

Host-country risk, corporate political strategies and the subsidiary performance of South African multinationals in wider Africa

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Dedication

To my Dad,

A journey he started, persevered through and now completed

Acknowledgement

My biggest gratitude is to the Creator, the one who made it all; You fashioned this path, right from the very beginning, knowing and loving me even while I was in my mother's womb. I am grateful for Your steadfast love and I strive to always remain in the hollow of Your hands.

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And lastly, Bailey, my furry friend with personality; sitting beneath my desk whilst I worked. At times judging me, at other times ignoring me, and most times just being there.

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Acronyms and meaning

Acronyms	Meaning
AVE	Average Variance Extraction
CPS	Corporate Political Strategies
CSR	Corporate Social Responsibility
EMMNE	Emerging Market Multinational Enterprises
FDI	Foreign Direct Investment
GoF	Goodness of Fit
IB	International Business
MNE	MNE
OLS	Ordinary Least Squares
NGO	Non Governmental Organisation
PAC	Political Action Committee
PLS-SEM	Partial Least Squares Structural Equation Model
RBV	Resource Based View
SA	South Africa
SD	Standard Deviation
SEM	Structural Equation Modelling
UNCTAD	United Nations Conference on Trade and Development
VIF	Variance Inflation Factor

Abstract

One critical aspect of a multinational's (MNE) non-market strategy is its political strategy – the management of a firm's political capabilities and actors to influence public policy outcomes. Research on corporate political strategies has, over the years, focused on its local application in institutionally stable developed environments. Existing literature suggests that political strategies are essential for firm performance. However, there is a dearth of studies that empirically examine the mechanisms through which they affect performance within weak institutional environments. Coupled with the paucity of research in weak institutional environments, is an absence of literature exploring the influence of informational, financial and constituency building relational political strategies on performance across borders.

The thesis employs a dynamic capability perspective and an institutional approach to examine the role of corporate political strategies of emerging economy MNEs performance in South-South foreign direct investment (FDI). I employ a concurrent mix of quantitative and qualitative methods to interrogate the phenomenon. The qualitative content analysis of annual reports uniquely maps out the political strategy landscape for South African MNEs in their home country and the primary data survey of subsidiary executives examines the relationship between access (informational and financial) and relational (constituency building) political strategies on their subsidiary performance in the politically risky host environments of sub-Saharan Africa. I find that increased use of access political strategies has a negative effect and increased use of relational political strategies a positive effect on subsidiary performance. When both are combined, increased use of access political strategies increases the positive effect of relational political strategies on subsidiary performance. The thesis also interrogates the moderating influence of host-country risk on the corporate political strategy- subsidiary performance nexus and find that the higher the political risk, the stronger is the positive influence of relational strategies.

The research contributes to the corporate political strategy literature by interrogating the political strategies MNEs employ to influence their performance in risky host environments. It extends the scholarship on dynamic political capabilities by linking actionable proactive and defensive political strategies to subsidiary performance in weak institutional environments. It presents novel findings in mapping out the corporate political strategy landscape of an emerging economy's MNEs and interrogating the relationships discussed in uncertain and risky institutional environments. MNE practitioners can leverage the findings to operate more efficiently in risky political environments. The research thus assists in adapting extant

corporate political strategy literature to a framework that can accommodate the weak institutions of environments such as sub-Saharan Africa.

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1 Chapter One: Introduction

1.1 Background

Research into the interrelationship between business and politics, specifically that investigating the link between government policies and business performance (Boddeyn, 2016; Boddeyn & Brewer, 1994; Grosse, 2010; Vogel, 1996), has grown steadily during the last three decades. Business and management schools have regularly undertaken the Herculean task of understanding how these relationships affect domestic or international firms. The importance of this relationship is underlined by the rise of capitalism as the "default economic model" (Vogel, 1996), the growth of anti-globalisation and populism in individual national governments and a stronger effect of politics and lobbying on international trade (Rodrik, 2018); all of these affect the environment within which MNEs operate. More so as it impacts on MNEs that need to deal with institutional duality. This research takes as its starting point the assertion by various international business scholars (see Dunning and Lundan, 2008; Ramamurti, 2009; Peng, Wang & Jiang, 2008; Cuervo-Cazurra and Genc, 2011) that the scope of current international business theories must be extended to understand markets other than 'typical' developed markets. Dunning and Lundan (2008) warn of the danger of obsolete theories becoming entrenched if such contextual intricacies are not appropriately interrogated – in this case, to understand South African multinationals doing business in the rest of sub-Saharan Africa.

The increasingly complex strategies employed by emerging economies and their MNEs necessitate research that can explain the operations and strategies guiding their investment decisions. These decisions include whether or not to invest; which countries to target and which to avoid; and which strategies to employ or eschew. Theories of international business have sought to explain this process of internationalisation using established international business frameworks such as Dunning's eclectic theory (Dunning, 2000) or Uppsala's sequentialisation theory (Johanson & Vahlne, 1977); motives for internationalisation (Cuervo-Cazurra & Narula, 2015; Dunning, 1993; Meyer, 2015) as well as other theories such as Zaheer's "liability of foreignness theory" (Zaheer, 1995) and the theory of "Liability of Origin" (Ramamurti & Pant, 2010). These theories have found application in all four destinations of internationalisation; North-North, North-South, South-North and South-South economies (Ramamurti, 2009). Though the strategies supporting South-South foreign direct investments, where emerging or developing economy MNEs invest in other developing economies, remain mostly under-researched (Ramamurti, 2009).

MNEs face challenging choices as they try to carve out a legitimate niche in a new host country. They can cling to the business approaches they bring from their home country, adapt these significantly to the host country context, or develop a more complicated strategy combining both. Each choice carries different costs, including those that come with being foreign (Zaheer, 1995) or from their contexts of origin (Ramamurti & Pant, 2010). The situation can be made more challenging by institutional weaknesses in the operating environment of the MNE, as discussed by Doh, Lawton and Rajwani, (2012) and Khanna & Palepu (2010). These writers adopt an institutions-based perspective on what affects MNE strategy choice similar to Meyer, Estrin, Bhaumik and Peng, (2009) who argue that the period of internationalisation, whether at entry or during determines the extent to which institutions may affect business. Concerning uncertainties in the environment, Baron (1995) argues that enterprises need to understand how the internal and external changes of their operating context intensify their challenge and affect performance. The need to understand uncertain environments is supported by Mascarenhas (1982) who discusses how such uncertainties, also present in local business operations, are magnified in international business because of the effect of multiple factors including home and host cultural distance and complex institutional and political environments. These institutional variations in the environment may affect the market and non-market strategies that firms operating in such environments may engage in and the capabilities that they may develop (Doh, Lawton and Rajwani, 2012).

When MNEs engage in cross border businesses, they face the challenge of institutional duality, which usually occurs due to the different home and host institutional environments (Zhang, Zhao & GE, 2016). The constant push and pull of the environments necessitate that MNEs understand their external host and internal institutional environments to be able to make better strategic choices that benefit them. Institutional duality and changes in host country government policies affect the profitability of an MNE while it simultaneously struggles with potential liabilities to its internationalisation operations such as its foreignness or country of origin (Ramamurti & Pant, 2010; Wocke & Moodley, 2015; Zaheer, 1995). Such policy changes occur more frequently in countries with volatile regulations and institutions: where there are host-country risk and uncertainty and an unstable institutional environment (Lawton, Mcguire, & Rajwani, 2013). Thus, MNEs attempting to manage their environment need also to employ varying political strategies to facilitate increased performance, as the non-market environment is a critical factor in business success (Baron, 1995; Doh, Lawton, & Rajwani, 2012; Mellahi, Frynas, Sun & Siegel, 2016). Developing and deploying political capabilities is a political strategy which MNEs need to effectively respond to the shocks of their host environment (Lawton, Rajwani & Doh, 2013). Such strategies provide the

capabilities to affect the policies that determine their operations in the host environment. And by extension, enhances their ability to develop legitimacy and competitive advantage (Cuervo-Cazurra & Genc, 2011; Mellahi et al., 2016; Zahra, Sapienza, & Davidsson, 2006). Lawton, Rajwani and Doh (2013) in their study of airlines in a deregulatory context, argue that firms' political capabilities evolve into dynamic capabilities to respond to the exogenous contexts within which they operate. Similar to the European airline deregulatory context, unstable institutional environments like those in emerging African economies provide environmental shocks to MNEs resulting in their deployment of political capabilities (Lawton et al., 2013).

MNEs employ corporate political strategies such as lobbying, campaign contributions, political connectedness and constituency-building as part of their non-market strategy to influence the political environment. These strategies are aspects of managing a firm's political capability and its actors to affect the public policy outcomes of the environment (Baron, 1995; Getz, 1997; Hansen & Mitchell, 2000; Hillman & Hitt, 1999; Hillman, Zardkoohi, & Bierman, 1999). Existing scholarship (Boddeyn & Brewer, 1994; Hadani & Schuler, 2013; Rajwani & Liedong, 2015) suggests that political strategies are essential for firm performance. In developed economies like the United States, firms employ multiple typologies of corporate political strategy: financial, relational and informational (Hillman & Hitt, 1999; Hillman, Keim & Schuler, 2004). However, the findings linking corporate political strategies to performance are mixed (Mellahi et al., 2016; Puck, Lawton, & Mohr, 2018; Rajwani & Liedong, 2015). Some of these mixed findings are linked to the conceptualisation of corporate political strategies, including its antecedents (Nell, Puck & Mohr, 2015), nature (Boddeyn & Brewer, 1994; De Villa, 2015; Oliver & Holzinger, 2008) and theoretical support (Hillman & Hitt, 1999; Mellahi et al., 2016). Scholars also employ different measures of performance and various aspects of corporate political strategies which yield varying results (Liedong, 2016). Rajwani, Lawton and Mcguire (2013) argue that other than the resources and capabilities possessed by firms, the institutional and political environment may also affect the political strategy- performance nexus. It can be argued that the influence of context could be the factor affecting the inconsistency of findings in the political strategy space. However, most of the studies in the field have focused on developed economies and have restricted their interrogation of emerging markets to Asia (Liedong & Frynas, 2018) and Latin America (De Villa, 2015; White et al., 2018). Few international business studies have been conducted in Africa's unique institutional environments to interrogate political strategies employed by MNEs and its relationship to their performance (Rajwani & Liedong, 2015).

Studies that have found a positive effect of corporate political strategies on firm performance recognise that moderators or mediators may also affect the relationship (Lux, Crook & Woehr, 2011). There is, however, limited research into the effect of the institutional environment (Doh et al. 2012; Puck et al. 2018) on the corporate political strategy-performance relationship. This study extends the field of corporate political strategies by interrogating the firms' deployment of political capabilities as dynamic capabilities within weak institutional environments. In particular, it focuses on the influence (proactive and defensive) strategies that MNEs employ to increase their competitive advantage and increase performance (Oliver & Holzinger, 2008). The study also uses the new institutional economics theory (North, 1991) and the institutional-based view (Peng et al., 2008) to interrogate a geographically overlooked region, sub-Saharan Africa, with a unique institutional context.

This thesis interrogates the literature on corporate political strategies as well as the international business literature addressing MNEs operating in wholly-owned, cross-border subsidiaries. I employ a dynamic capabilities perspective premised on the resource-based view of the firm as the overarching theory, together with the contextual influences of weak institutions on MNE strategies (Barnard, Cuervo-Cazurra & Manning, 2017). The research predominantly employs a quantitative approach to explain the relationship between political strategy and subsidiary performance but incorporates extracts from a qualitative content analysis of annual reports to provide a contextual understanding of political strategies by South African MNEs. The complementary qualitative data provides a descriptive landscape of proactive and defensive political strategies as employed by South Africa MNEs in their home country. Furthermore, studies on the role of political strategies across South-South borders with emerging MNEs are limited. The emerging market context is dynamic, and its institutional environments are generally weak and uncertain (Khanna & Palepu, 2010; Rajwani & Liedong, 2015; Zoogah & Peng, 2015) with different boundary conditions and contexts. Also, relatively few studies assess either empirically the relationship between corporate political strategies and subsidiary performance (Lux et al. 2011; Mellahi et al. 2016) or theoretically consider the dynamic political capabilities perspective as the basis for political strategies (Oliver & Holzinger 2008).

The research contributes to extant corporate political strategy literature by arguing that the political strategies used by MNEs to affect performance entail dynamic political capabilities (Oliver & Holzinger, 2008; Wocke & Moodley, 2015), and that such capabilities in African emerging market contexts influence subsidiary performance in a different way to the mechanisms observed in developed economies with strong institutional environments.

These findings assist in adapting the extant corporate political strategy literature to a framework that can accommodate the uncertainties inherent in sub-Saharan Africa. The research contributes to the dynamic capabilities perspective as I extend Oliver and Holzinger's (2008) dynamic political capability framework by testing actionable influence (proactive and defensive) political strategies that MNEs employ and the mechanism through which they affect performance.

1.2 Problem statement

In the non-market environment, MNEs can choose to either actively influence governments and policymakers or continually comply with policies (Hillman & Hitt, 1999). Though engaging in compliance strategies might provide operational benefits for MNEs in unstable institutional environments (De Villa, Rajwani, Lawton & Mellahi, 2018), influence political strategies provide the MNEs with influencing capabilities that can improve their competitive advantage and performance (Oliver & Holzinger, 2008). Oliver and Holzinger (2008) define influence political strategies as firm-level actions undertaken to mobilise support for the firm's interests (p. 505). Unlike compliance political strategies which seek to maintain value, they are proactive and defensive political strategies that MNEs employ in order to increase firm value and can be employed by either using informational, financial or constituency building strategies (Hillman & Hitt, 1999). However, empirically these strategies remain untested within a different context, an essential step in the process of establishing theory (Dunning & Lundan, 2008).

The process of strategically managing the political environment and translating political capabilities to effective political strategies remains a challenge for MNEs (Oliver & Holzinger, 2008). In emerging economies like Africa, this is more challenging due to the limited management research (Zoogah, 2008). De Villa (2015) interrogated the use of compliance capabilities by Latin American firms and the operational benefits of employing compliance political strategies in uncertain institutional environments. Similarly, Mbalyohere (2015) discuss the intersection between reactive and proactive capabilities employed by electricity firms, operating in Uganda, emphasising that firms need to combine varying strategies to deal with institutionally weak environments. However, both inductive studies focus either on firm compliance political strategies or a combination of proactive and compliance political strategies. Research to empirically interrogate influence political strategies and how they affect firms' performance is limited. This thesis tests the proactive and defensive strategies that MNEs employ in order to increase their performance (Oliver & Holzinger, 2008).

Furthermore, Schuler et al. (2002) argued that the scholarship interrogating the effects of corporate political strategies on performance had done them in isolation, with little consideration for their combined effect. Political strategy research will benefit from understanding how a combination of corporate political strategies affect firm performance (Puck et al., 2018). This thesis, therefore, also interrogates the complimentary effect of Hillman and Hitt's (1999) different typologies of political strategies on the MNEs subsidiary performance in weak institutional environments.

Some indications of the effect of political strategies on MNE performance do exist (Baron, 1995; Hillman, Zardkoohi, & Bierman, 1999; Mellahi et al., 2016; Shaffer, 1995; Wan & Hillman, 2006). However, there is a dearth of research on corporate political strategy scholarship which theorises and empirically explores the unanticipated nature of its effects on performance in the home and host institutional contexts (Puck et al., 2018). Scholars such as Rajwani and Liedong (2015), in their systematic review, sought to understand how political strategies affect the emerging market MNE's performance in an emerging market context. Their study, however, provides no empirical support. The theoretical contribution of Rajwani and Liedong's (2015) work is of immense importance to the field, but empirical research is needed to test the theory in the field (de Figueiredo & Richter, 2014; Insight, 2018). Heidenreich, Puck and Filatotchez (2014) examine the political strategy-performance relationship of developed MNEs operating in Russia. Their research is, however, without the boundaries of South-South FDI, where developing economy MNEs invest in other developing economies (Ramamurti, 2009).

In emerging markets where business-government boundaries are often unclear (Marquis & Raynard, 2015), it is necessary to understand how corporate political strategies affect MNE performance (Sun, Mellahi, & Wright, 2012). Additionally, research into the African emerging market context is an opportunity and a necessity (Hoskisson, Wright, Filatotchev, & Peng, 2013) because of both its increasing economic significance in the global economy and the interest it holds for researchers (Hoskisson et al., 2013; Barnard, Cuervo-Cazurra & Manning, 2017). Shedding new light on established theories and extending our understanding of business across diverse institutional contexts (Dunning & Lundan, 2008; Marquis & Raynard, 2015), can contribute much towards enriching international business literature. Specifically, there is still a need for studies seeking to understand political capabilities that affect performance in the emerging context (Rajwani & Liedong, 2015) as well as a dearth of research these political strategies in Africa (Puck et al., 2018). This thesis examines Africa as a context different from Asia and the West, to provide some clarity around how institutional environments matter, and to what extent (Peng, 2002).

Context is particularly important, given the increased research interest in Africa-to-Africa internationalisation and management (Bagire & Namada, 2015). New research thus needs to provide an understanding of how a business operates in Africa and, more specifically, how emerging market MNEs especially in Africa employ political strategies to navigate their challenges and efficiently use the opportunities of their institutional context in other sub-Saharan African markets. More recently, international business and management literature has sought to understand the shortfalls in the scaling and lack of continuity among African companies investing in Africa (Barnard, Cuervo-Cazurra & Manning, 2017), while the effects of corporate political strategies on the performance of MNEs in this context has not been interrogated (Rajwani & Liedong, 2015). These factors give this research relative importance in moving understanding forward.

Anecdotal examples abound of South African MNEs with adequate market strategies faring poorly in other African countries, for example, Woolworth, the relatively large retailer's inability to sustain its operations in a relatively large potential market like Nigeria, where other developed retail MNEs may have been successful. Increased South African businesses in wider Africa necessitates that research interrogates and proffers actionable strategies to address the challenges inherent in the non-market environment. This thesis tests a political strategy framework that could potentially address some of the management challenges faced by emerging market MNEs, including those from South Africa internationalising into the African continent. In order to adequately interrogate the political strategy landscape of South African MNEs, this thesis expands the literature by first, understanding the corporate political strategies that South African MNEs employ in their home country. I provide a qualitative content analysis of annual reports to uncover the proactive and defensive political strategies that South African MNEs employ.

Studies on corporate political strategies so far have focused mainly on domestic operations (Getz, 1997; Hillman & Wan, 2005; Hillman, Keim, & Schuler, 2004; Hillman, Zardkoohi, & Bierman, 1999), with little interrogation of cross-border businesses. Even though Wocke and Moodley (2015) interrogate the effect of corporate political strategies on performance with reference to foreign versus local MNEs, they set their study within the borders of South Africa. They study the political strategies of foreign pharmaceutical firms from developed economies in South Africa's uncertain regulatory environment and compare their strategies with those of the local companies. Hillman and Hitt (1999) focus their typology of political strategies to a domestic context with little consideration for the subsidiary level of analysis, a limitation which Blumentritt and Nigh (2005) assert will provide more clarity for the political strategy and international business literature. This study assumes that analysis at the

subsidiary level can provide more clarity (Hillman & Wan, 2005; Wan & Hillman, 2006) and therefore surveys senior-level executives of South African MNE subsidiaries operating on the sub-continent to understand the relationship between corporate political strategies and performance.

Theoretically, the thesis extends research on international business and politics beyond MNE political behaviour, its determinants and strategy (Rajwani & Liedong, 2015), to an analysis of MNEs political capabilities, their deployment as political strategies and its relationship to performance. This thesis provides a nuanced understanding of the mechanism of influencing political strategies concerning MNE performance in weak institutional environments. It is written with particular attention for local emerging economy perspectives to provide the necessary nuance for understanding political strategy and subsidiary performance (Mol, Stadler, & Arino, 2017; Teagarden, Von Glinow, & Mellahi, 2018). Practically, given the continued importance of the two-way relationship between business and government, the thesis provides vital information for policymakers on their interactions with internationalised businesses. In the case of South Africa and other African nations, departments in charge of trade and industry will be able to initiate expansions into wider Africa more strategically.

1.3 Purpose statement

The purpose of this study is to explain how corporate political strategies affect South African MNE subsidiary performance in uncertain host-country environments. To complement the primary survey of senior-level executives in subsidiaries of South African MNEs in sub-Saharan Africa, I provide a landscape description of the corporate political strategies of South African MNEs in their home country.

1.4 Research question and objectives

This thesis interrogates the role of corporate political strategies in the subsidiary performance of South African MNEs in risky host-country environments. This primary research question is sub-divided to explore the corporate political strategy landscape of South African MNEs in their home country. The first sub-question uses a qualitative content analysis of MNE annual reports to describe the corporate political strategy landscape of South African MNEs. The second and third sub-questions are investigated using the quantitative methodology, which measures the relationship between corporate political strategies and their subsidiary performance. It also measures the moderating effect of host-country risk on the corporate political strategy-performance relationship.

1.4.1 Main question

What is the role of corporate political strategies in the performance of South African MNE subsidiaries in risky host country environments?

1.4.2 Sub-questions

- a. What is the corporate political strategy landscape of South African MNEs in their home country?
- b. What is the relationship between corporate political strategies and the performance of South African MNE subsidiaries in risky host- country environments?
- c. What is the role of host-country risk on the relationship in (b)?

1.5 Contribution to literature

The research is set within sub-Saharan Africa, a geographically overlooked region in the field of international business and non-market strategies. The focus on sub-Saharan Africa is to delineate the research boundary, given its institutional differences from North Africa (Barnard et al., 2017). The contribution of this research is threefold; theoretical, practical and methodological.

Theoretically, the research extends and contributes to the literature in two ways: To the dynamic capabilities perspective, this thesis extends the dynamic capabilities model of effective political management to test a more nuanced framework of dynamic political strategies that MNEs employ to affect their performance outcomes when they operate in institutionally weak and politically risky environments (Oliver & Holzinger, 2008). The influence (proactive and defensive) political strategies, similar to Cuervo-Cazurra and Genc's (2011) supporting dimensions originate from the political capabilities that emerging market MNEs develop from either their home country or from their experience of internationalising into weak institutional environments. To the corporate political strategy literature, I empirically test Hillman and Hitt's (1999) typology of political strategies, focusing on the less interrogated constituency building conceptualisation of political relationships. I extend the literature to an under-researched context characterised by strong communal and informal institutions and explain how the mechanisms of corporate political strategies in developed economies are different to what is obtainable in developing African economies with the different boundary conditions and different contexts. I also empirically interrogate how political risk in a host country moderates the effect of corporate political strategies on subsidiary performance.

Practically, the thesis provides relevant information to practitioners, managers, and executives on the relationship between political strategies and their subsidiary performance. It highlights actionable strategies that can overcome the challenges to the business environment from failing and weak institutions in developing markets. It also provides a framework of actionable corporate political strategies used by South African MNEs operating in Africa.

Contrary to previous research, this study is unique to the research field as it provides a multi-level perspective of corporate political strategies at the home country and the host country. The study complements archival data looking at the annual reports of South African MNEs with questionnaires administered to senior executives at the MNEs' subsidiaries. It also contributes to the literature on corporate political strategies by investigating the moderating effect of host-country risk on the relationship between political strategies and subsidiary performance.

1.6 Study definitions

This section provides definitions for the terms, concepts and variables employed in the thesis.

1.6.1 *Institutions*

Institutions are the regulatory framework in an economy that enforce the accepted ways of doing things (North, 1991). They are the bedrock for exchange in an economy. Through their influence on the costs of transactions, they are instrumental in determining the costs of goods and services. Institutions can be either formal or informal: A formal institution is constituted based on legally defined rules, while an informal institution operates on rules that are developed more loosely through culture, habits or belief systems.

The institutional environment refers to the rules and requirements to which individual organisations must conform to, to receive legitimacy and support (Scott 1995: 132). These environments are either weak or strong, depending on the upholding of formal and informal institutions. In the case of informal institutions, environments will differ based on their cultures and norms and may differ from country to country, state to state and group to group. In some cases, environments exhibit a strong influence from institutional voids (Khanna & Palepu, 2010). The underlying argument for this thesis is that environments that are relatively different or institutionally less developed are not necessarily void of institutions, but instead suffer from the weak enforcement of formal rules, or operate based on entirely

different norms and cultures from those more commonly discussed. Given the weak roles of formal institutions, corporate political strategies assume particular importance.

1.6.2 Capabilities

Capabilities refer to either a firm's current or potentially available resources, which may be employed to improve performance (Teece, 2014), by exploiting internal and external firm competences (Teece, Pisano, & Shuen, 1997). One might argue that the concept of capability and strategy are different; in that, a firm's capability is what it can do, whereas its strategies are what it chooses to do. In particular, Luo (2000) discusses it in three ways, namely capability possession, capability deployment and capability upgrading. This thesis focuses on the first two to delineate the difference between capabilities and strategies as illustrated in Figure 1 below

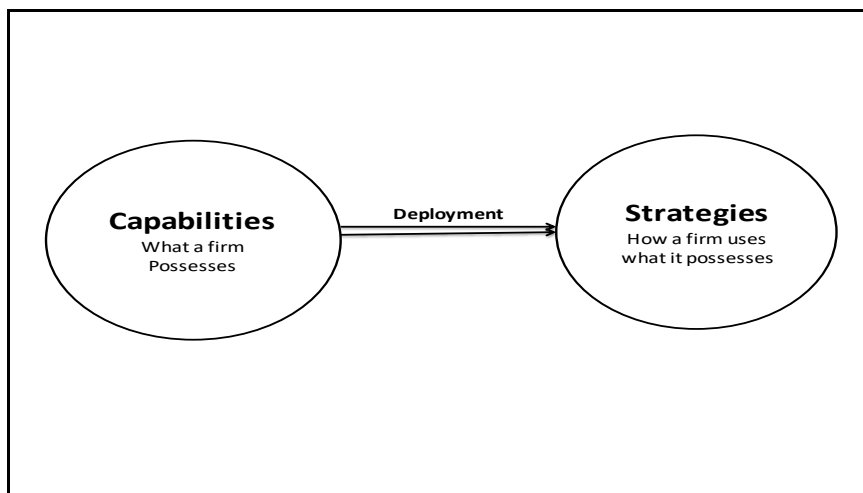


Figure 1: Capabilities and strategies

Teece (2014) discusses how capabilities work together to increase a firm's competitive advantage. They could either be ordinary or dynamic: the former includes processes that facilitate doing things right. Teece (2014), for example, classifies administrative, operational, and governance-related strategies as ordinary capabilities. On the other hand, dynamic capabilities refer to those higher-level strategies that allow the firm's ordinary strategies to be more efficient, especially in a changing environment. The capability approach to developing competitive advantage is concerned with how the firm operates and the assets it uses to influence its environment, with concerns especially for what it uses, how it is used and 'how such capabilities can be improved (Teece et al., 1997).

1.6.3 Corporate political strategy

Corporate political strategies (CPS) are within the broad category of non-market strategies employed by firms. "A non-market strategy is a concerted pattern of actions taken in the non-market environment to create value by improving a firm's overall performance" (Baron, 1997: 146). They are typically described as strategies that have no relation to the economic aspects of the business, dealing predominantly with the legal political, social and cultural aspects (Baron, 1995; Boddewyn, 2003) although they may entail managing the institutional contexts of economic competition. For example, He, Tian and Chen (2007) emphasise in their study of firms in China how non-market strategies such as *guanxi* (an informal network of stakeholders), exist. These are at least as necessary in emerging economies (Sun et al., 2012) as they are in developed economies (Baron, 1997) and exert a considerable influence on economic performance. "These non-market resources can reduce entry into new markets; limit price increases; raise the costs of competing; reduce regulation and generate competitive advantages" (Baron 1995:73). The assumption underlying the use of corporate political strategies is that firms can influence policy while making regulation in the environment more predictable (Getz, 1997; Hansen & Mitchell, 2000).

1.6.4 Host country risk

Duncan (1972) defined uncertainty as "a consequence of environmental factors that generally result in a lack of information needed to assess means-ends relationships, make decisions and confidently assign probabilities to their outcome" (p.318). The concept remains complex and challenging to grasp and yet cannot be ignored as its existence results in challenges for business actors ((Townsend, Hunt, McMullen, & Sarasvathy, 2018). However, in the management literature, it has been simplified to refer to the unpredictability of environmental and organisational factors as they impact on corporate performance (Miller, 1990). Even though its sources may cut across country, industry, firm and individual levels of analysis (Miller, 1990; Downey & Slocum, 1977)), it is not particularist (Oxelheim & Wihlborg, 1991; Simon, 1984), and usually combines multiple unanticipated movements in policies, politics, macroeconomics, social and natural strategies (Miller, 1992, 1993). To the extent that uncertainty can be measured Knight (1921) argues that it is a risk or what Townsend et al., (2018) refer to as Type B uncertainty.

Dealing with relatively measurable uncertainty demands that MNEs develop more effective capabilities to succeed. These capabilities include learning to cope with their liabilities of foreignness and developing and using political capabilities (Sun Mellahi & Thun, 2010). This capability creation process takes risks into account in determining what may benefit the firm.

The firm deals with the challenges of the external environment and enacts environments favourable to its success. Thus it is crucial to consider the influence of the risky environment on those stakeholder engagements key to firm strategy (Boddeyn, 2016; Boddeyn & Brewer, 1994b; Grosse, 2010; Sun et al., 2012). This thesis defines host country risk as to the relatively measurable levels of uncertainty that an MNE operating in a host environment will need to face while operating in the environment.

1.6.5 Performance

Performance in the non-market environment is measured along broad dimensions, including ethical principles and social responsibility. By contrast, in the market environment it is measured along the dimensions of profits generated or value created (Baron, 1995), divided mainly into stock, operating and policy performance (Rajwani & Liedong, 2015). Stock performance is concerned with how the market reacts to a particular firm's stocks as a result of market and non-market changes – for example, the appointment of politicians to corporate boards (Hadani & Schuler, 2013). Operational performance is concerned with the accounting aspects of the firm as contained in annual reports: measures such as the return on sales, return on assets and return on investments (Hadani & Schuler, 2013; Mathur & Singh, 2011; Peng & Luo, 2000).

Subsidiary performance as conceptualised by Andersson, Forsgren and Pedersen (2001) "is the performance of a subsidiary in its market place as well as its performance within the MNE "(p. 4). Recognising the challenge in measuring and comparing subsidiary performance across subsidiaries (Andersson et al., 2001; Fey & Bjorkman, 2001; Hansen & Gwodz, 2015), this thesis employs a perceptual measure that seeks to understand the manager's perception of future sales, market value and profitability (Andersson, Forsgren, & Pedersen, 2001).

1.7 Thesis structure

This introductory chapter lays the thesis framework by providing a background of research in this field and highlighting some of the lacunae that the thesis seeks to fill. Following the first chapter, it proceeds with six chapters that fit with answering the research question.

Chapter Two describes the context of the research, which delineates the focus of this study from previous literature and highlights the contextual contribution that the research makes. I broadly discuss the context of emerging markets and more specifically Africa, highlighting

information on intra-African investment, African MNEs and a justification for the choice on South African MNEs

Chapter Three provides the literature review that anchors the research. Employing the dynamic capabilities perspective premised on the resource-based view, I outline the connections between varying literature and theories to emphasise the lacunae in academic interrogation of the thesis field. Precisely, I focus on the corporate political strategy literature and discuss its antecedents, approaches, interventions and relationship to performance. The thesis also highlights the influence of the institutional theory on reasoning and arguments.

Chapter Four provides the research design and methodology, which discusses the mixed methods approach to research employed. It provides a discussion on the quantitative method which employs a primary data survey and uses the partial least squares structural equation modelling as the strategy of enquiry. I also discuss the supplementary qualitative content analysis, including its sampling strategy, reliability and validity precautions. This chapter details the requirements of quality assurance and ethics upheld throughout the research.

Chapter Five applies the data analysis methods employed, as described in the research design and methodology chapter. I provide all of the empirical findings observed.

Chapter Six provides a summary of the research findings and discusses them with extant research; providing contrasts and comparisons.

Chapter Seven, the final chapter, closes off the thesis by highlighting the research contributions to theory, practice and methods. It also discusses some of the limitations of the research and areas where future research in the field may interrogate.

2 Chapter Two: The emerging African context

2.1 Introduction

This chapter provides a contextual description of Africa as a broadly categorised emerging market. In the first section, I discuss the broad category of markets referred to as emerging markets and highlight some of the institutional and economic similarities to, and differences from developed markets. The second and third sections respectively describe Africa's institutional environment and intra-African investment. The chapter closes with a discussion of South African MNEs and provides a rationale for the choice of South African MNEs as the focus of this research

2.2 What are the emerging markets?

Emerging markets are described as all markets apart from North America, Canada, Western Europe, Japan and the recently graduated economies like Singapore Israel, Korea Taiwan, Spain, Portugal, Greece and Hong Kong (Meyer & Grosse, 2018). Emerging markets differ not only from the markets of North America, Western Europe, Japan, Australia and New Zealand but also among themselves. For example, the emerging Brazilian economy is distinctive from the South African economy (Gammeltoft, Barnard & Madhok, 2010) (although some similarities exist). Broadly, emerging markets are developing economies with high growth rates, high poverty rates and poorly developed capital markets (Contractor, 2010; Khanna & Palepu, 2010). These markets have weak formal institutions and poor regulatory environments, which Khanna and Palepu (2005) define as institutional voids. African economies, like other emerging markets in Asia and Latin America are characterised by weak formal institutions (Bagire & Namada, 2015) and distinctive informal institutions which make them relevant to be studied in order to better understand the field of international business (Peng et al, 2008; Teagarden et al., 2018).

Emerging markets and their multinationals have been studied in the management field mainly as an avenue for improving and extending international business theory (see Cuervo-Cazurra, 2012; Lessard & Lucea, 2009; Ramamurti, 2009). The increasing importance of contextual research has prompted a significant increase in studies of Asia and Latin America, but smaller strides in African research (Kolk & Rivera-Santos, 2016). Studies of emerging markets and their multinationals are essential to management research to improve our understanding of the relationship between business and society (Kolk & Rivera-Santos, 2016). However, the breadth of the geographical distribution of emerging markets requires specific studies of individual markets to enhance understanding. In addition, the

heterogeneous nature of this group of markets calls for studies to understand their different operations and strategies (Gammeltoft et al., 2010). Countries in Africa may be broadly classified as emerging markets, but even within this broad classification, they differ institutionally, exhibiting diverse systems (Fainshmidt, Judge, Aguilera & Smith 2017).

International business research has expanded its reach beyond the more developed contexts of the West into other emerging markets (Teagarden et al., 2018) and there is a well-argued need to understand African MNEs (Barnard et al., 2017). However, management research from the African context remains sparse, despite the ample opportunities that exist there to interrogate multiple phenomena that could extend or improve our understanding of international business. The African context also provides an avenue for the research to make a relevant theoretical contribution (Zoogah, Peng & Woldu, 2015) to the field of non-market strategy research. In light of all this, the current study interrogates the corporate political strategy context of African emerging markets and their multinationals. In order to understand the research context, the following sections provide an overview of the African context, its institutional systems, intra-regional investments, and multinationals. This is necessary so that the reader understands the research setting, and how the researcher's assumptions are influenced by engaging with specific contextual realities in the course of answering the research question.

2.3 The African institutional environment

The African continent is divided geographically into five main regions: North Africa, (which shades culturally into the Middle East), Central, East, South and West Africa (which are grouped into Sub-Saharan Africa) and boast of a diverse range of cultures, languages, ethnicities and religions (Barnard et al., 2017). Poor leadership and economic weaknesses over the years has resulted in increasing poverty and underdevelopment, with most economies functioning as mainly agrarian and informal (George et al., 2016). These contextual realities have contributed to the development of informal institutions but contracted the development of formal institutions that support markets and encourage the development of infrastructures and contract to enforce mechanisms (George et al., 2016).

Institutions – as the formal and informal rules of the game – provide the structure on which business and competition operate (Fainshmidt et al., 2017). In the field of international business, these institutions determine the strategies employed by MNEs. For example, Gammeltoft et al. (2010) argue that federal, state and local governments influence the strategies of MNEs, including their entry modes (Meyer et al, 2009), regular operations

(Peng et al., 2008) and application of non-market strategies (Doh et al., 2012) The importance of institutions (Meyer et al., 2009) means that environments need understanding of their overarching formal and informal institutions and how these affect business operations. For example, weaknesses in formal institutions matter in the functioning of markets (Doh, Rodrigues Saka-Helmhout & Mahja, 2017), as they heighten the incidence of uncertainty for business through increased information asymmetry and higher transaction costs (North, 2005). The informal institutional infrastructure typically observed in African economies thrives on collectivist beliefs and relationships (Dunning & Lundan, 2009). These informal institutions are more prevalent, thus providing the rules under which developing societies operate.

To provide a more contextual understanding of the African institutional environment, Fainshmidt et al. (2017) categorise understudied economies and institutional systems. They move past the two primary frameworks of “varieties of capitalism” and “national business systems” – which pay little attention to the developing world (Hotho, 2014) and ignore the influence of political bargaining – to include the unique contextual aspects of social, cultural, legal and economic variables. This conceptualisation is relevant to an understanding of African economies, as it permits a more contextual view of the African 'rules of the game' and takes into account the influence of the state, financial markets, social capital, corporate governance and human capital (Fainshmidt et al., 2017). Their categorisations divide African institutional systems into regulatory, welfare, developmental, and predatory states. The more relevant categories to the African context are the developmental states like South Africa which seek to exert control through business policies for the long-term improvement of their economies; and the predatory states like Nigeria which are characterised by a lack of transparency in policies, weak institutions and poor market co-ordination (Carney & Witt, 2012; Fainshmidt et al., 2017). Of the 68 countries assessed by Fainshmidt et al. (2017), 75 per cent of the sub-Saharan African countries are predatory and developmental. Figure 1 below illustrates the institutional systems in selected African countries (Fainshmidt et al., 2017).



Figure 2: Africa’s institutional systems

The map in figure 2 above illustrates the diversity of institutional systems in sub-Saharan Africa. It shows a majority of states as predatory, implying that formal institutions are weak, market co-ordination is reduced, and policy/policy-making is opaque and thus largely politically subjective. This distribution of institutional systems is essential to this research, as it offers a better understanding of contextual institutional systems encountered during the interrogation of the role of the corporate political strategies employed by South African MNEs in sub-Saharan Africa.

Furthermore, the sub-continent has to deal with varying levels of political uncertainty, instability and turbulence, especially concerning the regulations and formal institutions that coordinate a functioning business environment (Luiz & Stewart, 2014). In particular, there is a dearth of rules guiding the operations of political strategies such as lobbying, campaign financing and contributions made by businesses to politicians (Rajwani & Liedong, 2015). Where regulations exist, data from the database on Money, Politics and Transparency suggests that only Rwanda, Kenya and South Africa allow direct funding to political parties

for campaigns. Furthermore, the emphasis is relatively more on the documentation of these laws than on the implementation, with only South Africa and Rwanda noted as exceptions (see table 1 below). However, these regulations and disclosures are vital to providing a framework to enhance understanding of the role of corporate political strategies (Lawton et al., 2013), especially within the African context.

Table 1: Regulation on direct public funding for electoral campaigns for selected African countries

Country	Direct public funding for electoral campaigns allowed	
	Documented in Law	In Practice
Botswana	No	No
Ghana	No	No
Kenya	Yes	No
Malawi	No	No
Nigeria	No	No
Rwanda	Yes	Yes
South Africa	Yes	Yes

Source: Money, Politics and Transparency, 2014

2.4 Africa to Africa investment

Intra-African foreign direct investment has been touted as a possible major contributor to development on the continent and has increased (Africa Investor, 2012). However, in comparison to other regions, intra-regional investment in Africa lags significantly behind, at only 5 per cent – compared to Europe at 82 per cent or Latin America and Asia at 10 per cent and 17 per cent respectively (Africa Investor, 2012). With a recent Africa continental free trade agreement having been ratified by more than 50 per cent of the countries on the continent, increases of up to \$60 billion annually are predicted (UNECA, 2017). Table 2 provides an overview of greenfield projects in Africa by African firms.

Table 2: Greenfield projects in Africa

Year	Projects by African companies	CAPEX African firms (\$ millions)	Jobs created by African firms	Business Activity*
2008	133	5,615.90	745	Financial services (374), Sales, Marketing and support (123)
2009	122	8797.70	625	Manufacturing (115) Retail (103)
2010	109	10,804.90	567	ICT and Internet infrastructure Construction (19)
2011	151	8036.60	716	Logistics, distribution and transportation (17) Electricity (8)
2012	141	4077	636	Extraction (8) Headquarters (7) Education and Training (7)
2013	176	12,231.30	586	Maintenance and servicing (1)

Source: Rolfe, Perri and Woodward (2015); Number of projects by African companies in parenthesis

Despite the intra-African FDI increases, there are investment challenges – weak infrastructures, weak formal institutions, corruption and high levels of political instability (England, 2012). The diversity of the continent in terms of population and gross domestic product (GDP) per capita levels (Barnard et al., 2017) also plays a role. Nevertheless, the share of intra-African FDI has increased, with the share of African cross-border greenfield investment projects increasing from 10 -per cent to 18 per cent, concentrated mainly in the manufacturing and service industries (Boso et al., 2016). This sectoral distribution is contrary to the typical concentration of FDI into the continent from other countries outside Africa, which is more commodity-based and reliant on extractive industries. Increasing FDI figures signal the increasing internationalisation of business on the continent, requiring a more detailed understanding of the business environment and the strategies that are being employed to deal with (and within) the environment (Barnard et al., 2017). Understanding the environment is essential, mainly because the continent is characterised by such differing institutional environments and high levels of uncertainty. Additional research is thus needed to provide contextual understanding and theories to explain more comprehensively the realities of cross-border business within the continent (Adeleye et al., 2015; Boso et al., 2016).

Table 3 below provides a profile of African MNEs excluding South Africa operating across Africa. These MNEs are mainly from the financial and diversified industries and have their

operations in at least three African countries, with a potential to increase the current intra-African FDI figures.

Table 3: Overview of African MNE profiles

S/ N	Company	Industry	Home country	Revenue (\$ billions)	African countries of operation
1	Kenolkobil	Petroleum	Kenya	2.51	Burundi, DRC, Ethiopia, Mozambique, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe
2	Kenya Airways	Air Transport	Kenya	1.21	Tanzania
3	Kenya Com bank	Finance	Kenya	0.55	Burundi, Rwanda, South Sudan, Tanzania, Uganda
4	Nakumatt Holdings	Retail	Kenya	0.44	Rwanda, Tanzania, Uganda
5	Rogers & Company	Diversified	Mauritius	0.40	Comoros, Madagascar, Mayotte, Mozambique, Kenya, Reunion
6	Groupe Mon Loisir	Diversified	Mauritius	0.90	Madagascar, Mozambique, Namibia, Reunion, Seychelles, Zambia, Zimbabwe
7	Food and Allied	Diversified	Mauritius	0.36	Kenya, Madagascar, Mozambique, Tanzania
8	New Mauritius Hotel	Hospitality	Mauritius	0.26	Madagascar, Morocco, Seychelles, South Africa
9	Currimjee	Diversified	Mauritius	0.14	South Africa
10	Madhvani Group	Diversified	Uganda	0.1	Angola, Kenya, Rwanda, South Sudan, Tanzania
11	Dangote Group	Diversified	Nigeria	1.51	Cameroon, Cote d'Ivoire, DRC, Ethiopia, Gabon, Ghana, Guinea, Liberia, Senegal, Sierra Leone, South Africa, Tanzania, Zambia
12	United Bank for Africa	Financial	Nigeria	1.06	Benin, Burkina Faso, Cameroun, Chad, Congo Brazzaville, Cote d'Ivoire, DRC, Gabon, Ghana, Guinea, Kenya, Liberia, Mozambique, Senegal, Sierra Leone, Tanzania, Uganda, Zambia
13	Guaranty Trust Bank	Financial	Nigeria	1.4	Cote d'Ivoire, Gambia, Ghana, Liberia, Sierra Leone, Uganda, Kenya
14	First Bank	Financial	Nigeria	1.63	DRC, South Africa,
15	Access Bank	Financial	Nigeria	0.88	Burundi, Congo, Cote d'Ivoire, DRC, Gambia, Rwanda, Sierra Leone, Zambia
16	Oando	Petroleum	Nigeria	3.61	Benin, Ghana, Togo
17	Ecobank	Financial	Togo	2.0	36 African countries
18	Transnational Incorporation NSIA	Financial	Cote d'Ivoire	0.2	Benin, Cameroon, Congo, Cote d'Ivoire, Gabon, Ghana, Guinea Bissau, Nigeria, Mali, Senegal, Togo, France
19	BGFI Bank	Financial	Gabon	na	Benin Cameroon Congo Cote d'Ivoire,, DRC, Equatorial Guinea, Gabon, Madagascar, Sao Tome and Principe
20	Groupe Sogafric	Diversified	Gabon	0.20	Angola, Chad, Congo, Equatorial Guinea

S/ N	Company	Industry	Home country	Revenue (\$ billions)	African countries of operation
21	Sonangol	Petroleum	Angola	33.88	Cape Verde, Congo Brazzaville, Nigeria, Saotome and Principe, DRC

Source: Ibeh (2015)

Even with increasing intra-African investment, South Africa is the most active international investor on the continent (Goldstein & Prichard, 2009). Other sub-Saharan African MNEs originate from countries like Kenya, Mauritius and Nigeria (Barnard et al. 2017; Ibeh 2015). In comparing intra-African investments, South African investments top the charts. For example, between 2003-2011, South Africa contributed 4.1 per cent of the total FDI to Africa, mainly to Nigeria, Mozambique, Namibia, Ghana, and Zambia (England, 2012). Similarly, between the years of 2007-2011, Kenyan investments into the continent rose by 73 per cent – a contribution of 1.6 per cent of total FDI into the continent – while Nigerian investment increased by 78 per cent, contributing two per cent (England, 2012). More recently, Barnard et al. (2017) show that of the top 50 largest firms from Africa, 74 per cent are South African.

2.5 Why research South African multinationals?

South Africa is the focal country for this thesis because it is one of the largest economies and the most active African investor on the continent (Goldstein & Prichard, 2009). South Africa is still the only African nation in the BRICS grouping, together with Brazil, Russia, India and China, narrowly classified as the emerging markets of the 21st century. In Africa, the country remains the largest African investor (UNCTAD, 2016) in the region and stands as the fifth-largest source of FDI into the continent, as well as the largest from within the sub-region (Barnard & Luiz, 2018; Luiz & Ruplal, 2014). Figure 3 illustrates its position in comparison to other countries investing in the continent, even though they have been changes to the other investing countries on the continent. For example, France remains the largest stock investor in Africa, and the Netherlands has moved up to the second largest. The US and UK have seen a significant decline in their stocks, while China increased by over 50% between 2013 and 2017(Jere, 2019). South Africa remains the fifth largest investor by project on the continent (See Table 4).

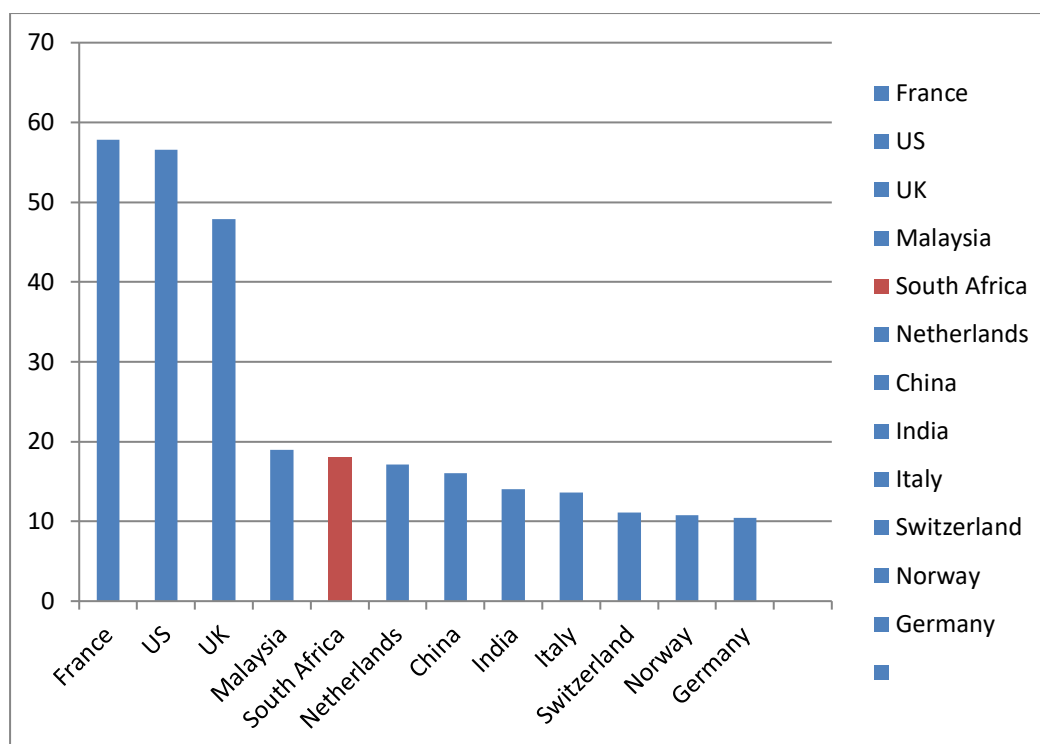


Figure 3: Foreign direct investment stocks in Africa

Source: UNCTAD (2016)

Country	Projects	Jobs created	Capital US \$m
USA	463	62,004	30,855
France	329	57,970	34,172
UK	286	40,949	17,768
China	259	137,028	72,235
South Africa	199	21,486	10,185
UAE	189	39,479	25,278
Germany	180	31,562	6,847
Switzerland	143	13,363	6,432
India	134	30,394	5,403
Spain	119	13,837	4,383

Table 4: FDI 2014-2018 by source: Largest investors in Africa (Rank by projects)

EY Africa attractiveness report (2019)

The country boasts of 91 MNEs operating in all five regions of the continent (Labour Research service, 2016), although increased investments to Africa only recently. In 2005, 87.48 per cent of South African outward FDI was to either the UK or other OECD countries, with only 8.19 per cent directed to Africa (Goldstein & Prichard, 2009). By 2014, \$134 billion was attributed to the country as an investment in the rest of the continent, linked to the

Nedbank agreement to purchase a 20% in Togo's Ecobank and Shoprite's increasing expansion on the continent (UNCTAD 2015). The change in the overall expansion strategies of South African MNEs has been linked to local market pressures to stay ahead of the competition, coupled with inadequate technical and financial advantages for expanding into developed markets (Goldstein & Pritchard, 2009). South African MNEs have internationalised into the continent either as global consolidators such as SABMiller, local optimisers such as Shoprite, or brokers such as Barloworld (Barnard & Onaji-Benson, 2018), with motives ranging from market seeking to resource-seeking (Ibeh, 2015). Appendix 1 provides an overview profile of South African MNEs operating in the sub-continent

One key sustaining advantage for South African MNEs in Africa has been their adaptation to and management of levels of risk similar to those they have encountered at home (Cuervo-Cazurra & Genc, 2008; Goldstein & Prichard, 2009). Intuitively, South Africa is also characterised by high levels of uncertainty and turbulence, with its increasing levels of outward FDI at times to the point of escape FDI (Barnard & Luiz, 2018). Barnard and Luiz (2018) argue that it is increasing levels of politico-institutional misalignment between firms and home countries that motivate high and growing outward FDI levels, although this is targeted towards developed markets than to the developing and emerging markets of Africa. It is, however, essential to recognise that such political uncertainty could be the source of non-market political advantages which Cuervo-Cazurra and Genc (2011) argue can be leveraged on by internationalising emerging MNEs to support their move into other politically uncertain environments. In this case, South African MNEs from their home country uncertain situation develop non-market advantages that support their internationalisation into other sub-Saharan African countries characterised by high levels of political uncertainty and turbulence.

Home and host country challenges have not prevented South African MNEs increasing their investments into the sub-continent, predominantly internationalising to countries that are geographically, culturally or economically similar to them (Boso et al., 2016; Johanson & Vahlne, 1977; Luiz, Stringfellow & Jefthas, 2017). More recently, they have increased their reach as they seek assets, markets and resources. Nevertheless, they remain challenged by the uncertainties they encounter in host-country environments, despite their relatively developed market strategies and country-specific advantages (Luiz, Stringfellow, & Jefthas, 2017). The African context, its MNEs and their strategies remain an understudied context (Barnard et al., 2017; Teagarden et al., 2017). In line with Baron's (1995) call for an integrated strategy of the market and non-market strategies and in extending Rajwani and Liedong's (2015) conceptual interrogation of corporate political strategies in emerging

markets, this thesis proceeds to map out the political strategy landscape of South African MNEs in their home country. It also explains the role of corporate political strategies on the subsidiary performance of South African MNEs in risky host environments and interrogates the moderating influence of host-country risk. In the next chapter, I review the literature relevant to the theoretical framework and the conceptual model supporting the research.

3 Chapter Three: Literature review

3.1 Introduction

The literature review chapter interrogates the literature related to the conceptual and theoretical framework of the thesis. The chapter is structured broadly into two parts: the theoretical framework and the conceptual model development.

In the literature review, I interrogate the theories on which the thesis is based, justifying the choices made. I employ the context, mechanism and intervention (CMI) framework (Booth, Sutton, & Papaianou, 2012) to draw out salient perspectives for understanding corporate political strategy research (Rajwani & Liedong, 2015). This framework considers the context of the research (sub-Saharan African markets) as risky environments. It also draws insights from the institutional theory as a lens for understanding the weaknesses in these environments and how this might affect MNE strategy and performance (Peng, 2002). This section begins by reviewing the corporate political strategy field and the various interventions of corporate political strategies and their relationship to performance. The following section considers the main theoretical framework for the study. I interrogate the overarching influence of the institutional environment bounding the research. The theoretical perspective I have selected to answer the research question is the dynamic capabilities perspective (Teece, 2007; Teece et al., 1997), based on the resource-based view (RBV) and the institutional-based view (Peng 2002). Following, Oliver and Holzinger (2008), I argue that MNE's dynamic political capabilities may be employed to deal with the uncertainties encountered in a weak institutional emerging market environment to the extent that the deployment of these capabilities improves performance.

The second section in this chapter describes how the thesis develops its conceptual model. I provide a nuanced conceptual model developed from the literature review and articulate the hypotheses to be tested based on the research question.

In the following section, I discuss the extant scholarship on corporate political strategies, interrogating the literature to identify and understand its antecedents, approaches, levels and relationship to performance.

3.2 A review of the literature on corporate political strategies

Research into corporate political strategies is influenced by multiple disciplines, including interest groups theory in political science, transaction cost theory in economics, institutional theory, resource dependence theory, resource-based view, stakeholder theory and agency theory in management (Getz, 1997; Mellahi et al., 2016). Scholars in the non-market strategy field have consistently called for a multi-theoretical approach to understanding the non-market environment of business operations (Aquinis & Glavas, 2012; Doh et al., 2012; Frynas & Stephens, 2015; Mellahi et al., 2016; Rajwani & Liedong, 2015), especially as such integration of theories emphasises complementary relationships. It is vital for understanding contexts and non-market capabilities, contexts and managerial discretion, social actors and non-market capabilities and social actors and managerial discretion (Mellahi et al., 2016).

In developed economies, studies of corporate political strategy and firm performance indicate that firms gain from their possession of political resources (Amore & Bennedsen, 2013), but this differs from context to context (Rajwani & Liedong, 2015). Boubakri, Cosset, and Saffar, (2012) in their international longitudinal study of 12 developed and 11 developing countries, find that political connections positively influence the accounting performance of firms. Their study does not, however, consider the influences of institutional environments. Hoskisson et al. (2013) argue that examining MNEs from an institution-based perspective provides a more contextualised view because available MNE resources change as the host-country context changes.

The role of weak institutions in emerging markets must not be underestimated, despite the significant compensatory role that some scholars (for example, Peng & Luo, 2000) argue that social capital plays. Many examples exist of emerging market institutional phenomena such as the value of political connections in China (Cheng 2018); the influence of political connections on private gains in Malaysia (Adhikari, Derashid & Zhang, 2006); the influence of singular political persons on the stock market in Indonesia (Fisman, 2001); and the overall anecdotal influence of election and election processing in developing African countries on their economic systems. All these serve to underline the importance of a focus on the institutional environment and its related theories in understanding corporate political strategy research within the emerging market economy context (Doh et al., 2012; Rajwani & Liedong, 2015).

Corporate political strategies involve managing political resources and actors to favour the firm while influencing the public policy outcomes of the environment (Hillman et al., 2004; Lux

et al., 2011; Mellahi et al., 2016). Shaffer (1995) set the basis for this definition with his assertion that firms employ corporate political strategies for two reasons: to gain legitimacy and to respond to corporate performance issues of either social responsibility or economic performance. Corporate political strategies may also be employed to influence regulations, laws or political processes (Néron, 2010), something that has provoked scholarly disagreement about the merits and demerits of these strategies to business. For example, Neron (2016) argued for a normative theory of corporate political strategies, on the premise that they provide legitimacy for firms. In circumstances where a firm has attained legitimacy, further use of these political strategies for influence may be construed as unethical and corrupt (Neron 2016). Cognisant of such scholarly positions, this research assumes that MNEs operating in risky host environments have not yet fully attained legitimacy, suggesting that political strategies are employed to improve a firm's performance within its business environment, with the move away from a strictly market focus into more non-market political spaces.

The corporate political strategies of MNEs from developed economies differ from those applied by emerging market MNEs, with the variety of strategies mediated by the environment within which the MNE is domiciled (Getz, 1997). The firm's internal and external environment shapes the strategies which the firm employs (Rajwani & Liedong, 2015), with firms from different external environments employing different strategies (Hillman & Wan, 2005). For example, firms in the United States engage in the transactional approach to political strategies like campaign contributions and lobbying which is supported by the institutional environment where a lobbying act exists (Hillman & Hitt, 1999). In China, the notable role of relationships and *guanxi* encourages a relational approach to political strategies like political connectedness and political ties (Luo & Zhao, 2013). In some Latin American countries like Venezuela, firms engage in more reactive political strategies like rapid compliance and low visibility (De Villa et al., 2018). These differences in political strategy approach in the different institutional environments support the assertion that firms determine their political strategy in response to their environment. In some cases, corporate political strategies may be unobservable (Dahan, Hadani, & Schuler, 2013), especially in situations where an MNE decides to adopt non-engaged approaches such as low visibility, rapid compliance, reconfiguration or anticipation (De Villa, Rajwani & Lawton, 2018).

In Africa, foreign and local pharmaceutical companies employ corporate political strategies to manage their non-market environment, which tends to have high levels of regulatory uncertainty (Wocke & Moodley, 2015). Some political strategies employed include disregard strategies and adaptation of political strategies (Wocke & Moodley, 2015). In the electricity

industry in Uganda, MNEs engage in a mix of proactive and compliance strategies to varying degrees, depending on their classification - Advanced market firms versus homegrown firms- (Mbalyohere & Lawton, 2018). However, in interrogating political strategies used by MNEs, the literature on political strategies in Africa has not documented how MNEs from Africa engage with the varying political environments in the other parts of the continent. More so, the mixed effect of political strategies on performance provides opportunities to examine the phenomenon within different contexts.

3.2.1 Antecedents of corporate political strategies

Over the years, a number of studies have focussed on the antecedents of corporate political strategies (Getz, 1997; Hillman & Hitt, 1999; Hillman et al., 2004; Hillman et al., 1999; Hillman, 2003; Lux et al., 2011) A still limited, but growing literature has concentrated on how these strategies affect firm performance (Baron, 1995; He et al., 2007; Lawton et al., 2013; Lux et al., 2011; Mathur & Singh, 2011; Rajwani & Liedong, 2015; Shaffer, 1995). However, considerable ambiguity remains in the literature (Mellahi et al., 2016) concerning the direction of influence and taking into account how the effectiveness of these strategies depends on the capabilities possessed by the individual firm and the context of use.

Hillman and Hitt (1999) enumerated four prime factors shaping corporate political strategies for firms: the firm itself; the firm's industry; the current issues the firm faces; and the institutional environment surrounding the firm. These factors provide the premises on which a firm can develop the corporate political strategies it employs. From within the firm, factors such as its size (sales, market share, number of employees, assets), determine the level of its political activity by influencing the resources it can employ (Shaffer & Hillman, 2000; Hillman & Hitt, 1999; Oliver & Holzinger, 2008). Smaller firms possess less political strength to negotiate effectively; they need to collaborate with other small firms in the industry (Hillman & Hitt, 1999). Larger firms, such as MNEs may not face these challenges. However, the influence of the liability that comes with being foreign (Gawande, Krishna, & Robbins, 2006; Getz, 1997; Hansen & Mitchell, 2000), may affect an MNE's ability to develop corporate political strategies effectively. More recently, Lawton et al. (2013) have argued for ownership as an antecedent for corporate political. Where the ability of firms to reconfigure political resources into political capabilities to manage their non-market environment is driven by whether the firm is state-owned or not, this thesis focuses on non-state owned enterprises which they argue are more aggressive but does not directly interrogate ownership as an antecedent to political strategies.

The decision by foreign corporations to engage in corporate political strategies is influenced by how such strategies may influence their business operations, necessitating a choice between buffering to influence or bridging to comply (Meznar & Nigh, 1995) within their host environments. Oliver and Holzinger (2008) argue that both strategic choices are critical to either value creation or maintenance, which are actions engaged in by firms, especially when viewed through a dynamic capability perspective. In which case, firms in uncertain institutional environments are a bundle of varying capabilities employed to yield competitive advantages (Teece et al., 1997).

The influence of the external environment on political strategies used by firms is key to understanding political strategy choice and action (Doh et al., 2012). Getz (1997) asserted that country institutional differences are instrumental in determining political action, with the model of the business-government relationship being driven mostly by the formal and informal institutional environment (Hillman & Keim, 1995). Firms obtain formal and informal resources, laws, legitimacy and favourable public opinion through their corporate political strategies (Getz, 1997). However, as an antecedent, the institutional environment determines, to a large extent, the formulation of political strategies for the firm. These political strategies, in response to the shocks from the environment, require that the political capabilities of the firm evolve to fit with the changes in the environment (Lawton et al., 2013). Firms that employ corporate political strategies are those that have developed an internal institutional system, embodying structures and experience and can deploy the firm's corporate political strategies more effectively within the external environment (Getz, 1997). This intersection between the internal and external environment for determining strategic choice towards improving competitive advantages is a requisite for a dynamic capability perspective. Especially in emerging markets where MNEs need to deal with an uncertain external institutional environment.

More so, emerging markets have a strong influence of social capital and a strong dependence on relationships (Rajwani & Liedong, 2015) A case in point is China's *guanxi*, which plays a crucial role in business, political ties and connections (Adhikari et al., 2006). There is also the influence of electoral uncertainties and corruption that politically engaged firms will need to consider when choosing their political strategies. In African economies, these complexities are heightened by the active expression of communalism and ubuntu - An African philosophy expressed in the saying that I am because we are - (Zoogah, 2008).

3.2.2 Approaches to corporate political strategies

Political strategies are either developed through a transactional approach; where firms wait for public policy changes and devise means to deal with a current and singular issue; or relationally, where firms build relationships with stakeholders over time (Getz, 1997; Hillman et al., 1999). The choice between these approaches is premised on three variables (Hillman et al., 1999). The first variable is the level of impact of government policy on the firm; in an environment where regulations are weak, firms may tend more towards a more transactional approach that allows them to deal with issues as they arise as they cannot control for the instabilities in the environment sufficiently to develop a relationship (Hillman et al., 2004). The second variable is the level of product diversification of the firm, and the third is the institutional environment. Product diversification as a determining variable depends on whether the firm is highly diversified, with a need to engage with different policymakers or a less diversified firm and thus able to focus on its core industry. The former may imply the need to build more relationships across different industries, which may be resource consuming for the firm. The preference for the former, therefore, is to operate on a more transactional basis (Shirodkar & Mohr, 2015) whereas the latter has the opportunity to focus on engaging a more relational approach (Hillman & Hitt, 1999). The institutional, variable studied by Hillman et al. (1999) relates to whether the environment is corporatist or pluralist. Corporatist nations tend to favour the interests of certain groups, while pluralist nations are characterised by a wider variety of interest groups with potential influence, and have an affinity towards a more transactional approach (Getz 1997). In Africa's nascent democracy, there remains confusion around whether African countries are corporatist or pluralist. In particular, post-apartheid South Africa transitioned to corporatism, but that has been perceived only as a name tag even after about twenty years (Kim & van der Westhuizen, 2015). Table 4 below lists the political strategies relevant to corporatist and pluralist environments.

Table 5: Government types and firm political strategies

Government Type	Approach	Strategy and tactics
Corporatist -	Relational	Constituency Building <ul style="list-style-type: none"> - Grassroots mobilisation - Advocacy advertising - Public image advertising - Economic or Political education - Cooperative - Forming coalitions - Joining trade associations
Pluralist-	Transactional	Information and Financial <ul style="list-style-type: none"> - Lobbying - Reporting research and survey results - Comments/Testimony - Supplying position papers - Hiring experienced personnel - PAC contributions - Personal service

Source: Adapted from Getz (1997)

Even though Hillman et al. (2004) engage with the institutional environment and its influence on the approach of the corporate political strategy, they neglect the institutional sociology perspectives of institutional theory, which places primary emphasis on social structures and relationships that occur within the environment (Hotho & Pedersen, 2012). Firms may choose to build relationships with policymakers, politicians or top-level governments in what is broadly referred to as political ties. Relationships may also be built with constituencies like communities that may have an indirect influence on policymakers (Lord, 2003). Rajwani and Liedong (2015) suggest that in emerging markets, due to the influence of social capital on political and economic institutions, relational approaches to political strategies are more common. They, however, do not specify what sort of relationships. Rajwani and Liedong's (2015) position contrasts with the position of Hillman et al. (2004) that in uncertain environments, firms adopt a more transactional approach. Shirodkhar and Mohr (2015) buttress this position by arguing that in environments characterised by high levels of corruption, firms are wary of building relationships with governments to avert the disadvantages that may arise from such political connections. The above therefore buttresses the need to interrogate political strategies in different contexts. These conflicting

positions may arise from slippage in the political strategy field as to the conceptualisation of a relational approach. This study conceptualises a relational approach to corporate political strategy as it relates to the constituencies that MNEs engage with in order to adapt to and influence their host environment. There is also the possibility that conflicting positions in the literature arise from the lack of empirical observations to test the arguments in different contexts. For example, Rajwani and Liedong (2015) assert that because of the poor institutional environments of emerging markets, the use of informational political strategies, a transactional approach is limited, especially when compared to developed markets where informational political strategies have strong supporting institutions.

3.2.3 Levels of corporate political strategies

Firms apply corporate political strategies either at an individual or a collective level (Hillman & Hitt, 1999). Collective participation allows smaller firms to bring their capabilities together to express the need for a change in public policy outcomes (Hillman & Hitt, 1999; Hillman et al., 2004). Nevertheless, if smaller firms are more likely to join forces to participate in political strategies (Hillman et al., 2004), this may suggest that the much larger MNEs, with both home and host-country and operations, will possess more capacity to employ political strategies independently. However, due to institutional tensions between home and host country environments, MNEs may also benefit from joining domestic and foreign collective organisations to address political issues in their host country environment. Zhang, Zhao & Ge (2016) argue that in weak institutional environments, like China, foreign-owned investments gain substantially from joining domestic trade associations than foreign business organisations to improve their engagement with the government. Another option also exists where firms may engage in political strategies through third party groups, contracting the task of lobbying to groups designed explicitly for lobbying governments and policymakers (Hillman & Hitt, 1999; Doh et al., 2012; Lawton et al., 2013).

The broad engagement with political action has over the years sought to reduce the ambiguity in the political strategy field (Dahan, 2005). Following Fainsod's (1940) assertion that firms can influence policy either through financial, human or political constituency building, Hillman and Hitt (1999) divide political strategies into three categories: informational, financial and relational strategies. Table 5 below provides a simple categorisation of corporate political strategies and also introduces the approach for this thesis which focuses on access strategies as defined by Schuler et al., (2002) and relational political strategies. Schuler et al. (2002) assert that informational and financial political strategies such as lobbying and political action committee contributions are frequently used

together and comprise the access strategy: action engaged in by a firm to gain access to the policy environment and increase its performance (Schuler et al., 2002). This is a transactional approach to political strategy, which is short term and targets more uncertain environments (Hillman & Hitt, 1999). On the other hand, the relational approach to political strategies as argued by Rajwani and Liedong (2015) is used more in weak environments as firms engage in the more long term, constituency-building political strategies. There is, however, a possibility of complementarity between these two broad strategies whereby internationalising firms in new environments use access political strategies in the short term to provide the initial jump-off point necessary for MNEs to access legislators and regulators (Hillman et al., 1999), after which they may then begin to build relationships for the long term.

Table 6: Thesis approach to corporate political strategies

CPS categorisation	CPS sub-categorisation	CPS tactics
(Schuler et al., 2002)	(Hillman & Hitt, 1999; Hillman et al., 2004)	(Hillman, 2003)
Access Strategies	Information	Share information with policymakers
	Information	Commissioning research think tanks
	Financial	Provision of informal monetary encouragement
	Financial	Hiring individuals with political experience
	Financial	Company members serving in a political position
	Financial	Paying elected officials to speak at your organization
	Financial	Providing paid travel or other benefits to elected officials
	Financial	Providing financial contributions to political parties
Relational Strategies-	Community relations	Engage in discussions with community leaders and people
	Government relations	Approach government representatives to support program
	Government relations	Join business advisory groups to government and regulatory bodies
	Other external relations	Public relations advertising in the media
	Other external relations	Form coalitions with other organisations not in a similar horizontal or sectoral trade organisation
	Other external relations	Collaborate with NGOs
	Other external relations	Create/ Join support group unions

3.2.4 Types of corporate political strategies

This study categorises political strategies into two: Access political strategies, a combination of informational and financial political strategies (Schuler et al., 2002) and relational political strategies, defined along the lines of constituency building (Hillman & Hitt, 1999; Lord, 2003).

3.2.4.1 Access political strategies

Access political strategies are short-term political strategies (Hillman & Hitt, 1999) employed by firms to gain access to the environment that they operate in (Schuler et al., 2002). They comprise both information and financial political strategies (Schuler et al., 2002).

Information political strategies are typically targeted at government institutions concerned with policymaking. They seek to influence policy outcomes and decisions (Rajwani & Liedong, 2015) and are classed into lobbying, petitions, research and comments, all with a core purpose of influencing the environment within which the firm sits. Even though its focus is on providing information, it could also include an indirect financial component, where resources are engaged to facilitate the process of information sharing. For example, having current or former policy makers on the company board. The informational political strategy is different from the financial direct political strategy. As an informational strategy, a firm provides information through interest groups to policymakers (Grossman & Helpman, 1994), increasing profits at a micro level, and economic growth and welfare at a macro level (Júlio, 2014). De Figueredo and Richter (2014) hold that such a strategy typically involves two parties – interest groups and politicians – and the transfer of information between them, which may include statistics, facts, agreements and forecasts.

In the United States, the informational strategy of lobbying is a relatively common instrument of influence (Gawande et al., 2006). It surpasses campaign contributions in terms of the funds invested in it, with more than four times the amount of expenditure of campaign contributions in 2012 (De Figueredo & Richter, 2014). These lobbying behaviours are observed in other developed and some transitioning economies (Naoi & Krauss, 2009; Sukiassyan & Nugent, 2011). In less developed economies with weaker institutions, information to track lobbying behaviour is limited (Rajwani & Liedong, 2015), with scholars asserting that this may be one reason for the weakness of information strategies in influencing firm performance (Mellahi et al., 2016; Doh et al., 2012; White, Hemphill, Joplin & Marsh, 2014).

Lobbying is instrumental in influencing the location pattern of the firm (Belletini & Kempf, 2013), the political process, and the rules guiding operations (Hansen & Mitchell, 2000; Polk, Schmutzler, & Muller, 2014). It is a corporate expenditure typically sourced from the company's treasury and controlled by management, unlike financial political strategies which may be more focused on an individual (Chen, Parsley, & Yang, 2014). Even though lobbying is one of the least investigated but effective (Mathur & Singh, 2011), Rajwani and Lawton (2013) aver that lobbying strategies are a precise and directed political strategy which provides significant competitive advantages for firms. However, the blurred lines between lobbying and corruption in emerging economies (Neron, 2016) and the weak formal institutions supporting the strategy limits its interrogation (Chen et al., 2014; Rajwani & Liedong, 2015).

The literature suggests that lobbying influences firm performance positively through increasing future excess returns, reducing tax, increasing subsidies, increasing government contracts and reducing trade restrictions (Chen et al., 2014; Gawande et al., 2006). For example, Chen et al. (2014) using data from the United States Lobbying Disclosure Act 1995, find that on average, lobbying is positively related to accounting and market measures of financial performance. Gawande et al. (2006), in their study of United States data on foreign political strategies, concur. They find that tariffs positively correlated with the presence of organised import-competing lobbies, but negatively with the presence of organised foreign lobbies. Lobbying positively influences accounting and market measures of performance (Chen, Parsley, & Yang, 2014; Mathur & Singh, 2011). However, most of the political strategy research is limited to the US (Liedong & Frynas, 2018), where data on lobbying since the introduction of the Lobbying Disclosure Act in 1995, has been collected efficiently. Amid all the positivity described in the lobbying-firm performance nexus, there is still a lack of clarity about the precise relationship. Chen et al. (2014) assert that concerning stock price performance; there has been no systematic study that finds that lobbying increases the returns of a firm's shares.

The influence of lobbying on regulations and policy making is not restricted only to 'on the record' lobbying; Yackee (2012) has also identified the influence of *ex parte* or 'off the record' lobbying on policymaking. *Ex-parte* lobbying is often non-transparent in its influence on the regulatory environment (Yackee, 2012), and these strategies are not available to the public record. Yackee (2012) asserts that such lobbying remains the most effective in influencing regulatory policymaking, especially concerning the early stages of policymaking. In emerging markets, where information on lobbying is not adequately regulated, these expressions of *ex-parte* lobbying are more pervasive, and the lines separating it from

corruption blurred (Neron, 2016). Stark (2010) and Neron (2016) argue that such influence of firms over policies and policy-making processes for profit motives verges on being classed as ethically inappropriate.

Financial political strategies, on the other hand, involve the use of direct financial pressure (Hillman & Hitt 1999) in the form of political action committee (PAC) contributions, soft money campaign contributions, election advertising, party-voter mobilisation (Stark, 2010) and other financial tactics aimed at influencing policy (Schuler et al., 2002). PAC contributions are made to specific candidates to facilitate their gaining access to decision-makers (Hansen & Mitchell, 2000). Soft money contributions are made to entire parties but have been illegal in the United States since 2000. In the United States, PAC contributions have been observed from local firms and (in the case of international businesses) from subsidiaries with strong support from the parent organisations (Hansen & Mitchell, 2000).

In emerging markets like those in sub-Saharan Africa, regulated secondary databases with details of financial incentive data over the years do not exist. As a result, financial contributions are typically perceived as illegal acts in which firms engage at their own risk (Rajwani & Liedong, 2015), blurring the line mentioned above between financial strategies and corruption (Neron, 2016). For this reason firms in risky host environments generally favour less visible forms of political strategy (such as lobbying) over campaign contributions and charitable giving, which might set them in opposition with other firms or indicate ties with certain parties (Hansen & Mitchell, 2000). For example, De Villa et al. (2018) have found support for low visibility as a non-engaged approach to political strategies for MNEs operating in risky host environments, or environments with wide home and host country institutional distance. Research (Gawande et al., 2006; Hansen & Mitchell, 2000) suggests that this is stronger for foreign firms, which do not wish to appear to be influencing the domestic economy, which could suggest detrimental outcomes for the economy to the benefit of the MNE.

Firms also employ other indirect financial strategies to gain access to policymakers, such as appointing previous government employees (Hillman & Hitt, 1999; Hillman 2003; Hillman & Wan, 2005). This political strategy is financial to the extent that the costs of such resource may be attributed to a financial rather than an information strategy. Firms have been observed to use this as a strategy to gain access to the government. Blumentritt and Nigh (2002) observed in the 2000 Bridgestone controversy that Bridgestone set up a subsidiary in Washington, the seat of government, with a former senior government administrator as its head to facilitate. There is, therefore, an overlap between the financial and informational

political strategies seeing as funds are expended to be able to either lobby or hire previous government employees. To delineate, this thesis classes direct financial strategies like PAC contributions, soft money or campaign contributions as financial political strategies and indirect financial strategies like hiring previous government employees and lobbying, as informational political strategies.

3.2.4.2 Relational corporate political strategies

Relational political strategies are utilised by firms to improve their relationships with their political stakeholders, including governments, regulators, communities, unions, and industry bodies. Luo and Zhao (2013) liken its use to the development of relationship-oriented social capital which facilitates continued exchange, mutual gains (p. 519) and a source of firm performance (Post, Preston & Sachs, 2002). However, the strategies are a complex and subjective combination of political strategies. In the political strategy literature, relational political strategies are concerned with managing strategic reference points. They are categorised into those that are connected to political ties including political office holders or policymakers and those that focus on other key stakeholder groups providing knowledge on how to, directly and indirectly, work with governments (Goldman, Rocholl, & So, 2009).

Political ties are connections that firms build with top level policy makers and politicians to facilitate their business engagements (Sun, Mellahi & Wright, 2012). Dielemann & Boddewyn (2012) assert that these ties are maintained adequately when the connection directly links the firm's top management team to the high-level political actors. In emerging economies characterised by unstable political economies, firms thrive on these political ties to access policy and information benefits. However, political ties may provide disadvantages for the firm, if a buffering organisational structure is not created concurrently as the ties are being developed (Dielemann & Boddewyn, 2012). For example with the case of the Gupta family in South Africa, the family enjoyed political favours throughout the Jacob Zuma administration, but with the change of the political administration, the family faces repercussions (eNCA, 2018). Anecdotal data suggests that when the Gupta family had access to the ruling government, organic relationship building with other constituents like communities was sparse, with most of their focus directed at connections to the top policymakers in the government.

The weak nature of institutions in emerging markets suggests that political activity for firms revolve around informal social networks (Peng & Luo, 2000; Rajwani & Liedong, 2015). However, apart from social and family political ties, MNEs also develop political ties through the use of access political strategies like soft money contributions, PAC contributions and

lobbying. The focus of this work is not on political ties, especially given the liabilities that may arise from such political ties in a politically unstable environment (Dielemann & Boddewyn, 2012). This study focuses on the relational social networks that firms in emerging markets build with constituencies in their host environment. Constituency building strategies are the foundation for corporate political strategies (Lord, 2003).

Constituency building refers to a firm's efforts to engage and enlist sympathetic stakeholders to use their influence on policymakers, independent regulatory agencies and governments (Lord, 2000 and 2003). Its mechanisms focus on addressing the needs of stakeholders in society as support for its agenda (Shaffer, 1995) and aims to educate stakeholders on active and effective policy participation. Constituency building strategies are advantageous to the firm by helping to build the firm's legitimacy (Boddewyn & Brewer, 1994; Hillman & Hitt, 1999) and reputation (den Hond et al., 2014). It may be argued that the stakeholder engagement of constituency building strategies may imply an alignment of corporate political and social responsibility initiatives of the firm (Mellahi et al., 2016), which has been theorised to improve a firm's reputation within complex institutional environments (den Hond et al., 2014). Without a good reputation with external stakeholders, firms are unable to develop a reputation to support their political strategies and performance (Luo & Zhao, 2013). This thesis extends the political strategy literature by looking at the integration of political strategy with external stakeholders within institutionally weak environments to interrogate how these strategic choices affect the firm's performance (Frynas, Child & Tarba, 2017).

Lord (2003) describes constituency-building as a foundation for the development of corporate political strategies, seeking "sincere, credible, unique, deep and broad-based grassroots political support, which is not easily faked or imitated" (p.118). He further asserts that it is a particularly useful way for a firm to acquire a competitive advantage. Constituencies could either be internal or external with the former including employees (Hillman & Hitt, 1999) and the latter not limited to unions, shareholders, suppliers, distributors, customers, communities, non-profit organisations, competitors and public agencies (Lord, 2003). Getz (1997) emphasises that the efforts of these stakeholders have the potential to influence the firm.

Even though MNEs typically approach political issues from either a government or a community function (Doh, Lawton, Rajwani, & Paroutis, 2014), in dealing with the non-market environment, Doh et al. (2014) argue that MNEs need to fully engage with the environment through aligning with a deliberate and well-coordinated constituency building strategy. The deliberate strategy is politically crucial as policymakers are typically more

attuned to their constituencies (Lord, 2003). A typical example is provided by Walmart's tumultuous expansion (Cuervo-Cazurra, 2016; Doh et al., 2014; Lord, 2003), first in the United States and then across the world. Before its entry into Africa through the acquisition of Massmart, a retail South African MNE with operations across Africa (Barnard & Onaji-Benson, 2018; Luiz et al., 2017), Walmart faced many challenges. These challenges, similar to those experienced in its initial expansions to the north-eastern parts of the United States (Lord, 2003), were mainly from stakeholders in the South African market around concerns of crippling the local industry (Bonakele, Beaty, Rasool, & Kriek, 2014). To address these and facilitate entry, Walmart set up engagements with key host country stakeholders including the government, unions and communities (Bonakele et al., 2014), a proactive strategy that they had initiated in their earlier expansions in the United States (Lord, 2003). Recognising the complexity of relational political strategies (Rajwani & Liedong, 2015), this thesis conceptualises constituency building relational political strategy from its government and community relations. I also include an "other" external relations to provide a more holistic picture of the firms' possible constituencies in a non-market political environment (Post et al., 2002).

Community relations refer to the relationship between MNEs and the community within which they operate. For MNEs expanding across geographical, cultural and economic distances, constituency building is vital to improve their business operations. MNEs seek to build a social license to operate - which goes past the legally-granted operation rights, to an acceptance of its activities in its immediate community (Post et al., 2002; Wilburn & Wilburn, 2011). Rehbein and Schuler (2015) aver that engagement in community programs can improve the effectiveness of a firms constituency building strategy so much so that its capabilities are improved together with its legitimacy in the environment. In Africa, there is increased research on the prevalence of community-based businesses that leverage off community resources to increase legitimacy and profits (Manning, Kannothra & Wiserman-Wiber, 2017). In the case of Walmart, initial entry into local communities in the United States was hindered by community protests against large stores overwhelming local businesses (Lord, 2003). Walmart had to develop ways to partner with local communities and stakeholders to establish a conciliatory strategy considering all stakeholders (Lord, 2003). This community engagement strategy was also evident in their expansion into Africa through the acquisition of Massmart, where Walmart also proactively engaged with communities and local suppliers to demonstrate alignment with community goals and needs (Bonakele et al., 2014).

Government relations are typically a constituency the firms seek to manage either through the legal or the regulatory function (Doh et al., 2014). MNEs use engagements in the political and social environment to develop relationships with the government, though of a narrow focus. These constituencies are built either directly by engaging with governments through the creation of advisory groups to the government (Doh et al. 2014) or indirectly through aligning with other government constituencies that they are responsible for, like non-governmental organisations or communities. In the case of Walmart in Africa, initial steps were taken by business and government to discuss the implication of their entry on local stakeholders (Bonakele et al., 2014), especially given Walmart's questionable engagements in other emerging markets (Cuervo-Cazurra, 2016; Doh et al., 2014). On the back of these discussions, resolutions were made by all parties to engage with the government to ensure compliance with the country's requirements which include abiding by labour laws and local procurement (Bonakele et al., 2014).

The narrow approach to viewing MNE engagement within their non-market environment excludes key constituencies relevant in the policymaking process (Doh et al., 2014). MNEs have typically engaged their political environment from the government and community function, thus excluding other non-market players like trade unions, non-governmental organisations and other horizontal groups. Following Doh et al. 's (2014) call for the need for a broader external function in MNEs and the observed benefits of such engagement, this thesis argues that MNEs engage with other external constituencies. This constituency includes a broad range of stakeholders from within and without the MNEs horizontal group. Some of them include trade unions, non-governmental organisations (NGOs) and the media, which also serve as a source of MNE legitimacy (Darendeli & Hill, 2016). Trade unions provide a constituency from within the industry- employees, NGOs, the media, a broader constituency that engages with policymakers. Their primary role of collecting and disseminating perceptual information to a broad audience has made them strong stakeholders in the process of policymaking (Voinea & van Kranenburg, 2017). In the case of Walmart in South Africa, trade unions engaged actively in the initial dialogue between the business and government to get the US MNE to reiterate their commitment to union relationships, local laws and communities. The media throughout the time remained active in their information dissemination, allowing policymakers a view, though arguably biased on the ongoing Walmart entry controversy. News about court rulings, union agreements, stakeholder disapprovals and Walmart positions were promptly shared. In the end, the quote signifying the harmony between the stakeholder groups was broadcast as the MNE's spokesperson asserted that "... This merger is now endorsed by all parties and the process has been rigorous ..." (van Wyk, 2012).

3.2.5 Corporate political strategy and performance

Even though the research on political strategies acknowledges the ambiguity, complexity and multidimensional nature of the field (Hansen & Mitchell, 2000), Boddewyn and Brewer (1994) and Holburn and Zelner (2010) – separated by 15 years – assert that a firm's application and management of political resources can affect their economic returns. Scholars from the disciplines of political science, economics and management have engaged different theories to try to understand business-government relations (Getz, 1997). This includes theories on public choice, interest groups, organisational science and business-political strategy (Shaffer, 1995). Even though these theories address varying questions, questions on the outcomes of corporate political strategies had been mainly ignored till Hillman and Hitt's (1999) interrogation of outcomes of political behaviour. They focussed on the benefits to the firm of personal service in the United States Government. Hillman et al., (1999; 2004) then interrogated political strategies and their influence on firm performance.

Since the seminal articles by Boddewyn and Brewer (1994) and Hillman et al. (1999), various studies have sought to ascertain how corporate political strategies may, directly and indirectly, influence firm performance (Adhikari, Derashid, & Zhang, Hadani & Schuler, 2013; Hillman, 2005; Holburn & Zelner, 2010; Rajwani & Liedong, 2015). These studies have come up with diverse positions, positive, negative and mixed, related to the aspect of political strategy that is under investigation. While Hillman (2005), for example, finds that political connections lead to positive stock market reactions, Bliss and Gul (2012) observe that politically connected firms are charged higher interest rates on loans, which may inadvertently affect their performance. Ansolabehere, Meredith and Snowberg (2014) find neutral effects from campaign contributions. Hadani and Schuler (2013), in their US study, found that corporate political investments (lobbying and campaign contributions) negatively and positively influence market valuation and return on sales, respectively. In emerging economies like China, Wu, Li and Li (2013) find that political connections positively influence the performance of Chinese firms initial public offerings. Conversely, Zheng, Singh, and Mitchell (2015) in their study of the Chinese television manufacturing industry observed increased firm performance not as a result of political connections, but instead as a result of the development of firm survival strategies.

It is evident from the above review that studies on corporate political strategies and performance have engaged with the question using different tactics, for example, campaign contribution as a tactic for financial strategies or lobbying as an information strategy (Hillman

& Hitt, 1999). Studies to wholly interrogate the influence of political strategies on performance has been scarce in the literature and so have studies interrogating moderating effects (Puck et al., 2018). Heidenreich et al. (2014) investigated the influence of information and financial political strategies on the performance of developed MNEs in Russia, finding a negative influence of the political strategies on performance, but a complementary relationship together. Nell et al., (2015), on the other hand, find a positive relationship of information, financial and relational political strategies on subsidiary performance of developed MNEs in five emerging economies including South Africa. These disparities in research findings on the phenomenon are recognised in the literature, with Mellahi et al. (2016) in their meta-analysis collating the different relationships between political strategies and firm performance between 2000 and 2014 (see Figure 4 below).

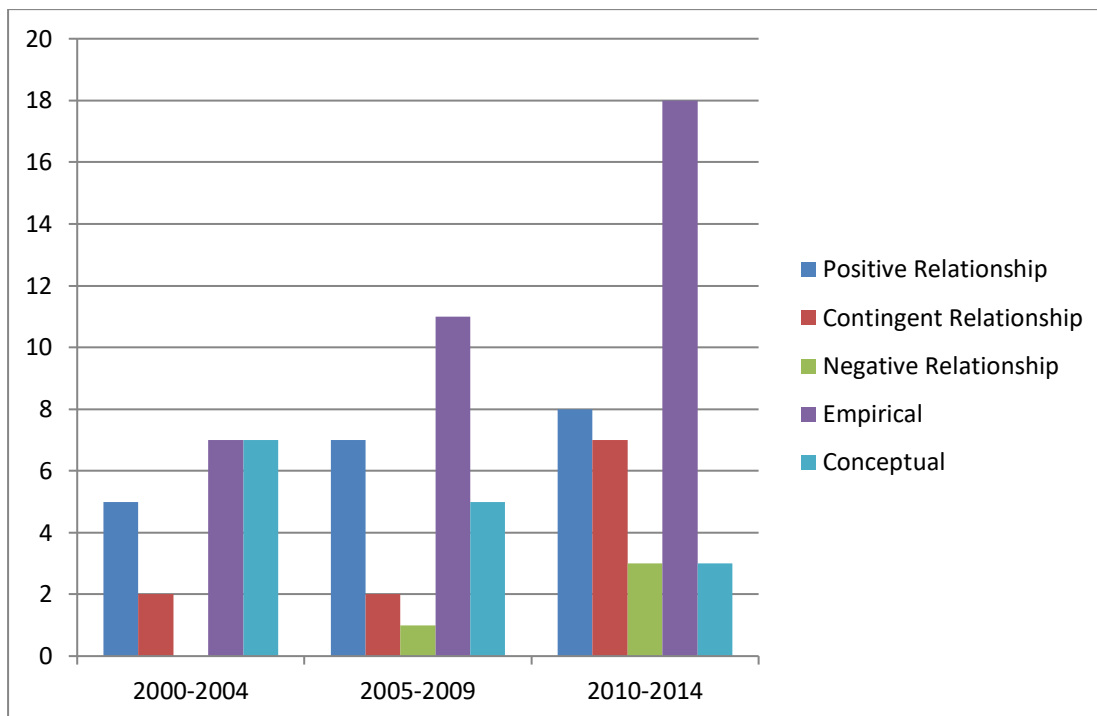


Figure 4: Research on the relationship between corporate political strategies and performance

Source: Mellahi et al., 2016

In particular, they observed that as empirical papers on the relationship between political strategies and performance increased, so did findings of negative relationships. Although the measures of corporate political strategies and performance differ (see Table 6 below), these contradictions in research findings were also observed in the literature reviewed during this research. Highlighting these variations in scholars' conceptualisation of corporate political

strategies with performance enriches our understanding of the corporate political strategy literature, but also highlights the need for further information.

Rajwani and Liedong (2015) and Hadani, Dahan and Doh (2015) argue that these disparities in the influence of corporate political strategies on firm performance are influenced by multiple contextual factors, especially the institutional environments presented by the various home and host research contexts. This signals a need for more nuanced studies that interrogate MNEs originating from and operating in emerging markets. Moderating influences also play a role in determining the direction of the influence of political strategies on various outcomes (Lux et al., 2011). Luo and Zhao (2013) find a moderating influence of the subsidiary's reputation and length of time in the host country on the relationship between the MNEs subsidiary relational political strategies and performance. Their argument, similar to the constituency building logic, engages with the long term stakeholder view of MNEs, as being critical to the MNEs performance. However, their studies focus on developed MNEs operating in China and on the relationships (*guanxi*) built with government officials and agencies.

Some of the sources of the disparities have been linked to the theoretical choice of the research. For example, resource-based view, institutional and stakeholder theories seem to result in more positive relationships than the resource dependency and agency theories (Mellahi et al., 2016). However, the resource dependency logic has been argued to provide more nuance in terms of its mechanisms for reducing uncertainty in its interrogation of the phenomenon (Rajwani & Liedong, 2015). Studies that employ a dynamic capabilities perspective have been conceptual (Oliver & Holzinger, 2008), an extension to the literature which this thesis provides.

Corporate political strategies can exert their influence on firm performances, both directly and indirectly. Lux, Crook and Leap (2012) assert that, concerning the host government, corporate political strategies' influence on performance is observed indirectly through their influence on appropriations, policy maintenance, policy change and policy creation. The policy change, for example, can alter the firm's competitive environment by creating entry barriers into the industry, and thus change the firm's competitive advantage (Mahon & McGowan, 1996). One typical United States example was the way the Walt Disney Organisation changed copyright law to its advantage, as described by Lux et al. (2012). There is, however, also the possibility of reverse causality, where the performance of a firm might influence its political strategies: a lower performance by firms could imply a simple inability to afford the resources needed for political strategies (Mathur & Singh, 2011).

However, this is not addressed in this thesis. Table 6 below provides a review of the literature on corporate political strategy and performance

Table 7: A review of some of the literature on corporate political strategies and firm performance

Relationship	Business Type	Host Context	Aspect of CPS	Aspect of Performance	Research method	Literature reference
Positive	Local	United States	Former Politicians as directors	Market and accounting based measures of performance	Quantitative- Anova, Chow Test,	Hillman, 2003
	Local	Denmark	Political connections	Firm profitability	Quantitative- Differences in differences method	Amore & Bennedsen, 2013
	Local	United States	Corporate Political investments (Lobbying and Campaign contributions)	Market based performance	Quantitative- Two stage regression	*Hadani & Schuler, 2013
	Local	Mixed	Political connections	Accounting based performance measures	Quantitative- Long term event study	Boubakri, Cosset & Saffar, 2012
	Cross-border	Developed MNEs in Mixed emerging economies	Information+ Relational	Financial+ Subsidiary Performance	Hierarchical regression	OLS Nell, et al.,2015
Cross border	Developing Economies	Lobbying	Firm growth sales	Quantitative	Yim, Lu, Choi, 2012	
Cross border	Developed MNEs in China	Political Connections	Initial Public Offer	Quantitative	Wu, Li & Li, 2013	
Cross border	Developed MNEs in China	Relational Strategies	Political Subsidiary Performance	Quantitative	Luo & Zhao, 2013	
Negative	Local	United States	Corporate Political investments (Lobbying +Campaign contributions)	Market Valuation + Return on Sales	Quantitative- Two stage regression	*Hadani & Schuler, 2013
	Local	Malaysia	Political connections	Effective Tax rates	Quantitative-Time	Adhikari, Derashi, &

Relationship	Business Type	Host Context	Aspect of CPS	Aspect of Performance	Research method	Literature reference
	Cross border	Developed MNEs in Russia	Informational X Financial	Subsidiary Performance	series regressions 3 Stage least squares	Zhang, 2006 Heidenreich et al., 2018

Source: Author's readings: (Note: *- regulated industries affect the relationship)

This thesis departs from previous research which seeks to interrogate firm performance using either historical accounting measures of overall profitability (Amore & Bennedsen, 2013; Boubakri et al., 2012) or the more forward-looking, market-based market to book ratio (Hillman, 2005). In the context of this research, where the interest is in the influence of corporate political strategies on subsidiary performance (the MNE's performance outside its home country) the measurement of performance requires careful thought and a distinctive approach.

Measures of subsidiary performance may be misleading (Rajwani & Liedong, 2015) because it is especially challenging to delineate individual subsidiary performance from the overall MNE performance (Fey & Bjorkman, 2001). Only imprecise performance data for subsidiaries may be available, or the overall MNE performance may differ from that of an international subsidiary (Andersson et al., 2001; Hansen and Gwodz, 2015). For these reasons, drawing assumptions about subsidiary performance from MNE annual statements may be misleading; and comparable financial information on subsidiaries may be impossible to obtain, as observed in the research by Fey & Björkman (2001) on foreign subsidiaries operating in Russia. Such challenges make it difficult to find a consensus within extant literature on how best to measure subsidiary performance. The relationship between political strategies and firm performance is sensitive to how performance is defined (Hersch et al., 2008). For this reason, subsidiary managers' perceptions can be a useful way to explore the relationship (Andersson et al., 2001).

Subsidiary performance may be divided broadly into current and future market performance: the former employing comparative measures; the latter considering the potential of the near future as perceived by the managers (Andersson et al., 2001). Although some scholars have described perceptual measures as fragile and unstable (Buchko, 1994), other researchers (Delaney & Huselid, 1996; Geringer & Hebert, 1991) have demonstrated that it has a high correlation with objective, accounting-based measures. Others again have noted that the benefits of its use overshadow both its risks and the omissions inherent in its non-use (Fey & Björkman, 2001). Andersson et al. (2001) have further emphasised that perceptual measures have utility in gathering perceived future market performance information, which accounting-based historical measures lack. Following Andersson et al. (2001), this thesis employs a perceptual measure of future performance.

This section has provided a review of the literature on corporate political strategies, highlighting its antecedents, approaches, types and relationship to performance. In the next section, I interrogate the institutional theoretical framework and employ the resource-based

view lens to discuss the dynamic capabilities perspective as the framework to set up the conceptual framework for the thesis.

3.3 Institutional theory

To interrogate the role of the institutional environment and corporate political strategies in emerging economies. This thesis employs the new institutional economics approach to institutional theory together with the institutional view (Cuervo-Cazurra, Mudambi & Pedersen, 2019). Hotho and Pedersen (2012) assert that such nuanced interrogation of the institutional environment provides a more coherent understanding of how institutions matter in international business.

3.3.1 *New Institutional Economics*

Institutions, as defined by North (1991), guide expectations that determine how things work in an economy. Institutions may be formal or informal, depending on whether prescribed by legislation or passed down through norms and cultures. These institutions are expected to 'define the conditions and set limits for maintaining a stable system' (Oberman, 1993: p.215), hence in their absence, an unstable and uncertain system emerges. So, regardless of type, these institutions matter (Peng, 2002). The new institutional economics as propounded by North (1991) focuses on the influences of formal and informal regulations and how it constrains individual or firm behaviour. These regulations structure the political, economic and social interactions that exist between market players, in a bid to reduce uncertainty and encourage market transactions (North, 1991). In domestic exchanges, the mechanism of influence of institutions may be a relatively straightforward process. However, an expansion across borders requires more effort to know and understand what MNEs need (Cuervo-Cazurra et al., 2019).

In international business, the rules of the game in the host country environments influence the MNE's response to the environment (Doh et al., 2012). Where the environment has a stable institutional environment and relative certainty, MNEs are better able to reduce their costs and uncertainty (Hotho & Pedersen, 2012). North (1991) argues that institutional environments either increase or decrease transaction costs, with weak institutional environments resulting in higher transaction costs. In weak institutional environments, host country uncertainty increases transaction costs and influences the environment so much so that it shapes the corporate political strategy that firms employ (Lawton & Rajwani, 2013). This largely determines the political choices and decisions of firms (Doh et al., 2012): whether the firm engages in a more institutionally supported political strategy like the use of

PAC contributions in the United States, or they employ the use of political ties to policymakers and government officials in politically uncertain environments like Indonesia (Dielemann & Boddewyn, 2012).

In emerging economies, where the influence of personal, informal institutions are relatively stronger than the impersonal, formal institutions, MNEs are faced with even more requirements to learn and adapt to their host institutional environments, especially given the strong influence of informal institutions on defining these environments over time (North, 1991). In the following discussion, I discuss how the institutional view positions MNEs to learn to engage in such environments to adequately influence their non-market environment.

3.3.2 Institutional view

Management scholars of business and strategy realise that institutions matter (Meyer et al., 2009; Peng, 2002; Peng et al., 2008). Studies have consistently sought to understand to what extent, where, and to which firms they matter. Peng (2002) revisited a critical question posed earlier by Rumelt, Schendel and Teece (1994): why do the strategies of firms from different countries and regions differ? Much of his research, and that of subsequent institutional scholars, argues that the institution-based view may be a more suitable lens for interrogating these differences, especially for emerging markets which have arguably different institutional environments from those of developed economies (Meyer & Peng, 2016; Meyer et al., 2009; Peng et al., 2008). However, the focus on the market environment as a site for understanding MNE strategy weakly explains the role of external environmental factors such as the state and society (Peng, 2002). In the following discussion, I integrate the institutional-based view into understanding the non-market political strategies of emerging MNEs operating in uncertain host country environments.

Domestic firms consequently make conscious choices through selecting strategies suitable for adaptation to their home country environment. Similarly, MNEs seek to adapt to their host country environment when they internationalise. While Meyer et al. (2009) highlight the influence of institutional environments on MNE mode of entry, Cuervo-Cazurra and Genc (2011) draw attention to the reality that MNEs from weak institutional environments tend to adapt better to other weak institutional environments in the host countries where they operate. This behaviour of emerging market MNEs merits further exploration because it is highly relevant to South African multinationals within the African context (Luiz, Stringfellow & Jefthas, 2017), concerning their choice and use of non-market strategies.

Doh et al. (2012) assert that MNEs need a combination of institutional perspectives and firm strategies to appropriately develop and adapt non-market practices to improve their effectiveness – particularly since firms need an integrated combination of market and nonmarket strategies to thrive in developed and emerging markets (Baron, 1995).

In countries with unstable political environments, firms that engage in political activity do so to bridge and buffer the political risks that they face. Formal and informal institutions affect the level, choice and benefits of the political strategies (Liedong, 2016). Following Grosse and Behrman's (2010) assertion that "business theories that ignore the political strategies of MNEs take the nation out of the international, reducing their analysis to a simple extension of firm and market theories" (p.97). I pursue the argument that expanding our understanding of the influence of the political, institutional environment on business and strategy also enhances our understanding of international business in its relationship with the political environment (Boddewyn, 2016; Boddewyn & Brewer, 1994 Kobrin 2015).

In emerging economies, like all other environments, the influence of institutions leads to varying behaviours and strategies, where firms either choose to adapt, appeal or avoid (Cuervo-Cazura et al., 2019). In these seemingly different institutional environments internationalising thus requires a thorough investigation of the environment, to understand how host country risks and uncertainty may moderate the influence of MNEs' political strategy on performance (Hoskisson et al., 2000; Peng et al., 2008; Meyer & Peng, 2016). This thesis tests the relationship between the MNEs corporate political strategies and subsidiary performance within the context of weak institutional environments. I interrogate the institutional environment nuances to understand the moderating influence of political risk on the relationship between the corporate political strategies of South African MNEs and their subsidiary performance. In the following section, I discuss host country risk and uncertainty to establish the research context.

3.3.3 Host- country risk and uncertainty

Extant scholarship suggests that uncertainty both measurable and otherwise creates more considerable transaction costs for firms, especially as it relates to their relationship with the government (López-Duarte & Vidal-Suárez, 2010; Williamson, 2002). These costs contribute to firms either improving or decreasing their performance. Firms that can access the political process may benefit from a reduction in uncertainty, reduced transaction costs, and increased survival (Hillman et al., 1999). Firms thus need to decide on actions and processes that can improve rewards, and ways to use available resources and capabilities to ensure attainable positive outcomes even amid uncertainties. While Engau and Hoffman

(2011a,2011b) argue that uncertainty drives firms to pursue strategies to either avoid, reduce, adapt to or disregard it, Miller (1992) asserts that firms respond by controlling, imitating, avoiding, cooperating or just staying flexible.

Various studies of uncertainty ((Boyd & Fulk, 1996; Downey & Slocum, 1975; Duncan, 1972; Milliken, 1987)) have established the dilemma into which an uncertain context throws its stakeholders. Dahan et al. (2013) assert that regardless of which lens is employed, uncertainty creates a dark hole of incomplete information in which stakeholders can no longer be specific about their contracts and dealings. Until recently, researchers in various management disciplines have scaled down their uncertainty research into its applications and influence on business. However, this position is now changing because of the growing need for businesses to engage both locally and internationally (Alvarez et al., 2018). Although Hillman et al. (1999) acknowledge internal and external uncertainty as factors that may influence political strategies in a European context characterised by an institutionally guarded system, they do not interrogate them. Wocke and Moodley (2015) consider the impact of this external uncertainty on the political strategies of MNEs in a developing country, but their comparison is between local emerging economy companies and foreign developed country MNEs. By contrast, this thesis focuses on emerging economy MNEs operating in risky host country environments.

The influence of measurable uncertainty in reducing the ability of a firm to predict performance adequately leads to increased firm risks (Miller, 1992). It is thus a critical non-market risk influencing business, especially firms entering new product markets, industries or geographic markets different from their home environments (Hadani & Schuler, 2013; Kingsley, Vanden Bergh, & Bonardi, 2012). Instances abound of MNEs from advanced economies struggling to find their feet in developing or emerging economies (see the Metro case: Kingsley et al., 2012)), with several studies ascribing such firms' most prominent challenges to formal and informal uncertainty (Kingsley et al., 2012; López-Duarte & Vidal-Suárez, 2010). There is, however, some confusion around how uncertainty is measured. Scholars are torn between an objective measure originating from information and decision theory (Downey & Slocum, 1975) and a perceptive measure (Boyd & Fulk, 1996; Duncan, 1972).

In some cases, uncertainty is viewed as an antecedent of risk. For example, Miller (1992) asserts that risk refers to the unpredictability in corporate outcome variables, while uncertainty is the inability to predict the environment and the organisation, which thus influences the firm's ability to predict corporate performance. In this sense, increased uncertainty about the environment leads to increased risk. Other scholars divide uncertainty

into objective and subjective parts, equate risk to objective uncertainty, and argue that subjective uncertainty becomes objective uncertainty (risk) as more information emerges (Townsend et al. 2018). Kobrin (1979) presented a different view. He argued that improved information changes only the firm's perception of the effect of the political environment.

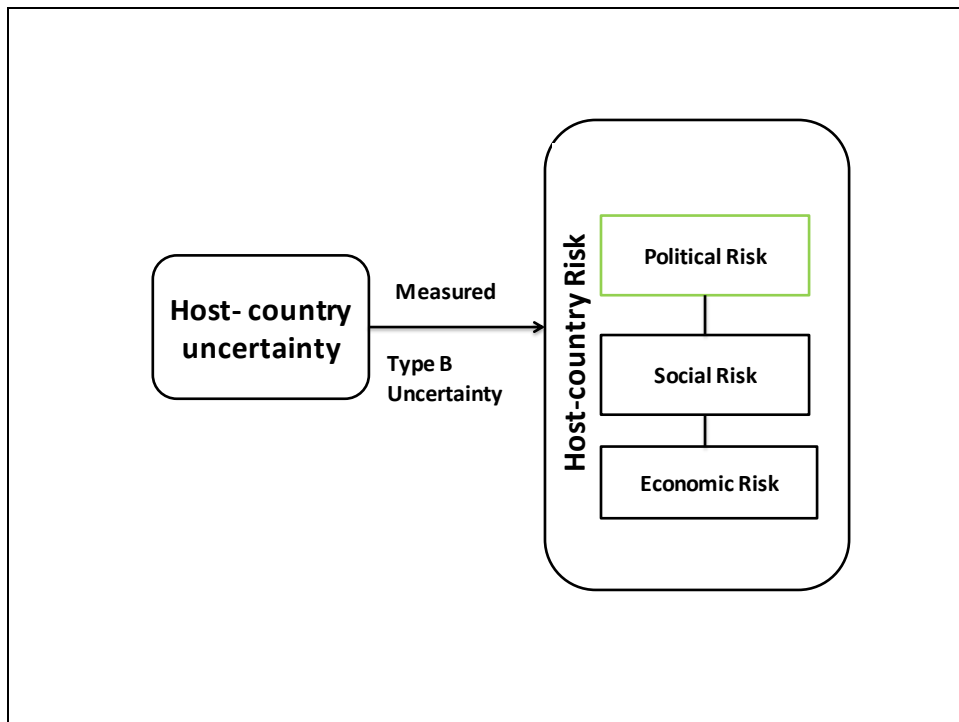


Figure 5: Conceptualisation of host country risk

Such a lack of clarity around the concepts of risk and uncertainty increases the difficulty of measurement, with disagreement over whether they can be measured objectively, or only subjectively. In this thesis, I employ the Knightian conceptualisation of risk as uncertainty that is measurable, what Townsend et al., (2018) refer to as type B uncertainty. This thesis interrogates host country risk as it pertains to the political environment of sub-Saharan Africa and conceptualises host country political risk from an objective and measurable stance. Specifically, political risk refers to a phenomenon in the formal environment, which can be objectively defined and relates to the levels of risk resulting at a macro (national) level from the decisions of political actors (De Villa, Rajwani, & Lawton, 2015).

With a better understanding of the host country risk and uncertainty frame guiding this study, I discuss the resource-based view and dynamic capabilities perspective interrogating corporate political strategies in an uncertain environment.

3.4 Resource based view as the framework for dynamic capabilities

Management scholars have long demonstrated broad awareness in their work on the convergence between international business and strategy, especially as it concerns MNEs (Peng, 2001). Thus, there has been the discussion around the strategic theory of the resource-based view and its growing application in emerging economies as offering insight into these economies (Hoskisson, Eden, Lau, & Wright, 2000).

The choice of this research to look at the resource-based view is motivated by its connection to the dynamic capabilities perspective (Di Stefano, Peteraf, & Verona, 2014). Also, Cuervo-Cazurra and Genc (2011) argue that the resource-based view provides a firm basis for understanding non-market strategies. I interrogate the dynamic capability perspective with a focus on the resource-based view by considering its emphasis on an accumulation process, the changing environment and time (Dunning & Lundan, 2009). An additional viewpoint, stated by Wernerfelt (1984) and echoed by Peteraf (1993), is that the resource-based theory has the power to explain the presence of heterogeneous and immobile resources, which are complex and informational yet tacit.

Extant literature posits that a firm's resources include all its assets, capabilities, and competencies (See: Barney, 1986; Peteraf, 1993; Prahalad & Hamel, 1990; Wernerfelt, 1984) and in some cases, the term 'resources' is used interchangeably for each of the firm's assets, capabilities or competencies (Ray, Barney, & Muhanna, 2004). Resources are a combination of both tangible and intangible resources, with the latter encompassing factors such as know-how, networks, patents, goodwill and others that are capable of yielding a competitive advantage to the firm (Hall, 1992, 1993). Penrose's (1959) contribution to the field of strategy maintains that the firm is a bundle of heterogeneous resources, though these are not necessarily always employed to develop competitive advantages (Rugman & Verbeke, 2002). For MNEs to be able to set up and run globally, they similarly require these resources, competences and capabilities (Prahalad & Hamel, 1990; Rugman & Verbeke, 2002). In cross-border businesses, Rugman (1981) argues that firms can only be successful abroad if they possess some intangible knowledge advantage that makes them competitive in foreign markets and that this determines their competitive success (Rugman & Verbeke, 2002).

Over the years, the theory has evolved to provide frameworks for understanding firms, their capabilities and their bases for developing competitiveness in varying environments (Barney, 1986). This evolution is observed from introduction, growth and maturity (Barney, Ketchen & Wright, 2011) to its current point of being integrated with other theories (Oliver, 1997) and

also framing new concepts and perspectives like the dynamic capability perspective (See Teece et al., 1997). In the collection of fungible resources, the theory includes creating unique, inimitable managerial capabilities necessary for a firm's corporate performance (Rugman & Verbeke, 2002). Mbalyohere and Lawton (2018) maintain that in dealing with institutions in uncertain environments, dynamic managerial capabilities are more appropriate than organisationally-oriented capabilities.

Resources are market and non-market in nature (Baron, 1995), comprising both tangible and intangible assets, including knowledge of the international institutional environment within which the MNE is located. Resource-based view scholars (Barney, 2001; Barney, Wright & Ketchen, 2001; Dunning & Lundan, 2008) describe these kinds of resources as valuable, unique and hard to imitate and assert that it is in the identification, understanding and exploitation of these resources that firms gain an edge over their rivals, thus ensuring sustainable profits and increased performance (Danneels, 2010; Eisenhardt & Martin, 2000; Oliver, 1997).

Capabilities are developed by the firm to aid its interactions with either the home or host environment. They are characterised by being related to the firm's ownership-specific advantages (Dunning & Lundan, 2008), foreign complementary institutional resources, and foreign institutional knowledge (Cuervo-Cazurra & Genc, 2011). The bundle of non-market capabilities provides MNEs with the abilities to adapt in diverse institutional environments that may be significantly weaker than or otherwise different from the MNE's original home country context (Cuervo-Cazurra & Genc, 2011). Cuervo-Cazurra and Genc (2011) further assert that the resource-based view provides an enabling theory for grasping the non-market methods of and reasons for developing firm competitive advantages, mainly because an MNE's quest for corporate political strategies is primarily either to develop competitive advantage or obtain legitimacy within its host environment (Mellahi et al., 2016). Additionally, an MNE's chance of success or failure depends on possessing some intangible resources which may include knowledge, innovation, adaptation to environments and political capabilities (Marquis & Raynard, 2015; Oliver & Holzinger, 2008).

Supported by Boddewyn and Brewer's (1994) assertion that a firm's ability to manage its political relationships with home and host-country governments is a political capability, capable of yielding improved firm performance (Frynas, Mellahi, & Pigman, 2006) even within uncertain environments. Political capabilities are context-specific, difficult to imitate and focus on changes in the non-market environment. Due to the limitations of the resource-based view, which focuses on the internal capabilities the firm possesses (Luo & Zhao, 2013) and its focus on stable environments (Arend & Bromiley, 2009), this study employs the

dynamic capabilities perspective to interrogate political capabilities in unstable institutional environments. These political capabilities are described as dynamic capabilities (Boddewyn & Brewer, 1994), what Rajwani et al.(2013) refer to as an organisational capability.

The study focuses on the nature and strengths of a firm's political capabilities in producing beneficial outcomes, rooted in the MNE's interaction with policymakers and its host environment. I engage the use of the resource-based view, but emphasise the view that dynamic capabilities matter in understanding the operations of organisations within complex and changing environments (Teece, 2007; Teece et al., 1997). The next section discusses the dynamic capabilities perspective as a framework for interrogating political capabilities.

3.5 Dynamic capabilities as a framework for political capabilities

The literature on dynamic capabilities extends into many sectors and draws from diverse theoretical perspectives (Di Stefano et al., 2014). However, it still retains its definition as dealing with either an internal or external changing environment (Zahra et al., 2006). Its precise origin dates back to the 1990s, with Teece, Pisano and Shuen (1997) referring to it as "the ability of firms to integrate, build and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997:516).

Dynamic capabilities are perceived as "an emerging and potentially integrative approach to understanding the newer sources of competitive advantages" (Teece et al., 1997: p.510), even as the firm gains legitimacy within its operating environment (Zahra et al., 2006). Key to conceptualising capabilities is that, although they are distinct from strategies, dynamic capabilities imply a tripartite scheme of sensing, seizing and transforming (Teece, 2014). This conceptualisation is a higher-order level of capabilities operating with a firm's strategy to yield competitive advantages. As Teece (2014) asserts "dynamic capabilities are not just the gears and drive train of the organizational machine, they include the entrepreneurial consciousness, imagination and human action that guide it" (p.339). Dunning and Lundan (2009) concur, linking dynamic capabilities to institutional environments and asserting that "the ability of firms to encounter non-ergodic uncertainty by engaging in organisational experimentation constitutes a fundamental dynamic capability" (Dunning & Lundan, 2009: p.19). This research draws from the premises above, Teece's (2007) position (that the essence of dynamic capabilities is to develop and distribute intangible assets that lead a firm to long term performance), and Oliver and Holzinger's (2008) conceptualisation of political strategies, to assert that the use of political strategies by MNEs is a dynamic capability permitting them to manage their uncertain political environment strategically.

This uncertainty provides the requisite conditions for dynamic capabilities to evolve (Teece et al., 1997; 2007). Studies linking the dynamic capabilities perspective to corporate political strategies are limited. However, Oliver and Holzinger (2008) hold that by employing this theoretical view, scholars will be able to explain the effects of dynamic political capabilities on firm performance, especially as these capabilities seek to integrate, use and generate further capabilities that may influence the market environment. It is, however, essential to interrogate the main divisions in scholarly discussion of dynamic capabilities.

Over the 20-year history of the field, scholars of dynamic capabilities have divided their discussions between two main theoretical perspectives (Di Stefano et al., 2014): behavioural theory (as seminally argued by Eisenhardt and Martin (2000)) and resource-based theory (as argued by Teece et al. (1997)). Eisenhardt and Martin (2000) define dynamic capabilities as specific and identifiable processes that are homogenous and substitutable across firms, such as product development and strategic decision- and alliance-making. Behavioural constructions of the theory have strong links to organizational theory (Di Stefano et al., 2014). By contrast, the constructions of Teece et al. (1997) take the more economically oriented stance of the resource-based view (Di Stefano et al., 2014) and define dynamic capabilities as "an emerging and potentially integrative approach to understanding newer sources of competitive advantage" (p.510). By this view, firms derive their capabilities from exploiting both the internal and the external firm competences in response to a changing environment.

The development of dynamic capabilities is premised on the firm possessing a framework for building, maintaining and enhancing capabilities. Such frameworks are established based on the current environment and the problem by which the firm is challenged (Teece et al. 1997). Institutions also remain a critical element of the business environment, playing an essential role in the firm's development of dynamic capabilities. Such capabilities are broadly divided into sensing opportunities, seizing opportunities and employing available firm assets to manage possible threats (Teece, 2007). This study suggests that emerging market MNEs in uncertain developing markets develop political capabilities deployed to adapt to and influence their business environments through the use of higher-level strategies permitting firms to operate more efficiently under conditions of uncertainty (Teece, 2014). These abilities, capacities and competencies are geared to meet the challenges of supply and demand in either the market (Dunning & Lundan, 2009) or non-market environment. Luo (2000) adopts this aspect of dynamic capabilities but argues that in international expansions, it has three key aspects; capability possession, capability deployment and capability upgrading.

The essence of the mechanism of dynamic capabilities is that MNEs do not merely possess capabilities, but strategically employ them towards a focussed aim. In uncertain institutional markets, where the formal 'rules of the game' necessary for maintaining stability are underdeveloped or have broken down, MNEs are forced to develop the capacity to cope with the inherent uncertainties. Arguably, in such contexts, informal institutions then provide the rules by which MNEs may have to operate. Bonardi (2011) argues that political capabilities do not qualify under the resource-based and dynamic capabilities view as valuable, rare, inimitable and non-substitutable (Teece et al., 1997; Wernerfelt, 1984). However, and in sharp contrast, Lux, Crook and Leap (2012) describe the benefits of using political capabilities as equivalent to those derivable from a firm's using any other dynamic capability. Context matters here.

In uncertain institutional systems, firms that engage their host environments employ specific political capabilities that can sense, shape and seize opportunities (Teece, 2007). Employing political capabilities has a direct connection to how politically influential a firm is. This thesis, therefore, argues along Oliver and Holzinger's (2008) dynamic political capability lines, that a firm's effective use of political strategies is a dynamic capability which yields a competitive advantage. For example, being connected to a government is a capability that may be hard for competitors to imitate (Bonardi, 2011), and in institutionally weak and uncertain environments, this is a dynamic capability. Nevertheless, the dynamic capability perspective is fraught with inconsistencies and critiques to its theoretical rigour and consistency (Arend & Bromiley, 2009), and these criticisms may limit its application even to the political strategy literature.

The dynamic capabilities view, framed within an institution based perspective, can help business scholars to understand the dynamics of African organisations within their dynamic contexts (Zoogah et al., 2015). Lawton et al. (2013) draw out the relevance to the institutional environment of the capabilities an MNE possesses. These capabilities provide a basis for understanding how MNEs respond to their non-market environment as it influences business in emerging markets (and by extension, developing markets) where levels of economic development constrain institutions. Baron (1995) asserts that for managers to deal adequately with issues arising from the non-market environment, they will need to develop a system that brings together the company's capabilities; knowledge of the contextual environment, and the company's strategic objectives. This position is supported by Hillman and Hitt (1999), who assert that using the construct of political capabilities as a tool for generating a better understanding of corporate political strategies can enhance theory in the corporate political strategies literature.

Apart from the benefits to the organisation of developing political capabilities through connections to governments (Sun, Mellahi & Thun, 2010), there is also the dark side of developing political ties, especially in emerging economies where there are dynamism and constant change (Henisz & Delios, 2004). One example may be found in the Chinese auto industry, where the MNEs that developed deep political ties became characterised by inefficiencies and the underdevelopment of their other market-based capabilities (Sun et al., 2010). MNEs in this situation can lose goodwill when new political dispensations emerge. Also, there are resemblances between the process of developing political strategies and the obsolescing bargaining model, which assumes that both parties have different interests that they seek to pursue (Eden, Lenway & Schuler, 2005). However, the obsolescing bargaining model focuses on the point of entry of an MNE to a new host country. It is concerned with the dynamic nature of bargaining relations between the MNE and the government of the host country. Although the nuances of that conversation may have some relevance to this thesis as it relates to corporate political strategies, it is outside the dissertation's direct focus.

This thesis seeks to explore Hillman and Hitt's (1999) position further. It explicates political capabilities in uncertain environments as dynamic capabilities which are then deployed as proactive and defensive political strategies (Oliver & Holzinger, 2008). The next section builds on this framing, as I conceptualise how political capabilities in uncertain environments are dynamic political capabilities I discuss the mechanisms through which dynamic political capabilities are strategies and close by classifying political strategies into a framework of proactive and defensive strategies which MNEs use to influence or adapt to the host environment.

3.5.1 Political capabilities as dynamic capabilities in MNEs

Political capabilities refer to the firm attributes, relational assets and human, social and reputational resources that allow it to use the political process to attain political objectives such as legitimacy and improved performance (Frynas, Mellahi, & Pigman, 2006; Hillman et al., 2004). Lawton et al. (2013) define political capabilities as the strategic activities which managers act on to reshape their base of political resources to achieve new resource configurations which enable firms to adapt to and influence their changing non-market environment. The emphasis on political capabilities moves away from just the possession of political resources to the effective deployment and therefore lies in the way managers utilise their political resources (Oliver & Holzinger, 2008). These resources may include all the financial, informational, relational, physical, organisational and human resources that firms use, together with other market strategies, to improve their capabilities and develop

competitive advantages (Baron, 1995; Sun, Mellahi, & Liu, 2011). They are also used by the firm to gain access and develop ties with political actors in the environment (Holburn & Zelner, 2010). In international business, MNEs use their political capabilities to protect their sunk investments (Mellahi et al., 2016), even as they shape the policy environment of the host-country (Holburn & Zelner, 2010). Dunning and Lundan (2009) argue that when MNEs incur costs in the process of generating capabilities, some of these costs remain sunk in uncertain environments; such generated capabilities are dynamic capabilities.

Political dynamic capabilities are the dynamic processes by which MNEs influence or comply with their host political environment to maximise efficiency through increased or sustained value (Oliver & Holzinger, 2008). These dynamic capabilities earn competitive advantages for the firm (Boddewyn & Brewer, 1994). They are valuable, rare, inimitable and non-substitutable (Barney, 2001; Eisenhardt & Martin, 2000; Teece, 2007; Teece et al., 1997). These capabilities have value apart from their non-substitutable (Bonardi, 2011) character. They provide significant value through creating access to the suppliers of policy, thus influencing policy decisions. As is the case in emerging economies, they are often developed from personal ties that develop into political capabilities that are rare and cannot be easily imitated.

An example may be observed in the influence of the Gupta family in South Africa. A personal relationship between role-players dating back to the early 1990s developed to a point where policy decisions and appointments could be controlled by one unelected family and its various business holdings (Oluyemi, 2017; Madonsela, 2016). In table 7 below, I describe the theoretical features of dynamic political capabilities as it relates to the dynamic capability literature.

Table 8: Theoretical features of political dynamic capabilities

Dynamic political capability features	Reference from the political capability literature
Basis in the resource-based view	Teece et al., 1997
Political dynamic capabilities are valuable, rare, inimitable and non-substitutable	Bonardi, 2011
Defined by the firm's history	Epstein, 1969 See the political tie literature
Provide direct and indirect sources of competitive advantage to the firm.	Boddewyn & Brewer, 1994 Oliver & Holtzinger, 2008

Dynamic political capability features	Reference from the political capability literature
Possess the capability to bring about new change through their influence on government policies	Mellahi et al., 2016
MNEs in cross border businesses need to respond to exogenous changes in the institutional environment	Rajwani et al., 2013
Approval for engagement is required from senior management	Baron, 1995; Lawton et al., 2013 Mbalyohere & Lawton, 2018

3.5.1.1 Political dynamic capabilities in uncertain environments

Political dynamic capabilities provide a competitive edge for the firm through the way it capitalises on its unique political advantages and the economic rents such advantages provide, thereby gaining market power and the ability to bar rivals from entering the industry and improving firm performance (Oliver & Holzinger, 2008; Shaffer & Hillman, 2000). In politically uncertain environments where policies are volatile, a dynamic political capability provides the firm with institutional assets (Dunning & Lundan, 2009) that can maximise its performance (Oliver & Holzinger, 2008), through its political strategies. Political dynamic capabilities can be defined along three dimensions: their nature, action, and aim, (Di Stefano et al., 2014).

'Nature' refers to the MNE's capabilities, which provide it with the ability to explore market opportunities and compete for a position in the market, what Luo (2000) refers to as a capability possession: one of the key ingredients of a dynamic capability – the possession of distinctive and specific assets and knowledge that are hard to imitate. In this research, nature refers to the MNE's political capabilities. These include its ties to the governments, its relationships with various constituents, its information for lobbying governments and access to policymakers.

'Action' speaks directly to Luo's (2000) capability deployment ingredient of a dynamic capability: the conversion of capabilities into actionable strategies. Capability deployment is essential in the operations of an MNE, as it represents the conversion of capabilities into strategy: a major lifeline of cross-border investments (Luo, 2000; Teece, 2014). Action, in this conceptualisation, refers to the ability of the MNE to act on its existing political capabilities; either through building newer and stronger constituencies, sharing information or making politically-driven financial contributions. These political strategies aim to achieve competitive advantages, either by developing reputation (Luo & Zhao, 2013) legitimacy

(Mellahi et al., 2016) or by increasing performance (Hillman et al., 2004; Oliver & Holzinger, 2008).

In an uncertain environment, the MNE as an agent effectively maximises its political nature - political capabilities into dynamic political capabilities (Dunning & Lundan, 2009), and then through its action deploys these dynamic political capabilities as strategies (Di Stefano et al., 2014). Figure 6 illustrates the definition of dynamic political capabilities. The author extends the conceptualisation of dynamic capabilities by Di Stefano et al. (2014) in bold italics to capture the concept of dynamic political capabilities in an uncertain environment- Its nature, action, and aim.

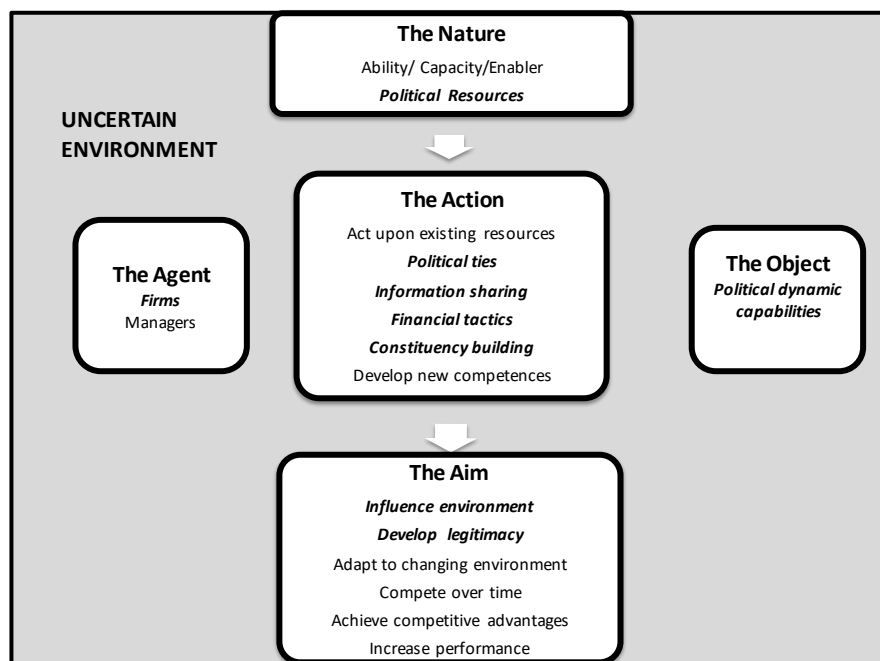


Figure 6: Defining dynamic political capabilities in an uncertain environment

3.5.2 *Dynamic political capabilities as corporate political strategies*

Following on from the discussion of dynamic political capabilities, I position the dynamic political capabilities as dynamic political strategies, on the premise that political capabilities are deployed as strategies (Luo, 2000). I focus on the work of Oliver and Holzinger (2008), but interrogate the extant scholarship of political strategies which divides broadly into how firms politically engage within the environment which they are situated: buffering strategies to influence the environment, or bridging strategies to comply with it (Meznar & Nigh, 1995), though they may overlap (Mellahi et al., 2016). Boddewyn and Brewer (1994) describe these political behaviours as either bargaining or non-bargaining forms while Oliver and Holzinger

(2008) refer to the buffer and bridging strategies as either influence or compliance political strategies, respectively. The difference in their conceptualisation is the context of a changing and uncertain environment where the dynamic capability perspective operates to yield competitive advantages. Figure 7 below, integrates the above positions into a matrix of dynamic political strategies in relation to the environment. The horizontal axis range from a relatively stable to a dynamic environment.

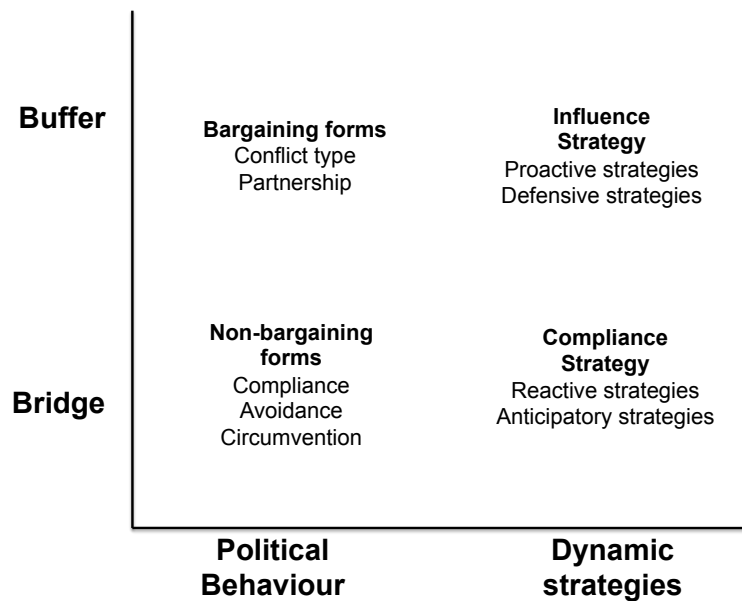


Figure 7: Matrix of dynamic political strategies

3.5.2.1 Dynamic political strategies as influence strategies

Political influence strategies are undertaken to influence the policy environment in favour of a firm's operations and performance (Oliver & Holzinger, 2008). They may either be defensive or proactive. Defensive strategies are developed either through lobbying or advocacy, and seek to maintain the value the firm enjoys despite policy changes in the environment; proactive strategies seek to create value for the firm by actually affecting policies through influencing legislation and constituency-building (Hillman & Hitt, 1999; Oliver & Holzinger, 2008). Mellahi et al. (2016) assert that the support in firms for developing defensive and proactive strategies is provided by their resources, suggesting the importance of a resource-based view. Firms access their political responses to institutional pressures by either employing their predictive capabilities to defend or their manipulative capacities to proactively shape the non-market environment.

Influence strategies include lobbying, campaign contributions, public relations campaigns, and building personal and organizational ties to socio-political institutions and actors (Sun et al., 2011). It is concerned with protecting the firm from the external political or social environment while simultaneously seeking avenues to influence it (Mellahi et al., 2016; Meznar & Nigh, 1995). It also includes corporate political strategies, which are classed into informational, relational and financial (Hillman et al., 2004). Influence strategies are forms of bargaining that seek to influence the business's operations within the context of the environment, either through a partnership or more aggressive agreements seeking to position the firm so that the firm's managers can influence the policy outcomes they prefer (Oliver & Holzinger, 2008). These bargaining forms of strategy provide opportunities for MNEs to operate in an enacted environment (Boddeyn & Brewer, 1994), by allowing business and governments to arrive at contractual agreements resulting in mutual benefits. They operate on the premise that while MNEs seek to increase revenue through international expansion, governments seek to reduce over-dependence on foreign actors while increasing growth opportunities. Governments know they cannot impose too heavily on foreign firms, lest the opportunities for growth are lost (Boddeyn & Brewer, 1994).

Employing influence political strategies, firms may either engage in conflict or partnership with their environment. The former arises where both parties are trying to outsmart each other in the negotiation process: governments try to appropriate rents while the foreign firms try to re-appropriate them, resulting in a zero-sum game and transaction costs for the foreign firms (Boddeyn & Brewer, 1994: p.129). The latter is shaped by a relational approach to political responses (Hillman & Hitt, 1999), where firms seek to develop additional and longer-term social relationships through functional interdependence built on linkages and exchanges. Boddeyn and Brewer (1994) hold that this strategic response is one that can develop competitive advantages that surpass market efficiencies, and steadily move into superior performance in non-market areas, such as enhanced reputation and legitimacy for the firm while providing benefits for governments that are more valuable than legal or illegal monetary compensation.

3.5.2.2 Dynamic political strategies as compliance strategies

Compliance political strategies provide firms with avenues to adapt to their environments (Meznar & Nigh, 1995). They also serve as dynamic political capabilities that the MNE can employ in uncertain environments. Any effective deployment of political capabilities provides a bridge through which the firm's operations and institutional environment can improve performance and develop competitive advantages (Shaffer and Hillman, 2000). However, in this discussion, compliance describes firms actively integrating the external environment,

including institutions, policies, and contracts. Here the firm's strategies are shaped to meet and exceed stakeholder expectations, with emphasis on the MNEs adapting their organisational strategies to those of their external environment (Meznar & Nigh, 1995). The use of compliance strategies by firms seeks not to influence the environment but rather to align organisational strategies to external expectations (Meznar & Nigh, 1995). De Villa et al., (2018) argue that firms in a bid to adapt to their host country environment employ non-engaging strategies like rapid compliance, low visibility, reconfiguration and anticipation.

Compliance strategies also involve an anticipatory strategy, whereby the firm analyses its expectations of the external environment and then ensures the conformity of its strategies to the environment. Anticipatory strategies may be done through environmental scanning strategies and ensuring that regulations are in place to ensure compliance (Oliver & Holzinger, 2008). In extreme cases, firms may resort to non-bargaining forms (Boddewyn & Brewer, 1994), characterised by avoidance as tools for attaining efficiency, market power and legitimacy. Businesses may choose an avoidance strategy, which involves a disregard for governmental power. Threading on the premises of a conflict-type strategy, the firms that engage in an avoidance strategy are usually those with adequate resources to ignore governmental power (Boddewyn & Brewer, 1994). From a resource dependence perspective, it offers the advantages that such firms retain their autonomy and can make their own decisions independently with little or no influence from the government (Oliver, 1991). Additionally, the firm has control over its environment and can make choices based on its objectives.

On the extreme, firms may also engage in a circumvention strategy that involves ignoring the government and its regulations and seeking alternative sources of profit. This circumvention strategy usually involves illegal strategies that may accrue high legitimacy costs when such firms are discovered.

MNEs that opt for a bridging strategy like compliance with home and host-country regulations make the decision driven by a hierarchical-authority business-government relationship, which ascribes legitimate power to the governments and only an ascribed 'institutional privilege' to the MNE (Boddewyn & Brewer, 1994:128). Boddewyn and Brewer (1994) argue that MNEs engage in reactive compliance from a position of weakness and see the government as a constraint in their production function. They assert that this results in the MNEs not antagonising what they see as the power of the government as they fear increased restrictions on business operations or withdrawal of tax benefits. Based on the premises of institutional theory and the resource-based view, these MNEs are employing their political response capabilities (Boddewyn & Brewer, 1994) to construct effective bridges

between them and their home and host institutional environments (Mellahi et al., 2016). Oliver and Holzinger (2008) suggest that firms make such adaptations to current public policies in expectation of value. Strategies of compliance may be anticipatory or reactive: anticipatory, in the sense that they seek to create value by trying to remain on top of whatever policy changes may occur; or reactive in that they are responding to these changes (Oliver & Holzinger, 2008). Such strategies are capable of affecting the firm's institutional legitimacy within the environment and enhancing social support for it through "increased consumer approval, product demand and favourable relations to policymakers in the future" (Oliver & Holzinger, 2008: 508).

The broad categorisation of influence and compliance political strategies divides into the nature of political strategies (Wocke & Moodley, 2015) whether the firms engage in proactive or reactive strategies (Hillman & Hitt, 1999; Hillman et al., 2004), or employ anticipatory or defensive strategies (Oliver & Holzinger, 2008). Hillman and Hitt (1999) refer to proactive political strategies as a way to increase competitive advantage, while Boddewyn and Brewer (1994) give more attention to reactive strategies – although Hillman et al. (1999) suggest that it is difficult to influence the institutional environment through reactive political strategies. A position that Cuervo-cazura et al. (2019) support but emphasise that using influence strategies MNEs may be able to change policies in the host environment where they operate. This thesis focuses on the proactive and defensive influence political strategies which improve performance that MNEs engage in and may influence the weak institutional environments where they operate. I interrogate the proactive and defensive strategies using Hillman and Hitt's (1999) political strategy framework of access (informational and financial) and relational strategies. Table 8 introduces Hillman and Hitt's (1999) and Oliver and Holzinger's (2008) dynamic political strategy framework for the thesis approach to corporate political strategies.

Table 9: Thesis approach to dynamic corporate political strategies

CPS Categorisation	CPS sub- Categorisation	CPS tactics	Dynamic Influence Political strategy
(Schuler et al., 2002)	(Hillman & Hitt, 1999; Hillman et al., 2004)	(Hillman, 2003)	(Oliver & Holzinger, 2008)
Transactional Approach - Access	Information	Share information with policy makers	Proactive, Defensive
	Financial	Provision of informal monetary encouragement	Proactive, Defensive,
	Information	Commissioning research think tanks	Proactive
	Financial	Hiring individuals with political experience	Defensive
	Financial	Company members serving in a political position	Proactive
	Financial	Paying elected officials to speak at your organization	Proactive
	Financial	Providing paid travel or other benefits to elected officials	Proactive
	Financial	Providing financial contributions to political parties	Proactive
Relational Approach Relational	External relations	Create/Join support group unions	Proactive, Defensive
	Community relations	Engage in discussions with community leaders and people	Proactive, Defensive
	External relations	Collaborate with NGOs	Proactive
	External relations	Public relations advertising in the media	Proactive
	Government relations	Approach government representatives to support program	Proactive
	External relations	Form coalitions with other organisations not in a similar horizontal or sectoral trade association	Proactive
	Government relations	Join business advisory groups to government and regulatory bodies	Proactive

3.6 Conceptual framework

This section presents the framework within which this research seeks to address and meet its objectives. The research seeks to explain the influence of corporate political strategies of South African MNEs on the performance of their subsidiaries, using a theoretical framework premised on the dynamic capabilities theory and the institutional-based view of the environment. This intersection of theories, as detailed in the literature review above, is integrated below to create the research model.

The following sections provide a conceptualisation of the key constructs and end with the research hypotheses and conceptual framework. First, I hypothesise on the direct relationships between access and relational political strategies and subsidiary performance. After which, I hypothesise on the complementary relationship between both access and relational political strategies on subsidiary performance. The final hypothesis guesses on the moderating influence of host-country risk on the direct relationship between corporate political strategies and subsidiary performance.

3.6.1.1 Access political strategy hypothesis development

Access political strategies as previously conceptualised refer to the informational and financial strategies that firms employ in order to gain access to the political environment (Schuler et al., 2002). In developed economies, these strategies have been individually observed to yield positive influences for the firms that engage in them. An example is observed in the use of campaign contributions by firms in the United States (Powell & Grimmer, 2016). Through the contributions made, firms can more directly determine the policies that apply to their industries. These benefits of access strategies result in increased performance to firms who have access to the policymakers.

Informational political strategies, like lobbying, provides firms with access to information that ordinarily may have been unavailable to the firm. This allows firms that engage to be better able to make strategic choices which hold the potential to positively influence their performance (Yim, Lu & Chan, 2017). Lawton and Rajwani (2010) argue that lobbying capabilities are poised to yield competitive advantages for the firm, especially in changing environments. They do this by leveraging on the firm's political resources to influence the environment. A mechanism similar to that observed in political campaign contributions.

In weak institutional environments, with poor access political strategy infrastructure (Rajwani & Liedong, 2015), MNEs may engage in fewer access political strategies due to poorly

developed institutions and elevated levels of uncertainty. Such environments especially in sub-Saharan Africa, have often been categorised as more communal, less pluralistic and less individualistic, and thus more likely to employ relational than access strategies (Hillman, 2003; Rajwani & Liedong, 2015).

The evidence from domestic firms in developed markets suggests that the relationship between access political strategies and performance is positive (Hillman, 2003), so also does the evidence from developed MNEs in emerging markets (Heidenreich, Puck, & Filatotchev, 2014; Nell, Puck, & Heidenreich, 2015). However, some conditions in emerging markets with emerging market MNEs may suggest that the relationship is more complicated—including the uncertainties in the host-country environments, the inability to account for access political strategies employed by MNEs and the influence of the home country institutions. Through the direct influence that MNEs possess through their access to policymakers, I argue that their performance can be positively affected by their access political strategy. Even though the ambiguity in the direction of the relationship between political strategies and performance hold (Mellahi et al., 2016), this thesis asserts that a positive relationship is typically observed. I hypothesise that:

Hypothesis 1

H1: Access political strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments

3.6.1.2 Relational political strategies hypothesis development

In the non-market environment, MNE capabilities to engage and build relationships within the political and social environment have been argued to be able to increase their competitive advantage (Doh et al., 2014; White et al., 2014). More so in Africa's weak institutional contexts where formal political, social and legal systems are in lack (Barnard et al., 2017). The influence of political connections on performance is well documented in developed economies (Amore & Bennesen, 2013; Hillman, 2003) as well as in emerging economies (Adhikari et al., 2006; Boubakri et al., 2012; Dielemann & Boddewyn, 2012; Wu, Li & Li, 2013). However, the focus on relational political strategies has relatively excluded the indirect influence of constituency building relational strategies on performance. Constituency building is the framework for relational political strategies (Lord, 2003) as it provides the premise upon which MNEs can engage with host country stakeholders to build their reputation and determine ways of influence. White, Hemphill, Joplin, and Marsh (2014) argue that MNEs employ relation-based strategies as a dynamic capability to manage

uncertain host environments and develop a competitive advantage. However, their analysis is conceptual, providing an opportunity to empirically interrogate how these relation based non-market strategies influence the MNEs subsidiary performance. Using the constituency building strategies developed with governments, communities and other external relations, I develop the hypothesis for empirically testing the relationship between relational political strategies and subsidiary performance.

The importance of relationships with governments has been widely documented (Dielemann & Boddewyn, 2012; Luo & Zhao, 2013) to influence performance positively. However, the focus has been on political ties whereby senior executives hold direct personal connections with policymakers. In this thesis, I interrogate the engagement between the MNEs and host institutional initiatives like trade unions or joining business advisory groups that advise governments and regulatory bodies. Through its mechanism of building a reputation with stakeholders, including the government, these relational political strategies indirectly influence regulatory policies and improve MNEs performance. On a similar note, building constituencies with communities has been described as an effective way of gaining reputation and legitimacy within host environments. In particular, sub-Saharan African host environments have been described as typically informal with a strong influence of cultural and communal institutions (Zoogah et al., 2015). The mechanism of influence thus develops from the reputation that MNEs in these institutional environments build, which translates into an ability to influence policymaking to favour the MNEs performance. A similar reputation argument holds for other external relations that the MNE might seek relationships. For example, the media, trade unions or other non-governmental organisations. Building media constituencies implies that MNEs are portrayed favourably, thereby providing a reputation that allows the MNE to be able to influence. Especially as the media is a critical avenue to influence a broad group of stakeholders that policymakers are interested in (Voinea & van Kranenburg, 2018). With trade unions, MNEs build a reputation with a broader body of internal stakeholders- employees, who policymakers are interested in satisfying. These associations within a context of institutional uncertainty could potentially provide a benefit to the MNEs (Zhang et al., 2018).

Following the preceding discussion and given the context of emerging economies, the influence of relational political strategies on the firm's competitive advantage becomes even more pronounced (Goldman et al., 2009). Furthermore, relational strategies appear to predominate because of the influence of informal social institutions on the political, legal and business environment in emerging economies (Rajwani & Liedong, 2015; Zoogah et al., 2015). This thesis, therefore, seeks to test the following hypotheses:

Hypothesis 2

H2: Relational political strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments.

3.6.2 Complementarity versus substitution between access and relational political strategies

The strategic choice between influencing policymakers versus complying with policies is one that MNEs struggle to make given the resources needed to expend any one strategy. Similar to the need for firms to combine various strategies in order to take advantage of their environment adequately, I argue that MNEs engaging in political strategies will need to employ both access and relational strategies in order to be able to influence. Especially as it is impossible for an MNE to only use one political strategy (Schuler et al., 2002; De Villa, 2015).

Most empirical studies (Nell et al., 2015; Voinea & van Kranenburg, 2018; White et al., 2014) that have sought to interrogate the influence of political strategies on performance have focused on either informational, financial or relational political strategies. Schuler et al. (2002) assert that interrogating each political strategy may limit businesses strategic action and performance. Recently, Heidenreich et al. (2014) measured the interaction effect of informational and financial political strategies on performance and found a substitution effect between them. Their finding may be argued to be expected, with both strategies seeking to provide access to the policy environment; information strategies through its positive influence on stakeholder network and financial strategies directly through its financial contributions (Heidenreich et al., 2014). Their study, however, excludes relational political strategies. Relational political strategies like constituency building also seek to influence the policy environment, albeit indirectly, through the influence of its stakeholder network (Lord, 2003; Rehbein & Schuler, 2015).

Though the mechanism of influence of access versus relational strategies may be different—direct access versus indirect relational (Hillman, 2003). The core argument of this hypothesis stems from the mechanism of influence through which access strategies directly influence performance versus the indirect, relational mechanisms that influence performance through a reputation building process. Arguably, a combination of both direct and indirect methods of political strategy ought to influence the MNEs performance more strongly, with both strategies complementing each other. I, therefore, hypothesise that:

Hypothesis 3

H3: Access political strategies and relational political strategies have a complementary effect on the subsidiary performance of South African MNEs in risky host-country environments. In that, the increased use of direct access political strategies improves the positive influence of relational political strategies on the subsidiary's performance.

3.6.2.1 Host country risk hypothesis development

In emerging economies, there is a heavy influence of the liability of foreignness and a magnified degree of uncertainty (Peng, 2001). This uncertainty intensifies the extent to which the host environment influences the behaviours and performance of MNEs (Makino, Isobe, & Chan, 2004). Xu and Meyer (2013) assert that businesses find it harder to predict in emerging economies, and more so in developing African economies, due to the high degree of uncertainty measured. A triggered response to the intense volatility they experience in social, economic, political and institutional spaces. Environmental influences – be they social, economic, or political – can cause tremors in the system resulting in more risks for its stakeholders (Xu & Meyer 2013). In a similar vein, Dunning and Lundan (2008) assert that it is difficult to measure, deal with or overcome uncertainty in an emerging market environment, and this results in an inability to enact environments that can bring about the intended outcomes effectively. This inability to enact environments due to uncertainty potentially influences how various mechanisms might operate in such environments. In this case, the relationship between corporate political strategies and subsidiary performance.

This thesis operationalises host country risk using the macro measures of political risk: political risks are the risk of unexpected changes in the environment where businesses operate, which might affect the formal institutions and how they operate (Kobrin, 1979). Other scholars, such as Henisz and Zelner (2010), describe political risk as the risk of policy changes that may influence MNEs when host governments seek ways to substitute for the decline in their abilities to initiate business seizures or international trade laws. Miller (1993) describes political risk as being defined by measures that relate to government stability, the threat of armed conflict, tax policies, the impact of national laws on international business, legal regulations in the business sectors, tariffs, law enforcement and the provision of public services. Political risk increasingly clouds how, where and when the rules of the game may apply, given that political-actor constraints are significantly reduced (Cuervo-Cazurra, Ciravegna, Melgarejo, & Lopez, 2018; Henisz, 2002).

Environments with high levels of uncertainty increase ambiguity and transaction costs for firms operations (White et al. 2018). In some instances, unplanned policy changes or government cabinet switches occur in politically uncertain environments which alter the host country environment. These transaction costs complicate the mechanisms through which political strategies may be able to directly or indirectly influence the subsidiary's performance.

This thesis assumes that in sub-Saharan Africa, given the elevated levels of risks (Barnard et al., 2017; Luiz et al., 2017; Mol et al., 2017; Wan & Hillman, 2006), the mechanisms of influence of MNEs political strategies on performance may be affected. Similar to the positive moderating influence of home country political risk on the relationship between internationalisation and firm performance (Cuervo-Cazurra et al., 2018) in an uncertain host country, host country political risk will moderate how the MNEs political strategies will affect their performance in the host environment. I argue that since the influence of the uncertain institutional environment complicates the resource-based logic (Hoffmann, Trautmann, & Hamprecht, 2009), political risk moderates the relationship between the MNEs' corporate political strategies and the performance of their subsidiaries. I, therefore, hypothesise that:

Hypotheses 4

H4a: Political risk in the host environment moderates the relationship between access political strategies and subsidiary performance in that the positive relationship between access political strategies and subsidiary performance is steeper with increased political risk

H4b: Political risk in the host environment moderates the relationship between relational political strategies and subsidiary performance in that the positive relationship between relational political strategies and subsidiary performance is steeper with increased political risk.

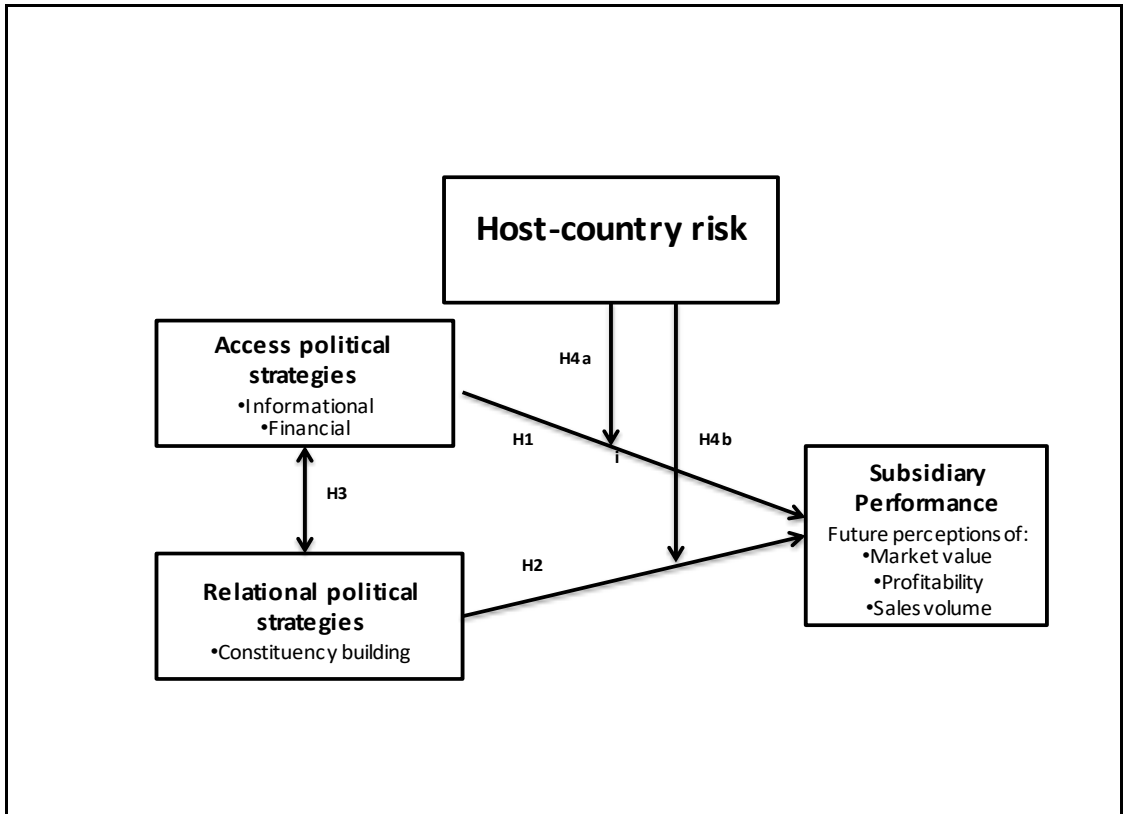


Figure 8: Conceptual framework

This chapter set out to review the literature on corporate political strategies, establish the conceptual (See figure 10 above) and the theoretical framework of the research. The following chapter sets up the design and methodology for the research, highlighting the researcher's philosophy, approaches strategies of enquiry and methods employed to answer the research question.

4 Chapter Four: Research method

The third chapter of this dissertation has articulated the research objective to understand the role of corporate political strategies in South African MNEs. This broad objective divides into three: exploring the corporate political strategy landscape of South African MNEs; determining the influence of access and relational political strategies on the performance of South African MNE subsidiaries, and understanding the moderating influence of host-country risk on the corporate political strategy-subsiary performance relationship.

This chapter sets out and justifies the research methods selected and utilised. In table 9 below, I outline the chapter sections, their contents, and for ease of reference, hyperlinks to the relevant sections of the Chapter.

Table 10: Summary of sections in the research methodology chapter

<i>Research design and approach</i>	<i>Hyperlink</i>
Research philosophy	<i>Research philosophy</i>
Research execution	<u>Research execution</u>
Research methodology	<u>Research methodology Mixed methods design</u>
Qualitative content analysis	<u>Qualitative Content Analysis</u>
<ul style="list-style-type: none"> • Data source and sampling • Strategy of enquiry • Reliability and validity 	
Quantitative research method	<u>Quantitative Research method</u>
<ul style="list-style-type: none"> • Research sampling • Variable operationalisation and data sources • Data collection and questionnaire development • Strategy of enquiry • Reliability and validity 	
Data preparation and preliminary data analysis	<u>Data preparation and preliminary data analysis</u>
Model specification and evaluation	<u>Model specification and evaluation</u>

4.1 Research philosophy

A research philosophy refers to the beliefs informing the research, originating from the researcher's experiences and education (Creswell, 2013). For this project, the research context – an uncertain institutional environment and a lack of data in sub-Saharan Africa – has been a major concern for the researcher in identifying assumptions that can assist in meeting the research objectives. In this study, I employ a post-positivist epistemological stance that assumes separation from subjects in the process of knowing (Creswell, 2013).

Post-positivism is a variant of positivism that originates from scientific research methods and challenges the positivist stance that there can be absolute truths in a social context dealing with the actions and behaviours of human beings (Creswell, 2013). A post-positivist lens is particularly suitable for hybrid quantitative research methods because it permits multiple levels of analysis of multiple realities (Creswell 2013). This philosophy assumes that observations made in the real world are combined with theory to better understand phenomena (Onwugbuezie, Johnson & Collins, 2009). The researcher's realities and experience influence the observations, so its constructions are not free of bias (Onwugbuezie et al., 2009). However, the researcher's axiology is value-free. This objective way of knowing allows the thesis to triangulate across data sources (Onwugbuezie et al., 2009), to understand better the phenomenon of political strategies employed by South African MNEs. I employ a quantitative deductive methodology, supplemented with some deductive qualitative content analysis, which is one of the qualitative analysis tools that are suitable within a post-positivist philosophy (Onwugbuezie et al., 2009).

Outcomes in post-positivism are determined by causes (Creswell, 2013). This determinism implies the existence of both dependent and independent variables: the dependent variables being the outcomes; the independent variables, the causes. I, however, acknowledge the limitations of assuming a perfect cause-effect pattern in the relationships explored.

4.2 Research execution

The research set out to interrogate the role of corporate political strategies in the subsidiary performance of South African MNEs in uncertain host environments. The complexity of the research phenomena necessitates a thorough consideration of the researcher's philosophy and methodology. I navigate the research from a functionalist perspective and employ a quantitative design supplemented with some qualitative content analysis to interrogate the phenomena (Modell, 2009) adequately. In addition to the contextual description of emerging African markets and the justifications for the choice of South African MNEs discussed in

Chapter Two, it is essential to describe the research context and timing. In this section, I describe the timing of the research and its impact on the design and methodology employed.

The research setting is a time of political uncertainty in the MNE home country, South Africa. The Zuma presidential administration ran from May 2009 until February 2018, starting with the promise of economic upliftment and employment for the masses, characterised by controversies - including the Marikana massacre, diversion of state funds for private uses and ethical breaches - and ending with an arguably captured political state. State capture is alleged corruption conducted by the President and top government officials in collaboration with the Gupta family – a family of businessmen who wielded sufficient powers to influence the choice of policymakers to provide for them unfair access to contracts, licenses and finance (Madonsela, 2016). More recently, there are allegations of state capture by the Bosasa group – A South African Company that specialises in the provision of prison services to the government (Basson, 2018).

The above context resulted in increased uncertainty for market and non-market actors especially in the period between the years of 2016 when the first formal complaints were lodged and 2017 when the presidential administration came to an end (Madonsela, 2016). All these coupled up with the downgrade of the country's credit rating to junk status by Standard & Poors global, further heightened South African businesses' uncertainty (Cotterill, 2017) and their MNE operations at home and in their broader African operations.

The implication of this uncertainty for the research meant that the proposed data strategy of gaining access to South African MNE subsidiaries through the headquarters was affected. It seemed like MNEs were less willing to expose their managers to research that required potentially sensitive political information, resulting in increased bottlenecks, non-response rates and declines to participate. In addition, Zuma's early exit from the office of the Presidency in February 2018, especially given his replacement with a president who was seen as a reformer (President Cyril Ramaphosa), meant that data gathering could not continue past February 2018 as the perceived political situation had changed (Du Preez, 2017; Khumalo, 2017). Combining responses from across the two different periods, especially given the topic of the thesis, would have adversely affected the integrity of the data.

Collectively, these two factors negatively affected the number of respondents. It is worth noting that the primary data responses were obtained from subsidiaries, not from the South African headquarters. Although few MNEs agreed to have their subsidiaries polled, the subsidiaries – who were at some distance from the South African political situation – were

generally open to participating in the research. I, therefore, believe that the responses from subsidiaries, although not as numerous as would have been ideal, are credible.

To complement the survey data and provide a contextual view of corporate political strategies, I examine annual reports of South African MNEs operating in wider Africa. The research thus employs a quantitative method that supplements the primary data from senior-level executives of the subsidiaries with content analysis of the MNEs annual reports.

4.3 Research methodology

Scholars have highlighted the benefits of collecting data from different sources to provide a broader perspective for understanding the chosen research phenomenon (Cameron & Molina-Azorin, 2011; Hurmerinta-peltom & Nummela, 2006). In management research, the use of multi-methods in journals has remained scant (Cameron & Molina-Azorin, 2011; Gibson, 2017), for a varied number of reasons including scepticism around the appropriate application of both methods. The multi-disciplinary, multi-level and multi-cultural aspects of the international business field necessitate more innovative and hybrid approaches to exploring and explaining its complexities (Hurmerinta-peltom & Nummela, 2006).

Following Bruning, Sonpar and Wang (2012), I employ a quantitative research design, supplemented by qualitative content analysis. Integrating quantitative and qualitative methods requires that researchers pay attention to varying aspects of the mixing including the reason for the integration, data collected, research process stage, and in which method the priority lies (Bryman, 2006). Mixed methods research may be carried out with the goal of triangulation (Hunter & Brewer, 2015; Onwuegbuzie & Leech, 2006), complementing seeks to enrich or illustrate the findings of one particular method by drawing on findings from the other (Onwuegbuzie & Leech, 2006). It provides researchers with the opportunity to clarify another level of analysis and provide a supplementary view of the political strategy reality (Bentahar & Cameron, 2015). Specifically, the content analysis employed in this research provides a suitable tool for contextualising the research and corroborating the findings from the survey (Bowen, 2009; Bruning, Sonpar, & Wang, 2012; Duriau, Rhonda, & Michael, 2007)

Following Bezrukova, Thatcher, Jehn, and Spell's (2012) mixed-method strategy employed to delve into the research context (though they set their research within the field of psychology), this thesis also employs a content analysis of archival records combined with survey data. However, while Bezrukova et al. (2012) employ a quantitative content analysis and a multivariate statistical clustering analysis, I employ a qualitative content analysis with a

partial least squares structural equation model. The thesis data were collected concurrently - Annual reports of 74 South African MNEs and a survey of the senior-level executives of South African MNE subsidiaries. I present data from two levels of analysis: headquarters and subsidiaries. I analyse the qualitative content of the CEO/Chairman letters and the shareholder reports of the annual reports to understand the landscape of corporate political strategies at the MNE headquarters, and quantitatively survey senior managers at subsidiary level to explain the hypothesised relationship between corporate political strategies and subsidiary performance. Teagarden et al. (2017) recommend this kind of multi-level strategy in contextualising international business research, especially to underexplored contexts like Africa.

The study employs a quantitative method, supplemented with some qualitative content analysis which integrates the data collection and findings by drawing connections in the sample frame (Bruning et al., 2012). I integrate both methods by employing the instrument for the quantitative survey as the framework for the structured code list (see Appendix 2) used for the deductive content analysis (Stahl & Tung, 2015) and to allow newer codes from the content analysis emerge ((Potter & Levine-Donnerstein, 1999). This strategy allows both designs to merge as I interpret the findings thematically in Chapter 6. I use a narrative style that allows the research to crisscross around the two methods (Bruning et al., 2012; Potter & Levine-Donnerstein, 1999). Figure 11 below provides an illustration of the research methods and how it seeks to meet the thesis objective.

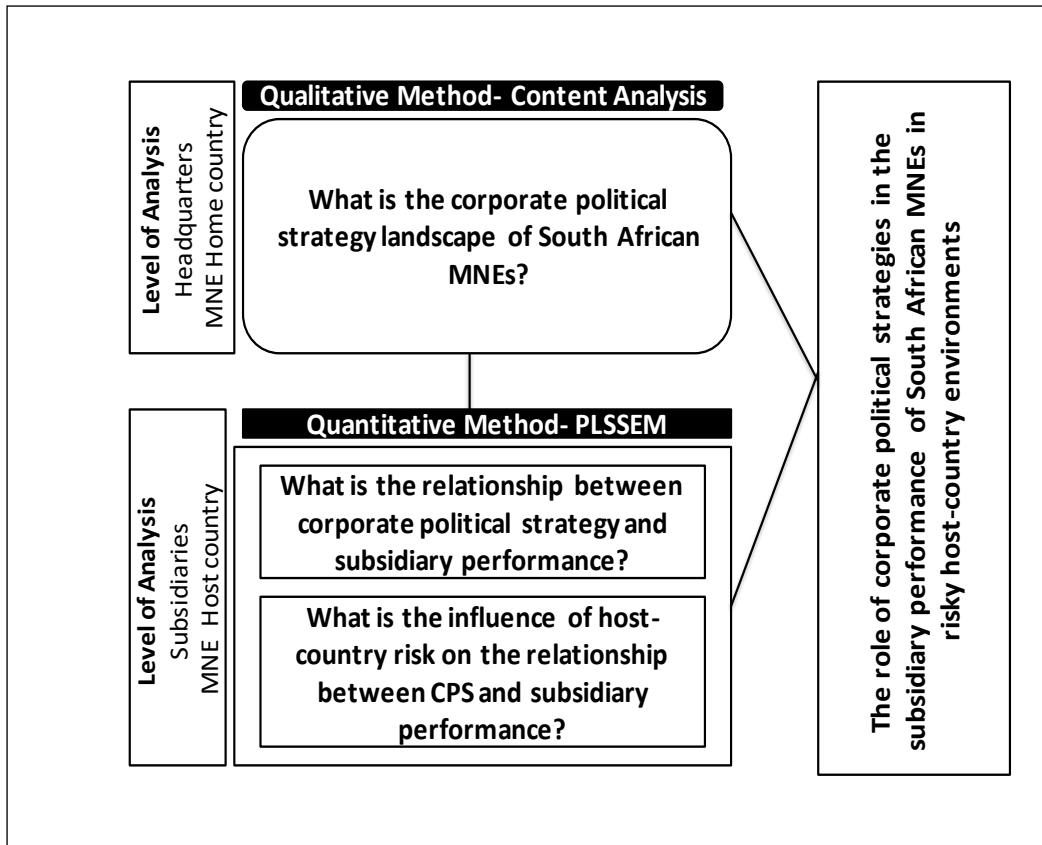


Figure 9: Research design

4.4 Qualitative content analysis

Content analysis, as a type of documentary analysis, is an unobtrusive method of research that allows the researcher to analyse meaning which is manifest and underlying meaning which are latent (Gaur & Kumar, 2018; Krippendorf, 2004). This analysis is done through deriving meaning and interpretations from text, images and expressions (Bowen, 2009). It is a resource-efficient and flexible research technique for making replicable and valid inferences from large amounts of texts to the context of their use (Bowen, 2009). In contrast to what can be obtained through other qualitative methods, Gaur and Kumar (2018) assert that it is a suitable method of analysis to observe latent constructs where data are unavailable or difficult to get, as is the case with the use of corporate political strategies in emerging economies (Rajwani & Liedong, 2015).

Content analysis can either be quantitative, through the count of words and frequencies (Gaur & Kumar, 2018; Stahl & Tung, 2015) or qualitative. The qualitative content analysis can be deductive, using a theoretically determined structured code list; or inductive, as

codes are derived from the data (Bowen, 2009). This research employs a combination of both (Duriau et al., 2007). Following Stahl and Tung (2015), I analyse the content using frequencies and tables to outline the political strategy statistics and employ a narrative approach to describe the political strategy landscape of South African MNEs

Deductive content analysis requires a body of text, a research question, a sense-making literature context, an operationalised analytical construct, inferences to answer the research question and validating evidence (Krippendorff, 2004). Table 10 below details these components as it relates to the thesis.

Table 11: Content analysis components in relation to the thesis

S/N	Content Analysis Component	Thesis Component
1	Body of Text	MNE Annual Reports (Mainly Chairman and CEO letters and Stakeholder reports)
2	Research question	What is the corporate political strategy landscape of South African MNEs?
3	Analyst's context	The literature on corporate political strategies
4	Operationalised construct	A structured code list
5	Inferences	South African MNEs employ corporate political strategies
6	Validating Evidence	Quote excerpts

Source: Adapted from Krippendorff, 2004

The advantage of content analysis as an unobtrusive method relatively free of informant biases (Gaur & Kumar, 2018), allows the researcher to gain insights into complex contexts (Bowen, 2009; Duriau et al., 2007) which in this case is the political strategy landscape of South African MNEs. However, the flaws of this method - researcher bias (Bowen, 2009) - require that coding rules minimise the coder's subjectivity. Following Potter and Levine-Donnerstein (1999) who assert that researchers with clarity on the content to be analysed are in the best position to develop the reliability and validity strategies, this research employs a structured code list deduced from a review of the literature on corporate political strategies to analyse projective latent content – where meaning lies in the judgements of the coder.

In the following sections, I discuss the data source and sampling, the strategy of enquiry and reliability and validity measures taken for the content analysis.

4.4.1 Data source and sampling

For the content analysis, the universe of study is the integrated annual reports of the 74 South African MNEs listed on the Johannesburg Stock Exchange - excluding MNEs from the finance and resource industry.

Annual reports are formal public documents created by companies to disclose mandatory and voluntary information to either manage their image, market the company, develop organisational legitimacy, address political economy issues or indicate accountability (Stanton & Stanton, 2002). Voluntary disclosures like social responsibility reporting are not regulated (Mmako & van Rensburg, 2017; Stanton & Stanton, 2002), and companies make them with the consideration for information that will provide benefit and least competition (Meek, Roberts, & Gray, 1995). Similar to developed economies, firms in emerging economies voluntarily disclose based on several factors including the ownership structure, size and multinationality of the companies (Barako, Hancock, & Izan, 2006; Meek et al., 1995) but the extent differs.

In South Africa, the King report on good governance (King IV), the regulatory policy document for companies in South Africa requires compliance in documenting companies' stakeholder engagements (Institute of Directors in Southern Africa, 2016). Companies are mandated to disclose financial information that is true and reliable, and this, however, does not hold for non-financial voluntary disclosures. Even though there are guidelines provided by the integrated reporting council for voluntary disclosures, this remains a limitation for this data source, as companies may focus on their image-management (Mmako & van Rensburg, 2017). Voluntary disclosures that pertain to host country stakeholders are further reduced where the MNE is absent from the local stock exchanges of the host countries (Meek et al., 1995), as their focus is more towards their home country stakeholders. In this research, annual reports of South African MNEs focus on their home country, with little or no reference to the countries where their subsidiaries operate in wider Africa.

Following Stanton and Stanton's (2002) assertion that researchers choose what to see and analyse in annual reports and the guidance provided by a professional annual reports designer, I analyse the entire annual report document with some emphasis on the letters from the CEO, Chairman letters, and stakeholder reports. Even though content analysis is a suitable method employed to reduce social desirability biases, a content analysis of annual reports may suffer from desirability biases depending on the corporate goals in mind when creating them. For example, an annual report created to manage the company's image may be skewed towards being more of a marketing document (Stanton & Stanton, 2002). This

thesis focuses on the period of the Zuma administration and the most recent period reported for each company analysed as at the time of data collection – 2016/2017 to explore their revealed choices of political strategies.

The literature on corporate political strategies provides a list of testable political strategies (Hillman et al., 1999; Hillman, 2003). However, I seek to provide more nuance through the findings generated by the quantitative analysis component of the research, as well as to action and test the strategies as proactive or, defensive political strategies (Oliver & Holzinger, 2008). The content analysis aims to improve our understanding of South African MNEs' revealed the use of political strategies. Do their revealed choices signal their preferences to prioritise gaining access versus building relationships within their environments? Does this differ – and how – across industries? The content analysis identifies and summarises these political strategy trends by measuring latent content (Gaur & Kumar, 2018; Hsieh & Shannon, 2005).

4.4.2 Strategy of enquiry

Gaur and Kumar establish four stages in content analysis: data collection, content-coding, analysis and interpretation. The first two stages play a role in the reliability and validity of the findings discussed in Section 4.23.

Data collection requires that the sources of data analysed are reliable and valid (Gaur & Kumar, 2018). In this research, the use of annual reports provides merit and validity to the research as it is created with quality consideration (Duriiau et al., 2007). They are also relatively more reliable than other data sources like the interviews of the company's senior executives (Duriiau et al., 2007). However, their preparation may be biased towards their targeted audience and characterised by self-serving disclosures (Bowen, 2009; Duriiau et al., 2007). In which case, political strategies that are perceived as good will be emphasised (Zhao, 2012) and those less so may get a little mention or none at all. This research analyses the entire annual report but focuses on the chairman and chief executive officer (CEO) letters and the stakeholder reports.

In the second stage, content-coding schemes are created to code for manifest and latent content (Gaur & Kumar, 2018). The structure of the schemes is to code either words, phrases, sentences or paragraphs (Duriiau et al., 2007; Gaur & Kumar, 2018; Krippendorf, 2004) One of the considerations in content analysis is the importance of unitisation- the application of units of meaning (Gaur & Kumar, 2018; Srnka & Koeszegi, 2007). Following Srnka and Koeszegi (2007), I apply the structured steps of unitisation to transform qualitative

text data. This method focuses on the content or contextual meaning of the text and extends beyond word counting towards a classification based on meaning (Hsieh & Shannon, 2005; Potter & Levine-Donnerstein, 1999; Srnka & Koeszegi, 2007). The method is consonant with the research goal of contributing to theory in the African context and providing data useful for future quantitative research (Srnka & Koeszegi, 2007).

In the third content analysis stage (Gaur & Kumar, 2018), I apply the directed content analysis method as proposed by Hsieh and Shannon (2007) which builds on existing theory and literature, developing appropriate codes into a structured format. Text is then analysed to fit into the codes, with exceptions pulled aside into a new code for further analysis (Hsieh & Shannon, 2005). I employ the use of a structured code list deduced from literature to provide a summary of the observations from the content analysis (Gaur & Kumar, 2018). This structured code list links the themes, categories and codes derived from the literature on corporate political strategies in a hierarchical form (see Appendix 2 for structured code list). It is derived from theory and links directly to the survey instrument developed for the quantitative part of the data analysis thus providing high levels of validity (Gaur & Kumar, 2018; Potter & Levine-Donnerstein, 1999; Srnka & Koeszegi, 2007).

For the final interpretation stage (Gaur & Kumar, 2018), I employ the instrument for the quantitative survey as the structured code list for the deductive content analysis which allows newer codes from the content analysis to come out. This strategy eases the merger of qualitative and quantitative. The findings are thematically expressed in Chapter 6, using a narrative style (Duriau et al., 2007).

4.4.3 Reliability and validity

In content analysis, reliability assures the readers that the analysis is obtained independent of who analysed or what instrument was used (Duriau et al., 2007; Gaur & Kumar, 2018). The validity, on the other hand, is concerned with the steps taken to ensure that the research findings are correct (Gaur & Kumar, 2018; Krippendorff, 2004). A piece of research has a valid code scheme when it takes into consideration the theory from which it is deduced (Potter & Levine-Donnerstein, 1999).

Most studies on reliability require that there is more than one coder and the inter-coder reliability score between the coders is above 70 per cent (Gaur & Kumar, 2018; Stahl & Tung, 2015). However, this general view ignores the nature of the content being analysed. Potter and Levine-Donnerstein (1999) argue that depending on whether the content being analysed is manifest or latent determines to a large extent, how reliable the coding process

is. For example, where manifest content is coded, it is relatively easier to determine the objectivity of the process. On the other hand, where underlying meaning is coded and is dependent on the understanding of the coder and their interpretations, the process becomes even more subjective. Following this argument, the nature of the latent content analysed and the assistance of a professional in the qualitative research field (Gaur & Kumar 2018), this thesis employs a single coder and a structured code list which provides clear coding instructions, deduced from theory and valid (Potter & Levine-Donnerstein, 1999).

This thesis employs the human-scored system described by Gaur and Kumar (2018), which requires that codes and coding units are manually determined. I use the Atlas TI computer-aided text analysis (CATA) methods which make for a more structured analysis that is faster and more trustworthy (Gaur & Kumar, 2018; Gerschewski, Rose, & Lindsay, 2015). It also provides a database for the coding process that facilitates verification, where necessary (Gaur & Kumar, 2018).

4.5 Quantitative research method

This section details the quantitative analysis process of the research and is structured into sections as detailed in Table 9 above

4.5.1 Research sampling

The unit of analysis in this research is the African subsidiaries of selected South African MNEs. A total of 682 such units were derived from data in the Osiris database (See Appendix 1 for details). To address any frame errors that might occur because of failure to include or exclude required elements of the population, I employ a frame boundary (Cavusgil & Das, 1997). The selected research population includes all MNEs originating from South Africa. MNEs from the natural resource and financial industries were excluded to reflect the conscious drive within African economies to move away from the dependence on natural resources, plus the increased intra-African investments in other industries (Boso et al. 2016). The latter were excluded from the primary research sample but used as the pilot population.

Following the identification of the target population, it is necessary to determine which of these units are accessible in order to determine a suitable frame for the research. Reynolds, Simintiras and Diamantopoluos (2003) recommend a non-probability sample in order to be able to carry out cross country assessments adequately.

The frame from where the research sample is deduced is the Johannesburg Stock Exchange (JSE) which lists 75 South African MNEs that meet the criteria for the research: they have their origins in South Africa; have subsidiary operations in the rest of Africa, and are not based on the natural resources or financial industries. Because sampling frames are not always easily accessible or representative (Reynolds, Simintiras, & Diamantopoulos, 2003), this study employed a two-stage strategy to determine the sample frame. First, I identified MNEs willing to participate in the research by sending out invitation emails to all the MNEs listed on the JSE. Following Liedong (2016), follow-up strategies encouraged MNE buy-in, including offering to share the research results with the companies and providing them with executive summaries of the findings. Following White, Fainshmidt and Rajwani (2018), I also leveraged on personal and institutional prestige and networks to gain access to executives from the MNE headquarters.

This open, two-stage strategy helped to address the difficulty of attaining randomisation within a research context considering different countries and different levels of analysis (Cavusgil & Das, 1997). The strategy also provided an opportunity for the research to overcome the challenges of scarce data in the African context (Barnard et al., 2017; Chidlow, Ghauri, Yenyurt, & Cavusgil, 2015; Hoskisson et al., 2000; Mol et al., 2017). Subsequently, I derived the total number of African subsidiaries for the willing South African MNEs from the Osiris database. The final sampling frame based on the MNEs recruited for this study comprised 117 subsidiary operations across the western, eastern and southern regions of Africa.

The second stage of the sampling process entailed determining the precise sample to be surveyed and choosing a subset of the sampling frame to make inferences about the study population. The purposive sampling technique and its variants have limitations that include poor generalisability and increased sampling errors. However, Brewer and Hunter (2006) assert that randomness from probability sampling does not necessarily guarantee that a sample is representative, but merely quantifies its level of non-representativeness. Furthermore, whereas attaining probability samples in within-country analysis signals representativeness, in cross-country research, it may not be the case (Cavusgil & Das, 1997; Reynolds et al., 2003). Samples are purposefully matched to ensure that characteristics between respondents are relatively similar (Reynolds et al., 2003) Following previous research across borders in emerging economies, I employ an expert-purposive method of sampling, to access senior executives of multinational subsidiaries (Buckley, Chen, Clegg, & Voss, 2018; White, Fainshmidt, & Rajwani, 2018). I solicited written authorisation from the MNE headquarters to encourage the managers of subsidiaries to

respond (Hillman, 2003; Hillman and Wan, 2005), by giving them more confidence in the process (See Appendix 6 and 7 for consent letters).

Cavusgil and Das (1997) and Chidlow et al., (2015), who studied empirical cross-cultural research, recommend that researchers in similar research situations should detail the potential challenges to replicability in such analysis by highlighting the research circumstances. In this research, which gathers data on political strategies from a limited pool of MNEs at a senior executive level of analysis, replicability is challenging. The researcher has tried to improve the validity of the findings and to mitigate some of the weaknesses by directly addressing the challenges faced in international business research, especially in multi-country surveys (Cavusgil & Das, 1997; Chidlow et al., 2015).

Following Chidlow et al. (2015), I adopted some of the post and electronic mail survey tactics to address the challenges of non-response rates and deficient rigour in data collection. Some of these tactics include sending polite reminders, and acknowledging and appreciating responses received, as well as using standard forms of document presentation and using the university's logo and affiliation (White et al., 2018). Additionally, the sensitivity around collecting information about corporate political strategies required reassurances of anonymity and aggregation of responses to the MNEs (Liedong, 2016). The study employs web mail surveys to increase the reach of the research (Bryman & Bell 2007) and reduce the cost of data collection. One of the main challenges of using web surveys (Bryman & Bell 2007) is the potential for multiple responses. To counteract this, I applied an online survey setting to limit responses per computer to just one. Lawrence and Lorsch (1969) assert that high-level managers are involved in a firm's decision-making choices and are appropriate sources from which to gather data. Managers were chosen based on their involvement in company decision-making and their ability to provide the necessary information. Senior managers of subsidiaries in all three regions – eastern, southern and western Africa – were consulted, to ensure coverage of such functions as subsidiary manager, financial manager, public relations manager, sales and marketing manager, corporate affairs manager and human resource manager (Andersson et al., 2001; Shaffer, 1995; Hillman & Wan, 2005). I also considered that organisational structures might differ across MNE subsidiaries, with some structures flatter than others, and thus included senior managers occupying similar roles, irrespective of the formal title. Although title inconsistency among those surveyed might be perceived as a limitation, the strength of this approach is that all the executives from whom data was gathered had access to the relevant strategic information. Of the 117 subsidiaries surveyed, I received 68 responses from subsidiary executives, and this represents a 9.7% response rate if each subsidiary has all six senior executives considered.

In summary, this research employs a population of 682 African subsidiaries of 75 South African MNEs with operations in Africa; its sampling frame includes 117 subsidiaries of 15 South African MNEs which have actively engaged in the research and 68 responses from the senior-level executives of these subsidiaries. Similar to Hillman and Wan (2005), I restrict it to one home country to create a boundary and minimise the differences that may arise from different home countries. For the different sub-Saharan African subsidiaries, I employ control variables to address confounding issues that may arise. The field survey draws relevant data from selected senior executives across the subsidiaries. This level of analysis was chosen in line with other research in emerging economies to access the individual observations of subsidiaries and thus effectively measure the subsidiaries strategies and their outcomes (Buckley et al., 2018; White et al., 2018). Table 11 provides a detailed summary of the thesis sampling plan

Table 12: Summary of thesis sampling plan

Sampling Plan		
Target Population	South African MNEs subsidiaries (excluding the resource and finance industry)	
Sampling Unit	682 African subsidiaries of South African MNEs*	
Sampling Elements	Senior executives of subsidiaries of South African MNEs in wider Africa	
Sampling Frame	117 African subsidiaries of 15 South African MNEs*	
Sampling Technique	Stage 1: Population Sample	Via the Head office of the South African MNEs
	Stage 2: Expert purposive sampling	Via the Head Office executive of African operations- Chosen subsidiary senior executives
Sample Size	68 responses from senior executives of African subsidiaries	

* Information sourced from the Osiris database

4.5.2 Variable operationalisation and data sources

This section describes the variables the thesis employs, their operationalisation and the sources of data. I categorise the variables into control, independent, moderating and dependent, variables and discuss each in turn.

4.5.2.1 Independent variables

The latent variable access political strategy measures how South African MNEs gain access to policy-makers in their host country. This construct is expressed through the information and financial strategies of the MNE. Ontologically, I assume that the reality of business in the host-country requires South African MNEs to engage with their environment. I gather this data using a five-point Likert scale of the theoretically derived questions (See table 13 below) and interrogate the suitability of this measure using the convergent validity and composite reliability findings discussed in section 5.3

The latent relational political strategy variable measures how South African MNEs indirectly seek to influence policymaking in their host-country environment through building constituency relationships. Similar to the access latent variable, I gather this data using a five-point Likert scale of the theoretically derived questions (See table 13 below) and interrogate the suitability of this measure using the convergent validity and composite reliability findings discussed in section 5.3

4.5.2.2 Control variables.

Confounding variables are variables that may covary with the independent focal variables making it difficult to ascertain the strength of the hypothesized variables. (Nielsen & Raswant, 2018). To address the influence of these variables and enhance confidence in the results, researchers employ theoretically and empirically suited extraneous variables (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016; Nielsen & Raswant, 2018). Following Nielsen and Raswant (2018), this thesis employs a standard of practice criteria to address the issues of confounding variables that pertain to the selection, use, reporting and context.

In the selection stage, I restrict the sample inclusion to subsidiary executives to limit the confounding influence of whether the MNE headquarters influence MNE decisions. Scholars (Fenton-O’Creevy, Gooderham, & Nordhaug, 2008; Rabbiosi & Santangelo, 2019) argue that MNEs operating in relatively weaker institutional environments than their home countries tend to ascribe decision making autonomy to their subsidiaries. I, therefore, restrict the focus to executives at the subsidiary level on the premise that the South African institutional environment is relatively stronger than other countries in sub-Saharan Africa. Surveying at the subsidiary level provides an opportunity to interrogate their strategies on performance. I also control for confounding variables by excluding certain MNEs from the sample (Nielsen & Raswant, 2018). MNEs from resource industries and finance industries are excluded. Also, the MNEs surveyed are restricted to South African MNEs that originate from South Africa and still mainly operate from South Africa (Buckley, Elia & Kaafouros, 2014). For example,

MNEs, like the South African Breweries (SAB) Miller, which has now being acquired by AB Inbev, are excluded. State-owned enterprises are also excluded based on their substantial influence from the state, which may confound the influence of political strategies on subsidiary performance (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014).

The thesis theoretically includes control variables that pertain to the firm, industry and contextual levels: subsidiary size (Weymouth, 2012); industry effects (including the return on assets and the level of regulation); and the level of growth in the country where the subsidiary is located (Hansen & Gwozdz, 2015; Mathur & Singh, 2011). This strategy takes into consideration factors both internal and external to the MNEs that may influence subsidiary performance (Hansen & Gwozdz, 2015) and are discussed in detail in the following paragraphs, in terms of their relevance, description and impact on the research model (Cuervo-Cazurra et al., 2016). The number of control variables is carefully chosen to ensure that the PLS-SEM requirements are upheld. Hair, Sarstedt, Ringle and Mena (2012b) recommend that the number of direct relationships multiplied by ten should not be higher than the sample size of 68. This choice is further supported by the need to reduce measurement errors that may arise with a large number of control variables (Nielsen & Raswant, 2018).

Performance scholarship suggests that the size and age of the subsidiary are variables that impact on firm performance because the larger the firm is – in terms of either number of employees or assets – the more access to productive resources it has, facilitating improved performance (Cuervo-Cazurra et al., 2018). The age of the subsidiary also suggests that resources may be more developed because of the experience garnered in a location, which can affect performance (Cuervo-Cazurra et al., 2018), a point on which subsidiary performance literature largely concurs (Andersson et al., 2001). For this reason, I include these variables in the model as control variables, with the age of the subsidiary substituting for subsidiary size in the robustness tests.

I also include variables for whether a firm is from a regulated industry or not, on the argument that firms highly controlled by a government will need to engage more than their less regulated counterparts, with this increased engagement enhancing performance. Hadani and Schuler (2013) demonstrated – in a study of 943 firms over a decade – that more regulated firms tend to show a positive influence from corporate political investments on financial returns, while less regulated firms showed a negative relationship. Following Foye (2018) who tested an originally developed model for developed economies in emerging markets, I employ the Coates-Fama-French classification of regulation levels of 48 industries

in the United States as described by Al-Ubaydli and McLaughlin (2012). They categorise these industries into three levels of high, medium and low regulation, based on the counts of binding words. It is clear that the contexts are different and portends a possible limitation; however, the database provides a measure for classifying the regulation of varying industries (Al-Ubaydli & McLaughlin, 2012), which is unavailable within the context of the research. Furthermore, given limitations in the sample size, only two categories (high and low regulation) are included in the sample. Of the 68 responses, only 22 are in the high regulation category.

In international business, operating across countries and cultures is a crucial factor influencing theoretical relationships (Cuervo-Cazurra et al., 2016; Nielsen & Raswant, 2018). I include the gross domestic product (GDP) *per capita* as a contextual level control for the performance of firms, better suited than the use of country dummies (Nielsen & Raswant, 2018). Scholars (Delios & Henisz, 2003; Nguyen, Kim, & Papanastassiou, 2018) argue that national and regional level macroeconomic influences, such as market size, can affect the subsidiary performance of firms through its institutional and economic influence. These variables provide a measure for the advantages ascribed to a firm through its location (Qian, Li & Rugman, 2013). I employ the ten-year averages of GDP *per capita* for countries where available, with regional figures used where country information is not provided.

Finally, I include a measure of industry performance. Previous research on performance has employed return on asset, return on equity or return on sales as proxies for performance. In line with Qian *et al.* (2013), this research excludes return on equity, because of its high fluctuations (Hitt, Hoskisson & Kim, 1997) and employs the return on assets measure because it is highly correlated to the return on sales measure and is a good measure for industry-specific advantages (Hitt et al., 1997; Qian et al., 2013). This choice provides control for subsidiary performance that may result from the industry-specific advantages of the MNE as a whole. I employ a two-year industry average to capture the period in which the primary data are collected (Carpenter & Fredrickson, 2001) for South African MNEs. The data is sourced from the annual financial statistics report (*Annual Financial Statistics*, 2016) published by Statistics South Africa. Table 13 below shows the control variables employed and their sources and references.

Table 13: Control variables employed

Variable Name	Control level	Data Source	Justification reference
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Variable Name	Control level	Data Source	Justification reference
Age of Subsidiary	Firm Control	Survey 2017/2018	Barkema & Vermeulen, 1998; Hitt et al., 1997;
Size of the Subsidiary	Firm Control	Survey 2017/2018	Hillman et al., 1999; Hillman & Wan, 2005
GDP per capita	Country Control	UNCTAD- 2016-	Delios & Henisz, 2010, Delios & Makino, 2003
Regulated industry	Industry Control	Coates-Fama French Classification	Al-Ubaydli & Mclaughlin, 2012
Industry return on assets	Industry control	Statistics South Africa	Qian, Li & Rugman, 2013;

4.5.2.3 Moderating variable: Political risk measure

This research makes one of its distinctive contributions to the corporate political strategy literature by the extent to which it considers the context of weak institutions and uncertainties in sub-Saharan Africa. I include the contextual influence of uncertain environments by interrogating the influence of political risk (Hadani, Bonardi, & Dahan, 2016; Kingsley et al., 2012).

The research employs the Business Monitor International (BMI) Political Risk Measure, which quantifies the risk of shocks to the political environment that could affect business conditions in a country, such as a sudden change. The measure employed is the Short-term Political Risk Index, valid for any current and subsequent year. This measure considers four aspects of the macro environment to determine risk: the policy-making process (which measures the government's ability to propose, pass and implement its policies); social stability (which measures the weaknesses in an economy such as unemployment and the risks they pose to stability); security/external threats (which evaluates threats to sovereignty as a results of terrorism or armed secessionism); and policy continuity (which measures the likely continuity of a policy, through stable elections and secure transfers of power). Thus the Short-Term Political Risk Index evaluates a government's ability to deliver on its chosen agenda in the presence or absence of the factors listed above.

This measure is appropriate for this research because it provides a holistic view of the political, institutional environment, encompassing the challenges faced by MNEs when they move into cross-border business. The data are gathered using a total analysis perspective, which takes the factors listed above into consideration.¹ The index employs a scale from zero to 100, with an index of 100 indicating no political risk and lower scores indicating increased risks. Countries with a score below 49 are generally classed as unstable, with high

¹ <https://www.bmiresearch.com/about-us>. Retrieved on February 13, 2018

levels of political risk.² The measure is also able to accommodate political uncertainties: as one example, Brazil's score fell from 59.2 to 57.5, linked to the allegations of corruption levelled against the country's President Temer.³

Although measures of political risk for countries in sub-Saharan Africa are available for all countries, data received from respondents sometimes omitted their countries of operation, and to address this, this research employs a regional measure, derived from an average, where country information was unavailable. See Appendix 4 for measures of political risk in sub-Saharan Africa.

4.5.2.4 Dependent variable- Subsidiary performance

Scholars have highlighted the challenges to measuring subsidiary performance in international business (Andersson et al., 2001; Gerschewski et al., 2015; Hult, Ketchen Jr, Griffith, Chabowski, et al., 2008). To deal with some of these challenges, Andersson *et al.* (2001) suggest using future measures of performance that observe MNE manager perceptions of sales, market value or profitability, while Hansen and Gwozdz (2013) suggest looking at multiple performance indicators like customer satisfaction and technology application. This thesis applies a modified version of the Andersson *et al.* (2001) measure because it provides a way of measuring future perceptions of subsidiary performance. It is also a reliable measure with a suitable Cronbach Alpha measure of 0.91.

To address the risk of a common method bias (Podsakoff, Mackenzie, Lee & Podsakoff, 2003), this thesis follows the recommendation by Chang, Van Witteloostuijn, Eden and Eden (2010). I employ a two-stage check: Prior to data collection, I employ two different Likert scales (Lam, Ahearne, & Schillewaert, 2012; Obadia, Bello, & Gilliland, 2015) in the questionnaire development., and during the process of data analysis, I also employ collinearity tests (Kock, 2015) to address this concern. Table 13 below provides a summary of the variables and measures employed.

Table 14: Summary of variables and measures used in the analysis

Variable	Measure	Value
Subsidiary Performance	Managers perceived confidence in future performance	Likert Scale 1-7
Access strategies	The use of informational and financial strategies- See table with indicators	Likert scale 1-5
Relational Strategies	The use of relational and constituency building	Likert Scale 1-5

² <https://www.marsh.com/uk/campaigns/political-risk-map-2017.html>. Retrieved on February 13, 2018

³ <https://www.marsh.com/uk/campaigns/political-risk-map-2017.html>. Retrieved on February 13, 2018.

Variable	Measure	Value
	tactics- See table with indicators	
Return on Assets	Two year average on the industry's return on assets	0-1
Regulated Industry	Dummy variable that equals to 0 if industry regulation is low and one if industry regulation is high	0 or 1
Subsidiary Age	Years of subsidiary operation	Categorical 1-5
Subsidiary Size	Number of employees employed	Categorical 1-5
Political Risk	Measure of short term political risk in host location	0-1
GDP per capita	Ten year average of gross domestic product per capita in US\$ at current prices	Continuous

4.5.3 Data collection and questionnaire development

The data for this research is collected from multiple sources; primary data from surveys and secondary data from sources including the United Nations Trade and Development (UNCTAD) database, the Osiris database and the Business Monitor International database

In multi-country studies, it is crucial to managing the challenges of research design equivalence (Cavusgil & Das, 1997; Hult, Ketchen Jr, Griffith, Finnegan, et al., 2008). In particular, Hult et al. (2008b) draw attention to the influence of culture on the responses generated from surveys. The work of Chidlow et al. (2015) underlines the need to consider language differences, especially in such a broad context as sub-Saharan Africa, where there may be different operational languages. This study addresses this concern in two ways: First, it employs the post-data collection strategies suggested by Hult et al., (2008b), which recommend the use of reliability measures to ensure that there is construct equivalence. Second, by its design, the sample is drawn from a more homogenous group of senior executives operating in South African MNE subsidiaries (Reynolds et al., 2003). Because it focuses on senior executives of South African MNEs who employ English as their primary language of communication, the language preference will strongly influence the choice of executives employed in subsidiaries and mitigate the challenges of language differences in cross-cultural data collection (Chidlow et al., 2015; Harzing, 1997, 2000). Contextual considerations, including the difficulties of accessing data in Africa (Chidlow et al., 2015), necessitated the use of primary surveys of managers to access data, which portends its challenges as senior manager response rates have been declining more recently (Cycyota & Harrison, 2006). Cognisant of the difficulties of gathering politically sensitive primary data from senior executives in sub-Saharan Africa and following Shirodkar and Mohr (2015), I apply a 10% response threshold.

To increase response rates and ensure easy readability, the questionnaire for the research starts with easy biographic, demographic and company questions and ends with a more

complicated question. Each question section includes a brief explanatory introduction to ensure that the data collected is appropriate. This study addresses the concern of inappropriate respondents by clearly defining its survey population: senior executives who control the strategic operations of the subsidiary, held by Lawrence and Lorsch (1969) to be some of the most suitable employees from whom to access operational information. Following Cavusgil and Das's (1997) recommendation, the questionnaire instrument was developed from a *priori* applicable theory and confirmed from past literature.

4.5.3.1 *Pretesting of the Questionnaire*

The rationale for pre-testing (also referred to as pilot testing), as discussed by Onwuegbuzie and Leech (2006), is that it is a tool for instrument fidelity, maximising the appropriateness of instruments for their aim and context. It also provides information on the feasibility and warns of challenges that may arise in data collection (Hertzog, 2008). Pilot testing can help detect potential problems with a survey instrument and ensures that measures are reliable and valid (Onwuegbuzie and Leech, 2006). For this research, a pilot study preceded the detailed survey. It employed informal and formal pre-testing. Informal face validity testing involves the use of experts to evaluate the instrument (Krosnick & Presser, 2010). Two expert professors in the business field were approached to review the instrument, as well as other doctoral students in a similar field. For the pilot, a similar group of managers were surveyed, drawn from MNEs in the financial industry: a group not included in the thesis sample. In this process, comments from managers were utilised to improve the final instrument.

Recommendations for pilot sample sizes range from 10 respondents to 10% of the proposed research sample (Lackey & Wingate, 1998). However, the factors affecting pilot size also include time and resource constraints, as well as the purpose of the pilot (Hertzog, 2008). Hertzog (2008) recommends between 10 and 15 participants to address feasibility and at least 25 participants for reliability. The study used a pilot sample of 11 respondents which relates to contextual concerns over access previously discussed, (Chidlow et al., 2015). One reason for the low response was language. Unlike the main survey, the pilot included all African financial MNEs with subsidiaries in Francophone and Anglophone African countries, and the survey was in English. However, some of the managers were more proficient in French than in English. This issue was one of the concerns highlighted by Chidlow et al. (2015). Thus alerted, the researcher was able to avoid the language challenge in the main research by focusing on subsidiaries with executives proficient in the English language.

The pilot revealed that the questionnaire contained ambiguities like faulty sentence constructions and poor indicators, making it difficult for some respondents to answer. For

example, in measuring subsidiary performance, the pilot had employed both current, and future perceptions of performance, resulting in an unreliable measure. To correct this, the main survey employs the subsidiary performance measure suggested by Andersson et al. (2001), which has a suitable reliability measure. Analysis indicated that questions for the constructs of relational strategies were reliable at a Cronbach alpha of greater than 0.7 (Field, 2013). Access strategies had a negative variance score and mirrored the structure of the industry being surveyed. Table 14 shows all the elements of the final questionnaire, indicating the revisions made after piloting and their supporting references.

Table 15: List of construct items

Construct	Items	Reference
Access Strategies	AC1- We provide direct financial incentives, e.g. campaign contributions	Hillman, 2003
	AC2- We provide informal monetary encouragement to policymakers	Hillman and Hitt, 1999
	AC3- Contacting initiating and providing information to public policymakers by members of the company	Hillman, 2003
	AC4- Commissioning research think tank research projects	Hillman, 2003
	AC5- Hiring individuals with political experience to work for the company	Hillman, 2003
	AC6- Company members serving in a political position	Hillman, 2003
Relational Strategies	RC1- We try to create/join support group unions to improve our business environment	Hillman and Hitt, 1999
	RC2- We engage in discussions with our immediate community leaders and people	Hillman, 2003
	RC3- We engage in collaborative efforts with non-governmental organisations to influence our immediate environment	Hillman, 2003
	RC4- Public relations advertising in the media	Hillman, 2003
	RC5- Approaching representatives of the host government to support our programs	Hillman, 2003
	RC6- Forming coalitions with other organisations, not in your horizontal or sectoral trade association such as environmental and social groups	Hillman, 2003
	RC7- Joining business advisory groups to government and regulatory bodies such as standard-setting committees	Hillman, 2003
Subsidiary Performance	PCFP1- How do you judge this subsidiary's increase in profitability?	Andersen, Forsgren & Pedersen, 2001
	PCFP2- How do you judge this subsidiary's future market share expansion?	Andersen, Forsgren & Pedersen, 2001
	PCFP3- How do you judge this subsidiary's future increase in sales volume?	Andersen, Forsgren & Pedersen, 2001

4.6 Research strategy of enquiry: Partial least squares structural equation modelling (PLS-SEM)

This part of the study relies on quantitative research methods, using survey method and partial least squares structural equation modelling to explore the relationship between South African MNE corporate political strategies and the performance of their subsidiaries, in the context of uncertain developing countries. This empirical method of research seeks a more nuanced understanding of management strategies in Africa. It speaks to the calls for research in Africa that moves away from the use of generic secondary data that ignores the specificities of business on the African continent (Bagire & Namada, 2015).

This study employs the PLS-SEM (formerly: "Projection to Latent Structures") method of analysis as developed by Wold (Kock & Lynn, 2012) which uses an interaction of regressions premised on the ordinary least squares (OLS) approach (Reinartz, Haeinlein & Henseler, 2009; Hair, Sarstedt, Pieper & Ringle, 2012a; Kock, 2017). It correctly approximates the linear indicator combinations of the latent variables into a block variable (Hair et al., 2012a). It is suitable for both reflective variables, where the latent variable determines each indicator, and there is a high correlation, and formative variables, where each indicator independently determines the latent variable and there is no expectation of a high correlation between them (Chin, 1998; Kock, 2017). PLS-SEM is a variance-based method of analysis appropriate for management research that seeks to predict and explain the variance in independent variables. As a result of reflective and formative predictive constructs, where the sample size is relatively small, data are non-normal, and models are complex (Hair et al., 2012b; Obadia, Bello, & Gilliland, 2015; Reinartz, Haenlein, & Henseler, 2009). The occurrence of non-normal data is typical in studies across different countries (Cavusgil and Das, 1997), which enhances the suitability of this method. In PLS-SEM, endogenous constructs refer to the dependent variable, while exogenous constructs are the predictor variables. This is the terminology employed interchangeably through the data analysis.

PLS-SEM avoids the assumptions of a uni-distributional pattern (Chin, 2011). Unlike the maximum likelihood and generalised least squares models, distributional assumptions about normality and size are less stringent leading to it being labelled a 'soft' modelling technique with rigorous estimation techniques (Chin, 2011; Reinartz et al., 2009; Richter, Sinkovics, Ringle, & Schlägel, 2016). It is concerned with the difference between the observed values of the explanatory variable and those predicted by the model, seeking to maximise the variance explained in the endogenous constructs (Reinartz et al., 2009; Hair et al., 2012b),

hence a focus on the predictive capabilities of the model. Reinartz et al (2009) assert that where sample sizes are below 100, the use of PLS-SEM is more sensible than employing covariance-based structural equation models, although it still provides the statistical power necessary for predictive experimentation. The measurement model, however, must be adequately constructed with a sufficient number of indicators, or indicators that load higher on the constructs. Analysis using PLS focuses on the block variables – that is, an average of all indicators per construct – because this results in better solutions (Reinartz et al., 2009).

PLS-SEM offers opportunities for useful research in African emerging economies and other similar contexts, where data are difficult to gather, and businesses may be reluctant to provide information (Bagire & Namada, 2015). It is also well-suited to dynamic fields at an early stage of theory development and to understand changing contexts through complex models (Richter et al., 2016). Theory in this field is underdeveloped explicitly concerning corporate political strategies in cross-border business and how these strategies influence performance in uncertain contexts – precisely the focus of the research. Thus I selected a PLS-SEM approach to facilitate the exploration of data on access and relational strategies (Hillman and Hitt, 1999; Hillman et al., 2004). For more details on why the PLS-SEM methodology is suitable to the research and its benefits in the process of theorising, see Appendix 3. I employ WarpPLS 6.0 software. Warp was released in 2009 (Kock, 2017).

4.7 Assessment of the reliability and validity of the research

Throughout the research process, it should be possible to demonstrate reliability and validity. In the sections that follow, I discuss the reliability and validity of the data collection, preparation and analysis.

4.7.1 Reliability in quantitative research

This thesis employs internal consistency reliability techniques to test the reliability of its multiple-item constructs. These measures of reliability seek to check that questions on the instrument are interpreted analogously by all respondents (Kock, 2017). A Cronbach alpha measure of 0.6 or above indicates reliability (Field, 2013), with lower measures implying lower levels of reliability. Composite reliability, also a measure of internal consistency reliability, is an accurate measure of reliability in structural equation modelling (Peterson & Kim, 2013). The advantage of composite reliability over the Cronbach alpha measure rests on the fact that while the alpha maintains fixed construct loadings or weights, the composite

reliability measure allows the loadings to vary. This overcomes some of the limiting assumptions of the Cronbach alpha and produces better estimates of true reliability (Peterson & Kim 2013). This thesis applies composite reliability estimation techniques because its strategy of enquiry is a partial least squares structural equation modelling. Composite reliability is the upper-end measure of reliability in PLS-SEM (Hair et al., 2012), employed for reflective constructs, while significance and multicollinearity tests are suitable for formative constructs. Correct assessment of reliability reduces the likelihood of making a Type II error (Hair et al., 2012). This study employs both reflective and formative constructs. Thus the Cronbach alpha and composite reliability are employed for the reflective variables and the variance inflation factors for the formative variables. The thesis adheres to the relaxed ≥ 0.6 rule for composite reliability and Cronbach alpha (Kock & Lynn, 2012) and a variance inflation factor of less than 10 (Hair et al., 2012a and 2012b). The results are presented in Chapter Five.

4.7.2 Validity in quantitative research

A test is valid if it measures what it sets out to measure (Kelley, 1927). This ensures that the instruments are suitable for measuring the constructs in the model (Chin, 2011), including face validity (checking the instrument); construct validity (the fit between the attribute, gathered data and theory); and predictive validity (the ability to make predictions from the data) (Borsboom, Mellenbergh, & van Heerden, 2004). For external validity purposes, this study focuses on MNEs from varying industries with their headquarters in South Africa. Although the study surveys subsidiaries in several parts of an extremely diverse continent, it can make a case for external validity in terms of the operations of South African MNEs. Additionally, its findings offer the potential for extension to MNEs from other emerging economies, especially from Africa; or to other emerging economy MNEs operating within the sub-Saharan African context.

Construct validity focuses on the choice of measurements and their adequacy to measure the intended construct. There are two types of construct validity assessments; theoretical and empirical assessment. Theoretical validity, also known as translational validity, can be assessed using face and content validity procedures. As previously mentioned, two senior business professors reviewed the instrument and face validity tests were conducted on it by other doctoral students in a similar field. Empirical validity measures the extent to which a construct empirically relates to other external criteria and has four aspects: convergent validity; discriminant validity; concurrent validity and predictive validity. Table 15 below provides a summary of the choices made with their supporting references.

Table 16: Validity choices for thesis with supporting references

Validity Type	Validity assessment	Description	Measurement tools	Thesis rule of thumb	Supporting Reference
Theoretical or representational Validity	Face Validity	Qualitatively measures whether an indicator measures its underlying construct, bounded by the supporting theory	Expert panel assessments of Instrument	Convergence in panel	Borsboom et al., 2004
	Content Validity	Qualitatively measures how well a set of scale items theoretically match the construct that they are seeking to measure	Expert panel assessment of instrument	Convergence in panel	
Empirical or Criterion-related Validity	Convergent Validity	Measures the similarity with which an indicator measures a construct	PLS Normalised combined loadings	Greater than 0.4	Hair et al. 2012; Richter et al., 2016; Kock, 2017
			Average Variance Extraction (AVE) - measures the percentage of variance in a construct that is due to the variance in the observed variable.	Composite reliability greater than 0.6	Kock, 2017; Hair et al., 2012b
	Discriminant Validity	Measures the extent to which an indicator does not measure any other constructs which it ought not to measure	Fornell & Lacker Criterion	Correlations values on the diagonal are greater than all the variables above and beneath them	Fornell & Lacker, 1981; Lam et al., 2012
	Predictive Validity	Measures the degree to which a specific construct predicts a future outcome based on theoretical expectations	Q-Square	Q - Square greater than 0.4	Kock, 2015; Obadia et al., 2015; Chin, 2011

Source: Author's readings

4.7.2.1 Alternate positions on construct validity rules of thumb

From table 16 above, I provide details of the choices made in this thesis as it pertains to the validity of the constructs based on supporting literature. However, the researcher is aware of the limitations to statistical rules of thumb and discusses some of the dissenting voices that may affect the choices made.

Even though scholars suggest a suitable rule of thumb for convergent validity as greater than 0.5 (Fornell & Lacker, 1981; Kock & Lynn, 2017), Carlson and Herdman (2012) argue that such measurements should be seen as a continuum, rather than whether the indicator converges or not. Larraza-Kintana, Wiseman, Gomez-Mejia and Welbourne (2008) argued that some convergence at a value of 0.28 still converges, and is better than none. Consonant with more recent scholarship (Richter et al., 2016; Hair et al., 2012; Obadia et al., 2015), this study sets the threshold for convergence at 0.5 for the AVE and above 0.4 for the indicator loadings. This reduces the items for the access strategy construct to six indicators. Even though the rule of thumb for the AVE is greater than 0.5, there are exceptions to this rule if the composite reliability for the construct is greater than 0.6 (Fornell & Lacker, 1981).

Following Obadia et al., (2015), I measure the predictive validity using the Stone-Geisser test, which is premised on a non-parametric test calculated using blindfolding (Kock, 2017). Chin (2011) defines the predictive relevance of PLS-SEM models as a process involving the cross-validating and function-fitting of observables that places greater emphasis on the prediction ability of the observables than on the estimation power of “artificial constructs” (p.679). The recommended rule is for the Q-squared coefficient to be greater than zero (Kock, 2012). However, some studies (Akter, Ambra, & Ray, 2011; Chin, 2011) argue for a rule of thumb of greater than 0.5 as a measure of strong predictive relevance and 0.4 as adequate (Obadia et al., 2015).

4.8 Data preparation and preliminary data analysis

This section describes the process of data preparation and discusses concerns such as missing data, multicollinearity and common method variance, describing how they are addressed. In preparing the data for analysis, the data were first coded by conversion into a numeric format and entered into a spreadsheet, with missing values either dropped or estimated through a process of imputation. The data were tested for reliability, with correlation analysis carried out to check for multicollinearity between variables. I use the PLS-SEM method, which provides factor loadings to assess the suitability of items (Kock, 2015).

4.8.1 Missing data

Most databases encounter the challenge of missing data, and that was a particular risk in this context, where I asked sensitive questions about the political strategies of MNE subsidiaries. There are several of ways of addressing missing values, including deleting records either by using a listwise or a pairwise deletion method (Pallant, 2016); single imputation using mean or median substitutions; or employing multiple imputations. Following Fenton-O'Creevy et al. (2008), I employ multiple regression imputation techniques. This procedure fixes missing data with plausible values – what Kock (2014) refers to as “well-informed guesses” (p. 2), and yields more accurate standard errors, reducing the chances of a Type I error. I adopted this method rather than the deletion technique because it allowed me to retain all the limited data points and thus retain the power of analysis with a higher sample size (Wayman, 2003). Kock (2014) asserts that the multiple regression imputation tools in the WARP PLS software provide the least-biased mean path coefficient estimates when compared to multiple regression and covariance-based SEM. Its manipulations of the data do not significantly influence the standard errors of the model, especially when compared to a scenario of no missing data (Kock, 2014). The multiple regression imputation assigns values for every missing element on the premise of a multiple regression analysis taking into consideration the number of manifest variables, missing values and each element of the matrix of estimated regression coefficients (Kock, 2014).

4.8.2 Multicollinearity

Multicollinearity of variables occurs when a high correlation exists between two or more independent variables in the model to be estimated (Field, 2013). It cannot be avoided, but lower levels are more conducive for the model than higher levels. Elevated levels of multicollinearity affect the model in several ways, including unreliable β estimates and also difficulty in accurately assessing the importance of individual predictors. PLS-SEM deals with the challenges of multicollinearity by addressing collinearity. Collinearity refers to the relationship between variables that measure the same attribute. It can be divided into classic vertical collinearity (which is synonymous with the predictor-predictor collinearity between variables) and lateral collinearity (which is the collinearity that exists between the predictor and the criterion variable) (Kock & Lynn, 2012). Vertical and lateral collinearity assessments, which check predictor-predictor and predictor-criterion validity, have been the subjects of debate regarding the most suitable rule of thumb, particularly given that the PLS-SEM technique minimises the effects of collinearity (Chin, 1998). The literature suggests various

variance inflation factors (VIF): ten (Hair et al., 2012b); five (Kline, 1998); and 3.3 (Kock & Lynn, 2012).

Following Richter et al. 's. (2016) recommendation for international business research, I require latent variables to have a variance inflator factor of less than five

4.8.3 Dealing with outliers

Outliers are extreme data points far outside the core distribution of data and are usually identifiable on a histogram and box plots, where they may be winzorised – removing the highest and lowest 5 per cent of the data (Meyer, Van Witteloostuijn, & Beugelsdijk, 2017). In WARP PLS, outliers are identified by inspecting the graph relationships between the endogenous (dependent) and exogenous (independent) constructs. WARPPLS allows the researcher to either include range restriction values or to rank standardised indicators. This works well with Likert scale data, but less so, with scale data (Kock, 2017). In this thesis, graph relationships are relatively suitable, with little need to restrict any variables.

4.8.4 Statistical power

It is essential in post-positivist research to pay careful attention to statistical power (Cohen, 1992). Power measures the probability of a statistical test avoiding Type II errors (Kock & Hadaya, 2018). Given recent conversations on the need to move away from over-dependence on significant p -values (Meyer et al., 2017) towards broader-based assessments, this study employs a statistical power of 80% (Cohen, 1992), with a moderate effect size of 0.15 (Cohen, 1992; Hair et al., 2012) and a 95% level of significance.

4.8.5 Common method variance

The primary survey method carries an increased likelihood of encountering a common method variance bias: a variance that occurs more because of the measurement method than the constructs measured. This bias may result from the scale type, the response format, or even the social desirability of respondents' reported behaviours, and can impact systematically on the researched relationship (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Common method variance issues are highly likely when data are obtained from the same source or respondent, which can produce consistency, leniency, social desirability, implicit theory or acquiescence biases. They may also result from item characteristic/context effects or the contexts from which the data are obtained (Podsakoff et al., 2003.). Following the work by Chang et al., (2010), this study employs a pre-questionnaire development

strategy using two different Likert scale formats (of five and seven points) to address biases arising from the scale format and the single source of respondents (Podsakoff et al., 2003). I also employ data from secondary sources to address any bias arising from a single collector of all the variables (Chang et al., 2010).

Further methods to address this is discussed in the data analysis chapter

4.9 Model specification and evaluation

Hinged on theory, the model is specified using two sub-models: the inner model (or structural model) and the outer model (or measurement model).

4.9.1 Outer model specification

The outer model describes the indicators employed in defining a construct and may consist of both reflective and formative constructs. I build on the corporate political strategy literature to determine the indicators of the exogenous constructs (also referred to as the independent latent variables (Hillman, 2005; Hillman & Hitt, 1999; Hillman et al., 1999a; Wocke & Moodley, 2015)) and on the performance literature for the endogenous constructs (dependent variables). The indicators for both the exogenous and endogenous constructs are reflective variables, implying that these indicators are not caused by the constructs (Hair et al., 2012a; Jarvis, MacKenzie, & Podsakoff, 2003; Richter et al., 2016).

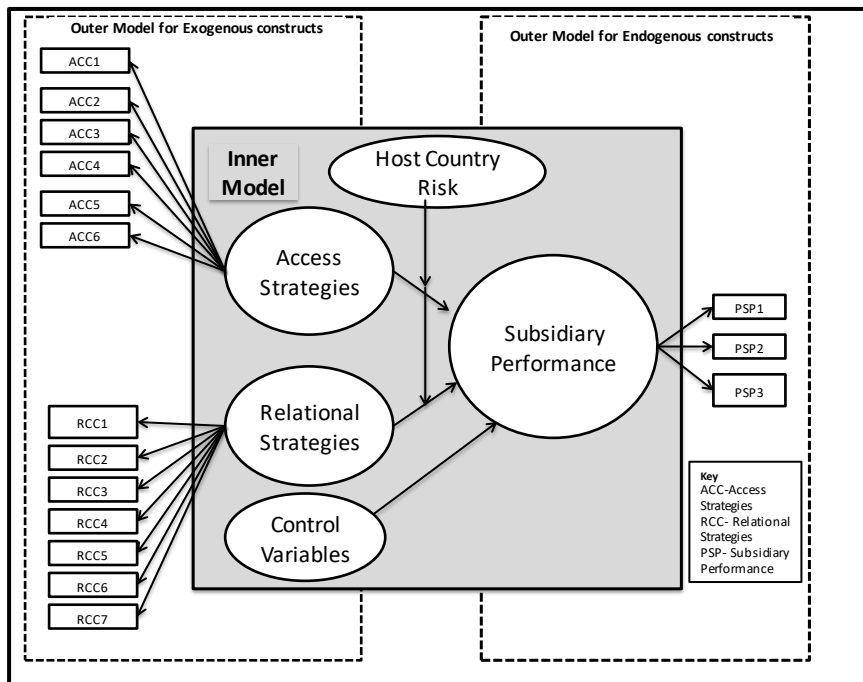


Figure 10: Inner and outer models

Modelled following the example of Hair et al., (2014)

The outer model in Figure 12 above shows an unbalanced distribution of reflective indicators, with access having six, relational having seven and subsidiary performance having three indicators. Reflective indicators, as defined for the access variable construct, are not induced by the construct and so are described as effect variables (indicated by an arrow pointing from the construct to the indicators) (Duarte & Raposo, 2011). Formative indicators, on the other hand, are induced by the construct. These indicators are included up to the level at which they explain the constructs in the inner models, and so do not need to be equal (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). The model may be described as a focused model with a larger number of exogenous variables, including the indicators, than the endogenous construct; and better poised to meet the PLS-SEM's predictive aim (Hair et al., 2012a; 2012b).

4.9.2 Inner model specification

The inner model consists of the relationships between the exogenous and endogenous constructs. It is made up of the control variables and three latent constructs; access strategies, relational strategies and subsidiary performance (Andersson et al., 2001). The interaction variables and the latent variables determined from the survey are set as non-linear given that the nature of their relationships is not typically linear. The inner model

construct borrows from a social psychology perspective (Baron & Kenny, 1986), which allows for a moderator variable. Control variables as previously described are entered individually into the model in Figure 13 below, and for readability are placed on the right side of the endogenous variable (Kock, 2011). These control variables are regulated industry, subsidiary size, location, GDP *per capita*, and industry performance. They enter the model as single-item measures, together with the moderating variable, political risk. See Figure 13 below for an illustrative view of the inner model as sourced from WarpPLS.

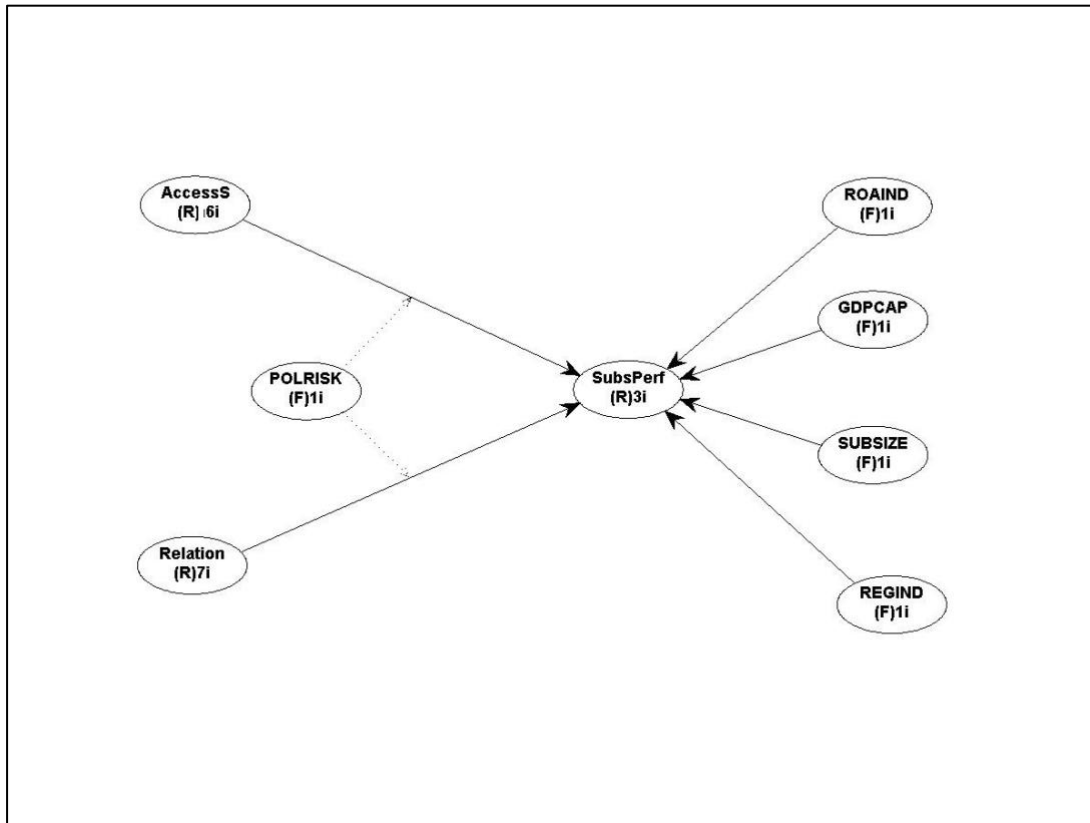


Figure 11: PLS-SEM illustrative inner model

In this thesis, I hypothesise that political risk will affect the strength of the relationship between corporate political strategies and subsidiary performance, the moderator – host-country risk – assumes a quantitative definition and is sourced from the BMI and Henisz policy databases.

To illustrate the inner structural model econometrically:

$$Y = \beta_0 + \beta_S \cdot X_S + \beta_M \cdot M + \beta_{SM} \cdot X_S \cdot M + \varepsilon$$

Where: Y = Subsidiary Performance (dependent variable);

β_0 = Constant;

β_s = Regression parameters;

X_s = Corporate political strategy variables (Independent variables);

M = Moderating Variable; and

ε = Error term.

4.10 Quality assurance and ethics

Standard ethics procedures were followed to ensure quality assurance. First, I sought formal ethical approval from the University of Pretoria to enable the data collection process and make initial contacts with the various sites to inform them of the purpose of the study, Second, I sought permissions from relevant organisations, taking into consideration the sensitivity of the context and subject matter. Third, throughout the process of data collection, I used informed consent forms, to provide participants with further reassurances about the purpose and use of the research. This also provided legal safeguards for the University of Pretoria and the researcher. The consent form included in the cover letter can be found in Appendix 6

4.11 Research method closing

The research is a mixed-methods design, table 16 below summarises the research design and method. In the next chapter, I discuss the data analysis findings

Table 17: Summary of the research design and methodology

Type of Category	Description
Strategy of Enquiry	Qualitative content analysis and Partial Least Squares-Structural Equation Modelling (PLS-SEM)
Approach	Mixed methods
Population	South African MNEs
Sampling Frame	Sub-Sahara African subsidiaries of South African MNEs
Sample	Senior executives of South African MNE subsidiaries in sub-Saharan Africa
Design type	Content analysis and survey design

Type of Category	Description
Data collection	Primary data: The use of surveys to gather senior-level executive information on the use of corporate political strategies and subsidiary performance.
Type of data	Secondary data: Annual reports UNCTAD database, BMI reports, Osiris database Numeric data from survey applied on a Likert scale
Time frame/ horizon	Archival data from MNE websites and other secondary data sources listed above Eight months

5 Data analysis and findings

5.1 Introduction

On the premise that data empirically describes observed patterns (Sutton & Staw, 1995), this chapter sets out and analyses the data gathered by the content analysis and the quantitative research methods. The two approaches are employed to answer the thesis research question concerning the role of corporate political strategies in the performance of South African MNE subsidiaries in what is regarded as risky host country environments. Table 17 provides a mapping of the chapter's structure.

Table 18: Data analysis and findings

Method	Data Analysis and Findings	Section
Qualitative content analysis	• Qualitative content analysis	<u>Qualitative content analysis</u>
	○ Overview of content analysis	
	○ Access political strategies	
	○ Relational political strategies	
	○ Inductively derived relational political strategies	
Quantitative PLS-SEM	• Quantitative method analysis	<u>Quantitative method analysis</u>
	○ Preliminary data evaluation	
	○ Outer model evaluation	
	○ Inner model evaluation	
	○ Hypothesis testing	
	○ Robustness tests	

5.2 Qualitative content analysis

The qualitative content analysis of annual reports explores the corporate political strategy landscape of South African MNEs.

In analysing annual reports, it is essential to recognise that scholars have predominantly viewed annual reports as a public relations document created by companies to manage their image with their stakeholders (Stanton & Stanton, 2002). Information disclosed is divided into voluntary and non-voluntary disclosures, with the former being predominantly financial and regulated by the international financial reporting standards (IFRS) and the latter less so (Meek et al., 1995; Stanton & Stanton, 2002). In South Africa, non-voluntary disclosures are regulated by the King IV code of corporate governance, with efforts made to regulate the integrated reports including CEO/ Chairman letters, and sustainability reports (Mmako & van Rensburg, 2017). However, the non-voluntary disclosures are generally poised to reveal

information that will have the most benefit for the company as it engages with its stakeholders (Meek et al., 1995; Mmako & van Rensburg, 2017; Stanton & Stanton, 2002).

In this section, I describe the texts analysed, and use frequencies to describe the landscape of political strategies employed by South African MNEs, quoting relevant excerpts from the documents analysed.

5.2.1 Overview of content analysis

A total of 335 corporate political strategy activities were coded using the annual reports of 74 South African MNEs – not in the resource or finance industry and categorised into 13 industries. Table 18 details the industries, the MNEs, the evidence observed and the year(s) of the report(s) analysed.

Table 19: Overview by industry of annual reports analysed

Industry identifier	Industry	Number of MNEs*	Evidence of CPS used	Year of Annual report
1	Engineering and Construction	20	74	2016 & 2017
2	Fishing and Maritime	2	7	2016& 2017
3	Fast Moving Consumer goods	4	19	2017
4	Food and Beverages	5	22	2017
5	Furniture and Fittings	2	9	2017
6	Healthcare and Pharmaceuticals	6	41	2017
7	Human Resource Management	2	20	2016& 2017
8	Information and Communications Technology	11	57	2016& 2017
9	Paper and Packaging	4	17	2016& 2017
10	Property and Estate Management	3	9	2017
11	Retail	6	20	2016& 2017
12	Tourism and Hospitality	3	16	2017
13	Transport and Logistics	6	24	2016& 2017

Atlas TI* - SEE details of MNEs in Appendix 1;

Some industries demonstrate greater use of corporate political strategies than others. For example, the Engineering and Construction industry shows the use of 23.5 per cent of the total strategies coded, in stark contrast to the Fishing and Maritime industry, with only 2.1 per cent. Interestingly, a highly regulated industry like Healthcare and Pharmaceuticals shows only a 14.9 per cent evidence of political strategies used, a lot less than that used in the Engineering and Construction industry. Given the subjective nature of annual reports (Stanton & Stanton, 2002), the findings of the industry-specific dynamics need deeper

interrogation in further research. Figure 14 illustrates the political strategies coded per industry, distinguishing between the evidence of access, relational and other strategies.

Oliver and Holzinger's (2008) definition of proactive and defensive political strategies and Hillman and Hitt's (1999) typology of political strategies as informational, financial and relational together provide a basis for deducing the structured code list supporting my content analysis of MNE annual reports. The corporate political strategy codes were divided into two main approaches, namely 'Access' and 'Relational' (Schuler et al., 2002). A third group, 'Other', was also coded to allow for strategies not covered by the framework literature. In total, 14.0 per cent (47) of the total codes were evidence for the use of access strategies, and 62.7 per cent (210) for relational strategies, with the remainder indicating evidence of other political strategies that were not covered by the structured code list.

The structured code list (see Appendix 2) shows 15 codes: eight for access political strategies; seven for relational political strategies; and one for all other strategies. The codes accurately mirror the instrument used in the quantitative survey before any validity tests. Table 19 provides the names and description of the corporate political strategy codes.

Table 20: Corporate political strategy code names and their descriptions

CPS	Code group	Code name	Description
Access	Financial	ACC_BEN_P	Providing paid travel or other benefits to elected officials
	Financial	ACC-FIN_PD	Provision of informal monetary encouragement
	Information	ACC_HIR_D	Hiring individuals with political experience
	Information	ACC_INF_PD	Share information with policymakers
	Financial	ACC_PAC_P	Providing financial contributions to political parties
	Financial	ACC_PAY_P	Paying elected officials to speak at your organisation
	Information	ACC_POLPO_P	Company members serving in a political position
	Information	ACC_RES_P	Commissioning research think tanks
Relational	Government Relation	REL_BUSADV_P	Join business advisory groups to government and regulatory bodies
	External Relation	REL_COA_P	Form coalitions with other organisations not in a similar horizontal or sectoral trade association
	Community Relation	REL_COM_PD	Engage in discussions with community leaders and people
	Government Relation	REL_GOVT_P	Approach government representatives to support program
	External Relation	REL_NGO_P	Collaborate with non-governmental organisations
	External Relation	REL_PR_P	Public relations advertising in the media
	External Relation	REL_UNI_PD	Create/Join support group unions
Others	CPA Others	CPA_OTHER	Other strategies employed by South African MNEs

Source: Author's reading

5.2.2 Access political strategies

In this research, access political strategies combine the informational and financial strategies (Schuler *et al.*, 2002) employed by MNEs to gain access to decision-making processes and influence decisions and policy outcomes.

The content analysis codes 47 activities as access political strategies, employing a structured code list that comprises eight access political strategy codes divided into two code groups: information and financial. From the content analysis, I find moderate evidence for the use of informational political access strategies by South African MNEs, and unsurprisingly no evidence for the use of financial political access strategies. Table 20 below provides a summary of access political strategies by the South African MNEs.

5.2.2.1 Informational access political strategies

The most frequently occurring code among information political access strategies (53.1 per cent) is South African MNEs hiring individuals with public policymaking expertise to work for the company. MNEs regularly hire individuals with political experience. The analysis observed 18 instances of MNEs explicitly informing the public of the connections of their board members to past or current policy-makers. One typical example is the board member of Ellies holdings, who was previously a MEC (Member of the Executive Council) for finance in one of the country's provinces. In South Africa, an MEC is one of the ten critical members of the Executive Council that, together with the province's Premier, is responsible for developing, implementing, directing and coordinating policy for citizens (Parliamentary Monitoring Group, 2018).

"Martin was the MEC for Finance in the North West Provincial Government from 1994 until 2004. Before that, he spent 17 years in health care services and became CEO of the South African Bureau of Standards in June 2004, a position he held until July 2009. Martin was the chairperson of the first Board of Trustees for the Government Employee Pension Fund overseeing a portfolio worth R850 billion from June 2005 to July 2009. He served on the PRI Board of the United Nations Global Compact Initiative on Responsible Investment, served as chairperson of the Pan African Infrastructure Development Fund and is President of the Afrikaanse Handelsinstituut" (Ellies holdings, 2017 p17).

Table 21: Summary of the access political strategy landscape of South African MNEs*

Access	Political Strategies Description	Engineering and construction	Fishing and Maritime	FMCG	Food and beverages	Furniture and Fittings	Healthcare and Pharmaceuticals	HRM	ICT	Paper and Packaging	Property and Estate management	Retail	Tourism and Hospitality	Transport and Logistics	CPS used	Totals
Financial	Providing paid travel or other benefits to elected officials	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Provision of informal monetary encouragement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Providing financial contributions to political parties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Paying elected officials to speak at your organisation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Company members serving in a political position	1	0	0	0	0	0	1	0	0	0	0	1	0	0	3
Informational	Commissioning research think tanks	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1
	Hiring individuals with political experiences	9	0	2	3	0	0	1	2	3	1	1	1	2	0	25
	Share information with policymakers	3	0	0	2	0	4	1	4	0	0	0	1	3	0	18
	Industry Total	13	0	2	5	0	4	4	6	3	1	1	3	5	0	47

The next frequently used informational political access strategy is sharing information with public policy-makers (38.2 per cent), and they are used across all the various industries. South African MNEs participate actively in conversations with policy-makers to influence issues relevant to their industry. One example was in the poultry industry, where Astral, as a member of the industry association, actively lobbied the government to negotiate standards and requirements for their products equal to those applied to products imported from the United States under the African Growth and Opportunity Act (AGOA). Another example described the company's efforts to ensure that policies were favourable to them.

“The Group continuously engages government (predominantly the Department of Health) to ensure there are adequate procedures in place for the NHI [National Health Insurance] to run smoothly and for AfroCentric to benefit from any available opportunities.”(AfroCentric, 2017 p. 44)

Evidence of company members serving in political positions (6.4 per cent) is a lot less. However, South African MNEs use this strategy to gain access to the policymakers and the policymaking process. In particular, Adcorp, a human resources company, states that:

“Further to this, Adcorp has representation at international and national forums addressing labour market policies in respect of matters such as migration, decent work, artisan training, skills of the future, employment services and the like” (Adcorp, 2017: p 45)

The least prominent informational political access strategy employed by South African MNEs is the commissioning of research think tanks. Some of the actions taken include “Informing health policy through independent research and engagement with policymakers” (Netcare, 2017;p.18)

5.2.2.2 *Financial access political strategies*

South African MNEs do not provide evidence for the use of financial political access strategies. Four separate companies from four different industries clearly state that they do not engage in either contributing to campaigns or providing corporate resources. One example of such a statement is:

“The group supports the multi-democratic process but does not make donations to any political parties in South Africa or elsewhere”. The group does not provide corporate resources to political candidates or parties” (Lewis Group, 2017: p 90)

Interestingly, the public use of campaign contributions is legal in South Africa (Public Funding of Represented Political Parties Act 103 of 1997), and yet, these firms provide no specific reasons for opting out of this strategy.

Table 21 provides additional support for the categories by providing more quotations extracted from the content analysis.

Table 22: Extracts from annual reports supporting the use of access political strategies

CPS Code Group	Code Name	Quote Excerpt	Reference	Industry
Information	Share information with policymaker	Proposed alcohol legislation could include higher taxes, restrictions on alcohol marketing and packaging, a change in the legal drinking age and a limitation on licensed outlets. We are participating in industry lobby efforts to influence legislation	Distell, 2017: p. 22	Food and Beverages
	Hiring individuals with political experience	She has served on councils and committees for the University of South Africa (Unisa) and the University of Pretoria (UP). In the public sector, Dr Anna was the deputy chairman of the Independent Commission for the Remuneration of Public Office Bearers and the chairman on the Board of the Small Development Enterprise Agency.	Jasco, 2017; p.8	Engineering and Construction
	Company members serving in a political position	Anita is also honoured to be the special advisor to the Secretary-General of the United Nations World Tourism Organisation, strategic advisor to CNN International in the area of Tourism & Economic Development, and a strategic resource to the World Bank, World Travel and Tourism Council.	Cullinan, 2017: p.30	Tourism and Hospitality
	Commissioning research think tanks	[We engage with unions to conduct] collaborative research exercises	Adcorp, 2017: p.166	Human Resource Management
Financial	Providing paid travel or other benefits to elected officials	--		-
	Provision of informal monetary encouragement	--		-
	Providing financial contributions to political parties	--		-
	Paying elected officials to speak at your organisation	--		-

5.2.3 Relational political strategies

Rajwani and Liedong's (2015) systematic review of corporate political strategies defines relational strategies as "the most complex and subjective of all political strategies" (p. 276). Constituency-building refers to a business's engagement with stakeholders to indirectly influence policy-makers and governments (Lord, 2000; 2003). Firms engage in constituency building strategies to improve their relationships with their political stakeholders, including governments, regulators, communities, unions, and industry bodies (Shaffer, 1995). Due to the complexity of relational political strategies (Rajwani & Liedong, 2016), I structure the evidence of its use based on three broad stakeholder groups: government, community and other external relations

Out of the 335 political strategy activities coded, 70.1 per cent (235) of the codes provide evidence for the use of relational political strategies, spread across the seven relational political strategy codes. Table 22 below provides a summary of relational political strategies by the South African MNEs.

Table 23: Summary of the relational political strategy landscape of South African MNEs

Relational Strategy Category	Political Strategy codes	Engineering	and	Fishing and Maritime	Food and Beverages	Furniture and Fittings	Healthcare	and	HRM	ICT	Paper and Packaging	Property and Estate	Tourism and Hospitality	Transport and Logistics	CPS used	Totale
		Construction		FMCG			Pharmaceuticals					Management				
Government Relation	Join business advisory groups to government and regulatory bodies	6	0	0	0	1	4	2	3	2	0	1	0	3	22	
	Approaching government representatives to support program	7	1	2	2	1	1	0	4	2	1	3	1	1	26	
Community Relation	Engage in discussions with community leaders and people	23	2	5	7	3	9	5	15	4	1	5	2	7	88	
Other External Relations	Form coalitions with other organisations not in a similar horizontal or sectoral trade association	1	1	2	3	0	2	2	5	1	0	0	1	2	20	
	Collaborate with non-governmental organisations	2	0	2	0	1	6	0	6	0	0	0	2	0	19	
	Public relations advertising in the media	4	1	2	2	0	1	2	8	1	1	1	1	0	24	
	Create/ Join support (trade) group unions	9	1	2	2	1	3	2	4	3	1	3	3	2	36	
Industry Totals		46	6	13	12	7	23	10	40	13	4	13	10	13	235	

5.2.3.1 Community relational political strategies

MNEs build a relationship with communities as a way to gain a social license to operate-acceptance within the community (Wilburn & Wilburn, 2011) and voluntarily disclose this in their annual reports to signal their engagement. This political strategy, in its expression, blurs the line with corporate social responsibility as companies perceive their community engagement as part of their social responsibility (Wilburn & Wilburn, 2011). It is the most frequently observed relational political strategy by South African MNEs (30 per cent). This finding is not surprising as companies try to signal their social responsibility by these disclosures (Stanton & Stanton, 2002). These community relational political strategies cut across all different industries. Some instances are in the excerpts from Cashbuild and DAWN from the engineering and construction industry, Famous brands from the fast-moving consumer goods (FMCG) industry and Net1 from the ICT industry.

“Cashbuild’s customer model is one that encourages and enables communities to build, renovate, repair and decorate their homes and businesses throughout Southern Africa. The Group prioritises and actively supports the work of local councils and other local government bodies to build schools, clinics and housing in every community in which it trades. As a result, Cashbuild has become the first choice retailer of quality branded building materials within these communities” (Cashbuild, 2017, p 31)

The creation of partnerships to best facilitate integrated sustainability initiatives and to collaborate in a way that furthers social and environmental agendas for the greater good of the community. A consistent approach to community development is adopted, and engagement is ongoing as partnerships dictate, or stakeholder needs require" (DAWN, 2017; p 30)

With a firm belief in enabling truly sustainable financial inclusion, we continue to contribute to and participate in social programs which empower developing communities and businesses by advancing their education, employment and financial security. In fiscal 2017, we proudly contributed ZAR 53.9 million to these initiatives, our largest annual contribution to date” (Net1, 2017; p 5)

In engaging with communities, firms also engage in social responsibility activities as a way to build community constituencies (Rehbein & Schuler, 2015). The literature on non-market strategies has more recently argued that corporate political strategies and corporate social responsibility are two sides of one coin and overlap in their influence on performance (den Hond, Rehbein, de Bakker, & Kooijmans-van Lankveld, 2014; Mellahi et al., 2016). Corporate social responsibility is defined as the behaviour by corporations in compliance

with social expectations that go beyond the legal requirements (den Hond et al., 2014). It may be viewed either negatively or positively (Maignan & Ralston, 2002). The negative approach conceptualises it as a response strategy engaged in by companies to signal appropriate behaviour to their stakeholders and the positive approach refers to the 'real' self-motivated engagement of a firm with its environment (den Hond et al., 2014:p.794; Maignan & Ralston, 2002) regardless of any stakeholder pressures. This thesis uses the negative corporate, social responsibility lens and includes the firm's environmental responsibility initiatives, given the predominant focus of annual reports as public relation documents.

From the content analysis of South African annual reports, I observe that companies' voluntarily disclose their use of corporate social and environmental initiatives. This finding is no surprise as the observations are from annual reports where companies intentionally try to portray a particular image to their stakeholders. As such, this corporate attention to the social and environmental responsibility may be argued to be for different reasons: image management, compliance to regulations or a genuine concern for sustainability (Maignan & Ralston, 2002; Stanton & Stanton, 2002). The analysis of annual reports makes it arguably clearer to argue that the disclosures are based on a negative approach to corporate social and environmental responsibility, a limitation of the thesis methodology.

From the content analysis, I find evidence for the application of corporate social and environmental initiatives. Dis-chem, a healthcare and pharmaceutical firm, refers to CSR activities as an integral part of its ethos.

"Corporate social responsibility (CSR) is an integral part of Dis-Chem's corporate ethos. Our countrywide CSR initiatives are not only about good corporate citizenry. These are more about giving back authentically to the communities in which we operate. We consider these communities to be key stakeholders with whom we can share the economic value we create."(Dis-Chem, 2017:p.51)

For some South African MNEs, the emphasis goes past their social initiatives to detail how they engage with the environments and the footprints they leave behind. In particular, Esor, an engineering and construction company, stated that:

"We remain committed to minimising our environmental footprint and so ensure the ongoing environmental education of our employees. The group is ISO 14001-accredited, a standard that addresses environmental management systems. We have a set of objectives and targets in this regard which is updated annually. Esor did not receive any fines for environmental non-compliance in the year." (Esor, 2017; p. 36)

5.2.3.2 Other external relational political strategies

This grouping of relational political strategies involves the MNEs' relations with unions, non-governmental organisations, other coalitions and the media. The most frequently used external relational political strategy is when MNEs create and join support (trade) group unions to collectively influence their business environment (17.1 per cent). They use these groups as a tool to engage with the government. Foschini, a retail MNE, states that:

"We engage with government through industry associations such as the Retail Association and the National Clothing Retail Federation of South Africa" (Foschini, 2017: p 45)

As part of the external relations, South African MNEs also form coalitions with other organisations, not in a similar horizontal or sectoral trade association (9.5 per cent). One such coalition is the partnership of MTN, a telecommunications MNE, with the United Nations Educational, Scientific and Cultural Organisation (UNESCO) to produce new histories of Africa: an educational initiative to emphasise how African cultures have contributed to humanity's history (MTN, 2017). In a similar vein, Oceana, from the fishing and maritime industry states that

"Engaging with these organisations is key to driving business best practice, identifying new opportunities, and creating a conducive long-term business environment. We are active participants in numerous scientific working groups and industry associations, including (but not limited to): Road Freight Association (RFA); South African Deep-Sea Trawling Industry Association (SADSTIA); South African Midwater Trawling Association; Menhaden Advisory Committee to the Gulf States Marine Fisheries Commission; and the National Business Initiative (NBI)" (Oceana, 2017: p 49).

Aside forming coalitions and joining trade unions, two other external relational political strategies involve public relations advertising in the media (11.4 percent) and collaborating with non-governmental organisations (9.0 percent). The former is predominantly used by MNEs in the information and communication technology industry, with no evidence found in the transport and logistics industry. One example of evidence of this external relational strategy reads:

“We engage regularly with analysts and the media to build our brands and to address stakeholder perceptions, both as a for-project organisation and as a positive agent of change in a social and economic context. We disseminate information through a range of channels (including stock exchanges, press releases, our website, integrated annual report, interim report, provisional report and other corporate documents). This is reinforced by direct communication such as interviews, investor conference calls, group presentations and one-on-one meetings” (Naspers, 2017: p 15).

Pioneer Foods from the fast-moving consumer goods industry discuss the transition of their media strategy from a reactive approach to a proactive media political strategy

“Previously, Pioneer Foods employed a reactive approach to corporate communication and media relations. In recent years, the Group’s corporate brand has been repositioned as an increasingly dynamic corporate entity. As a result, Pioneer Foods’ approach to corporate communication and stakeholder engagement has shifted from reactive to proactive. This approach aims to achieve the following outcomes... The Group’s relationships with its primary stakeholders will be strengthened by prioritising key messaging, as well as through relevant and regular engagement. The Group will create and entrench valuable relationships with key stakeholders across a variety of media platforms and communication mediums” (Pioneer foods, 2017: p 90).

Collaborating with non-governmental organisations is the least used strategy by South African MNEs, but is frequently used in the health industry. Tiger Brands from the fast-moving consumer goods industry referred to one of their past engagements

“In February 2017, we hosted all our NGO partners from across South Africa at the first annual Tiger Brands socio-economic development partner workshop. We shared our strategy for the next few years and, along with experts from different fields, engaged our partners in discussions and workshops on enterprise development, nutrition education, eco-friendly

cooking, sustainable food gardening, and NGO sustainability and financial management” (Tiger Brands, 2017: p 52)

5.2.3.3 Government relational political strategy

The final grouping of relational political strategies involves directly building relations with the government. In this group, the first political strategy employed by South African MNEs involves the joining of often cross-sectoral business advisory groups to government and regulatory bodies (10.5 per cent). Even though similar to the joining of a trade union, joining business advisory groups are intent on directly providing advice to the government whereas joining support unions, which may include employee positions is a common way of merging firm voices to create a loud industry voice. As an example, one of the MNE describes its constructive engagement with government representatives. “We are involved in public policy forums with the government” (Massmart 2017, p 15). Interestingly, the acquisition of Massmart by Walmart was characterised by deep engagements with governments to agree (Bonakele et al., 2014).

Another government relation political strategy involves approaching governments to support MNE programs. The evidence suggests that 12.4 percent of the relational political strategies observed fall within this category. South African MNEs engage with governments to provide support for their initiatives. For example, the MNE Attacq, which provides property and estate management services , points out:

“We engage with government, regulators and city improvement districts to ensure that our developments are supported by the appropriate infrastructure. This includes detailed traffic and environmental impact assessments” (Attacq, 2017: p 190)

Table 23 below shows additional extracts for relational political strategies from the content analysis.

Table 24: Extracts from annual reports supporting the evidence of relational political strategies

CPS Code Group	Code Name	Quote Excerpt	Reference	Industry
Government	Join business advisory groups to government and regulatory bodies	Ongoing engagement with regulatory bodies on proposed regulation and legislation.	Afrocentric, 2017: p15	Health and Pharmaceuticals
	Approach government representatives to support program	Continued engagement with government in rebuilding trust and the finalisation of the Voluntary Rebuild Programme during the year.	Group Five, 2017: p 33	Engineering and Construction
Community	Engage with community leaders and people	We believe that the communities we serve should be better off as a result of our presence.	Famous Brands, 2017: p. 42	Fast Moving Consumer Goods
		Consequently, our franchisees invest in locality projects, and our employees are engaged in voluntary community service initiatives, which included visits to various charity organisations during the year under review. In addition to this, the Group supported a range of community-based projects		
	Through corporate social responsibility	The group recognises its responsibility as a global corporate citizen to provide meaningful corporate social investment (CSI) and social, economic development (SED) programmes and initiatives to uplift and empower its stakeholders and the communities within which it operates. In this regard the group is guided by its group CSI and SED policies, which identify priority areas, outline implementation strategies and enable the group to monitor CSI and SED expenditure as well as measure the impact of projects, ensuring that they are aligned to the group strategy and contribute to the group's overall mission, vision and adherence to its core values.	Bell, 2016, Page 36	Engineering and Construction
	Through corporate environmental responsibility	Most of our businesses in our organisation do not have a large environmental footprint and therefore do not pose significant threats to the environment. We are, however, committed to reducing whatever environmental impact we have as this approach is aligned with our commitment to good corporate citizenship. Acting in an environmentally responsible manner is also directly linked to our ability	Adcorp, 2017: Page 39	Human Resource Management

CPS Code Group	Code Name	Quote Excerpt	Reference	Industry
		to derive cost savings, which is an important focus across all areas of our business.		
External	Collaborate with non-governmental organisations	[We] work closely with schools or foundations that identify children requiring financial assistance, particularly the Theo Jackson Foundation, which also functions as the intermediary between sponsor and student (refer to www.theojacksonfund.org.za). In addition, the Blackstar Foundation continuously communicates with its beneficiaries to ensure they receive the necessary support to perform to the best of their ability. Tiso Blackstar companies contribute annually to the Blackstar Foundation, which invested around R3.0 million (£0.2 million) in the review period, directly and through in-kind support such as free advertising.	Tiso Blackstar, 2017: p. 60	ICT
	Form coalitions with other organisations not in a similar horizontal or sectoral trade association	[We formed] a partnership with the South African Business Coalition on Health and AIDS (SABCOHA).	EOH, 2017:p 23	ICT
	Public relations advertising in the media	We maintain an open relationship with the media, believing that an informed media is better able to serve public reporting and debate on any issue.	Sappi, 2017:p. 42	Paper and Packaging
	Create/Join support group unions	By engaging with major role players in the industry, we gain from sharing ideas and experiences. [Some of the ways we do this include]: Sharing information. We [also] participate in the South African Property Owners Association ("SAPOA") and South African Council of Shopping Centres ("SACSC") to engage, for example, on industry trends and market conditions.	Attacq, 2017: p 21	Property and Estate Management

5.2.4 Inductively derived relational political strategies

Other than the relational political strategies in the theoretically deduced structured code list, the process of inductive content analysis also uncovered one other relational political strategy employed by South African MNEs - Compliance. Though not entirely new to the corporate political strategy literature (Boddeyn & Brewer, 1994; Oliver & Holzinger, 2008), nuanced observation highlights a different mechanism to previously theorised. Out of the 335 political strategy activities coded, 15.8 per cent (53) of the codes provide evidence for the use of 'other' compliance political strategies.

5.2.4.1 Compliance relational political strategy

Compliance as a political strategy is a reactive political strategy used by firms when they perceive the role of the government as a constraint in their production function (Boddeyn & Brewer, 1994; Oliver & Hozinger, 2008). It is an internal activity and involves dynamically responding to regulations to attain legitimacy (Oliver & Holzinger, 2008). Even though compliance has been argued to be internal, providing detail about it in an annual report poised to be a public relations document potentially signals that its reason for disclosure is to provide the most significant benefit for the company (Meek et al., 1995). This thesis argues that similar to the previously discussed relational political strategies. Companies employ compliance as a political strategy to build favourable relationships with regulators albeit not as a reactive strategy (Boddeyn & Brewer, 1994; Oliver & Holzinger, 2008), but as a proactive strategy to influence stakeholder perceptions and possible actions. South African MNEs either portray a keen posture to align with the current state goals and regulations or a structured and future-oriented stance to complying with regulations as they change.

Compliance to align with current state goals and regulations is evidenced by the South African MNEs clearly stating their goals to ensure that they uphold the letter and sometimes the spirit of the regulations set by policy makers. A key example is in relation to the "Proudly South Africa" drive launched in 2001 by government and the National Economic Development and Labour Council (NEDLAC) to encourage the purchase of locally produced goods and services. In this case, Adcock Ingram stated that: "Adcock Ingram is the first company in the pharmaceutical industry to be affiliated to the "Proudly South African" campaign" (Adcock Ingram, 2017; p 25). Another example of MNEs seeking to show compliance to the government by aligning with the state's current goals or regulations is evident in the excerpt:

“Clicks Group supports the national healthcare agenda of making medicine more affordable and accessible for all South Africans. Being the largest employer of pharmacy staff in the private sector in the country, the group is actively building capacity through training and financial support to address the critical shortage of pharmacists” (Clicks, 2017; p 55)

Apart from the current compliance stance, South African MNEs also employ a future-oriented strategy to compliance by ensuring that within an environment where regulations continually change, they can show regulators that they create a compliance structure and remain agile in their response to the regulatory environment. For example, MTN, a relatively large telecommunications company, employed their annual reports to inform their stakeholders of the steps taken to ensure that they comply on an ongoing basis with regulatory requirements.

- “Strengthened compliance and regulatory functions through appointments of regional compliance officers, operating company compliance officers and an executive for regulatory affairs.
 - Established group compliance committees to focus on compliance, regulatory and risk-related matters.
 - Implemented compliance software toolkit enabling operating companies to define and maintain their compliance universe.
 - Conducted third-party assurance on anti-bribery and corruption policies and processes.
 - Consolidation of MTN’s compliance framework.
 - Intensify compliance and regulatory training.
 - Increase audit activity”.
- (MTN, 2017; p 39)

Table 24 provides extracts from the content analysis supporting the use of compliance political strategies.

Table 25: Extracts from reports supporting the use of compliance relational political strategies

CPS Code Group	Quote Excerpt	Reference	Industry
Compliance	We maintain a strong focus on ensuring that Shoprite complies with all applicable regulations in all the countries we operate in	Shoprite, 2017, Page 11	Retail
	We operate in a highly regulated and complex environment, particularly in South Africa, and it is critical for us to focus on compliance, to ensure we maintain our licence to operate and embrace the transformation agenda of the South African economy. We [also] have an experienced team in Latam that deals with the regulatory environment in these foreign jurisdictions.	Sun International, 2017, Page 22	Tourism and Hospitality
	We support the Department of Trade and Industry's goal of increasing local manufacturing and beneficiation to drive economic growth and to reduce unemployment, poverty and inequality in South Africa. Localisation means doing as much as we can in South Africa, an approach that extends beyond compliance. We have identified localisation as a prime business opportunity for which Barloworld must prepare itself	Barloworld, 2017;p. 77	Transport and Logistics
	The group is committed to meeting the Broad-Based Black Economic Empowerment (B-BBEE) requirements. The significant changes introduced under the Revised Codes of Good Practice triggered self-assessment and a strategic realignment this year.	Mr Price, 2017: p 43	Retail

This section has detailed the findings from the content analysis on the corporate political strategy landscape of South African MNEs. The MNE headquarters perceive these strategies as relevant enough to document them in their annual reports to stakeholders. However, what is striking from the annual reports is the minimal conversation between South African MNEs and their host-country stakeholders. Their annual reports provide a more home dominance stance and focus their political strategies to the home country non-market environment. With MNEs not listed on local stock exchanges, the MNE-regulator communication through annual report voluntary disclosures is limited. Meek et al. (1995) argue that with an increased firm listing on local stock exchanges, the more disclosure of voluntary information. So it is little surprise that local host-country voluntary disclosures are minimal, seeing as South African MNEs hardly list on any of the local stock exchanges in wider Africa. Further analysis will need to delve into the implication and effectiveness of MNE listing on local stock exchanges.

In the next section, I present the quantitative findings from the primary survey, to explain the relationship between South African MNEs' use of political strategies and their performance.

5.3 Quantitative method analysis

The quantitative methodology produces data to answer the research sub-questions:

- b. What is the relationship between corporate political strategies and the subsidiary performance of South African MNEs in risky host environments?
- c. What is the moderating role of host country risk on the relationship between corporate political strategies and the subsidiary performance of South African MNEs in the risky host environments

This thesis employs PLS-SEM, as discussed in Chapter Four, and models the PLS-SEM reporting standard as discussed by Hair et al. (2012) and Richter et al., (2016). This structure requires that aside from information on the software employed, population and sample structure, data reporting ought to provide information on the data characteristics, measurement models and the statistical results relevant to the research hypothesis. I divide the analysis into four sections. The first section discusses the preliminary data evaluation stage; section two evaluates the outer and inner model. Section three tests the research

hypotheses and the final section discusses how the thesis ensures that the findings are robust.

5.3.1 Preliminary data evaluation

This section describes the data respondents and the latent variables employed in the analysis. It also addresses concerns about missing values, common method variance, statistical power and multicollinearity.

5.3.1.1 Description of data respondents

The research strategy is a survey method which employs primary data gathered from online questionnaire surveys. I surveyed senior executives at the subsidiaries of South African MNEs in the rest of sub-Saharan Africa, as discussed in the methodology chapter. The subsections that follow provide an overview of the data respondents and subsidiaries, and then descriptions and sources of the data as per control, independent or dependent variables. Although the survey encompasses seven industries, the respondents came predominantly from retail, followed by construction and then transport. The industries in the survey included Telecommunications (10.4%), Agriculture (4.5%), Construction and Engineering (26.9%), Retail (28.4%), Manufacturing (4.5%), Transport and Logistics (23.9%) and Education (1.5%). Of the respondents, 65.7 per cent are from industries subject to a low level of regulation, and 67.2 per cent of the respondents are nationals of the country where the subsidiary is located.

The surveyed subsidiaries from 10 countries were predominantly located in Southern Africa (72.4%) with 15.5% of the subsidiaries from East Africa and 12.1% from West Africa. Half of the subsidiaries had been in existence for more than 20 years, with most of the surveyed subsidiaries having between 0 and 150 employees. All respondents were senior executives of the subsidiary as detailed in the sampling strategy, of which 67.2% were local to the location of the subsidiary with a lesser percentage being expatriates (32.8%). Table 25 describes the data respondents

Table 26: Description of data respondents

Dimensions	Descriptive Statistics(%)						
Subsidiary Region	Southern	Western	Eastern				
	72.4	12.1	15.5				
Manager Nationality (in relation to location)	Local	Foreign					
	67.2	32.8					
Regulated	Low	High					
	65.7	34.3					
Industry							
Subsidiary Age (years)	0-4	5-9	10-14	15-20	>20years		
	12.1	20.7	13.8	3.4	50		
Subsidiary Size (No of Employees)	0-150	151-300	301-450	451-600	601-750	>750	
	41.4	19.0	13.8	3.4	1.7	20.7	
MNE Industry	Telecom	Retail	Manufacturing	Transport and Logistics	Construction and Engineering	Agriculture	Education
	10.4	28.4	4.5	23.9	26.9	4.5	1.5

SPSS output

The table indicates that 15.5 per cent of the executives surveyed were from the eastern region, 12.1 per cent from the West, and the largest segment, 72.4 per cent, from the South. This description represents the spread of South African MNEs in Africa and may demonstrate congruence with Johansson and Vahlne's (1977) process of internationalisation theory, which asserts that firms internationalise first to the locations closest to them before expanding further. Also, the table shows that most of the subsidiaries have been in their host country location for more than 20 years, and have thus gained substantial experience in operating there. Approximately a fifth of these subsidiaries employs more than 750 people, although the largest category is subsidiaries with up to 150 employees.

5.3.1.2 Descriptive statistics for latent variables

The thesis employs a PLS regression algorithm, with a Stable3 resampling method technique. Scholars have found Stable3 in WARPPLS to be comparable to bootstrapping resampling in terms of providing consistent estimates (Kock, 2017). It is easier to use and test but provides standard error estimates that are equally robust (Kock, 2017). The data uses 100 resamples of the 68 cases in the model data. The data are predominantly non-normal, with a skewness and kurtosis value not equal to zero. Also, the Jacques-Bera test of normality indicates that the latent variables are predominantly not normal. There are eight latent variables, including the independent, dependent, control and moderating variables, which all have a zero mean and a standard deviation of one — they are all standardised. Table 26 describes the latent variable characteristics.

Table 27: Descriptive statistics for latent variables

Latent Variable	Minimum	Maximum	Median	Mode	Skewness	Kurtosis	Robust Jacque-Bera
Subsidiary Performance	-3.61	1.89	0.42	0.42	-1.31	2.41	No
Access Relation	-0.76	5.00	-0.25	-0.76	2.96	10.44	No
Industry return on assets	-1.54	5.02	-0.76	-1.54	0.47	-0.09	Yes
Regulated industry GDP per capita	-0.76	1.51	-0.76	-0.76	0.72	-1.31	No
Subsidiary size	-0.72	1.39	-0.72	-0.72	0.67	-1.54	No
Political risk	-1.26	2.51	0.11	0.11	1.30	1.47	No
	-0.90	1.85	-0.90	-0.90	-0.57	1.47	No
	-2.06	3.00	0.24	0.24	0.51	2.31	No

5.3.1.3 Missing values

This study employs the relaxed rule of thumb, which requires a maximum of 20 per cent of missing values on all columns in the data (Hair, Hult, Ringle & Sarstedt, 2016). Table 27 shows that each of the variables is missing less than 20% of their data, with the highest missing data percentage at 14.7 and the lowest at 5.9. Table 28 provides a summary of the missing data evaluation

Table 28: Missing data information

Variable	Subsidiary Performance	Access	Relation	Industry return on assets	Regulated industry	Subsidiary age	Subsidiary size	Political risk
Missing data (%)	7.35	5.88	5.88	7.35	1.47	14.71	14.71	14.71

Table 29: Summary of missing data evaluation

Statistical Rule of Thumb	Thesis Results	Reference
At least 20%	Less than 14.71% for each variable- Upheld	Hair et al. 2016

5.3.1.4 Common method variance and multicollinearity

In addition to the pre-data analysis methods discussed in Chapter Four to account for common method variance issues, this thesis employs a full collinearity assessment approach (Kock, 2015) in PLS-SEM. The choice of this method is because the common Harman and single-factor tests, recommended by Podsakoff et al. (2003), are inadequate to check for common method bias in the PLS-SEM (Kock, 2015). Greater VIF values may portend a “pathological collinearity” (Kock, 2015. p. 7), which may indicate a common method bias in the data. As discussed in Section 4.62, I employ a rule of thumb requiring that latent variables have a variance inflator factor of less than 3.3.

Table 30 shows the full collinearity assessment, with VIFs for all the latent variables: all below 3.3. This measure of assessment for common method variance is also recommended by Lindell and Whitney (2001) as a sufficiently superior measure in checking for common method bias (Kock, 2012; Kock & Lynn, 2012; Lindell & Whitney, 2001). Additionally, this

rule of thumb is an applicable check for multicollinearity within the data and even for single indicator variables (Kock, 2012). Table 29 presents collinearity statistics and Table 30 summarises the collinearity and common method variance tests discussed above.

Table 30: Collinearity statistics

	Full collinearity VIF	*Block VIF
Subsidiary Performance	1.56	-
Access	2.50	1.19
Relation	1.43	1.16
Industry return on assets	1.43	1.13
Regulated Industry	1.60	1.12
GDP per capita	1.97	1.21
Subsidiary size	1.18	1.26
Political risk	1.95	-
Political risk*ACCESS	1.95	1.13
Political risk*RELATION	1.30	1.10

Table 31: Summary of common method variance and multicollinearity tests

Statistical Rule of Thumb	Thesis Results	Reference
VIF <3.3- Reflective latent variables	VIF <3.3 for reflective variables- Upheld	Kock, 2015;
VIF < 10 Formative latent Variable	VIF <10 for formative variables- Upheld	Hair et al., 2012;
Average Full Collinearity VIF < 3.3	1.69 < 3.3 – Upheld	Richter et al., 2016
Average Block Collinearity VIF < 3.3	1.17 < 3.3 - Upheld	

5.3.1.5 Statistical power

Although the inverse square root method and the gamma-exponential method are recommended for checking minimum sample size requirements (Kock & Hadaya, 2018) in PLS-SEM, I maintain *a priori* sample size of 55 derived from the G-power analysis, together with the ‘Ten Times’ rule of thumb as recommended by PLS-SEM scholars in international business (Richter et al., 2016). This rule requires the sample size to be the greater of either ten times the number of formative latent variables or ten times the largest number of direct

links pointing to any latent variable within the inner model (Hair et al., 2012; Richter et al., 2016). Also, I use regression-based models for assessing power, since PLS-SEM algorithms are premised on OLS regressions, making them suitable for this research (Hair et al., 2012). Table 31 provides a summary of the statistical power evaluation

Table 32: Summary of statistical power evaluation

Rule of Thumb	Thesis Results	Reference
Statistical power of at least 80%	80.5%- Upheld	Cohen, 1992
Sample size > 10 times the number of direct relationships	68 >60- Upheld	Hair et al., 2012; Richter et al., 2016

5.3.2 Outer model evaluation

This section reports on the indicator reliability, internal consistency, and convergent and divergent validity of the model being tested – also known as the measurement model, which can consist of formative and latent variables (Hair et al., 2012; Richter et al., 2016), as is the case in this thesis. The sub-sections below evaluate these aspects of the outer model in order.

5.3.2.1 Indicator reliability

Especially in the case of reflective constructs, indicator reliability ascertains the robustness of the indicators employed in measuring the latent variable to determine if the indicator consistently measures what it sets out to measure (Henseler et al. 2009) For exploratory research, it is recommended that indicator loadings are greater than, or equal to, 0.4 (Hair et al., 2012b; Richter et al., 2016). I find that all the various constructs load at a value greater than or equal to 0.4, thus indicating satisfactory reliability. Table 32 provides a description of the indicators for each reflective latent variable and their loadings.

Table 33: Normalised combined indicator loadings for latent variables

Latent Variable	Indicator	Loadings
Access	Provide informal monetary encouragement to policy makers	0.76
Strategies	Contacting initiating and providing information to policy makers	0.76
	Commissioning Research think tank projects	0.63
	Hiring individuals with policy-making experience	0.72
	Company members serving in a political position	0.58
	Providing financial contributions to political candidates or parties	0.75
	Relational	Create/Join support group unions
Strategies	Engage in discussions with community leaders and people	0.81
	Engage in collaborative efforts with NGOs	0.83
	Public relations advertising in the media	0.81
	Approach host government representatives for support	0.80
	Form coalitions with other organisations not in sectoral trade association	0.76
		Join business advisory groups to government and regulatory bodies
Subsidiary	How do you judge this subsidiary's future increase in profitability	0.87
Performance	How do you judge this subsidiary's future market share expansion	0.87
	How do you judge this subsidiary's future increase in sales volume	0.87

5.3.2.2 Internal consistency

The reliability of the reflective constructs is ascertained using the composite reliability measure. Correct assessment of reliability reduces the likelihood of making a Type II error (Hair et al., 2012b). Table 34 demonstrates that access strategies have a suitable composite reliability value of 0.85, which Kock (2017) asserts is suitable for assessing internal consistency. The political risk measure has suitable values for composite reliability at 1.0. To support this, the block VIFs for all the latent variables and the measure of full collinearity VIF are suitable for all variables, with the average block VIF being acceptable at 1.16 (Hair et al., 2016; Kock, 2014; Kock, 2017). Table 33 provides the data for the internal consistency, discriminant validity and convergent validity tests.

Table 34: Descriptive statistics and latent variable correlations with square roots of AVEs

	Mean	Standard deviation	Composite reliability/ Cronbach alpha	√Average variance extraction	1	2	3	4	5	6	7	8
Access (1)	1.54	0.86	0.85/0.78	0.49	0.70							
Relation (2)	2.30	1.31	0.84/0.78	0.45	0.37***	0.67						
Subsidiary performance (3)	4.62	0.98	0.95/0.91	0.85	-0.29**	0.20*	0.92					
Industry Return on assets (4)	0.05	0.01	1/1	1	-0.26**	-0.14	0.07	1				
GDP per capita (5)	2422.71	1630.53	1/1	1	-0.18	0.02	-0.16	0.08	1			
Subsidiary size (6)	2.64	1.82	1/1	1	0.12	0.10	0.09	0.04	0.28**	1		
Industry Regulation(7)	0.34	0.48	1/1	1	0.35***	0.26*	0.10	-0.51***	-0.18	0.04	1	
Political Risk (8)	0.58	0.06	1/1	1	-0.18	-0.14	-0.28**	0.03	6.62***	0.06	-0.24**	1

Note: Significant P values- ***<0.01; **<0.05; *<0.10

5.3.2.3 Convergent validity

As discussed in Section 4.3, tests for convergent validity evaluate how well two indicators measure the same thing. Following Hair et al., (2012b), this thesis measures average variance extraction as a measure of convergence. As observed in Table 34 above, the AVE is less than 0.5 for two latent variables but their composite reliability scores are above 0.6, making the latent variable suitable for use in the thesis (Fornell & Lacker, 1981).

5.3.2.4 Discriminant validity

Discriminant validity seeks to measure the distinctiveness of a latent variable by measuring another variable, to ensure that the latent variable does not measure something else. This finding is observed from the correlation table 34 above. For both formative and reflective latent variables, and requires that the values on the diagonal are greater than all variables above or beneath them (Fornell & Larcker, 1981).

5.3.2.5 Evaluation of formative latent variables

To check for validity and reliability on formative variables, we employ a rule of thumb requiring that variance inflation factors for the indicators are less than 2.5 and their indicator weights are significant (Kock, 2017). Table 35 below reports on the indicator weights, to check the suitability of the effect size for each indicator, and the presence of Simpson's paradox. Simpson's paradox refers to the causality challenge, where the relationship between the indicator and the latent variable score is reversed (Kock, 2017) and is indicated where the weighted latent score holds a negative sign. Table 35 shows no indicator holds a negative sign. From Table 34, it can be observed that the formative measures, including political risk and the control variables, are valid and reliable.

Table 35: Outer model convergent validity – formative latent variables

Indicator	Weight	VIF
Political Risk	1***	0.00
Industry Return on Assets	1***	0.0
Industry Regulation	1***	0.0
GDP per capita	1***	0.0
Subsidiary size	1***	0.0

Note: Significant P values- ***<0.01; **<0.05; *<0.10

5.3.2.6 Evaluation of reflective latent variables

From the normalised combined loadings (see table 33 above), there are six access strategy indicators. Though they were initially nine indicators, some loaded poorly on the latent variable and were removed (Chin, 2011; Kock, 2017; Hair et al, 2012; Richter et al., 2016). Table 34 shows that the composite reliability for the access political strategy variable is at 0.81, greater than the required 0.6 and suitable for use, as previously discussed. Also, it is discriminantly valid and distinct from other constructs based on the Fornell & Lacker criterion (see table 34 above). The average variance extraction for the construct, is at 0.49, close to but below the 0.5 rule of thumb required to confirm convergent validity (Richter et al., 2016), which may indicate a weakness in the construct. However, Borsboom et al. (2004) argue that validity should not be reduced to statistical tests that diverge from the essence of a valid construct. Concurring with this, I return to the essence of construct validity: that it measures what it sets out to measure (Kelley, 1927; Borsboom et al., 2004). From the evidence of the composite reliability and combined normalized indicator loadings, the access strategy latent variable is arguably valid and reliable. Table 35 summarises the access strategy variable

Table 36: Summary of validity of access strategy latent variable

Statistical Rule of Thumb	Thesis Result	Reference
Internal Consistency -Composite Reliability/ Cronbach Alpha> 0.6	0.85/ 0.78	Hair et al. 2012; Kock & Lynn, 2012
Indicator Reliability - Indicator loadings > 0.4	See table 34- Upheld	Chin 2011; Kock 2017
Discriminant Validity - Fornell & Lacker criterion	See table 34 Upheld	Fornell & Lacker 1981
Convergent validity AVE > 0.5 or suitable composite reliability	AVE - 0.49 Composite reliability - 0.85	Hair et al. 2012; Fornell & Lacker 1981

From the validity tests, the relational political strategy latent variable comprises seven indicators, which all load adequately at greater than 0.7 (see table 33 above).The variable is discriminantly valid, with a composite reliability of 0.84, but its average variance extraction is weak at 0.45. Leveraging on the premise of Borsboom *et al.* (2004) discussed above, the exogenous construct is arguably valid and reliable. Table 36 summarises the relational strategy variable.

Table 37: Summary of validity of relational political strategy latent variable

Statistical Rule of Thumb	Thesis Result	Reference
Internal Consistency -Composite Reliability/ Cronbach Alpha >0.6	0.84/ 0.78 See table 34 Upheld	Hair et al. 2012; Kock & Lynn, 2012
Indicator Reliability - Indicator loadings > 0.4	See table 33 Upheld	Chin 2011; Kock 2017
Discriminant Validity - Fornell & Lacker criterion	See table 34 Upheld	Fornell & Lacker 1981
Convergent Validity - AVE > 0.5	AVE -0.45 Composite reliability = 0.84	Hair et al. 2012; Fornell & Lacker 1981

The reflective latent variable construct for subsidiary performance comprises three indicators (Andersson et al., 2001) which all load suitably on the construct at normalised combined loadings of greater than 0.7 (see Table 33 above). The construct is also reliable at a composite reliability value of 0.95 and an average variance extraction value of 0.86 and is discriminantly valid. Table 37 summarises the subsidiary performance variable.

Table 38: Summary of the validity of subsidiary performance latent variable

Statistical Rule of Thumb	Thesis Result	Reference
Composite Reliability/ Cronbach Alpha > 0.6	0.95/0.91	Hair et al. 2012; Kock & Lynn 2012
Indicator Reliability - Indicator loadings > 0.4	See table 33 Upheld	Chin 2011; Kock 2017
Discriminant Validity - Fornell & Lacker criterion	See table 34 Upheld	Fornell & Lacker 1981
Convergent Validity AVE > 0.5	AVE – 0.86	Hair et al. 2012

5.3.3 Inner model evaluation

This section discusses the findings of the inner model evaluation (also known as the structural model evaluation), which tests the hypothesis discussed in Section 3.3. Inner model evaluations are assessed using the coefficient of determination (R-squared) and path coefficients. R-squared measures the variation in the dependent variable as a result of variance in the independent variables, while the path coefficients measure the direction and significance of the independent variables in relation to the dependent variable (Chin, 1998; Kock, 2017; Hair et al., 2012). Following Chin (1998), I discuss the strength of the R-squared measurements as either weak (0.19), moderate (0.33) or strong (0.67). See table 38 below

I employ four models to test the hypotheses of this thesis. Model I is for the control variables only; Model II provides results for the control variables together with the separate access and relational strategies; Model III includes the moderating influence of host-country uncertainty on Model II. In Model IV, I combine access and relational political strategies to address Hypothesis 3. Table 39 details the fit of the models employed, with acceptable values for all indices (Kock, 2017). This inner model evaluation also reports on the predictive validity of the model. In the next sub-sections, I report on the predictive validity (Q-squared), the coefficient of determination (R-squared), the path coefficients and the goodness of fit of the inner model (Tenenhaus GoF).

Table 39: Inner model fit indices

	Model I	Model II	Model III	Model IV
Average Path Coefficient	0.21**	0.23**	0.22**	0.22**
Average R-Squared	0.17***	0.37***	0.45***	0.17**
Average Adjusted R-Squared	0.12***	0.31***	0.37***	0.07
Q-Squared Coefficient	0.19	0.38	0.49	0.43
Average Block VIF	1.10	1.15	1.16	1.51
Average Full Collinearity VIF	1.23	1.40	1.69	1.63
Tenenhaus GoF	0.41	0.55	0.59	0.36

Note: Significant P values- ***<0.01; **<0.05; *<0.10

5.3.3.1 Predictive validity

Since PLS-SEM is a predictive tool for explaining relationships, as discussed in section 4.4, it is important to report on the predictive validity of the test (Hair et al., 2012a). The recommended rule is that the Q-squared coefficient ought to be greater than zero to be acceptable (Kock, 2017). From Table 39, the four models tested in this thesis show a Q-squared coefficient range of 0.19 to 0.49, with the lowest Q-squared coefficient observed in Model I and the highest in Model III. The criterion of Henseler *et al.* (2009) for predictive relevance suggest a strong effect is one greater than 35 per cent, as against the weak and moderate effects of two per cent and 15 per cent, respectively (Chin, 1998; Henseler, Ringle, & Sinkovics, 2009; Reinartz et al., 2009). Overall, the models for this research demonstrate at least a moderate effect in predictive relevance.

5.3.3.2 Coefficient of determination (R-Squared) and goodness of fit (GoF)

The coefficient of determination (R-Squared) measures the total variance in the model, as explained by the variances in the latent variables. Hair et al. (2012b) suggest that the minimum R-squared value should be 0.01, and the maximum 0.87. Chin (1998) takes this further by classifying the R-squared into weak (0.19), moderate (0.33) and strong (0.67). From Table 39, it can be seen that the five models tested in this thesis show an R-squared coefficient range of 0.17 to 0.45, with the lowest R-squared coefficient in Model I and the highest in Model III. For Model I, 17 per cent of the variance observed may be explained by the control variables; this increases significantly to 45 per cent with the inclusion of the independent focal variables. These R-Squared figures are all significant to at least a 95 per cent level.

In contrast to covariance-based SEM models, reporting goodness of fit indices is not necessary for a PLS-based SEM analysis, because each method has a different goal. Covariance-based modelling seeks to account for the adequacy of item covariances using the goodness of fit indices. However, the PLS-based SEM focuses on the variances as a result of the independent variables (Chin, 2011). Tenenhaus et al. (2005), however, have developed the goodness of fit (GoF) indices which measures the global validity of a PLS model, defined “as the geometric mean of the average communality and average R-squared of all endogenous constructs” (Akter et al., 2011: p. 2). Suitable values range from small (at ≥ 0.1) to large (≥ 0.36). In this thesis, I report the GoF as suitable to support the results from the R square, predictability and factor loadings of the model (Chin, 2011); GOF indices range from 0.41 to 0.58. Table 39 presents the indices above and also reports the average block VIF and the average full collinearity VIF for the five models. Table 40 below provides a summary of the inner model evaluation.

5.3.3.3 Path coefficients

In evaluating the structural model, it is also vital to ensure that the path coefficients are suitable. Huber et al. (2007) recommend a path coefficient of at least 0.10 to ensure that the influence of the latent variables has an impact on the model. These scholars also require a minimum significance of 95 per cent. Table 39 indicates that the average path coefficients for all five models are greater than the recommended 0.10, and the levels of significance are greater than 95 per cent.

Table 40: Summary of inner model evaluation

Rule of Thumb	Thesis Results	Reference
Average Path Coefficient ≥ 0.10	See Table 39- Upheld	Huber et al., 2007
R-Squared (Adjusted) > 0.19	See Table 39 - Upheld	Hair et al. 2012; Chin, 1998
Q-Squared > 0.02	See Table 39– Upheld	Chin 1998; Henseler et al., 2009
Block and Full collinearity VIF < 3.3	See table 39– Upheld	Kock 2017
Tenenhaus Goodness of Fit ≥ 0.1	See Table 39– Upheld	Tenehaus et al. 2005; Chin 2011; Kock 2017

Following Hair et al., (2012b), I have detailed the tests required to verify that the PLS-SEM analysis was effectively conducted. To conclude, I provide a summary of the inner and outer model evaluations in Table 40 below.

Table 41: Summary results for inner and outer model evaluation

Model	Validity type	Criterion	Rule of thumb	Thesis Results	References
Outer Model	Indicator Reliability	Indicator loadings	Standardised indicator loadings ≥ 0.4	See Table 33- Upheld	Hair et al., 2012b
	Internal Consistency Convergent Validity	Composite Reliability Average Variance Extraction	CR ≥ 0.6	See Table 34 - Upheld	Hair et al., 2012b
			AVE ≥ 0.5	See Table 34 Upheld	Hair et al., 2102; Richter et al. 2016; Fornell & Lacker, 1981
	Discriminant Validity	Fornell and Lacker criterion	Correlation values on the diagonal are greater than all the variables above and beneath them	See Table 34 - Upheld	Fornell & Lacker, 1981
Predictive Validity	Q-squared		0.35 - Strong	See Table 39 - Upheld	Chin, 1998; Henseler et al. 2009
			0.15 - Moderate		
			0.02 - Weak		
Inner Model	Nomological Validity	Coefficient of Determination (R-Squared)	0.67- Strong	See Table 39 - Upheld	Hair et al., 2012b
			0.33- Moderate		
	Effect Size		0.19 - Weak	See Table 44 -	Hair et al. 2012b
			0.35 - Strong		
Path coefficients			0.15 - Moderate	See Table 39 - Upheld	Huber et al., 2007
			0.02 - Weak		
			Coefficients ≥ 0.10		
			Significance < 0.05		

5.3.4 Hypothesis testing

In this section, I analyse the conceptual model developed in Chapter three to test the five hypotheses that emerge from research questions (b) and (c). This thesis acknowledges the influence of context on theories (Teagarden et al. 2017) by testing the influence of host-country risk on the relationship between political strategies and subsidiary performance. Table 41 below provides a summary of the hypothesis testing and results.

Table 42: Summary of hypothesis testing

Hypothesis identification	Hypothesis Statement	Result
Direct Relationships		
H1	Access strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments	Not Supported (Significant Negative relationship observed)
H2	Relational strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments	Supported
Indirect Relationships		
H3	Access political strategies and relational political strategies have complementary effects on the subsidiary performance of South African MNEs in risky host-country environments	Supported
H4a	Political risk moderates the relationship between access political strategies and subsidiary performance in that the positive relationship between access political strategies and subsidiary performance is steeper with increased political risk	Not Supported
H4b	Political risk moderates the relationship between relational political strategies and subsidiary performance in that the positive relationship between relational political strategies and subsidiary performance is steeper with increased political risk	Supported

To test the hypotheses, I analyse the inner model and its estimates to arrive at the results. Figures 16 below illustrate the Models with estimates.

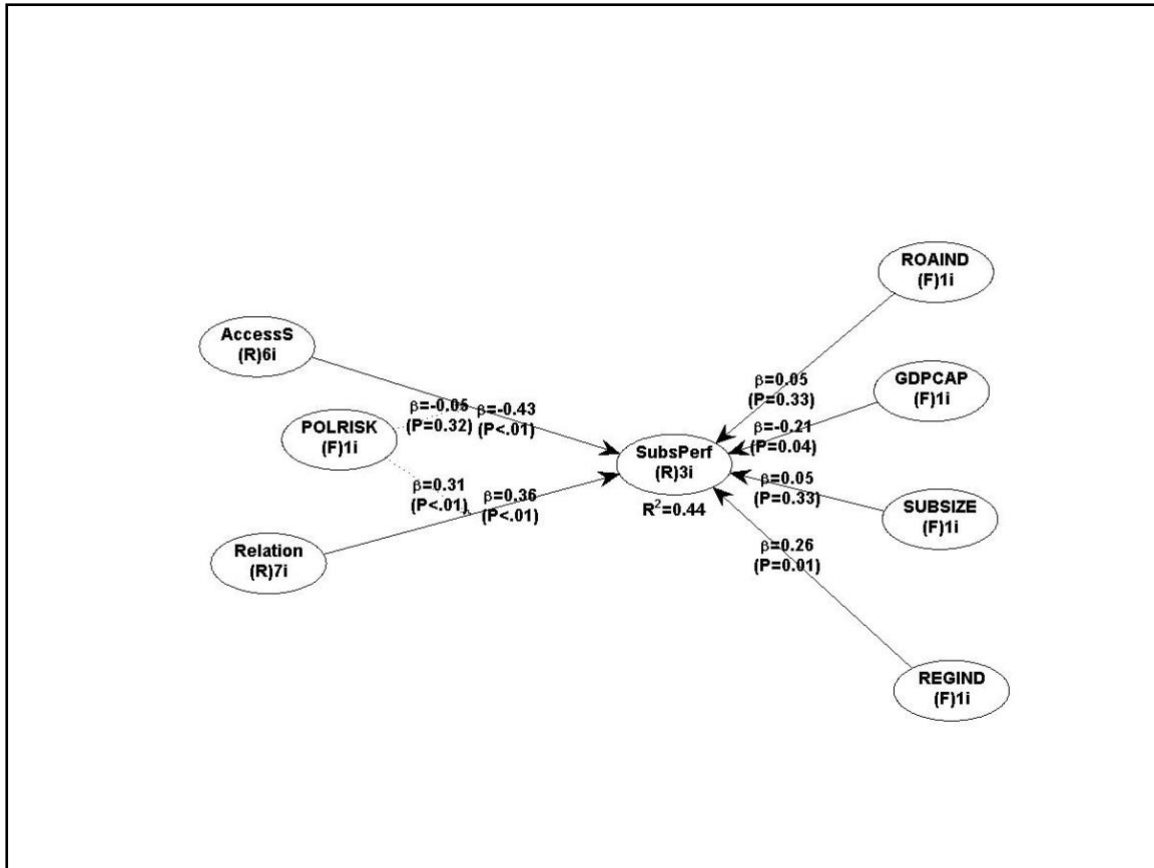


Figure 12: Model with estimates for Model III

To access the direction of the relationship between the independent and dependent variable, I employ path coefficients. Table 42 provides the individual path coefficients and significance levels for the hypothesised paths.

Table 43: Path coefficients and the significance level of hypothesised paths

Model Identification	Hypotheses	Independent Variable	Path Coefficient	Significance level
Direct relationships	1	Access Strategies	-0.43	<0.001
	2	Relational Strategies	0.36	<0.001
	3	Access X Relational	0.32	<0.01
Moderating relationships	4a	Political risk*Access	-0.06	0.32
	4b	Political risk*Relation	0.31	<0.01

5.3.4.1 Direct relationships

These hypotheses look at the influence of corporate political strategies on subsidiary performance and are divided into three parts: access strategies; relational strategies; and a combination of access and relational strategies (3). Findings are discussed below for each hypothesis in turn.

Hypothesis 1

H1a: Access strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments.

From Table 43 below, I outline three models that assess the control variables only (Model I), control variables plus exogenous constructs (Model II), and control variables, exogenous constructs and moderator variables (Model III). Model I indicates the relationship between the control variables and subsidiary performance. I find a significant positive relationship between industry performance and subsidiary performance ($\beta=0.17$; $\rho<0.10$) and the level of industry regulation and subsidiary performance ($\beta=0.28$; $\rho<0.01$). Conversely, I find a negative relationship between the level of GDP per capita and subsidiary performance ($\beta=-0.26$; $\rho <0.05$). Though the subsidiary size is positively related to subsidiary performance, it is not significant. The entire control variable model is significant at a less than 95 per cent level, with the variables explaining 17 per cent of the variance in the model. In Model II, with the key independent variables, the R-squared for the model goes up to 37 per cent at a 99 per cent level of significance. Model III is the model for testing these hypotheses, as it includes all the control, independent and moderating variables, which explain up to 45 per cent of the variance in the model at a 99 per cent significance level.

Contrary to current scholarship (Heidenreich et al., 2014; Nell et al., 2015), Hypothesis 1 is not supported. Access strategies negatively influence subsidiary performance ($\beta= -0.44$; $\rho <0.001$), implying that increasing the use of access political strategies by South African MNE subsidiaries in their host environment, reduces their subsidiary performance. Figure 17 illustrates this relationship. This finding is in contrast to the political strategy literature, as discussed in Chapter 3 and will be discussed further in Chapter Six.

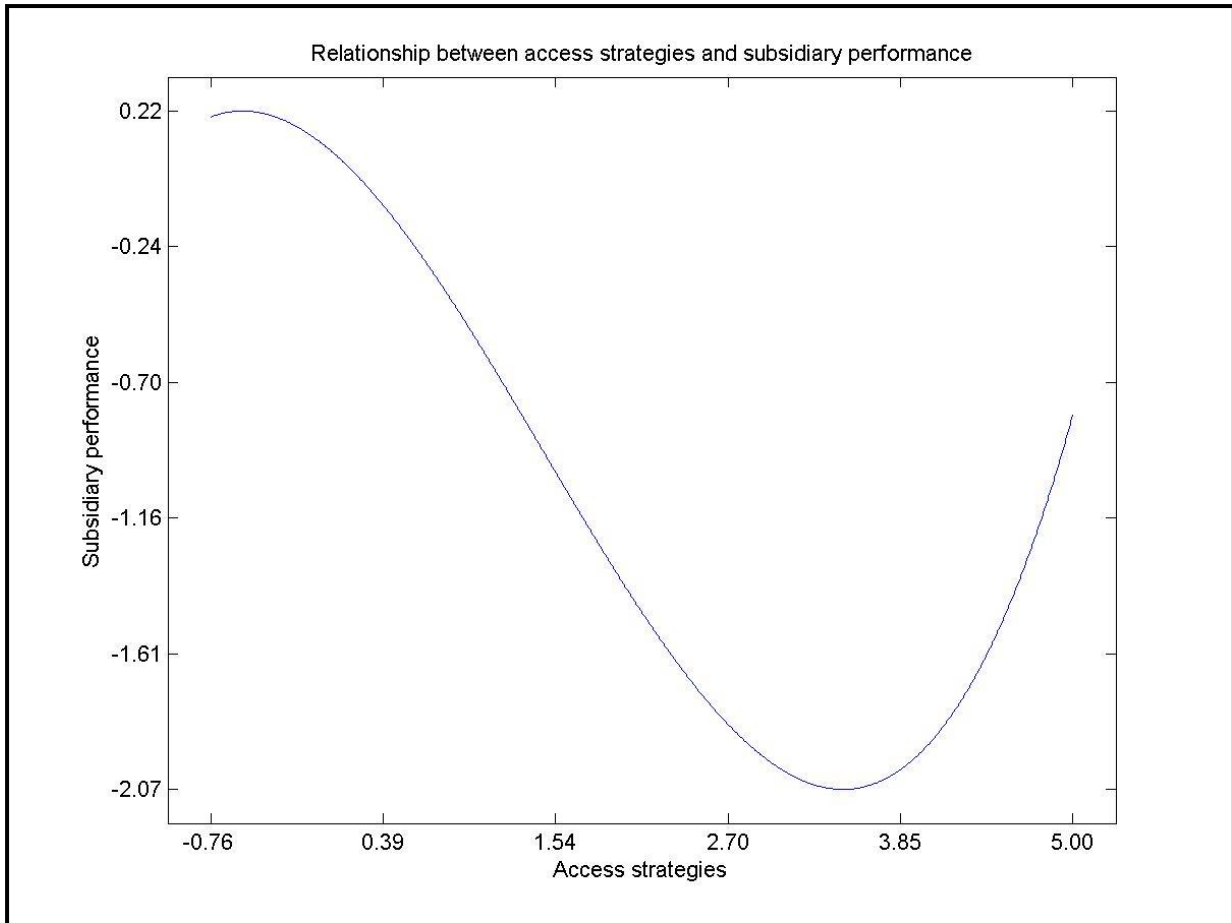


Figure 13: The relationship between access political strategies and subsidiary performance

Hypothesis 2

H2: Relational strategies positively affect the subsidiary performance of South African MNEs in risky host-country environments.

Hypothesis 2 is significantly supported. The relationship between relational corporate political strategies and subsidiary performance is positive ($\beta = 0.37$; $p < 0.001$), thus supporting hypothesis 2. Figure 18 illustrates the relationship. This finding is discussed in Chapter Six.

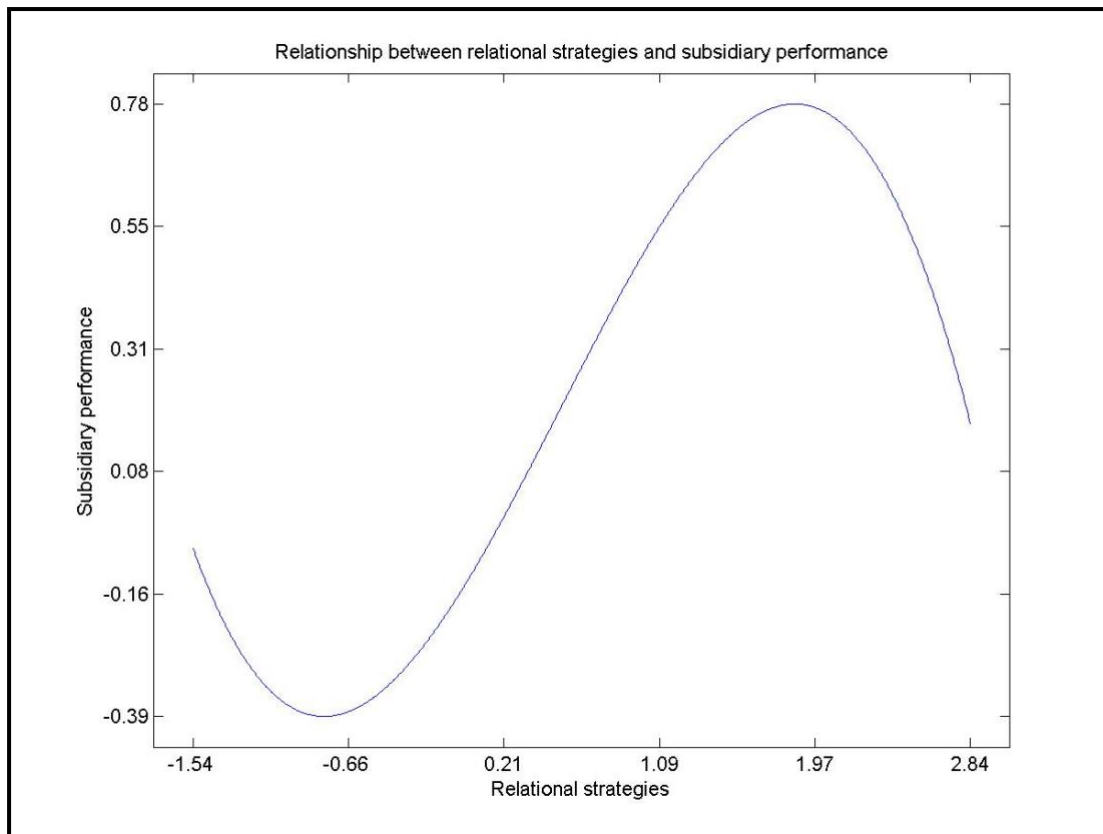


Figure 14: The relationship between relational political strategies and subsidiary performance

Hypothesis 3

Hypothesis 3: Access political strategies and relational political strategies have complementary effects on the subsidiary performance of South African MNEs in risky host-country environments

To test hypothesis 3, I employ Model IV. Testing for this hypothesis requires the interaction of access and relational political strategies, and thus demands confirmation that the outer model is reliable and valid for the analysis. The independent variables here account for up to 17 per cent of the variance in the model at a 95 per cent level of significance. I employ this model to test hypotheses 3. I find a positive and significant relationship between the interaction of access and relational political strategies and subsidiary performance ($\beta=0.31$; $p<0.01$), thus supporting hypothesis 3 that there is a complementary effect between access and relational political strategies on subsidiary performance. It is observed that an interaction

of both access and relational political strategies complements each other in relation to subsidiary performance. Figure 19 illustrates that the positive relationship between relational strategies and subsidiary performance is more positive with higher levels of access strategies. This finding is further discussed in Chapter Six.

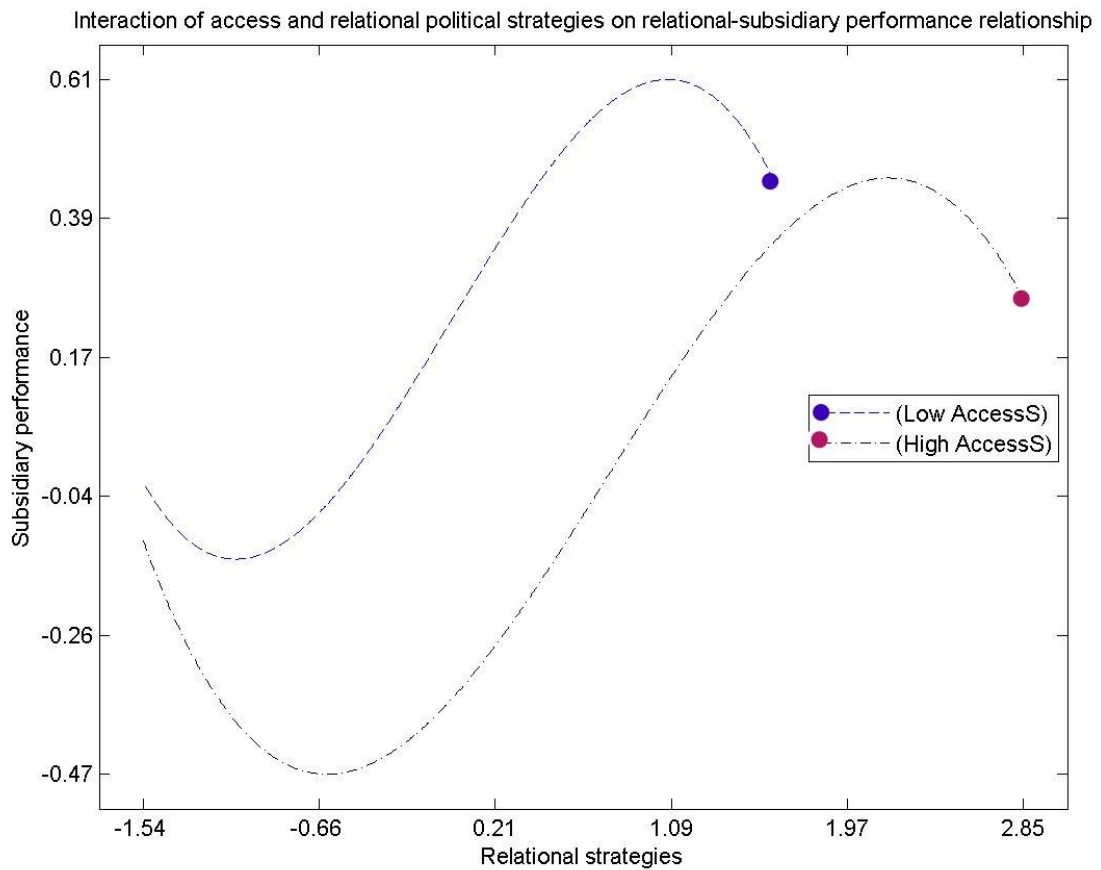


Figure 15: Interaction plot of access and relational political strategy on subsidiary performance

5.3.4.2 Moderated relationships

These hypotheses examine the moderating influence of host-country risk on the relationship between corporate political strategies and subsidiary performance. To bring in the moderating influence of host-country risk on the relationship between corporate political strategies and subsidiary performance, I employ Models III and consider the operationalisation of host-country risk using political risk.

Hypothesis 4

H4a: Political risk moderates the relationship between access political strategies and subsidiary performance in that the positive relationship between access political strategies and subsidiary performance is steeper with increased political risk

H4b: Political risk moderates the relationship between relational political strategies and subsidiary performance in that the positive relationship between relational political strategies and subsidiary performance is steeper with increased political risk.

To test the moderating influences of political risk on the relationship between corporate political strategies and subsidiary performance, I employ Models III. Model III demonstrates that political risk as a measure of host-country risk moderates the relationship between access strategies and subsidiary performance negatively but not significantly ($\beta=-0.07$; $p=0.32$). For hypothesis 4b, the political risk, however, positively and significantly moderates the relationship between relational strategies and subsidiary performance ($\beta=0.31$ $p<0.01$). See Figure 20 below

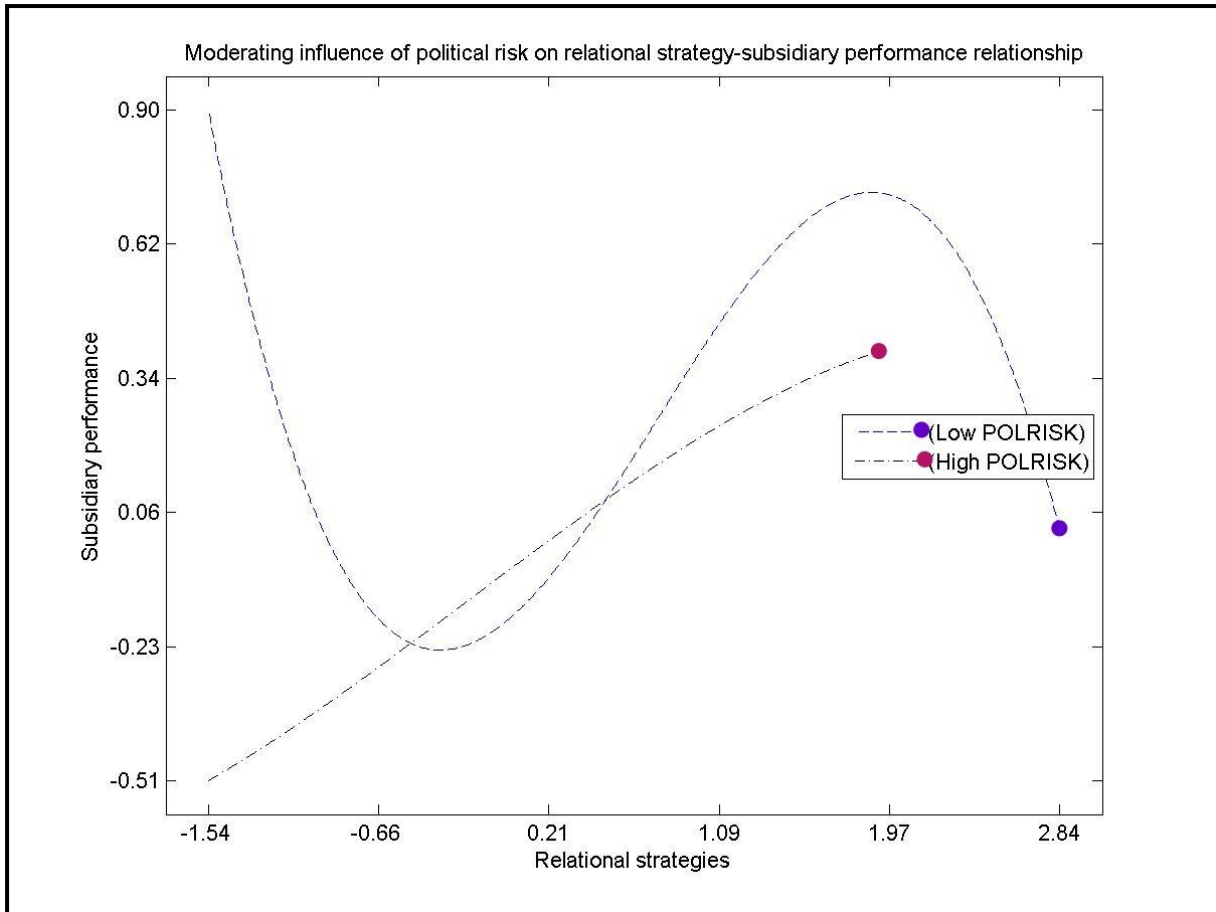


Figure 16: The influence of political risk on relational strategy-performance relationship

Table 44 below provides statistical details of the coefficients and significance of the models.

Table 44: PLS-SEM Results of Model I, II, III, and IV

Variables	Model I		Model II		Model III		Model IV	
	B	Effect Size	B	Effect Size	β	Effect Size	β	Effect Size
Industry return on Assets	0.17*	0.02	0.12	0.01	0.05	0.01	0.14	0.02
	(0.12)		(0.12)		(0.12)		(0.12)	
Regulated Industry	0.28***	0.08	0.27***	0.0	0.26**	0.07	0.28***	0.08
	(0.11)		(0.11)		(0.11)		(0.11)	
GDP per Capita	-0.26**	0.05	-0.22**	0.05	-0.21**	0.04	-0.23**	0.05
	(0.11)		(0.11)		(0.11)		(0.11)	
Subsidiary Size	0.14	0.02	0.04	0.01	0.05	0.01	0.06	0.01
	(0.12)		(0.12)		(0.12)		(0.12)	
Access Strategies			-0.43***	0.15	-0.43***	0.15	-0.19*	0.07
			(0.11)		(0.11)		(0.11)	
Relational Strategies			0.32***	0.08	0.36***	0.09	0.30***	0.08
			(0.11)		(0.11)		(0.11)	

Variables	Model I		Model II		Model III		Model IV	
	B	Effect Size	B	Effect Size	β	Effect Size	β	Effect Size
Political Risk*Access					-0.06	0.01		
					(0.12)			
Political Risk X Relation					0.31***	0.09		
					(0.11)			
Access X Relational							0.32***	0.12
							(0.11)	
R-Squared N= 68	0.17***		0.37***		0.45***		0.17**	

Note: Significant p values: ***<0.01; **<0.05; *<0.10 ; Standard errors in parenthesis

5.3.5 Robustness tests

To ensure good research practice (Carlson & Herdman, 2012), I conduct alternative tests on the robustness of the findings. Meyer et al. (2017) recommend one of three methods: alternative proxies for the primary constructs employed; alternative sets of control variables; or a different form of the regression model. In this study, I use an alternative proxy for the focal moderating construct, political risk, and substitute the variable with the Henisz Polcon policy-risk measure (Henisz, 2002). I also use a different set of control variables. (Meyer et al., 2017). I use the Henisz policy-risk measure (which combines political institutions with the preferences of political actors) to measure political actors' discretion in or constraints on effecting policy changes. Henisz and Rugman (2003) concede specific weaknesses of this measure but assert its utility in assessing a country's political risk. The higher the Polcon variable, the more discretion policy makers have to change policies at their whim. This finding implies a higher level of uncertainty in that environment (Henisz, 2002).

5.3.5.1 Robustness for moderating variable

To substitute for political risk measures from the BMI, I employ Henisz's Polcon variables. A similar finding to that discussed above is observed, with access strategies negatively influencing subsidiary performance ($\beta = -0.39$; $p < 0.001$), and relational strategies positively influencing it ($\beta = 0.28$; $p < 0.01$). The moderating influence of political risk is changed, with a positive but not significant moderation of the access strategy-subsidiary performance relationship ($\beta = 0.09$; $p = 0.23$) and a negative and significant moderation of the relational strategy-subsidiary performance relationship ($\beta = -0.29$; $p < 0.01$). One reason for this sharp contrast may be the direction through which political risk is measured. With the BMI political risk measure, higher values signify less political risk, whereas the Polcon variable is the converse. The higher the Polcon variable, the worse the level of political risk as policy makers have increased discretion to change policies at their whim (Henisz, 2002). Figure 20 displays the graphical model with its estimates.

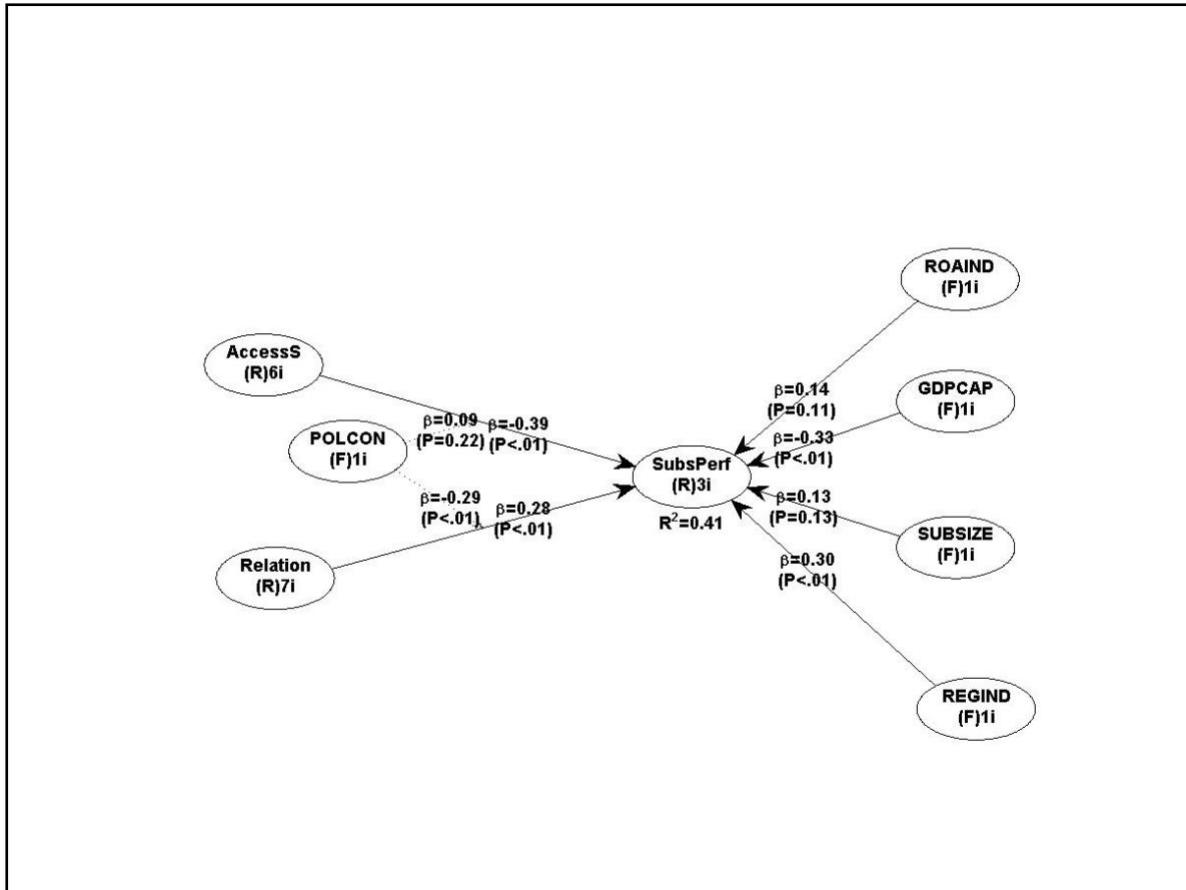


Figure 17: Robustness test for moderating variable - Model III

5.3.5.2 Robustness of control variables

Using an alternative set of control variables, as recommended by Meyer et al. (2017), I substitute the age of subsidiary for subsidiary size. However, this produces similar findings to those of the original tests. Access strategies negatively influence subsidiary performance ($\beta = -0.43$; $p < 0.001$) and relational strategies positively influence subsidiary performance ($\beta = 0.36$; $p < 0.01$). The moderating influence of political risk is also the same, with a negative but not significant moderation of the access strategy-subsidary performance relationship ($\beta = -0.04$; $p = 0.37$) and a positive and significant moderation of the relational strategy-subsidary performance relationship ($\beta = 0.30$; $p < 0.01$). Figure 21 displays the model with its estimates.

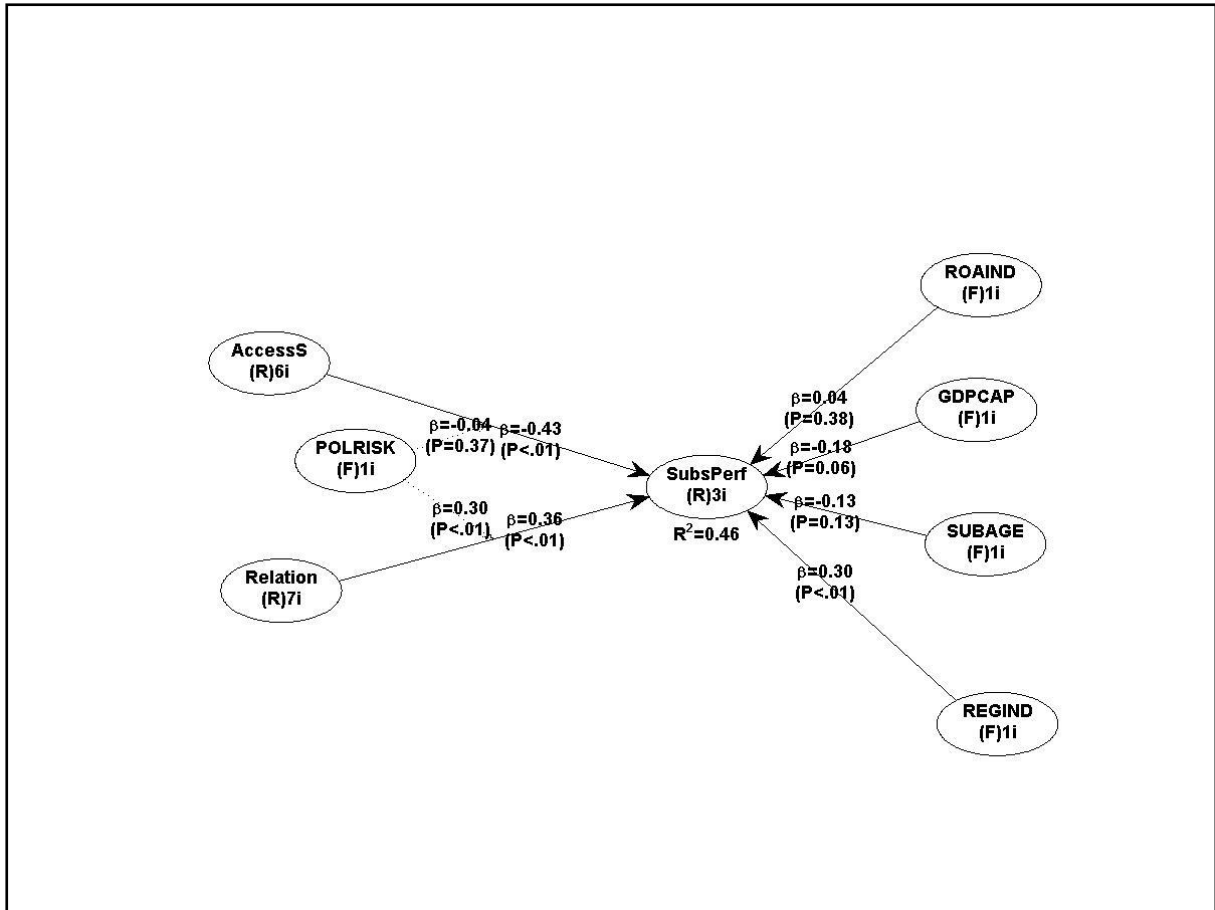


Figure 18: Robustness test for control variable - Model III

The data analysis and findings chapter has detailed the results of the qualitative and quantitative data analysis employed in the thesis. The next chapter discusses the findings and its implication to the research field.

6 Chapter Six: Discussion of findings

6.1 Introduction

This chapter discusses the findings from the research questions and hypotheses. It derives the basis for its discussions from the patterns revealed by the data analysis above, in conjunction with contextual considerations and the need for research to extend understanding of corporate political strategies. The thesis discussion of strategies has been structured around Oliver and Holzinger's (2008) dynamic political strategy framework, which combines proactive and defensive strategies into two broad frameworks of access and relational political strategies (Hillman *et al.*, 2004; Schuler *et al.*, 2002). Observed patterns contribute to understanding and explaining (Sutton & Staw, 1995). In this case, corporate political strategies within the context of an uncertain environment.

The chapter has two sections: the first summarises the research questions, hypotheses and findings from the data analysis; the second discusses the findings as they relate to previous literature, highlighting concurrence, contrasts and novel insights.

6.2 Summary of research findings

The research set out to discover how corporate political strategies affect the performance of South African MNEs in risky host-country environments. I supplemented a quantitative method survey of senior executives in South African MNE subsidiaries operating in sub-Saharan Africa with content analysis of South African MNE annual reports. The qualitative content analysis provided a conceptual mapping of the corporate political strategy landscape of these MNEs, and the quantitative survey provided data for unpacking the relationship between subsidiaries' use of corporate political strategies, and their performance. The thesis summarises this in the following sections

6.2.1 Summary of qualitative research findings

The qualitative aspect of the research content analysed annual reports of South African MNEs. The use of annual reports as a source of data is characterised by possible biases which vary depending on the purpose for its creation (Meek *et al.*, 1995). Stanton and Stanton (2002) argue that image management and marketing is a primary reason, and this largely dictates what information is included in the report. This image management may be a limitation to the findings. However, annual reports when content analysed provides a rich source of information into the disclosed strategies employed by companies (Bowman, 1978),

in this case, South African MNEs. Zhao (2012) asserts that analysing these reports is “a proper platform to identify the politically contextualised strategy of managing the state relationship through social-environmental practices” (p. 443). The content analysis was of the annual reports of 74 South African MNEs and provided evidence that South African MNEs disclose their use of both access and relational corporate political strategies. South African MNEs also disclose their proactive use of compliance strategies

Access political strategies may be divided into informational and financial strategies. From the content analysis of the annual reports and given the different purposes for which the report may have been created, I find evidence only of informational political strategies, with a noticeable absence of financial political strategies. The sharing of information with policymakers was the most observed form of informational strategy: South African MNEs participate actively in conversations with policymakers to influence issues relevant to their industry. MNEs also regularly hire individuals with political experience as another informational strategy. The analysis observed 18 instances of MNEs explicitly informing the public of the connections of their board members to either past or current policymakers.

South African MNEs do not declare their use of financial political strategies. Some, of them, categorically state that they do not engage in financial political strategies with policymakers. Four MNEs analysed from four different industries clearly state that they do not engage in either contributing to campaigns or providing corporate resources. Even though South African regulations permit the public use of campaign contributions (Public Funding of Represented Political Parties Act 103 of 1997), and yet firms provided no specific reasons for either not disclosing their use of this strategy or categorically stating their aversion to them. One may argue that this may be as a result of the weak institutions to regulate such activities combined with the polarised political situation in the home country. Only recently the campaign contribution made by the South African services company, Bosasa to the current president's – Cyril Ramaphosa's, presidential campaign has been classed as a form of state capture (Basson, 2018).

The content analysis uncovered stronger disclosures of and evidence for the use of relational political strategies. MNEs build relationships with governments, external bodies, and communities through their engagements in corporate social and environmental responsibility type political strategies. These relationships may be construed either as strands of corporate social responsibility (CSR) or as resources to help select and efficiently administer CSR commitments (den Hond et al., 2014). CSR and political strategies are corporate attempts to influence the environment and enhance organisational performance

(Mellahi et al., 2016). However, while CSR seeks to advance some social good, political strategies seek to manage the political environment. Despite surface similarities between MNEs' relational political strategies and their exercise of corporate social responsibility (White et al., 2014), relational political strategies have specific, distinctive objectives. Firms employ CSR to influence the social environment and improve their triple bottom line (Aguinis & Glavas, 2012). However, they apply relational political strategies specifically to influence the political environment: to build legitimacy and be accepted by influential stakeholders. Similar to Zhao's (2012) assertion that firms use their CSR activities to align with the state, the evidence from this research suggests that MNEs employ CSR also as a relational strategy to facilitate the build-up of reputation, legitimacy and acceptance by the regulators. This reputation, legitimacy and acceptance are necessary to adequately further develop their political strategy (Mellahi et al., 2016).

The most frequently observed relational political strategy is building relationships with the communities in which the MNEs operate. Companies use this community relational strategy to proactively signal their concern for stakeholder issues like education, health and the environment, a political strategy highlighted by Rehbein and Schuler (2015). However, more research is needed to tease out the interrelationship between these concepts within relational political strategies

MNEs also employ extensive engagement with governments and use support groups and unions to attempt to influence the government's policy-making indirectly. Other relational political strategies include employing media communications to inform the public about their activities and forming coalitions with other organisations outside their horizontal or sectoral groups. Businesses employ media strategies to influence stakeholders by intentional corporate positioning that support their reputation and legitimacy building within the economic, political, and social contexts of their operations (Voinea & van Kranenburg, 2017).

As well as the access and relational political strategies, which this research deductively set out to observe, I also find evidence of other relational political strategies disclosed by South African MNEs. The use of compliance relational strategies (Boddeyn & Brewer, 1994) - where firms disclose their proactive efforts to comply with regulators

6.2.2 Summary of quantitative research findings

The quantitative research surveyed a sample of the senior executives of subsidiaries of South African MNEs in sub-Saharan Africa. The research objective here was twofold: to

understand the relationship between subsidiaries' corporate political strategies and their performance, and to explain the influence of host-country risk on this relationship.

The research finds that within a context of relatively weak formal institutions, subsidiaries' access political strategies negatively influence their performance. This finding contrasts with the situation of developed economies, where the formal institutions supporting the use of political strategies are better developed (Marquis & Raynard, 2015). Even though Hillman (2003) found a negative relationship between the use of informational and financial strategies, political strategy research has generally identified positive relationships between strategy and performance. This negative relationship empirically signals that context matters. By contrast, subsidiaries' relational political strategies positively influence their performance. The research also finds a complementary effect between access and relational political strategies on subsidiary performance, so that the use of access political strategies increases the positive effect of relational political strategies on subsidiary performance. In addition to the findings on direct relationships, the research also finds that host country risk moderates the positive relationship between relational political strategies and subsidiary performance. This moderation implies that the higher the level of host country risk, the stronger is the positive influence of relational political strategies on subsidiary performance.

6.3 Discussion of research findings

In this section, I discuss the findings in relation to current research in the field of corporate political strategies and the research questions.

6.3.1 Corporate political strategy landscape of South African MNEs

The literature on corporate political strategies alludes to the uncertainty which the policy environment imposes on business operations (Liedong & Frynas, 2018). In emerging economies, this uncertainty environment is increased as firms also need to deal with weak formal institutions and different informal institutions (Doh et al., 2012). Apart from China, research from emerging economies is generally scarce with most of the research on corporate political strategies originating from the developed country contexts like the US (Liedong & Frynas, 2018; Puck et al., 2018). The contextual differences across borders have resulted in fragmented scholarship and scarce assessments of its effectiveness (Doh et al., 2012; Dorobantu, Kaul, & Zelner, 2017; Puck et al., 2018). This is more so with the most popular political strategies- access and relational strategies empirically interrogated only in developed contexts, as weak institutions make it difficult to access the data in emerging economies (Rajwani & Liedong, 2015). In assessing the corporate political strategy

landscape of South African MNEs, this thesis opens up a pathway to a deeper understanding of political strategies in emerging economies outside of the more popular economies of China and India (Liedong & Frynas, 2018)

The corporate political strategy landscape of South African MNEs, as disclosed in their analysed annual reports indicates the extent to which MNEs from this context engage in both access and relational political strategies. There is some scepticism around the reason for the creation of annual reports, which reinforces the challenge encountered in gathering data on political strategies. This challenge with annual reports buttresses Rajwani and Liedong's (2015) assertion that it is challenging to assess MNEs' use of informational and financial political strategies in weak institutional contexts. Poorly developed formal institutional systems make it difficult to assess the extent to which firms use political strategies in their non-market engagement, particularly in comparison to what occurs in developed contexts such as the United States where there are databases for lobbying, political action committee contributions and campaign contributions. The findings are relevant here, as they provide evidence for the use of access political strategies by emerging market MNEs in weak institutional environments.

In developed economies like the United States, political action committees and campaign contributions are access vehicles used to lobby the government in the short term for favourable policies (Akey, 2015; Powell & Grimmer, 2016). Businesses engage in what has more recently been termed money politics to ease their businesses in various states, an arguable improvement over the incidences of bribery that had characterised their interactions in the mid-nineteenth century (Powell & Grimmer, 2016). This legal, financial political strategy involves businesses using either campaign contributions, soft money donations or political action committee contributions to gain lobbying access to policymakers (Akey, 2015). In weak institutional environments of emerging economies, the formal institutions that support such financial political strategies are relatively inadequate or absent (Rajwani & Liedong, 2015). For example, in sub-Saharan Africa, only two countries- Rwanda and South Africa provide regulations in law to enforce campaign contributions (See Table 1). It is within such a context that South African MNEs create their annual reports.

From the analysis of the annual reports, it seems that businesses do not perceive voluntarily disclosing information on their financial political strategies as beneficial to their reputation. South African MNEs choose not to declare their use of financial access political strategies like political action committee contributions and campaign contributions, even though it is legal. This finding spurs the question, why? I propose that the perception of institutional

weakness (Khanna & Palepu, 2005) shrouds the political institutional environment in opaqueness (Peng et al., 2008), with the use of such strategies having the potential of being misconstrued as bribery and corruption (Neron, 2016).

Evidence from this research subtly supports the observations of De Villa et al. (2018) that MNEs operating in uncertain environments prefer a non-engaged approach to political strategies. Firms choose, for example, low visibility and rapid compliance with the relatively few rules that exist (De Villa et al., 2018). Engaged access political strategies such as contributing to political action committees draw attention to the MNE, and such high visibility, in an uncertain context, may have adverse outcomes if the political situation changes. An example may be observed in the relationship between South Africa's large telecommunication MNE, MTN, and the Nigerian government. Arguably, MTN had leveraged on their market and non-market political capabilities when their subsidiary first began operating in Nigeria in 2001 – internationalising from an emerging market to the other and employing their home country advantages in a relatively similar emerging market (Cuervo-Cazurra & Genc, 2008). The subsidiary performed well, contributing earnings of up to \$500m to the group and a holding of 25 per cent of total subscribers (Wocke & Beamish, 2017). However, in 2015, the country's political dispensation changed (Wocke & Beamish, 2017). Since then, the MNE has been overwhelmed by cases of “regulatory assault” (in the words of the Group Chief Executive Officer (Talevi, 2018, p 1)) – including a fine of up to 20 per cent of MTN's total market capitalisation (Wocke & Beamish, 2017). Even if the company was technically in breach of Nigerian national regulations, there were arguably other political factors that may have played a role in the imposition and timing of the fine.

Furthermore, uncertainty for an MNE in an uncertain environment may be heightened when the relationship between an MNE's home and the host country is strained (De Villa et al., 2018). The period of regulatory “assaults” coincided with the increasing incidence of what Matlala (2018) has described as targeted xenophobia between South Africa and Nigeria: the two largest economies in sub-Saharan Africa.

The evidence also suggests that South African MNEs use proactive and defensive political strategies, including the hiring of former government officials, and lobbying to maintain current policies (Oliver & Holzinger, 2008). Firms have been argued to gain from the presence of politicians on their boards, with better performance outcomes (Hillman, 2005). The evidence suggests that South African MNEs are aware of the benefits of this political strategy and also choose to disclose their awareness to stakeholders.

The influence of weak institutional environments has been argued to lead to different ways of strategising for MNEs operating in such environments (Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017). In particular, informal partnerships with trade associations, non-governmental organisations and business groups have been observed to reduce the debilitating influence of weak institutions (Doh et al., 2017; Rivera-santos, Rufin, & Kolk, 2012). Therefore, it is not new to observe from the annual reports that South African MNEs engage in relatively greater use of relational political strategies. This finding has been conceptually argued in varying institutional contexts (Marquis & Raynard, 2015; Rajwani & Liedong, 2015; White et al., 2014), though not empirically interrogated, and not specific to emerging market MNEs operating in wider Africa.

Insights from the annual reports point to the disclosure by companies of their CSR activities. Though the overlap between corporate political strategies and corporate social responsibility is documented in the non-market strategy literature (den Hond et al., 2014; Mellahi et al., 2016), this thesis argues that based on the negative approach to corporate social responsibility (Maignan & Ralston, 2002), firms disclose their activities to signal that they 'do well by doing good' for the environment (Zhao, 2012: p. 441). In an environment of limited statehood- contexts with poor governance and regulations - companies engage in corporate social responsibility to avoid circumstances where the state responds to advocacy groups to compel companies to do CSR (Börzel, Hönke, & Thauer, 2012). Voluntary disclosures of such information, build a relationship with the state (Borzel et al. 2012; Zhao, 2012), reputation with stakeholders (den Hond et al. 2014) and maintains their license to operate (Wilburn & Wilburn, 2011).

Strategic relationships (Zoogah et al., 2015) and informal political ties (Liedong & Frynas, 2018) are also crucial to accessing contacts and acquiring the needed resources to effectively function in the African polity and economy (George, Corbishley, Khayesi, Haas, & Tihanyi, 2016). The African context thrives on these social relationships built from culture and community; for example the Kgotla system in Botswana (Barnard et al., 2017) and Ubuntu in large parts of Southern Africa (Zoogah et al., 2015). Informal institutions play a crucial role in determining the community-driven rules of the game in Africa (Zoogah et al., 2015). The evidence from the content analysis confirms the current scholarship on political strategies to the extent that they reveal that emerging market MNEs in wider Africa also employ relational political strategies which extend beyond building political connections (Cheng, 2018) to building constituencies (Lord, 2003) and partnerships (Rivera-santos et al., 2012).

A novel insight from the evidence suggests that MNEs employ compliance strategies to proactively and dynamically engage with their business environment, not necessarily from a position of weakness (Boddeyn & Brewer, 1994). These strategies are more proactive than reactive compliance strategies (Oliver & Holzinger, 2008). MNEs engage in dynamic compliance strategies that permit them to remain agile in uncertain environments where regulations change. This view is contrary to Boddeyn and Brewer's (1994) position, which asserted that firms typically use compliance political strategies within the context of being constrained and reactive to the institutional environment. However, given the nature of annual reports, voluntary disclosures are poised to create/ manage a company's image (Meek et al., 1995; Stanton & Stanton, 2002). The disclosure by companies of their compliance strategies may be construed as signalling to regulators that they are aligned with their goals and thus may be a strategy for building relationships with regulators as stakeholders for the MNEs.

The above discussion has provided an overview of the South African corporate political strategy landscape. As previously alluded, the attention paid to the host country non-market environment is minimal, and this may be ascribed to the absence of South African MNEs on local stock exchanges in wider Africa (Meek et al., 1995). There is also the home dominance focus of MNEs. Rugman and Brain (2003) argue that MNEs are more focused on their home countries with slowly increasing interests in their wider regions. I now delve deeper into the strategies employed by subsidiary senior executives of South African MNEs in risky host country environments. The thesis assumes largely that, MNE subsidiary executives are detached from the political uncertainties in the home country at the time and will disclose more factual information in a private questionnaire than in the public annual report document.

6.3.2 Access political strategies and subsidiary performance

Despite the previously-noted challenges to gathering political strategy information on MNEs in institutionally weak environments (Rajwani & Liedong, 2015), this research assesses the mechanism between the MNEs political strategies and their subsidiary performance empirically. I survey the executives who make the subsidiaries' strategic decisions (Lawrence & Lorsch, 1969). In contrast to the argument by Hillman and Hitt (1999) that in uncertain environments, the transactional approach to political strategies is more used, the evidence produced by this research calls this assertion into question. In particular, I find that contrary to Hillman and Hitt's (1999) position and given the realities of uncertain environments, when South African MNEs engage in the use of access strategies, which are

premised on the transactional approach, this negatively influences their performance outcomes.

Previous research has found the use of political strategies to be positively related to firm performance (Lux et al., 2011; Mellahi et al., 2016). In particular, Rajwani and Liedong (2015) assert that overall, political strategies relate positively to performance, with only 21 per cent of the studies in their meta-analysis reporting otherwise. Access political strategies (categorised into informational and financial strategies) have also been observed to be positively related to the legitimacy and performance of MNE subsidiaries (Nell, Puck & Heidenreich 2015). The use of proactive and defensive access political strategies like political action committee contributions, lobbying, informal monetary encouragement has been argued to be able to directly provide firms with a dynamic political capability that improves their competitive advantage in the non-market environment (Oliver & Holzinger, 2008). However, this empirical investigation finds that access political strategy negatively influences performance.

This finding emphasises the need to engage with the institutional-based view in understanding non-market phenomena (Doh et al., 2012). Access political strategies have often been studied in developed contexts where there are effective regulatory and standards agencies (Voinea & Van Kranenbur, 2018), and this could explain its positive influence on performance, and the infrequency with which a negative direction of influence has been observed. Where the formal institutions supporting such agencies are underdeveloped (Marquis & Raynard, 2015) – as in the context for this research – a contrasting finding emerges. Siegel (2007) asserts that changing and uncertain environments can disadvantage firms that focus on accessing political players with no consideration of potential political shocks. Such shocks are relatively well-controlled in developed economies, but their consequences are unpredictable in the uncertain environments of emerging economies such as those in sub-Saharan Africa. In the context of sub-Saharan Africa, the evidence, though cross-sectional, suggests that access political strategies (Hillman et al., 2004) do not necessarily provide a long-run competitive advantage. Anecdotal observations highlight that access political strategies may provide an entry point for the MNE subsidiary, to sustain performance, the business needs to develop relationships through constituency-building with key host country stakeholders.

Concerning the dynamic capability perspective, scholars have criticised the theory to consistently yield positive results making it impossible to falsify its theoretical assumptions (Arend & Bromiley, 2009). However, the influence of dynamic capabilities on performance is

not always positive, as other managerial and human drive factors may influence the relationship. The negative findings observed here emphasises this as it pertains to the mechanism of political capability and performance in weak institutional environments. Though the study falls short in inductively interrogating MNEs dynamic political capability, it provides an empirical basis for further research into the mechanisms of dynamic political strategy.

When a firm places increased emphasis on political engagement in a weak institutional context, this may lead to unethical practices such as bribery and corruption (Lawton et al., 2013; Rajwani & Liedong, 2015). For Neron (2016) this is a primary concern with the use of access political strategies. Bribery, in the political activity taxonomy of Hillman *et al.* (2004), falls within the category of financial access strategies. It has been linked to political behaviours in contexts with weak and uncertain environments (Lawton et al., 2013) and scholars of business ethics such as Neron (2016) remain concerned about the proliferation of unethical practices disguised as financial political strategies. The findings from this research indirectly provide support for addressing these concerns. The evidence suggests a negative relationship between the use of access political strategies and performance, negating any value of their use and emphasising the need for MNEs to consider political engagement strategies with greater utility.

6.3.3 Relational political strategies and subsidiary performance

The evidence from this research concurs with Luo and Zhao (2013) in finding support for a positive relationship between relational political strategies and subsidiary performance. However, a key difference is in how this research defines relational political strategies: I extend its definition beyond political and government connections to constituency-building relationships. Extant literature (Mellahi et al., 2016; Rajwani & Liedong, 2015; White, Hemphill, Joplin, & Marsh, 2014) has asserted to this positive relationship, and anecdotal observations from companies operating on the continent, as well as Rajwani and Liedong's (2015) conceptual work, all emphasise the significance of these strategies. However, empirical support has so far been lacking, especially from regions like sub-Saharan Africa (Mol et al., 2017).

In emerging markets, where business thrives on social, organisational and individual relationships (Luo & Zhao, 2013) – and particularly in sub-Saharan Africa, with relatively strong informal institutions – neglecting social relationships may mean neglecting the contextual realities of doing business (Hoskisson et al., 2000; Zoogah, 2008). I find evidence from annual reports that MNEs in South Africa employ relatively more relational than access

political strategies. Furthermore, the quantitative evidence suggests that it is a relational strategy – based on carefully tended relationships and constituency-building – that provides positive performance benefits for the African subsidiaries of South African MNEs, rather than an access political strategy based on transactions, which concurs with the work of Mbalyohere (2015), and White et al.(2014).

This research adds robust empirical evidence about the importance of relational political strategies for South African MNEs internationalising into sub-Saharan Africa. The research also has implications for other emerging and developed market MNEs seeking to internationalise to other environments characterised by similar uncertainty and weak institutions. South African MNEs build constituencies by joining support groups and engaging in discussion with host community leaders. In other cases, MNEs may partner with non-governmental organisations including environmental and social groups, to embed themselves more deeply in their environment, leveraging on such connections for corporate social responsibility activities. These constituency-building strategies enable MNEs to establish their existence within their host environments (Lord, 2003). White *et al.* (2014) argue that such relational political strategies make MNEs more capable of functioning in volatile and uncertain environments. This study concurs, providing evidence from the empirical research and the content analysis of annual reports.

Though the research focuses on the political environment and the influence of political strategies, a vital overlap exists between the political and social aspects of non-market strategies (Mellahi et al., 2016). This overlap is especially evident in how relational political strategies are conceptualised: addressing the corporate political strategies of subsidiaries through their development of relationships with communities, non-governmental organisations and trade unions. A case in point is the example of PPC, a South African MNE from the engineering and construction industry, with international operations in six African countries. In 2013, PPC acquired a 51% stake in CIMERWA, the only cement manufacturing company in Rwanda since 1984. Since the purchase, PPC (CIMERWA) has enjoyed relatively favourable policies by the policymakers, including the call to the government to restrict cement imports (Global cement staff, 2016). Though not formally approved, a year on, had seen cement imports drop by nearly half in the East African country (Global cement staff, 2017). In building relationships, the South African MNE in its integrated annual report for 2017, disclosed its community relational political strategy to train and empower local community members to get the required tailor training, start their businesses and register a cooperative to support them (PPC, 2017; p 121). This disclosure, apart from informing

policymakers of their efforts to engage, build constituencies and legitimacy, also directly aligns with the goals of the Rwandese government to grow and develop the country.

Baron (1995) and Mellahi et al. (2016) assert that firms employ non-market strategies to build legitimacy and increase performance. This research extends that argument, empirically demonstrating how relational political strategies – by improving reputation and building legitimacy – embed MNE subsidiaries into their host environment (Nell et al., 2015). Furthermore, it contributes to the scholarship on political strategy as a tool for stakeholder network development (Heidenreich et al., 2014),

6.3.4 Complementary effects of access and relational political strategies on subsidiary performance

In response to Schuler et al. 's (2002) call to assess the combined effect of different political strategies on performance, this thesis uniquely tests how a combination of access and relational political strategies affect subsidiary performance. I find a complementary effect between the two political strategies. This complementary effect is especially noteworthy because there is a negative direct effect of access strategies alone. However, the evidence highlights the stronger positive effect on the subsidiary performance of relational political strategies, over the negative effect of access political strategies.

Similar to Heidenreich et al. 's (2014) interrogation of the combination of informational and financial access political strategies, this thesis examines the interaction effect of access and relational political strategies on subsidiary performance. I find that deploying both access and relational political strategies on subsidiary performance exhibits complementary effects, in that the use of access political strategies increases the overall positive effect of relational political strategies. This finding speaks to Hillman and Hitt's (1999) assertion about access strategies being more transactional than relational in approach, short term and usually in response to a specific issue. One possible explanation could be that the MNEs operating in risky environments may need to engage in access political strategies to gain entrance to the environment. However, it is the long term relationships with broad-ranging stakeholders that over time, increase the subsidiary's performance. Although the cross-sectional design does not make it possible to conclude, future research could benefit from a longitudinal interrogation.

This finding provides empirical support for Darendeli and Hill's (2016) assertion that combining access and relational strategies in politically risky environments increases performance by building legitimacy and buffering the risks of access strategies. It also

suggests that it may not necessarily be the intensity of access political strategies that negatively influence MNE performance, but rather failures in the intricate process of effective deployment of both of them. This finding concurs with Lux et al., 's. (2011) remark that there are varying outcomes to employing political strategies and that it is in managing these that MNEs can maximise their advantage.

6.3.5 Moderating influence of host-country risk on the political strategy-subsidary performance relationship

A fundamental purpose of situating the empirical component of this thesis in the African context is in order to examine the moderating influence of host country risk on the relationship between corporate political strategies and performance. I conceptualise host-country risk using political risk and find that in this research context, host-country risky moderates the relationship between corporate political strategy and subsidiary performance. White et al. (2014) allude to the moderating influence of host-country uncertainty, arguing that it changes the relationship between a subsidiary's possession of dynamic capabilities and its deployment of relational political strategies. The research empirically tests their argument.

The empirical evidence from this study suggests that political risk positively moderates the relationship between both relational and subsidiary performance. The findings suggest that as levels of political risk increase, so does the influence of relational political strategies on subsidiary performance. By contrast, the moderating influence of host country risk on the relationship between access political strategies and subsidiary performance is negative. One possible implication of this insignificant negative moderation may be linked to the tendency of access strategies to have positive outcomes in environments with adequate standard and regulatory agencies (Voinea & van Kranenburg, 2018) – in institutionally weak environments, its influence is weakened. This finding corroborates Lawton *et al.* 's (2013) position that weaknesses in the institutional environment negatively influence the relationship between access political strategy and performance. By including the institutional environment and integrating the influence of host-country risk, this thesis therefore empirically addresses Lawton et al. 's (2013) concern about the role of institutions in the mechanism of corporate political strategies. The observed positive moderating influence of host-country risk on the relationship between political strategies and performance indicates the need for corporate political strategists to include contextual considerations in developing and deploying strategy (Puck et al., 2018).

These findings concur with Peng et al. 's (2008), who emphasise the need for international business research to fully integrate an institutional-based view in its analyses of firms' strategy and performance. Political strategies have been argued to influence outcomes differently when they take into consideration the strong influence of the institutional environment on the CPS- subsidiary performance relationship (Doh et al., 2012; Lawton et al., 2013). Furthermore, MNEs now have the opportunity to influence their host country political environment by abstaining from the use of illegal financial incentives or by negotiating host governments for a more transparent approach (Puck et al., 2018). Baron (1995) suggests that this approach may be an effective non-market strategy to reduce political uncertainty, especially in emerging economies, through their conscious action of co-creating the rules of the game by the influence they exert on the policymakers and regulators (Brown, 2016).

Some scholars have asserted that although weak institutional environments result in mixed outcomes from political strategies (Boubakri et al., 2012; Rajwani & Liedong, 2015), increased use of political strategies reduces risks and builds greater competitive advantage, as MNEs can push for more regulation (Puck et al., 2018). In the process MNEs may be able to initiate a process of co-evolution as they influence their external institutional environment (Nell et al., 2015) However, emerging markets are heterogeneous (Gammeltoft et al, 2010), and different strategic choices about the type, strength and timing of political strategy may result in different outcomes, rendering this assertion arguable.

This research contributes to the scholarship on corporate political strategies through its empirical focus on the context of sub-Saharan African markets characterised by relatively high levels of uncertainty. Similar to Weick's (1992: 177) position on "knowledge growth by extension", I argue that findings from this region can and ought to be extended to other geographical regions with similar characteristics.

6.4 Summary of discussion of findings

In this chapter, I have discussed the results from the data analysis by integrating and interrogating the findings within the context of extant research. In the next chapter, I conclude the thesis by reiterating the main objectives of the research and the findings. I also summarise the research contributions, study limitations and suggest future research directions.

7 Chapter Seven: Conclusion

7.1 Introduction

This research extends the field of corporate political strategy studies by employing the dynamic capability perspective to understand and explain the role of corporate political strategies in the performance of emerging market MNE subsidiaries in uncertain host-country environments.

The research first maps the corporate political strategy landscape of South African MNEs through a deductive content analysis of their annual reports - public relations documents. The research finds that in terms of access political strategies, South African MNEs do not disclose their use of financial political strategies. They voluntarily disclose their use of relational and informational strategies, with the former more frequent than the latter. Second, the research analyses the influence of corporate political strategies on subsidiary performance in risky host-country environments. It finds, from an empirical study of senior executives of South African MNE subsidiaries in sub-Saharan Africa, that access political strategies have a negative influence, and relational political strategies a positive influence on subsidiary performance. The research also finds evidence for a complementary effect of access and relational political strategies on subsidiary performance when combined. Third, the research interrogates how the level of host-country risk moderates the relationship between corporate political strategy and subsidiary performance, and finds that the higher the level of host-country risk, the stronger the relationship between relational political strategies and subsidiary performance. Below, I discuss the contributions, limitations of the research and future research directions that have the potential to extend these findings and knowledge of the field.

7.2 Research contribution

To summarise the discussion section of the thesis, I highlight the contributions of the research to the theory, practice and methods.

7.2.1 Theoretical contribution

As a process of sense-making inspired by providing clarity to the divergent thinking (Weick, 1992) around the relationship between corporate political strategies and performance, this research contributes to the political dynamic capability perspective and the literature on

corporate political strategy. Boddewyn and Brewer (1994) assert that due to the vastness of the political strategy field, research to interrogate the phenomenon within different temporal and spatial environments will contribute towards a better theory. This thesis conceptualises political strategies into a framework that encompasses multiple individual political tactics based on two core firm goals – constituency building or gaining access – thus providing an “actionable definition” of what a firm’s political strategy in a risky context entails (Brown 2016: p. 288).

The research builds on the work of Oliver and Holzinger (2008), which interrogates influence political capabilities as proactive and defensive dynamic capabilities contributing to the competitive advantage of MNEs. Following the research by Lawton et al. (2013) which extends the research on how firms organise their political capabilities in uncertain contexts to deal with their non-market environment, I contribute to the research on dynamic political strategies by empirically interrogating the corporate political strategy typology proposed by Hillman and Hitt (1999). Their typology of political strategies set the stage for management research into the antecedents, approaches, level and choice of political strategies that firms engage in when operating in the non-market environment. In particular, this thesis focuses on the influence strategies of information, finance and constituency building and empirically interrogates how these political strategies affect subsidiary performance. The thesis contributes to Baron’s (1995) integrated framework by providing an empirical interrogation of influence political strategies on performance in weak institutional environments. This contribution tightens the bridge between corporate political strategy and the dynamic capability perspective (Lawton et al., 2013).

Evidence from the research suggests that within the typology of political strategies proposed by Hillman and Hitt (1999), their mechanisms operate differently from context to context. In particular, I find that the use of influence political strategies in South-South FDI affect performance outcomes differently from North-South FDI. For example, Nell et al. (2015) found a positive relationship of information and finance political strategies on the subsidiary performance of foreign firms (78% developed economy MNEs) operating in five emerging economies. The finding from this thesis improves the mixed scholarship of corporate political strategies as it further clarifies the need for political strategy research to define borders for which influence political strategies may positively correlate with performance outcomes. This finding also strongly emphasises the influence of institutional duality on the strategic choices and outcomes of MNEs (Nell et al., 2015; Zhang, Zhao & Ge, 2016). In which case, where strong and formal institutions are lacking, access political strategies may be harmful to the firm (Lawton et al., 2013).

Dynamic capabilities, though they improve competitive advantage (Teece et al., 1997), still have other external influences like resource base configurations and managerial decision making that may change how they affect performance (Eisenhardt & Martin, 2000). The evidence from this thesis suggests that dynamic political strategies can relate negatively to performance when other temporal and boundary conditions are factored in, a concern raised by Baretto (2010) concerning the dynamic capabilities mechanisms in turbulent environments. The implication of this finding extends the dynamic political capabilities theoretical framework as it addresses one of the concerns of Arend and Bromiley (2009) about the mechanisms of dynamic capabilities, specifically its non-negativity in extant research. This implication provides an avenue for further research to further refine the political dynamic capability perspective to adequately contribute to strategy and management research (Wilden et al., 2016).

Furthermore, the research extends the limiting literature on constituency building as a relational political strategy by testing its influence on performance. This extension adds to the literature on the relational political strategy which has predominantly focused on political ties as the source of relational political capabilities (Boubakri et al., 2015; Liedong & Frynas, 2018). The findings from the research show that different from political ties, building constituencies improves performance for MNEs operating in politically risky environments. It is thus building on Hillman and Hitt's (1999) typology for interrogating political strategies, especially in environments where there is a strong influence of informal institutions and weak formal institutions. This contribution is vital to the political strategy field as it highlights the importance of adapting strategic choices to the host environment (Zhang et al., 2016). Little research has interrogated political strategy within a context of stronger informal institutions compared to formal institutions.

The research also extends our understanding of the field by interrogating the mechanism through which institutional environments influence the outcomes of corporate political strategies (Doh et al., 2012). By providing a perspective on the African context (Teagarden et al., 2018), the research expands knowledge of corporate political strategies by extending understanding to contexts other than the developed economies on which most prior empirical research has focussed. Contextually, this study builds on the conceptualisation of influence political strategies that firms engage in to increase their competitive advantage and extends the theory by testing the theory on political strategies in African emerging economies. Furthermore, it engages with the MNEs subsidiary level of analysis which Blumentritt and Nigh (2003) argue is an essential view of understanding MNE behaviours.

7.2.2 Methodical contribution

This research employs a quantitative method survey which supplements the research with content analysis of MNE annual reports to expand our understanding of a hard-to-measure phenomenon. Though neither method is new to social science research, the innovative way of combining both methods to better understand the phenomena is a modest contribution to the international business field. Furthermore, for a growing field such as international business, where there is a continuous integration of theories and contexts, the partial least square structural equation modelling provides an opportunity to carry out exploratory studies to better understand the application of theories to emerging contexts (Richter et al., 2016).

7.2.3 Practical contribution

This research, set in the real-life context of internationalising South African MNEs contributes to the practice of cross-border businesses within sub-Saharan Africa and other emerging markets. By testing an actionable typology of the corporate political strategies that influence MNE subsidiary's performance, it better informs managers from emerging market MNEs with operations in uncertain environments about how varying political strategies may affect their performance in these environments. MNEs from developed and emerging economies looking to expand into uncertain environments, especially in Africa, can leverage off the findings presented in this thesis to operate more efficiently in their host environment.

The research also contributes to knowledge and development on the continent by providing data-backed information on doing business on the continent and managing the non-market environment. Between 1990 and 2015, only 154 articles focused on management research in Africa (George et al., 2015). Of which only 49 focus on developing management capabilities and 55 on navigating institutional weaknesses. With the increasing drive to increase intra-African trade, the African continental free trade agreement (AFCTA) and the active engagement by the African development bank to increase investment on the continent, this thesis provides relevant knowledge for managers operating in the non-market environment.

7.3 Research limitations

The research has at every stage foregrounded considerations concerning the reliability, validity and ethics of the project. However, some limitations exist, stemming from the research design, methodology and theory.

7.3.1 Theoretical limitations

Scholarship on dynamic capabilities perspective, apart from being wide-reaching with influence from different theoretical disciplines (Di Stefano et al., 2014), has also been criticised for being limited in terms of its contribution to research on strategy and management (Arend & Bromiley, 2009). One of its limitations is its lack of a coherent theoretical foundation, which this thesis has also had to grapple with (Wilden, Devinney and Dowling, 2016). Despite the limitation, I have built the theoretical premise of dynamic political strategies on Teece et al. 's (1997) conceptualisation, which is rooted in the resource-based view. This limitation provides an avenue for future research to further interrogate the dynamic capabilities perspectives within the context of corporate political strategies (Wilden et al., 2016).

7.3.2 Research design limitations

Employing a primary data survey to investigate such a sensitive phenomenon was a choice driven by the need to extend research in the political strategies field to weak institutional contexts. The survey provides access to information not available in the public domain, especially in Africa, where access to data is limited (George et al., 2016; Kolk & Rivera-Santos, 2016). However, its methodology is weakened by small samples, low response rates, cross-sectional dimensions (De Figueredo & Richter, 2014) and non-random samples.

The research encountered difficulty in isolating the influence of corporate political strategies on performance (Hillman et al., 2004). As such, it does not claim a cause and effect relationship as there may be other endogeneity issues not addressed. This limitation is further buttressed by the cross-sectional data-gathering strategy, which limits the findings of the study. The thesis, however, sought to ensure that the latent variables employed were sufficiently valid and reliable to provide adequate answers to the research questions. The work employs variables to control for some of these confounding influences on performance (Meyer et al., 2017).

Concerns also arise from the sampling strategy. Using a two-stage sampling approach that employs the population sample in the first stage and a purposive sampling strategy in the second, reduces the external validity of the study as it increases concern about the generalisability of the findings. The strategy was, however, necessary to ensure that the respondents had the information needed (Lawrence & Lorsch, 1969).

A limitation also arises from the geographical distribution of the subsidiaries. Most South African MNE subsidiaries concentrate in the Southern African region. A reflection of the location of most foreign operations of South African MNEs which increases the risk of statistical biases and difficulties in making broader causal inferences. However, the contribution of the research to the field of corporate political strategies should nevertheless not be underestimated.

This research also employs an aggregated method of accessing political strategies, classifying them based on their tactics. This method offers a broad understanding of the corporate political strategies field in sub-Saharan Africa, but limits understanding of which specific political strategy tactics (e.g. lobbying) are employed by which firms, and of the direct or indirect impact of individual strategies on performance.

Additionally, the use of annual reports as the source documents for the content analysis raises questions around the veracity of the research findings. Whether the disclosed information represents companies' political strategy realities, or merely the information the companies perceive will have the least adverse and most beneficial impacts for them (Meek et al., 1995). Although the very public nature of annual reports makes it unlikely companies will make untrue claims, they may omit mention of actual actions. Thus the widely shared points in annual reports (e.g. about relationship-building strategies) are likely relatively faithful representations of what MNEs do, but the role of access strategies, specifically financial ones, remains more opaque. Zhao (2012) argues that public reports may provide a view of how a company politically engages with varying stakeholders, which is what this research has sought to uncover. The research at every point foregrounds that all discussions are premised on the South African MNEs' voluntary disclosure of information.

Finally, the concurrent collection of quantitative and qualitative data made it challenging to transfer findings from one method to the other. However, the execution of both methods was carried out effectively to meet the research objective.

7.3.3 Methodological limitations

Two reliability limitations are evident in the research: First, a concern may arise from the average variance extractions of less than 0.5 for the access (0.49), and relational (0.45) political strategy latent variable, which Hair et al. (2012b) suggest are unsuitable. This finding may cast some doubt on the use of the constructs. However, the composite reliability and factor loadings load suitably make the validity of the constructs suitable (Fornell & Larcker, 1981). Second, the content analysis employed to provide a corporate political

strategy landscape may be limited because it was carried out by a single coder. Gaur and Kumar (2018) propose that to ensure the reliability of findings, there must be at least two coders and a suitable inter-coder reliability rate. However, a tightly developed code-list, such as that employed by this research, provides higher validity despite the reduced reliability (Krippendorff, 2004).

7.4 Future research directions

The future research directions outlined below offer the opportunity to address some of the limitations discussed above, as well as to engage more deeply with some of the theoretical contributions discussed in Chapter Six.

7.4.1 Alternative sampling strategies and methods

The research strategy, design and methods of this research suggest that future research should consider a more random sampling strategy to improve the generalisability of findings from uncertain environments. Additionally, while this research employed a partial least squares structural equation modelling approach to draw predictive relevance between corporate political strategies and subsidiary performance, future research would benefit by considering the use of quasi-experimental methods to study specific events and occurrences within weak institutional environments (de Figueiredo & Richter, 2014)

In common with non-market management research, the focus of this study has been on a cross-section (Aguinis & Glavas, 2012) of MNEs with operations in various developing economies. However, research interrogating the phenomena across time has the potential to extend the field of corporate political strategy and non-market strategies broadly. This extension will facilitate understanding of how shifting uncertainty influences the political strategy/performance relationship. It may also support understanding of how changes to the institutional environment occur as a result of the changes in the firm's political behaviour over time (Cantwell, Dunning, & Lundan, 2010). Employing a time series method could illuminate how the influence political strategies of subsidiaries change as their institutional environments change. Such an interrogation will provide an avenue for interrogating the evolution of dynamic political strategies as contexts – including industries or economies – change (Brown, 2016). Also, a long term study will contribute to the dynamic capabilities perspective to clarify whether the dynamic political strategy mechanisms are similar to those of research and development in organisations, which results in a negative relation to performance in the short term and positive in the long run (Arend & Bromley, 2009). Additionally, given the complementary effect of access and relational political strategies on

subsidiary performance, interrogating the effect of a combination of access and relational political strategies longitudinally will enhance the scholarship around corporate political strategies, providing a depth of understanding about its mechanisms in emerging economies.

This thesis employed a content analysis approach to describe the landscape of corporate political strategies employed by South African MNEs. The field could be extended through qualitative research among African MNE executives to provide greater depth of understanding. Further research could also expand the sampling frame to include other MNEs operating from weak institutional environments in both sub-Saharan Africa and more broadly across emerging markets. As one example, given the Chinese government's intolerance for illegal financial activities, as seen in the recent GlaxoSmith Kline scandal (Doh, Lawton, Rajwani, & Paroutis, 2014), and the increasing investment by Chinese MNEs in Africa, further research could interrogate the access and relational political strategies employed by the more than 10,000 private Chinese firms currently operating on the continent (Sun, Jayaram, & Kassiri, 2017)

The evidence suggests that MNEs benefit from their use of relational political strategies and seek to adapt to their host environment using such strategies, which provide legitimacy (Mellahi et al., 2016). Further research could qualitatively interrogate whether and what definable stages exist between MNEs' employment of relational political strategies and their performance outcomes. Complex overlaps exist within relational political strategies, and future research could strive for more precise delineation, to differentiate between corporate political strategies, corporate social responsibility, social entrepreneurship and cross-sectoral partnerships. As well as extending the scholarship on adaptation (Mellahi et al., 2016; De Villa et al., 2018), this could potentially elucidate how building stakeholder support through relational political strategies evolves into legitimacy for those MNEs operating in uncertain contexts.

7.4.2 Future research on corporate political strategies

This research empirically extends the field of corporate political strategies by testing the relationship between influence political strategies and subsidiary performance. Further research must interrogate the combined effect of influence and compliance political strategies on performance outcomes in politically risky environments. Do the political strategies complement or substitute each other in their relationship to the MNEs performance? Furthermore, the tactic of proactively complying to regulations used by South African MNEs poses an opportunity for studies to interrogate the role of compliance political

strategies and the mechanisms through which MNEs may engage in the strategy to increase their competitive advantages. De Villa et al. (2018) argue that MNEs employ non-engaging political strategies to facilitate how they adapt to their host environment. The research could further interrogate these mechanisms and the varying ways in which MNEs in uncertain environments may employ political strategies.

As it pertains to the dynamic capability perspective, research on corporate political strategies will benefit from an inductive qualitative study to tease out the process of change in the choice of political strategies used by emerging market MNEs when they internationalise to other emerging economies. In particular, more qualitative methods are needed to refine the concept of dynamic political capabilities as it pertains to the firm's political interaction with the turbulent environment. The qualitative strategy could interrogate the process of change in the MNEs as they engaged with their host environment. To identify what the MNEs changed and whether this affected the subsidiaries' performance in the short or long term.

7.4.3 Future research on diverse contexts

The findings discussed in Chapter Six suggest that the moderating influence of host country risk on the relationship between access political strategies and subsidiary performance is negative. This finding is, however, not significant, and does not explicitly compare the performance of political strategies across weak versus strong institutional contexts. Further research could with benefit compare the performance of political strategies in institutionally diverse contexts. Furthermore, while this research has focused on external moderating mechanisms, future research could interrogate the intra-organisational moderating mechanisms potentially influencing the political strategy/performance relationship. Mellahi et al. (2016) suggest those internal moderating mechanisms dealing with the agency conflicts that arise from within MNEs. Because subsidiaries are subject to internal institutional pressures from their headquarters in addition to external host country pressures (Nell et al., 2015), a deeper understanding of political strategy scholarship in cross-border businesses could also emerge from further research interrogating this moderating mechanism.

Although earlier studies have interrogated the influence of lobbying and political action committee contributions, those studies have focused on contexts with strong institutions, where regulations are monitored and impact measured. Future research exploring the influence of specific political strategies on performance will need to study uncertain contexts, with consideration for the influence of changing policies on business. One example is the recently passed political party funding bill in South Africa. Previously, there was no legislation. Businesses may have been unwilling to declare their past political contributions

for fear that they were seen as illegal. Now a legal framework exists, future researchers have the opportunity to investigate how such changes influence both the behaviour of MNEs and its outcomes. Finally, since strategy involves a party that implements and one that is acted upon, multiple additional perspectives present themselves for future studies in risky environments: those of regulators, policymakers, communities, trade associations and non-governmental organisations engaging with MNEs.

This research has focused on non-state owned South African MNEs operating across the continent. Lawton et al. (2013) argue that in terms of how firms develop and deploy political capabilities, ownership plays a considerable role. They assert that non-state owned enterprises are more aggressive in their reconfiguration of political resources into deployed political capabilities. Further research will benefit from an interrogation of ownership as either a moderator or mediator in the influence of political strategies on performance, to more clearly articulate the benefits or not of state-owned influences to corporate political strategy.

7.4.4 Future directions for international business policy research in Africa

With increasing investment into emerging markets such as Africa and the anticipated demographic dividend, MNEs need to engage proactively with host environments to remain sustainable. Coupled with a growing incidence of populism, characterised in some locations by xenophobia (Rodrik, 2018), there is a need for future research to interrogate the mechanisms for more effective political engagement by MNEs in the non-market arenas of risky African host environments. Additionally, in addressing Africa's sustainable development goals, MNEs will need to apply political strategies that emphasise their alignment with the state. Future research should qualitatively interrogate the role and mechanisms through which socially attuned MNEs engage in weak institutional environments.

Early research in the international business field focussed on the relationship between the MNE and the state (Boddewyn, 2016). The growth of the field, as traced by Lundan (2018), has seen US MNE investment in Europe manage political risks to co-evolve a relatively more stable political environment. Recent international business research has increasingly featured emerging markets and their MNEs, and it may be asserted that the international business field is reengaging with weak institutional environments and political risks to co-evolve formal and informal institutions in such dynamic environments (Cuervo-Cazurra et al., 2019). Given that emerging markets, such as Africa are poised to experience the co-evolution of their institutions with the MNEs operating there (Lundan, 2018), future research may with benefit interrogate the co-evolution of Africa's various weak formal and informal institutions as influenced by the political strategies of MNEs.

In conclusion, this thesis set out to understand and explain the role of corporate political strategies on subsidiary performance in uncertain host country environments. Its significance is evidenced by the way it has extended the scholarship on dynamic political capabilities by testing actionable corporate political strategies for influencing subsidiary performance. Novelty is evidenced by its mapping of the corporate political strategy landscape of South African MNEs and its interrogation of the mechanism of political strategies and performance outcomes in a politically risky host-context – more so in a geographically overlooked region. Its relevance lies in providing MNE managers with non-market strategic knowledge on how to operate in uncertain environments.

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Appendices

Appendix 1: List of South African Multinationals

S/N	South African Multinationals	Industry	African Subsidiaries	Total Number of Subsidiaries	Operating Revenue In USD Millions
1	Adaptit Holdngs Ltd	Information and Communication Technology	1	13	97
2	Adcock Ingram Holdingd Ltd	Healthcare and Pharmaceutical	3	29	475
3	Adcorp Holdngs Ltd	Human Resource Management	14	143	1,320
4	Afrocentric Invt Corporation Limited	Healthcare and Pharmaceutical	6	48	306
5	Altron	Information and Communication Technology	14	194	1,505
6	Alviva Holdngs	Information and Communication Technology	7	52	990
7	Astral Food	Food and Beverages	6	12	1,044
8	Attacq Ltd	Property and Estate Management	7	52	167
9	Aveng Ltd	Engineering and Construction	39	209	1,921
10	Barloworld Ltd	Transport and Logistics	10	212	5,564
11	Basil Read Holdings	Engineering and Construction	14	74	371
12	Bell Equipment	Engineering and Construction	7	26	507
13	BSI Steel Ltd	Engineering and Construction	1	17	186
14	Calgro M3 Holdings	Property and Estate Management	1	33	149
15	Capevin Holdings	Food and Beverages	-	1	28
16	Cartrack Holdings	Information and Communication Technology	5	11	113
17	Cashbuild	Engineering and Construction	6	21	743

S/N	South African Multinationals	Industry	African Subsidiaries	Total Number of Subsidiaries	Operating Revenue In USD Millions
18	Clicks Group	Healthcare and Pharmaceutical	6	26	2,411
19	Clover	Food and Beverages	5	21	610
20	Cullinan Holdings	Tourism and Hospitality	4	16	73
21	Datatec	Information and Communication Technology	5	201	5,048
22	Dis-Chem Pharmacies	Healthcare and Pharmaceutical	2	39	-
23	Distell Group	Food and Beverages	12	39	18,055
24	Distribution Warehousing Network	And Engineering and Construction	19	82	295
25	Ellies Holdings	Engineering and Construction	9	36	117
26	Eoh Holdings	Information and Communication Technology	3	278	1,307
27	Equites Property Fund	Property and Estate Management	-	19	50
28	Esor	Engineering and Construction	7	24	82
29	Famous Brands	Fast Moving Consumer Goods	3	66	598
30	Grindrod	Fishing and Maritime	9	184	622
31	Group Five	Engineering and Construction	23	154	876
32	Imperial Holdings	Transport and Logistics	19	431	9,344
33	Italtile	Furniture and Fittings	6	30	471
34	Jasco Electronics Holdings	Engineering and Construction	1	33	85
35	Lewis Group	Furniture and Fittings	6	16	353
36	Life Healthcare Holdings	Group Healthcare and Pharmaceutical	1	196	1,767
37	Massmart Holdings	Retail	2	39	6,823
38	Micromega Holdings	Information and Communication Technology	7	63	112

S/N	South African Multinationals	Industry	African Subsidiaries	Total Number of Subsidiaries	Operating Revenue In USD Millions
39	Mondi Ltd	Paper and Packaging	2	20	764
40	Mr Price Group	Retail	8	20	1,754
41	Mtn Group	Information and Communication Technology	28	122	10,121
42	Murray And Roberts Holdings	Engineering and Construction	3	155	1,669
43	Nampak	Paper and Packaging	29	67	1,824
44	Naspers	Information and Communication Technology	1	341	6,660
45	Net1 Ueps Technologies	Information and Communication Technology	1		
46	Netcare Ltd	Healthcare and Pharmaceutical	-	83	2,916
47	Oceana Group	Fishing and Maritime	10	39	574
48	Omnia Holdings	Engineering and Construction	5	70	1,486
49	Onelogix Group	Transport and Logistics	2	32	184
50	Pick N Pay Stores	Retail	5	47	7,091
51	Pioneer Food Group	Fast Moving Consumer Goods	7	23	1,663
52	PPC Ltd	Engineering And Construction	11	34	865
53	Quantum Foods Holding	Fast Moving Consumer Goods	3	8	359
54	Raubex Group	Engineering and Construction	17	108	730
55	RCL Foods	Fast Moving Consumer Goods	8	36	1,774
56	Reunert	Engineering and Construction	3	71	798
57	Rolfes Holding	Paper and Packaging	2	26	104
58	Sappi	Paper and Packaging	1	120	5,296
59	Shoprite Holdings	Retail	23	43	10,801

S/N	South African Multinationals	Industry	African Subsidiaries	Total Number of Subsidiaries	Operating Revenue In USD Millions
60	Stefanutti Stocks Holdings	Engineering and Construction	6	23	889
61	Sun International	Tourism and Hospitality	2	108	1,149
62	Super Group	Transport and Logistics	7	122	2,590
63	Telkom Sa Soc	Information and Communication Technology	3	33	3,491
64	The Bidvest Group	Transport and Logistics	9	597	5,612
65	The Foschini Group	Retail	7	65	2,509
66	Tiger Brands Limited	Fast Moving Consumer Goods	9	27	2,702
67	Tongaat Hulett	Food and Beverages	9	25	1,490
68	Torre Industries	Engineering and Construction	21	31	109
69	Truworths International	Retail	10	51	1,294
70	Tsogo Sun Holding	Tourism and Hospitality	2	35	1,174
71	Vodacom Group	Information and Communication Technology	24	54	7,278
72	Waco International Holdings	Engineering and Construction	-	-	333
73	Wilson Bayly Holmes-Ovcon	Engineering and Construction	12	83	2,544
74	Woolworths Holdings	Retail	10	88	5,119
75	Workforce Holdings	Human Resource Management	1	46	202

Source: Osiris database; Labour Research Service

Appendix 2: Structured code list for deductive content analysis

Themes	Categories	Codes	Code definition
Access CPAs	Information/Proactive +defensive	Share information with policy makers	The evidence that the MNE shares information with public policy makers
	Financial/Proactive +defensive	Provision of informal monetary encouragement	The evidence that the MNE provides bribes
	Information/Proactive	commissioning research think tanks	The evidence that the MNE commissions research think tank projects
	Financial/Defensive	Hiring individuals with political experience	The evidence that the MNE hires individuals with political experience to work for the company
	Financial/Proactive	Company members serving in a political position	The evidence that the MNE has its staff serving in political positions at the local, country international level
	Financial/Proactive	Paying elected officials to speak at your organisation	The evidence that the MNE pays elected officials or public servants to speak at their organisations
	Financial/Proactive	providing paid travel or other benefits to elected officials	The evidence that the MNE provides paid travel or benefits to elected officials
	Financial/Proactive	Providing financial contributions to political parties	The evidence that the MNE provides financial contributions to political candidates or parties
Relational CPAs	Horizontal_Relation/Proactive +defensive	Create/Join support group unions	The evidence that the MNE creates or joins support group unions including trade unions
	Community_Relation/Proactive +defensive	engage in discussions with community leaders and people	The evidence that the MNE engages in discussions with community leaders and people
	External_Relation/Proactive	Collaborate with NGOs	The evidence that the MNE collaborates with NGOs to influence their immediate environment
	External_Relation/Proactive	Public relations advertising in the media	The evidence that the MNE engages in public relations advertising in the media
	Government_Relation/Proactive	Approach government representatives to support program	The evidence that the MNE approaches representatives of government to support their programs
	External_Relation/Proactive	Form coalitions with other organisations not in a similar horizontal or sectoral trade association	The evidence that the MNE forms coalitions with other organisations like environmental and social groups
	Government_Relation/Proactive	Join business advisory groups to government and regulatory bodies	The evidence that the MNE joins business advisory groups to government and regulatory bodies like standard setting committees

Themes	Categories	Codes	Code definition
Other CPAs	Other Strategies/ Relational proactive	political Other relational political strategies employed by MNE	The evidence that the MNE employs other relational political strategies

Appendix 3: PLS-SEM benefits in the process of theorising

Stage of Empirical research	Process peculiar to theorising	Possible PLS-SEM Support	Application to Thesis
Problem definition and research goal	Generalise findings to other research areas	To test for the predictive relevance of corporate political strategies as it pertains to cross border businesses in weak institutional environments	Corporate political strategies studies have been limited to developed institutional environments. Also most studies have been limited to domestic contexts with no interrogation of how it operates across borders. This thesis therefore extends the corporate political strategies literature to both cross border businesses and weak uncertain environments
	Selecting from different approaches and synthesising	Testing to improve existing models in a bid to uncover relationships that may have been ignored	Research on corporate political strategies has looked at their individual tactics. This study aggregates the different access strategies and relational strategies and seeks to understand how they affect subsidiary performance
	Relating findings to contexts	To include the contextual influences of a moderator	The thesis also interacts both access and relational strategies in response to Schuler et al., (2002) to interrogate the broad conceptualisation of CPS on subsidiary performance The study seats within uncertain contexts where institutional environments to support CPS are weak.
Data Collection and preparation	Data collected with constructs that are less clearly defined	The data are non-normal Data mixes both formative and reflective constructs Structural model is complex and includes both direct and indirect relationships	The thesis aggregates the CPS strategies as block constructs which is new to the literature on CPS. Also the data are gathered from executives of SA MNEs on Likert scales, as such it is non-normal. The thesis tests the direct relationship of CPS strategies to subsidiary performance and the moderating influence of host-country uncertainty on the aforementioned relationship

Source: Adapted from Richter et al., 2009

Appendix 4: Political risk measures for African countries

S/N	Country	Political Risk Measure (%)	PolCon Measure (0-1)
Central Region			
1	Congo Brazzaville	25.4	-
2	Congo Kinshasa	19.4	0.62
3	Gabon	59.6	0.14
Southern Region			
4	Madagascar	46	0.32
5	Malawi	60.8	0.35
6	Mozambique	48.3	0.29
7	Zimbabwe	45.4	0.37
8	Lesotho	65.8	0.76
9	Swaziland	57.1	-
10	Zambia	60.2	0.37
11	Botswana	75.4	0.28
12	Namibia	67.5	0.71
13	South Africa	59	0.42
14	Angola	67.5	0.21
Western Region			
15	Liberia	51.9	0.33
16	Senegal	64.4	0.21
17	Togo	51.9	0.34
18	Cote d'Ivoire	53.5	0.43
19	Nigeria	49.8	0.42
20	Burkina Faso	43.1	0.42
21	Mali	42.1	0.42
22	Mauritania	46	-
23	Benin	73.8	0.48
24	Chad	40	-
25	Guinea	53.3	0.33
26	Niger	57.5	0.51
27	Sierra Leone	52.1	0.37
28	Cameroon	56.7	-
29	Ghana	71.7	0.35
30	Equatorial Guinea	61.9	-
Eastern Region			
31	Ethiopia	47.5	0.51
32	Rwanda	65.8	0.31
33	Somalia	34.8	0.67
34	Tanzania	63.8	0.41
35	Uganda	55.8	0.35
36	Kenya	45.4	0.43
37	Burundi	30.8	0.74
38	Eritrea	57.1	-

Source: BMI/Marsh; Henisz Polcon

Appendix 5: Questionnaire distributed to senior executives of South African MNE subsidiaries in wider Africa

Questionnaire Introduction

Dear Manager

Thank you for agreeing to participate in the academic research study conducted by Theresa Onaji-Benson, a Doctoral student from the Gordon Institute of Business Science, at the University of Pretoria.

The research study seeks to understand and explain the relationship between corporate political activities of emerging market MNEs and their subsidiary performance, taking into consideration the regulatory environment. The questions in the survey are concerned with the subsidiary's use of corporate political activities to influence or adapt to the host business environment, and the subsidiary's performance.

The research aim is to practically contribute to MNE operations by providing a framework of corporate political strategies that influence subsidiary performance within the developing context. It also seeks to understand how MNE political strategies influence their subsidiary performance, within African regulatory uncertain environments. It is rooted in the international business and strategy field and hopes to contribute theoretically by expanding the literature on political strategies to cover African developing countries.

The survey is targeted to senior managers (foreign and local) at the subsidiaries of your company in sub-Saharan Africa, precisely to include the subsidiary manager, the financial manager, the human resource manager, the corporate affairs manager and the public (government) relations manager, or any manager who performs a similar function.

The Survey is broadly divided into five sections:

- **Demographics:** General information about the subsidiary you manage
- **Regulatory environment:** Information about your disposition to the environment you work in and the influence of regulations
- **Access strategies:** Information about the strategies your subsidiary employs to gain access to policy makers in the host environment
- **Relational strategies:** Information about the strategies your subsidiary employs in relating to public policy makers
- **Subsidiary Performance:** Information on the subsidiary performance in comparison to various indices and MNE performance

Please note that:

Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. The results of the study will be used for academic purposes as well as for lay articles, conference proceedings and publications.

The survey should take you no longer than 15 minutes to complete and all responses will be entirely anonymous; data will be aggregated with no mention of, you, the subsidiary or the MNE. Should you be interested, I will happily share the results of the survey with you and a copy of my final research findings.

Any further questions or suggestions can be directed to

Theresa Onaji-Benson (+27-60-750-5883; onajiT@gibs.co.za)

Prof. Adrian Saville (+27-82-772-9933; adrian@cannonassets.co.za)

By clicking on "Next" below, you confirm that you understand the information provided above and give your consent to participate in the study on a voluntary basis.

Demographic Information

MNE Industry

Telecommunications Retail Transport/Logistics Manufacturing Others Please specify.....

Subsidiary Location, Please specify what country in the space provided

Southern Africa East Africa West Africa

Are you based at the company headquarters? Yes No

Age of Subsidiary

0-4 years 5-9 years 10-14 years 15-19 years 20 years and above

Number of employees

0-150 151-300 301-450 451-600 601-750 751 and above

Nationality of Manager (In relation to subsidiary location)

Foreign Local

Access strategies

Using a 5-point scale and based on your experience in the subsidiary, decide on your agreement levels with the following assertions

In order to influence the regulatory processes in the country where the subsidiary is operating, we share relevant information with the public policy decision makers directly

Strongly disagree Disagree Undecided Agree Strongly Agree

In order to facilitate the business operations in the country where the subsidiary is operating, we provide informal monetary encouragement to policy makers

Strongly disagree Disagree Undecided Agree Strongly Agree

Using a 5-point scale and based on your experience indicate how frequently your subsidiary has used the following tactics in this location

Contacting, initiating, and/or providing information to public policy makers by members of the company

Never Once in over 5 years Once in 3-5 years Once in 1-2 year More than once in a year

Commissioning research think tank research projects

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Hiring individuals with public policy making experience to work for the company

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Company members serving in a political position at the local, country or equivalent national Level- African Union

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Paying elected officials or civil servants to speak at your organisations

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Providing paid travel or other benefits to elected officials or civil servants

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Providing financial contributions to political candidates or parties

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Relational Strategies

Using a 5-point scale and based on your experience in the subsidiary decide on your agreement levels with the following assertions

In order to influence the regulatory processes in the country where the subsidiary is operating, we try to create/join support group unions to improve our business environment

Strongly disagree Disagree Undecided Agree Strongly Agree

In order to influence the business environment in the country where the subsidiary is operating, we engage in discussions with our immediate community leaders and people

Strongly disagree Disagree Undecided Agree Strongly Agree

We engage in collaborative efforts with non-governmental organisations to influence our immediate environment in the country where the subsidiary is operating.

Strongly disagree Disagree Undecided Agree Strongly Agree

Using a 5-point scale and based on your experience how frequently has your subsidiary used the following tactics in this country?

Public relations advertising in the media

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Approaching representatives of the host government to support your programs

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Forming coalitions with other organisations not in your horizontal or sectoral trade association (such as environmental groups and social groups)

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Joining business advisory groups to government and regulatory bodies such as standard setting committees

Never Once in over 5 years once in 3-5 years once in 1-2 year More than once in a year

Subsidiary Performance

Using a 5-point scale and based on your experience within the MNE evaluate your subsidiary performance on the following dimensions:

Profitability relative to subsidiaries in MNE group

Significantly worse than sister subsidiaries slightly worse than sister subsidiaries worse than sister subsidiaries
About the same better than sister subsidiaries slightly better than sister subsidiaries significantly better than sister

subsidiaries

Profitability relative to domestic competitors

Significantly worse than industry average slightly worse than industry average worse than industry average About the same
the same better than industry average slightly better than industry average significantly better than industry average

Profitability compared to last year

Significantly worse than previous year slightly worse than previous year worse than previous year About the same
better than previous year slightly better than previous year significantly better than previous year

Development or application of innovative technology

Significantly worse than industry average slightly worse than industry average worse than industry average About the same
the same better than industry average slightly better than industry average significantly better than industry average

Customer satisfaction

Significantly worse than industry average slightly worse than industry average worse than industry average About the same
the same better than industry average slightly better than industry average significantly better than industry average

Employee satisfaction

Significantly worse than industry average slightly worse than industry average worse than industry average About the same
the same better than industry average slightly better than industry average significantly better than industry average

How do you judge this subsidiary's future increase in profitability?

Exceptionally small Very Small Small Neutral High Very High Exceptionally high

How do you judge this subsidiary's future market share expansion?

Exceptionally small Very Small Small Neutral High Very High Exceptionally high

How do you judge this subsidiary's future increase in sales volume?

Exceptionally small Very Small Small Neutral High Very High Exceptionally high

Appendix 6: Informed consent form provided to research participants

Title: The role of Corporate Political Strategies on the Performance of Emerging Market multinationals in Emerging Markets

Research conducted by:

Name: Miss Theresa Onaji-Benson

Student Number: 15398286

Mobile: +27607505883

Email: tidenyi@gmail.com

Dear Respondent,

You are invited to participate in an academic research study conducted by Theresa Onaji-Benson, a Doctoral student from the Gordon Institute of Business Science at the University of Pretoria. The purpose of the study is to determine how corporate political strategies of emerging market MNEs affects their performance in regulatory uncertain environments.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.

Title: The role of Corporate Political Strategies on the Performance of Emerging Market MNEs in Emerging Markets

- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 20 minutes of your time.
- The results of the study will be used for academic purposes as well as for lay articles and conference proceedings; however, identities of individuals will be kept confidential. The results of the study will also be published in an academic journal. We will provide you with a summary of our findings on request.

Please contact my supervisor, if you have any questions or comments regarding the study.

Name: Dr Adrian Saville

Mobile: +27827729933

Email: Adrian@cannonassets.co.za

Please sign the form below to confirm that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Respondent Signature

Date

Appendix 7: Company invitation letter to participate in doctoral academic research-



Date

Company

Good day,

Permission for your organisation to participate in an academic research study- *Thesis Title: Regulatory Uncertainty, Corporate Political Activities and the performance of Emerging market Multinationals*

Your company is invited to participate in an academic research study conducted by Theresa Onaji-Benson (Student Number 15398286, contact number- 0607505883), a doctoral student from the Gordon Institute of Business Science at the University of Pretoria.

The purpose of this quantitative study is to understand and explain how non-market activities employed by a firm to influence its business environment, affects their subsidiary performances in regulatory uncertain environments. Using a survey of managers in subsidiaries of South African multinationals in developing markets, the study seeks to contribute to the knowledge on business in Africa, so as to influence and contribute to the development of business and development in the Continent.

The study focuses on the emerging markets of sub-Saharan Africa and looks to investigate the relationship between the non-market activities employed by subsidiaries of South African multinationals on their performance. It will include surveys at the management level in your various subsidiary operations across sub-Saharan Africa.

The online survey, which can be sent via email should take only 10 – 15 minutes of your time and is targeted to senior managers (foreign and local) at the subsidiaries of your company in sub-Saharan Africa. Precisely to include the subsidiary manager, the financial manager, the human resource manager, the corporate affairs manager and the public (government) relations manager, or any manager who performs a similar function.

The Survey is broadly divided into five sections:

- **Demographics:** General information about the subsidiary you manage
- **Regulatory environment:** Information about your disposition to the environment you work in and the influence of regulations
- **Access strategies:** Information about the strategies your subsidiary employs to gain access to policy makers in the host environment
- **Relational strategies:** Information about the strategies your subsidiary employs in relating to public policy makers
- **Subsidiary Performance:** Information on the subsidiary performance in comparison to various indices and

multinational performance.

Please note the following:

- All components of the study will be treated as strictly confidential. Any results from the study will make no reference to your organisation or any individuals in the organisation.
- All data gathered will be kept secure, and will not be made available for a period of 5 years to any other researcher or researching institution. The data will however be stored for 10 years in line with the requirements of academic research
- Your participation in this study is of extreme importance to us. You may, however, choose not to participate, and may stop the participation of your organisation at any time without any negative consequences
- The study hopes to survey the high level managers of your subsidiaries across sub-Saharan Africa. We will appreciate your consent and all relevant information. Selected managers will be given the option to participate on a voluntary basis.
- The results from the study are solely for academic purposes, and may be published in an academic journal or other lay articles. We are happy to discuss interim findings with you, and provide you with a summary of our findings on request.

Please contact my supervisor, Prof. Adrian Saville; Adrian@cannonassets.co.za), If you have any questions or comments regarding the study.

The study has commenced and the aim is to submit the thesis by May, 2018

Please sign the form to indicate that:

- You have read and understand the information provided above
- You give your consent for your organisation to participate in the study on a voluntary basis

Initials and Surname

Position in the organisation

Signature

Date