Chapter 3

Latecomer Challenge: African Multinationals from the Periphery

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Additional information is available at the end of the chapter

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Abstract

Multinational corporations have commenced foreign direct investment (FDI) activities since the 1960s by moving operations to resource-rich, low-cost labour and capital markets. Successive waves of outward foreign direct investment (OFDI) since the 1960s and 1970s were motivated by efficiency and market-seeking factors. Since the 1990s, China, Brazil, India, Russia (the so-called BRIC countries), Malaysia, Turkey and South Africa are among the countries expected to add significantly to OFDI growth. The emergence of Emerging Market Transnational Corporations (EMTNCs) makes up a growing proportion of outward FDI, and they acquire an increasing share in foreign affiliates from developed markets conducting business in their regions. This chapter reflects on the transformation of businesses and business practice in Africa, from isolated peripheral actors to global players. This chapter investigates the history of leading emerging market multinational corporations from Africa since the 1980s and points to the implications for future globalisation of EMTNCs.

Keywords: outward foreign direct investment (OFDI), emerging market transnational corporations (EMTNC), globalisation, strategy, market-seeking, state, change management

1. Introduction

Global FDI has been characterised recently by the rising proportion of OFDI from developing countries. By the first decade of the twenty-first century, the United Nations Conference on Trade and Development (UNCTAD) acknowledged the importance of the internationalisation of enterprises as essential to strengthen the competitiveness of firms from developing countries ([1], p. 3). The OFDI growth trend from developing economies continued, growing by 8% since 2012, culminating in 32.2% of total global OFDI by 2013 ([2]: xiv; 6; 39). African OFDI of US$ 12 billion or 0.9% of global OFDI lagged dismally behind the contribution by developing countries in Asia, Latin America and other transitional economies. Transnational activities commenced in the 1960s as multinational enterprises moved operations to resource-rich, low-cost labour and capital-rich markets [3–7]. The first wave of OFDI during the 1960s and 1970s was motivated by efficiency and market-seeking factors. This wave was dominated by firms from Asia and Latin America. A second wave of OFDI followed in the 1980s, led by strategic asset-seeking enterprises from Hong Kong, Taiwan, Singapore and South Korea (Dunning et al., 1996; [8]: 3s). Since the 1990s, China, Brazil, India, Russia (the so-called BRIC countries), Malaysia, Turkey and South Africa were among the countries that made significant contributions to OFDI growth ([1]: 4). The growing involvement in international investments by more and more African companies follows from slightly more open markets in Africa, a more positive inclination towards private business by African Governments, as well as the sustained economic growth of the continent. This chapter investigates the latecomer challenge presented by African TNCs, their globalisation strategies and the direction of globalisation.

2. Africa rising to global markets

Since the launch of the New Partnership for African Development (NEPAD) in the early 1990s [9, 10] and the acceptance of the Lagos Plan for regional economic integration in Africa, the actual economic integration of regional economies was less than impressive. OFDI by African economies was delayed as governments struggled to transform their economies. The strongest drive towards globalisation came from South African businesses that sought to enter the world markets after many years of sanctions and isolation which ended in 1990 as the country prepared for its first democratic election in 1994. As illustrated in **Table 1**, OFDI from Africa commenced from low levels of US$659 million OFDI in 1990 compared to Asia OFDI which already stood at US$11,024.3 million in 1990. African OFDI showed stronger growth off the low base than the rest of the world: world OFDI grew by 8.36%, Africa by 14.2% and Asia by 16.6% between 1990 and 2013 ([2], Web Annex Table 2).

The strongest growth in African OFDI occurred in East Africa, with 118% growth (coming off a very low base as is reflected in **Table 1**). Central Africa posted 112% growth and Southern Africa 25.1% annual compound growth between 1990 and 2013 (with South Africa leading the growth rate by 27.3%), while West Africa grew only by 7.8% and North Africa by 11.4%. The GFC affected OFDI trends from Africa adversely, but with the exception of North Africa, which grappled with the aftermath of the 'Arab Spring', all the regions in Africa surpassed pre-2007 levels of OFDI by 2013. These developments were supported by the sustained growth of Africa's economy at a rate of 7.1% between 2004 and 2008 and 5.3% between 2008 and 2014 ([2], p. 63; [86]).

An analysis of the composition of African OFDI since 1990 shows a doubling of outward stock as a percentage of gross domestic product. OFDI stock in Africa rose from 4.8% of GDP in 1990 to 8.6% in 2013, but in North Africa, the ratio only rose beyond 2% during the late 2000s to reach 4.4% in 2013 [86].

	1990	**1995**	**2000**	**2005**	**2007**	**2008**	**2010**	**2011**	**2012**	**2013**
Africa	659.0	2975.7	1533.9	1925.3	9115.5	4974	6659.4	6772.9	11,999.7	12,418.1
North Africa	135.2	132.5	222.9	288.6	5415.4	8751.9	4846.6	1575.3	3273.4	1481.3
West Africa	411.5	189.2	964.9	418.1	1275	1708.7	1292.3	2730.8	3155.2	2184.9
East Africa	3.7	38.6	20.4	90.6	110.8	108.9	140.5	174.2	204.7	147.8
Central Africa	51.2	34.9	33.5	173.6	81.4	148.6	590.4	365.9	222.1	634.1
Southern Africa	57.4	2580.5	292.2	954.3	2232.8	5771.0	−210.4	1926.8	5144.3	7970.1
South Africa	27.4	2497.7	270.6	930.3	2965.9	3133.7	75.7	−256.8	2987.6	5619.9

Source: UNCTAD WIR [11], p. 214; [2], Web Annex Table 2.

Table 1. OFDI, Africa by region and South Africa, 1990–2013 ($m).

	1990	1995	2000	2005	2010	2013
Africa	4.8	6.7	7.2	4.7	8.2	8.6
N Africa	1.1	0.9	1.3	1.4	4.4	4.4
W Africa	3.4	7.9	8.2	2.0	3.1	3.7
Nigeria	3.5	9.7	8.9	0.3	2.2	3.0
C Africa	1.7	2.5	2.8	1.5	2.0	2.7
E Africa	1.0	1.6	1.8	1.8	2.1	2.3
Kenya	0.9	1.0	0.9	0.7	0.9	0.7
Sd Africa	10.8	13.5	16.7	10.3	17.9	19.8
South Africa	13.4	15.4	20.6	12.6	22.9	27.3

Source: WIR [2], Web Table 8; [94–96].

Table 2. OFDI stock as percentage of gross domestic product, 1990–2013 (%).

In North Africa, Nigeria was most active in OFDI stock acquisition, while in East Africa, Kenya was the leading nation, although Mauritius (13.1% in 2013) and the Seychelles (19.4% in 2013) transacted higher ratios than the rest of the regional economies. In Southern Africa, the OFDI by South African companies was the highest in African OFDI stock acquisition, illustrating the dominance of South African business in OFDI on the continent. The important aspect of the stock acquisitions is the cross-border merger and acquisitions which point towards the business acquisitions outside the home country (**Tables 2** and **3**).

South African businesses have dominated the cross-border M&As throughout the period [84, 85]. North African M&As were higher than South African M&As only in 2008. No M&A activity was recorded of significance in Southern Africa, except for Mauritius, where business sustained M&A activity throughout the period. Moroccan companies became more involved

	2007	2008	2009	2010	2011	2012	2013
Africa	10,356	8266	2577	3792	4393	629	3019
N Africa	1401	4729	1004	1471	17	85	459
Egypt	1448	4678	76	1092	—	16	—
Morocco	—	—	324	—	17	101	147
Other Africa	8955	3537	1573	2322	4376	543	2560
Mauritius	253	136	16	433	173	418	65
Nigeria	196	418	25	—	1	40	241
South Africa	8646	2873	1504	1619	4291	825	2246

Source: WIR [2], Annex Table 3, pp. 213–214; [94–96].

Table 3. Value of cross-border M&As, by region of purchaser, 2007–2013 (US$m).

in M&A since 2009. In West Africa, Nigerian companies were active in expanding their operations, but Ghanaian companies did not engage in such M&A of any significance. Egyptian companies were relatively active between 2007 and 2010, but the only sustained activity was that of South African companies. The level of cross-border M&As of African businesses was nevertheless significantly lower than that of companies in Asia and Southeast Asia. The M&A activity in that region increased from US$98,606 m in 2007 to US$10,7915 m by 2013, which surpasses the African achievement significantly ([2], p. 214).

The domination of South African conglomerates is further substantiated by the ranking of South African, and African, companies on the list of the world's top 100 nonfinancial TNCs, ranked by foreign assets in 2013. Only two African corporations are listed on the 2012 ranking list—they are Anglo American Corporation PLC (ranked 43rd in terms of foreign assets, with a TNI of 2), which currently holds a primary listing on the London Stock Exchange and is no longer assigned to South Africa as its home economy, and the other company is SABMiller PLC (ranked 55th in terms of foreign assets, with a TNI of 7), which has the same domicile (the United Kingdom) after acquiring its primary listing in London, although the company originated in South Africa. There are no African companies ranked under the world's top 100 nonfinancial TNCs ([2], web Table 28). Both AAC and SABMiller maintained their ranking among the world's top 100 corporations since 2008 [12, 13] but with substantially reduced TNIs. African companies are better represented on the list of the top 100 nonfinancial TNCs from developing and transitional economies, ranked also by foreign assets, in 2012. There are eight South African companies, one from Egypt and one from Algeria (**Table 4**).

Ranked by foreign assets	Ranked by TNI*	Corporation	Home economy	Industry
31	31	MTN Group Ltd	South Africa	Telecommunications
43	27	Steinhoff International Holdings	South Africa	Other consumer (furniture and home ware)
49	25	Gold Fields Ltd	South Africa	Metal and mining products
51	72	Sonatrach	Algeria	Petroleum
53	74	SASOL Limited	South Africa	Chemicals
63	35	Naspers Limited	South Africa	Other consumer services (Media)
67	34	Orascom Construction Industries SAE	Egypt	Construction
83	41	Med-Clinic Corp Ltd	South Africa	Other consumer goods (health care)
97	60	Netcare Ltd	South Africa	Other consumer goods (health care)
98	33	Sappi Ltd	South Africa	Wood and paper products

Source: WIR [2], Web Table 29.*TNI = Transnational Index, which is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

Table 4. African top 100 non-financial TNCs, ranked by foreign assets, 2012.

The world ranking of some of these South African corporations is changing consistently. In 2008, Sasol was the highest ranked South African conglomerate on the top 100 ranked list of nonfinancial corporations—at the 22nd position, with a TNI of 31.6% ([12], p. 231). In 2012, the company failed to make the ranking of the top 100 nonfinancial corporations in the world but increased its TNI significantly to 74%. New corporations entered the top 100 non-banking companies in developing countries since 5 years ago, and this list keeps changing. When the largest companies in Africa in 2014 are compared to the top 100 rankings of UNCTAD, South African companies made up 71% of the top 50 companies. Based on market capitalisation in 2014, the largest African company is BHP Billiton, a mining and metals company, followed by SAB Miller, then Sasol, Naspers (the media conglomerate) and MTN. The African Business Magazine listed under the top 10 African companies by market capitalisation, 9 South African and 1 Nigerian companies in 2014 [102]. The top non-South African conglomerate is the Dangote cement group of Nigeria, with a market capitalisation of US$22.7 billion (www.africabusinessmagazine.com/sector-reports/africa-top-250-companies) [100]. These are the private conglomerates, but the largest companies on the continent are still SOEs. The African Business Review ranked Sonatrach, an Algerian petroleum company, as the largest with a turnover of US$58.7 billion, followed by Sonangol, an Angolan petroleum SOE with US$22.2 billion turnover. The third largest company in Africa by turnover is Sasol, with a turnover of US$18.3 billion, followed by the MTN Group at US$17.2 billion [14, 15] (www.theafricareport.com/top-500-companies-in-africa-2013; www.africanbusinessreview.co.za). About 26% of the top 50 conglomerates in Africa conduct their business in finance and insurance; 22% in consumer goods and retailing; 14% in mining; 12% in media and telecoms; 1% each in diversified enterprises, health care and construction, respectively; and 3% in manufacturing. When considering the ‘globalisation’ of African business, OFDI does not only refer to OFDI outside the African continent, but also OFDI outside the African home market into neighbouring countries or into more distant regions in Africa: the African continent is home to 56 countries and comprises a land mass of 30,221,532 km^2.

3. How do we explain business internationalisation? Theory and experience

The interest in the expansion of EMTNCs commenced more than 25 years ago when it became apparent that firms from emerging markets were gradually penetrating global markets. Matthews noted that the accelerated internationalisation of latecomer firms from the periphery, as well as the innovative strategies through learning and resource acquisition [16], added a dynamic nature to the EMNCs’ participation in global markets. The interest became more systematic as the trend in OFDI reversed the dominant position of the developed markets’ MNCs to OFDI from developing markets. Internationalisation theory developed from the initial economic model [17] with the emphasis on economic cost considerations of doing business abroad, such as transaction costs and uncertainty in markets [18, 19, 84], to the eclectic paradigm of the successive Dunning models depicting components or phases of internationalisation [81, 27–29], to the process model of the Uppsala school [18, 20–22, 98]. The ‘economic man’ was gradually replaced by the ‘behavioural man’ in the process model by explaining internationalisation based on organisational theory [18, 69]. Dunning's OLI model of firm expansion through ownership (O) advantages (firm-specific resources) and location (L) (host country natural resource endowments) allows for the internalisation of those advantages (I) to improve firm efficiency and competitiveness, rather than exploiting those advantages in other markets through arms-length transactions. Dunning [23, 81] identified a set of motives for OFDI. These include market-seeking investments targeted to access to third markets, efficiency-seeking investments to improve efficiency through specialisation, resource-seeking investments seeking natural resources unique to specific foreign locations and strategic asset-seeking investments to add to the existing proprietary resources of the firm. Rugman and Sukpanich argued that firm-specific advantages (FSAs) [91, 92], complemented by country-specific advantages or CSAs [24], which resembled the ownership and location advantages in the OLI model, determined international expansion of firms. Rugman and Verbeke [25] added the advantage of proprietary knowledge as contributing to FSA. Dunning later added alliance capitalism and firm networks that augment ownership advantages by incorporating knowledge shared in networks and alliances [23, 26, 27]. The organisational structure of internationalising firms subsequently changed from the hierarchical mode of integration, based on the transaction cost theories, to new forms of ownership domains created through networks and alliances. Utilising these networks and alliances, firms internationalised their operations by seeking strategic assets to augment their existing proprietary resources. The Dunning followers later on also acknowledged the importance of institutions in strengthening CSAs at each variable of the OLI hypothesis [28, 29, 91, 92].

The 'static' approach to EMTNC internationalisation moved on to an understanding that '… internationalisation becomes a strategy aimed at strengthening the firms themselves thanks to the accumulation of resources previously not available' ([30], p. 5). Internationalisation is explained by firms supplementing existing O by what Matthews [31] called a more dynamic acquisition of capacity and experience to overcome latecomer effects and technology gaps ([32, 33], p. 237; [34], p. 81). Internationalisation now becomes an evolutionary process ([30], p. 5; [31, 35]) in which firms without O to exploit abroad, find resources, internalise them and finally develop linkages or partnerships or networks to leverage against the risks involved in such outward strategies. Matthews thus suggested an LLL framework—Linkage, Leverage and Learning framework. Firms become increasingly integrated in international economic activities through not only asset-exploiting but also by asset-exploring, thus linking OFDI with the EMTNC strategies. Emerging market enterprises establish networks with foreign firms and learn from them (capability enhancement)—which is 'experiential learning' [87, 88]. Firms in the developing country thus acquire knowledge, experience in equipment manufacturing, joint ventures and participation in GVC [89]. Depending on the ability of the emerging market firm to internalise or 'absorb' ('identify, assimilate and exploit') the new skills, technology or resources, the EMTNC is able to venture into the global market [36–38]. Renewed emphasis is hereby placed on country-specific analyses and the Gerschenkron effect, that is, the ability of latecomers to access and take over advanced technologies and catch up faster through linkages, collaboration and the leveraging of resources [97, 99].

The dominant process model of internationalisation does not explain the entire set of internationalisation strategies of emerging market firms, since the latter are often reactive, incremental and opportunistic. EMTNC often acts to avert constraints in the domestic market. EMTNC internationalises also for reasons such as the efficient utilisation of resources, to generate economies of scale, market expansion, diversification, risk reduction, cross-subsidisation of markets, learning, flexibility in operations, market share protection and avoiding domestic competition [39, 40]. Recently, Arndt et al. [41] also added possible friction in factor markets (labour markets) and financial constraints as possible push factors towards internationalisation strategies. Ibeh et al. found that emerging market firms in Africa did 'quota hopping'—relocated from certain locations to areas where favourable quotas incentivised the setting up of export firms [42]. These views place new emphasis on managerial capabilities such as leadership, strategy formulation and implementation and organisational change. These are the critical endogenous factors firms need to venture into multiple complex contexts [43].

Internationalisation has also benefitted from the insights of new growth theory, considering endogenous sources of growth. Entrepreneurial capabilities are emphasised as the critical factor in growth and expansion of the enterprise [44]. The focus is on entrepreneurial orientation (EO) and international entrepreneurship (IE) (see [45–50]). EO is mostly associated with corporate entrepreneurship, which is the set of firm activities. These include venturing into new businesses, exploring and implementing innovation and elements of self or strategic entrepreneurship. EO is less explicit than IE—EO refers to the qualities of risk-taking, innovative and proactive behaviour. Some theorists also see EO as a multidimensional construct where each of the elements of EO is an independent behavioural construct that defines the space in which EO operates ([47], p. 4) IE is the discovering, enactment, evaluation and exploitation of opportunities across national borders. Some of the research focusses on international new ventures (INVs) or the so-called born globals, while others explore the international activities of established firms. According to Freeman and Cavusgil ([51], p. 3), '"International entrepreneurial orientation" is the behaviour elements of a global orientation and captures top management's propensity for risk taking, innovativeness, and pro-activeness'. The attention thus shifts to the vision of management as an important driver of internationalisation, strengthening the EO and EI explanation. Singal and Jain [52] found that clear corporate vision and strategic focus in Indian firms contributed to the successful development of globalisation strategies and successful international operations of Indian MNCs.

But the question remains: Whereto? Into which markets are MNCs expected to expand their operations? The literature developed explanations around the importance of institutions in the host market in providing stability, minimising market failures, reducing uncertainty and alleviating information complexity in economic exchanges [53, 54]. The notion that institutions matter has become axiomatic, particularly those formal institutional structures that, through written laws, regulations, policies and enforcement measures, prescribe the actions and behaviour of people, systems and organisations. In terms of geography, which geographical location will be optimal? The semi-globalisation literature noted the importance of not only considering conditions in the host market [55, 56] but also institutional strengths in region into which expansion is contemplated. The semi-globalisation approach suggests that a firm's foreign investments follow patterns exhibiting regional aggregation and arbitrage logic to cope with the opposing pressures of globalisation (i.e. integration) and local markets (i.e. localisation) [57]. Semi-globalisation involves partial cross-border integration whereby barriers to market integration are high but not inhibitive. These situations cannot be fully understood through purely country-level analyses but require an evaluation of operations across multiple locations (e.g. within a region) that are distinct from but not entirely independent of each other [55]. Therefore, the region composed of geographically proximate countries becomes an important level of analysis when examining MNEs' internationalisation and institutional influences [55, 57]. This perspective has become increasingly relevant to the expansion of South African firms into Africa.

4. The nature and direction of African business globalisation

The international expansion of business from Africa, and specifically from South Africa, occurred primarily by means of mergers and acquisitions ([1, 8, 58, 59], p. 324–330; [60], pp. 253–257; [82, 83]) as expansion occurred incrementally as part of corporate entrepreneurship venturing into Africa. As South African OFDI constituted the bulk of African mergers and acquisitions between 2007 and 2013, market and asset-seeking strategies were thus pursued. New investments were relatively small—below US$ 1 million in most transactions—and were stimulated by the unbundling strategies of conglomerates and the simultaneous refocussing strategies, as well as the privatisation policies of African governments after the early 1990s ([9], pp. 16–18; [85]). The geographical direction of business internationalisation of African enterprises was at first not aligned to the Uppsala model of Johansson and Vahlne [98]. This model predicted the direction of internationalisation of firms from developing countries through exports into neighbouring ethnically similar countries and only later into non-ethnically related countries but only as a much later strategy into developed markets. The history of African EMNC, of which most were South African companies, expansion into foreign markets shows more than half of OFDI entering European and UK markets (56% in 2013), 17.5% into North and South American markets, 16.2% into Asian markets and only 8.2% into the neighbouring markets of African countries ([61], pp. S96–S99). During the last few years, a marked increase in regional economic integration and subsequent cross-border business transactions are occurring, but the official OFDI from South Africa into other African countries remain below 10%.

The internationalisation strategies of the EMTNC from Africa were different and in response to firm-specific advantages, which varied between sectors. The semi-globalisation literature argues that not only conditions in the home market impact on internationalisation decisions [55, 56] but also the nature of the markets into which expansion is planned. The nature of developed markets in terms of similarity of demand, structure and operations was an important consideration in the direction of South African corporate internationalisation strategies. As pointed out by Ghemawat and the semi-globalisation literature, global expansion must be understood not only as a country-level analysis but as determined by conditions in the entire region. The region, which consists of a number of geographically proximate countries, becomes a determining level of analysis when explaining EMTNC globalisation.

Among the early globalising companies, the eclectic process model of Dunning explains the market-seeking and asset-seeking activities, but not the timing or direction of globalisation. The political changes in South Africa unleashed opportunities to overcome the restrictions of the domestic market: the limited size of the market (slow GDP growth and low per capita GDP), the stratified nature of demand and the necessity of risk aversion strategies considering the history of the country, the alliance between die new ruling party and the Communist Party of South Africa, the official policy of 'Reconstruction and Development' (RDP) as well as the cost-spiralling potential of a rigid labour dispensation. Efficiency-seeking motives also ran high, since operations outside the restrictions of the domestic market offered opportunities to reduce costs (or be more cost-effective) inter alia through flexible employment policies and enhanced productivity strategies ([62], pp. 236–240; [9], pp. 24–26; [90]). An important explanation was the FSA and CSA nurtured in endogenous growth. These constituted the entrepreneurial and managerial capabilities of the EO and IE of the first movers. These capabilities were developed in the domestic market under conditions of international isolation and sanctions [13] and later were applied strategically towards globalisation.

When considering the globalisation strategies of Anglo American Corporation (AAC) and SABMiller, both companies had developed diversified conglomerate structures since the mid-1960s, whereby the mining company ventured into a number of different business activities, as did SAB. By the late 1970s, AAC as a group consisted of more than 656 companies operating in mining of a wide variety of metals and minerals, finance, exploration, property development, administration of businesses, housing, industrial manufacturing, food production, engineering, etc. ([63], pp. 273–324). Even before the political changes of the 1990s, entrepreneurial management had already established AAC operations in Australia Canada, Indonesia, Malaysia and various African countries, which shows the degree of IE in place. After 1994, AAC unbundled its diversified holdings in non-mining sectors and moved the headquarters of De Beers (the diamond mining and distribution company controlled by AAC and the Oppenheimer family) to Switzerland and Luxemburg and in 1998, after the merger with Minorco, listed on the London Stock Exchange as AAC PLC. The restructuring of the group with a firm focus on international mining operations entrenched the company in the OECD and is currently no longer seen to be a South African TNC [13, 64, 65]. AAC is currently ranked among the top 100 nonfinancial TNCs globally by UNCTAD on the World Investment Report, which is an improvement of 13 positions on that ranking since 2008. The 'globalisation' of AACs' business operations has not improved the company's TNI index, since it fell from 83.7% in 2008 to 20% in 2013. In the case of AAC, the initial CSA of the abundance of natural resources was reversed by the new political dispensation. Mines were not nationalised as in other African countries after independence, but ownership of natural resources was returned to the state, which with a system of licences regulated access to mining opportunities based on so-called transformation charters. These charters were 'negotiated' with the mining companies to secure compulsory transfer of ownership and management control to blacks. Large domestic enterprises that sought the internationalisation of their operations were described as instituting 'political risk management' [64]. The move to London and other OECD locations despite being involved in mining operations in developing regions is not as predicted by the Uppsala model, but underlines the FSA advantages in managerial expertise, access to capital and advanced mining technology. The AAC group has appointed a non-South African chairman in 2002 and American CEOs in 2004 to display the true global non-South African nature of its business ([65], p. 558; [85]). This entrepreneurial orientation (EO) enhanced the market and asset-seeking operations of the group, and the international entrepreneurship (IO) of the new leadership escalated the evaluation and exploitation of opportunities outside the original home country.

In SABMiller, globalisation strategy was driven by the EO of its management, who despite being locked into the domestic market until the 1990s strategically embarked on asset-seeking internationalisation. The first breweries acquired were in neighbouring countries such as Zimbabwe and Tanzania and other East African breweries and finally in Central America after 2001, China and the USA. The success of SABMiller's globalisation was grounded in the FSA of SABMiller's managerial global orientation, the knowledge of the African market (both beer and soft drinks) and subsequent ability to integrate its knowledge of both developed markets (in South Africa) and developing markets (also in South Africa and the other African locations) into a successful management and marketing strategy. The SAB decision to list in London in 1996 was a resource-seeking move—to raise capital towards further international acquisitions. It is not a case of the company having benefitted from its experience in 'overcoming institutional voids' (such as the absence of specialised intermediaries, regulatory systems or developing unique contract enforcement mechanisms—[66]), which gave it its competitive advantage and facilitated global expansion. The FSA lays in the incremental nature of mergers and acquisitions of the asset-seeking internationalisation strategies of SABMiller, which ultimately secured global market access. The disadvantage of the domestic political dispensation prior to 1990 was transformed into a distinct CSA—business was protected from foreign competition and could accumulate capital resources and diversify operations into different sectors, thereby building managerial capabilities in managing diversified conglomerates. The expansion on the African continent developed through an alliance with the Castle Group, which had vested interests in West Central and North Africa (primarily francophone countries—[58], p. 326). Globalisation strategy was used to manage the growing domestic risk (inflexibility in factor markets, empowerment costs, HIV/AIDS and brain drain) and relocate to London. In 2004, SAB was 20th on the UNCTAD non-banking company ranking, with a TNI of 55%, but by 2013, SABMiIler was ranked 55th with a TNI of 70%. SABMiller has enhanced its TNI but was overtaken by other TNCs in the global ranking position. The company migrated out of the developing country ranking list and is no longer perceived as a South African company.

5. Internationalisation strategies from the developing market

The diversity of operations among the African companies on the UNCTAD top 100 non-banking companies from developing countries complicates the identification of general internationalisation strategies that could result in the globalisation of business operations. South African companies dominate the list, followed by two companies from other parts of Africa—Sonatrach, as the SOE from Algeria, and the Orascom Construction Group from Egypt. The international expansion of Sonatrach is purely driven by market-seeking strategies, since the oil and gas deposits of the country mandate distribution outside the borders of Algeria. The company was established in 1963 with Algerian independence and extracted oil, built pipeline infrastructure for transportation and gas, conducted explorations, distributed petroleum products and monopolised the market for the production and distribution of all related production after the nationalisation of the industry in 1967. Sonatrach acquired critical mass in the domestic Algerian petro-chemical industry, because in 1971 all hydrocarbon resources were also nationalised. Algeria joined OPEC in 1969. In 1986, legislation was passed to allow joint ventures with Sonatrach, on a condition that companies are incorporated and maintain head offices in Algeria. Foreign investment and expertise infusion in Sonatrach changed the inward-looking SOE perspective towards opportunities outside Algeria, such as the construction of the Pedro Duran Farell pipeline delivering 11 billion cubic metres of gas per annum to Spain and Portugal via Morocco. Since 2000, Sonatrach engaged in operations outside the home market—in Portugal, Spain, Italy, Britain, Peru and the USA [67] (www.sonatrach.com). Sonatrach is ranked 51 by its foreign assets but only 72nd by TNI ([2], p. 39). Sonatrach did not expand operations outside Algeria to link, leverage and learn from companies outside its borders (as suggested by Matthews, was the strategies of the 'Dragon Tigers'—[31, 33, 35, 68]), but the SOE allowed foreign expertise to enter operations in Algeria, under government control, and transfer skills and experience to the SOE, which ultimately allowed Sonatrach to expand into foreign markets.

The other ranked African company on the developing country list is Orascom, a building materials and chemical industry business in Egypt, especially noted in the WIR 2014 as engaging increasingly in OFDI in Africa ([2], p. 39). Orascom started as a family-owned construction company of the Sawiris family in the 1950s, but nationalisation caused the migration of the founder to Libya in 1961, where he continued his career in construction. On Onsi Sawiris' return to Egypt in 1976, he re-established Orascom Onsi Sawiris & Company. The EO of Onsi Sawiris took him to Virginia in the USA in 1985 to establish his company, Contrack, on American soil, hoping to benefit from USAID and winning building contracts from the US Government in Egypt. Under close family control, Orascom developed into the leading private sector building materials and construction contractor in Egypt. The Sawiris family collaborated with local and foreign partners to establish building materials outlets across Egypt. As the founder stepped down in 1995, the successor son, Nassef Sawiris, embarked on extensive diversification into related enterprises. In 1998, the name was changed to Orascom Construction Industries (OCI S.A.) and listed on local bourses in 1999 (currently the Egyptian Stock Exchange). The order book of the company expanded significantly, and OCI had acquired the BESIX Group with extensive operation exposure in Europe and the Gulf. Business expansion occurred as suggested by the Uppsala model—into neighbouring ethnically similar countries. Further operational expansion led to the establishment of OCI subsidiaries in Saudi Arabia, as well as the acquisition of US construction companies (Watts Construction in 2013 and Weitz Company in 2012), and in 2015 OCI listed on the Nasdaq Dubai the EGX. OCI's initial international expansion was aimed at escape from risks and limitations in the home market, but operational efficiency resulted in business expansion across North Africa as well as the Middle East, the UK and the USA. The market distortion in the home market served as a push towards international expansion, but globalisation was only actively pursued from the beginning of the twenty-first century. The initial markets targeted were Tunisia, Algeria and Qatar. The OCI Group diversified into the chemical industry, fertiliser production, hotel industry [101], recreational facilities and financial services (mortgage lending, leasing and insurance) [70, 71] (www.forbes.com; www.orascom.com). During the 2011 uprisings, the company listing was moved to Euronext in Amsterdam. The globalisation strategy consisted primarily of expansion into neighbouring markets as part of the market and asset-seeking strategies of management—still firmly in the hands of the Sawiris brothers.

Different factors contributed to the globalisation of South African companies. At first FSAs developed in production sophistication, management and product innovation. This mandated expansion beyond the confines of the small domestic market. Market constraints as a result of domestic conditions undermined efficiency enhancement. In contrast to the Asian experience described by Matthews, South African companies did not seek access to new technology but owned advanced production methods and implemented new technology, which they exported into the new markets, especially in Africa. The globalisation of Gold Fields Limited is a case in point.

Gold Fields was one of the first gold mining companies in South Africa, established in 1887 in London and by 1892 consolidated its operations in South Africa under the name of Consolidated Gold Fields of South Africa Ltd. (CGFSA). CGFSA operated in the gold mining sector and diversified operations into manufacturing, finance and property. After the AAC relocation to London, Minorco (owned by AAC) acquired the London-based Consolidated Gold Fields Ltd. in 1989. This left the South African CGFSA an independent company, firmly rooted in the Witwatersrand. The South African company then expanded its gold mining operations by the acquisition of the Tarkwa gold mine in Ghana, in 1998 merged its gold interests with the gold interests of Gencor after that mining house's unbundling and acquired a 21.6% share in the former AAC Driefontein Gold Mine in South Africa. The new gold mining company was renamed Gold Fields Ltd. Gold Fields used its superior managerial skills and technology in gold mining to expand into other gold mining operations, primarily in West Africa. The company explained the mergers and acquisitions as occurring '…against the background of a tough commercial environment where costs are outstripping the price of finished gold' ([72], p. 4). By 2000, Gold Fields was the largest gold mining company in the world. The company acquired more gold mines in Ghana (Aush Agnew mine, St. Ives mines) to gain access to international capital Gold Fields listed on the New York Stock Exchange in 2002 and subsequently expanded operations into Venezuela (acquired in 2006 but sold again in 2009—managing contextual risk), Peru and the Philippines. In 2011, Gold Fields bought out minorities in Ghana and the Philippines and in 2013 expanded its operations into Western Australia through the acquisition of three gold mines [73, 98] (www.goldfields.co.za/au-history.php). Gold Fields remained active in the South African gold mining industry but restructured its ownership by unbundling some mines and listing them separately as Sibanye Gold in 2012 and listing Sibanye separately in the JSE as well as the NYSE. Gold Fields was leading in cyanide technology, which was introduced at all the gold extraction plants at its mines world-wide. In 2009, Gold Fields was the first gold mining company to sign the Cyanide Management Code, of which the company had been a leading compiler. Globalisation of Gold Fields was to seek new markets and assets in response to the limitations in the domestic market but also because the company owned FSA in mining technology.

The role of leading technology as driver of globalisation was also critical in the globalisation strategies of Sasol and Sappi. Sappi (the South African Paper and Pulp Industries) acquired an international footprint utilising its locally developed knowledge base. Industrial protection policies implemented since the early 1920s assisted Sappi (established in 1936) in acquiring market domination. In 1987, Sappi acquire Saicor, then the world's largest producer of chemical cellulose and developed excess production capacity. Sappi commenced paper exports to European markets towards the late 1980s and in 1986 established an international selling subsidiary, Sappi International. International sales rose to half of Sappi sales even before the international acquisition drive. Since 1991, Sappi embarked on M&As in the UK (five paper mills), Germany (Hanover Papier) and Hong Kong (specialised pulp services), a majority stake in the US company SD Warren, the world leader in coated paper, and in 1997 the largest coated paper company in Europe, KNP Leykam. By 2000, Sappi was the world leader in the manufacturing of coated wood-free paper. Sappi listed on the London, Paris and New York stock exchanges but maintained its primary listing in Johannesburg (*Economist*, 13/7/2006; www.sappi.com). In 2004, Sappi expanded into the Chinese market by acquiring a 34% stake in a joint venture with Jiangxi Chenming. The reason for the joint venture was technology and expertise transfer: Sappi assisted with the building of paper machines, a mechanical pulp mill and a deinked pulp plant [13]. Sappi was ranked 50th on the list of the top 100 nonfinancial companies in the developing world in 2008, with foreign assets of US$ 4001 million, and by 2013 was ranked 98th by foreign assets and 33rd in terms of its TNI ([2], web Table 29). The market and asset-seeking strategies of Sappi were facilitated by the company's ownership of proprietary knowledge and its ability to establish networks and alliances (joint ventures) to map out its global footprint.

The South African synthetic fuel producer, Sasol, could use its ownership of advanced leading technology to drive its globalisation strategy. Sasol was established in 1951 as a SOE to develop the German Fischer-Tropsch process of manufacturing synthetic fuel from coal commercially. Pioneering technology was developed, and South Africa became the first country in the world to produce fuel from coal commercially since the last half of the 1950s. In 1979, Sasol was privatised and listed on the JSE, because by the early 1980s, expansion was mandated by the threatening international oil crises unleashed by the OPEC price hikes of the early 1970s. Sasol built two additional manufacturing plants, Sasol 2 and Sasol 3. Sasol soon developed an extensive downstream chemical by-product business and by the turn of the century was a diversified chemical conglomerate. Sasol diversified operations from the start, e.g. into mining, in order to supply in its coal demand; it ventured in chemical products, oil and the development of chemical technology. In 1996, Sasol announced its Slurry Phase Distillate (SPD) technology internationally and by 2001 its world leading gas-to-liquid (GTL) technology. By 2008, international accreditation was received for the innovative research by Sasol Technology, in developing fully synthetic jet fuel ([74], p. 26; [93]). The global positioning of Sasol was inevitable. Businesses built around natural resources are usually global, because they serve international customers in advanced markets, they seek alternative sources of resources due to the saturation or cost of domestic materials and such 'companies move up the value chain, selling branded products or offering solutions to niche markets' ([66], p. 67). The improved SPD technology offered the opportunity for the global development of gas-to-liquid (GTL) technology. Sasol pioneered the first GTL plant in Qatar, another in Nigeria, and works in JVs around the world to apply its GTL as well as its coal-to-liquid (CTL) technology. Sasol was a strategic industry for South Africa during the international sanction era and developed a competitive advantage in the chemical industry through innovative technology. Early in the new millennium, Sasol started global acquisitions and joint ventures, following the Dunning [48] model of expansion driven by OLI advantages. An added rationale for globalisation was the limitation of the domestic market considering the advanced nature of the technology developed. Domestic market constraints added further motivation for globalisation. Joint venture expansion strategies are often motivated by the ownership by the local interests of resources, such as oil, gas or coal. Sasol contributed its technological expertise to the project in a joint venture. By 2009, Sasol was ranked the highest of the South African companies in the WIR top 100 non-banking companies ([94–96]; [12], p. 223). With a market capitalisation exceeding ZAR317,687 million (or US$30.89 billion) by 2013, Sasol added a second listing on the New York Stock Exchange in 2006 but maintained its primary listing in Johannesburg. By 2013, Sasol ranked 53rd on the top 100 nonfinancial companies in the developing world and ranked 74th in terms of its TNI.

In the telecommunications industry, two South African EMNCs have established an undisputed global footprint. The first is Naspers. This company was established in 1915 as the holding company of an Afrikaans newspaper *De Burger.* As international sanctions and isolation placed serious restrictions on expansion ambitions of the print media, the electronic media opened opportunities to the early birds. Naspers started the first pay-television business M-Net in 1985 and listed it on the JSE in 1990, but that alone could not salvage the media company. In 1993, M-Net split into two companies: M-Net, which was the pay-television company, and MultiChoice Limited, which took over subscriber management, signal distribution and cellular telephone services. In 1994, Nasionale Pers listed on the JSE and changed its name to Naspers in 1997. In 1995, Richemont S. A. Switzerland and MultiChoice merged their pay-television operations into NetHold BV, held through the Naspers subsidiary MIH Ltd. These transition into the electronic media occurred because a Naspers manager in the newspaper division, JP 'Koos' Bekker, disagreed with the old-fashioned management style of the company. Bekker completed an MBA at Columbia University, with a short dissertation on the electronic media, resigned from Naspers and started his own electronic commerce/news company. In 1997, Bekker was recalled to Naspers to address the problems of falling profits and drastically declining market share. Bekker transformed the newspaper and book print company into a multimedia company. At first the pay-television interests of NetHold were merged with pay-television interests of Canal+ in France, Irdeto Access in France, 30.1% of UBC, the Thai pay-television company, and ended up managing NetHold Africa, Mediterranean and Middle East pay-television business. In 1997, MIH Ltd. listed on the NASDAQ. MIH Ltd. then established an Internet service provider MWeb and then ventured in a shopping spree of acquisitions in the instant messaging and Internet service sectors in China (Tencent in 2001), Brazil, Russia (Mail.ru in 2007) and other Eastern European countries. Naspers also acquired a controlling interest in, and media groups in Brazil (Editora Abril in 2006), a 9.1% stake in the Chinese Beijing Media Company, in March 2008, the Tradus company (formerly QXL and listed on the London Stock Exchange), which provides an online auction platform and Internet portals in Central and Eastern Europe. Naspers acquired Allegro.pl., the leading online auction site in Poland. In 2008, Naspers also acquired a controlling stake in BuzzCity, a mobile media company providing access to a global advertising network on the mobile Internet for brand owners and agencies [75]. In November 2009, Naspers bought BuscaPé, provider of comparison shopping systems for more than 100 portals and Web sites in Latin America, including Microsoft, Globo and Abril. Soon the company expanded into eMag, a major e-commerce portal in Romania, a 79% stake in Netretail in the Czech Republic in June 2012 and in November 2012 a minority stake in Souq.com, a similar portal in Iran. In 2013, Naspers acquired a stake in Konga.com, the largest Nigerian online marketplace, and in 2013 redBus, the largest Indian bus ticket portal.

These massive expansions made Naspers the leading emerging market electronic communications company. The focus of Naspers shifted to electronic trade and communication and is the largest emerging market company with a market capitalisation exceeding US$40 billion. Naspers is still listed on the JSE, from where it generates more than 70% of its revenue. Naspers occupies the 63rd position on the top 100 nonfinancial developing country companies, with a TNI of 35% [2]. Naspers owned innovative leadership, who engineered strategic business repositioning and e-commerce acquisitions. Naspers operates on all the continents of the world in e-commerce. The strong growth flows from the emerging markets in Asia, Central and Eastern Europe, India, the Middle East and Latin America.

The highest-ranked emerging market nonfinancial company is the Mobile Telephone Network (MTN). MTN is 72.1% owned by the Johannesburg Stock Exchange-listed company M-Cell, 23% by Transnet and 4.9% by black empowerment groupings. It runs a GSM 900 technology in its mobile telephone network and grew to a market share in South Africa of approximately 40% by 2001. By 2005, MTN was locked in a slow-growing South African cellular market with two competitors, Vodacom and Cell-C. The expansion strategy in Africa occurred through the use of local partners' branding. This reduced the recognition of the MTN brand and management embarked on a brand consolidation strategy to cut marketing costs and develop a global brand. To deliver a single quality global brand, a new logo was accepted as 'Y'ello'—the MTN logo on a bright yellow square. The single brand logo was negotiated with all stakeholders in each of the countries where MTN operated. A new marketing concept was developed: *glocalisation*. The meant regional communication focussed on local needs and culture but nevertheless still reflected the MTN global brand essence, the brand greeting, the brand personality and the band values ([76, 77], p. 306). The innovative brand marketing strategy proved highly successful, both as a marketing strategy as well as a management tool, since the South African management strengthened managerial control and the working relationship with the local partners in the different countries.

Within only 10 years, MTN expanded operations to 28 countries in Africa and the Middle East. Its TNI is 31%, and its ranking on the top 100 nonfinancial companies in the developing world is 31—the highest of all South African companies in the ranking list in 2013. MTN market expansion was driven by FSA based on ownership advantages in exceptional management strategic vision, knowledge of the African market, the innovative application of brand marketing and the use of leading technology. The control of the company is in the hands of black South African businessmen, who integrated a loose network of single country operators into a single emerging market cellular phone giant.

The health-care expansion of both the Mediclinic Group as well as Netcare was driven by the FSA of medical expertise, the advantage of proprietary knowledge, in seeking new markets. Serious shortages in medical services and the rise of the middle class in Africa alerted medical doctors to the opportunity to expand private health care outside South Africa. The entrepreneurial opportunity was observed, and both health-care groups, established in the early 1980s, established hospitals in Namibia, the Middle East and the UK. These health-care groups target the higher end of the market and have therefore also penetrated the UK and Middle East markets.

6. The trend emerging

In contrast to the internationalisation of the Asian Tigers described by Matthews, the internationalisation strategies from the African periphery were motivated primarily by market, asset and efficiency-seeking strategies and less by resource-seeking motives. The observation of the internationalisation of the leading corporations that have diversified operations significantly to gain revenue from operations outside the home country, as discussed in this paper, seem to display the following dominant trends , as will be discussed below.

Internationalisation of the first movers was motivated by **market and asset-seeking** considerations. The long period of international isolation resulted in 'pent-up' capacity at South African firms. The size of the domestic market is small—GDP growth has slumped from 5% to below 2% in the last few years and is not likely to improve any time soon as a result of domestic political constraints. Market-seeking strategies offered access to the new fast-growing markets in Africa, with competitive labour resources. The market-seeking strategies were coupled by the mining companies' asset and resource-seeking strategies. The diversification of mining operations from South Africa by BHP Billiton, AAC and Gold Fields was motivated by resource-seeking and efficiency-seeking considerations. Access to new mineral resources and new mining companies outside South Africa assisted in reducing the risks associated with empowerment policies, domestic labour market rigidities and associated cost pressures. New explorations uncovering mineral deposits outside South Africa offered potentially higher efficiency and links to emerging markets. The expansion of Sasol into Mozambican gas fields was both motivated by resource-seeking considerations as well as the proprietary technology advantage of its GTL technology.

The expansion of the retailer Shoprite and MTN into African markets was purely market-seeking but facilitated by strategic managerial capabilities and knowledge of the context and complexities of the African market. In this respect South African companies possess a competitive advantage over non-African multinationals aspiring to enter the fast-growing African markets. Knowledge of the African cultural diversity, the different languages and consumption patterns was key to the success in the consumer market but also in the mobile telephone market and money transfer market. Therefore Shoprite linked up with MTN, and later also Vodacom, in supplying access to mobile telephone services and money transfer facilities at the shop outlet.

The export-driven international operations of most African firms are market-seeking without exception. The exports by Sonatrach (Algeria) and Sonangol (Angola) are purely market-seeking. The large number of medium-sized African firms engaging in purely commodity exports described by Ibeh et al. [42] only represents the beginning of business globalisation. It is the beginning of revenue stream diversification through foreign sales, but not yet the expansion of operations outside the home market. This type of emerging internationalisation occurs in the exports of food, flowers, wood and textiles. An important observation in this category of emerging internationalisation is the tendency of foreign investment in local enterprise, which then results in export initiatives. This is particularly the case in the floriculture operations in East and Southern Africa, the coffee exports from Ethiopia and Mozambique and the textile exports from East Africa and Mauritius. In this category the so-called 'quota hopping' practice by foreign firms seeking to diversify the location of their operations to bypass US export quota restrictions resulted in Southeast Asian textile manufacturers establishing subsidiary operations in African countries in order to export from 'Africa' and not from their home markets ([42], p. 418). These collaborative efforts may well in the future build local enterprise and result in extensive internationalisation.

The second trend is that market and asset-seeking initiatives were driven by the competitive advantage of FSAs, found in **proprietary knowledge and managerial capabilities.** The proprietary knowledge of the locally developed technologies, such as the world leading CTL and GTL technology developed by Sasol or the mining technology of the mining conglomerates AAC and Gold Fields or the mobile telephone technology MTN, is injected into the African and Middle East markets. The expansion of the health-care companies Netcare and Mediclinic is also representative of advanced health-care technology as a vehicle for internationalisation. These technologies provided a strategic tool to access new markets and simultaneously address the growing constraints in the domestic market.

Technological advantages were underpinned by **strategic managerial capabilities**. The managerial capabilities of South African corporations constitute a vital element of the successful globalisation of their operations. Strategic leadership and dynamic capabilities in change management placed them in an advantageous position with respect to expansion into global and neighbouring developing markets. The diversified conglomerates of pre-1990 South Africa were multidivisional firms, managed by professional managers and not only family members (as is still the case in most of the emerging African conglomerates in other African countries such as Uganda, Tanzania, Ethiopia and Kenya). These competitive advantages were enhanced through the international orientation of South African management. Local managers are well travelled, have extensive business network links outside the country, possess ability to manage operations under conditions of political instability and social turmoil—as persisted in South Africa during the 1980s and 1990s—and take and manage risk in such markets [42, 78]. The internationalisation of Sappi, the paper conglomerate, was both motivated by market-seeking considerations as well as the Asian Tigers type of learning and leveraging motives where Sappi acquired advanced fine paper production technology through the acquisition of the European and US paper corporations. The success of the sustained internationalisation operation was dependent on the management of the integration of the newly acquired technology into the existing knowledge base of the conglomerate. The opening up of markets offered strategic options conditioned by contextual constraints.

In this category of internationalisation, the fast-growing e-commerce and e-business markets are penetrated by innovation managerial activity [90]. The cases of the expansion of Naspers and MTN were engineered by strategic management vision. Innovative management proactively sought to leverage existing knowledge in the media and mobile telephone business to penetrate the e-commerce market. Naspers restructured the company and used organisational capabilities at firm level to refocus the media company to emerge as the largest emerging market conglomerate by 2013. Naspers' restructuring enabled the MTN expansion, and the electronic technology of the mobile company was leveraged by the retail company Shoprite, to offer electronic money transfer and payment services. Market-seeking strategies are strengthened by the international orientation of management.

On the back of the trends identified, it is to be expected that **efficiency-seeking** motives will in the future become a stronger consideration for South African firms. The emerging diversified corporations from African countries will join those ranks as soon as professional management replaces or supplements family control and acquires a strong international orientation and develop alliances or networks outside the home country. As the bulk of private enterprise in Africa still falls within the category of SMMEs (up to 40% of Africa's GDP is still contributed by informal economic activity—[79, 80]), African enterprises are growing in size and capabilities to challenge competitors on the basis of cost and resource advantages. The strongest private African corporations expanding across African home borders are the Simba Group, the Dangote Group and the Orascom Group.

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