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Effective strategies followed by multinational enterprises expanding into Africa

Authors:
Zihné Coetzee[1]
Henri Bezuidenhout[1]
Gabriel Mhonyera[1]

Affiliations:
[1]School of Economic Sciences, Faculty of Economic and Management Sciences, North-West University, Potchefstroom, South Africa

Corresponding author:
Gabriel Mhonyera,
25807765@nwu.ac.za

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Orientation: Retail sector multinational enterprises (MNEs) face challenges and follow diverse strategies when they expand into foreign markets.

Research purpose: The major aim of this article is to determine how three well-established retail sector MNEs, namely, Walmart, Carrefour and Shoprite, addressed the challenges they faced and structured their market entry strategies in the African continent.

Motivation for the study: While the opportunities in Africa are perpetual, breaking into the African market is not so straightforward. It is in this regard that the importance of determining the challenges faced by established retail MNEs in Africa and the valuable lessons that can be drawn by small and upcoming MNEs, from the experiences of these prominent MNEs studied, is exposed.

Research approach/design and method: This article employs a mixed-method approach (i.e. case study and semi-structured interviews) to determine the challenges faced by Walmart, Carrefour and Shoprite when they expanded into Africa, and how they overcame those challenges.

Main findings: The findings reveal that Walmart and Shoprite possess a substantial footprint in sub-Saharan Africa, while Carrefour enjoys a substantial footprint in North Africa and Francophone Countries of west Africa. Furthermore, Walmart follows a risk-averse approach when expanding into the African continent and only expands into new foreign markets based on the market potential and the ability to succeed. Carrefour's main strategy is to achieve international expansion into Africa through the acquisition of international partnerships with local and regional firms. Shoprite, on the other hand, maintains that no written strategy was followed when the retail MNE expanded into Africa. It is also evident that external factors are significant for MNEs seeking to invest in Africa.

Practical/managerial implications: Not all MNEs expanding into Africa have been successful. Accordingly, the practical value of this article rests upon the lessons that small and upcoming MNEs can learn from the experiences of MNEs that are now well established in African markets.

Contribution/value-add: This article contributes to existing foreign direct investment (FDI) literature by identifying challenges that Walmart, Carrefour and Shoprite faced when they expanded into Africa. In addition, lessons that aspiring and small MNEs, specifically in the retail sector, can learn from these three retail MNEs that are now well established in African markets are drawn.

Keywords: Africa; business strategies; exports; foreign direct investment; investment; multinational enterprises; retail sector.

Introduction

Multinational enterprises (MNEs) are amongst the largest economic institutions globally. They are not a new phenomenon and their history is strongly entangled with the history of colonialism (Onimode 1978). The first MNEs are understood to have been established to assume colonial expeditions at the command of their European monarchical benefactors (Jeffrey & Painter 2009). However, MNEs have long had a significant influence on the development of the economies in which they operate (Greer & Singh 2000). Precisely, their impact is on the 'home country' where they originate from, on the 'host countries' where they extend their business operations to and on 'third countries' to which their contribution diffuses (Wilkins 1998).

Multinational enterprises are defined as establishments that participate in foreign direct investment (FDI) and that own or, to a certain degree, control value-added activities in a number of countries (Dunning & Lundan 2008; Mayrhofer & Prange 2015). They bring along a compendium of business attributes, including capital, processes, marketing methods, trademarks, skills, technology and, most significantly, management (Wilkins 1998). In fact, MNEs move tangible and intangible assets across borders, while simultaneously retaining acquaintances with the home locations (Stoyanov, Woodward & Stoyanova 2018).

The global net inflows of FDI from 1970 to 2017 are shown in Figure 1. Global net inflows of FDI increased from US$10.17 billion to US$1949.57bn over this period. However, during the global financial crisis, the net inflows of global FDI declined by 55.9% from US$3110.98bn (in 2007) to US$1373.10bn (in 2009). Following a 79% growth in global FDI net inflows between 2008 and 2016, a 20.7% decline from US$2458.33bn to US$1949.57bn was witnessed in 2017. The deterioration is partially attributed to a 22% decline in the value of net cross-border mergers and acquisitions (United Nations Conference on Trade and Development 2018).

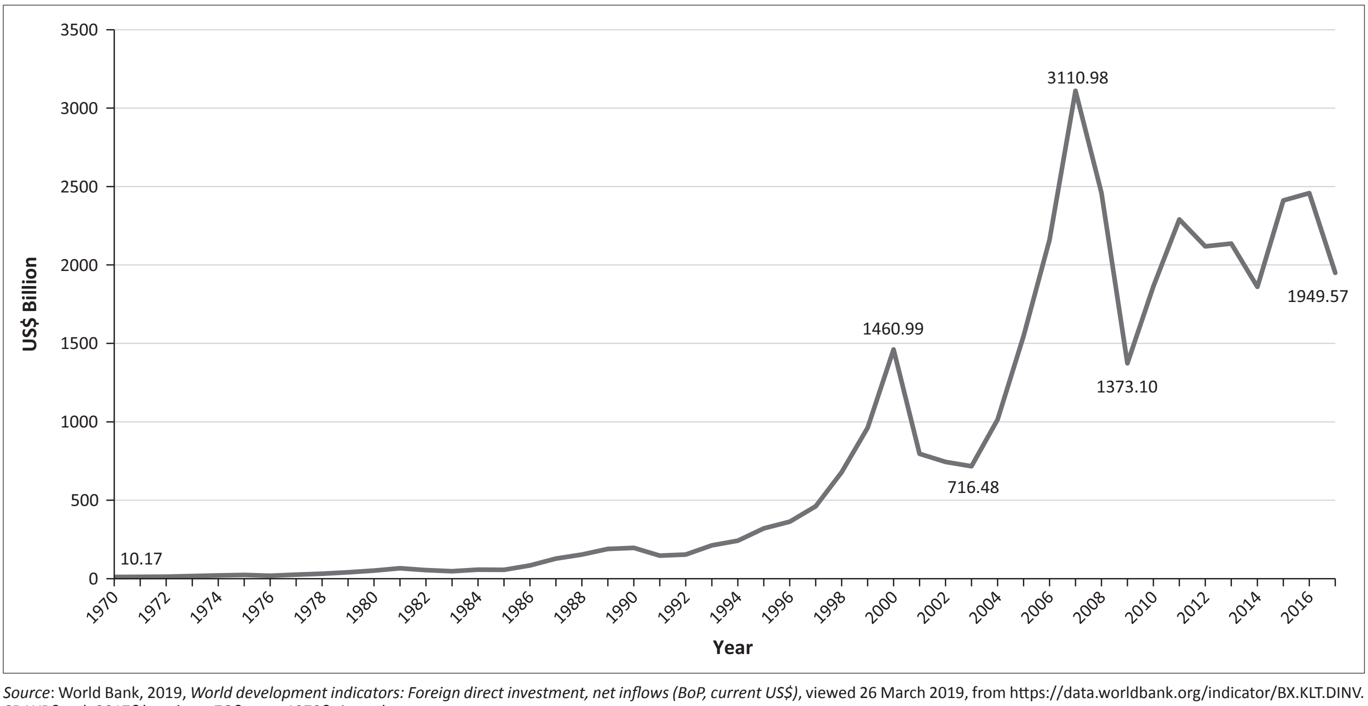
Inward FDI continues to be the prime source of external finance for developing countries. It accounts for approximately 39% of aggregate inward finance in developing countries collectively, but beneath 25% in the least developed countries, with a weakening trend since 2012 (UNCTAD 2018:xii). Nevertheless, Africa is still a highly popular investment destination for MNEs considering doing business with and on the African continent.

Net FDI inflows in Africa depict a trend similar to global net FDI inflows. As shown in Figure 2, net inflows of FDI in Africa increased from US$0.81bn to US$36.86bn over the period 1970–2017. Similar to the global trend, the net inflows of FDI in Africa declined by 23.8%, from US$60.39bn in 2008 to US$46.02bn in 2010, as a consequence of the global financial crisis. Despite the global FDI inflows growing by 35.7% following the global financial crisis, net inflows of FDI in Africa further deteriorated by 9.9% during 2010. Between 2011 and 2015, the net inflows of FDI in Africa increased by 53.5%. However, it declined by 20.9% and 18.4% in 2016 and 2017, respectively.

Nevertheless, the prospects of FDI inflows in the African continent are expected to improve. According to UNCTAD (2018), the improvement will emanate from the current inter- and intra-regional integration negotiations by African countries. Such negotiations include, amongst others, the economic partnership agreements with the European Union, the Tripartite Free Trade Agreement and the Africa Continental Free Trade Area.

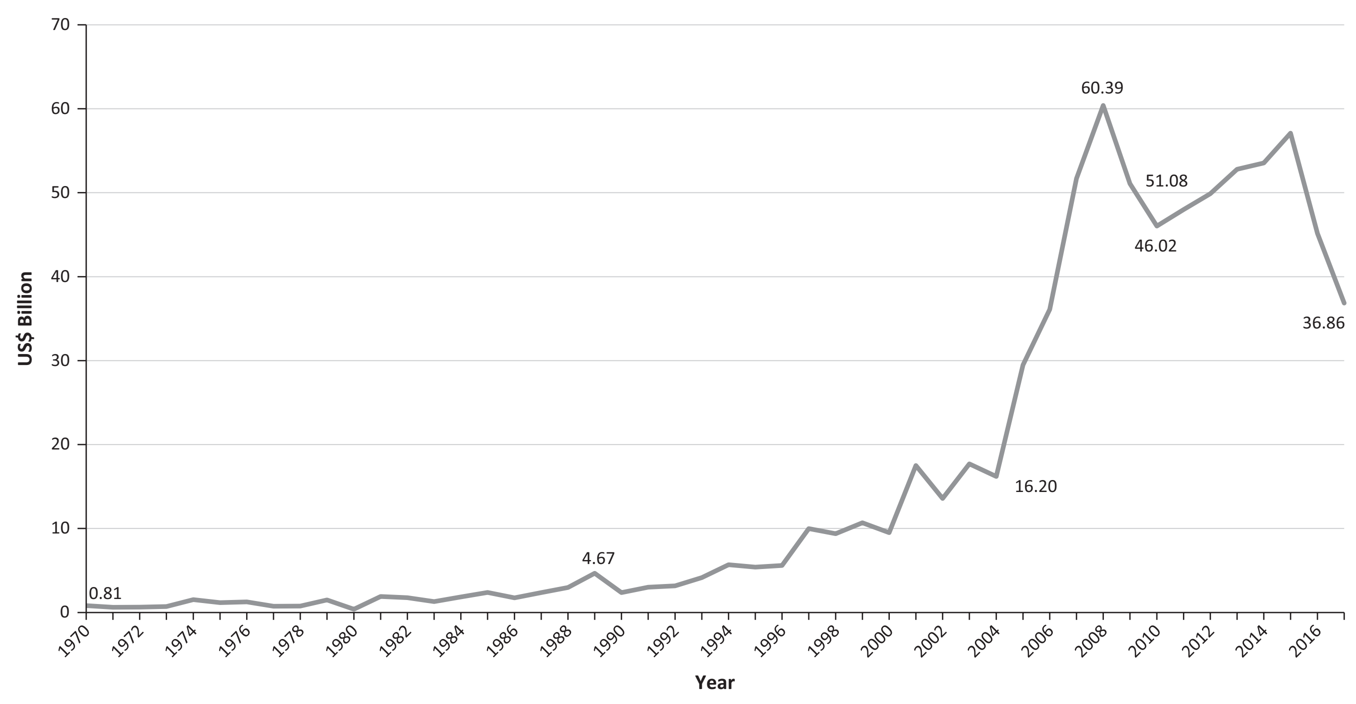
During 2017, MNEs from developed economies remained the largest investors in the African continent, although investors from developing economies, such as China, India and South Africa, are progressively active. While the opportunities in Africa are perpetual, breaking into the African market is, however, not relatively so straightforward. Consequently, not all MNEs expanding into Africa have been successful. This is where this article contributes to the existing literature by drawing lessons that aspiring and small MNEs, specifically in the retail sector, can learn from the experiences of MNEs that are now well established on the African continent.

By utilising a qualitative research technique, we determine how three well-established retail sector MNEs, namely, Walmart, Carrefour and Shoprite, structured their market entry strategies in the African continent. The focus here is on: establishing the



Source: World Bank, 2019, *World development indicators: Foreign direct investment, net inflows (BoP, current US$)*, viewed 26 March 2019, from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2017&locations=ZG&start=1970&view=chart

FIGURE 1: Global net inflows of foreign direct investment from 1970 to 2017.



Source: World Bank, 2019, *World development indicators: Foreign direct investment, net inflows (BoP, current US$)*, viewed 26 March 2019, from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2017&locations=ZG&start=1970&view=chart

FIGURE 2: Net inflows of foreign direct investment in continental Africa from 1970 to 2017.

general challenges that these retail sector MNEs encountered when they expanded into African markets; how they overcame those challenges; the market entry strategies they employed to become successful in the African continent; and the valuable lessons that can be drawn by small and upcoming MNEs, from the experiences of these prominent MNEs, which would like to pursue FDI in the African continent.

The rest of this article is structured as follows: firstly, a brief review of related FDI literature is presented; then, a description of the research method and data used to investigate the research questions and to achieve the objectives of this article is discussed; this is followed by a presentation and analysis of the results obtained in this article; and finally, conclusions and recommendations are made.

Literature review

In recent years, FDI has become a fundamental part of economic growth and development in both developed and developing countries (Razafimahefa & Hamori 2007). In fact, FDI has influenced and continues to influence numerous economic growth and developmental areas, such as employment, capital formation, market structures, technology and skills, political culture and social issues (UNCTAD 1999). According to Te Velde (2006), arguments for and against FDI have always been in existence and are well documented in FDI literature. In this regard, advocates of FDI argue that FDI stimulates productivity and leads to economic growth and development (Carbonell & Werner 2018). In contrast, opponents of FDI argue that it terminates the local competences and does not recompense poor countries when extracting natural resources (Buur et al. 2013).

Nonetheless, FDI benefits both the investing and the recipient countries (Razafimahefa & Hamori 2007; Sadni-Jallab, Gbakou & Sandretto 2008). For instance, the following benefits of FDI, *inter alia*, are identified in FDI literature: firstly, in cases where import tariffs are in place, it is usually unchallenging for MNEs to access foreign markets through FDI rather than international trade (Organisation for Economic Co-operation and Development 2002); secondly, numerous countries additionally provide tax incentives to lure foreign investors because of the supplementary skills, technology and products that they can bring along to the recipient country (UNCTAD 2000); thirdly, FDI can be utilised as a mechanism to circumvent cultural differences. In such instances, it is beneficial to invest in an establishment that will guarantee that the product and service inclinations converge with the requirements of the targeted market (MacDermott & Mornah 2015); fourthly, foreign investors have access to additional resources and capital at their disposal (Asiedu 2013); and fifthly, FDI commonly bolsters the political relations between the investing and the receiving nations (OECD 2002).

Regardless of these benefits of FDI, foreign investments can also be risky as the political environment can instantly deteriorate in some countries because of changes in administrations, as well as both internal and external conflicts (Busse & Hefeker 2007). In such occurrences, foreign investors are confronted with challenges of corruption and wasteful spending on infrastructure, for instance. Moreover, in certain cases, if the government of the recipient country considers an MNE to be a threat to national security, they can easily take control of the firm's assets (Asafo-Adjei 2007). Even though cultural differences can also be seen as a challenge for investors, the disadvantages of distortions from cultural differences in the recipient country are undesirable (Bhattacharyya 2012).

It is already mentioned in this article that MNEs play a vital role in the global economy. These are establishments that participate in FDI and own or, to a certain extent, control value-added activities in a number of countries. Such establishments move tangible and intangible assets across borders, while at the same time retaining linkages with the home locations.

Multinational enterprise theories

Various theoretical perspectives have been suggested to recognise and evaluate the role of MNEs in the global economy (Mayrhofer & Prange 2015). The theories also assist in enhancing the understanding of why business entities invest overseas, why they select specific markets and follow a specific entry approach (Buckley & Casson 1985). For the purpose of this article, these MNE theories are categorised into three groups: the firm advantage-based theories, the host country advantage theories and the firm and host country advantage theories.

Firm advantage-based theories

Firm advantage-based theories pay attention to the theories based on firms acquiring competitive advantages and commencing the process of involvement in the multinationalism course (Denisia 2010). This category consists of four theories: the Uppsala model, the innovation-related internationalisation model, the entrepreneurial approach and the resource-based theory. The main idea suggested by the Uppsala model is that business entities gradually increase their foreign market commitments over time as they experience growth in market knowledge (Johanson & Vahlne 1977). Lack of market knowledge can be an obstacle that hinders business entities from increasing their business activities beyond their domestic economy. In terms of the Uppsala model, the only manner in which a business entity can accumulate market knowledge is, however, through learning by doing (Blomstermo & Deo Sharma 2003).

The innovation-related internationalisation model considers the process of multinationalism as an innovation for the business entity. Accordingly, the process of multinationalism is seen in the same manner as the adoption of new products (Laghzaoui 2013). Shifting the business entity's orientation from focusing on the domestic market only to being a global actor ushers in various challenges for the business entity. For instance, the business entity must make alterations to its marketing channels, administrative structures and capabilities and competencies in order to adapt and cope with the competition and business climate characterising the foreign market (Aspelund 2010).

The entrepreneurial approach identifies the role of leadership as a vital element in the process of multinationalism. This refers to the active role played by top management in formulating and adopting internationally oriented business strategies, networking with global business communities, exploiting and discovering investment opportunities in other countries and managing foreign associates. It is in this regard that Yeung (2002) suggested the term 'transnational entrepreneurs' to describe the group of top managers who can engage in entrepreneurial activities across borders. Such transnational entrepreneurs are embedded in multinational actor networks that accelerate successful cross-border business operations. In other words, these multinational entrepreneurs possess specific credentials required to overcome international investment barriers and to facilitate the convergence of the cultural and social variations in the receiving country.

The resource-based theory proposes that business entities tend to invest in foreign markets only if they control and/or own 'strategic resources'. This control and/or ownership of strategic resources enables business entities to achieve the competency required to strengthen their business efficiency and profitability (Coetzee et al. 2016). As acquiring strategic resources is a prolonged process, multinationalism is perceived to grow sluggishly (Barney 1991). The resource-based theory abandons the conventional assumption of perfect mobility and homogeneity of resources. As an alternative, resources are assumed to be immobile and heterogeneous amongst business entities (Watjatrakul 2005).

Host country advantage theories

Host country advantage theories focus on the benefits existing in the countries hosting the MNE activities (Boddewyn 1985). In contrast to firm advantage theories, which emphasise the role of business entity's core competencies in initiating the process of multinationalism, host country advantage theories identify host country advantages as the prime element in attracting FDI (Andreff & Balcet 2013). With respect to host country advantage theories, many theoretical approaches have been suggested to explain the evolution of MNEs. The most significant theories in this regard are the springboard approach; the linkage, leverage and learning theory; and the network model.

The springboard approach views outward FDI as a springboard to procure strategic assets. According to Luo and Tung (2007), this is achieved through mergers and acquisitions and tactical associations in developed markets, as relating to access to superior technology, trademarks, managerial expertise as well as consumers. Hence, business entities tend to invest in foreign markets, not only to seek complementary assets, but also to improve the profitability of the entity's assets (Bezuidenhout & Kleynhans 2015; Moon & Roehl 2001).

Linkage, leverage and learning are crucial factors in explaining the expansion of MNEs (Mathews 2006). Multinational enterprises view linkage as the principal mechanism utilised to mitigate risks and uncertainty in foreign markets and for acquiring resources that are not available in the domestic market (Luo & Tung 2007). Leverage affirms the ease of access of foreign resources emanating from the establishment of linkages between emerging business entities and their foreign counterparts. Learning is the outcome of repetition of the application of the linkage and leveraging practice (Andreff & Balcet 2013).

In terms of the network model, business entities tend to offset the availability of resources through the establishment of forward and backward linkages with foreign entities that have proficiency in the targeted foreign market (Denisia 2010). In fact, networks assist business entities in obtaining access to resources and/or assets that are essential to expand competitiveness.

Firm and host country advantage theories

Firm and host country advantage theories are considered more comprehensive as they combine both firm and host country advantages (Denisia 2010). Therefore, multinationalism is likely to be motivated by the need to either exploit the business entity's resources (i.e. asset-exploiting FDI) or to gain access to resources not available in the domestic market (i.e. asset-seeking investment) or a combination of both (Coetzee et al. 2016; Makino, Lau & Yeh 2002). This point of view is supported by theoretical frameworks such as the eclectic paradigm model, also known as the ownership, location and internalisation (OLI) model, introduced by Dunning (1976).

According to this model, multinationalism emanates from three prime advantages, namely, OLI (Dunning 1976). Ownership advantages are seen as the key engine for becoming involved in internationalisation activities (De Villiers et al. 2019). Hence, a business entity ought to possess exclusive ownership advantages to be able to compete effectively in the global economy (Makoni 2015). These advantages, also emphasised by Hymer (1976) and Kindleberger (1969), include tangible and intangible assets such as trademarks, patents, as well as information and technology, which would result in production cost reductions for the firm. Location advantages relate to the choice of the market where a firm is going to locate its foreign activities (Narula & Santangelo 2012). Such advantages include, *inter alia*, market size and the availability of cheap production factors. Internalisation advantages capture the different modalities (penetration modes) through which firms may arrange the creation and the exploitation of their core competencies based on the location advantages of different markets (Williams 1997).

Consequently, given the conceptual framework of the eclectic paradigm, the choice of the proper penetration mode depends on the type of advantages the firm possesses (Dunning 2000). In this regard, outward FDI may be preferred if the firm holds all the three advantages (i.e. ownership, location and internalisation). In case of unavailability of location advantages, exporting may be more appropriate. Finally, licences or franchises would be ideal if the firm has neither location nor internalisation advantages. This proves that having ownership advantages is a prerequisite to becoming involved in the multinationalism process, while the availability of either both or one of the two other advantages determines the best entry mode (Pedersen 2003).

Multinational enterprises and market entry strategies

All MNEs have their own unique ways of contributing to globalisation and organising the activities involved in delivering their products or services to their customers. As the MNEs evolve, the environment, customers and the geographies in which they operate also evolve. This presents MNEs with challenges such as adapting to the new information and communication technologies, shorter product life cycles, global markets and even stiffer competition. Therefore, MNEs should have a strong business strategy to be able to keep up with these vast transformations. According to Goldman et al. (2015), companies put strategies in place, not only to benefit financially, but also to achieve long-term survival and growth. When developing the business strategies, the MNEs should consider external forces, Porter's five forces model, blue and red ocean strategies and competitive challenges in Africa.

External forces include, *inter alia*: political, administrative and legal forces; economic forces; social, cultural and demographic forces; and technological forces. Political, administrative and legal forces can be a key challenge as well as an opportunity for both large and small enterprises. According to Porter (1990), governments actually play a significant role in international competition. The legal environment can influence the production process in many ways. For instance, environmental laws and regulations can dictate how companies produce their goods and services (Hamilton & Webster 2009). Economic forces have a direct impact on the potential attractiveness of different business strategies. Economic factors that firms can monitor include the availability of credit, the firm's income level, the inflation rate, the interest rate and the unemployment trends (Burgess & Bothma 2007).

Social, cultural and demographic forces can also have a major impact on business strategies. For instance, the African continent is rich and diverse in culture, which does not only vary from country to country, but also within a country (Shelley 2004). The demographic framework, on the other hand, has a direct impact on labour supply, economic growth rate and the pattern of demand and supply for goods and services. Technological factors have a major impact on different aspects such as the product life cycle, innovation and the distribution channel as well as the swiftness of distribution. Although technology generates numerous opportunities, it can also pose threats to business operation (Hamilton & Webster 2009). Hence, companies should be prepared to adapt to new ways of doing things and harness all the benefits that technology has to offer.

Porter's five forces model is widely used by many firms in various industries to develop strategies. The five forces are designed to determine the long-run probability of any industry and to design a framework for strategies to be accurate, defending against the competitive forces (David 2011). The nature of competitiveness can be seen as a combination of five forces, namely, rivalry amongst competing firms, potential entry of new competitors, potential development of substitute products, bargaining power of suppliers and bargaining power of consumers (Porter 2008). Rivalry amongst competing firms is usually the strongest one amongst the five forces. Hence, the strategy of a firm can only be successful if it has a competitive advantage over the competing firms. When it is easy for a new firm to enter a specific market, it will increase the competition in that industry. It is therefore imperative for the firm to immediately identify and counter the competing firms' business strategy (David 2011).

When formulating the business strategy, blue and red ocean strategies should also be taken into consideration. While the blue ocean strategy focuses on non-customers, the red ocean strategy focuses on existing customers (Chakrabarti 2014). Following the blue ocean strategy entails generating uncontested markets in which new demand is created, competition is made irrelevant and the firm as a whole is aligned in pursuit of differentiation and low cost. In contrast, following the red ocean strategy means focusing on existing customers to exploit existing demands, to compete within the current market and to capitalise on competitive advantages (Chakrabarti 2014).

Business strategies must also be formulated in light of many competitive challenges that are prone to be faced by firms operating in Africa. Such competitive challenges, identified by Games (2012), include lack of adequate infrastructure, low levels of operational efficiency, high tax rates and labour instability, political instability and inconsistent government policies, lack of skilled labour and insignificant private sector that remains small and vulnerable relative to the public sector. In terms of infrastructure, even though digital infrastructure has helped to connect Africa with the rest of the world, infrastructural challenges remain visible (Prakash 2018).

Research method

This article employs a mixed-method approach to determine the challenges faced by three prominent MNEs in the retail industry, namely, Walmart (an American company), Carrefour (a European company) and Shoprite (a South African company) when they expanded into Africa. As discussed in previous sections, the main focus will be on establishing the general challenges that these retail sector MNEs encountered when they expanded into African markets; how they overcame those challenges; the market entry strategies they employed to become successful in the African continent; and the valuable lessons that can be drawn by small and upcoming MNEs, from the experiences of these prominent MNEs, which would like to pursue FDI in the African continent.

The mixed-method approach involved an in-depth case study of each of the three MNEs. The case study approach allowed the authors to ask questions such as 'why?', 'how?', 'where?' and 'when?'. These types of questions assisted in analysing the factors that are significant in answering the main questions of this article. Yin (2009) defines case studies as an approach that enlightens the organisation and individuals on what has worked well, what is being accomplished and the challenges that were faced. It is research that studies real-life modern phenomena. When conducting a case study, there is no reference made to a specific technique (Welman, Kruger & Mitchell 2011). According to Yin (2009), a case study is conducted to comprehend the uniqueness and peculiarity of a specific case. Furthermore, a case study does not always have to be a person. It may also be publications, documents, press releases, emails, letters and so on.

Desk research data in the form of press releases and relevant company publications were utilised to compile preliminary findings. In addition, semi-structured interviews were also conducted with the respective company directors responsible for expansion into the African market. However, in the case of Carrefour, successful communication was made with the senior liaison officer for Africa who declined to be interviewed and referred the authors to company publications instead. The purpose of the interviews was to confirm preliminary findings and to obtain anecdotal information to supplement the findings.

Utilising semi-structured interviews, as the primary data collection method, permitted the authors to specifically focus on certain topics relevant to the analysis of this article. Furthermore, open-ended questions were used to enable the authors to achieve an in-depth comprehension of the complexity of the situation or case (Yin 2011). The questions of the interview were divided into three categories (see Table 1).

TABLE 1: Interview structure.

Classification	Questions
The MNE's effect on global trade	• In which geographical locations (countries) do the MNEs have a presence? Elaborate on the approach that was used and in which year the MNE operations commenced in that location. • In your opinion, how would you describe the MNEs growth revenue over the past 3 years? • How does the MNE rank against the local competitors in each country? • What would you say is the greatest public and legal challenges the MNE had to overcome and what was learnt from these challenges?
Foreign direct investment	• What was the FDI motive behind each of the countries mentioned in the first question of the first classification. Referring to resource-seeking, market-seeking, efficiency-seeking or strategic asset-seeking. • Explain what type of FDI was used for each country mentioned in the first question of the first classification. • When the MNE started investing in Africa, what were the most prominent challenges and how did the MNE manage to overcome them?
Company strategies	• When the company formulated the entry strategy, what were the external factors that posed challenges? Referring to political, economic, social and technological forces. • Based on Porter's five forces matrix, how would you rank the forces from low to high and what is the reason for your answer? • In your opinion, did the MNE follow a red ocean or blue ocean strategy when it entered into the African market? • Could you please elaborate on the strategies the retail-based MNE followed to become successful investors and exporters into Africa?

MNE, multinational enterprises.

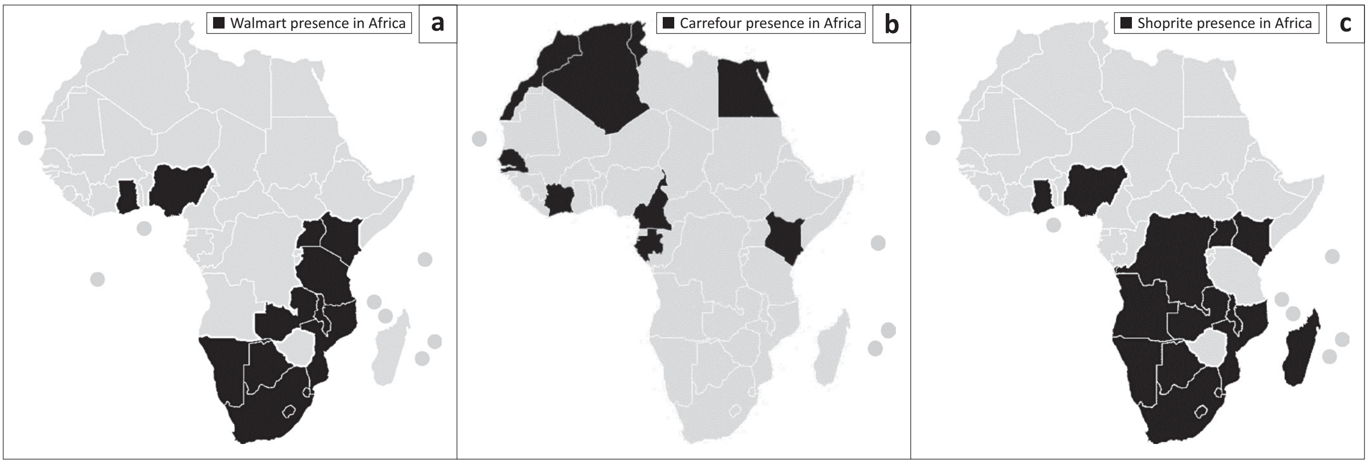


FIGURE 3: Footprint of (a) Walmart, (b) Carrefour and (c) Shoprite in Africa.

The first category focused on determining the respective MNE's effect on global exports. The second category concentrated on determining and establishing a background to the respective MNE's investment footprint in continental Africa. The last category focused on the strategies followed by the respective MNEs when they invested in Africa. The semi-structured interviews were conducted within the framework of the article's ethical clearance approval received from the North-West University (South Africa).

A combination of the desk research data and the semi-structured interviews was used to compile the final findings presented in this article. To organise and prepare the data for analysis, the data obtained from desk research were typed and the audio recordings from the semi-structured interviews were transcribed. After carefully reading through the organised data to obtain a general idea of what the data were indicating, it was organised into categories and a theme (see Figure 4 and 5) was allocated to each category (i.e. coding). The overall findings of this article are presented and analysed in the following section.

Ethical considerations

Ethical clearance to conduct the study was obtained from the North-West University, South Africa (Ethical clearance number: NWU-00305-18-S4) on 08 October 2018.

Results and discussions

Walmart, Carrefour and Shoprite's footprint in Africa

An assessment of Walmart, Carrefour and Shoprite's footprint in Africa reveals that Walmart and Shoprite enjoy a substantial presence in a number of countries in Africa (see Figure 3). With the exception of Nigeria and Ghana, which are located in West Africa, the African countries in which Walmart and Shoprite have a footprint are located in Central, Eastern and Southern Africa. The countries include, *inter alia*, South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Uganda and Zambia. Carrefour, on the other hand, enjoys a presence in North Africa (i.e. in Algeria, Egypt, Morocco and Tunisia) and in predominantly Francophone countries of West Africa, which include Cameroon, Côte d'Ivoire, Gabon and Senegal.

	Political, governmental and legal challenges				
	1 (less significant)	←→			**(very significant) 5**
Walmart	-	-	X	-	-
Carrefour	-	-	X	-	-
Shoprite	X	-	-	-	-
	Economic challenges (interest rates, exchange rates and inflation)				
	1 (less significant)	←→			**(very significant) 5**
Walmart	-	-	-	-	X
Carrefour	-	-	X	-	-
Shoprite	X	-	-	-	-
	Cultural, social and demographical challenges				
	1 (less significant)	←→			**(very significant) 5**
Walmart	-	-	X	-	-
Carrefour	-	X	-	-	-
Shoprite	X	-	-	-	-
	Technological challenges				
	1 (less significant)	←→			**(very significant) 5**
Walmart	-	X	-	-	-
Carrefour	-	X	-	-	-
Shoprite	X	-	-	-	-

FIGURE 4: External factor assessments for Walmart, Carrefour and Shoprite.

A comparison of Shoprite and Walmart that enjoy a significant presence in sub-Saharan Africa further reveals that Shoprite is more dominant relative to Walmart (see Figure 3). In this regard, Shoprite has FDI in three countries (i.e. Angola, Democratic Republic of Congo and Madagascar), where Walmart has no presence, contrary to one country (i.e. Tanzania) where Walmart has FDI while Shoprite has no presence.

Challenges faced by the retail multinational enterprises when they expanded into Africa

External factors can cause MNEs to not succeed in some countries. Figure 4 shows the external factor assessments for Walmart, Carrefour and Shoprite.

The reason why Walmart is so successful and has never withdrawn from the markets it operates in is because the retail MNE undertakes risk assessments on all external factors prior to investing in the markets (see Figure 4). When conducting business in the African continent, it is of paramount importance to always take into account political, governmental and legal challenges (Bezuidenhout & Kleynhans 2015). Shoprite considers these challenges as less significant, as the retail MNE prides itself in not becoming involved in political affairs of the host country. Walmart and Carrefour, on the other hand, consider political, governmental and legal challenges in African markets as moderately significant.

In terms of economic factors, which include interest rates, exchange rates and inflation, Shoprite views inflation as good for retailers and considers economic challenges less significant in African markets. In contrast, Walmart sees inflation as a very challenging factor as it invests in US dollars, and therefore, considers economic challenges as very significant in African markets, since depreciation of the host country's currency has a negative impact on the retail MNE. Carrefour considers economic challenges in African markets as moderately significant.

The African continent possesses rich and diverse cultures, which vary not only from one country to another, but also within each country. As a result, cultural, social and demographic factors can prove to be detrimental if not cautiously approached. Shoprite considers these factors as less significant, as the retail MNE maintains that it is culturally sensitive and ensures that its entry strategy corresponds with the MNE's cultural sensitivity principle. For Walmart and Carrefour, the challenges of cultural variations differ from one country to another.

A common misperception that some MNEs make is the assumption that the majority of African countries are technologically weak. In addition to South Africa, many other African countries that are also technologically advanced exist. Such countries include Egypt, Nigeria, Kenya, Ghana and Rwanda, amongst others. Shoprite regards technological challenges in African markets as less significant, while Walmart and Carrefour view such challenges as less to moderately significant in African markets.

Porter's (1990, 1998) five forces model was also applied in this article to identify and analyse five competitive forces that shape the African retail markets. Furthermore, the model assists in determining the threats and strengths of each of the retail MNEs under analysis. The first force identified is the rivalry amongst competing firms. As shown in Figure 5, Walmart considers the significance of this force as high and acknowledges that rivalry amongst competing retail outlets is constantly growing and differs from country to country. For instance, Walmart faces stiffer competition in certain countries relative to others. Hence, this is one of the most significant factors that determines whether or not Walmart should enter a foreign market.

The second force is the bargaining power of suppliers. The significance of this force in African markets is medium for Walmart and Shoprite. The reason for this is that the significance of this force depends on the type of product as well as the country it is sold in. For instance, if host country governments impose import restrictions on a specific product at a certain time, the retail MNEs have to utilise domestic suppliers and this gives the suppliers a great deal of bargaining power. However, in countries that embrace free trade, the bargaining power of the host country domestic suppliers is low. Carrefour considers the bargaining power of its suppliers as low because the retail MNE can easily find diverse suppliers of its different product varieties.

The third force identified is the threat of substitute products. Walmart and Shoprite consider the significance of this force to be high. It is important to comprehend that, as a result of financial constraints, the majority of consumers in African markets will most likely opt for the cheaper product. The threat for Shoprite is that when host country governments restrict imports of certain products and the retail MNE is unable to satisfy its consumers, the situation will coerce the consumers to procure substitute products from host country's

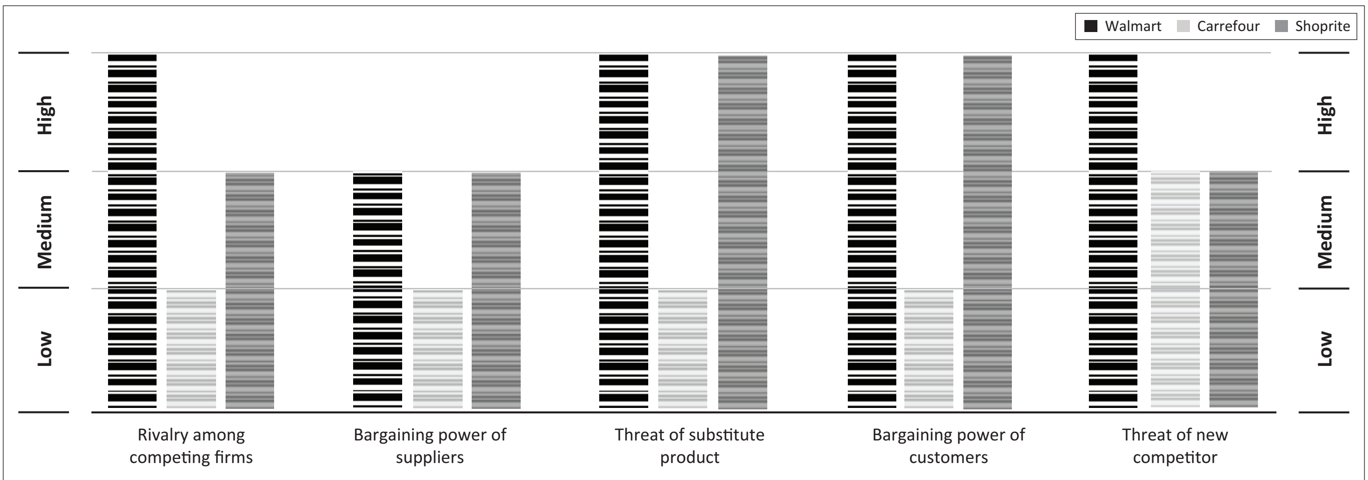


FIGURE 5: Porter's five forces model results.

domestic competitors. In the case of Carrefour, the fact that it operates in many different retail divisions, as the retail MNE acquires local stores through partnerships, is advantageous because loyalty from local communities will not be threatened.

The fourth force is the bargaining power of the customers. Similar to the threat of substitute products, Walmart and Shoprite consider the significance of bargaining power of customers as high. It is important to accept the fact that no customer is obligated to purchase from Walmart, Carrefour or Shoprite as they have multiple alternatives. Carrefour considers the significance of bargaining power of customers to be low. Its strategy is to maximise its profit by managing shelf space and by always keeping prices low. Africans are considered to make their buying decisions rationally and have knowledge of how much they are willing to pay. Furthermore, most African consumers do not mind the place of origin of the products. Instead, they purchase the best quality products at the lowest price. Walmart considers the significance of this force to be high.

The last force is the threat of new competitors. Walmart considers the significance of this force to be high. In contrast, Carrefour and Shoprite consider the significance of the threat of new competitors as medium. However, Shoprite raised moderate concerns over Carrefour's plans to expand into West Africa. Nevertheless, Shoprite considers itself well established in the West African markets where the retail MNE currently has retail operations.

How the retail multinational enterprises overcame the above challenges

While external factors can be a noticeable threat when doing business in the African continent, Walmart takes time and effort to establish noble relationships between the retail MNE and the respective governments. With strong relationships, the governments tend to be open for dialogue and challenges can be resolved. To overcome the challenge of rivalry within the market, Walmart offers a relatively unique range of products at a fair price. For instance, in the Botswana market, its Game Stores are viewed as one of a kind. However, in most markets, the products offered by Walmart are equivalent to those offered by the domestic retailers. Hence, consumers make their buying preferences based on the quality and the price of the products.

To weaken the bargaining power of suppliers, Walmart has a vast supplier base. In fact, most of the products sold by the retail MNE are imported into the different African countries. In terms of technological challenges, Walmart considers South Africa as technologically advanced in comparison to its African counterparts. Therefore, the retail MNE take the technology from South Africa along with when moving into new African markets.

To overcome the challenges faced in Africa, Carrefour expanded into the continent through partnership deals where strong local business relationships have already been established. To counter competition, Carrefour ensures that its partners provide a wide range of product offerings to consumers in that geographical location, focusing on the quality of the products, hygiene and competitive prices. Similar to Walmart, Carrefour easily locates different suppliers for each product range in order to weaken the bargaining power of suppliers. The retail MNE also operates in many different store types. This makes it difficult for competitors to compete on Carrefour's level and supply their substitute products.

In the African market, Shoprite has made its supermarkets easily accessible and affordable. The retail MNE also understands the significance of logistics and distribution channels, which is partially the main reason for its success in Africa. In fact, the key aspects of Shoprite's business model that drives long-term success include delivering the lowest prices, the advanced supply chain, the fully owned fleet, optimised retail storage, availability and information technology used, as well as the efficiently centralised distribution centres. With a low-cost strategy, Shoprite can defend itself from both competitor and buyer bargaining powers. By selling its own brand in stores at competitive prices and by continuously investing in and recognising the supply chain, Shoprite can reduce its cost. In addition, Shoprite also tracks its competitors by conducting bi-annual surveys and testing the overall consumer perception of new merchandise through focus groups.

The market entry strategies applied by the retail multinational enterprises when they expanded into Africa

The greatest FDI motive for Walmart is market seeking. Hence, Walmart carefully selects specific markets based on the size of the market, the probability of achieving success and the threat of competition. In fact, Walmart officials internally decide to pursue a market big enough to establish a: Game Store; or Builders Warehouse, Express, Superstore, or Trade Depot. The favourability of the market is then verified by analysing external factors such as the economic and regulatory forces. Walmart will only enter the market if all the factors are favourable. By carefully considering each market that it enters, Walmart has managed to achieve success in all the African countries it has entered thus far.

In cases where rivalry amongst competing firms in the market is constantly growing, Walmart's strategy is rather to exploit growth opportunities through penetrating markets that the MNE already have a presence in as opposed to markets in which there might be a probability for failure. For instance, Walmart decided not to enter the Ivory Coast market because of considerably strong competition and high barriers as well as entry risks.

Carrefour, on the other hand, expands into the African continent through the acquisition of international partnerships with local and regional firms. For example, Carrefour operates its single Algerian store in partnership with Ulysse Trading and Industrial Companies, the Tunisian retail conglomerate. Partnership enables the retail MNE to gain knowledge and skills through minimal investment.

Shoprite maintains that no written strategy was followed when the retail MNE expanded into Africa. However, the retail MNE regards itself as very careful when entering a different market. Hence, it launches campaigns throughout the year for adequate marketing and focuses on ensuring that its brand is not viewed as a South African brand, but as a brand from that particular host country. By following this strategy, Shoprite eliminates the social, cultural and demographical challenges faced when expanding into Africa.

While Walmart and Shoprite appear to employ a combination of blue and red ocean strategies, Carrefour seems to employ only the red ocean strategy, as the MNE acquires partnership deals where robust local business relationships have already been established.

Valuable lessons that can be learnt by small and upcoming multinational enterprises

The experiences of Walmart, Carrefour and Shoprite provide valuable lessons to small and upcoming MNEs contemplating to expand into the African continent.

Firstly, an appropriate entry strategy should be carefully considered before attempting to expand into African markets. Shoprite, for example, made a costly strategic mistake in the Egyptian market. The MNE's tactic was centred on following local concepts. In other words, Shoprite tried to do what the Egyptians do. However, the African retail giant did not take into account the fact that the Egyptians are loyal to their own people and would rather buy from another Egyptian.

Secondly, it is important to invest in own infrastructure when entering some of the African markets. For instance, Shoprite had to supply its own water in some countries through investing in boreholes and purification plants. Furthermore, it was necessary for Shoprite to invest in its own electricity generators in certain countries.

Thirdly, it is beneficial to hold no political agenda or to get involved in host country's domestic political affairs, when expanding into Africa. Although this is challenging in practice, it is noble from a moral standpoint. For instance, Shoprite has successfully entered African markets without being involved in host country's domestic politics or holding any political agenda.

Fourthly, enterprises contemplating to expand into Africa should also consider that each of the 55 countries in the African continent represents an exclusive market with distinct challenges and complexities for doing business. The various African economies, laws and regulations, cultures, and languages have to be assessed thoroughly as part of the expansion plan. However, some enterprises make the mistake of considering Africa as one country instead of a continent.

Lastly, when ready to start operations in a specific African country, an enterprise needs to ensure that it adheres to the regulatory requirements of the specific country. In this regard, it is extremely essential to pay attention to and fully comprehend all the applicable regulations. Making mistakes at this stage may lead to heft fines or potentially disturbing legal action in future. In some cases, this might lead to withdrawal of business operations from that particular market.

Conclusions and recommendations

This article employs a mixed-method approach to determine the challenges faced by three prominent MNEs in the retail industry, namely, Walmart, Carrefour and Shoprite, when they expanded into Africa. The study results reveal that Walmart and Shoprite enjoy a substantial presence in a number of African countries. With the exception of Nigeria and Ghana, which are located in West Africa, the African countries in which Walmart and Shoprite have a footprint are located in Central, Eastern and Southern Africa. Carrefour, on the other hand, enjoys a significant presence in North Africa and in predominantly Francophone countries of West Africa. A comparison of Shoprite and Walmart which enjoy a significant presence in sub-Saharan Africa further reveals that Shoprite is more dominant relative to Walmart.

It is acknowledged in this article that external factors can cause MNEs to fail in some markets. An assessment of such external factors revealed that Shoprite considers all the external factors under assessment (i.e. political, economic, cultural and technological factors) as less significant. In contrast, Walmart and Carrefour do consider the significance of political, governmental and legal challenges as medium. While Carrefour considers the significance of economic challenges as medium, Walmart views these factors as very significant. The significance of cultural, social and demographic challenges is considered less to medium by Carrefour. Similar to Carrefour, Walmart considers the significance of technological challenges to be less to medium, but considers the significance of cultural, social and demographic challenges as medium.

The application of Porter's five forces model to identify and analyse five competitive forces that shape the African retail markets, and to assist in determining the threats and strengths of each of the retail MNEs under analysis, revealed that, with the exception of bargaining power of suppliers, Walmart considers the significance of all the other forces as high. Shoprite, on the other hand, considers the significance of the threat of substitutes as high, while it considers the significance of the other forces as medium. Carrefour only considers the significance of the threat of new competitors as medium, while it considers the significance of the other forces as low.

Although Shoprite has a track record of successfully expanding into Africa, it also made costly mistakes, for example, in Egypt and Tanzania, where the retail MNE had to withdraw its operations. Shoprite partially overcame the challenges it faced in Africa by establishing great business relationships with the host country governments, making its supermarkets easily accessible and affordable, selling its own brand in stores at competitive prices, continuously investing in improving the efficiency of its supply chain, tracking its competitors through conducting bi-annual surveys and testing the overall consumer perception of its new merchandise through focus groups.

Similar to Shoprite, Walmart established honourable relationships with the respective host country governments. It also offered a relatively unique range of products at a fair price and took the technology from South Africa along with when they moved into new African markets. Carrefour, on the other hand, acquired international partnerships with local and regional firms that had already established strong domestic relationships.

Walmart's strategy when entering into Africa is to follow a very risk-averse approach. The retail MNE strictly analyses its probability of success and the potential risks. If the challenges or risks outweigh the probability of success, Walmart will not invest in that market. This permits it to avoid committing costly errors that will force it to withdraw operations from a specific market. In the case of Carrefour, its success strategy is to achieve international expansion into Africa through the acquisition of international partnerships with local and regional firms in the African continent. Shoprite maintains that no written strategy was followed when the retail MNE expanded into Africa.

Small and upcoming MNEs considering to expand into the African continent can learn the following valuable lessons from the experiences of Walmart, Carrefour and Shoprite: the importance of an appropriate entry strategy, investing in own infrastructure, holding no political agenda or getting involved in the host country's domestic political affairs, considering the uniqueness of each of the 55 African countries separately and adhering to the legal and regulatory requirements of the specific host country.

A significant limitation encountered in this article is the limited communication with the French retail MNE, Carrefour. The MNE does not have a hands-on strategy regarding business in Africa. Hence, the analysis on Carrefour relied heavily on the MNE's retail business partners in Africa. Furthermore, despite successful communication with Carrefour's senior liaison officer for Africa, attempts to obtain an interview were unfruitful and the authors were referred to company publications as an alternative.

A more in-depth research on the three retail MNEs considered in this article is recommended for future research initiatives. For instance, a detailed analysis of Porter's five forces model will assist in comprehending the structure of the African markets. In addition, future research can also be channelled towards a progressive investigation of the challenges posed by each of the external factors assessed in this article and how the challenges can possibly be addressed. This spans over political, governmental and legal issues such as import restrictions.

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