NASCENT MULTINATIONALS FROM WEST AFRICA: ARE THEIR FOREIGN DIRECT INVESTMENT MOTIVATIONS ANY DIFFERENT?

ABSTRACT

Purpose – This study explores the motivations underpinning the foreign direct investment (FDI) activities, including location and entry mode decisions, of nascent multinational enterprises (MNEs) from West Africa.

Design/methodology/approach – This research adopted a case study approach entailing the triangulation of interview data with documentary evidence on two leading West African financial service companies that have FDI footprints in over 50 country markets.

Findings - Evidence suggests the primacy of market-seeking motivations in explaining the FDI activities of the explored nascent MNEs, with relationship, efficiency and mission-driven motivations emerging as strong sub-themes. Having neither the global resonance of their traditional counterparts nor the government-augmented resource profile of their Asian counterparts, the study firms appear to have shied away from costly strategic asset and prestige-seeking FDI, and preferred psychically and institutionally proximate sub-Saharan African markets and non-organic collaborative entry modes.

Research limitations/implications – The above insights should be considered tentative given the study's limited evidence base. This underscores the need for a larger scale empirical effort to assess the propositional inventory outlined at the end of this paper.

Practical implications - Africa's growing population of MNEs are urged to continue to strengthen their positions across African markets, view these regional markets as a platform to learn and upgrade their capabilities for future expansion into more challenging global markets, and to augment their limited resource profiles, including by tapping into their global diaspora networks. Policy makers should support their market-seeking initiatives given evidence that they could be a pathway to higher order FDI motivations. This evolutionary approach reflects enduring lessons from earlier generations of MNEs. Policy makers should also support continuing intra-African investment flows as a pathway to creating more sizeable, integrated African markets and generating positive spill-overs, including in typically blind-sided post-conflict or fragile African markets. This also entails pushing for cross-border regulation needed to minimise the transfer of systemic risks across countries.

Originality/value – The study provides rare empirical evidence on hitherto neglected MNEs from sub-Saharan Africa, thus extending the geographic compass of research on FDI motivations. It identifies some distinctive aspects of the explored MNEs' FDI behaviour, including the previously unheralded mission-driven motivation, whilst also revealing shared characteristics with traditional MNEs and EMNEs.

Key words: FDI, Multinational Enterprises, Motivations, MNEs, EMNEs, Africa.

Paper type Research paper

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INTRODUCTION

Although international business researchers and policy actors have extensively engaged with emerging market multinational enterprises (EMNEs) (Gammeltoft, Pradhan and Goldstein, 2010; Wang et al., 2012; Yang et al., 2014; Chimanade and Rebelloti, 2015), very little systematic research attention appears to have been paid to nascent multinationals from sub-Saharan Africa, outside of the industrialised South Africa. This is largely understandable given the overwhelming dominance of the BRICS and other frontier economies in South-South, South-North FDI flows (Goldman Sachs, 2005; Sauvant, 2005). However, this dominance does not excuse the neglect, in mainstream international business research, of the recent sustained boost in Africa's outward foreign direct investments (OFDI) (UNCTAD, 2015).

Although still a fringe contributor to global OFDI flows, Africa's overall OFDI stock has grown several folds in recent years, from USD38.9 billion in 2000 to USD213.5 billion in 2014. The figures for 2012 and 2013 were USD12.37 and USD15.95 billion respectively, and despite recent downturn in global commodities' prices, Africa's OFDI still reached USD13.07 billion in 2014 (UNCTAD, 2015). A few additional facts deserve noting: ten African Transnational Corporations (TNCs) were ranked among the top 100 non-financial TNCs from emerging and frontier economies in 2013 – a slight update on the forty African Challengers previously identified by Boston Consulting Group (BCG, 2010). African companies, therefore, appear to be joining their counterparts from other emerging regions in pursuing their growth ambitions through OFDI (Ibeh, 2009). South Africa, not surprisingly, accounts for a significant proportion of Africa's OFDI flows (about 60 per cent of the total OFDI stock in 2014 or six of the ten non-financial TNCs referred to above) (Verhoef, 2016). The more interesting narrative, however, is that new foreign direct investors are emerging from an increasing number of African countries, including Nigeria, Angola, Egypt, Morocco, and Algeria. Nigeria, for example, averaged over 10 per cent of Africa's OFDI flow in the 2012-2014 period (USD1.54 billion, USD1.29 billion, USD1.61 billion respectively). Angola's OFDI outlay for the same period - USD2.74 billion, USD6.04 billion, USD2.13 billion respectively - was even more remarkable. Mauritius, Botswana, Cameroun, Togo, Congo Democratic Republic, Gabon and Zambia have also recently boosted their modest OFDI stock (UNCTAD, 2015).

The aim of this paper is to improve understanding of the motivations for undertaking FDI activity and making location and entry mode decisions among nascent multinational enterprises (MNEs) from Africa. An ancillary objective is to examine how these motivations might differ from those of their counterparts from the emerging markets and more advanced economies. The present study's focus is justified on a number of grounds. First, it reflects recent calls in the literature for another look at classic FDI motivations in view of the increasing complexity of international operations and global value chains in our multipolar world (Giroud and Mirza 2015; Pananond, 2015). Second, it responds to calls for greater understanding of the behaviour of emerging market multinationals (EMNEs) (Gammeltoft, Prahdan and Goldstein, 2010), including Africa's nascent MNEs (Ibeh, 2009). Third, the present study's African context offers a different and additionally important platform to assess the view advanced by several EMNEs researchers (e.g. Matthews, 2002; Kedia et al. 2012) that the unique characteristics of emerging markets may cause these newer multinationals to have internationalisation motivations different from those of traditional MNEs.

The remainder of this paper is organised as follows. Section two presents a review of the literature pertaining to the focal issues raised by the present study and outlines relevant research questions. The case study approach adopted for this study is next explicated. This is followed by the presentation, analysis and discussion of the study evidence. The final section summarises the findings and discusses managerial, policy and future research implications. A propositional inventory is advanced to guide future research.

LITERATURE REVIEW AND RESEARCH QUESTIONS

Theoretical explanations regarding how and why firms undertake FDI activities have long engaged the attention of international business economists. Hymer's influential view, severally reinforced by others (Aliber, 1970; Caves, 1971), was that FDI decisions are driven mainly by firms' resolve to gain optimally from their quasi-monopolistic advantages over indigenous competitors in host or foreign markets. This notion, which shares broad conceptual resonance with the resource (Penrose, 1959; Barney, 1991) and knowledge-based (Kogut and Zander, 1992; Grant, 1996) views, suggests that such quasi-monopolistic advantages must be sufficiently significant to compensate for the indigenous players' home advantages and the investing firms' *liability of foreignness* (Dunning, 1977). Transaction cost / internalisation theorists, notably Buckley and Casson (1976) extended this perspective, by identifying additional conditions under which direct investments are preferable to using external parties in foreign markets. Their conclusion is that by internalizing the international transfer of a firm's assets and capabilities through hierarchical (FDI) modes rather than market mechanisms, firms are better able to exploit their quasi-monopolistic advantage(s) in foreign markets, with fewer transfer problems (Buckley and Casson, 1976; Rugman, 1985; Verbeke and Kano, 2015).

Dunning's (1981) eclectic paradigm highlighted the additionally critical role of locational factors in influencing FDI behaviour and argued that three sets of advantages (ownership-specific advantages, location-specific advantages, and internalisation [OLI] advantages), holistically considered, underpin much of firms' FDI behaviour. Subsequent work refined the OLI framework to accommodate relationship and network advantages (Dunning, 1993) and further acknowledged that latecomer firms might possess certain unique attributes, different from the traditional, firm specific O-advantages (Dunning, 2006); these include country-specific advantages (Dunning et al., 2008), institutions (Dunning and Lundan, 2008) and government support (Kalotay and Sulstarova, 2008; Ramamurti, 2008). These latter sources of competitive advantage are preponderantly attributed to EMNEs (Amighini et al., 2010) who, relative to their counterparts from advanced economies, do not often have avant-garde technologies, global brands, and extensive international experience (Ramamurti, 2012). For example, government support in the form of privileged loans, incentives, and favourable tax regimes (Child and Rodrigues, 2005; Buckley et al., 2007; Athreye and Kapur, 2009) has been highlighted as influential in the rise of Chinese MNEs and State-owned enterprises (Peng, 2002; Child and Rodrigues, 2005; Buckley et al. 2007; Li 2007; Buckley et al., 2008; Liu and Tian, 2008; Kim and Rhe, 2009; Ramamurti and Singh, 2009; Hong et al., 2014) as well as the competitiveness of firms from India, Singapore, Malaysia, and Thailand (Chittoor and Ray, 2007; Goldstein and Pananond, 2008; Athrey and Godley, 2009).

Much of the above-noted refinement of the OLI framework was driven by scholarly critique, including by emerging market MNE researchers. These researchers, for example, faulted the view of “O1” advantages as pre-conditions for OFDI activity (Goldstein, 2007), characterising it as more reflective of advanced economy or traditional MNEs, which dominantly focused on asset exploitation through market-seeking, resource-seeking and efficiency seeking FDI (Dunning, 1993). Asset exploration and augmentation, the argument goes, tends to be particularly relevant to strategic asset-seeking EMNEs (Mathews, 2002a; Luo and Tung, 2007; Gaffney et al., 2014), particularly as they move up the value chain into more complex and higher value-added activities. This explains their preponderant search for strategic assets, including knowledge, technology, intellectual property, brands or reputation or prestige (Moon and Roehl, 2001; Mathews, 2002a, 2002b, 2006a, 2006b; Aulakh 2007; Amighini et al., 2010; Chen et al., 2012). As Mathews (2002a, 2006b) argues in the now seminal Linkage-Leverage-Learning (LLL) framework, EMNEs typically accelerate their international expansion by pursuing collaborative linkages (e.g. joint ventures and alliances) with foreign companies, leveraging needed strategic assets, capitalising upon opportunities to upgrade their capabilities and international standing and learn about new sources of competitive advantage.

The foregoing should not be interpreted as implying that the FDI activities of EMNEs are underpinned only by strategic asset-seeking motivations. On the contrary, other classic FDI motivations, notably search for markets, resources and efficiencies, are also relevant (Svetlicic, 2004; Amighini et al., 2010; Yeganeh, 2016). Indeed, exploring new foreign markets to enhance competitiveness against domestic rivals, get closer to customers and gain knowledge about foreign markets is often a top priority even for EMNEs with sizeable and rapidly growing domestic markets (Liu and Tian, 2008; Athreye and Kapur, 2009). The literature, to be sure, offers countless examples of market-seeking FDI among EMNEs, including Chinese firms’ push into Japan and Southeast Asia ((Matsuno and Lin, 2003; Frost, 2004), Russian firms’ expansion into Eastern Europe (Vahtra and Liuhto, 2004) and South African MNEs’ expansion into other African markets (Klein and Wocke, 2007; Rolfe, Perri and Woodward, 2015; Ajai, 2015; Luiz, Townsend and Beswick, 2015; Vorheof, 2016). Resource-seeking motivations, notably the search for resources, including raw materials and labour (Makino, Lau, and Yeh, 2002; Cuervo-Cazurra, 2007; De Beule and Duanmu, 2012), are also amply illustrated by Chinese and, to a lesser extent, Indian FDI to Africa, Latin America and elsewhere (UNCTAD, 2003, 2004; Goldstein, 2003, 2006; Casanova, 2004; Gao, 2005; Goldstein, Pinaud, Reisen and Chen, 2006; Buckley et al., 2007). Although efficiency search tends to be of less importance to EMNEs - who typically enjoy lower cost-base via access to cheap labour, abundant natural resources, and government support -, rising competition in domestic and international markets appears to be changing this. There is evidence, for example, of EMNEs outsourcing to cut production cost (Sim and Pandian, 2007) or entering developed countries to capitalize on economies of scale (e.g. Tata Group’s acquisition of UK-Dutch steel group, Corus - Goldstein, 2008). Enhanced national prestige, or projecting national identity at the world stage, has further been identified as another important motivation among EMNEs, particularly those supported by their national governments (Gaffney et al., 2014).

Regarding the influence of FDI motivations on location choice, the literature suggests that MNEs with primarily market-seeking motives tend to prioritise market size indicators (e.g. population size) in their location decisions, while those with efficiency and strategic asset seeking motives may respectively prioritise production costs and the availability of suitable acquisition targets or assets (Giroud and Mirza, 2015). Further research indicates that developing economy MNEs with market-seeking motivations tend to gravitate toward more difficult institutional environments typically found in less developed countries, where their familiarity with poor institutional contexts, superior ability to manage uncertain, volatile, and even harsh business conditions (including weak infrastructure, health or security hazards, vague government policies, and erratic financial markets), or superior capacity to understand and adapt to local consumer needs and market requirements may offer some advantage over their advanced economy counterparts (Cuervo-Cazurra and Genc, 2008; De Beule and Van Den Bulcke, 2009; De Beule and Duanmu, 2012; Ramamurti, 2012; Rolfe, Perri and Woodward, 2015). Arita (2013) similarly points to shared institutional factors and socio-cultural proximity across developing markets in explaining the relatively higher presence of developing economy FDI in the Global South, e.g. the active presence of many Chinese and Indian multinationals in Africa (Cuervo-Cazurra, 2007; De Beule and Duanmu, 2012; De Beule and Van Den Bulcke, 2009). Theoretical explanations for the observed locational pattern reside within the institutional theory as well as the psychic proximity (Johanson and Vahlne, 1977) and demand similarity (Linder, 1961) models, since such markets tend to be better suited to the institutional, including cultural characteristics and resource profiles of developing economy MNEs (Kumar, 2008). On the other hand, developing economy MNEs that seek strategic assets appear to favour more advanced markets (Zeng and Williamson, 2004; Citigroup, 2005; UNCTAD, 2005; Goldstein, 2006; Amighini, Rabellotti, and Sanfilippo, 2010) – see for example, Pietrobelli et al. (2010) finding about China's Haier acquisition of a well-known brand and manufacturing and R&D facilities in Italy. This bi-directional tendency of EMNEs to concurrently enter advanced and developing markets (Guillén and García-Canal, 2009) to access catch-up strategic assets and markets respectively has recently been characterised as ambidextrous (Yeganeh, 2016).

With regard to the influence of FDI motivations on entry mode choice (broadly categorised into transaction-based collaborative modes and hierarchical wholly-owned modes - Madhok, 1998; Buckley and Casson, 1998; Cui and Jiang, 2010), the extant literature is far from conclusive. This reflects the susceptibility of the entry mode decision, not only to the MNE's strategic intent, but also to myriad of factors, including host government laws and increasingly complex global value chain relationships (Giroud and Mirza, 2015). That said, there is some evidence that EMNEs seeking strategic assets, more advanced markets, or closer customer relationships, to overcome or accelerate away from their latecomer disadvantages, tend to invest through collaborative modes such as alliances, mergers and acquisitions (M&A) (Mathews, 2006; Buckley et al., 2007; Goldstein, 2008; Liu and Tian, 2008; Rui and Yip, 2008; Schüler-Zhou and Schüller, 2009; Narula, 2010; Pietrobelli et al., 2010; Parente et al., 2013; Caiazza, 2016). Conversely, those seeking markets or resources in other developing countries frequently undertake wholly-owned green-field investments (Amighini, Rabellotti, and Sanfilippo, 2010), except in sectors where they are barred from wholly-owned ventures by host government laws (UNCTAD, 2007).

Overall, the extant literature points to the relevance of multiple motivations in explaining the FDI decisions, including locational and entry mode choices, of EMNEs (Von Keller and Zhou, 2004; UNCTAD, 2004, 2005a, 2005b; Das and Banik, 2015). Given the earlier noted paucity of systematic research on Africa's nascent MNEs, significant potential exists to further enrich the literature with insights on these newer MNEs' FDI motivations. The following research questions are thus posed:

Why do Africa's nascent MNEs undertake FDI activity? What main motivations?

How do FDI motivations influence the location and entry mode decisions of Africa's nascent MNEs'?

How different are the FDI motivations of Africa's nascent MNEs from those of their counterparts from emerging markets and advanced economies?

STUDY CONTEXT METHODOLOGY

Context

Consistent with the present study's interest in extending emerging MNEs' research into the scarcely investigated African region, data was obtained from financial services groups from West Africa. This region accounts for sixteen [1] of Africa's fifty-five countries [2], over a quarter of the continent's combined Gross Domestic Product (IMF, 2015b), and contributes significantly to its recent impressive GDP growth (averaged 5 per cent during 2001-2014 and 3.6 per cent in 2015, despite the collapse of commodity prices and the Ebola crisis - AfDB, 2016). The delineation of the empirical context as West Africa was to minimise the variations in financial systems across Africa (Beck and Cull, 2013) as well as acknowledge the study's exclusion of other sub-regions and their dominant economies. One such economy, South Africa, has a Stock Exchange and four largest banks that respectively account for about two-third of the total market capitalisation of Africa's listed companies and half of the total assets of Africa's top 100 banks (KPMG, 2013). The fact that all West African countries share membership of the Economic Community of West African States (ECOWAS), have appreciable level of income convergence, particularly within the West African Economic and Monetary Union zone (AfDB, 2016), and allow cross-border listings in their major stock exchanges further suggest the sub-region to be a somewhat cohesive context for empirical research.

The study's focus on financial service firms reflects the sector's status as a major source of Africa's OFDI and nascent multinationals (Ibeh, 2009, 2013; BCG, 2011; Ngwu, Adeleye and Ogbechie, 2014; Nartey, 2015) and a one of the continent's brightest prospects, with an extensive and unexploited growth potential (KPMG 2013). Buoyed by a growing middle class and consumer base, particularly in its major economies (notably Nigeria, South Africa, Egypt and Algeria), rising real GDP per capita, and vast 'unbanked' and increasingly urbanized population (KPMG, 2013; AfDB, 2016), the sector, especially its retail banking segment, is developing at pace and is projected to contribute 19 per cent of the continent's GDP by 2020 (KPMG, 2013). Many challenges, nevertheless, exist, including rising competition within the West African banking landscape, driven by the growing presence of subsidiaries of major global banks and pan African banks (IMF 2015b). For example, Nigeria, Africa's largest economy, is a key battleground, so is Ghana, which has seen an influx of foreign investing banks attracted by opportunities expected from its new oil economy. The relative small size of several of the sub-region's economies seems not to deter intra-African investments in these countries, which typically takes the form of acquisition of domestic banks mainly by pan-African groups from Nigeria, Togo, and Morocco (Infomineo, 2013). As Rolfe, Perri and Woodward (2015) suggest, market size is not a significant factor in the location model of African direct investors; they appear to welcome the relatively mild competition in such smaller markets and to view them not on individual or stand-alone basis, but as part of larger and integrated sub-regional markets.

Also, although barriers to entry into retail banking across Africa have been reduced by significant macroeconomic reforms, financial liberalization and institutional, structural, policy and regulatory upgrades (African Business, 2011; Ernst and Young, 2012; KPMG, 2013; Beck and Cull, 2013; AfDB, 2016), costs of cross-border expansion are still compounded by the lack of information-sharing and regulatory harmonization and differing levels of adoption of Basel III among African economies (Euromoney, 2015, IMF, 2015a). As AfDB (2016) notes, Africa, despite recent trade liberalisation, still has high tariff and non-tariff barriers, regulatory and structural impediments and fragmented financial markets that hinder foreign investment (AFDB, 2016). The bifurcation of the West African banking landscape into Anglophone and Francophone systems (the latter share a common currency, an Economic and Monetary Zone, UEMOA, and a common regulator, Central Bank of West Africa States) has not helped the integration cause. Other notable challenges include the absence of policy framework for outward FDI; restrictions on capital outflows and profit remittance; specification of minimum capital threshold for foreign investment; requirement for local listing of some of the investing bank's shares to ensure local participation (EIU, 2013); physical and legal impediments to regional integration, including inadequate infrastructure, non-harmonization of custom procedures and investment regimes and minimal implementation of policies and protocols agreed by Africa's many regional and sub-regional bodies, such as ECOWAS, East African Community (EAC), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and the pan-African Parliament, to foster intra-African investments (Ibeh, 2013).

Methodology

Data pertaining to the earlier outlined research questions were obtained using a qualitative case study approach, a well-established research strategy for addressing 'why' and 'how' questions, whose potential benefits, notably data richness, depth and quality, typically compensate for such known shortcomings as limited representativeness and generalisability (Miles and Hubermann, 1994; Yin, 2003). The approach also responds to repeated calls for more qualitative designs in international business research (Ghauri, 2004), redresses the severely limited extant knowledge on African MNEs, and has been employed successfully in studying emerging multinationals from other regions (e.g. Salas-Porrass, 1998; Bartlett and Ghoshal, 2000; Sim and Panadian, 2003; Zhang, 2003; Del Sol and Kogan, 2004; Parada, Alemany and Plenalles, 2009). To ensure good case research protocols and minimise associated weaknesses, the following procedural steps were implemented.

First, reflecting the best practice literature, a multinational enterprise (MNE) – the study's unit of analysis – was defined as an enterprise that comprises entities in more than one country and operates under a system of decision-making permitting coherent policies and a common strategy (UNCTAD, 2008). The entry threshold was, however, tightened by focusing only enterprises that have undertaken foreign direct investment (FDI) and own or control value-adding activities in at least two countries outside their home market. Though not without limitations, this operational definition is deemed sufficient for the exploratory nature of the present study.

Second, the study was focused on a pair of financial services groups from West Africa that could be 'matched' on several potentially significant dimensions. The choice of comparably-sized MNEs operating in the same industry in the same region served to 'control' for possible industry effects, and "hold many factors constant" (Buck et al., 2000, p286). In Yin's (2003) terms, this amounts to 'theoretical replication logic'. The multiple case approach adopted ensures that findings cannot be dismissed as resulting from one idiosyncratic setting (Miles and Hubermann, 1994).

Third, taking advantage of the flexibility of the case approach, data from multiple sources was used (Yin, 2003). Qualitative face-to-face interviews served as the primary data collection technique (Yeung, 1995), since the study sought to develop “a genuine understanding of the world views of members of a social setting” (Bryman and Bell, 2007, p477). Specifically, Regional Manager-level key informants (Philips, 1981) of the selected financial services firms were interviewed to uncover the underlying motivations for their FDI decisions. Interviews were based around a topic guide informed by the literature review, with specific questions relating to underlying motivations for FDI activity, location and entry mode decisions. The two interviews were conducted by the second-named author in English language, which is the business language in the study context. They were also recorded and later transcribed by the same author. The study also drew on secondary data from multiple sources, including company websites and reports and business press, to complement material obtained from the interviews. This enabled the triangulation of data (Yin, 2003), lessened respondent bias and increased validity and reliability of our evidence base (Ghauri and Gronhaug, 2002).

Fourth, the data generated were subjected to content analysis – a valid and widely employed method of developing an objective and systematic description of the manifest content of qualitative and archival data (Holsti, 1968, Aronoff, 1975; Bartunek, Bobko, and Venkatramen, 1993; Sydserff and Weetman, 2002). This entails transcribing, organising and categorising the interview data into relevant themes (Sinkovics, Penz and Ghauri 2008) identified from the earlier stated research questions. The particular form of content analysis adopted was the meaning-oriented analysis, which requires the researcher to focus on the underlying themes in the observed data, matching appropriate content with the pre-formulated research questions, and interpreting the findings accordingly (Aronoff, 1975; Sydserff and Weetman, 2002). This meaning-oriented analysis is more amenable to an issue-by-issue presentation approach as it allows for a judicious use of exact quotes from the study firms to address the explored research questions (Miles and Hubermann, 1994; Yin, 2003). Both within-case and cross-case analysis (Eisenhardt, 1989) were undertaken.

ANALYSIS AND FINDINGS

Profiles of the Case Study Firms

The MNEs investigated here are two financial service firms from West Africa, hereinafter referred to as Company A and Company B. These study subjects are briefly profiled below (see also Table 1).

Table 1 about here

Company A was established in 1985 by private and institutional investors from several African countries and it employs 20,331 staff in 1250 branches across 36 African and 4 non-African countries. The incepting vision, according to one of the founders and former chair, was for a home grown regional financial institution to foster collaboration between the French and English speaking West African countries as well as promote trade, financial and economic integration and development within the region. The founders also envisioned an institution belonging to no country and whose headquarter location was to be decided based on prospective host governments' readiness to guarantee an international status, freedom of movement of capital and other favourable terms; these terms were reportedly agreed by Togo and backed up by an act of the country's parliament (Anonymous, 2014c). The original regional vision later evolved into a pan-African one, propelled mainly by the company's second CEO, who saw an *African opportunity* and went after this target ahead of competitors.

Ranked Number 1 by assets in seven African markets and top 3 in fourteen others, and listed in three West African Stock Exchanges, Company A has expanded mainly through majority stake acquisitions, specifically the acquisition of existing banks. Its earliest FDI activity was undertaken in 1989 while the latest, the acquisition of a 96% stake in Banco ProCredit Mozambique, occurred in April 2014. The company's revenue for 2014 was USD2.3 billion, a 46 per cent increase over the previous year and a near quadrupling of its 2008 figures. Profit before tax also rose by 135 per cent to USD520 million in 2014– see Table 1 for the contributions of the company's major geographic clusters. With an asset base of USD24 billion and Tier 1 capital of USD3 billion, Company A has won several prestigious awards and has for the past several years been included among the world's 500 top banks by the FT Banker Magazine. As its interviewed manager remarked, we are "…the dominant bank in Africa and we have the largest branch network across the continent".

Company B was founded in 1894 and is reportedly the most diversified financial service group in West Africa, with interests in commercial and investment banking, asset management, insurance and other financial services. It employs 10,464 staff in 862 business locations across 12 countries, including eight African and four non-African markets. The first FDI activity was undertaken in the UK in 2002, while its latest investment in Senegal in 2014 completed the firm's acquisition of the operations of Switzerland's ICB Financial Group Holdings in five West African countries.

Company B's revenue for 2014 is USD2.64 billion [3], a 21.3 per cent increase from the previous year, with 8.8 per cent of these coming from international subsidiaries. Profit before tax for the same period was USD511 million. Listed in the Nigerian Stock Exchange and London Stock Exchange (for Global Depositary receipts' trading), Company B has won several prestigious awards and is regularly ranked among the world's top 500 banks by the FT Banker magazine. As this company's interviewee noted, "we started over 120 years ago and have moved forward from being a local bank here to establishing presence in many African countries." This company's rather late internationalization arguably reflects the relative recency of outward FDI activity for African companies originating outside South Africa and North Africa. The earlier discussed dynamics in B's sectoral, national and regional contexts, notably the recent sustained economic growth levels achieved by SSA economies, improving financial, regulatory and policy environments, and the presence of the Company B's domestic customers and competitors in several sub-Sahara African markets (KPMG, 2013; Beck and Cull, 2013; AfDB, 2016) would appear to have influenced their recent spirited international expansion.

Motivations for Undertaking FDI

To explore the study's first research question, the interviewed managers were asked to comment on the underlying motivations for their company's initial and subsequent foreign direct investment operations.

The Company A's interviewee pointed to "the need to capture the African market and have a large market share in the African market….(as) the main focus of the bank". This apparently reflects the company's mission "to build a world-class pan-African bank and contribute to the economic and financial integration and development of the African continent" (Anonymous, 2014a, p4), a mission which seems to have evolved from the company's earlier noted founding vision for a home-grown financial institution to foster financial and economic integration and development within the West African region.

Evidence further suggests that having expanded across African markets and beyond, Company A has increasingly focused on consolidating, synergizing and leveraging its pan-African footprint and technology platform to deliver greater efficiencies and returns (African Business, 2015) by, for example, by taking advantage of the so-called "network advantage" to transact swiftly and securely across 36 countries (Anonymous, 2014a, p35). This has become particularly important given the need to justify their market-seeking activities in relatively small African markets, outside of the dominant few that account for more than half of the region's collective GDP (IMF 2015b). As this company noted, "our diversified, pan-African model means that we are able to leverage off our presence in other markets when things begin to weaken elsewhere" (Anonymous, 2015a, p24). There is also some suggestion of a shift in focus from geographical expansion to the optimisation of existing African footprint and probable retrenchment of non-performing markets. As a company source observed:

> Going forward, our focus will be to play to our strengths in terms of generating enhanced returns, exiting unprofitable markets and leveraging digital channels to improve profitability... (Anonymous, 2014a, p22)

The foregoing suggests the increasing importance of efficiency considerations in driving Company A's FDI activities.

> Regarding Company B, evidence also suggests that the decision to expand its footprint beyond the home borders, particularly across sub-Saharan Africa, was motivated by the need to diversify and broaden its geographic earnings profile and minimise country-specific risks, through supporting customers' trade requirements, including for intra-African trade (Anonymous, 2013). The basic reason, as observed by the interviewed manager, "is to increase our spread…and to grow". For example, the company's recent acquisition of the five ICB Banks in West Africa extended their bouquet of products and services to these markets (Anonymous, 2014b, p17), which reflects an underlying market-seeking motivation:…this transaction provides an immediate and strong platform for regional market entry ...We are committed to taking a disciplined approach to establishing a broader pan-African footprint...We believe international expansion can offer a range of benefits, including new growth options, wider customer benefits, broader geographic earnings profile, reduced country specific risk towards creating further value for shareholders (Anonymous, 2013, p25)

The Company B's interviewee offered another perspective on firm's market-seeking motivation, linking it to the need to attract more customers and improve accessibility and convenience through "globalization of services". This interviewee noted thus:

> The bank is in the service industry and …(although) the world has become a global village where you can at a touch of the screen do something, in banking, there is still that touch point that you need. Some people will tell you that banking is based on personal relationship. They go to a bank where they know a friend or a relation or somebody they can rely on. So there is really need for touch points to be everywhere

> because those touch points create convenience for the customer. So it is actually to establish our presence in other countries that will make banking more convenient and more accessible to customers that actually informed that decision. Another basic reason is that the way the industry is going you cannot be an armchair banker and meet your target. You must go out look for customers and going out include going to other countries. That helps to garner more strength, and that helps to solidify the bank.

There is further evidence that, like the other study firm, Company B's foreign direct investment activity appears to have an efficiency-seeking sub-theme. This is suggested by its increasing deployment of integrative mechanisms and technology platforms to leverage economies of scale, drive for operational excellence and efficiency, and capture value "through seamless integration of newly acquired subsidiaries".

The foregoing analysis suggests the FDI activities of the explored MNEs to be primarily underpinned by market-seeking motives, with customer relationship, efficiency and mission-driven motivations as important sub-themes. Market-seeking motivations are indicated not only by the observed push for market share mainly across Africa, but also by the focus, particularly of Company B, on facilitating accessibility and customer convenience through "stamping our foot physically in other countries" and servicing the trade requirements of an increasing number of their business customers operating across borders. Arguably also, this company's later expansion to African markets and choice of South Africa as its first intra-regional market suggests a focus on the size of market opportunity, a consideration which seems less obvious in Company A's case given its presence in several relatively small African markets. However, it would appear, based on A's expansion phases outlined in Table 2a, that it views these markets, at least initially, not on individual or stand-alone basis, but as part of larger and integrated sub-regional markets. That this approach is not unique to Company A is suggested by a recent finding by Rolfe, Perri and Woodward (2015) that market size is not a significant factor in the location model of African direct investors who appear to welcome the relatively mild competitiveness of such less sought after markets.

The above noted commitment to availing customers of convenient physical touch points echoes Caiazza's (2016) finding among Chinese financial service MNEs and reflects a complementary relationship-seeking orientation - a perspective further exemplified by the study firm's observed focus on developing relationships with individuals and organisations outside Africa that have current or historical links with Africa, or are seeking to initiate such links (see also Boojihawon and Acholonu, 2013). Furthermore, the rising emphasis by the explored firms on leveraging their African footprints for operational excellence and efficiency gains points to the increasing importance of efficiency-seeking motives. This also suggests that the study firms may be replicating the historical evolutionary pattern exhibited by traditional MNEs in their FDI motivations, that is, from being mainly market-seeking during the first period, to efficiency and strategic asset-seeking in the second and third period respectively (Giroud and Mirza, 2015).

FDI Location Decisions

To address the second research question regarding how FDI motivations influence location decisions, the interviewed managers were asked to explain their companies' FDI location decisions. It emerged that both study firms, identified by preceding analysis as primarily market-seeking, overwhelmingly favoured FDI locations within sub-Saharan Africa: 36 African and four non-African markets for A and eight African and four non-African markets for B. As Table 2a below shows, Company A internationalized early and in phases, from key West African markets through to Francophone West Africa, Central, Eastern and Southern Africa, and then selected markets outside the continent. Company B, on the other hand, commenced its rather late internationalization journey outside the region and is currently present in eight African markets.

Insert Tables 2a and 2b about here

The Company A's interviewee underlined the organisation's emphasis on capturing African markets, noting that "our focus is mainly and always on the African continent" and offering "investors unparalleled access to sub-Sahara African banking opportunity". This manager also commented on the company's use of appropriate evaluation criteria to select the most suitable African countries to enter, thus:

> …to select the particular African countries to invest in, we consider factors such as the population of the country, government policies and political stability, security and profitability; these are the major factors we consider. The most important factor in going abroad is how profitable is that market.

Evidence, indeed, points to a deepening of Company A's focus on sub-Saharan Africa and its adoption of a more nuanced, opportunity-focused approach to selecting specific markets and segments. A recent strategic shift has seen the company streamline its geographic market clusters, entailing, *inter alia*, the reinforcement of the company's leadership position in 10-12 African countries, prioritization of selected segments in another 15 African countries, and further investigation into its prospects and presence in the remaining countries. As the company noted, "while we look to maintain market share in the west (Africa), we will also need to become a major player in the east, so we may invest more into Kenya." (Anonymous, 2015b, p72)

Company B also appears to be essentially focused on "establishing presence in select Sub-Saharan African countries that are of interest". This, the interviewed manager noted, is "…because Africa is our continent". Within this context, the company seems to have embraced a strategic approach to selecting country markets, with emphasis on matching company strengths and resources with the potentials of the optional countries. A recent exercise reportedly involved a detailed and extensive review of potential new markets and approval by the company's board of a shortlist of countries over the medium to long-term. The evaluation process was guided by market opportunity indicators, including levels of banking penetration and financial system development, levels of income and opportunities in the retail and corporate sectors, availability of natural resources typically requiring significant funding, presence of home country businesses requiring support, and political stability (Anonymous, 2013, p10). Commenting on its recent FDI location decision, the company noted thus:

> Each of the countries has peculiar opportunities that made us go there... So what we do is that we study each of these countries and their peculiarities and look at the strength they have…the Senegal's business climate is conducive to a proven record for attracting large foreign direct investments. The country's low banking penetration, strong prospects for economic growth, and political stability are its strongest selling points. Ghana is seen as a priority country due to its strong economic potentials, stable political landscape and available opportunities in the banking and oil and gas sectors (Anonymous, 2013).

The foregoing evidence points to a preponderant focus on geographically, psychically, and institutionally proximate sub-Saharan African markets by the study's market-seeking MNEs. This aligns with previous evidence from emerging market FDI location research that developing economy MNEs with market-seeking motivations tend to target less developed country markets, which seem better suited to their institutional and resource characteristics (e.g. Cuervo-Cazurra and Genc, 2008; Kumar, 2008; Arita, 2013). The present study was, however, unable to assess previous research evidence that strategic asset-seeking EMNEs favour more advanced markets (Zeng and Williamson, 2004; Citigroup, 2005; UNCTAD, 2005; Goldstein, 2006; Amighini, Rabellotti, and Sanfilippo, 2010; Pietrobelli et al. 2010) as strategic asset-seeking motives were not observed among the study firms. What can be posited is that the MNEs explored in the present study appear, at least latterly, to be evolving toward a more nuanced and layered location decision approach, which prioritizes sub-Saharan African markets, but selects particular country markets based on factors such as population size and market stability, security and profitability. The literature suggests these criteria to be particularly influential in the FDI location decisions of market-seeking MNEs. Giroud and Mirza (2015), for example, noted that MNEs with primarily market-seeking motives tend to prioritise market size indicators (e.g. population size) in their location decisions, while those with efficiency and strategic asset seeking motives may respectively prioritise costs of production and the availability of suitable acquisition targets or assets.

Entry mode Decisions

Regarding entry mode decisions, previously noted evidence suggests a preference for the acquisitions of existing entities by the study firms – see Tables 2a and 2b.

Company B explained its acquisition-based entry into Congo as motivated by the need to hit the ground running within the shortest possible time, whilst also obviating some of the legal and regulatory issues associated with foreign investment. The interviewed manager noted thus:

> The bank we took over in Congo…has one of the highest number of customers. Because you cannot beat them without customers …you see them as a threat… so the strategy we used there is actually an acquisition so that we will have the base of somebody that is already on ground, then modify the strength of that organization like in this case, customer strength, then add service delivery and product offering to it to get to where we are. So that was our strategy in Congo…Everybody knows that as you go from one country to the other there are legal and international issues to resolve.

This company's recent 100 per cent acquisition of the Swiss ICB's operations in five West African countries was also reportedly driven by the opportunity to enter multiple markets within the region in an organised manner and under one franchise. As the interviewed manager observed, the "transaction provides an immediate and strong platform for regional market entry through a brownfield transaction…"

The company further explained that the acquisition mode "presents a cost-effective strategy", since a green-field investment "would be more expensive, more time consuming and unavailable in some countries like Ghana". By gaining full controlling interest and strategic control, Company B was able to consolidate the target subsidiaries' earnings, whilst also deploying its group-wide innovation project to craft a new growth path, break new grounds, open new frontiers and unearth newer significant revenue streams (Anonymous, 2014b, p16).

Company A also explained their predominant use of acquisition method as guided by the need to achieve the company's "strategic goal of increasing market share", further noting that:

> the acquisition will create a leading financial services institution with strong market share in all metrics and a powerful distribution network (Anonymous, 2011).

The foregoing evidence, particularly the recurring references to increasing market share, hitting the ground running, entering multiple markets in an organised manner, and opening up new frontiers, suggests that the study firms were primarily motivated by market-seeking reasons in their entry mode choices. Their observed preference for mergers and acquisitions (M&A) – used in 24 African markets by Company A and 6 African markets by B – reflects the favoured entry modes of South African MNEs expanding into other African countries (Vorheof, 2016). Probable explanations for this may include the relatively modest cost of acquiring businesses in other African countries and the regulatory challenges involved in acquiring banking licence in African countries, a point repeatedly alluded to by Company B above and which exemplify the kind of regulatory impediments (EIU, 2013; AfDB, 2016) discussed earlier under the Study Context. Support appears not to exist, however, for previous evidence from wider EMNE research that market-seeking developing country MNEs tend to favour wholly-owned green-field investments when investing in other developing countries (Amighini, Rabellotti, and Sanfilippo, 2010). In another departure from the literature, both study subjects have tended to undertake wholly owned green-field investments, *albeit* the less resource-demanding type, in more advanced non-African markets, rather than the collaborative modes suggested by some previous research (Amighini, Rabellotti, and Sanfilippo, 2010). The observed lack of support arguably reflects the earlier noted inconclusive nature of the research evidence regarding the influence of FDI motivations on entry mode decision (Giroud and Mirza, 2015).

Table 3 about here

SUMMARY, DISCUSSION AND IMPLICATIONS

This paper draws on case study evidence to explore the dominant motivations for the foreign direct investment activities, including location and entry mode decisions, of nascent MNEs from West Africa. It contributes in a number of ways, notably providing fresh empirical evidence on this rarely studied category of developing world MNEs and extending the geographic compass of research on FDI motivations. The study also identifies some distinctive aspects of the explored MNEs' FDI behaviour as well as convergences with their advanced economy and emerging market counterparts.

Analysis evidence points to the primacy of market seeking motivations in explaining the FDI activities of the investigated MNEs. The initial trigger and overarching FDI motivation was the search for new cross-border market opportunities, but relationship, and efficiency seeking considerations also emerged as important sub themes; the latter seemed particularly relevant for subsequent rather than initial FDI activities of the MNEs studied. It further emerged that these primarily market-seeking MNEs preponderantly favoured geographically, psychically, institutionally proximate sub-Saharan African markets, and appear to select particular country markets based on market size indicators and opportunity-risk profiles. Evidence also reveals a preference for transaction-based acquisition entry modes, with green-field investments only employed in a handful of cases, mainly in more advanced non-African markets.

The foregoing summary findings should be considered tentative, particularly given the present study's reliance on a few case study firms. They, nevertheless, raise a number of important issues, which are now discussed.

First, the overarching market-seeking motivation reflects an essential tendency among MNEs to pursue market and customer base expansion through foreign direct investments. This appears to be the case with the explored nascent MNEs from West Africa. However, unlike their advantage-laden and better resourced counterparts from more advanced economies, the present study firms' market-seeking FDI does not appear to be driven by asset exploitation reasons. It is also not explained by asset exploration considerations often associated with strategic asset-seeking EMNEs (Mathews, 2002a, 2006a). One major impetus revealed by study evidence was the founders' vision to create a regional financial institution and later a pan-African champion, a vision supported by institutional shareholders, including national and regional governments, organised private sector bodies and supranational organisations. This observation points to a mission-driven FDI motivation previously unheralded in the literature. Though not conceptually far removed from the motivation underpinning the aggressive internationalization of state-owned or state-sponsored emerging economy MNEs, the observed mission-driven motivation uniquely reflects the vision of private sector founders rather than the policy aims of national governments or their agencies. Previous studies among EMNEs, particularly Asian ones (Child and Rodrigues, 2005; Buckley et al., 2007; Goldstein and Pananond, 2007; Dunning and Lundan, 2008; Kalotay and Sulstarova, 2008; Ramamurti, 2008; Athreye and Godley, 2009; Kim and Rhe, 2009), attribute such MNEs with typically more support from their home governments than their African counterparts.

Second, the observed importance of relationship and efficiency-seeking sub-themes reinforces the narrative of multiple FDI motivations associated with traditional MNEs (Dunning, 1993, Giroud and Mirza, 2015) and EMNEs (Von Keller and Zhou, 2004; UNCTAD, 2004, 2005a, 2005b; Das and Banik, 2015), and suggests the continuing relevance of classic FDI motivations in our increasingly complex, multi-polar world (Giroud and Mirza, 2015). The relationship seeking motivation echoes recent evidence among Chinese financial service firms (Caiazza, 2016), and points to additional similarities between the explored nascent MNEs and their emerging market counterparts. This finding also makes sense given that the focal industry, more than most, typifies the service (and relationship) dominant logic popularised by Vargo and Lusch (2004). It should be further noted that the heightened influence of efficiency considerations at the latter stages of the explored MNEs' FDI journey points to the gradual maturing of Africa's nascent MNEs. It also reflects the dynamic nature of FDI motivations, as suggested by their earlier described historical evolution, from a dominant market-seeking era to efficiency and strategic-asset seeking epochs (Giroud and Mirza, 2015). The nascent MNEs explored in the present study seem to be following this evolutionary pattern, unlike some EMNEs that seek accelerated access to strategic assets via FDI (Mathews, 2002a, 2006b).

Third, the observed preference for psychically and institutionally-similar African countries by the study subjects supports previous evidence from emerging market FDI location research that market-seeking developing country MNEs tend to target less developed country markets, which seem better suited to their institutional and resource characteristics (e.g. Cuervo-Cazurra and Genc, 2008; Kumar, 2008; Arita, 2013). This essential focus on regional markets seems intuitively sensible at this nascent stage of development of African MNEs' development as it is consistent with the demand similarity model (Linder, 1961) and the incremental, risk-minimising psychic and institutional proximity notions (Johanson and Vahlne, 1977; Yeung, 1999). More broadly, it aligns with Rugman's contention that a vast majority of international companies, including traditional MNEs, are regionally focused rather than global, as only a handful meet the threshold of having a quarter of their revenue, employment and assets outside of their home region (Rugman, 2003; Rugman and Verbeke, 2004). Again, the above pattern appears inconsistent with the behaviour of strategic asset-seeking EMNEs, who reportedly exhibit a more global outlook in their location of FDI activities (Mathews, 2006a, 2006b).

Fourth, the observed preference for the acquisition entry mode by the explored firms reinforces previous research evidence that emerging market MNEs prefer non-organic collaborative entry modes such as alliances and acquisitions (Rui and Yip, 2008). This arguably reflects the 'leverage' dimension of Mathews' LLL framework (Mathews, 2006a) and underscores the importance placed by EMNEs on leveraging the assets, networks and facilities of acquired entities to mitigate their liability of foreignness and achieve speedy take-off in new markets. The widespread use of majority stake and wholly-owned operations also suggests a priority focus on strategic control of international operations. However, the present study's evidence does not bolster the view that market-seeking EMNEs tend to favour green-field investments in other developing country markets (Amighini, Rabellotti, and Sanfilippo, 2010). On the contrary, the explored nascent MNEs largely undertook green-field investments, *albeit* low resource-demanding types, in non-African markets.

The above reference to resources draws attention to the most pervasive of the fault lines between Africa's nascent MNEs and their advanced economy and emerging market counterparts, which perforce impacts the study firms' FDI motivations. Having neither the entrenched firm-specific advantages and broadly positive country-of-origin perceptions of their advanced economy counterparts, nor the government-augmented resource position of their emerging economy, particularly Asian, counterparts, the present study firms appear to have shied away from costly strategic-asset seeking FDI (Mathews, 2002a; Gaffney et al., 2014). This relatively modest resource position may also explain their minimal engagement in flag-flying, prestige seeking investments, in contrast to EMNEs, particularly state-owned enterprises (Hong et al., 2014). It also arguably explains the largely nominal presence of the explored nascent MNEs in advanced markets, as reflected in an interviewee comment that "offices outside the continent are just representative offices". Lacking, thus, the global resonance and resource base of their traditional and emerging market counterparts and unfettered by the dictates of global value chain partners (Giroud and Mirza, 2015), the present study firms appear to have embraced their role as regional FDI players, actively seeking market opportunities, and ancillary relationship and efficiency-seeking aims, across Africa.

Managerial and Policy Implications

The challenge and clarion call for Africa's nascent and potential MNEs, going forward, is to continue to strengthen their positions across African markets. This echoes the conclusion of a recent UNCTAD investment strategy, which counsels growth-seeking companies to target regional market opportunities as a learning platform for future expansion into more challenging global markets (UNCTAD, 2008). Thus, by initially extending their investment footprints to other African markets, these MNCs may be signalling a strategic intent to upgrade their knowledge base and skills-set and strive for future global competitiveness. This evolutionary path is consistent with the learning-by-doing and 'stage'-based approaches observed among earlier generations of Third World Multinationals (Lall, 1983; Wells, 1983; Tolentino, 1992).

Yet, even as they strive to lead across African markets, the continent's population of emerging MNEs must focus priority attention to augmenting their limited resource and capability profiles. This entails, *inter alia*, learning key lessons from their traditional and emerging market counterparts, tapping into their global diaspora networks for managerial talent, knowledge assets and investments, and collaborating with suitable entities to establish satellites or outposts for further international expansion.

Policy makers are urged to support the observed market-seeking motivations of Africa's nascent MNEs on the understanding that they are, based on theory, bound to be supplanted by higher order FDI motivations (Giroud and Mirza, 2015). The above noted regional focus also merits support given its potential impact on the emergence of more integrated African markets, with the size, scale and growth opportunities to sustain larger enterprises. Increased intra-African investments may also lead to significant job creation, knowledge transfer and even infrastructure development in markets, which are typically deemed minimally attractive by major global MNEs. This offers the best chance of sustaining the laudable presence of nascent MNEs in post-conflict or fragile African markets, and mitigating threats to such presence that may arise, for example, from the geographic footprint optimisation signalled by one of the study firms. Policy response is also urgently required to mitigate immediate threats to African MNEs' pan-African expansion, notably the transfer of macro-financial or systemic risks across countries which may arise from shortcomings in cross-border regulation and transparency-promoting oversight (IMF, 2015a).

The foregoing steps are particularly important given the imperative of mobilising Africa's private sector to boost its contribution toward meeting the continent's substantial developmental challenges. Although not always consistent, previous studies on the impact of FDI on home economies, including from developing economy MNEs operating in other developing countries (Tolentino, 1992), largely suggest favourable net effects on employment, technological and managerial knowledge (Buckley et al., 2007; Moran, 2007). This notion of FDI-driven economic transformation broadly aligns with earlier theories at the FDI-economic development nexus, notably the *Investment Development Path* and the *Flying Geese model* (Ibeh, 2009).

Future Research

The present study's limited empirical base reflects the extra layers of difficulties associated with undertaking field work in Africa, and underscores the need for more substantive, larger scale, research effort to further illuminate the issues investigated. Such future work should assess propositions derivable from the present study (see Table 4), including the susceptibility of African MNEs to multiple FDI motivations, notably mission-driven motivation; the minimal relevance of strategic asset and prestige seeking motivations; and the observation that market-seeking African MNEs tend to invest in psychically and institutionally similar economies and are unlikely to be driven by asset exploitation reasons. Additional themes that may be assessed include the preference by African MNEs for non-organic collaborative entry modes and strategic control of FDI operations.

Table 4 about here

NOTES

[1] These include the English-speaking Nigeria, Gambia, Ghana, Liberia, Sierra Leone; and the French-speaking Benin Republic, Burkina Faso, Cape Verde, Cote d'Ivoire, Guinea, Guinea-Bissau, Mali, Niger, Senegal, Togo and Sao Tome and Principe.

[2] In addition to the above, Africa's fifty five countries include Angola, Botswana, Lesotho, Madagascar, Malawi, Mayotte, Mozambique, Namibia, Zambia, Zimbabwe, South Africa, Swaziland (Southern Africa), Cameroun, Central African Republic, Chad, Comoros, Congo DR, Congo Brazzaville, Equatorial Guinea, Gabon, Zaire (Central Africa), Burundi, Djibouti, Eritrea, Ethiopia, Kenya, Mauritius, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Tanzania, Uganda (East Africa), Algeria, Egypt, Libya, Mauritania, Morocco, Tunisia (North Africa Arab countries),

[3] The Nigerian Naira exchange rate as at Dec 31, 2014 was N1 to USD.0055.

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NASCENT MULTINATIONALS FROM WEST AFRICA: ARE THEIR FOREIGN DIRECT INVESTMENT MOTIVATIONS ANY DIFFERENT?

Table 1: Profiles of the Explored Multinationals

	Company A	**Company B**
Industry	Financial Services	Financial Services
Established	1985	1894
Employees (2014)	20,331	10,464
Physical Network (2014)	1,250+ branches and 2,690 ATMs	862 business locations and 2,597 ATMs
Performance Indicators/ Metrics (2014)	Earnings USD2.3bn Total Assets USD24.2bn Profit before Tax USD520m Tier 1 Capital USD3bn Customers 11m	Earnings USD2.6bn Total Assets USD23.65bn Profit before Tax USD520m Tier 1 Capital $2.072bn Customers 9.7m
International Performance Indicators (2014)	Earnings and profits by clusters: Nigeria: USD989m & USD224m; Francophone West Africa: USD472m & USD141m; Rest of West Africa: USD382m & USD176m; Central Africa: USD 199m & $57m; East Africa: USD85m and USD1m; Southern Africa: USD102m & USD16m; International: USD28m & USD10m	Percentage growth in selected subsidiaries: UK: 20.6% & 21.0% (earnings and profits); Ghana: 342.6% & 253% (earnings and profits); Democratic Republic of Congo: 16% & 21% (earnings and total assets); Gambia: 13.3% and 12.6% (total assets and customers' deposits).
Accolades (selected)	Retail Bank of the Year 2015 (Global Retail Banking Awards) African Banker of the year 2015 (CEO) (Banker Magazine)	Best Bank brand, 2012-2015 (Banker Magazine) Most Innovative Bank, 2014 (EMEA Finance)

Source: Collated from various sources

Table 2a: FDI Locations and Modes of Company A

Phase/Date	Country	Region*	Mode
Initial phase (mainly key West African markets), 1988 -1990	Togo	Western Africa	M&A (82%)
	Nigeria	Western Africa	WOS
	Cote d'Ivoire	Western Africa	M&A (94%)
	Ghana	Western Africa	M&A (69%)
	Benin	Western Africa	M&A (79%)
Second phase (mainly Francophone West Africa), 1998-2001	Burkina Faso	Western Africa	M&A (85)
	Guinea	Western Africa	M&A (83)
	Liberia	Western Africa	M&A (96)
	Mali	Western Africa	M&A (93)
	Niger	Western Africa	WOS
	Senegal	Western Africa	M&A (80)
	Cameroon	Central (or Middle) Africa	M&A (80)
Third phase (mostly Central/Eastern Africa), 2006-2009	Sierra Leone	Western Africa	WOS
	Chad	Central Africa	M&A (74)
	Central African Republic	Central Africa	M&A (75)
	Sao Tome and Principe	Central Africa	M&A (99)
	Congo Brazzaville	Central Africa	M&A (89)
	Dem. Rep. of Congo	Central Africa	WOS
	Malawi	Eastern Africa	M&A (90)
	Rwanda	Eastern Africa	M&A (91)
	Guinea Bissau	Western Africa	WOS
	Burundi	Eastern Africa	M&A (75)
	Cape Verde	Western Africa	M&A (94)
	Gambia	Western Africa	M&A (97)
	Kenya	Eastern Africa	M&A (97)
	Gabon	Central Africa	M&A (75)
	Uganda	Eastern Africa	WOS
	Tanzania	Eastern Africa	WOS
	Zambia	Eastern Africa	WOS
Fourth phase (mostly Central/Eastern Africa), 2009-2014	South Africa	Southern Africa	Rep. Office
	Angola	Central Africa	Rep. Office
	Zimbabwe	Eastern Africa	M&A (81)
	Equatorial Guinea	Central Africa	M&A (60)
	Ethiopia	Eastern Africa	Rep Office
	South Sudan	Eastern Africa	WOS
	Mozambique	Southern Africa	M&A (96)
Inter-continental Expansion, 2009-2014	France		M&A (89)
	UAE		Rep. Office
	China		Rep. Office
	UK		Rep. Office

Source: Collated from various sources. *UN Composition of Geographical Regions

Table 2b: FDI Locations and Modes of Company B

Phase/Date	Country	Region*	Mode
First phase, (mainly Inter-continental Expansion), 2002-2009	UK South Africa France China United Arab Emirates	Western Europe Southern Africa Western Europe South Asia West Asia	WOS Representative Office Branch Representative Office Representative Office
Second phase (Central and Western Africa), 2011-2014	Dem. Rep. of Congo Guinea Gambia Sierra Leone Ghana Senegal	Central Africa Western Africa Western Africa Western Africa Western Africa Western Africa	M&A (75%) Acquisition (100%) Acquisition (100%) Acquisition (100%) Acquisition (100%) Acquisition (100%)

Source: Collated from various sources. *UN Composition of Geographical Regions

Table 3: Sample Quotes on the explored Research Themes

	Company A	Company B
Motivations for Undertaking FDI	"The need to capture the African market and have a large market share in the African market… is the main focus of the bank".	"Banking is based on personal relationship... so it is actually to establish our presence in other countries that will make banking more convenient and more accessible to customers that actually informed that decision… You must go out to look for customers and going out include going to other countries". "… We are committed to taking a disciplined approach to establishing a broader pan-African footprint".
Motivations for FDI location decisions	"our focus is mainly and always on the African continent" and offering "investors unparalleled access to sub-Sahara African banking opportunity". "While we look to maintain market share in the west (Africa), we will also need to become a major player in the east, so we may invest more into Kenya."	"(We are committed to) establishing presence in select Sub-Saharan African countries that are of interest…because Africa is our continent…"
Motivations for FDI Entry modes decisions	"(We have a) strategic goal of increasing market share." "The acquisition will create a leading financial services institution with strong market share in all metrics and a powerful distribution network."	"…this transaction provides an immediate and strong platform for regional market entry through a brownfield transaction…" "The bank we took over in Congo…has one of the highest number of customers… so the strategy we used there is actually an acquisition so that we will have the base of somebody that is already on ground… …Everybody knows that as you go from one country to the other there are legal and international issues to resolve".

Source: Study Data

Table 4: The Explored MNEs compared with EMNEs and Traditional MNEs

African MNEs:		
Divergences from EMNEs	*Divergences from Traditional MNEs*	*Convergences with EMNEs and Traditional MNEs*
• A previously unheralded mission-driven FDI motivation • Weaker resource position and region-of-origin perceptions • Enjoy less government support than EMNEs • Less susceptible to strategic asset seeking motivation and less likely to invest in advanced markets than EMNEs	• A previously unheralded mission-driven FDI motivation • Weaker resource position and global resonance than traditional MNEs • Particularly challenging region-of-origin perceptions • Market-seeking FDI tends not to be for asset exploitation like traditional MNEs'	• Multiple FDI motivations seem to be commonly shared with EMNEs and traditional MNEs • Quest for strategic control of FDI operations seem to be commonly shared with traditional MNEs and EMNEs • Prefer collaborative entry modes such as acquisitions like EMNEs