonial mentality in the business sphere. However, non-academic, non-peer-reviewed sources do indicate that the attitudes described by colonial mentality are prevalent. For example, an article in China Daily entitled "'*White-first' mentality still haunts many in China*", spoke of the infatuation of the Chinese with Caucasians as "a kind of blind, ingratiating display of favor toward whites based on self-debasement and lack of self-esteem that seems to defy all logic…for many Chinese, the Western world represents the best of everything: wealth, modernity, democracy, an advanced civilization" (Xiangyang, 2010). This is very evocative of the definition of colonial mentality put forth by David & Okazaki (2006) as automatic and uncritical preference for anything Western and automatic and uncritical rejection of everything indigenous. Another article in the Atlantic magazine under the title "rent a White guy" spoke of an odd trend developing among Chinese businesses and consisting of hiring fake white executives (from the US and other Western countries) to attend events or deliver speeches just to give the appearance of a connection with the Western world (Moxley, 2010). Similar anecdotal evidence abounds in almost all the others ex-colonies as well.

To link these arguments to the subject of investment performance of Western private equity managers operating in the ex-Western colonies, it is important to understand that investment performance is not an activity per se. It is not something that someone does and in which one can do better than another. Rather, it is the outcome of one or more activities that the manager does. In the private equity industry, investment performance is the outcome of the entry deal sourcing activity (finding the right investment at the right price), the activity of managing the acquired investments (portfolio companies), and the exit deal sourcing activity (selling the investment at the right price). In addition, there is the factor of market conditions which is out of the control of the managers and apply to them all equally.

Of these three activities only two are relevant to this research: deal sourcing at the entry and the exit (collectively referred to as deal sourcing). The management during the holding period is not accounted for since some managers do it actively while others take a passive approach of buy and hold, and since it cannot be operationalized and measured. However, its effect (whether the value of the portfolio companies increased or decreased) can be seen in the exit price obtained which, in combination with the acquisition price, determines the investment performance.

All the forms of colonial-mentality-engendered preferential treatment that Western private equity managers receive from the indigenous stakeholders can be expected to add up to a competitive advantage for them over their indigenous counterparts. And as mentioned earlier, the most significant of these is the competitive advantage in term of deal sourcing which has been shown to be positively correlated with investment performance (Hochberg et al., 2007; Malik, 2012). Based on the above, I propose the following hypothesis:

H1- In the ex-Western colonies, the level of a private equity team's Westernness is positively associated with its investment performance.

b- WESTERNNESS, COLONIAL MENTALITY, AND PRIVATE EQUITY DEAL SOURCING

For private equity managers, operating in the ex-Western colonies means first and foremost that all deals (investments) should be within these regions. That is the meaning of regional specialization. To be more specific, the businesses in which those managers will invest are businesses operating in these markets. The ownership of these businesses can come in two forms: indigenous owners who are generally indigenous entrepreneurs or indigenous private equity managers, and foreign owners who are generally other foreign private equity managers. It is expected that both types of owners share one common goal when selling their businesses, fully or partially, to private equity GPs: maximizing the values of these businesses. However, there are many other factors that can affect the ultimate choice of the deal partner. These factors can include the type of deal (auction, sourcing or proprietary deal), the seller's level of trust in and comfort with the potential buyer, and the nature and extent of their relations, etc. (Haynes, 2009)

The reasons why a non-indigenous business owner in these ex-Western colonies would or would not choose a Western private equity manager instead of an indigenous one is not relevant to this research. The central question here is whether or not colonial mentality among the indigenous entrepreneurs, business owners and managers can make them choose Western managers over indigenous ones as deal partners.

By definition, those who suffer from colonial mentality, prefer almost all that is "Western" to almost all that is "indigenous" (Touzani et al., 2014). One can therefore imagine that during a typical business transaction between a Westerner and an indigenous entrepreneur with colonial mentality, such as in private equity deal sourcing process, the indigenous entrepreneur will choose the Western manager. The institutional conditioning of colonial mentality associates superiority, competence, pleasantness, and desirability with what is Western and the opposite with what is indigenous. This effect is evident at both the individual and organizational level in private equity.

Even though most private equity managers are entities, the vast majority of them are very small in terms of the number of individuals involved in the organization. Even the larger, well-recognized private equity global brands (such as KKR, TPG, and Carlyle, etc.) are relatively small in terms of their headcounts compared to organizations of similar financial size in other more traditional industries. In many instances, private equity organizations (as large as they might be) are still identified with and by one, two or three key individuals (e.g. Henry Kravis for KKR, David Bonderman for TPG, David Rubenstein for Carlyle, etc.). So as stated earlier, this makes the analysis of foreignness at the individual level not only very relevant, but also quite helpful in understanding it at the firm level. Understanding the effects of foreignness at the individual level has been shown to contribute to a more complete understanding of the effect at the organizational level (Mezias & Mezias, 2007).

So when we look at the Western private equity managers operating in the ex-Western colonies, we should understand that "it may be possible to use one's ethnic identity to one's advantage in a host country by gaining access to specific networks that may be denied to others" (Joardar et al., 2014). To the extent that colonial mentality is prevalent in the institution environment of these countries and among its population, Westerness can be an advantage and a door opener. It can be an asset of foreignness that can be used by Western private equity managers to achieve more deal sourcing success than their indigenous counterparts.

Joardar et al. (2014) also argue that "foreignness can be associated with certain skills and capabilities that give advantage to foreign nationals compared to local employees" (p. 1021). Westerness in a society that has had a history with Western colonialism can be expected to be associated with these traits. The Ghanaian popular saying that I mentioned at the start of the chapter, "The Whiteman is close to God", the "Khawaja Complex" among Arabs mentioned in chapter I, and the Chinese firms' hiring of fake white Western partners[11] are all indications that go in this sense. Therefore, foreign nationality of individuals can sometimes be an advantage rather than a handicap and the combination of Westernness and colonial mentality can be an asset that gives Western private equity managers an edge when competing for deals.

Another research stream that provides additional insights into how the ex-colonized might view the West is the country-of-origin literature (Touzani et al., 2014). The extant research on the country-of-origin can shed some light on how Western private equity managers operating in the ex-Western colonies are perceived and treated. The effect of COO (country-of-origin) on the evaluation of its products by consumers is based on the country's image in the minds and even sub-consciousness of these consumers. This country image is the sum of a set of stereotypes implanted into the minds and psyches of the consumer. "These stereotypes refer to a link in consumers' minds between a type of product and a country perceived to have an established know-how and reputation for this" (Touzani et al., 2014). In this research I am arguing that what applies to single-country image can be applied to the Western countries collectively as an image of the West with the stereotypes about it meeting and intersecting with the beliefs and perceptions underlying the construct of colonial mentality.

[11] This is a reference to a practice by many Chinese companies of hiring white Westerners to pose at their events or just to hang around their offices for visitors to see them. This is supposed to raise the standing of the firms in questions. A CNN article on this practice can be found at this link: http://www.cnn.com/2010/BUSINESS/06/29/china.rent.white.people/

Even as I am treating Westernness as a collective ethnicity that is linked to the perceptions that others have of Westerners, other researchers have gone beyond products' country-of-origin to propose the notion of product ethnicity (Cestre & Usunier, 2007). This product ethnicity arises "from factors characterizing the COO of the product, such as its cultural, social and political systems or degree of technological and economic development" (Roth & Diamantopoulos, 2009, as cited in Touzani et al., 2014). And as stated earlier in this research, the West is the birth place of private equity and expertise in this industry is closely linked in the minds of many to Western managers. In other words, private equity as a product or service, can be said to be of Western ethnicity.

Research also indicates that in emerging markets (and almost all the ex-Western colonies that I am studying are part of emerging or frontier countries), when given a choice between local products and products from developed countries, tend to choose the products of the developed countries, especially the West (Batra et al., 2000). Similar findings indicated that in the developed countries (of which the West is part) consumers prefer their local products and services while in the developing countries (of which the ex-colonies are part), consumers prefer imported products (Quartey & Abor, 2011). Therefore, it is only logical to expect the same kind of preferential attitudes to extend to the services offered by Western private equity managers operating in the ex-Western colonies. This preference for Western products and services is also due to the historical domination of the developing countries by Western industrialized nations during the colonial era (Batra et al., 2000; Chand & Tung, 2011). Thus giving it the same cause and origin as that of colonial mentality.

An example of this can be seen in the MENA region (Middle East and North Africa) "where consumers idealize the West and consider buying its products as a way to achieve modernity, progress and a better life (Ustuner & Holt, 2010 as cited in Touzani et al., 2014). One of the reasons put forth by researchers to explain this preference is a desire to imitate a Western lifestyle (Burgess & Steenkamp, 2006, as cited in Touzani et al., 2014), and obtain a symbol of status through the acquisition of a Western product.

In the same fashion that Western products and services in developing countries are associated with social position and represent status symbols (Kaynak et al., 2000), it could also be argued that "associations and partnerships" with Western business people can also be seen from the same lenses of social position and status. Furthermore, if country of origin can be applied to products and services as reflective of qualities and characteristics associated with that country, I can argue that it can also be applied to individuals as vessels of talent, competence, knowledge, experience, and other qualities and characteristics associated with their country, and I can extend that argument to the West as a collective ethnicity. The above line of reasoning can therefore find its logical conclusion in the following hypothesis that I propose:

H2- in the ex-Western colonies, the level of a private equity team's Westernness is positively associated with its deal sourcing success.

c- EXITS: THE OTHER SIDE OF THE DEAL SOURCING COIN

For private equity managers to invest their capital successfully, they need to succeed in entry deal sourcing, but for them to realize their investments successfully, they need to succeed exit deal sourcing. These are the two sides of the deal sourcing coin, and they are both vital for the investment performance of private equity managers. Generally, there are several ways to exit an investment: through public listing on a stock exchange (IPO), through a trade sale to a private or public buyer, through a secondary buyout (sale to another private equity manager or to management), or through a leveraged buyout (when the company borrows money to pay its private equity investors) (Johan & Zhang, 2016).

The dynamics and motives underlying private equity exits are somewhat different from those underlying entries. In many of the ex-Western colonies the option of taking a company public through an IPO is not available for lack of a functioning and efficient stock market. It is also difficult to find trade buyers with the financial wherewithal and interest to acquire entire companies. In these countries exits are therefore mostly done though secondary buyouts. This means that the potential buyers are either indigenous private equity managers or foreign ones. (Johan & Zhang, 2016)

It is not the goal of this research to theorize about the preferences of foreign private equity managers when buying or selling their businesses in the ex-Western colonies. It is the goal of this research to examine behaviors and motivations of the indigenous business owners. In the case of the exits, just as it was in the case of entries, the extent of the private equity managers' success is a directly impacted by the level of prevalence of colonial mentality among indigenous business managers (the potential trade buyers) and among the indigenous private equity managers (the potential secondary buyout buyers). The theoretical arguments that I developed earlier concerning private equity deal sourcing (private equity entries) also apply to private equity exits in the ex-Western colonies.

Investments' entry success is therefore indicative and a good proxy for investments' exit success. It is also reasonable to refer to success in both investment entries and investment exits as deal sourcing success.

In today's globalized and highly competitive markets, deal sourcing is "not only critical to a private equity firm's success, but it is rapidly becoming a major area of focus and a forward indicator of performance in the eyes of limited partners when considering a general partner for investment" (Malik, 2012). As discussed above in the development of the first hypothesis, in private equity, the investment performance of managers is determined by the level of success in deal sourcing, by how well the portfolio companies are managed after their acquisition, and the success in exiting them. It is expected that private equity managers' efforts to enhance the value of their investments will be reflected in their successful exits. Extant research indicates a positive link between a private equity manager's deal flow and its performance (Hochberg et al., 2007). I therefore put forth the following hypothesis:

H3 - In the ex-Western colonies, a private equity team's deal sourcing success is positively associated with its investment performance.

d- THE MEDIATING EFFECT OF DEAL SOURCING

In private equity, once capital has been raised for a new fund, the investment cycle starts and consists of 1- deploying the capital in the acquisition of the investment assets, 2- holding the investment assets passively or managing them actively, and 3- exiting the investments (through IPO, a trade sale, a secondary buyout, or a leveraged buyout) and returning the investment proceeds to the limited partners. The investment performance is the result of these steps, in addition to the prevailing market conditions. However, step 2 is beyond the scope of this research since some managers take an active role in influencing the management of the acquired assets, while others adopt a passive buy-and-hold approach. It is therefore neither practical nor helpful to try to quantify the impact of what the manager does or does not do on the ultimate investment performance. It is also beyond the scope of this study to quantify the impact of the market conditions on the ultimate investment performance since they apply to all managers equally and none of them has any control over it.

This leaves the activities in steps 1 and 3 which have been referred to earlier in this research as the two sides of the deal sourcing coin. The way the private manager handles these two activities can have a significant impact on its investment performance (Malik, 2012, Hochberg et al., 2007). Similarly, the way a manager approaches the deal sourcing activities is impacted by its level of westernness as argued in the development of hypothesis 2. It is therefore logical that a manager's westernness level will indirectly affect its investment performance level through a mediation mechanism.

This hypothesized mediation effect is not only logical, but also intuitive. In hypothesis 1, I developed an argument hypothesizing a positive association between the private equity team's level of westernness and its investment performance. However, to take this further, I would restate the obvious about both westernness and investment performance: neither of them is an activity that can be done per se. In other words, westernness is just is, and investment performance has to be the result of a given activity on the part of the manger. For westernness to have an effect on investment performance, an activity has to transmit that effect between the two, and my hypothesis is that that activity is deal sourcing.

There are two main ways of theorizing about a mediation mechanism. The first is generally referred to as the segmentation approach. It consists of hypothesizing the effect of the independent variable on the mediator, then hypothesizing the effect of the mediator on the dependent variable, before finally stating the mediation effect of the mediator between the independent and dependent variables (Rungtusanatham et al., 2014).

The second is referred to as the transmittal approach and consists of hypothesizing that a variable mediates the effect of the independent variable on the dependent variable, or that the independent variable has an indirect effect on the dependent variable through a mediator variable without needing to articulate the hypotheses of path A (independent to mediator) and path B (mediator to dependent) (Rungtusanatham et al., 2014).

The segmentation approach seems to be the most appropriate here since the necessary theoretical development of its path segments has already been done. I have already hypothesized the effect of the independent variable “manager’s westernness score” on the mediator variable “manager’s deal sourcing score” in hypothesis 2. I have also hypothesized the effect of the mediator variable “manager’s deal sourcing success” on the independent variable “manager’s investment performance” in hypothesis 3. These are the two segments of the mediation model on which the following mediation hypothesis can be based:

H4- Deal Sourcing Success mediates the relationship between the level of team Westernness and its Investment Performance.

For a visual representation of the proposed theoretical model, please see appendices. In addition, for a figure showing the chronology of the evolution of the literature on foreignness, please see the appendices.

CHAPTER III

METHODOLOGY

3.1. RESEARCH DESIGN

According to the Association of American Universities, generating new original knowledge is a criterion for the award of a doctorate degree. (Baptista et al., 2015). In order for this Ph.D. dissertation to earn that name and title, it needs to meet this criterion and contribute to the advancement of the field of research to which it belongs: Business Administration.

In the social sciences, to generate and explain new scientific knowledge, researchers generally use one of two research methods or a combination of both: quantitative and qualitative methods. (Bortz & Döring (2006, pp. 296–302), Bryman (2008, pp. 21–24. Cited in Broere, 2013). The method adopted is a function of what the researcher is trying to achieve: explore and/or explain, and the type of data available. For exploratory studies, generally the data is verbal or textual and the method used is qualitative. For explanatory studies, the data is often statistical and the method is quantitative. The use of qualitative methods is often associated with inductive reasoning and theory building. Quantitative methods on the other hand are more suited to the process of deductive reasoning and theory testing.

The approach used in this research makes use mainly of deductive reasoning. Its research design is quantitative, with some qualitative insights gained from a pilot survey.

This research was carried out in two steps. In the first step, I collected the responses of a sample of private equity professionals from around the world to a short pilot survey to find out what they thought, based on their experiences and opinions, about the impact of westernness and colonial mentality on the activities of deal sourcing, fundraising, and investment performance in the ex-Western colonies where they have worked. The first step is therefore an assessment of what the industry professionals thought about my theoretically developed hypotheses. The survey was administered online through Qualtrics to members of LinkedIn private equity groups with present or past experience in the ex-Western colonies and 52 private equity professionals participate.

In the second step, I quantitatively test the hypotheses that I put forth about the effects of westernness and colonial mentality on private equity deal sourcing (DS) success and investment performance (IP) of private equity managers operating in the ex-Western colonies. To accomplish this, I use a set of archival data on funds and managers the collection and analysis of which are explained below under “data description”.

3.2. DATA DESCRIPTION AND VARIABLES OPERATIONALIZATION

As explained in chapter II, westernness (and its liabilities and assets) is a special case of foreignness. And even though liabilities and assets of foreignness can theoretically be studied in any setting where a home and a host country are identifiable, my research requires one additional dimension: colonial mentality. And since, by definition, colonial mentality is a condition of the colonized, the setting has to be in markets that were under

Western colonization or that were significantly influenced by the colonial experience of others.

However, finding such ex-colonies is not a major constraint since by 1935, Western empires controlled 85% of the world's land mass and 70% of its population (Meinig, 1992). The regions I chose for this study are Sub-Saharan Africa, North Africa, Middle East, India, China (including Hong Kong), Malaysia, Indonesia, Thailand, Cambodia, Laos, Vietnam, Philippines, Pakistan and Bangladesh.

I did not include any country in the Americas in the sample since the type of colonialism that took place in these geographies involved massive immigration and settlements that made their current populations mostly European in origin and therefore out of the scope of this study. The choice of the countries and geographies is also based on their size and whether or not there is a private equity industry that can be studied. In the sample, I am also including some geographies that have only been colonized partially or that have been strongly influenced by Western colonialism as can be observed from the inclusion of such countries as China and Thailand.

In this dissertation, I make use of an archival set of data that I obtained from private equity data provider Preqin, and supplemented from various other sources. The starting sub-set of data is on liquidated funds (funds that went through the full private equity cycle: capital raising, portfolio building, portfolio management, portfolio exit) from private equity managers in the ex-Western colonies. But the fact that relatively few private equity managers' report their detailed performance meant that I was able to find performance data on only 51 fully liquidated funds from 40 different managers.

However, the data set that I acquired from Preqin – a top three private equity data provider - (Harris et al., 2010), contains a significant number of funds with reported performance and that were fully closed and that had been investing for 10 or more years. I felt justified in adding these funds to my sample given that the vast majority of private equity funds are set up to last about 10 years. These funds might not be fully liquidated, but it is reasonable to expect that their reported performance is a reasonable proxy for their final performance as it includes and reflects their own valuations of their assets that they have not yet liquidated.

After including these funds, my final data set increased to 118 funds from 87 private equity managers. This is a sizable sample considering the overall size of the population of private equity managers (i.e. private equity firms) operating in the ex-Western colonies. An approximate calculation of active private equity firms operating in the geographies of focus of this study and based on data from pitckbool.com yields about 485 firms (see table of active PE firms in appendix). However as mentioned above, only 87 of these managers had reported data for funds that satisfy the inclusion criteria of my sample: fully liquidated funds or fully invested funds with minimum age of 10 years. Despite the importance of the sample as a percentage of the potential population, this study may still be statistically underpowered, and this point will be addressed further in the limitations section.

As stated earlier, the main set of data was obtained from Preqin and complemented through the use of Capital IQ. Other sources that I used to plug certain data holes and obtain certain missing data points include Palico, PE Hub, Bloomberg, the websites of the private equity managers, certain disclosures from the limited partners (investors), and the websites of the industry associations such as AVCA (African Venture Capital Association), MENAPEA (MENA Private Equity Association), and EMPEA (Emerging Markets Private Equity Association).

This archival data was collected at two levels: the fund level and the manager (firm) level. After collecting the data on the funds and managers, I used it to quantify the variables by assigning them numerical values or scores to facilitate the extraction of the insights and deductions necessary to support or refute the hypotheses presented in this research.

3.2.1. OPERATIONALIZING WESTERNNESS

My analysis of the private equity teams of the managers in my sample is done along ethnic lines. Specifically, I divide them into who is Western and who is indigenous or a non-Western foreigner. In this study, Western is used interchangeably with White or Caucasian. My research is not the first to use this ethnic-based approach. A significant number of other studies have explored the impact of team and group diversity and heterogeneity on its performance using ethnic and cultural backgrounds. Hoogendoorn & Praag, (2012) measured the causal effect of ethnic diversity on the performance of business teams using a randomized field experiment. Others have recognized that "one of the most salient dimensions of team heterogeneity is ethnicity (Alesina & La Ferrara, 2005). There are other examples of studies conducted on team ethnicities within real organizations (as opposed to laboratory experiments) like Hamilton et al. (2004), Leonard & Levine (2006), Carter et al. (2010) and Parrotta et al. (2010).

To operationalize "westerness", each private equity manager in my sample was given a simple westerness score (WS) based on the percentage of Westerners in its Investment Committee (IC) and/or Top Management Team (TMT). In most small and medium private equity managers, there is a high degree of overlap between the two groups due to the nature of the work (finding and managing investments) and the goals (achieving the highest investment performance possible) of these teams. In the vast majority of instances, there is a 100% overlap between the members of the Investment committee (IC) and the Top Management Team (TMT).

In the case of managers that are sub-units of larger companies (as it is the case of the foreign sub-units of KKR, Carlyle, and TPG, etc.), the management and the investment committee compositions might be different. However, even though the management of the parent company has an input in the decision making, the deals that are submitted to it for approval are all sourced, valued, studied, and proposed by the local teams on the ground. So, in these instances, I considered both the team on the ground who are officially assigned to a given market and the parent company's executive committee/management team at home.

The method I used to determine who is a Westerner and who is not is based on the extant literature for determining ethnicity by name which has been shown to have an accuracy of up to 95% (Mateos, 2007). I addition I also used photos when available (e.g. LinkedIn, and the websites of the managers), and additional inferences from individual biographies.

For westernness, I therefore use the following formula:

$$WS = \frac{Number\ of\ Westerners\ in\ the\ IC/TMT}{Total\ Number\ of\ Members\ in\ IC/TMT}$$

3.2.2. OPERATIONALIZING DEAL SOURCING (DS) and INVESTMENT PERFORMANCE (IP)

a- DEAL SOURCING (DS) SCORE

There is no established formal approach to measuring the deal sourcing success of private equity managers. The main existing method that has been used by industry professionals until now is the size of deal flow (or how much money was deployed in new deals or the number of deals). This method does not tell us much about whether the manager successful in implementing the deal sourcing plan that was presented to the investors at the launch of the fund. That is my definition of deal sourcing success in this research, and it is from this perspective that I propose my deal sourcing success operationalization.

Generally, when private equity funds are formed, they determine the size of the expected individual investments (known in the industry as “bite size”) they plan on making by setting a range or determining an average. Knowing the fund’s bite size, I can determine the average number of deals that the fund can make given its total size (which I also know from its disclosures). I can therefore determine the average number of possible deals that the fund can make while strictly respecting its declared “bite size” as follows:

$$Average\ Number\ of\ Possible\ Deals = \frac{The\ Total\ Size\ of\ the\ Fund}{Bite\ Size}$$

Given also that in this research my sample will only include funds that have already finished their investment cycle or deployed all of their capital, I know exactly how many deals the fund made during its entire investment life. This allows me to calculate the deal sourcing success score at the fund level as follows:

$$Fund\ DS\ Score = \frac{The\ Actual\ Number\ Of\ Deals}{The\ Average\ Number\ of\ Possible\ Deals}$$

Another premise underlying my reasoning about this deal sourcing success scoring approach is the established relationship between deal sourcing success and the price paid for each deal. Ultimately, how many deals a fund makes will depend on how much it will pay for each deal. In other words, the higher the price the fund pays for each deal, the smaller the number of deals it will end up making. This is very significant in light of the expectation that general partners (fund managers) will strive to keep their bite sizes within the range they have specified in their presentations to the limited partners (investors). Any significant deviation from this guideline is likely to indicate a certain difficulty in sourcing the right kind of deals at the stated price levels.

I am arguing therefore that the lower the fund DS (deal sourcing) score, the more difficulties (less success) the fund is likely to have experienced in sourcing deals according to its stated strategy. Specifically, less deals than the "*average possible number of deals*" means that the GP (general partner) was unable to find enough opportunities within its specified deal size range and ended up paying higher prices for the average deal. Those higher prices are also likely to have a negative impact on the final investment performance of the manager. The other scenario that could explain less deals is that the manager was unable to deploy all the capital raised at the specified bite size and had to return it to the limited partners (investors). But in my sample, I know this is not the case since all the capital has been deployed.

Moving from the fund-level to the manager-level data, the overall deal sourcing success score of the manager (general partner) will be the arithmetic average of the DS scores of its various funds that are included in my funds' sample.

$$\textit{General Partner's DS Score} = \frac{\sum DS\ Scores\ of\ GP\ Funds\ in\ the\ Sample}{Number\ of\ GP\ Funds\ in\ the\ Sample}$$

b- INVESTMENT PERFORMANCE (IP) SCORE

As stated earlier, the investment performance of each individual fund was obtained from Preqin and/or Capital IQ. The overall investment performance score of each manager was then determined by calculating the *money-weighted average* of the investment performances of all the funds belonging to that manager in my funds' sample. In other words, the IP (investment performance) score of the general partner will be the average of the returns of each fund weighted by the size of that fund.

The formula I use for the manager's investment performance score is:

$$\textit{General Partner's IP Score} = \frac{\sum_{i=1}^{n} FP_i \times FS_i}{\sum_{i=1}^{n} FS_i}$$

FP = Individual Fund Performance (in percentage points)
FS = Individual Fund Size (in Millions)

3.2.3. CONTROL VARIABLES

There are certain variables that are not part of my model but that I believe might have a certain impact on my model variables and that need to be controlled for in the analysis of the collected archival data. These are:

1- The fundraising success of the manager: Private equity managers' compensation is directly linked to the amount of money they raise. The managers generally receive about 2% of committed capital annually as a management fee to run the fund and about 20% of profits as an incentive payment to align their interests with those of the investors. The larger the amount raised the larger the amount of management fees received and the more financial resources the manager has at its disposal to deploy in search of good deals, good investment research, good talent, etc. These acquired resources can translate into an edge for the manager compared to other managers who are less successful in their fundraising efforts. In analyzing the archival data, I will therefore control for fundraising success that will be operationalized using the following scoring method.

The fundraising success score is calculated for each fund using a simple formula that compares the *target size* and the *actual size* of the fund. The rationale here is that when general partners (GP) launch their funds, they do so with a stated initial target that is disclosed in the fund's literature. I am therefore measuring their fundraising success as the extent to which they were able to meet their initial target at the closing of the fund. In other words, this measure is not that of the absolute amount raised, but a measure of missing, meeting or exceeding the target. It is expected that managers will generally set the highest targets that they feel or hope they can achieve in line with their proposed strategy.

$$Fund\ FR\ Score = \frac{Final\ Close\ Value}{Initial\ Target\ Value}$$

The overall fundraising success score of the manager (general partner) will be the arithmetic average of the fundraising scores of its various funds that are included in my funds' sample.

$$General\ Partner's\ FR\ Score = \frac{\sum FR\ Scores\ of\ GP\ Funds\ in\ the\ Sample}{Number\ of\ GP\ Funds\ in\ the\ Sample}$$

Please see footnote below for additional clarification[12]

2- The experience of the manager: It is reasonable to expect that a manager's level of experience should have a certain impact on its success in sourcing deals and on its investment performance, and the extant literature supports this expectation (Nowak et al., 2004). The most common way to gauge the level of experience is the length of time that the manager has been in business. In this research I am therefore using the age of the firm as a proxy for the manager's experience.

3- The region of focus: It could logically be argued that the level of economic and technological development of a nation will have a certain impact on the level of colonial mentality among its people. The underlying assumption here is that the historical development of colonial mentality can be partially attributed to the awe of the colonized people in the face of the extraordinary level of development

[12] I understand the language in this formula might be a bit confusing. Here is a bit of clarification. The starting point is the Funds' Sample. It is the sample of all the funds that were closed (completed the cycle of investing, managing and exiting). Once I have all these funds, I will list them under their managers and so in the sample I might end up with 4 funds that were managed by Ethos, 3 funds that were managed by Helios, 1 fund that was managed by Actis, etc. So, in the example of Helios here, if they have 4 funds in the Sample, their Fund Raising score is the arithmetic mean of the FR scores of their 4 funds.

and wealth of the colonizer compared theirs. As the ex-Western colonies develop, the level of confidence in their own indigenous capabilities increases, their awe with Western advancement becomes less impressive, their colonial mentality decreases, and to use the old Ghanaian saying mentioned in chapter I, they start realizing that they can be as next to God as the Whiteman.

Based on this developmental rationale, it is reasonable to expect that colonial mentality levels will vary from one region to another (for example, it should be higher in Africa than in Asia). This, in turn, will impact the extent to which westernness can be seen as an advantage, and can therefore impact the theoretical model presented in this research. I will therefore control for it in my data analysis, and will use Asia as the reference region.

4- The fourth and final control variable is the Number of Funds of Same Manager in Sample. The age of the firm addressed above and controlled for does indeed proxy the experience of the firm in general, but not necessarily in the target markets I am studying. For example, a private equity manager might have been in business in the United States or Europe for decades before branching out to new markets. Its experience in the US and Europe is not necessarily fully transferable to these markets. And, since I am studying only the ex-Western colonies, the number of funds a certain manager has in my sample is quite telling about their specific experience and success there. It is reasonable to expect that the more funds the manager has, the more experience and knowledge it has acquired in these markets. This can impact the manager's deal sourcing success as well as its investment performance and therefore impact the theoretical model that I am proposing. This, in my view, justifies controlling for it.

CHAPTER IV

FINDINGS

4.1. PILOT SURVEY

The demographic information of the respondents to the exploratory survey conducted among private equity professionals throughout the world is summarized in table 1 in the appendix. As discussed in chapter III, the survey explores the impact of westernness and colonial mentality on the essential activities of private equity professionals such as fundraising, deal sourcing, and investment performance. It also explicitly asks the participants whether, based on their experience and/or opinion, they believe colonial mentality exists in the ex-Western colonies where they have worked.

ON DEAL SOURCING:

The survey includes 5 questions to collect the experiences and opinions of the respondents about deal sourcing (see table 2 in appendix). The responses indicate that 68.89% of respondents worked in private equity teams that originated deals internally, while 31.11% worked for teams that used both in-house and intermediaries to source deals (as detailed by respondents under "other"). In the survey, 51.11% of respondents indicated that the indigenous members of their teams contributed to the deal sourcing efforts more than the Western members, while 26.67% reported that the Western members of the team contributed more than the indigenous members, and 22.22% of respondents stated that indigenous and Western members of the team contributed equally to the deal sourcing efforts of the firm.

To the question about the impact of being an indigenous private equity professional on deal sourcing success, 66.67% of respondents stated that being indigenous helps, 20% said it hinders, and 13.33% said it has no effect. To the same question regarding Westerners in the ex-Western colonies, 55.56% reported that being a Westerner helps when sourcing deals in the ex-Western colonies, 35.56% believe it hinders and 8.89% stated that it has no effect.

Finally, 55.56% of respondents to the survey reported that indigenous entrepreneurs and managers preferred making deals with Western private equity managers than with indigenous ones. 11.11% of respondents said that indigenous entrepreneurs and managers preferred indigenous private equity managers and 33.33% reported that there was no preference between indigenous and Western managers.

ON FUNDRAISING

Eight questions in the survey dealt with the assessment by the respondents of the impact of westernness on private equity fundraising. The responses to these questions are summarized in table 3 in the appendix. The results indicate that 64.44% of respondents believe that Western members of their private equity teams contribute to fundraising efforts more than their indigenous team members while 11.11% believe that it is the indigenous members of the team who contribute more, and 20% think that Western and indigenous members of the team contribute equally to fundraising, and 4.44% worked in ethnically homogenous teams where the question of who contributes more was not applicable.

Regarding the origin of the funds raised, 73.33% said that most of the funds raised by the private equity teams they worked with came from Western investors while 26.67% answered that the majority of the assets under management of their teams came from indigenous investors. The origin of the assets under management of private equity teams becomes more telling when one realizes that 91.11% of respondents believe that being a Westerner helps a private equity professional raise capital from Western investors while only 8.89% of respondents think it has not effect. Similarly, 20% of respondents believe that being indigenous helps a private equity professional raise capital from Western investors while 64.44% believe it hinders, and 15.56% believe it has no effect.

On raising funds from indigenous investors in the ex-Western colonies, 60% of respondents believe that being indigenous is helpful, while 28.89% believe it hinders, and 11.11% believe it has no effect. When it comes to Western private equity professionals, 68.89% of respondents believe that being a Westerner helps when raising capital from indigenous investors, and 11.11% believe it has no effects.

Finally, 77.33% of respondents reported that the private equity managers they worked with had a dedicated person (group) handling fundraising, and 77.14% reported that the groups dedicated to fundraising were mixed (Western and indigenous) while 8.57% stated that the dedicated person (group) was indigenous and 11.43% reported that it was Western.

ON COLONIAL MENTALITY

As most of the questions of the survey implicitly addressed the potential impact of westernness and colonial mentality through the main activities of private equity professionals, the last three questions were purposefully explicit about the existence of colonial mentality and whether or not the respondents believed that it gave Western private equity professionals an advantage within the ex-Western colonies where they have worked. The results are summarized in table 4 in the appendix.

To the explicit question about colonial mentality, 18.89% of respondents reported that colonial mentality was very prevalent in the ex-Western colonies where they worked, and 48.89% said that it was somewhat prevalent. 15.56% responded that colonial mentality was rare, and 2.22% very rare and 4.44% reported it as non-existent.

To the specific question of whether colonial mentality gives a competitive advantage to Western private equity managers, 17.78% responded that it always does, 35.56% said it often does, 31.11% reported that it sometimes does, 11.11% that it rarely does, and 4.44% stated that it never does.

The same question was reformulated to check for the consistency of replies. To the reformulated question of whether being a Westerner gives a competitive advantage to private equity professionals operating in the ex-Western colonies, 15.56% responded that it always does, 33.33% that it often does, 37.78% that it sometimes does, 8.89% that it rarely does, and 4.44 that it never does.

The results of the exploratory pilot survey suggest that colonial mentality is indeed quite prevalent and has a significant impact on both private equity deal sourcing and fundraising in the ex-Western colonies. These results call for a more extensive and systematic future examination of these effects. The results of the survey seem to indicate that the hypotheses that were theoretically developed in this research are justified, but what does the archival data say?

4.2. ARCHIVAL DATA

Means, Standard Deviations and Correlations												
		Mean	SD	1	2	3	4	5	6	7	8	9
1. LOG (Manager's Investment Performance (IP) Score)	Corr.	1.68	.23	1								
	Sig.											
2. Manager's Westernness Score	Corr.	.49	.35	-.19*	1							
	Sig.			.08								
3. Manager's Deal Sourcing (DS) Score	Corr.	1.39	1.99	.21**	-.05	1						
	Sig.			.05	.65							
4. Manager's Fundraising (FR) Score	Corr.	.95	.30	.15	.09	-.04	1					
	Sig.			.17	.43	.68						
5. Age of the Firm	Corr.	20.03	8.62	.02	.26**	-.05	.04	1				
	Sig.			.88	.02	.63	.70					
6. Number of Funds of Same Manager in Sample	Corr.	1.49	.99	-.04	-.09	-.02	.02	.02	1			
	Sig.			.74	.39	.85	.84	.87				
7. Africa	Corr.	.17	.38	-.14	.15	-.05	-.12	-.21**	.14	1		
	Sig.			.19	.16	.66	.27	.05	.19			
8. Asia	Corr.	.67	.47	.05	-.30***	-.17	.27***	.11	-.02	-.65***	1	
	Sig.			.65	.01	.13	.01	.31	.88	.000		
9. MiddleEastMultiRegion	Corr.	.16	.37	.09	.23**	.26**	-.22**	.07	-.13	-.20*	-.62***	1
	Sig.			.44	.04	.02	.04	.51	.25	.06	.00	

***. Correlation is significant at the 0.01 level (2-tailed). N=87

**. Correlation is significant at the 0.05 level (2-tailed).

* Correlation is significant at the 0.1 level (2-tailed)

As stated above in Chapter III, my final data set consists of 87 private equity managers. This is a sizable sample considering the overall size of the population of private equity managers (i.e. private equity firms) operating in the ex-Western colonies. The managers in my sample were all completely (all their funds) or partially (some of their funds) targeted to a region or a country that was an ex-Western colony. In other words, only funds targeting the ex-Western colonies were considered.

However, the size of the sample as a percentage of the population is not always indicative of statistical power especially in cases where the size of the population studied is relatively small. When dealing with large populations, the common procedure used to determine the sample size is to use the normal approximation to the binomial distribution. According to this method, the sample size of this research is largely enough to achieve a good level of accuracy. But some researchers argue that this method is not appropriate for sampling smaller populations. Instead they recommend the use of normal approximation to the hypergeometric distribution (Morris, 1986). According to this method, the sample of this study comes short of the recommended size. The inadequacy of the size of the sample was confirmed through a power analysis conducted using the software G-Power. The recommended power level in the extant literature has generally been 80% (Cohen, 1988) while this study achieved only 75%.

To analyze the archival data, I first ran a linear regression analysis using IBM SPSS Statistics. The dependent variable (manager's investment performance (IP) score) showed skewness and kurtosis, and to address these issues, it was log-transformed. Apart from this, the dataset did not have any missing data points and no other manipulation or cleaning of the data were necessary. The variables correlation matrix is shown in table 4 below.

An examination of the correlations between the three main variables reveals that the only significant correlation at the 0.05 level is that between manager's investment performance (IP) score and manager's deal sourcing (DS) score at (0.21). If we consider all the variables, there is a significant correlation between manager's westernness score and manager's experience (proxied by the age of the firm) of (0.26), and a significant negative correlation between region of focus Africa and the age of the firm (-0.21). This makes sense since Africa is the most recent market to attract the attention of private equity firms. There is also a negative correlation of (-0.30) between region of focus Asia and the manager's Western score, a positive one between Asia and manager's fundraising score of (0.27). Again, this is to be expected as the number of indigenous managers in Asia is on the rise and it is attracting much more capital than Africa for example. At the same time, there is a positive correlation between region of focus Middle East Multi Region and manager's westernness score (0.23), and manager's deal sourcing success score (0.26), and a negative one with manager's fundraising score (-0.22). Again, this confirms the available data showing that most of the private equity activity in the Middle East is taking place in the gulf region where there is a much higher reliance of foreign talent in general and Western in particular.

To test the first three hypotheses in the model, I used hierarchical multiple regressions. This method of statistical analysis allows for the testing of the primary relationships while including control variables in the model (Syed, 2016). In the testing of these three hypotheses, only the control variables were added in step 1 while the independent variable was added in step 2.

To test hypothesis 4 (the mediation hypothesis), I used conditional process analysis. This is a statistical procedure to estimate the direct and indirect effects in mediated and moderated models (Pollack, Vanepps, & Hayes, 2012; Hayes, 2013). One of the ways conditional process analysis achieves this is by making the analysis more robust through the method of bootstrapping (Preacher, Rucker, & Hayes, 2007). The specific macro that I used is PROCESS 2.16.1 macro for SPSS which was specifically written to handle mediation (Hayes, 2013).

Examining the results for H1 (table 5) where I hypothesized a positive association between manager's westernness level and its investment performance, one can see that the control variables (step 1) explain none of the variation of the manager's investment performance (IP) score (adjusted R-square = - 0.01) and they are not significant (p= 0.55). Adding manager's westernness score to the model improves it (adjusted R-square = 0.03). This means that manager's westernness score explains about 3% of the variation in manager's investment performance (IP) score, but the model is not significant (p = 0. 20). Therefore, the quantitative data does not support H1.

Table 5

	Manager's Investment Performance (IP) Score	
Variables	Step 1	Step 2
Control variables		
Manager's Fundraising (FR) Score	.12 (.09)**	.16 (.09)**
Age of the Firm	-.00 (0.00)	.002 (.00)
Number of Funds of Same Manager in Sample	-.00 (.026)	-.009 (.03)
Africa	-.07 (.071)	-.02 (.07)
MiddleEastMultiRegion	.06 (.072)	.109 (.07)
Independent variables		
Manager's Westernness Score		-.17 (.08)*
F	.81	1.48
R^2	.05	.10
Adjusted R^2	-.01	.03

n = 87.
* p < 0.05.
** p < 0.1
Standard Errors are between parentheses

The results of the hierarchical regression analysis for H2 where I hypothesized a positive association between a manager's westernness level and its deal sourcing success are summarized in table 6. The variation in manager's deal sourcing (DS) score that is explained by the control variables (step 1) is relatively small (adjusted R-square = 0.07). The addition of manager's westernness score barely changes the percentage of variation explained by the model (adjusted R-square = 0.08). Additionally, there is a non-significant negative correlation between the two variables. It is therefore clear that the archival data does not support hypothesis 2.

Table 6

	Manager's Deal Sourcing (DS) Score	
Variables	Step 1	Step 2
Control variables		
Manager's Fundraising (FR) Score	.12 (.74)	.25 (.76)
Age of the Firm	-.02 (.03)	-.01 (.03)
Number of Funds of Same Manager in Sample	.03 (.22)	.01 (.22)
Africa	-.05 (.60)	.13 (.63)
MiddleEastMultiRegion	1.45 (.61)*	1.63 (.64)*
Independent variables		
Manager's Westernness Score		-.65 (.69)
F	1.29	1.22
R^2	0.07	0.08
Adjusted R^2	.016	.015

n = 87.
* p < 0.05.
** p < 0.1
Standard Errors are between parentheses

The archival data does not support my hypothesized positive association between deal sourcing and investment performance in H3 (see table 7). The regression analysis indicated that the control variables by themselves explain very little of the variation in manager's investment performance (IP) score (adjusted R-square = 0.05). When manager's deal sourcing (DS) score is added to the model, its explicative power improves (adjusted R-square = 0.09). Therefore, manager's deal sourcing (DS) score does explain about 4 % of the variation in manager's investment performance (IP) score beyond what is explained by the control variables. In addition, there is a positive correlation between the two variables and it is significant (p = 0.47). However, with the control variables in the model, this correlation becomes non-significant (p = 0.083). Hypothesis 3 is therefore not supported by the archival data

Table 7

	Manager's Investment Performance (IP) Score	
Variables	Step 1	Step 2
Control variables		
Manager's Fundraising (FR) Score	.12(.09)	.12(.09)
Age of the Firm	-.00(.00)	-.00(.00)
Number of Funds of Same Manager in Sample	-.00(.03)	-.00(.03)
Africa	-.07 (.07)	-.06 (.07)
MiddleEastMultiRegion	.06 (.07)	.03 (.07)
Independent variables		
Manager's Deal Sourcing (DS) Score		.02(.01)**
F	.81	1.25
R^2	.05	.09
Adjusted R^2	-.01	.02

n = 87.
* p < 0.05.
** p < 0.1
Standard Errors are between parentheses

To test H4 where I hypothesized that deal sourcing mediates the relation between westernness and investment performance, I conducted a multiple regression analysis using the conditional process analysis explained above at the start of this chapter. This process assesses each component of the proposed mediation model. First, it was found that manager's westernness score was not positively associated with manager's investment performance (IP) score (β = - 0.12, t (84) = -1.69, p = 0.09). It was also found that manager's westernness score was not positively associated with manager's deal sourcing (DS) score (β = - 0.28, t (85) = -0.45, p = 0.65). Results indicated that the hypothesized mediator, manager's deal sourcing (DS) score, was positively associated with manager's investment performance (IP) score (β = 0.02, t (84) = 1.96, p = 0.05). (See table 8).

It can therefore be seen that the A-path (between westernness and deal sourcing) is not significant, while the B-path (between deal sourcing and investment performance) is. However, a model including both manager's westernness score and manager's deal sourcing (DS) score together is significant in explaining 8% of the variation in manager's investment performance (IP) score (p = 0.03).

Mediation effects were tested using the bootstrapping method with bias-corrected confidence estimates (MacKinnon, Lockwood, & Williams, 2004; Preacher & Hayes, 2004). In this research, the 95% confidence interval of the indirect effects was obtained with 5000 bootstrap resamples (Preachers & Hayes, 2008). Results of the mediation analysis indicated that both the direct effect (β = - 0.12, CI = -0.26 to 0.02) and the indirect effect (β = -0.01, CI = -0.06 to 0.07) were non-significant. This means that, based on the archival data that I have, there is no the mediating role of manager's deal sourcing (DS) score between manager's westernness score and manager's investment performance (IP) score. I conclude therefore based on the above that H4 was not supported.

Table 8

Path A (mWs on mDSs)						
	Coefficient	SE	t	p	LLCI	ULCI
mWs	-0.28	0.62	-0.45	0.65	-1.52	0.96
Path B (mDSs on LOG (IP)						
	Coefficient	SE	t	p	LLCI	ULCI
mDSs	0.02	0.01	1.96	0.05	-0.00	0.05
Path C (Direct Path mWs on mIPs without mDSs)						
	Effect	SE	t	p	LLCI	ULCI
mWs	-0.12	0.07	-1.69	0.09	-0.26	0.02
Path C' (Indirect Path mWs on mIPs with mDSs)						
	Effect	Boot SE	Boot LLCI	Boot ULCI		
mDSs	-0.01	0.03	-0.05	0.07		

CHAPTER V

DISCUSSION AND CONCLUSION

This research explored the effects of colonial mentality when combined with westernness (a form of foreignness). The general ideas it presents about the potential effects of the combination of these two constructs could be tested in virtually every form of international business where a home and a host country could be identified and where westernness and colonial mentality are present. The research used the private equity industry to explore the subject and test a certain number of theoretically developed hypotheses about private equity mangers' level of westernness, deal sourcing success, and investment performance. Other variables were included for control purposes such as fundraising success, age of the firm, its region of focus, and the number of funds that each manager has in the study's sample. The study used an exploratory survey and a set of archival data to explore the subject and test the hypotheses.

It was theorized that, in the Ex-western colonies, the investment performance of private equity managers is positively associated with the percentage of Westerners in its investment committee/top management team (referred to as the manager's level of westernness). In this research, the analyses of the archival data did not support the theorized link between investment performance and the level of westernness. However, the survey despite its limited depth and its exploratory nature does indicate that a significant number of respondents believe that Western managers operating in the ex-Western colonies do systematically outperform their indigenous counterparts in terms of investments. Without being conclusive (given the nature of the survey), these results do indicate the potential for a link between the investment performance and the level of westernness theorized in this research.

It was also theorized that, in the ex-Western colonies, there is a positive association between a private equity manager's level of westernness and its success in sourcing deals. The theorized mechanism underlying this proposition is that the systematic preference for everything Western that characterizes those exhibiting colonial mentality will translate into a systematic preference on the part of indigenous entrepreneurs for Western private equity managers as deal partners, thus giving them a competitive edge. The analysis of the archival data did not provide support for this hypothesized association. But again, the exploratory survey provided enough grounds to suspect that such association between these two variables might indeed exist.

This research also hypothesized that in the ex-Western colonies, private equity managers' investment performance is positively associated with its level of deal sourcing success. The rationale underlying this argument is that the ability to successfully originate and source deals will have an impact on the price of acquisition of and exit from the investments, and on the quality of the assets acquired, and by direct extension, on the investment performance. The archival data show that this hypothesized association does exist between these two variables and is significant ($p = 0.05$). However, when the model considers the control variables, this relation becomes non-significant. This hypothesis therefore was not supported.

Based on the hypothesized association between managers' level of westernness and deal sourcing success, between deal sourcing success and investment performance, between managers' level of westernness and managers' investment performance, the study hypothesized that deal sourcing played a mediating role between the level of westernness and investment performance. However, both the direct and indirect effects were non-significant and this mediation hypothesis was not supported.

CONTRIBUTIONS

Colonial mentality, as a psychological phenomenon, should have business implications for those operating in an environment where it is expected to exist, and this means most of the world in terms of population and geography. As mentioned at the start of this dissertation, the present study, to the extent of my knowledge, is the first look at colonial mentality from a business research perspective and its effect when combined with westernness. It could therefore be argued that the biggest contribution of this research lies in starting an academic conversation on the role of colonial mentality in business, and what it means for the various actors impacted positively or negatively by it (e.g. international businesses operating in the ex-Western colonies, indigenous entrepreneurs and businesses, governmental and non-governmental decision makers in the ex-western colonies, etc.).

This study also contributes to the existing literature on foreignness. The extant literature has treated foreignness as a homogenous phenomenon that is the same everywhere where it exists. By proposing westernness as a special form of foreignness in the ex-Western colonies where it could be an asset while being a liability everywhere else, this study proposed and theoretically showed that foreignness is heterogeneous and its study should be more nuanced and more specific. If westernness can thus be considered a special form of foreignness with its own characteristics in certain specific markets, it is reasonable to expect other forms of foreignness to exist.

This contribution goes beyond what the extant literature says about the significance of cultural distance in determining the international expansion of business, and how businesses are better served by starting their expansion with the markets that are culturally close before moving to the more distant ones (see the Uppsala model). The cultural distance between the Western countries and most of their ex-colonies is very large (e.g. the West and the Arab World, the West and China, etc.), and yet this study proposes that it is in these very culturally distant countries that westernness can be an asset.

PRACTICE IMPLICATIONS

This research can have a certain number of practical implications for industry. It could help Western business people understand and capitalize on the potential advantages that their westernness might bring when operating in the Ex-western colonies. While most of the extent literature on the subject of foreignness would recommend to companies entering foreign host markets to hire indigenous managers to combat the potential liabilities (homogenous view of foreignness), and while most of these companies do (reference), this research recommends that Western companies entering host markets characterized by colonial mentality proceed differently (nuanced view of foreignness).

This is not say that they should not hire local talent. Like any other foreign company, they should do so as needed, but unlike other foreign companies, the on-the-ground public faces of the company should always be Western. This includes the company's executives dealing with the leaderships of the indigenous stakeholders as it is expected that their westernness would be a source of advantageous treatment that can translate into an advantage for the company.

This research could also help indigenous actors understand colonial mentality and be aware of the potential psychological biases that it can engenders and that can affect their choices and actions. By controlling for such biases of which they might not have been aware, they can improve their decision-making process and make them from a purely business perspective.

The extant literature indicates that "the decision-making process is heavily influenced by the assumptions and biases of the decision makers" (Korte, 2003). This research therefore highlights the need on the part of indigenous entrepreneurs and business managers to be aware of the unexamined assumptions or premises that everything Western is always superior or preferable to everything indigenous generally associated with colonial mentality.

Finally, this research could also have practical implications for indigenous governmental decision makers in their efforts to bolster indigenous industries and foster the success and adoption of indigenous products and services. They need to understand that the indigenous industry might not only be competing on the field of quality and pricing, but also on the field of perceptions where their indigenous consumers suffer from ingrained psychological biases against what is indigenous and in favor of what is Western. Understanding this can help these decision makers tailor awareness programs and implement policies that can address these biases, and make their indigenous policies more effective.

The goal here should not be targeted at changing the behavior and attitudes of the indigenous consumers towards the indigenous products and services through prescriptive measures, but rather to just raise the awareness of these consumers that such biases and behaviors do exist and that their decisions might not be the result of a conscious personal choice, but of psychological biases resulting from colonial mentality. Research has shown that one of the most effective ways of addressing implicit biases is not through prescriptive measures, but simply through raising awareness of them (Payne, 2005; Stewart & Payne, 2008).

OPPORTUNITIES FOR FUTURE RESEARCH

As this is a first attempt, to my knowledge, to explore the business implications of colonial mentality, there are significant research opportunities in replicating it in areas of business other than the private equity industry. The field of entrepreneurship in the ex-Western colonies, for example, is a good candidate to explore the effects and implications of colonial mentality.

This study uses institutional theory as a framework to explore the combination of colonial mentality and westernness. There are research opportunities in using different theoretical lenses to conduct further exploration. For example, it could be argued that in the ex-Western colonies where colonial mentality exists, westernness can become a resource that creates a sustainable competitive advantage for the firm. This assumption can be further explored in future research.

Researchers can also build on this study to further explore the nature of foreignness and how best to study it. As explained earlier, this research proposes that there is not one single foreignness, but rather many potential forms of it. The characteristics of these special forms of foreignness are based on the nature and characteristics of both the home and the host markets under study. The case in question in this research is that of westernness. In markets characterized by the presence of colonial mentality, westernness becomes a special case of foreignness and is an asset while in markets where there is no colonial mentality, there will be, in theory, nothing special about it, and no reason to distinguish it from the larger foreignness phenomenon. Future research can therefore can explore this line of reasoning further, and potentially identify other special variation and nuances of foreignness.

LIMITATIONS

With hindsight, one of the major limitations of this study can be found in the choice of the studied industry. Private equity is one of the opaquest industries and is characterized by a documented difficulty in obtaining data, especially on investment performance. And, when obtained, its reliability can sometimes be subject to doubt.

As explained in chapter III, I obtained my investment performance data from Private Equity Intelligence (Preqin), one of the three leading providers of such data (the other two being Cambridge Associates, and Thompson Reuters). However, in 2010, three researchers, one from the university of Virginia and two from the university of Oxford examined the data available from these three providers (as the best sources available) and found significant differences in the reported data for a certain number of benchmarks.

As these researchers put it, “a familiar theme in the private equity world is the lack of good data for understanding the asset class” (Harris et al., 2010). Therefore, the possibility exists that the findings might have been different had I used one of the other data sources. But, at the same time, it should also be pointed out that most private equity researchers do not agree with the extent and/or significance of the doubts raised by the authors of this study, which explains why private equity research is still so vibrant and growing (Suman et al., 2011).

It is also worth mentioning here that the difficulty in getting access to private equity data even from the best sources (like Preqin) might have resulted in the present research being somewhat statistically underpowered. An analysis using G-Power yielded a power of 75% while the literature usually tests for a minimum of 80%.

Other limitations of this study are in its use of correlational methodology. This method does not indicate causation and the results can sometimes be confounded by unidentified variables not included in the model but that can still interact with the studied variables or even cause them. In the case of this study, the hypothesized correlations were not supported by the archival data used, but this does not mean that the problem is not present or eliminate the need for future, more experimental studies to prove or disprove causality between the variables of the model.

One can also consider the exploratory nature of the pilot survey and its lack of depth to be a limitation in light of the doubts raised in the extant research about the reliability of investment performance numbers obtained from the main data providers (Harris et al., 2010). In other words, the survey could have been made more extensive and more geared towards the collection of hard data like that of investment performance. This comes with added collection difficulties, but might have improved the quality of the data used in the study.

CONCLUSION

Colonialism is an important part of the history of the colonized and of the colonizer. Colonial mentality, as a result of colonialism, has attracted the attention of psychologists who examined it in a limited number of recent studies that highlighted its psychological impact on those who have it. This research hopes to start a conversation on how the psychological effects of colonial mentality manifest themselves in the business sphere.

Even though there is no extant academic business literature on colonial mentality and its effects, direct and indirect references to it do exist in the mainstream media and in industry publications to a lesser degree. The existence and prevalence of colonial mentality can also be anecdotally observed in the behaviors and attitudes of many formerly colonized people (e.g. the Khawaja complex among Arabs, African inferiority complex towards the French, etc.). This research is therefore a first effort to address the need for an academic examination of colonial mentality in business.

And given the fact that colonial mentality cannot be studied without a form of foreignness as a reference, this study is proposing that in the ex-western colonies, the combination of westernness (a special form of foreignness) and colonial mentality creates potential foreignness' assets.

By proposing westernness as a special form of foreignness, this research also encourages a re-examination of how the construct of foreignness has been treated in the extant literature as a homogenous and even monolithic phenomenon. The argument made here is that foreignness is much more nuanced and heterogeneous and that the determination of whether it is a source of liabilities or assets is not systematic but rather a function of the home and host cultures in question.

Understanding the interactions between colonial mentality and westernness and the mechanisms underlying its effects, understanding the nuances of foreignness and the roles of host and home cultures in determining its nature is potentially helpful to business people and decision and policy makers in both the ex-Western colonies and the ex-Western colonial powers.

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APPENDICES

List of Empirical Studies on the Liabilities of Foreignness

Author(s)	Year	Title	Findings
Hymer	1976	The international operations of national firms	Indigenous firms, compared to international firms that operate at the same location, have better access to relevant market information, are more deeply embedded in the national environment, and do not face any foreign exchange risks
Zaheer	1995	Overcoming the liability of foreignness	Results support the existence of a liability of foreignness and the role of a firm's administrative heritage in providing competitive advantage to its multinational subunits. They also highlight the difficulty firms face in copying organizational practices from other firms.
Kostova & Zaheer	1999	Organizational legitimacy under conditions of complexity: the case of the multinational enterprise.	Legitimacy of the MNE as a whole and that of its parts are distinguished, and propositions that include issues of internal versus external legitimacy and positive and negative legitimacy spillovers are developed.
Matsuo	2000	Liability of foreignness and the uses of expatriates in Japanese multinational corporations in the United States.	The determinants of the number of Japanese expatriates working in the US subsidiary depends on whether the CEO is a Japanese and whether the parent company is directly invested in the subsidiary
Sunkyu, Gentry, & Hun	2001	Cultural adaptation of business expatriates in the host marketplace.	Satisfaction with the host culture has been found to influence the expatriate's commitment to the local operation and to the parent company. Cultural knowledge was not found to be directly related to satisfaction with the host culture, but rather was related indirectly through its association with participation in the host marketplace.
Hennart, Roehl, & Zeng	2002	Do exits proxy a liability of foreignness? The case of the Japanese exits from the US.	It was found that less than half of our exits are attributable to a liability of foreignness. It was concluded that while the data confirm a liability of foreignness for Japanese early entrants into the US, the presence of many other motives for

			exit suggests caution when inferring such a liability from exits, especially when exit costs are low.
Mata & Portugal	2002	The survival of new domestic and foreign-owned firms.	Survival was found to be determined by ownership advantages, size and growth strategies, the internal organization of firms, and by industry characteristics such as economies of scale, and industry entry and growth. After controlling for these characteristics, we find that domestic and foreign firms do not exhibit different chances of survival, that they respond in similar fashions to the determinants of survival and display identical time patterns of exit.
Mezias	2002	Identifying liabilities of foreignness and strategies to minimize their effects: The case of labor lawsuit judgement in the United States	Results indicate that foreign subsidiaries faced significantly more labor lawsuit judgments in both federal and state jurisdictions. Foreign subsidiaries who used American top officers or whose parent firms had more U.S. operations faced fewer lawsuits, while foreign subsidiaries using human resource professionals actually faced more labor lawsuit judgments.
Miller & Richards	2002	Liability of foreignness and membership in a regional economic group: Analysis of the European Union.	Results provide evidence of a liability of foreignness—foreign-owned firms underperform host country firms. However, there is also evidence that liability of foreignness can vary across countries, and that foreign firms can overcome the liability of foreignness in some host countries, even industrialized ones. The results show the moderating effects of the host country and home country environments on the relative performance of foreign firms. Lastly, the results reveal that foreign-owned banks from highly competitive home countries underperform foreign firms from less competitive home countries.
Sethi & Guisinger	2002	Liability of foreignness to competitive advantage: How multinational enterprises cope with the international business environment	This study more precisely delineates the liabilities of foreignness component of costs of doing business abroad from other costs/liabilities that arise from the increasing complexity of global business. It synthesizes both the costs and benefits of cross-border operations. It illustrates these notions through a longitudinal case study on the operations of Ford Motor Company in India over the past 80 years.
Goodall & Roberts	2003	Only connect: teamwork in the multinational	The two case studies of multinational teams in Beijing and Bogota to analyze the realities of using locally-hired staff to help mitigate some of the liabilities of foreignness showed a lack of a clear and workable LOF-reducing measures.
Nachum	2003	Liability of foreignness in global competition? Financial service affiliates in the City of London.	The study shows that major sources of competitive performance are the firm-specific advantages and the advantages of multi-nationality, where British firms may not necessarily possess an advantage over foreign firms.
Brannen	2004	When Mickey loses face: Re-contextualization, semantic fit, and the semiotics of foreignness.	The study develops the notion of semantic fit as a necessary complement to strategic fit and formalize a conceptual model of re-contextualization - the process by which firm assets take on new meanings in distinct cultural environments.

Elango & Sambharya	2004	The influence of industry structure on the entry mode choice of overseas entrants in manufacturing industries.	In concentrated and high-growth industries, foreign firms prefer entry by setting up greenfield operations rather than pursuing acquisitions or joint ventures. However, in industries characterized by high gross profits or higher plant scale, the preference is for joint ventures or acquisitions as an entry mode over greenfield operations.
Rangan & Drummond	2004	Explaining outcomes in competition among foreign multinationals in a focal host market.	This study contends that (i) the MNE whose home nation has greater ties to the focal host nation (along geographic, colonial, immigration, linguistic, and institutional dimensions) will lead in that host nation; and (ii) ties notwithstanding, if an MNE's firm-specific advantages are so superior that it outsells a rival MNE in that rival's home market, then it will outsell that rival as well in the focal host market.
Standifird & Globerman	2005	Identifying liability of foreignness using Ebay auction results	The study finds that residents of Canada place a significantly greater premium on the services of the Canadian rating agency relative to U.S. rating agencies. However, U.S. residents also favor the Canadian rating agency. Hence, we find no specific evidence of a home country purchasing bias when purchasing Canadian silver dollars on eBay.
Insch & Miller	2005	Perception of Foreignness: Benefit or Liability?	The study provided empirical evidence that US and Mexican industrial buyers have different perceptions of foreignness. The relationship between national technology and country image with respect to their evaluations of manufacturing and design quality of various source countries was comparable for both US and Mexican purchasing professionals. However, the effect of national dissimilarity as measured by culture distance varied across countries.
Chen, Griffith, & Hu	2006	The influence of liability of foreignness on market entry strategies; An illustration of market entry in China.	The findings indicate that LOF influences market entry strategies selected by MNEs. Specifically, MNEs from low LOF countries adopt resource-seeking strategies and strategies to utilize their competitive advantages in labor-intensive industries more than MNEs from high LOF countries, while investors from high LOF countries adopt market-seeking and control-oriented strategies to a greater degree than MNEs from low LOF countries.
Miller & Eden	2006	Local density and foreign subsidiary performance.	The study found that local density was negatively related to foreign subsidiary performance and that market experience was less beneficial in high-density environments. Strategic conformity enhanced performance in low-density environments but adversely affected performance in high-density environments.
Newburry, Gardberg, & Belkin	2006	Organizational attractiveness in the eye of the beholder: the interaction of demographic characteristics with foreignness.	The analysis of 4605 individual evaluations of the 60 companies in the Reputation Quotient Annual 2000 study suggests that foreign-headquartered companies are less attractive employers, whereas more international companies are more attractive. Moreover, it is found that gender, race, respondent age and educational

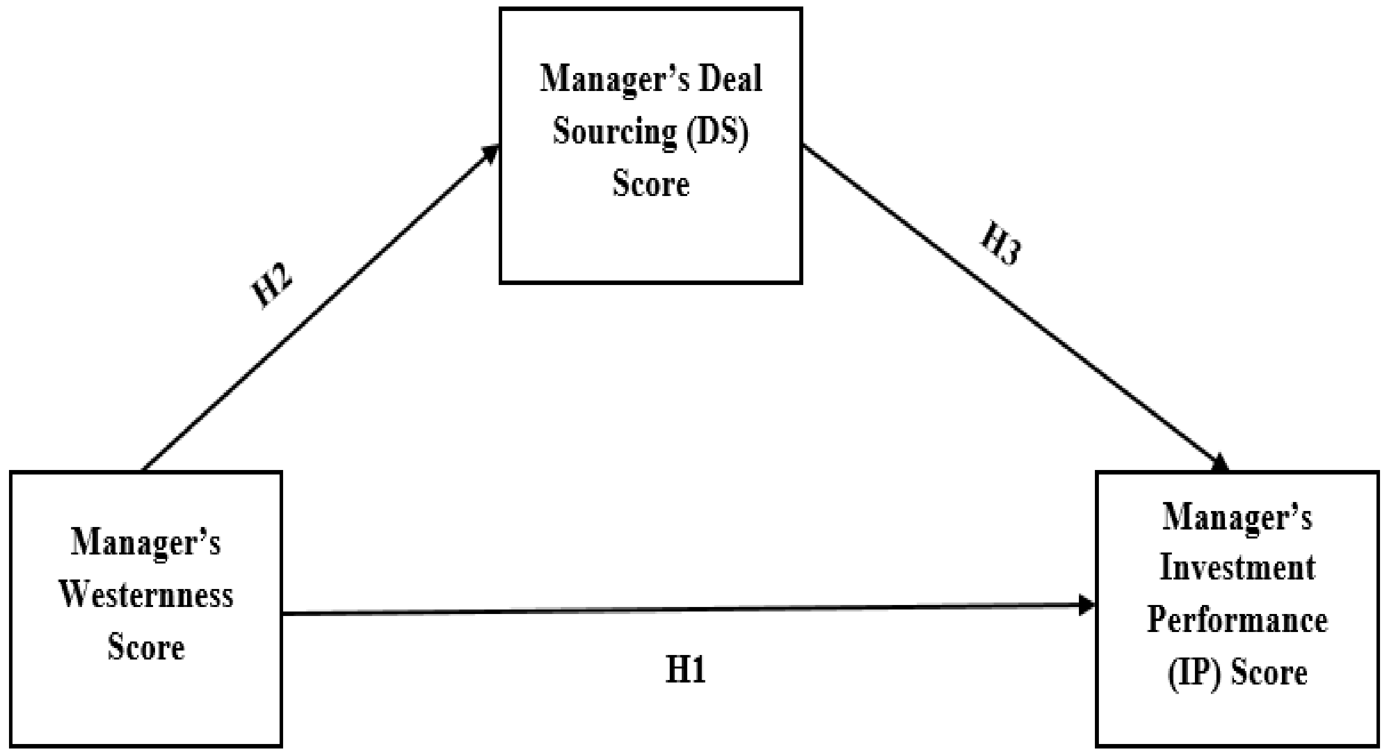
			level significantly interact with the foreignness variables in predicting company attractiveness.
Bunyaratavej, Hahn, & Doh	2007	International offshoring of services: a parity study.	The study found that consistent with a parity perspective but contrary to conventional expectations, a country is more likely to be a destination of services offshoring as the average wage of a country increases. We also find that education level and cultural similarity are significant drivers of offshoring location choices, again consistent with a parity perspective.
Contractor, Kumar, & Kundu	2007	Nature of the relationship between international expansion and performance: The case of emerging market firms.	The study found a U-shaped curve depicting the internationalization–performance relationship of Indian firms. Service sector firms tend to gain the positive benefits of internationalization sooner than manufacturing companies.
Garg & Delios	2007	Survival of the foreign subsidiaries of TMNCs: the influence of business group affiliation.	The results show that business group affiliation does not have an independent influence on a subsidiary's survival rates, but it does have a contingent effect, where the contingency emerges from the development stage of the host country.
Li	2008	Asymmetric interactions between foreign and domestic banks: effects on market entry.	The study found that foreign investment can encourage the expansion of domestic banks. Although foreign banks were not an obstacle to domestic bank entries, the presence of domestic banks deterred the entry of foreign banks.
Li, Poppo, & Zhou	2008	Do managerial ties in China always produce value? Composition, uncertainty, and domestic vs. foreign firms.	Managerial ties have a monotonic, positive effect on performance for domestic firms, whereas the effect is curvilinear (i.e., inverted U-shaped) for foreign firms. Therefore, compared with domestic firms, foreign firms have a competitive disadvantage from tie utilization. Furthermore, managerial ties are less effective for fostering performance when competition becomes more intense. However, ties lead to higher levels of firm performance when structural uncertainty increases.
Miller, Thomas, Eden, & Hitt	2008	Knee deep in the big muddy: the survival of emerging market firms in developed markets.	Results show that ethnic resources can be generated not only from ethnically similar customers but also from ethnically similar competitors in the local market. In addition, the parent firm’s level of local and non-local resources can help to achieve competitive parity for the EMF subunits in that country, which in turn positively influences survival. However, over expansion can lead to spreading local and non-local resources too thin, thus adversely affecting survival.
Perez-Batres & Eden	2008	Is there a liability of localness? How emerging market firms respond to regulatory punctuations.	The study argues that, for EMFs, regulatory punctuations created a liability of localness, parallel to the liability of foreignness that firms face when they go abroad. Whereas liability of foreignness comes from the differences caused by changing one's geographic place from ‘here’ to ‘there’; liability of localness comes from changing one's point in time from ‘then’ (pre-exogenous regulatory shock) to ‘now’ (post-exogenous regulatory shock). In both cases, firms incur additional

Asmussen	2009	Local, regional, or global? Qualifying MNE geographic scope.	costs, and the ones that survive are ones that best develop strategies for coping with "being in a strange land". Preliminary results show that large multinationals follow home region oriented internationalization paths, although much of the regional effect reported by previous studies in fact reflects strong home country biases.
Elango	2009	Minimizing effects of "liability of foreignness" response strategies of foreign firms in the United States.	The study finds that foreign firms on the average underperform compared to domestic firms. We also find these firms take a differing strategic posture to cope with the disadvantages of being a foreign firm compared to domestic rivals. Multiple mediation models indicate that once this strategic posture of foreign firms is controlled for, performance differentials do not exist between foreign and domestic firms.
Kronborg & Thomsen	2009	Foreign ownership and long-term survival.	The study finds that foreign-owned companies have higher survival probability. On average exit risk for domestic companies is 2.3 times higher than for foreign companies. First movers like Siemens, Philips, Kodak, Ford, GM or Goodyear have been active in the country for almost a century. Relative foreign survival increases with company age. However, the foreign survival advantage appears to be eroded by globalization, it decreases over time and disappears at the end of the century.
Schmidt & Sofka	2009	Liability of foreignness as a barrier to knowledge spillovers: lost in translation?	The study finds that MNCs can compete on an equal footing with host country competitors when it comes to generating impulses for innovations from universities. They are significantly challenged by liabilities of foreignness, though, when host country customers are involved.
Barnard	2010	Overcoming the liability of foreignness without strong firm capabilities – the value of market-based resources.	This paper presents evidence that purchasing knowledge provides an accessible strategy for overcoming some liabilities of foreignness.
Nachum	2010	Foreignness, multi-nationality and inter-organizational relationships	Foreignness negatively affects the propensity to form inter-organizational relationships, and the impact of being part of a multinational organization is mixed, revealing complex relationships between inter- and intra-organizational interactions. The findings show the merit of the distinction between foreignness and multi-nationality, as two defining attributes of MNEs that differently shape their inter-organizational relationships. They suggest that the propensity of MNEs to form inter-organizational relationships differs from that of non-MNEs and requires its own theorizing.
Nachum	2010	When is foreignness an asset or a liability? explaining the	The study shows that affiliates experience the costs and advantages differentially in relation to local firms with varying characteristics. Affiliates enjoy superior

		performance differential between foreign and local firms	advantages when compared with purely domestic local firms, but these differences disappear when affiliates are compared with local multinational enterprises (MNEs). Ownership levels significantly influence the strength of the costs and advantages, but different entry modes undertaken by MNEs have no discernible effect.
Chen, Contreras, & Cuervo-Cazzura	2010	What can crises tell us about advantages and disadvantages of foreignness?	This study finds that during crisis years, target firms purchased by foreign acquirers have better pre-acquisition performance but lower post-acquisition performance compared to target firms purchased by domestic acquirers. Over a period of four years after the acquisition that took place during a crisis year, target firms purchased by foreign acquirers experience a decline of 4.8% in ROA relative to the target firms purchased by domestic acquirers compared to pre-acquisitions levels. It also found that in periods of stability, there are few differences in pre-acquisition performance between target firms acquired by domestic and foreign acquirers, but target firms purchased by foreign acquirers have higher long-term performance than those purchased by domestic acquirers.
Joardar & Wu	2011	Examining the dual forces of individual entrepreneurial orientation and liability of foreignness on international entrepreneurs	This paper integrates two streams of literature—entrepreneurship orientation (EO) and liability of foreignness (LOF)—to examine the dual effect of EO and foreignness on international entrepreneurs. It develops a 4S framework to characterize entrepreneurs based on their EO and foreignness into four categories—star, survivor, struggler, and slider—and offer predictions on their relative performance.
Yildiz & Fey	2011	The liability-of-foreignness reconsidered: New insights from the alternative research context of transforming economies.	This study argues that idiosyncrasies of transforming economies could engender (1) varying levels of need for gaining legitimacy of local constituents and (2) alternative ways other than local isomorphism for gaining legitimacy from local institutional actors.
Mata & Freitas	2012	Foreignness and exit over the life cycle of firms	The study empirically finds that the difference between exit rates of foreign firms and domestic firms increases with age, as exit of foreign firms increases with age while that of purely domestic firms' decreases. Exit rates of domestic-based multinationals do not change significantly with age; they are between those of foreign and purely domestic firms, but are closer to the latter.
Lamin & Livanis	2013	Agglomeration, catch-up and the liability of foreignness in emerging economies.	The study found that domestic firms exhibit a stronger preference for cities with high agglomeration than foreign firms do. This shows that upgrading motivations dominate location choice during periods of accelerated catch-up in emerging economies.

Mata & Alves	2013	Entrepreneurial firms created abroad: liability of foreignness and survival	Survival of firms created by foreign entrepreneurs is lower than that of comparable domestic ones. Survival of firms created by foreign entrepreneurs is particularly low for entrepreneurs originating from less developed countries and from countries in which institutions are more similar to those in the host country. Previous experience in the host country increases the prospect of survival of firms created by foreigners.
Obadia	2013	Foreignness-induced cognitive disorientation	This study examines the “foreignness-induced cognitive disorientation” (FICD). It develops an instrument to measure FICD. It shows that FICD is negatively associated with the survival of export relationships. It shows how the FICD of one exchange party has an indirect negative influence on its overseas partner’s trust.
Qian, Li, & Rugman	2013	Liability of country foreignness and liability of regional foreignness: their effects on geographic diversification and firm performance	This study finds that LCF (Liability of Country Foreignness) may not necessarily be negatively correlated with intra-regional diversification, but LRF (Liability of Regional Foreignness) is positively correlated with inter-regional diversification. LCF moderates the relationship between LRF and inter-regional diversification, and also mediates the relationship between intra-regional diversification and firm performance. LRF mediates the relationship between inter-regional diversification and firm performance.
Baik, Kang, Kim, & Lee	2013	The liability of foreignness in international equity investments: Evidence from the US stock market	The study finds that foreign institutional investors prefer low information asymmetry stocks more than domestic institutional investors do, and this preference for low information asymmetry stocks is particularly strong among foreign institutional investors from countries with high LOF. It also found that a change in foreign institutional ownership is negatively related to future returns, whereas this relation does not exist for domestic institutional ownership. Overall, the study’s findings suggest that foreign institutional investors face significant LOF costs in the US stock market, resulting in their poor ability to forecast returns.

Proposed theoretical research model



Fund-level data:

Data Item	**Data Item Definition**
Fund Name	This is usually a serial name given by the manager to the fund. Often the name is a combination of the name of name of the manager (ex. Ethos, Helios, etc.), the Geography (Africa, MENA, etc.), the Specialty (Tech, Equity, Infrastructure, etc.), and a serial Roman number indicating how many similar funds the manager has launched before (I, II, III, etc.). (Relevant for data analysis).
GP (Manager)	The General Partner managing the fund for the investors (the Limited Partners). (Relevant for data analysis)
Type of Fund	This is a description of the type of investments the fund does: buyout, venture, growth equity, etc. (relevant for data analysis).
Primary Geography	This is the primary geography where the funds intends to seek opportunities and make investments.(relevant for data analysis).
Target Size	This is the amount of money that the general partner / Manager believes is ideal to implement the strategy of the fund, and that he wants to raise. (relevant for data analysis).
Initial Target Size	The amount of capital that the GP wanted to raise. It is not a hard cap and can change.(Relevant for data analysis).
Final Closing Date	When the GP ends the fundraising and closes the fund.(relevant for data analysis).
Expected Investment Size	The amount that the GP expects to invest in the average deal. Generally, this reported as an average or a range. (relevant for data analysis).
Fund Start Date	The date the fund was launched. (Relevant to data analysis).
Fund End Date	The date the terminated and started returning capital to the limited partners. (Relevant to data analysis)
Fund Number of Deals	The number of deals that were closed by the fund since inception. (Relevant to data analysis).
Fund Performance	The return on the capital raised and deployed. (Relevant for data analysis).

Manager-level data:

Data Item	**Data Item Definition**
Managers Name	It is the General Partner’s name. (relevant for data analysis).
Manager Region Focus	Refers to where is the main region targeted for investments by the manager. (Relevant to data analysis).
Manager Deals	Number of deals done by the manager across all of its funds. (relevant to data analysis).
Manager Foundation Date	(Relevant for data analysis)
Manager Funds	(Relevant for data analysis)
Manager Investment Performance	(Relevant for data analysis)
Manager Investment Committee	(Relevant for data analysis)

TABLE 1: SUMMARY OF THE BIOGRAPHIC DATA OF PARTICIPANTS IN THE EXPLORATORY SURVEY

RESPONDENTS' ETHNICITY

	Number	*Percentage*		*Number*	*Percentage*		*Number*	*Percentage*
African	19	41.30%	Malaysian	1	2.17%	Vietnamese	1	2.17%
Arab	6	13.04%	Indonesian	2	4.34%	Filipino	2	4.34%
Westerner	5	10.87%	Thai	2	4.34%	Bangladeshi	0	0.00%
Indian	2	4.35%	Cambodian	1	2.17%	Pakistani	1	2.17%
Chinese	1	2.17%	Laotian	1	2.17%	Other	2	4.34%

RESPONDENTS' EDUCATION

	High School	*Associates*	*Bachelors*	*Masters*	*Doctorate*	*Other*
Number	0	0	8	35	2	0
Percentage	0.00%	0.00%	17.78%	77.78%	4.44%	0.00%

RESPONDENTS' EXPERIENCE IN YEARS AND NUMBER OF FIRMS WORKED FOR

	1-3 years	*4-6 years*	*7-9 years*	*10+ years*		*1 firm*	*2 firms*	*3+ firms*
Number	18	12	6	9		25	12	9

Percentage	40.00%	26.67%	13.33%	20.00%		54.35%	26.09%	19.57%

RESPONDENTS' PRIVATE EQUITY ROLE

	Analyst	*Associate*	*VP*	*Director/Partner*	*Other*
Number	15	9	12	10	0
Percentage	32.61%	19.57%	26.09%	21.74%	0.00%

RESPONDENTS' PRESENT EMPLOYMENT LOCATION

	Number	Percentage		Number	Percentage		Number	Percentage
SSA	22	47.83%	Pakistan	1	2.17%	Laos	1	2.17%
North Africa	3	6.52%	Bangladesh	0	0.00%	Vietnam	1	2.17%
Middle East	6	13.04%	Malaysia	1	2.17%	Philippines	2	4.35%
India	0	0.00%	Indonesia	2	4.35%	Cambodia	1	2.17%
China	1	2.17%	Thailand	2	4.35%	Others	3	6.52%

TABLE 2: RESPONSES TO DEAL SOURCING QUESTIONS

Q1: IN YOUR EXPERIENCE AND/OR OPINION, HOW DID THE PRIVATE EQUITY TEAMS YOU WORKED WITH APPROACH DEAL SOURCING?

	Number	*Percentage*
In-house dedicated person (group)	31	68.89%
Intermediaries	0	0.00%
Other	14	31.11%

Q2: IN YOUR EXPERIENCE AND/OR OPINION, IN THE PRIVATE EQUITY TEAMS YOUR WORKED WITH, WHO CONTRIBUTES MOST TO THE EFFORT OF DEAL SOURCING/ORIGINATION?

	Number	*Percentage*
The indigenous members of the team	23	51.11%
The Western members of the team	12	26.67%
They contribute equally	10	22.22%

Q3: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING INDIGENOUS HELP OR HINDR A PRIVATE EQUITY PROFESSIONAL IN HIS/HER EFFORTS TO SOURCE/ORIGINATE PRIVATE EQUITY DEALS?

	Number	*Percentage*
It helps	30	66.67%
It hinders	9	20.00%
It has no impact	6	13.33%

Q4: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING A WESTERNER HELP OR HINDER A PRIVATE EQUITY PROFESSIONAL IN HIS/HER EFFORTS TO SOURCE/ORGINATE PRIVATE EQUITY DEALS?

	Number	*Percentage*
It helps	25	55.56%
It hinders	16	35.56%
It has no impact	4	8.89%

Q5: IN YOUR EXPERIENCE AND OR/OPINION, DO INDIGENOUS ENTREPRENEURS/BUSINESS MANAGERS GENERALLY PREFER DOING BUSINESS WITH INDIGENOUS GENERAL PARTNERS OR WESTERN GENERAL PARTNERS?

	Number	*Percentage*
They generally prefer Indigenous GPs	5	11.11%
They generally prefer Western GPs?	25	55.56%
They generally have no preference	15	33.33%

TABLE 3: RESPONSES TO FUNDRAISING QUESTIONS

Q1: IN YOUR EXPERIENCE AND/OR OPINION, IN THE PRIVATE EQUITY TEAMS YOU WORKED WITH, WHO CONTRIBUTES MOST TO THE EFFORT OF CAPITAL/FUNDRAISING?

	Number	*Percentage*
The Western members of the team	29	64.44%
The Indigenous members of the team	5	11.11%
They contribute equally	9	20.00%
Not applicable because the team was ethnically homogenous	2	4.44%

Q2: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING INDIGENOUS HELP OR HINDER A PRIVATE EQUITY PROFESSIONAL RAISE CAPITAL FROM WESTERN INVESTORS?

	Number	*Percentage*
It helps	9	20.00%
It hinders	29	64.44%
It has no impact	7	15.56%

Q3: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING A WESTERNER HELP OR HINDER A PRIVATE EQUITY PROFESSIONAL RAISE CAPITAL FROM WESTERN INVESTORS?

	Number	*Percentage*
It helps	41	91.11%
It hinders	0	00.00%
It has no impact	4	8.89%

Q4: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING INDIGENOUS HELP OR HINDER A PRIVATE EQUITY PROFESSIONAL RAISE CAPITAL FROM INDIGENOUS INVESTORS?

	Number	*Percentage*
It helps	27	60.00%
It hinders	16	28.89%
It has no impact	4	11.11%

Q5: IN YOUR EXPERIENCE AND/OR OPINION, DOES BEING A WESTERNER HELP OR HINDER A PRIVATE EQUITY PROFESSIONAL RAISE CAPITAL FROM INDIGENOUS INVESTORS?

	Number	*Percentage*
It helps	31	68.89%
It hinders	9	20.00%
It has no impact	5	11.11%

Q6: IN YOUR EXPERIENCE AND/OR OPINION, WHERE DID MOST OF THE CAPITAL RAISED BY THE TEAMS YOU WORKED WITH COME FROM?

	Number	*Percentage*
Western investors	33	73.33%
Indigenous investors	12	26.67%

Q7: IN YOUR EXPERIENCE AND/OR OPINION, HOW DID THE PRIVATE EQUITY TEAMS YOU WORKED WITH HANDLE THE CAPITAL/FUNDRAISING ACTIVITIES?

	Number	*Percentage*

They had a dedicated person (group) for capital/fundraising	35	77.33%
The whole team participated in the activities of capital/fundraising	7	15.56%
They used third parties to raise capital	0	0.00%
Other (please explain)	3	6.67%

Q8: IF THEY HAD A DEDICATED PERSON (GROUP), IN YOUR EXPERIENCE AND/OR OPINION, WAS THIS PERSON (GROUP):

	Number	*Percentage*
Indigenous	3	8.57%
Western	4	11.43%
Mixed (in case of group)	27	77.14%
Not applicable since the team was ethnically indigenous	1	2.86%

TABLE 4: RESPONSES TO COLONIAL MENTALITY QUESTIONS

Q1: IN YOUR OPINION AND/OR EXPERIENCE, HOW PREVALENT IS COLONIAL MENTALITY AMONG THE INDIGENOUS ENTREPRENEURS IN THE MARKETS WHERE YOU HAVE WORKED?

	Number	*Percentage*
Very prevalent	13	18.89%
Somewhat prevalent	22	48.89%
Rare	1	15.56%
Very rare	7	2.22%
Non-existent	2	4.44%

Q2: IN YOUR OPINION AND/OR EXPERIENCE, DOES COLONIAL MENTALITY GIVE A COMPETITIVE ADVANTAGE TO WESTERN GENERAL PARTNERS OPERATING IN MARKETS THAT WERE EX-WESTERN COLONIES?

	Number	*Percentage*
Always	8	17.78%
Often	16	35.56%
Sometimes	14	31.11%
Rarely	5	11.11%
Never	2	4.44%

Q3: IN YOUR OPINION AND /OR EXPERIENCE, DOES BEING A WESTERNER GIVE A PRIVATE EQUITY PROFESSIONAL A COMPETITIVE ADVANTAGE OVER HIS/HER INDIGENOUS COUNTERPARTS IN THE EX-WESTERN COLONIES?

	Number	Percentage
Always	7	15.56%
Often	15	33.33%
Sometimes	17	37.78%
Rarely	4	8.89%
Never	2	4.44%

Number of Active PE Firms Worldwide			***Source: pitchbook.com***	
Region	2000	2014	Firm Count Change	CAGR
Central / South / Southeast Asia	13	101	+79	13.9%
East Asia	26	180	+130	12.7%
Africa	8	43	+33	11.5%
Eastern Europe	13	48	+29	8.1%
Central / South America	19	69	+40	7.8%
Middle East	18	60	+36	7.6%
Northern Europe	44	123	+62	6%
Western / Central Europe	355	908	+497	6%
North America	936	1956	+915	4.7%
Oceania	21	42	+17	4%
Number in Target Geographies = 101 + 180 + 43 + 60 = 384				

VITA

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Doctor of Philosophy

Thesis: ASSETS OF FOREIGNNESS: COLONIAL MENTALITY AND WESTERN PRIVATE EQUITY MANAGERS IN THE EX-WESTERN COLONIES

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U.S. Department of Defense, Iraq, Middle East

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AKOM Language Services, Inc. New York, NY

Proprietary Equities Trader: 2000 -2001
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