Successful strategies followed by multinational enterprises to expand into Africa

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ABSTRACT

Africa is known as the last growth frontier, but it is also known as the continent with the most challenging external factors. Multiple entities have invested and exported into Africa, some have succeeded where others had to withdraw out of the countries. This dissertation focuses on three exceptional MNEs, specifically in the retail industry, that have succeeded despite the challenges they had to face. These three companies are Walmart (an American company), Carrefour (a European company) and Shoprite (a South African company). A mixed-method approached was used to determine the challenges and the lessons the MNEs had to face and how they have managed to overcome these challenges. It involved an in-depth case study of each of the three MNEs. Furthermore, interviews were conducted with company officials chosen based on their knowledge and expertise in the African markets. The findings from the research shows that it is possible to expand into Africa following different strategies. Massmart only takes measured approaches into Africa, and only expand into new countries is based on the market potential and the ability to succeed. Carrefour's main strategy is to acquire other companies to move into Africa. Shoprite on the other hand claims that there is no written strategy that was followed when they expanded into Africa. It is also evidential that government regulations (ownership of land, unnecessary regulations, etc.) pose as a rather large threat for companies wanting to invest in Africa. This research contributes to the knowledge base concerning the African markets and how to successfully expand into Africa by following different strategies.

Keywords: Africa, Foreign direct investment, retail sector, investment, exports, multinational enterprises, business strategies

OPSOMMING

Afrika staan bekend as die laaste groeipunt, maar dit staan ook bekend as die kontinent met die meeste uitdagende eksterne faktore. Multinasionale maatskappye het in Afrika geïnvesteer en na uitgevoer, sommige het daarin geslaag waar ander uit die lande moes onttrek. Hierdie proefskrif fokus op drie uitsonderlike multinasionale maatskappye spesifiek in die kleinhandelbedryf, wat daarin geslaag het ten spyte van die uitdagings wat hulle moes oorwin. Hierdie drie maatskappye sluit in Walmart ('n Amerikaanse maatskappy), Carrefour ('n Europese maatskappy) en Shoprite ('n Suid-Afrikaanse maatskappy). 'n Gemengde metode is aangewend om die uitdagings te bepaal en die lesse wat deur die multinasionale maatskappye geleer was te bepaal en hoe hulle die uitdagings oorkom het. Dit het 'n diepgaande gevallestudie van elk van die drie multinasionale maatskappye behels. Voorts is onderhoude gevoer met maatskappy-amptenare wat gekies is gegrond op hul kennis en kundigheid gebaseer op die Afrika-markte. Die bevindings van die navorsing toon dat dit moontlik is om na Afrika te brei deur verskillende strategieë. Massmart neem slegs gematigde benaderings na Afrika, en brei slegs uit na nuwe lande gebaseer op die mark potensiaal en die vermoë om te slaag. Carrefour se hoof strategie is om ander maatskappye te koop en deur hulle na Afrika te beweeg. Shoprite aan die ander kant beweer dat daar nie 'n geskrewe strategie is wat gevolg was toe hulle uitgebrei het na Afrika nie. Dit is ook bewysbaar dat regeringsregulasies (eienaarskap van grond, onnodige regulasies, ens.) 'n taamlike groot bedreiging vir maatskappye is wat in Afrika wil belê. Hierdie navorsing dra by tot die kennisbasis rakende die Afrika-markte en hoe om suksesvol uit te brei na Afrika deur verskillende strategieë te volg.

Sleutelwoorde: Afrika, buitelandse direkte belegging, kleinhandel, belegging, uitvoere, multinasionale ondernemings, besigheidstrategieë.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

This study focuses on the success stories of certain multinational enterprise (MNEs), specifically in the retail sector, exporting into and investing in Africa. A distinction between why an MNE could succeed in some African countries and not in others is also relevant to this study, as the countries could differ in aspects such as cultural intelligence, public legal challenges, supply chain management and branding of products. There is extensive research on MNEs from other countries, such as America, but less research on countries in Europe and in Africa. For the purpose of this study, Walmart (an American company), Carrefour (a European company) and Shoprite (a South African company) will be examined to answer the study objectives.

1.2 Background to study

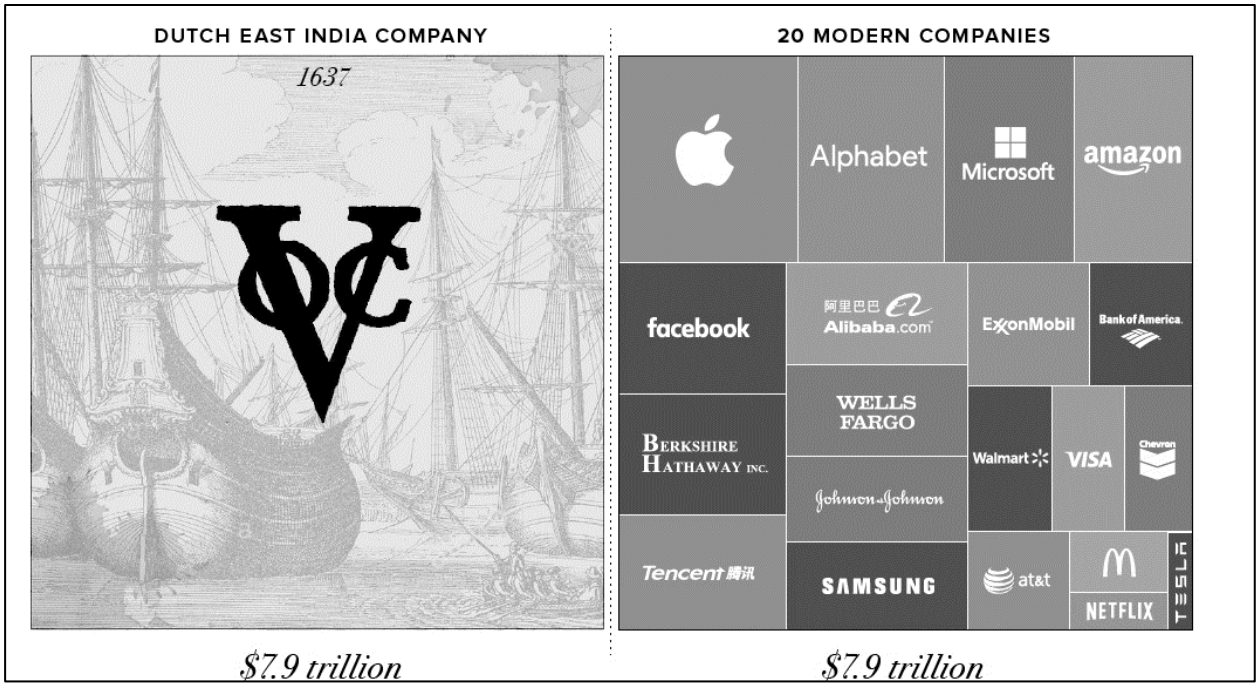
How did it come about that companies decided to go overseas and build plants on foreign grounds? MNEs play a big part in everyday life. If one looks at the various reasons, it is quite easy to understand why companies would want to widen their horizons. Companies started to see that exporting may not be the greatest alternative, as there are challenges such as trade barriers, perishable goods, chances that goods need to be custom-made for a local market, governments from foreign countries who are anxious to accept technology, and the managerial skills of foreign firms (Lazarus, 2001). MNEs, on the one hand, sometimes only need to get access to raw materials and one way of doing that is to build a plant in the foreign country. On the other hand, MNEs often want to be in control in terms of management, quality of products and patent processes. Therefore, it is easier for MNEs to go global as they can vastly sell their products on the market, they can set up local plants where labour costs are low and resources are common, which ensures effective and efficient production, and where they can employ the top-skilled workforce (Lazarus, 2001).

Many consider the first MNEs as the Dutch East India Company (DEIC)/VOC, established by the Netherlands in 1602, which became the largest company in the world for nearly 200 years (SAHO, 2011). This company was established as a chartered company to benefit from the Malukan spice trade in Asia, as it was granted a 21-year monopoly by the Dutch government (Desjardins, 2017). According to the Encyclopaedia Britannica (2015), the “Dutch government granted the company a trade monopoly in the waters between the Cape of Good Hope at the southern tip of Africa and the Straits of Magellan between the Atlantic and Pacific oceans with the right to conclude treaties with native princes, to build forts and maintain armed forces, and to carry on administrative functions through officials who were required to take an oath of loyalty to the Dutch government”.

The company went to various governments and threatened them to do business only with the VOC. Soon the VOC was in charge of handling all trade and supplies in and out of every continent. With a company having so much power, protection was needed and so the private army was created. Because they spent so much time at sea, they never felt the need to abide to any land laws and the army was built in all different parts of the world. The VOC also employed private tradesmen, and if they would double-cross the company, they would inflict unspeakable torture and would eliminate them after they got everything back that belonged to them. The same rules applied to other privately traded companies. The VOC would prevent trade between the new trade companies by threats and blackmail. Furthermore, if threats and blackmail would not work, the VOC would vandalise their ships and destroy their goods. During the 1790s, the VOC started collecting debt and the Dutch government could not pay it off. In 1800, the company finally went bankrupt and the Dutch government collected the debt they left behind (Cheary, 2002).

Despite the criticism of their maleficent actions, the company made historical contributions and was also the first driving force behind the rise of corporate power, identity, culture and most of all, corporate-led globalisation (Cheary, 2002).

Figure 1-1: VOC compared to 20 modern-day companies



Source: Desjardins, 2017.

During the time, the Dutch East India Company was worth $7.9 trillion in modern dollars. Figure 2-1 shows the comparison of 20 of the world's largest companies, such as Apple, Alphabet, Microsoft, Amazon, Facebook, ExxonMobil, Bank of America, Berkshire Hathaway, Samsung, Walmart, Tencent, Wells Fargo, etc. Only then do these modern-day companies combined add

up to the value of $7.9 trillion. MNEs have evolved over the years although they are much smaller than the VOC. This is only a result of how the economy has changed and how more and more MNEs have become prominent. To understand the meaning of an MNE, a clear definition is needed. MNEs can be defined as enterprises that participate in FDI (foreign direct investment) and own or control value-added activities in several countries (Financial Times, 2019). MNEs have a powerful contribution to growth and globalisation as they raise economic interdependence among markets. The growth contribution MNE offer is important, especially for a continent such as Africa. Africa has a major chance for transformation and sustainable growth. Africa benefits from several gains, such as the private sector that attracts investment and creates a positive climate for market orientation. Although Africa has these gains, the countries still face a great deal of different longer-term challenges (The World Bank, 2011). These include weak governance, lack of youth employment, low human capital, climate change, etc.

For retailers, the economic environment is even more challenging as the developing economies have slow growth, a great deal of debt, worsening demographics etc. Despite these challenges, there are still some places where people need to shop and where the outlook for retailers is promising (Deloitte, 2017).

According to Rodrik (2014), there are four options for Africa to generate sustained and rapid growth. Firstly, Africa could put more focus and attention on industrialisations and resuscitate manufacturing. Africa should focus on improving sectors such as infrastructure, security, and regulations, and should minimise factors such as corruption, cost of power and policy uncertainty. Africa will also need to have a sustainable monetary policy framework to sustain competitive exchange rates. By improving on all these factors, it will reduce the uncertainty for doing business in Africa and investors will therefore see fewer risks in starting or increasing industrial operations (Zedillo, 2015).

Secondly, Africa should generate agriculture-led growth (Africa Renewal, 2012). One of the challenges African agriculture diversification faces is the same as manufacturing, namely a poor climate for doing business. Furthermore, other challenges that need to be fixed by the governments are problems such as land rights, input provision, extensions, etc. There is no doubt that African agriculture has many unexploited opportunities, for example perishable non-traditional products.

Africa should also focus on generating rapid growth in the service industry. This will require African countries to increase higher education (Africa Renewal, 2012) as the technology will require a more highly skilled labour force. Africa should seek for innovation for new technologies that will revolutionise services for the broad masses.

Lastly, Africa should show growth based on natural resources (Africa Renewal, 2012), which is not a problem as many African countries have an abundance of resources. It is also in such a manner that very few countries could achieve performance based on resources alone. The negative side of natural resources is that it absorbs little labour and is highly capital intensive.

It is evidential that Africa faces several problems and that Africa should improve multiple aspects such as manufacturing and agriculture. MNEs involvement can help solve these problems in many ways. First, MNEs such as Walmart, Shoprite and Carrefour add to the advantages such as new prospects for growth, job creation and development in African countries (UNCTAD, 2013). Furthermore, MNEs helps local entities to have strategic assets, to compensate for disadvantages, to gain advanced technology, knowledge, trademarks and capabilities (Luo & Tung, 2007). Many MNEs do not necessarily bring any growth to the local economy. By conducting this study, the aim is to prove that three MNEs (Walmart, Carrefour and Shoprite) have contributed to the growth of Africa in their own distinctive way.

1.3 Problem statement and motivation

With globalisation, there is no doubt that the years and decades ahead will bring more challenges. Therefore, it is important that this study should determine the lessons that can be learned by well-established MNEs, specifically in the retail sector exporting into and investing in Africa. Through qualitative research, it is just as important to determine how they structured the entire process of the company strategy and where they started off investing and exporting into Africa.

The following questions are posed in consideration of the above-mentioned description of the research problem:

- What were the general challenges that the retail-based MNEs faced when they entered into African markets?
- How did the retail-based MNEs overcome these challenges regarding investment and exporting into Africa?
- What strategies did the retail-based MNEs follow to become successful investors and exporters into Africa?

There are many motivations as to why this study is important, but as mentioned, the focus is to identify the challenges the MNEs faced and strategies they followed to overcome these challenges in order to help smaller companies learn from their experience.

It can be summarised that the motivation for this study is:

- To compile more evidence of success stories of MNEs based in Europe and South Africa as there is extensive research conducted on MNEs based in America, and more specifically on how they managed to overcome the different challenges that Africa holds; and
- To gain more information on the African markets and the strategies the MNEs followed to become successful investors and exporters. As Africa is seen as the last growth frontier, there is a growing need for research to be conducted and therefore the study provides this information.

To answer the before mentioned research questions, it is necessary to first set the research objectives.

1.4 Research aim and objectives

The research aim and objective section will elaborate on the general aim for this study's purpose and specify the general and specific objectives set in order to answer the research question.

1.4.1 Research aim

There are many reasons why this study is important. Africa is viewed as the last growth frontier and, despite the challenges, there is a great deal of optimism about doing business in Africa. This study aims to contribute to the literature regarding the strategical entry modes into Africa. Furthermore, the aim is to determine what strategies was followed by these MNEs to make them as successful as they are today. In order to answer the research questions, the following research objectives are set.

1.4.2 Research objectives

The research objectives are divided in two parts, namely general objectives and specific objectives.

1.4.2.1 General objective

The general objectives of this research are:

- To determine the challenges the retail-based MNEs faced when they entered into African markets;
- To determine how the retail-based MNEs overcame these challenges regarding their investment in and exports into Africa; and
- To determine what they did to be successful investors and exporters into Africa.

1.4.2.2 Specific objectives

The specific objectives of this research are:

- To determine what challenges the MNEs have to face expanding into Africa and how they can overcome it;
- To determine why MNEs are successful in some African countries and not in others;
- To determine what the motives of the MNEs are;
- To determine the best strategies for retail MNEs into Africa; and
- To determine the private and public legal challenges.

1.5 Research methodology

The research methodology, with reference to the objectives, consists of two phases. The first phase is the literature study on multinational enterprises, and the second phase is the case study.

1.5.1 Phase 1: Literature study

The literature study contains research done by previous researchers on a similar topic. Robinson and Reed (1998) define a literature study as “a systematic search of published work to find out what is already known about the intended research topic”. With a literature review, there are some points that need to be included, such as previous research gaps, definitions of terms that are important to the study, and theories that are relevant to the study.

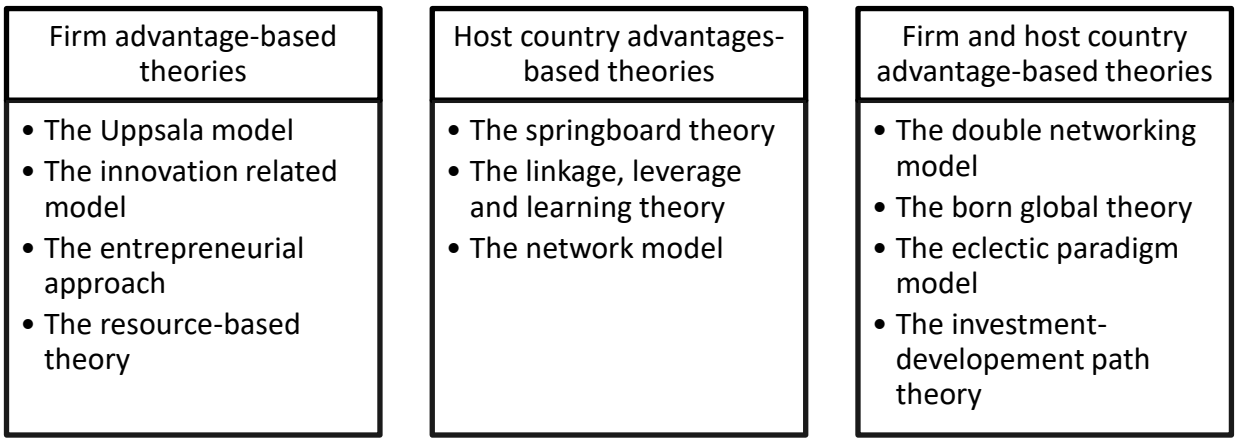
The literature study for this dissertation will discuss MNEs, specifically in the retail sector, exporting into and investing in Africa in Chapter 2. The literature will be divided into three sections; firstly, the role of FDI and MNEs; secondly, MNEs and their effect on exports and global trade; and lastly, the strategies that MNEs used to be successful. It is important to do a literature study as it contributes to the empirical study. A brief description of the above-mentioned sections will help to understand the broad view of this study.

1.5.1.1 The role of FDI and MNEs

The first section is the role of MNEs and FDI. FDI is one way an MNE can invest in another country other than the home country. There are many different theories regarding FDI, which assist understanding the reasons why entities invest overseas. For the purpose of this study, Chapter 2 will elaborate on three advantage-based theories, namely the firm advantage-based theory, the

host country advantage theory and the firm and host country advantage theory as shown in Figure 1-2 below.

Figure 1-2 Advantage-based theories

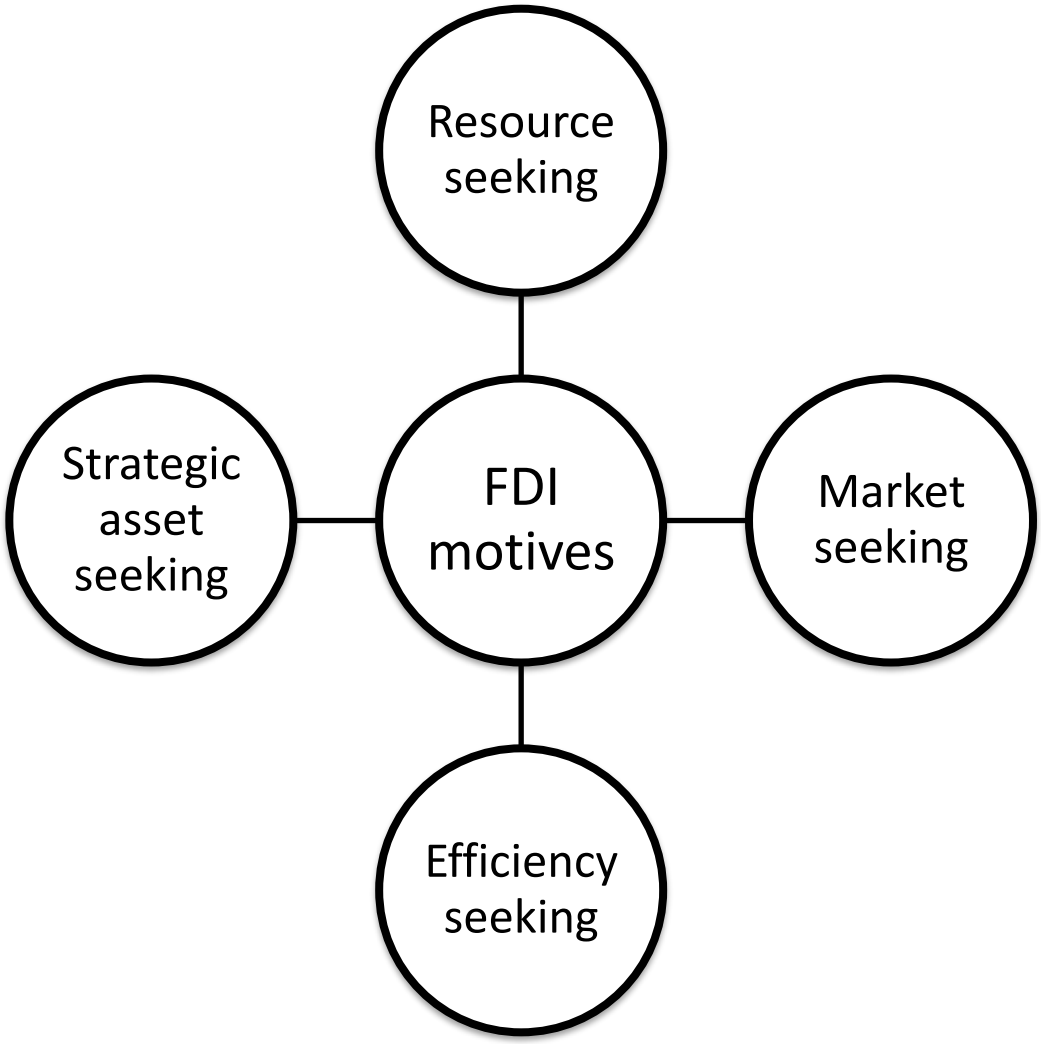


Source: Author's own compilation

Furthermore, as part of the firm and host country advantage-based theory, the OLI theory, also known as the eclectic paradigm, suggests that the greater the ownership and internalisation advantages possessed by firms and the more the location advantages of creating, gaining and exploiting these advantages from a location outside its home country, the more FDI will be undertaken.

There are also different structures and ways to classify FDI. First of all, there are two main flows of FDI, namely inward FDI and outward FDI. Just as important, FDI mainly has four types of motives. These four motives were developed by an Economics professor, Jere R Behrman, derived from the well-known OLI theory. These four motives, as indicated in Figure 1-3, include resource seeking, market seeking, efficiency seeking and strategic asset and or capability seeking (ESCAP, 2017).

Figure 1-3: FDI motives



Source: Author's own compilation

Resource seeking is when the entity seeks for resources that are not available or limited in their home country. Another reason for an entity to gain resources from another country is because it can lower the input costs, for example lower expenses on the workforce, as other countries may have cheaper labour costs. Efficiency seeking usually occurs when, firstly, MNEs want to take advantage of changes in cost and availability of traditional factor endowments, cultures and institutional arrangements in various countries, and secondly, when they want to take advantage of customer preferential goods and supply capabilities and take advantage of the economies of scale and scope (Franco *et al.*, 2008; Dunning, 1993; Hansson, 2007). According to Franco *et al.* (2008), this objective does not fit well with the OLI theory proposed by Dunning (1997), as the firm invests abroad to gain knowledge and/or capabilities that are not within the firm. Market seeking is commonly a motive if the company seeks to invest in markets with greater dimensions.

The last motive is strategic asset or capability seeking. This is when an entity's purpose to invest is to acquire a certain skill or capability. This can also include technological capabilities or assets.

Furthermore, FDI can also be divided into different types of investment, namely horizontal FDI, vertical FDI and conglomerate FDI. Hand-in-hand with the types of FDI, entities can use different modes of entry, which include mergers and acquisitions; Greenfield investments; and joint ventures; etc.

1.5.1.2 MNEs' effect on exports and on global trade

The second section is the MNEs' effect on exports and global trade. FDI and international trade are greatly intertwined and, according to the OECD (2017), these two factors are the key drivers to global value chains. Some countries may build offshore production facilities where other companies might export their products. MNE-coordinated GVC accounts for more than 80% of global trade (UNCTAD, 2013). The global economy known today can be defined by GVCs, where intermediate goods and services are distributed among fragments and international production processes. This fragmented production processes that are growing across borders have their implications for trade and investment patterns and policies, but also hold advantages such as new prospects for growth, job creation and development (UNCTAD, 2013).

The GVCs are typically coordinated by MNEs' affiliates, partners and arm's length suppliers. For the time period 2009 to 2012, the service sector of Africa grew more than double the rate of the world average (UNCTAD, 2015). According to UNCTAD (2015), regional trade in the service sector had an extreme increase, especially in areas of finance, telecommunications and retail. For developing countries, GVCs can be an important opportunity to build productive capacity where local firms can add a magnificent share to the value. It is also important to understand that this technology distribution, skill enhancement and upgrades do not happen automatically. It requires massive investments (UNCTAD, 2013).

1.5.1.3 MNEs and their strategies

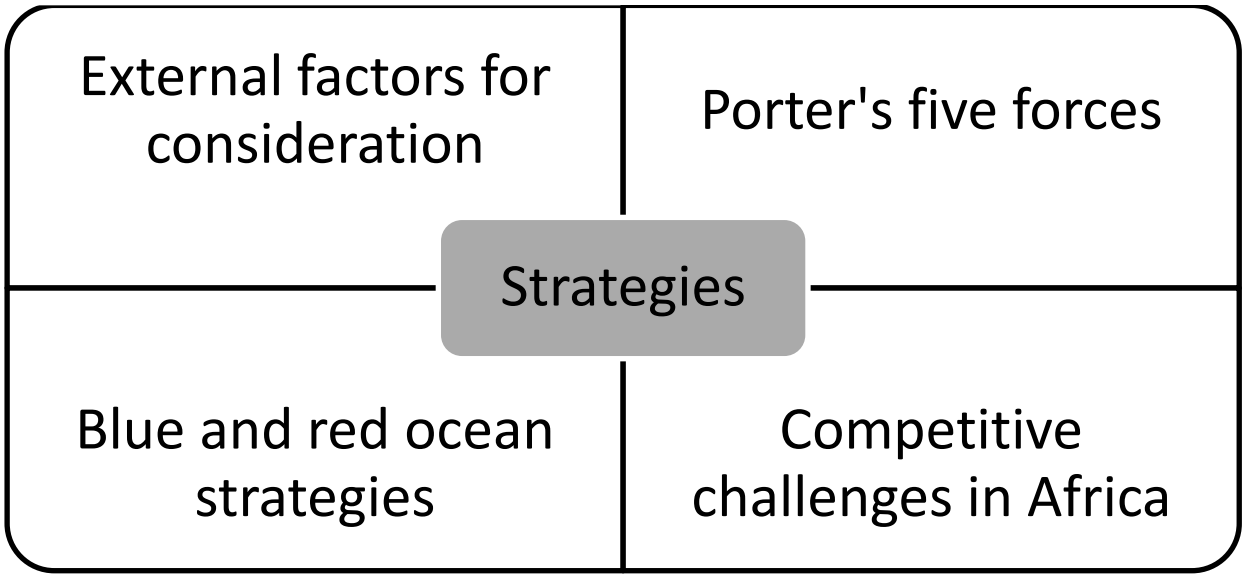
This section focuses on the different strategies MNEs followed to be successful in Africa as demonstrated in Figure 1-4. The external environment in Africa has a great effect on the success of a company. By using the PESTLE analysis, a broad overview of the company can be done. This includes the political environment, the economic environment, the social-cultural environment, the technological environment, the external environment and lastly the legal environment. Before an enterprise enters a foreign market, the PESTLE analysis can be done to avoid problems, as every country has its own political, economic and legal systems, for example, the problems Walmart faced in the German and South Korean markets (Thompson *et al*., 2015).

Africa is known to have unstable political and legal environments. These challenges can have a great effect on companies such as Walmart if they decide to set up stores. These challenges can directly influence the sales and profit. Unstable government ruling can also result in trade agreements, tariffs, sanctions, terrorism and geopolitical uncertainties (Alden & Buckley, 2004).

The economic environment includes factors such as unemployment rates, taxes, inflation, interest rates, productivity rates, corruption rates, etc. These factors not only affect the business, they also affect the behaviour of the consumer. This also closely links to the socio-cultural environment. With the fast pace of living, consumers prefer one-stop services. This shows that efficiency is key and why people prefer retailers such as Walmart.

Technology and the innovation factor also play a key part in making a business work in foreign countries. It is critical not to assume that all innovation and technology will be the same in African countries as in America or any other country. Walmart is always being innovative and productive, and with top-class logistic and supply chain management, one can see why Walmart is successful.

Figure 1-4: Multinationals and different strategies



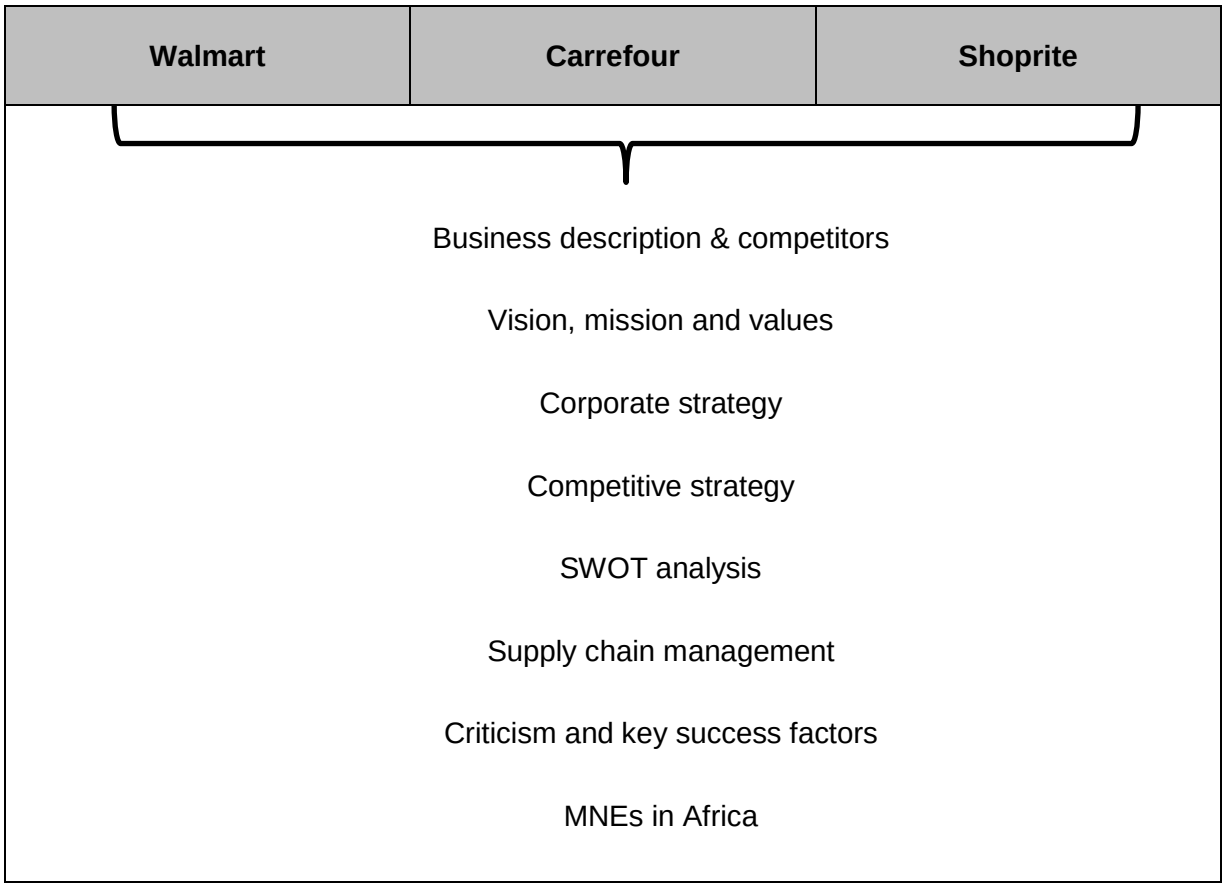
Source: Author's own compilation

Porter's five forces assist companies to understand the origin of strategies and the value chain. By understanding the five forces, one can determine the long-run probability and create a framework in which successful strategies can be implemented. The blue and red ocean strategy also needs consideration when a company forms its strategies. The red ocean strategy consists of the entity that moves into an established market with multiple competitors, and the blue ocean strategy is where the entity calmly enters new markets. For the blue ocean, an analytical four-

action framework can be used to help strategists to identify where to reduce, raise, create and eliminate factors.

The second part of the literature phase is covered in Chapter 3: Multinational enterprises in the retail sector. This part covers necessary literature regarding the identified MNEs, namely Walmart (headquarters in Arkansas, United States of America), Carrefour (headquarters in Boulogne-Billancourt, France) and Shoprite (headquarters in Cape Town, South Africa). This includes an in-depth overview of who they are, their history and background, where they are located, what their business and roles are, their vision and mission statements, as well as the strategies they use. This will then serve as the descriptive data that will contribute to the survey data that will be collected for this study. Figure 1-5 summarises the literature captured in Chapter 3.

Figure 1-5: Multinational enterprises in the retail sector



Source: Author's own compilation

This literature will contribute to the aim of this research method in tree ways. First, to establish how the MNEs structured the entire process of the company strategy. Second, to where they started off investing and exporting into Africa. Third, what lessons can be learned by these well-established MNEs.

1.5.2 Phase 2: Case studies

First of all, the philosophical worldviews can influence the practice of research, even though it is hidden in the research. For the purpose of this study, there will be reference to five different philosophical worldviews, namely the post-positivist worldview, interpretivism, the constructivist worldview, the transformative worldview and the pragmatic worldview.

The second component involved in a research approach is the research design. With reference to Welman, Kruger and Mitchell (2011), there are two key approaches to research, namely qualitative and quantitative. A simple way to understand the difference is to ask whether the data is verbal or numerical. If verbal, then the methodology is qualitative, and if numerical, then the methodology is quantitative (Leedy, 1993). According to Perumal (2014), "quantitative research methods are research methods dealing with numbers and anything that is measurable in a systematic way of investigation of phenomena and their relationships".

The qualitative research method entails collecting, analysing and interpreting data by observing people on their actions and on what they say. The observations and statements are not standardised because questions and observations are not closed, but 'open-ended'. In other words, the qualitative method is any research that takes place through observations or unstructured questions.

Qualitative research can be translated into quantitative data after translation (Schiffman, Kanuk & Wisenblit, 2010). For example, if a series of people are asked to give their opinion about gun control, one can easily classify their responses into positive, negative and neutral. There are different ways to collect data for qualitative research, namely case studies, participant observations, focus groups, unstructured in-depth interviews and participatory research (Welman *et al*., 2011).

The third component involved in a research approach is to identify the different collection methods, analysing the data and interpreting the results. The method will indicate the types of data that should be collected beforehand or whether the data should develop from the participant.

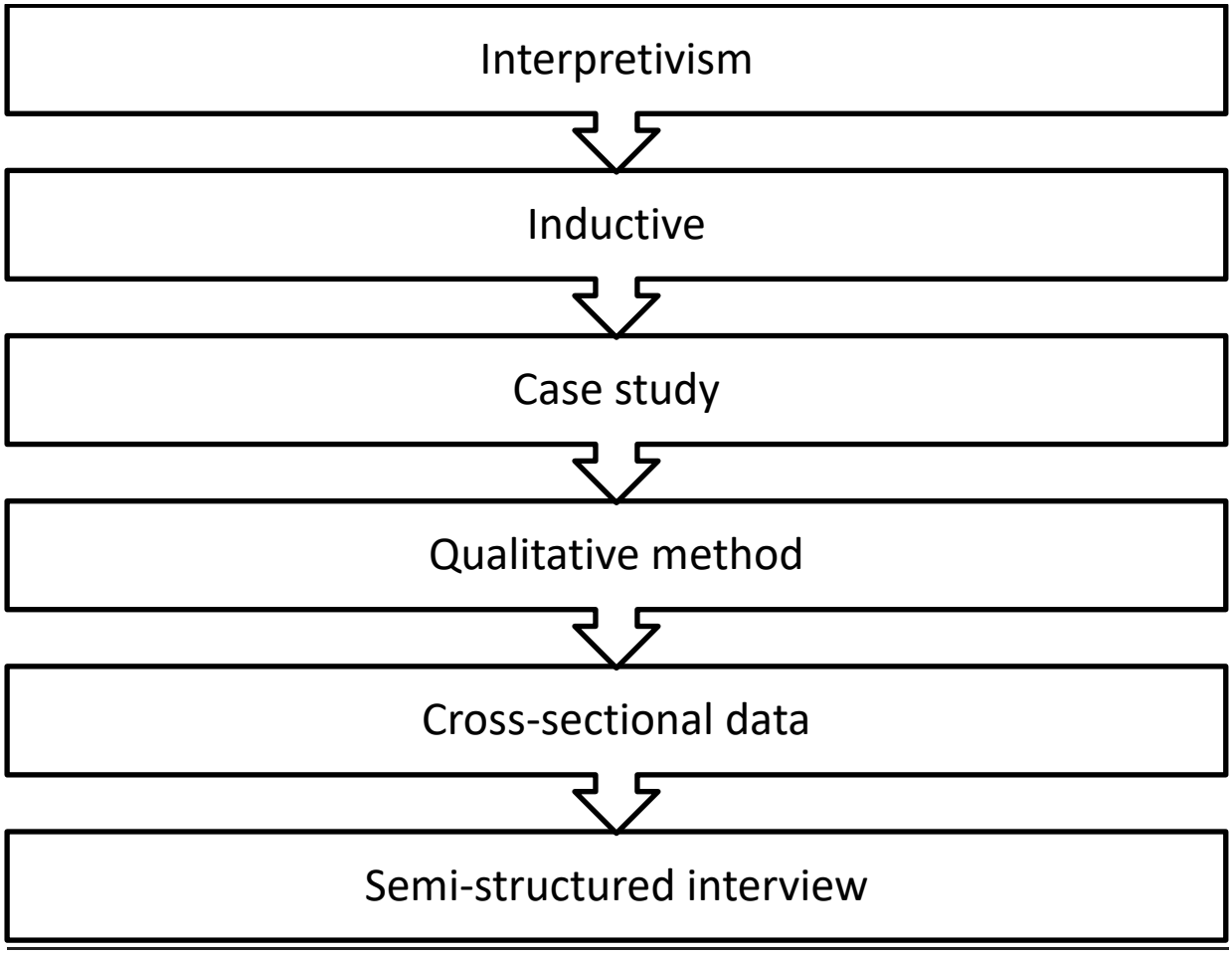
After all the methods are examined and evaluated, the case study approach was chosen as it holds the most benefits and will work best to answer the research question. According to Welman *et al.* (2011), case studies are used when a limited amount of units are analysed and studied intensively. These units include individuals, groups as well as organisations. Yin (2009) described case studies as an approach that will enlighten the organisation and individuals on what has worked well, what is being accomplished and what were the challenges faced. It is research that studies real-life modern phenomena. When conducting a case study, there is no reference made to a specific technique. A case study is conducted to understand the uniqueness and peculiarity

of a specific case. Furthermore, a case study does not always have to be a person; it may also be documents, emails, letters, etc.

If a case study is used to gain data of an organisation, fieldwork is often used as it is easy to investigate on the spot under normal circumstances. Additionally, participant observations and unstructured in-depth interviews are used for specific cases, and descriptive data may be suitable. For a case study, it is important that the case is properly defined or demarcated; it is important to search for similarities and patterns, whichever technique is used; and lastly, the patterns should be recognised and distinguish (Welman *et al*., 2011).

The primary data for this study will be gathered through investigations, which include interviews from management in the chosen MNEs. Additionally, open-ended questions will be asked in the interview. This gives the opportunity for the participant to add additional information and to enable the researcher to have a deeper understanding. Figure 1-5 is a summary of the research design used for the purpose of this study.

Figure 1-6: Summary of research design for this study



Source: Author's own compilation

After collecting and sorting the data, the final step will be to analyse and summarise the different views and statements from the different MNEs, to be able to answer the research objectives for this study. The similarities and differences between the cases were compared after analysing the different cases. By cross checking the findings with other case studies and sending a follow-up questionnaire to the participants to double check the answers and to add remarks where possible, contribute to the internal and external validity of the study.

1.6 Outline of the study

The paragraphs to follow provide a logical flow of this dissertation and what each chapter is about:

Chapter 1: Introduction

In Chapter 1, the basics such as the background of the study, the research problem statement and motivation, the research aims and objectives and the research methodology that is applied in this study will be discussed. This chapter will also give definitions and explanations on some of the key aspects in this study.

Chapter 2: Literature study

This chapter provides all the literature on the MNEs. It will be divided into three sections. Firstly, what is the role of FDI and MNEs; secondly, what the MNEs' effects on exports and on global trade are; and lastly, MNEs and their strategies. The last section describes all literature regarding business management relevant to this study. Furthermore, a direct link to the retail sector is made and the chapter determines the retail models that are used by retail MNEs.

Chapter 3: Literature study: Multinational enterprises in the retail sector

This chapter gives an overview of the three chosen retail MNEs, namely Walmart, Carrefour and Shoprite. This chapter also refers to each company's business description; their main competitors; their vision and mission statement; the corporate strategy; a five force analysis; their SWOT analysis; as well as their key successes and criticism against them.

Chapter 4: Case study

In this chapter, the methodology is discussed. Firstly, a brief description on some of the philosophical worldviews is provided, followed by the research design that is used for this study's purpose. Furthermore, this chapter provides an introduction and overview on the method used, namely case studies. This chapter also discusses the different interview questions and their formulation process.

Chapter 5: Research findings and comparison

Chapter 5 includes a brief introduction, followed by an analysis and discussion of the findings concluded from the case studies. Furthermore, a brief summary of the dissertation as well as the limitations on this study and recommendations for future studies follows.

Chapter 6: Summary and conclusion

Chapter 6 will summarise the entire study. A brief discussion on the different implications of the study, the limitations of the research as well as the recommendations for future studies will be given.

CHAPTER 2: MULTINATIONAL ENTERPRISES LITERATURE

2.1 Introduction

Referring back to Chapter 1, the Dutch East India Company (DEIC) /VOC showed us the importance of MNEs in our economic society since 1602. This MNE was very organised for their time, and was one of the first entities to form a monopoly over the spice trade (Erikson, 2013).

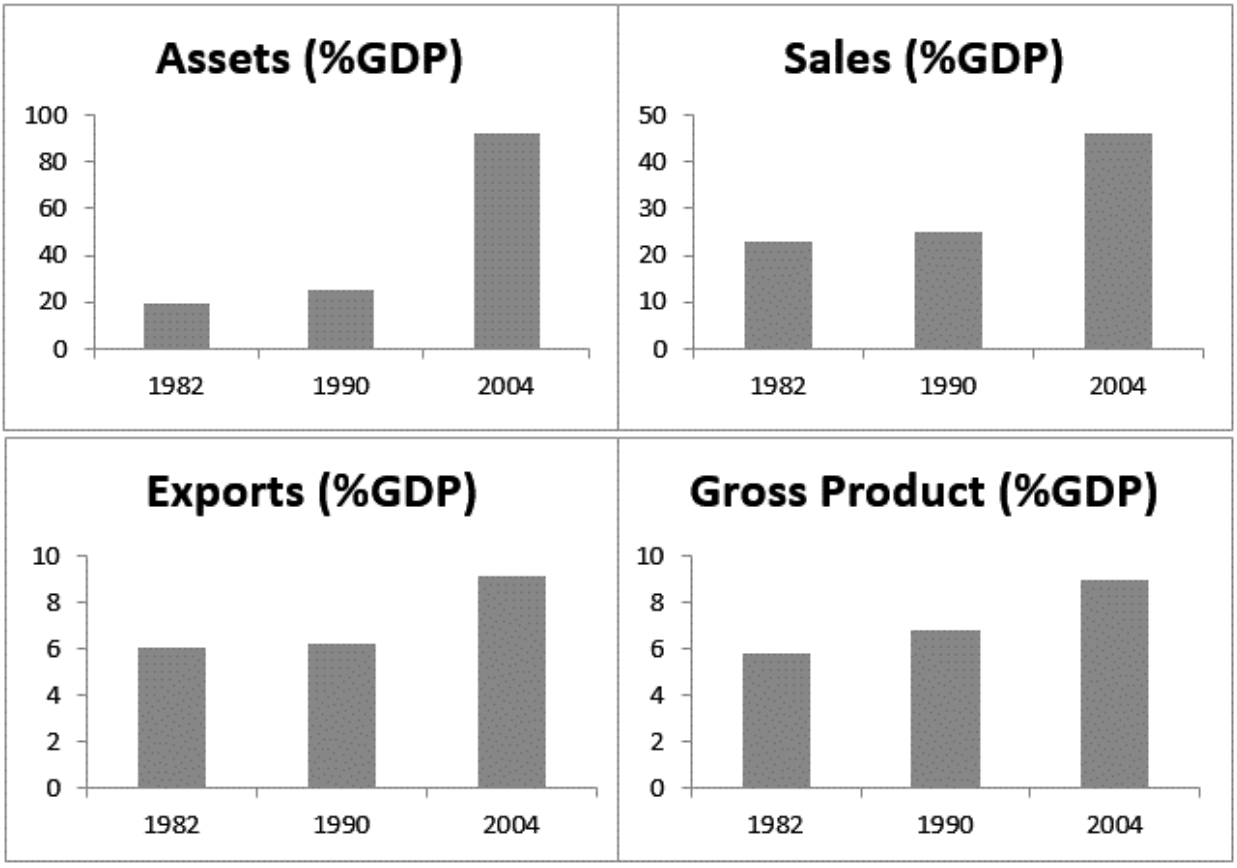
The Dutch East India Company is evidence that MNEs have played a powerful role in foreign direct investment (FDI), trade, globalisation, economic growth, and development over the past decade (Kleinert, 2001). MNEs are often viewed as the key drivers of globalisation as they raise economic interdependence among markets (Rugman & Verbeke, 2004). According to Dunning and Ludan (2008), an MNE can be defined as an enterprise that participates in FDI and owns or controls value-added activities in more than one country. One of MNEs' distinctive features is that the MNEs are one of many organisations that engage in business internationally. It is more common for MNEs to be internationally owned and to be nationally controlled, meaning that the top management consists of more home country nationals, whereas the stakeholders are internationally spread across the globe (Kogut, 2001).

To become a multinational requires of the company to invest in foreign countries. This could either be through Greenfield investments or mergers and acquisitions. According to Van Marrewijk (2012), 78% of FDIs are mergers and acquisitions, which can be divided into three types, namely horizontal, vertical and conglomerate mergers and acquisitions.

By referring to Figure 2-1 below, one can see that the importance of MNEs is growing. This table consists of four graphs showing the assets of foreign affiliates (percentage of world GDP), the sales of foreign affiliates (percentage of world GDP), the exports of foreign affiliates (percentage of world GDP), and the gross product of foreign affiliates (percentage of world GDP) between 1982 and 2004, individually. Assets of foreign affiliates of multinational enterprises have grown from 19 percent of world GDP in 1982 to 92 percent of the world GDP in 2004. In 1982, sales of foreign affiliates were 23 percent and grew to 25 percent by 1990 and then grew to 45 percent in 2004. It is therefore clear that the growth between 1990 and 2004 was greater than the growth between 1982 and 1990. The reason for this is that international trade flows are more important in general (Van Marrewijk, 2002). The gross product also increased from 5.8 to 9 percent between 1982 and 2004. Export growth shows a similar pattern growth of 6.1 to 9.2 percent in the same period frame.

One can, therefore, ask the question, why do multinationals arise and what is their impact on production, trade, and investment?

Figure 2-1: The importance of MNEs



Source: Adapted from International Economy Theory, Application, and Policy (Van Marrewijk, 2012)

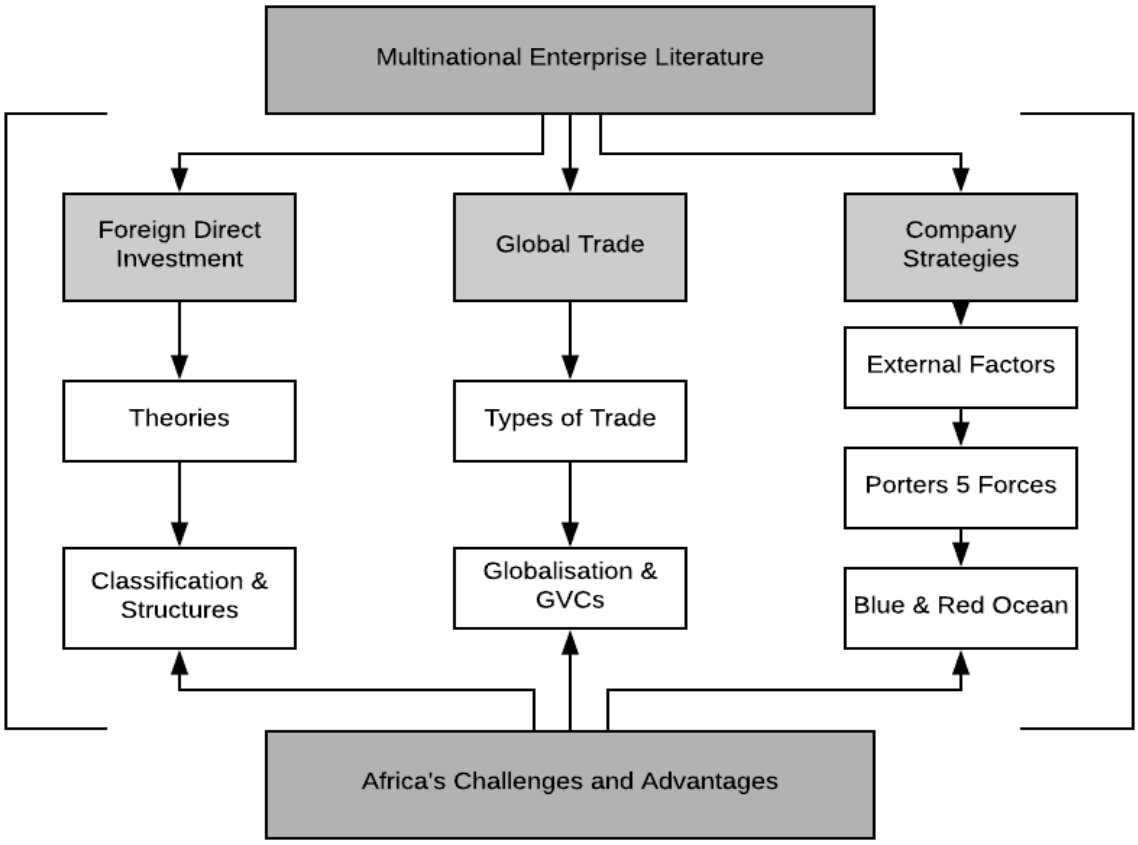
The degree or intensity of MNEs' involvement may vary. To determine this degree, multiple criteria should be considered. Firstly, the number and size of foreign associate enterprises the MNE has control over or owns should be measured; secondly, the number of countries wherein the MNE has an active role in value-adding activities; thirdly, the extent of its global assets, revenue, income or employment accounted for by its foreign associates; fourthly and fifthly, the internationalisation of the management and ownership of the MNE and the degree of internationalisations of higher value-added activities such as research and development (R&D) can be used to determine the degree. Furthermore, the influence that government has over the economic activities in different countries; and lastly, to measure the extent to which responsibility and decision-making are delegated to foreign associates (Dunning & Ludan, 2008).

Although it seems easy to collect data, in practice it is rather the opposite (Dunning & Ludan, 2008). It is often difficult to find reliable, quality and comparable information. Furthermore, the data used for the assessment of the roles of affiliates in the host-countries or sectors will differ from the data that is needed to assess the impact of the MNE on the world economy. For example, to assess the effects on the balance of payment, data on trade and investment flows, profits and

dividends will be required, and for the assessment of FDI on the quality and quantity of the world's labour force, employment data will be a requirement (Dunning & Ludan, 2008). To evaluate an MNE's specific foreign investment from a more micro-level point of view, data such as detailed operational and financial data may be necessary. The World Investment Report, annually published by UNCTAD, can be used as a consistent format to gain information in a certain degree and pattern of foreign investment and the multinational activities. In addition, UNCTAD publishes the World Investment Directory, a nine-volume publication, which provides information on the major economic regions.

All the literature regarding MNEs necessary for this dissertation will be discussed in this chapter, as explained in Figure 2-2 below. This chapter will be divided into three sections. The first section discussion includes what the roles of FDI and MNEs are. The second section will be on what the MNEs' effects on exports and on global trade are. The last section discusses the role of strategies in the MNEs and describes all literature regarding business management relevant to this study, and a direct link to the retail sector will be made. Furthermore, the chapter will determine the retail models that are used by MNEs.

Figure 2-2: Flowchart of Chapter 2 content



Source: Authors' own compilation

2.2 Multinational enterprises and foreign direct investment

One way for an enterprise to become multinational is to invest in countries other than the home country. This section includes a brief background on FDI, followed by international trade theories divided into three sections of advantage-based theories. FDI and how it is structured are also discussed in this section, and include the different types of FDI flows, the types of FDI, the motives behind the investment and the different modes of entry. Lastly, this section will discuss the challenges and advantages that Africa holds for possible MNEs investors.

2.2.1 Background

FDI has become a crucial part of developing countries (Razafimahefa & Hamori, 2007). Several development areas such as employment, capital formation, market structures, technology and skills, political culture and social issues are affected by FDI (UNCTAD, 1999). According to Te Velde (2006), there have always been views against and views for FDI. Those in favour of FDI argue that FDI increases productivity and leads to economic development; whereas, on the other hand, these against FDI argue that it terminates the local capabilities and does not compensate for the poor countries when extracting natural resources.

Foreign direct investment benefits the investors and recipients (Razafimahefa & Hamori, 2007; Alfaro, Chanda, Kalemli-Ozcan & Sayek, 2004; Sadni-Jallab & Gbakou, 2008; Chowdhury & Mavrotas, 2006; Omran & Bolbol, 2003). There are many advantages when it comes to FDI (Alfaro, 2003; Buckleyet, Wang & Cross, 2002). Firstly, because of import tariffs in place, it is easier for an MNE to access a foreign market through investment rather than international trade (OECD, 2002b). Secondly, many countries also provide a tax incentive to invite foreign investors because of the additional skills, technology and products they can bring to the country (UNCTAD, 2000). Thirdly, FDI will reduce the disparity between revenues and cost (Ridzuan, Ismail & Hamat, 2017). Fourthly, cultural differences can be a barrier; therefore, it is beneficial to invest in a company that will ensure that the product and service preferences meet with the market needs (Mac-Dermott & Mornah, 2015). Furthermore, one of the most obvious advantages is that the foreign investors have access to additional resources and capital at their disposal (Asiedu, 2013). Lastly, it also strengthens the political relations between the different nations.

Although political relationships can be strengthened through FDI, it can also be risky as the political situation can instantly change in some countries, for example corruption and wasteful spending on infrastructure. Additionally, in certain cases, if the government of such a country ever feels a threat to national security, they can easily take control of the firm's assets and property (Asafo-Adjei, 2007). Even though cultural differences can also be seen as a challenge for the

investor, the disadvantage of distortion of culture in the recipient country is worse (Bhattacharyya, 2012).

Because FDI holds such great advantages for the investor and recipient country, it is important that the recipient country should take steps to improve the determinants influencing the investor's choice (Mallampally & Sauvant, 1999). According to Amadeo (2018), 37% of the total global FDI is received by developing countries, which is lower than the 2015 percentage of 43%. Amedeo (2018) argues that the reason for this turnaround is because of the slower growth of developed countries. Table 2-1 sets out some other facts about the significance of MNEs in the global economy, from 1990 to 2016. It is clear from the table that there was a major increase in the annual growth rate (%) from 1991-1995 to 1996 to 2000, by almost double the percentage value in FDI inflows. FDI outflows also showed a major increase. This just shows how FDI have increased over the years.

Table 2-1: The significance of MNEs in the global economy

	Value at current prices (billions of dollars)				**Annual growth rate (percentage)**		
	1990	2005-2007(pre-crisis avg.)	2015	2016	1986-1990	1991-1995	1996-2000
FDI inflows	202	1 426	1 774	1 746	21,7	21,8	40
FDI outflows	230	1 459	1 594	1 452	24,6	17,1	36,5
FDI inward stock	1,789	14 496	25 191	26 728	16,8	9,3	17,3
FDI outward stock	1,791	15 184	24 925	26 160	18	10,7	18,9

Source: Adapted from Dunning and Ludan (2008); World Investment report (2017)

2.2.2 MNE theories

From the previous section, it is clear that MNEs play a significant role in the global economy. There are various theories that have been put forward recognising and evaluating these factors. These theories also help to understand why entities invest overseas, why they chose that certain market as well as the specific entry mode. For the purpose of this study, the theories will be classified into three groups, namely the firm advantage-based theories, the host country advantage theory, and lastly, the firm and host country advantage theory.

2.2.2.1 Advantage-based theories for the firm

This category pays attention to the theories based on firms acquiring competitive advantage starting the process of involvement in the multinationalism course. This category consists of four theories, namely the Uppsala model, the innovation related model, the entrepreneurial approach and the resource-based theory.

The main idea of the Uppsala model is that entities gradually increase their foreign market commitments as they grow in business knowledge, for example the number of resources they own or control in overseas economies (Johanson & Vahlne, 1977). In due course, there will be a direct link in the pace and pattern of the expansion proses and the entities' knowledge. Additionally, the market knowledge can pose a threat if the entity expands from its national markets. According to Lewke and Kelner (2007), "market knowledge is about understanding the market context in which a business operates. Competence in market knowledge is usually a requirement of the leadership competencies of strategic orientation, commercial orientation and customer impact". According to the Uppsala framework, the only way to acquire market knowledge is to learn by doing. Consequently, the firm must first have a few years of experience in the domestic market to gain a proper amount of knowledge and only thereafter can they move into international markets.

On the other hand, some large MNEs skip the entire process as they already consist of extensive resource and market knowledge (Johanson & Vahlne, 1977). Market knowledge can also influence the preference for market choice and modes of entry. Neighbouring markets are usually the obvious choice as the differences in culture, language, traditions and political systems are usually smaller. After obtaining more market knowledge, the entity can now invest in markets further away from home. With regard to the entry modes and a lack of knowledge, young entities will begin with low market commitment modes, for example regular exports. Later on, with increased market knowledge, entities will commit more resources to their activities abroad.

The second theory is the innovation-related model and this process of multinationalism is considered the innovation of the firm, for example it is seen the same as adopting new products. In order for the entity to adapt and cope with the different international market environment, it must make changes to the marketing channels, the administrative structures and the capabilities and competencies in the foreign country (Aspelund, 2010). According to Laghzaoui (2013), the process of multinationalism can be divided into three phases. The first phase is the pre-engagement phase, where an entity is interested in a local or international market. The second phase is the initial phase, where an entity plans to expand overseas. The last phase is the advance phase, where the entities start to engage in international markets. It is also important to understand that these phases only pose as a framework and can differ from one entity to another.

With these two models in mind, one can see two main principals that both models share. Firstly, entities following these models prefer to operate in markets that are linguistically and culturally similar to their domestic market. This also deprives the entities from gaining more experience. Secondly, both models' entities must adapt to risks and first gain market knowledge before investing abroad.

The third theory is the entrepreneurial approach, where leadership can play an enormous role in the multinationalism process. This refers to their active role in conducting adaption strategies for global markets, networking with global business communities, exploring investment opportunities overseas and managing foreign partners. According to Wai and Yeung (2002), "transnational entrepreneurship is embedded in transnational actor networks that facilitate successful cross-border business operations". In other words, these entrepreneurs overcome the international investment barriers and facilitate the adaption of the cultural and social differences. These entrepreneurs have three main functions that can be executed simultaneously. First of all, the entrepreneur must govern all the economic activities in the foreign countries. Secondly, it is the entrepreneur's responsibility to creatively and innovatively deploy the firm's investment through strategic management. Lastly, it is the entrepreneur's responsibility to exploit and explore investment opportunities overseas. Furthermore, the requirements for successful management of the entities' resources must be met by the potential markets. These requirements include the capability to manage the professional and social networks. This model is a more gradually executed process, as knowledge and experience are gained by engaging in foreign economic activities.

The last theory is the resource-based theory. There are many contributors to the development of resource-based theory (Bareny, 1991; Powell, 1992; Teng *et al*., 1995; Wernerfelt, 1984). According to Bridoux (2017), "Most resource-based view researchers choose to look within the enterprise and down to the factor market conditions that the enterprise must contend with, to search for some possible causes of sustainable competitive advantages holding constant all external environmental factors". Obtaining these strategic resources can be a time-consuming proses, which contributes to the slow growth of multinationalism (Bareny, 1991). According to Watjatrakul (2005), Bareny (1991), and Grant (1991), the resources are recognised as heterogeneous, and they argue that resources are homogeneous. Furthermore, they argue that resources are imperfectly transferred between entities.

These resources include all its assets, capabilities, organisational processes, firm attributes, information and knowledge, which can all be categorised into three subgroups. These groups are physical resources, human resources and organisational resources. For the resource to classify as a strategic resource, it should be valuable, rare, difficult to imitate and there should be no equivalent substitute (Bareny, 1991).

2.2.2.2 Advantage-based theories for the host country

This category focuses on the advantages obtained in countries that host MNE activities. These theories assume that the key trigger to attract foreign entities is the advantages the host county presumes. This category distinguishes between three theories, namely springboard theory, the linkage, leverage and learning theory, and lastly, the network model.

First, outward foreign direct investment is crucial if an entity lacks competitive advantage in their home country, and therefore it is the launchpad for emerging MNEs. For example, if the entity can't compete with the local competitors it is possible that they won't have as much competitors in foreign countries. This theory is called the springboard theory and was developed by Luo and Tung (2007). It helps entities to have strategic assets, to compensate for disadvantages, to gain advanced technology, knowledge, trademarks and capabilities (Luo & Tung, 2007), and helps the entities to look at the imbalance between the advantages and disadvantages. According to Moon and Roehl (2001), entities not only invest abroad for additional assets, but they also invest overseas to increase their current assets. Competitive advantage is also the result of multinationalism rather than being a requirement. According to Deng (2012), more foreign markets are explored, and huge acquisitions are started, especially in developed countries. To conclude: The core of this theory is where emerging MNEs seek international grounds to gain the necessary resources to become more competitive.

Despite the challenges and drawbacks that MNEs face, emerging markets are still seen as a source of innovation. According to Mathews (2017), "the key to the Linkage, Leverage and Learning Theory is that it provides a strategic framework, which is focused on the accelerated internationalization way that draws on the interlinked character of the global economy". The linkage is mainly used by emerging MNEs to reduce risks and uncertainties, and is also used to get resources that are not found in the domestic market. These emerging MNEs can then form all types of linkages with existing entities that operate in the foreign country. This theory can be established in forms such as joint ventures, engagement in global value gains and strategic alliances. Mathews (2006) refers to leverage as the ways how the link is established between the existing entities of partners to gain resources. Furthermore, the focus is then directed towards the resources themselves and their leverage potential; in other words, how accessible these resources are in terms of their imitability, transferability and sustainability. This analysis is in direct contrast to the resource-based theory (Mathews, 2006). By repeating the application of linkage and leverage, learning effective performance in operations may result.

The networking theory entails building a set of inter-entity relations or networks, causing a dependence on its counterparts. This process of networking can be both time consuming and an effort, which contribute to the challenge of easily interchanging counterparts (Johanson &

Mattsson, 1988). It is clear that both theories – linkage, leverage and learning; and networking – consider building business relationships as a top priority. The slight difference between the two is that multinationalism is expected earlier with the linkage, leverage and learning theory. The reason for this is because networking is time-consuming and accumulative.

2.2.2.3 Advantage-based theories for the firm and host country

The last category is a combination of the above-mentioned categories. It is where both sets of motives are gained by a coherent perception. Theories that fall under this category are the double networking model, the born global theory, the well-known eclectic paradigm model and the investment-development path theory.

Because there are different layers of interactions in the networking theory, it can be divided into two main categories, namely internal and external networking. Internal networking refers to the interdependence of the different MNE spread across different countries, for example inside the headquarters. External networking refers to the relations with other entities to gain additional resources and knowledge. It is also important to understand that the internal and external networks are not isolated from each other, meaning that the internal networks can have a direct effect on the external networks (Zanfei, 2006). Although it shows much resemblance to the network model and the linkage, leverage and learning theory, it has a wider definition of the external networks. Multinationalism will also have slow progress as the alliances may only be in the domestic market during the first stage and only move to foreign markets in the second stage.

The second theory of this category is the born global theory. It is easily recognised if MNEs start-up with their international activity (Rasmussen & Madsen, 2002). This theory can be divided into four types. First, the export-import startup. This includes entities that are involved in a minimal amount of economic activities and markets. The second type is a multinational trader. This includes when an MNE is involved in many markets, but still in a minimal amount of activities. The third type is a geographically focused start-up MNE, which is an entity that has great numbers of activity, but only in the minimal amount of markets. The last type is a global start-up MNE, which is an entity involved in large amounts of activities and in many markets. A definition given by Kandasaami (2004) is that a born global entity is one that is doing business in more than five countries and sells more than 40 percent overseas. Wictor (2002), on the other hand, argues that the firm should sell more than 25 percent overseas over a three-year time period.

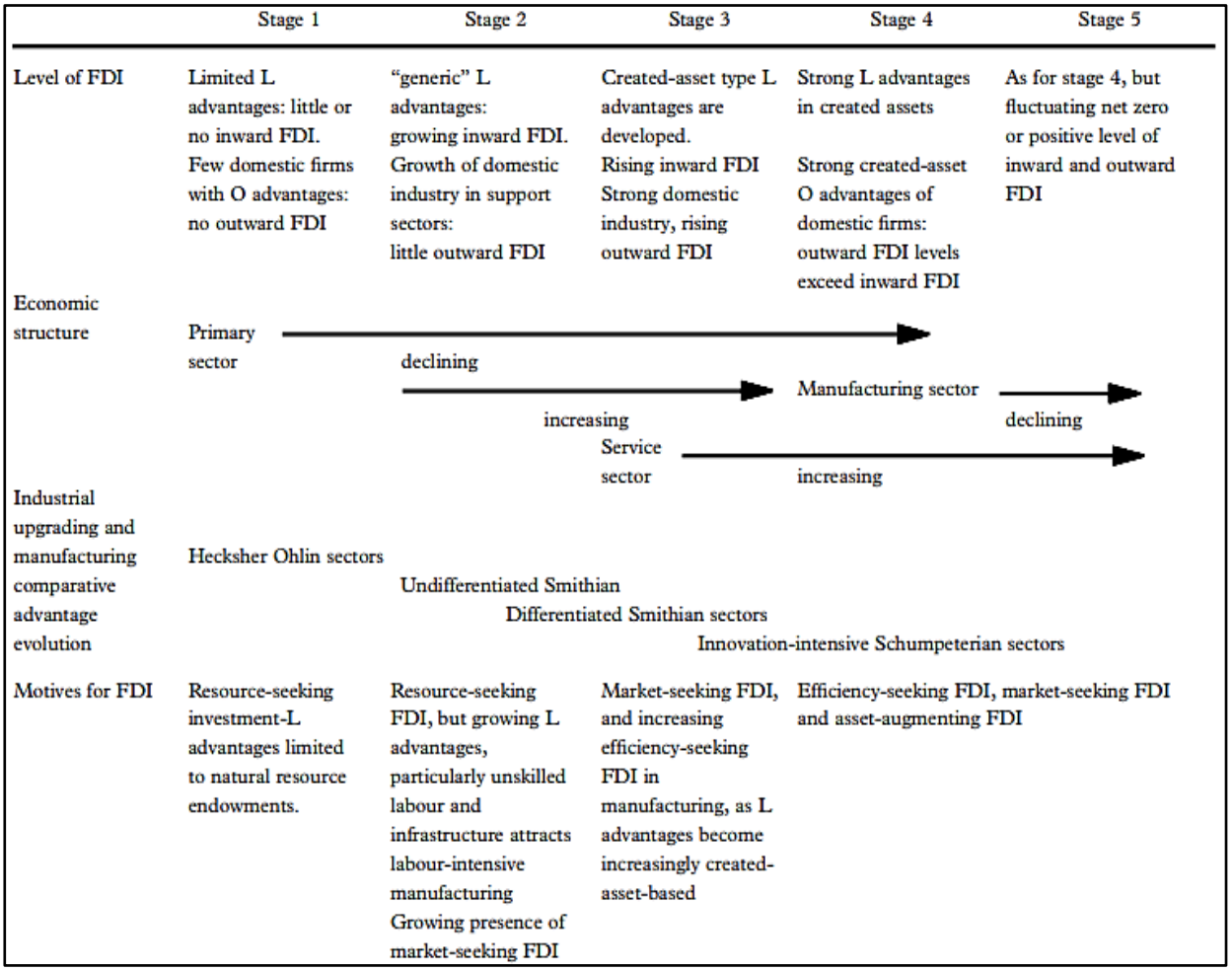
The third theory is the well-known eclectic paradigm model, also known as the ownership, location and internalisation (OLI) theory. This theory suggests that the greater the ownership and internalisation advantages possessed by firms, and the more the location advantages of creating, gaining and exploiting these advantages from a location outside its home country, the more FDI

will be undertaken. According to Dunning (1993), there are three main ownership advantages that result from this eclectic paradigm, namely the gains entities get from owning income generating assets, the foreign affiliates relative to the headquarters and the geographical dispersion (Cantwell, 2015). Certain regions can attract more of a certain type of entity and can be explained by the location advantages in the OLI framework. According to Tunyi and Ntim (2016), “this location advantages, perhaps, derive from the assets supplied by foreign markets, including new markets for products (market size), natural resources (resource endowments), low-cost factors of production (efficiency-opportunities) and knowledge and skill (human capital)”. Internationalisation advantages can arise in many ways. One of the ways is if the entity can easily copy their ownership advantages (Ruhl, 2016). The choice of mode of market entry will depend on the type of advantage the firm has, for example if the firm does not have a location advantage, export may be the best route to follow.

The last theory of this category is the investment-development path. This theory was developed by Dunning and further developed by Narula (1996). This theory indicates and explains why countries engage in outward FDI and how this activity changes the economic development pace in the home country. The main idea is to see the pace of economic development and the interaction between FDI inflow and FDI outflow, taking the policies of the home country’s government into account. This theory consists of five stages and is summarised in Figure 2-3.

During the first stage, the country has no FDI outflow and has a limited and even no location advantages. At the final stage, there is a positive level of both outward FDI and inward FDI and it contains strong location advantages in created assets. Furthermore, Figure 2-3 shows us the progression of the motives for FDI. During the first two stages, entities are making more resource-seeking investments. The third stage is where the entity’s motive is mainly market seeking, but also engages in the idea of efficiency seeking. During the fourth and fifth stage, the main motives are efficiency seeking, market seeking and seeking to augment assets.

Figure 2-3: The primary relationships underlying the investment development path



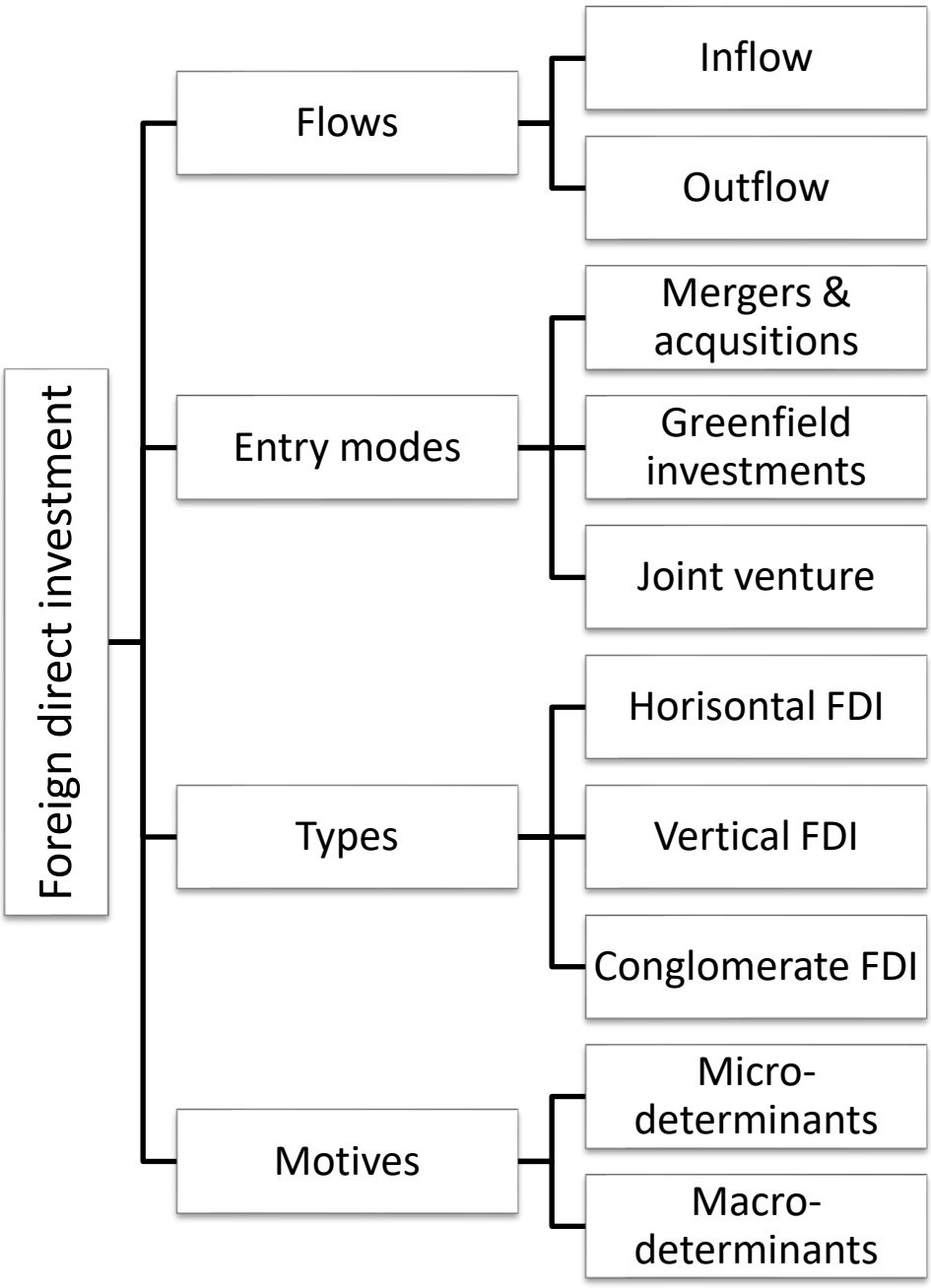
Source: Dunning & Narula (2010)

It is important to first have a good understanding of the theories before one can truly understand the classification and structure of foreign direct investment.

2.2.3 Classification and structure of FDI

FDI can become complex and has many terms. Therefore, it is important to identify and understand the different aspects of FDI. Table 2-4 below is used to classify and structure FDI into different groups. First of all, FDI can be divided into FDI inflows and FDI outflows. Secondly, there are macro- and micro-determinants that form part of the motives for investment. Thirdly, the different types include vertical, horizontal and conglomerate FDI. Lastly, the different entry modes include mergers & acquisitions, Greenfield investments and joint ventures.

Figure 2-4: FDI structure and classification



Source: Adapted from Kumar (2015)

The following sections contain more in-depth discussions about the structure and classification based on Figure 2-4.

2.2.3.1 FDI flows

FDI inflows are when the foreign person or entity invests in a country different from their own, whereas FDI outflows are when the recipient country invests in the foreign country (UNCTAD, 2007). According to OECD (2018), FDI flows "record the value of cross-border transactions

related to direct investment during a given period of time, usually a quarter or a year". These flows are measured in USD and as a share of GDP.

Furthermore, UNCTAD (2007) identifies three components of FDI, namely "equity capital, reinvested earnings and intra-company loans". Equity capital is an investor's purchase of shares in a foreign enterprise in a country that is not its own. The investor's shares of earnings that are reinvested, which are not dividends by affiliates or earning paid to the investor, are known as reinvested earnings. The last component identified by UNCTAD (2007) is intra-company debt transactions and loans. This refers to the short- and long-term borrowing and lending funds between the main enterprise and its affiliated enterprises.

Outward flows are all the transactions that increase the investments made by investors into foreign countries, for example the purchase of equity or reinvestment of earnings, minus all transactions that reduce the investment made by investors into the foreign country, for example the sales of equity or borrowing by the resident investor from the foreign enterprise. According to OECD (2018), inward flows, on the other hand, are all the "transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy fewer transactions that decrease the investment of foreign investors in resident enterprises".

2.2.3.2 MNEs and their motives

It is easily understandable that FDI and international trade are intertwined. What is not so easy to understand is why certain companies choose certain entry models into international trade. There are multiple theories regarding FDI that can be explored to help understand the reasons. Some of these theories are the market imperfection theory, the internalisation theory and the owner, location and internalisation (OLI) theory (Morgan & Katsikeas, 2005).

Jere R Behrman, professor of Economics at the University of Pennsylvania, developed four different objectives of FDI that are derived from the OLI theory, namely resource-seeking FDI, market-seeking FDI, efficiency-seeking FDI and strategic asset- or capabilities-seeking FDI (ESCAP, 2017).

Dunning and Ludan (2008) suggest "that the eclectic paradigm offers the basis for a general explanation of international production". Table 2-2 is a clear illustration of the main motivations for FDI. Furthermore, it can be beneficial to recognise that the OLI outline affecting any MNE activity can be influenced by these three contextual or structural variables.

Table 2-2: Types of international production: some determining factors

Types of International trade	Ownership advantages (the "why" of MNEs activity)	Location advantages (the "where" of the production)	Internalization advantages (the "how" of involvement
Resource-seeking	Capital, technology, access to markets, complementary assets, size and bargaining strengths.	Possession of natural resources and related transport and communications infrastructure, tax and other incentives.	To ensure the stability of supplies at the right price and to control markets.
Market-seeking	Capital, technology, information, management and organizational skills; surplus R&D and other capacities; economies of scale; the ability to generate brand loyalty	Material and labour costs; market size and characteristics; government policies	A desire to reduce transaction or information costs, buyer ignorance or uncertainty; to protect property rights
Efficiency-seeking	All the above mentioned and also geographical diversification and/or clustering and international sourcing of inputs.	Economies of product or process specialization and concentration. Low labour costs, incentives to local production by host governments; a favourable business environment	Gains from economies of common governance. The economies of vertical integration and horizontal diversification.
Strategic-asset seeking	Any of the three that offer opportunities for synergy with existing assets	Any of the three that offer technology, organizational and other assets in which firm is deficient	Economies of common governance, improved competitive or strategic advantages; to reduce or spread risks.

Source: Adapted from Dunning & Ludan (2008)

With market seeking the main objective for the MNEs is to invest in a country other than the home country to exploit the possibilities of markets with greater dimensions. There are multiple reasons why MNEs prefer market seeking other than exploiting new markets, to follow customers and suppliers that established foreign production facilities, to change the products to local preferential needs and tastes, and to save financially in the markets abroad (Franco *et al.*, 2008). Therefore, this motive focuses on the demand aspect (Hansson, 2007).

According to Dunning and Ludan (2008), there are four main motivations for firms to engage in market-seeking investment. The first reason is that some MNEs need to follow their main supplier, which set up a foreign-producing facility, in order to keep their business. The second reason is for product adaption. This adaption can either refer to the adaption of products to local tastes and needs, to cultural values and to native resources and skills. The third reason is for lower transaction and production costs as it is expensive to supply from a distance. The last reason is that some MNEs see the importance of having a physical presence in leading markets as part of their global production and marketing strategy. Furthermore, Dunning and Ludan (2008) emphasise that another very important reason for market-seeking investments is because of government encouraging such investments, where trade barriers are eliminated, and trade incentives are occasionally given.

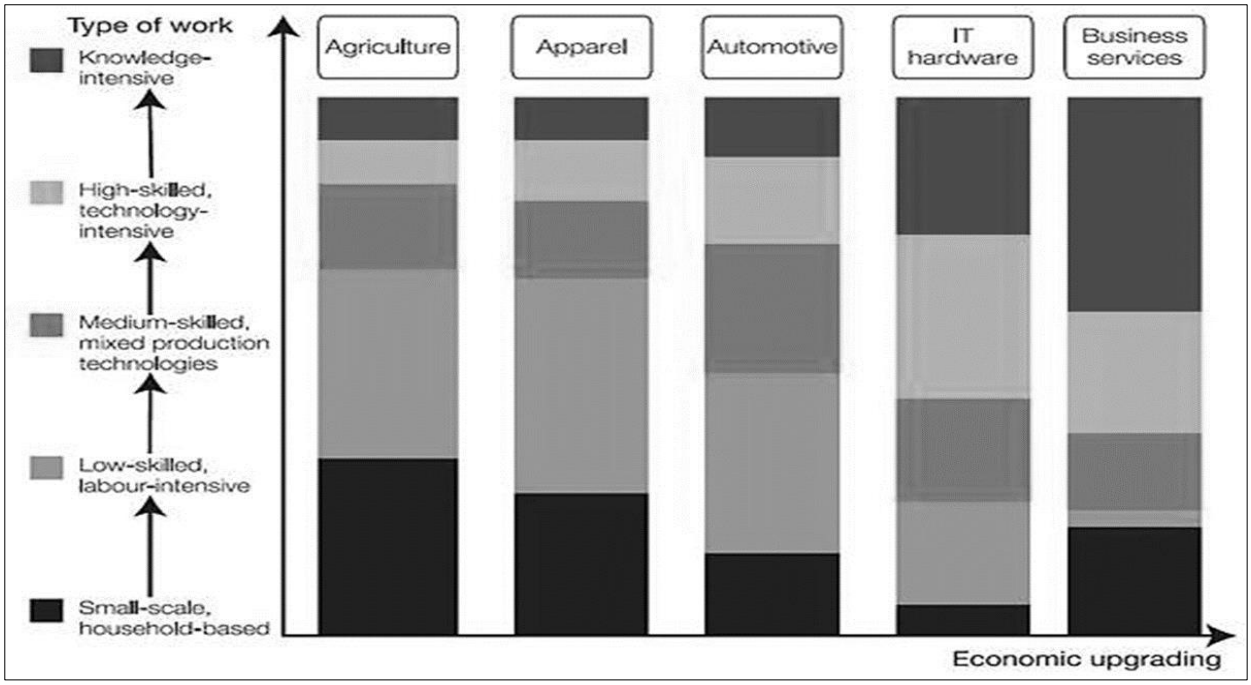
Some MNEs seek resources that are not available in their home countries, for example natural resources and raw materials, where others only seek types of resources that are at a lower cost, for example unskilled labour that offers cheaper rates compared to the home country (Franco, Rentocchini & Marzetti, 2008; Hansson, 2007). This is an important motive if the MNEs would like to obtain labour that is less expensive in order to gain maximum profits with minimum costs.

According to Dunning and Ludan (2008), resource-seeking investment can be divided into three groups. First, MNEs can be motivated to invest in a country that has an abundance of physical resources. These investors include manufacturers and primary producers from either developing or developed countries that want to benefit from secured supply sources and minimised costs. Two easily noticeable features of this resource-seeking investment are that it is usually a great capital disbursement and when the investment is made it is locally bound (Spulber, 2007). The second group is MNEs, from countries with high-cost labour, seeking semi-skilled or well-motivated unskilled labour at a low cost. The third group of resource-seeking investment is driven by MNEs that acquire technology competencies, expertise in management and marketing as well as overall organisational skills.

Wadhwa and Reddy (2011) define efficiency-seeking FDI as MNEs “motivated by creating new sources of competitiveness for firms and it goes where the costs of production are lower”. Efficiency-seeking investment can be divided into two different kinds. Firstly, according to Dunning and Ludan (2008), advantages can be drawn in different countries from differences in factor endowments. These differences include availability and cost. An example of this is where value-added activities such as technology, information or capital concentrated are invested in the developed country and, on the contrary labour or resource concentrated activities are often invested in developing countries (Hansson, 2007; Kudina & Jakubiak, 2008). Secondly, efficiency-seeking investments take place between similar economies with similar structures and are

designed to benefit from customer taste preferences, different supply competences and the economies of scale and scope (Franco *et al.*, 2008; Dunning, 1993; Hansson, 2007).

Figure 2-5: Types of jobs created by different sectors



Source: Gereffi & Luo (2014)

By referring to Figure 2-5, we can clearly see one of the greatest advantages' efficiency-seeking investment brings to the table. Over time, a spillover will be created by the foreign investment in capital, job creation, technological expertise, etc., and move the country up the value chain (Fruman, 2016).

The last objective of FDI is strategic asset seeking, where the purpose of the MNE's investment is to acquire and complete a new technological base rather than exploiting the existing assets. Common examples of strategic resources would be strategic supplies required to develop comparative advantages, patents and copyrights, as well as the knowledge and skills of the employees (Hansson, 2007). It is important for MNEs to protect the knowledge from competing firms as it holds commercial value (Oviatt & McDougall, 2005). Because of the secrecy, the best way MNEs can protect their information is through copyrights, patents and so on (Hansson, 2007).

Dunning defines strategic-seeking investment as MNEs that "engage in FDI, usually by acquiring the assets of foreign corporations, to promote their long-term strategic objectives – especially that of sustaining or advancing their global competitiveness". According to Franco *et al.* (2008), this

objective does not fit in well with the OLI theory proposed by Dunning (1997), as the firm invests abroad to gain knowledge and or capabilities that are not within the firm.

Generally, strategic asset seeking and efficiency seeking are increasing as motives, especially under well-established firms involved in multinational activities. Market- and resource-seeking motives have been the two most common objectives and are still relevant to most first-time internationalisation by firms (Hansson, 2007). Table 2-3 below summarises the foreign investment motives.

Table 2-3: Summary of FDI motives

	Motives			
Issues:	Market-seeking	Efficiency-seeking	Resource-seeking	Strategic-seeking
Key location factors	Size, purchasing power, level of development, proximity	Cost level, infrastructure, proximity	Resource availability, economic and political stability	Dynamic clusters, level of development, urban centres
Key internalization factors	Brands	Specialized investments	Supply security/stability	Pre-emption of competition
Typical sectors and industries	Consumer goods, services	Production of goods, back-office services	Primary sectors, vertical supply chains	High-tech
Exemplar activities	Marketing and sales	Manufacturing	Extraction and production	Research and development
Key performance indicators	Market share, volume sold, sales growth	Productivity, cost margin, profitability	Input cost, Supply reliability Price-cost margin	Innovations, patents, new product introductions

Source: Benito (2015)

When an MNE decides to go through with the decision to invest overseas a market entry strategy must be in place. There are multiple variables that affect this decision, such as the cost, risk, marketing, sourcing, investment and the degree of control an MNE prefers. Market entry strategies also differ in difficulty, for example the simplest form would be a direct investment and a more complex strategy would be a joint venture. Other forms of market entry strategies of MNEs include licensing, international franchising, branches, contractual alliances, wholly foreign-owned subsidiaries, Greenfield investment and cross-border mergers and acquisitions (FAO, 2017).

According to Kuşluvan (1998), theories are used to explain and understand the reasons for MNEs' investments. There are three fundamental questions set by Kuşluvan; firstly, "what motivates national firms to go and produce abroad?"; secondly, "what enables them to do so?"; and lastly, "why do MNEs undertake different forms of investments abroad". These fundamental questions can be applied to MNEs wanting to invest in Africa.

According to the World Investment Report (2017), the major investors in Africa are those of developed economies and the investors from the developing countries continue to be active. The United States, United Kingdom, and France continue to be the largest investors in Africa, notwithstanding the fact that half of the top ten investor economies in 2010 and 2015 were from developing countries such as China, South Africa, India and Malaysia. This reflects the global trends of increasing FDI flows from the South. Investment and trade are unquestioningly intertwined. Market-seeking FDI can also generate trade and sometimes evolve arm's length trade into intra-firm trade, and efficiency-seeking FDI is mostly associated with global value chains (GVCs) as the firms look for discrete parts of their production processes in low-cost locations (World Investment Report, 2017). With reference to the World Investment Report (2013), FDI generally leads the increases in exports, and therefore it is also one of the reasons why FDI has become an increasingly important driver of trade flows worldwide.

2.2.3.3 Types of FDI

There are three types of FDI, namely horizontal FDI, vertical FDI and conglomerate FDI. Horizontal FDI takes place when an MNE invests in a foreign country in the same industry in which it operates in the home country, where each local production serves the local markets (Protsenko, 2003). According to Kurtovix, Radevic and Jokic (2012), horizontal FDI benefits both the investor and the receiving country. Through horizontal FDI, specific trade barriers are eliminated and the cost of business between the countries will decline.

According to Protsenko (2003), vertical FDI "occurs when the MNE enters a foreign country to produce intermediate goods that are intended for use as input in its home country production process (backward vertical FDI), or to market its homemade products overseas (forward FDI)". Advantages of vertical FDI include that the MNE has an opportunity to invest in specialised assets, there are lower transactional costs and there is a high certainty that all aspects will be of great quality. Challenges that MNEs may face are that vertical integration can decrease the flexibility and can create some market entry barriers (Occupytheory, 2014).

Conglomerate FDI is when MNEs invest in a company that manufacture products not manufactured at home (Herger & McCorriston, 2013; Elia, Maggi & Mariotti, 2011). This type of FDI holds advantages as well as disadvantages (Borad, 2018). The advantages include more

diverse business, the MNEs gain synergies, improved customer base, the utilisation of human resources and excess cash, as well as the advantage of economies of scale. The disadvantages that the MNEs might experience are the lack of past experience, a shift in focus, unexpected complications and governmental disputes.

2.2.3.4 Different entry modes MNEs use

After MNEs have a motivation to invest abroad, they need a form of entry. There are three main entry modes, namely mergers and acquisitions, Greenfield investments, and joint ventures.

A merger involves the initiation of negotiation between two firms. Both firms will gain advantages from the merger. This process will have challenges and complications involved, but there is also potential synergy. If all works out, a larger entity will be formed by two entities merging (Roberts, Wallace & Moles, 2003). With an acquisition, on the other hand, negotiation does not necessarily take place. An acquisition is when one entity buys another and then the company bought is totally absorbed and ceases to exist. According to Robert *et al*., "in an acquisition the dominant company is usually referred to as the acquirer and the lesser company is known as the acquired. The lesser company is often referred to as the target up to the point where it becomes acquired"

According to Dunning and Ludan (2008), acquisitions make up more than 97% of M&As, where two-thirds of the total acquisitions are full acquisitions and the minority acquisitions are mainly common in developing countries. Furthermore, some M&As take place between entities from the same industry, where others' intentions are to gain market share. UNCTAD (2006) states that there is growing evidence that M&As undertake the argument of the O-specific advantages when it comes to the acquiring of entities. M&As are also chosen above Greenfield investments by some entities as M&As hold advantages such as the anticipation of their competitor's movements, the prevention of competitors entering a specific market, or the prevention of bad consequences from not being active in a specific market (Dunning & Ludan, 2008).

A Greenfield investment combines local market assets that are required with the resources from investors. An acquisition, on the other hand, combines the investors' resources with the local market assets that are required. Furthermore, an acquisition provides a hasty entry into the market; instant access to the local resources and local networks; and contributes to the reduction of transaction costs; where, in contrast, a Greenfield is an entirely new entity created with specific requirements, but with a slow market entry (Meyer & Estrin, 2004). According to Anand and Delios (2002), Danis and Parkhe (2002), Meyer and Estrin (2001), the choice between these two entry modes is primarily a decision over where the resources originate from for the new entity.

The last entry mode to consider is a joint venture. Joint ventures are commonly referred to as 'JVs', 'partnerships' and 'strategic alliances'. According to Burgess and Bothma (2007), "a

strategic alliance is a business relationship that is developed between two or more organisations to work together and share the risk in achieving a joint objective". Furthermore, they state that a joint venture is a form of strategic alliance where an international entity and a domestic entity join to form a new entity. Both entities invest equity and form a management partnership to run the business.

Joint ventures (JVs) hold obvious advantages and disadvantages. According to Steward and Maughn (2011), if an entity decides on a JV, it will allow for faster and less expensive access into the foreign country in comparison to other entry modes. Secondly, JVs contribute to better access to distribution channels and access to local knowledge for the foreign partner, which in the long run contributes to the success of the JVs. Thirdly, the resident partner brings the advantage of existing relationships with suppliers and customers as well as the knowledge of local language and customs. For a small or medium-sized entity, these advantages are especially important as they do not have the necessary capital, resources and or expertise to take the opportunity unless they take part in sharing the costs and risk in an alliance. Fourthly, both parties will benefit from the cost-efficiency, and the fast movement and credibility (provided by the resident partner) in the local market. The last advantage is the fact that the parties can benefit from the synergies and business lines that may exist between the entities.

The dissatisfaction rates of the joint venture and failure rates are high (Burgess & Bothma, 2007). The reason for this is that the disadvantages may often exceed the advantages. First of all, entities may get annoyed because of the lack of adequate strategies and planning. Secondly, according to Steward and Maughn (2011), it is difficult to anticipate "factors such as marketplace developments, technology issues, regulatory uncertainties and economic downturns" that can have a devastating impact on JVs.

Other disadvantages include the diluted income (because they are shared), often difficult to capitalise, different management philosophies and strategies, and the partners involved may not have the same expectations and are not always adaptable to change (Steward & Maughn, 2011).

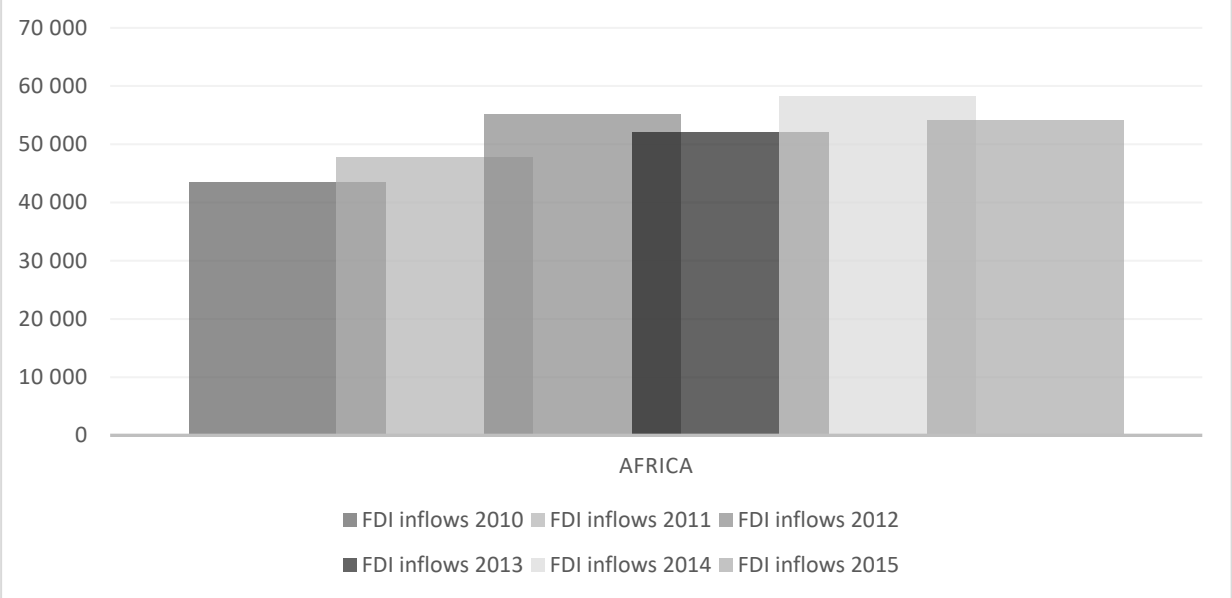
After an intense review on Multinationals and their overall Foreign Direct Investments, the following section focusses the challenges and advantages Africa holds for MNEs wanting to invest in Africa.

2.2.4 Africa's challenges and advantages

When investing or deciding to invest in Africa, Shelley (2004) states factors that should be taken into consideration. These factors include the business opportunity, the ease of doing business or setting up a new business in Africa, the restrictions and barriers on businesses, life in general and on residents, the access to wider markets as well as the presence or absence of corruption and

risks. For African countries, it is important to improve their investment climate. Because African governments associate economic development and poverty reduction with FDI, the last few decades they have liberalised or are in the proses of liberalising the FDI regimes. According to Aryeetey *et al.* (2012:326), the following points are the most promising high-return policies to improve the investment climate and attract FDI inflows. First of all, governments should reduce excessive regulations and promote policies favouring FDI. Secondly, in the legal framework, property rights should be protected and enforced. Thirdly, there should be zero tolerance for any form of corruption, and bureaucracy quality should be improved. Fourthly, infrastructure should be improved where possible. Lastly, the political environment should be stable. Investors will not be attracted to countries that are in conflict, and that are prone to starting wars and turbulences etc.

Figure 2-6: Africa's FDI inflows



Sources: UNCTAD, FDI Online Database (January 2017); World Investment (2016)

Referring to Figure 2-6, the FDI flows to Africa decreased from 7 percent to $54 billion in 2015. There was an upturn in FDI inflows in North Africa, but a greater decrease of FDI flows to Sub-Saharan Africa. According to UNCTAD (2016), “low commodity prices depressed FDI inflows in natural-resource-based economies”. In 2016, flows to Africa had a decline of 3 percent and according to UNCTAD (2017), there will be a slight increase in FDI inflows to Africa in 2017, to approximately USD 65 billion.

Entities should consider asking these questions when they want to invest in African countries: Is the African country feasible for investment? How is the economy structured? How is the country’s economy performing? What is the annual growth rate of the African economy? What is the nature

of the economy? What is the level of government involvement? How it the infrastructure of the county? Is the commercial infrastructure well developed? How is the financial sector structured and organised? What is the labour costs compared to others? Why specifically choose that African country to invest in?

Despite the challenges Africa has, Essa (2016), states that there are six reasons why investors should invest in Africa. First of all, Africa is in need of proper infrastructure, such as roads, rails, ports, information technology, power grids and airports. If companies can provide these, and connect the Africans with the markets, they can prosper. Essa (2016) states that Singapore and Dubai can be seen as an example where being the first investors in the infrastructure of an expanding market can hold significant advantages. The second reason is that African trade barriers are decreasing and intra-African trade shows potential. The third reason is that customer needs and consumptions are changing to a more and more sophisticated middle class. The largest economic forces in Africa are only small to medium enterprises compared to the global scale. This gives global enterprises a potential advantage. The fourth reason is in terms of the digital transformation. Examples of companies that made use of these transformations and achieved great successes are Novartis (the supply chain is managed through mobile communications) and Olam (mobile communications to new African suppliers and farmers). The fifth reason is Africa is diversifying and seeing the potential and opportunities in the African countries, which, in the long run, supports economic growth with increased skills and talent. The last reason, according to Essa (2016), is that “Africa can lead in sustainable development” as Africa is the last growth frontier for business leaders seeking new markets and consumers.

2.3 The effect of Multinational enterprises on global trade

According to the OECD (2017), “international trade and foreign direct investment (FDI) are the main defining features and key drivers of global value chains (GVCs)”. Some companies export products where others build their own production facilities offshore. With the GVC concept, a company can either source products from different countries or they can create their own production facility. This also links directly with intra-industry trade and the company’s supply chain. This part of the chapter will discuss the linkage between GVC and FDI and will be referring to intra-industry trade. Furthermore, the challenges and advantages of expanding into Africa will be discussed.

2.3.1 Types of international trade

For retailers, the economic environment of the developing countries is even more challenging because of the slow growth, political interference, great amounts of debt, worsening demographics etc. Despite these challenges, people need places to shop and for retailers, the

outlook is promising (Deloitte, 2017). Multinational retailers and customers benefit from freer trade as it helps to reduce the price and increase the customer spending power. Furthermore, with the integration and interdependence created and the mutual reliance promoted among the different countries, globalisation can have multiple advantages such as a broader range of possible suppliers, lower prices, cheaper locations etc. (Hamilton & Webster, 2009). Globalisation also helps to give retailers opportunities to expand into other countries after the domestic market is saturated (Kokemuller, 2018). Yeng and Yazdanifard (2015) state that it is important for retailers to have a combination of local knowledge, fitting retail locations, and a successful business model when expanding globally.

Considering the interrelationship between international trade and globalisation, it is important to distinguish between two main types of international trade, namely intra-industry and inter-industry trade (Bonturi & Fukasaku, 1993). Inter-industry trade is where two parties trade products from different industries; for example, where Country A trades locally-produced agricultural products for locally-produced technological products from Country B. Countries usually trade according to their competitive advantages (Dudovskiy, 2012). Even through the advantages that result from technological differences, one cannot see comparative advantages as the driving force behind IIT (Kleinert, 2001). Intra-industry trade (IIT) means that countries trade with the same industries, also known as two-way trade (Dautovic, Orszaghova & Schudel, 2014; OECD, 2002a). According to Van Marrewijk (2012), one of the reasons for intra-industry trade is because of a demand for a variety of similar products. One of the most common measurements used for IIT of a specific product is the Grubel Lloyd (GL) index (Van Marrewijk, 2012). This index varies between zero and one, where zero is an indication of no IIT and one is an indication of only IIT.

According to the International Trade Centre (2010:94), intra-industry trade is relatively high for emerging markets and continues to increase. Emerging economies had a GL score of 0.68 in 1996 and in 2008 it scored a 0.78 (International Trade Centre, 2010:94). On the other hand, the other two groups of countries, namely least developed and developing, have a low score and are on the decline. The least developed countries scored 0.3 and other developing countries scored 0.36 in 1996 and both decreased by 0.02 in 12 years (International Trade Centre, 2010).

It is also important to note that although emerging economies have the advantage of industrial and sufficient export structures, which help them against economic crises and shocks, not all countries included in the emerging economy group, such as Qatar, Oman and the Russian Federation, show a high IIT and they show low export diversification. In other words, developed countries tend to engage in more intra-industry trade as they have the capabilities to produce many different products. On the other hand, resource-rich developing countries and less developed countries tend to have little intra-industry trade. Intra-industry trade is on the increase.

Possible reasons for this are customer preferences for a greater variety and choice from different countries, lower tariffs (that cause the prices of imported goods to reduce and advantages of economies of scale) and rising intra-firm trade within multinational enterprises (Dudovskiy, 2012). Furthermore, other possible reasons include an increase in the openness of countries to products of many different nations and it allows countries to produce similar intermediate and final goods by improving human capital and FDI (Geoff, 2016).

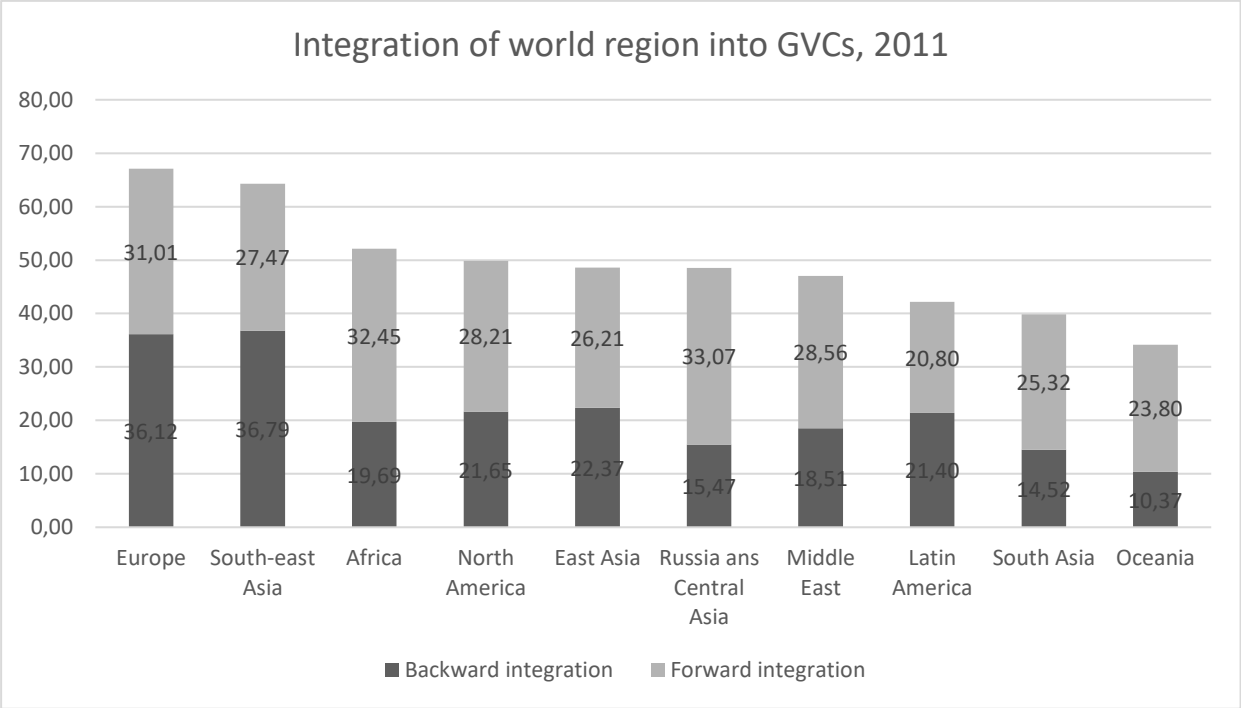
2.3.2 Globalisation and global value chains (GVC)

With globalisation, the flow of goods and services has drastically changed. Globalisation creates new threats and opportunities. The removal of barriers (namely political, physical economic, cultural) is called liberalisation (Hamilton & Webster, 2009). According to Hamilton and Webster (2009), there are three main economic and financial indicators of globalisation, namely international trade, financial flows and migration.

Africa's structural transformation, combined with upgrades, could improve through the global value chain (GVC) integration (AfDB, OECD & UNDP, 2014). The reason why countries should also upgrade and collect new capabilities is that they stand the risk of GVC integration downgrading. This includes threats such as being stuck in low value-added stages of the GVC, foreign direct investors investing in isolation, being exposed to the imported crisis due to increased connectivity etc. (AfDB, OECD & UNDP, 2014).

According to the African Economic Outlook 2014, GVCs "are driven by firms which use the advances in communication and regulation to optimize their sourcing strategies through geographic re-organization and the separation of production stages". Africa has shown a high GVC integration compared to other regions, yet it only shows a low share of global value-added trade (Conde, Heinrigs & O'Sullivan, 2015). Referring to Figure 2-7 below, Europe and South-east Asia are the only two regions that integrate more into GVCs.

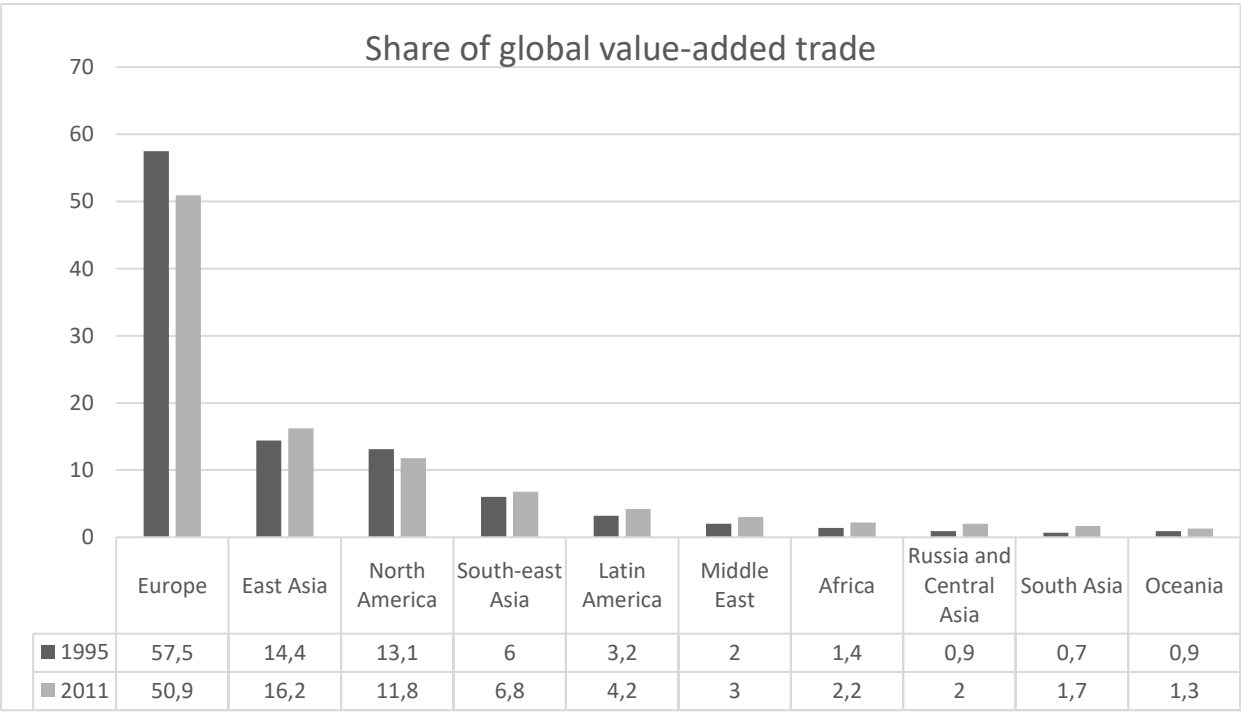
Figure 2-7: Share of total value-added exports (%)



Source: Adapted from AfDB, OECD and UNDP (2014)

On the other hand, Table 2-4 confirms the low share of global value-added trade, wherein 1995 Africa had scored only 1.4% and in 2011, a low 2.2%.

Table 2-4: The share of global value-added trade by region, 1995 and 2011 (percent)



Source: Adapted from AfDB, OECD and UNDP (2014)

MNE-coordinated GVCs account for more than 80 percent of global trade (UNCTAD, 2013; AfDB, OECD & UNDP, 2014). The global economy known today can be defined by GVCs, where intermediate goods and services are distributed among fragments and international production processes. These fragmented production processes that are growing across borders have their implications for trade and investment patterns and policies, but also hold advantages such as new prospects for growth, job creation and development (UNCTAD, 2013). The GVCs are typically coordinated by MNEs' affiliates, partners and arm's length suppliers. The location of the coordination of the GVCs is usually in the province of the MNEs. In other words, the MNE will determine where the high-value activities take place (OECD, WTO & WBG, 2014).

For the period 2009 to 2012, the service sector of Africa grew more than double the rate of the world average (UNCTAD, 2015). According to UNCTAD (2015), regional trade in the service sector had an extreme increase, especially in areas of finance, telecommunications and retail. For developing countries, GVCs can be an important opportunity to build productive capacity where local firms can add a magnificent share to the value. It is also important to understand that this technology distribution, skill enhancement and upgrades do not happen automatically. It requires massive investments (UNCTAD, 2013).

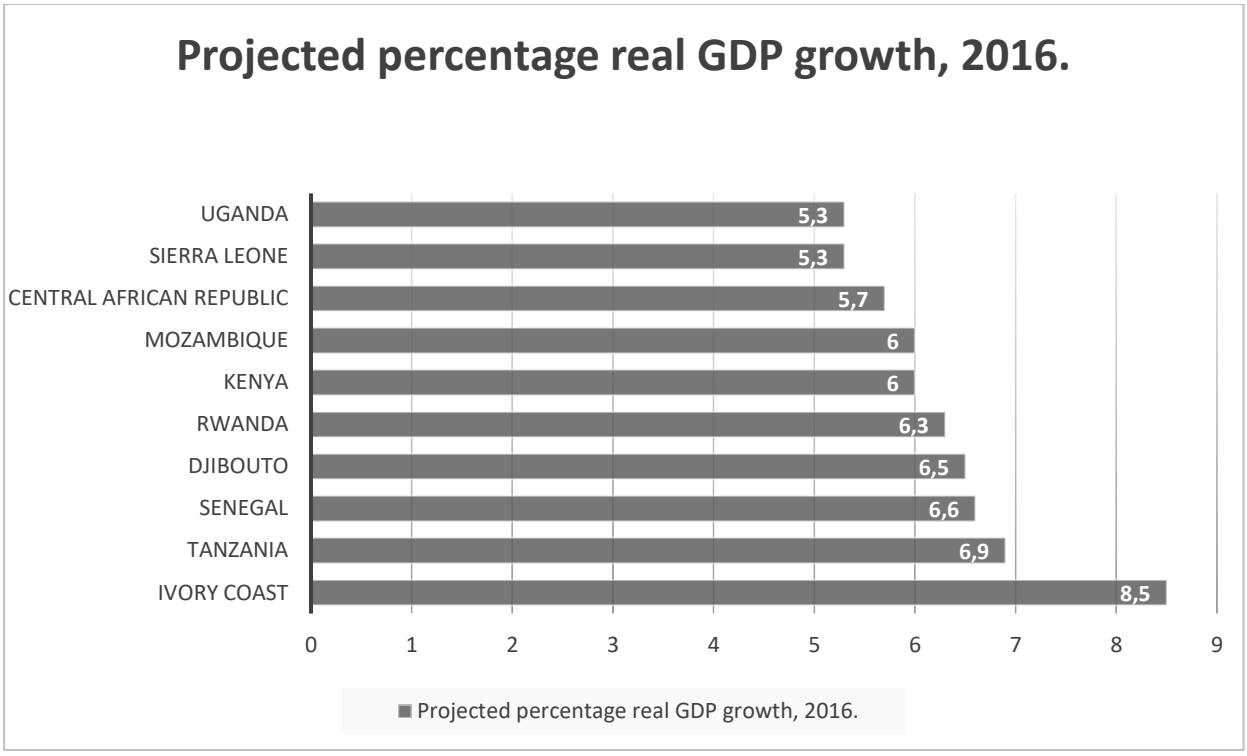
After the literature review on the effect of multinationals on global trade, the following section focusses on a more in-depth view of the MNEs effect on African trade and the challenges and advantages Africa holds for the MNEs.

2.3.3 Africa's challenges and advantages

MNEs have an important role in international trade; it increases the GDP for the country that is creating these production and service facilities in other countries. Jobs are also created abroad, while maximising their production, and through investment, the working and living conditions of millions of people worldwide improve. Therefore, MNEs have a vital role to play in promoting economic and social progress, especially for a continent such as Africa. According to Games (2012), between 2000 and 2010, the GDP growth averaged 4.7 percent per annum, which is almost double the rate of the previous decade, which elevated the prospects of the future of the continent's economy. The global view of Africa before these outstanding growth records was dismal. Infrastructure, high rates of poverty, the heavy hand of the governments and the political uncertainty are only some of the reasons why it took a while for Africa, as a continent, to be viewed as an efficient investment option (Games, 2012). According to Games (2013), "Africa is the most sought-after frontier destination for global investment today". Games also states that with 54 countries, even difficult business plans can fail in these unique and difficult circumstances. With reference to Table 2-5 below, one can see that seven out of the ten fastest-growing global

economies are in Africa. This is because Africa is rapidly becoming a preferred investment option despite its challenges (Dewji, 2017).

Table 2-5: Africa's fastest-growing economies



Source: Adapted from Dewji (2017)

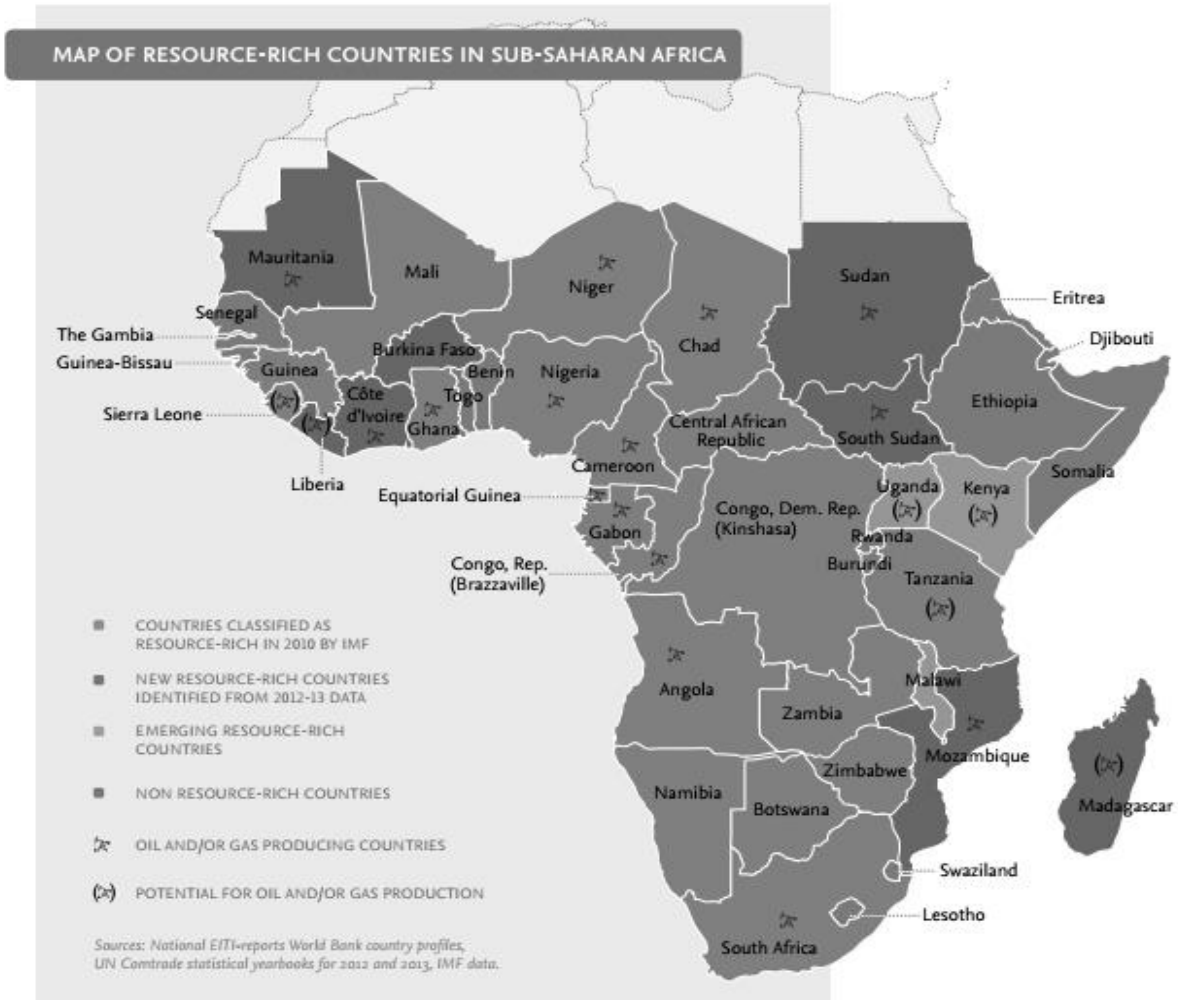
Agriculture is one aspect that plays such an important role in Africa. It is key to innovation that can increase the land productivity, and agriculture contributes to the future revenue growth. According to Mzimba and Yawitch (2015:21), more than 80 percent of the population in some countries are employed by the agriculture industry. Furthermore, opportunities are more likely to rise in manufacturing and close in agriculture. Under these circumstances, Africa will need more investment than in the recent past. After the global crises, investors' hunger for risk has drastically declined. Despite the fact that Africa has not been hit by the crisis as hard as most other regions, it has long been seen as the riskiest region for investment (Mzimba & Yawitch, 2015).

Secondly, geographical opportunities can have a larger impact on Africa than one can imagine. Geography plays a direct role in the economic productivity through transport costs, population health, agriculture productivity and ownership of natural resources (Gallup, Sachs & Mellinger, 1999). The African region is too large to be analysed as a singular category as it consists of countries that are rich in valuable natural resources, countries that are endowed with natural resources, but at least consist of a coastline, and then countries that have none of the aspects mentioned. High transport costs, diseases across the population, the policy choices and the

productivity levels of agriculture can be seen as an effect caused by the geographic situation and climate of a country. Furthermore, Gallup *et al.* (1999) proclaimed that in the future a rather large amount of population density will increase in these geographically disadvantaged regions.

By referring to Figure 2-8, it is a clear indication that Africa can be viewed as a resource-rich region. These countries are the drivers of the African economy as it makes up more than 80 percent of the GDP (Thorborg & Blomqvist, 2015). In the 10-year timeframe, from 2002, the non-renewable natural resources increased with US 232 billion dollars (Thorborg & Blomqvist, 2015). There is a great deal of potential for natural resources' revenue to fund some diversifications of the economy (Aryeetey, Devarajan, Kanbur & Kasekende, 2012:28).

Figure 2-8: Resource-rich countries in Sub-Saharan Africa



Source: Thorborg and Blomqvist (2015)

Coastal countries have a tremendous advantage over landlocked countries. They have the advantage of direct access to the larger global markets, which results in lower transport costs.

Over the past years, this category of other developing resource-scare economies has increased hastily, entering markets for global manufacturers. Africa showed the least hopeful development compared to the norm. Mauritius was the only African country that transformed into a middle-income country from a weak economy through export manufacturing (Collier, 2006). The explanation for the failure of African counties participating in the global market is the high cost of manufacturing businesses due to insufficient infrastructure, corruption, adequate skills in workers and trade barriers (Aryeetey, *et al.*, 2012:30).

There are more landlocked developing countries (LLDCs) in Africa than in any other region in the world. Landlocked countries' ability to grow successfully is hindered by the lack of direct access to the ocean, isolation from major market centres, inadequate transport infrastructure and cumbersome transport procedures. It is a heavy burden for countries being landlocked as they are remote, isolated and have insufficient infrastructure. Landlocked countries have 50 present higher transport costs and 60 present lower trade volumes than coastal countries (Limao & Venables, 2001). If transport costs double, trade volumes decrease by 80 percent and if the transport cost is higher, it will result in slower economic growth (Gallup, Sachs & Mellinger, 1999). Moreover, this reflects the extreme political shattering of the region onto 54 countries. The economic growth of landlocked counties does not solemnly depend on physical infrastructure, but also on political incentives.

Governance plays a very important role in the effective management of natural resources. It all starts with the discovery process. According to Sachs (2001:28), policymakers should be standing behind social organisations that nurture the discovery and innovation and equally important pay more attention to the change in technological development. Governments should implement and sustain an effective taxation system that financially supports these developments. Other problems include corruption, where extraction rights were sold through secret negotiations, and this should also be addressed. Good governance is critical for Africa because they have such a large impact on the management of the natural resources.

African governments made a great turnaround in their economic policies in the early 1980s (Radelet, 2010). In spite of this improvement, a great difference can be seen in the macroeconomic- and the microeconomic policies. Some macroeconomic policies are mostly at or above world standards, where, in contrast, microeconomic policies are far behind global standards (Newel, 2015). The effects of this imbalance can be bitter, and therefore the gaps need to be closed as it will be easier for local companies to increase their output, increase the international global market and attract foreign investors (Newel, 2015). According to Ndulu, O'Connell, Bates, Collier and Soludo (2007), there is a direct correlation between the growth of Africa and the political-economic factors. According to Easterly and Levine (1997:1241), Africa's

low growth and low income are associated with political instability. Many African governments chose narrower anti-growth policies to attempt to secure political power. Collier (2010) then again argues that under certain conditions some democratic organisations permit elites to loot a country's resources and diminish its potential growth.

In contrast, looking at African countries such as Mauritius and Rwanda, which are both post-conflict countries, political economy factors and new reforms played their part in the adaption process of pro-growth policies by flattening the view of potential gainers and losers (Aryeetey *et al.*, 2012:217). According to Pereira and Teles (2011), economic growth will be positively affected if the country adopts a democratic regime and is controlled by the aspects that measure political institutions. Countries that are poor also experience a larger effect of political institutions on growth, whereas in rich countries, the effect of political institutions is rather small. Pereira and Teles (2011) also state that the effects of political institutions on growth differ depending on whether an autocratic or democratic regime is adopted. In democratic regimes, the economic growth will be greater if the political power is held by the same political leader for a longer period of time, whereas the effect of an autocratic regime will be reversed. It is equally important to understand, by adopting a democratic regime, it alone cannot be enough to have the wished economic growth; it will also require a good institution (Acemoglu, 2009).

To fully assess the role of political institutions and its effect on economic performance can be rather difficult (Brunt, 2007). Political and social performance forms part of a country's history and has helped shape the economy and national institutions to this day (Pereira & Teles, 2011). It is important to understand that, for instance, similar political institutions in two different countries may not have the same economic results, where, on the other hand, two totally different political institutions in two different countries may have the same economic results. According to the research done by Rodrick (2007), political economic factors such as property rights, governing organisations, organisations for macroeconomic stabilisation, organisations for social insurance, organisations for conflict management etc. contribute majorly to the economic growth of a country.

2.4 Multinational enterprises and strategies

With reference to an article published by Citeman (2009), all MNEs have their own distinctive way of contributing to the globalisation movement and have their own way of organising the activities involved by delivering their products or services to their end customers. As the MNEs evolve, the environment, customers and the geographies in which the business operates will change. MNEs are then challenged to adapt to the new information and communication technologies, shorter product lifecycles, global markets and even stronger competition. Therefore, MNEs should have a strong business strategy and strategic management to be able to keep up with vast changes. According to Goldman, Maritz, Nienaber, Pretorius, Priilaid and Williams (2015), strategic

management is a process used by general managers to create a strategy that is then used as a management tool to ensure company performance. Strategies are in place not only to gain financially, but also to achieve long-term survival and growth.

2.4.1 External factors for consideration

A company should also take external factors into consideration when developing a business strategy. Firstly, this includes political, government and legal forces. This force can be a key challenge as well as an opportunity for both large and small companies. Political forecasts are important to companies that are dependent on government contracts and subsidies and must make it a part of their external audit. Variables include government regulations, change in tax laws, special tariffs, world oil, currency and labour markets, political conditions abroad etc. According to Porter (1990), governments play an important role in international competitions. Government policy has a role in areas such as economic information, infrastructure, scientific knowledge, specialised human resources, and factors of production. These factors then again have a direct link to the potential rate of upgrading a country's economy.

According to Hamilton and Webster (2009), there are multiple ways the legal environment can influence the process of production. First of all, regulations and laws can influence how companies produce their goods and services, for example some production processes can be a hazard to the environment and therefore the production process would have to change accordingly. Secondly, the characteristics of the product might have to change due to the law forbidding some substances. Thirdly, the nature of the packaging and the label content can also change because some countries have specific laws for hazardous goods and food. Fourthly, the labour law could also differ from the home country and the foreign company would have to adapt. Fifthly, the terms of sale (such as terms of payment, warranties, delivery dates, return policies and so forth) may also differ from country to country. Furthermore, the countries may also have laws regarding the competition and the regulation of business behaviour. Another legal aspect is the protection of ownership and possessions that companies have; both fiscal and intellectual property. Lastly, countries will have different laws in place regarding the reporting of financial status and the performance of the company.

When looking at Africa as a continent, in Figure 2-9, it has multiple legal systems, namely a mix of civil law, customary law, Muslim law and common law (Hamilton & Webster, 2009). This could be challenging for an enterprise wanting to expand into more than one African country. International business law is applicable in many aspects. This includes the law of the contract (entities are constantly entering into new oral or written contracts), tort law (to protect people from accidental and or intentional damage), criminal law (which applies to many business activities

such as right pricing of goods and services, and proper descriptions of goods and services, etc.), and last but not least, international law.

Figure 2-9: Legal systems across Africa

Source: University of Ottawa

Secondly, economic forces include aspects such as the influence of the gasoline price, inflation, or the rand versus the dollar, and can be an opportunity or threat to the company. The economic factors have a direct impact on the potential attractiveness of different strategies. Factors that a

company can monitor include the availability of credit, the company's income level, the inflation rate, the interest rate and the unemployment trends.

The three phenomena in the financial framework, namely interest rates, inflation and exchange rates are very important for companies. According to Hamilton and Webster (2009), inflation can be defined as "an increase in the overall price levels of goods and services in an economy over a particular period of time". What businesses should understand is that if they operate in a country with high inflation rates, the rise in costs of goods and services and furthermore the increase in production costs, they could put their international competitiveness in jeopardy. In contrast, inflation could open selling opportunities, as it is easier for countries with low inflation to compete with countries with high inflation rates.

The interest rate is the price one has to pay if money is borrowed. Higher interest rates are a result of countries that are concerned about the high inflation rates, which makes it the cost to borrow more. Rising interest rates could also have a direct influence on the customer's demand, as it is too expensive to borrow money to spend. On the other hand, financial institutions lending the money could benefit from the higher rates.

Exchange rates can be defined as "the price of one country's currency in relation to another" (Burgess & Bothma, 2007). Again, a fluctuation in the exchange rate can be either positive or negative depending on the perspective view. A rise in the exchange rate would be beneficial for the importer as imports of goods and services will be cheaper; however, on the other hand, with the rise of the exchange rate, the exporter will not be as competitive in the foreign market (Hamilton & Webster, 2009).

Thirdly, social, cultural and demographic forces can have a major impact on business strategies. For a basic example, what happens when everyone suddenly only prefers Lindt dark chocolates? Or the outdoor activities that become more attractive to the youth? What would the influence be on "sporting goods companies"? The social, cultural and demographic framework is more than what meets the eye.

Culture is the system of shared beliefs, customs, values and behaviour that has been passed on from generation to generation (Bates & Plog, 1990). Cultural differences alone can influence the way entities do business. Manners and courtesy, time and punctuality, languages and communication – these are only a few aspects that will be different from culture to culture (Shelly, 2004). The African continent alone is rich and diverse in culture and does not only vary from country to country, but also within one country. Another example of South Africa's diversity is that they have 11 official languages. A sense of time will also differ from country to country.

The demographic framework has a direct impact on the labour supply, economic growth rate as well as the pattern of demand for goods and services. Populations, for example, are growing in Africa and Asia, but are on the decline in Europe along with urbanisation, differences in national health and education and an ageing population (Hamilton & Webster, 2009).

Fourthly are the technological forces. Technological advancement can have a dramatic effect on a company's products, services, markets, manufacturers, distributors, etc. For example, the internet has changed the nature of opportunities and threats. Technology has a major impact on different aspects such as the product lifecycle, the distribution channel and speed of distribution, creation of new products and services, and intrusion restrictions.

According to Hamilton and Webster (2009), "competitive advantage regarding productivity, costs, and products can all be heavily influenced by new ideas and knowledge. Those ideas and knowledge can result in new inventions, designs, trademarks, literacy and artistic works".

With a strong technological framework, it could mean massive opportunities for the entity (Hamilton & Webster, 2009). With technology, entities can revive old products, create new products and services and, in the long run, improve their market share with better brand names, products and processes. Technology also makes it possible for entities to easier access the global markets and is one of the reasons for the rapid growth rate of MNEs. Technology also plays part in bridging the gap between small and large enterprises, making it easier for small entities to compete against larger firms. Another opportunity that technology holds is that a firm with a powerful technological position in one product may be able to convince the buyer of that product to use the related products, resulting in more generated income. It is also proven that countries that are more prone to adopting new information and communication technologies have higher productivity growth rates. Technology also helps to redesign jobs and can change the skill requirement pattern. It also assists businesses in the monitoring and control of the company, as it simplifies the process where manages can, for example, record the calls in the call centres and evaluate it. Another opportunity that technology brings to the table is improved internal communication.

Although technology brings many opportunities, it can also pose threats. Businesses should be prepared to learn the ways to new technology, cope with change, and take all the advantages technology has to offer. One can, therefore, see the importance of the external factors when looking at company strategies. The political, governmental and legal challenges, the economic factors, the social and demographical and the technological factors can influence business decision-making. If a company does not see the importance thereof, it could mean destruction.

2.4.2 Porter's five forces

The Porter matrix describes the generic strategies and value chain, the typical form which strategies originated from. Many different authors have tried to improve this matrix, but not much body or knowledge has been added (Goldman *et al.*, 2015). Now, the five forces model is widely used by many firms in many industries to develop strategies (David, 2011). The five forces are designed to determine the long-run probability of any industry and to design a framework for strategies to be accurate, defending against the competitive forces (Porter, 2008). Figure 2-10 is a demonstration of the nature of competitiveness that can be seen as a combination of five forces, namely rivalry among competing firms, potential entry of new competitor, potential development of substitute products, bargaining power of suppliers and bargaining power of consumers.

Figure 2-10: A graphical representation of Porter's five forces

Source: Porter (2008)

Rivalry among competing firms is usually the strongest one among the five forces. The strategy of a firm can only be successful if the strategy has a competitive advantage over the competing firm. With the change in the strategy, the firm will usually lower its prices, lowering quality of products and goods, increasing marketing and or adding other features and services. There are multiple reasons why the high rivalry between firms exists. This includes a high number of competing firms, firms of the same size competing with each other, firms with the same amount of skills competing with each other, a decrease in demand for the industry products, and a

decrease in price for goods and services. Furthermore, it includes the loyalty of customers who can easily switch between brands and trademarks, when barriers are too high to leave the market, when the barriers entering the market are too low, when the competing firms have additional stock and greater capacity when mergers are common in the industry.

When it is easy for a new firm to enter a specific market, it will increase the competition of that industry. It is therefore important for the company to immediately identify the competing firms' strategy, as they can have better quality products at lower prices and better marketing. The firm should then have a counter strategy in place to follow and plans on how they are going to capitalize on existing strongpoints and opportunities. Some of the disadvantages a new firm will have to face is customer loyalty, big capital requirements, they may need more experience, tariffs, etc.

The third force is the potential development of substitute products. (In many industries, firms of different industries will compete with each other, for example, firms manufacturing plastic kitchen containers will compete with firms manufacturing glassware.) The presence of competitive products places a "roof" on the price that can be asked before consumers will switch over to substitute products. As the substitute products' prices lower and reduce consumers' costs of switching the competition from substitute products will increase. According to David (2011), "the competitive strength of substitute products is best measured by the inroads into the market share those products obtain, as well as those firms' plans for increased capacity and market penetration".

The bargaining power of suppliers influences the competition of the market, especially when there are fewer suppliers, fewer substitute products or when the cost of switching to other resources is too high. It is always in both the supplier and producer's favour to accommodate one another with fair prices, good quality, development of new services etc., to ensure long-term profitability. Suppliers can be trustworthy or not at all; therefore, the other option for firms is to produce the products they get from the suppliers themselves, but the problem is that it is not as cost-efficient. For the firm, the best way to go is to develop strategic partnerships between the suppliers to reduce inventory and logistics costs, to accelerate the availability of new generation components, to improve quality in order to receive and reduced error rates and to save money for the supplier and the producer.

The last force, the bargaining power of consumers, may be one of the most important forces to influence competition. When customers grow in numbers or buy large volumes, their negotiations may affect the intensity of competition in the industry. Furthermore, the negotiation power of the consumer is harder if the product is standard or undifferentiated. Consumers will also gain increased bargaining power if they can switch to less expensive competitive brands and

substitutes, if they are important to the seller, if the sellers struggle during a period when demand decreases, if they are informed about sellers' products, prices, and costs, and if they have discretion when and where they purchase the product.

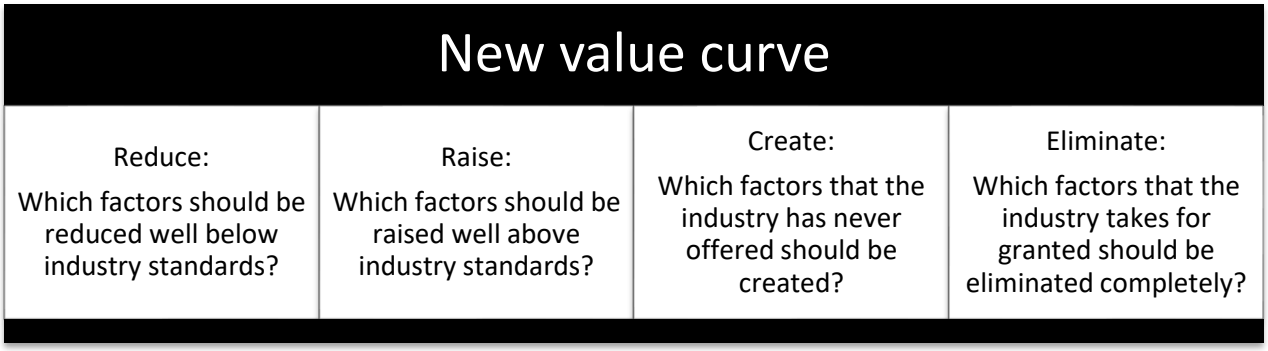
For the retail sector, it is important that the enterprise should thoroughly examine the five forces of Porter, as it will help to analyse the competition within the industry and reveal what the enterprise must do to generate a profit (Chanon, Henley & Neel, 2015).

2.4.3 Blue and red ocean strategies

With all that the competing companies have to face, the blue and red ocean strategies should also be taken into consideration. This is a strategy with tools and frameworks created by Chan Kim and Renée Mauborgne in 2004 (Chakrabarti, 2014). The red ocean strategy focuses on the current customers, whereas the blue ocean strategy focuses on the non-customers. The red ocean strategy is easy to understand as it is a typical way to run a company and it is where the market and competitors are already defined, whereas, on the contrary, the blue ocean is calm and smooth with no or little competition. Following the blue ocean strategy, is to create uncontested markets to serve, to create and seize a new demand, make the competition irrelevant and to align the company as a whole in pursuit of differentiation and low cost. The red ocean strategy is to focus on the existing customers, to exploit existing demands, to compete within the current market and to take advantage of the competition (Layton, 2009; CMCC, 2014; Chakrabarti, 2014).

For the blue ocean strategy, there are analytical tools and frameworks. These include the strategy canvas and the four actions framework. The strategy canvas allows strategists to see the current state of the company in the market and to redefine the blue ocean offering. Furthermore, it allows the strategists to understand where the competing firms are investing. The four actions framework allows the company to identify two critical aspects, namely how to reduce the cost structure of the company and how to lift the buyer value. The company would then have acritical look at four factors, namely reduce, raise, eliminate and create.

Figure 2-11: The four actions framework



Source: Chakrabarti (2014)

This framework (Figure 2-11) will help the strategist to identify and reduce areas where they have been over-designed, which is an extra cost that did not even add value. Furthermore, by following this framework, a strategist can eliminate such additional factors that are taken for granted by consumers. On the contrary, by reviewing factors, the company can rise above the industry standards or even create demand and add to the buyer's value (CMCC, 2014).

If companies are able to read the value curve, they will be able to see the future in the present (Kim & Mauborgne, 2005). First of all, the value curve will answer the first question whether the company meets the three criteria, namely focus, divergence and a convincing slogan that speaks to the market. When an entity lacks focus, the implementation and execution will be complex and of high cost. When a company does not have any reason to stand out, it means they lack divergence. When an entity, for example, fails to have a slogan to convince their target market, they most probably lack innovation, which indicates that there is no great commercial potential (Kim & Mauborgne, 2005). Secondly, an entity is most likely caught in the red ocean strategy if their value curve converges with the competing entities. This further means that the entity's strategy is trying to outdo the competitor's with cost and or quality. In the end, this will lead to slow growth, and if the company succeeds, it is not due to a great strategy, but rather luck.

Thirdly, as mentioned, the entity must construct a divergent value curve. By reading the current curve, the company should be able to see whether they are oversupplying the customers. Entities should be careful not to only raise and create, but also to reduce and eliminate. This will help the company to not over-deliver without payback (Kim & Mauborgne, 2005). Fourthly, the value curve could also give the company an indication of whether they have a coherent strategy and whether the strategy is based on independent sub-strategies. These strategies may make sense if viewed individually, but together they will not contribute to making the company stand out. Fifthly, the value curve will answer if there are contradicting strategies. This is when the entity only selects one competing factor and ignores the supporting factors. Lastly, by analysing the language of the strategic value curve, one can see whether the company vision is built on the 'inside-out'

perspective or on the ‘outside-in’ perspective. In other words, does the company use similar wording to competitors or do they use organisational jargon (Kim & Mauborgne, 2005)?

Smith (2010) elaborates on alternative channels on how to access the market. According to Smith (2010), “pursuing new channels does have some similarities to the core philosophies shared in the Blue Ocean Strategy”. Some benefits of pursuing an alternative channel include the development of new customers, the opportunity to create new demands for your product, and it may reduce the impact of seasonality through growing sales. According to Petro (2015), “The big wins come from the retailers that can sidestep the race to the bottom and seek out a blue ocean where they can sell unique products that customers love, at a price point that reflects the true value of their offerings”.

After all literature relevant for this study on MNEs and their business strategies has been discussed, the following section focusses more in-depth on the competitive challenges Africa holds for MNEs wanting to do business in Africa.

2.4.4 Competitive challenges in Africa

Games (2012) identified ten competitive challenges in Africa. First of all, African countries sit with the problem of a small middle class, less than 16% of the population. The threat that this poses is that it does not ensure sustainable and social cohesion and will not improve the underperformance of Africa. Furthermore, moving into the second challenge, the formal sector employment lacks Africans (skilled or unskilled). This could clearly be recognised under the youth who are nearly two-thirds of the 800 million people in Sub-Saharan Africa. This could mean major development opportunity, but first, the opportunity must be realised and skills and services must be put in place. With transformation, high investment and a high consumption economy, the African cycle can be broken.

The third challenge mentioned is the lack of proper infrastructure. Eventhough digital infrastructure helped to connect Africa to the rest of the globe, the challenge of infrastructure, including roads, railways, airports etc. remains. According to the United Nations, Department of Economic and Social Affairs (2015), “more than half of global population growth between now and 2050 is expected to occur in Africa”, where Africa had the highest rate of population growth between 2010 and 2015. Therefore, one can see how important it is to get the necessary infrastructure in place to support the fast-growing population. Contributing to the lack of infrastructure is the energy challenge. If Africa continues at this rate, less than 40% of Africa will have electricity in 2050. The fourth challenge is getting Africa’s efficiency equal compared to other countries. Africa should make more efficient use of what it has, for example, instead of border posts that close early, they should become 24/7 operations.

The fifth challenge is a new norm for regional integration. Games (2012) stated that for this to change, Africa should look “beyond the standard focus of trade adjustments as shorthand for regional integration across the continent to trade logistics”. Furthermore, hands-free facilitation should be implemented to ensure free flow. The sixth challenge is for Africa to put in place incentives that boost the beneficiation of natural resources. Not all African countries benefited from the commodity boom as they should have.

Seventh, with high tax rates and with labour instability and costs, the right investors might not be attracted. African countries have the highest corporate tax rates at 40% on average. Although it might not discourage investors that are after natural resources, it might deter other entities that can take their business elsewhere. This is all closely related to the eighth challenge, fractious politics, populist political reactions and policies, politicians incompetence and populations impatience.

Ninth, the world is moving towards multiculturalism, and some state that Africa is moving in the opposite direction (Games, 2012). African countries should be working on strategies that could help attract the necessary skills and necessary foreign entrepreneurs. The last competitive challenge Africa faces is the private sector that remains small and vulnerable compared to the political whim.

2.5 Conclusion

Chapter 2 discussed the theory regarding multinational enterprises in the retail sector. This chapter is divided into three main sections. The first section is multinational enterprises and foreign direct investment. First of all, a brief background on FDI is discussed followed by the different theories that are placed into three groups. These groups are advantage-based theories for the firm, advantage-based theories for the host country, and advantage-based theories for the firm and the host country. Additionally, a clear classification and structure are given for FDI as well as the advantages and challenges Africa hold for investors.

The second section is multinational enterprises’ effects on global trade. This section elaborates on the different types of international trade, globalisation and the global value chain. It also discusses a few remarks on the challenges and advantages in Africa regarding global trade. The last section elaborates on the different strategies that MNEs use. This includes external factors that MNEs should take into consideration when forming strategies, Porter’s five forces, blue and red ocean strategies and the competitive challenges in Africa.

Taking everything into consideration, one can see that MNEs played an important role in the development of Africa. Africa, who has taken a big economic step, is now recognised by the world (Games, 2013). Despite these developments, Africa did not come without any challenges. The

question, therefore, arises whether the MNEs built this success in Africa without strategies? Did they wait for the government strategies and agreements? Did they have a plan or did they go by instinct?

Chapter 3, therefore, provides the company overviews of Walmart, Shoprite and Carrefour. It will consist of three different divisions. Each division will provide a brief overview of each of the different companies. The first division is the overview of the American retailer Walmart and their presence in Africa. The second division and third division are on the French retailer Carrefour and, Shoprite, Africa's leading retailer. Furthermore, there is reference to the business descriptions and the main competing firms for all three enterprises; their vision, mission and core values; their corporate strategy; and a five-force analysis; their strengths, weaknesses, opportunities and threats; their key success factors; as well as criticism against these enterprises.

CHAPTER 3: MULTINATIONAL ENTERPRISES IN THE RETAIL SECTOR

3.1 Introduction

The retailing sector has become more modern and the rising middle class in Africa has most definitely contributed to this fact. Furthermore, there is a clear transition in the African economies of being more consumption driven (Deloitte, 2018).

The external environment has a great effect on the success of a company. By using the well-known political, economic, social, technological, legal and environmental (PESTLE) analysis, a broad overview of Africa can be done. Before an enterprise enters a foreign market, the PESTLE analysis can be done to avoid problems, as every country has its own political, economic and legal systems; for example, the problems Walmart faced in the German and South Korean markets (Thompson *et al*., 2015) and Shoprite in the Egyptian, Tanzanian and Zimbabwean markets (Chutel, 2016). Africa is known to have unstable political and legal environments. These challenges can have a great effect on companies, such as Walmart, Carrefour and Shoprite, if they decide to set up stores. These challenges can directly influence the sales and profit. Unstable government rule may also result in trade agreement uncertainties, tariffs, sanctions, terrorism and geopolitical uncertainties (Alden & Buckley, 2004).

The economic environment includes factors such as unemployment rates, taxes, inflation, interest rates, productivity rates, corruption rates, etc. These factors not only affect the business, it also affects the behaviour of the consumer. This also closely links to the socio-cultural environment (Sanga, 2017). With the fast pace of living, consumers prefer one-stop services. This shows that efficiency is key and why people prefer retailers such as Walmart, Carrefour and Shoprite. Technology and the innovation factor also play a key part in making a business work in foreign countries. It is critical not to assume that all innovation and technology will be the same in African countries as in America or any other country. Walmart always strives for innovation and productivity, and with top-class logistic and supply chain management, one can see why Walmart, Shoprite and Carrefour are successful.

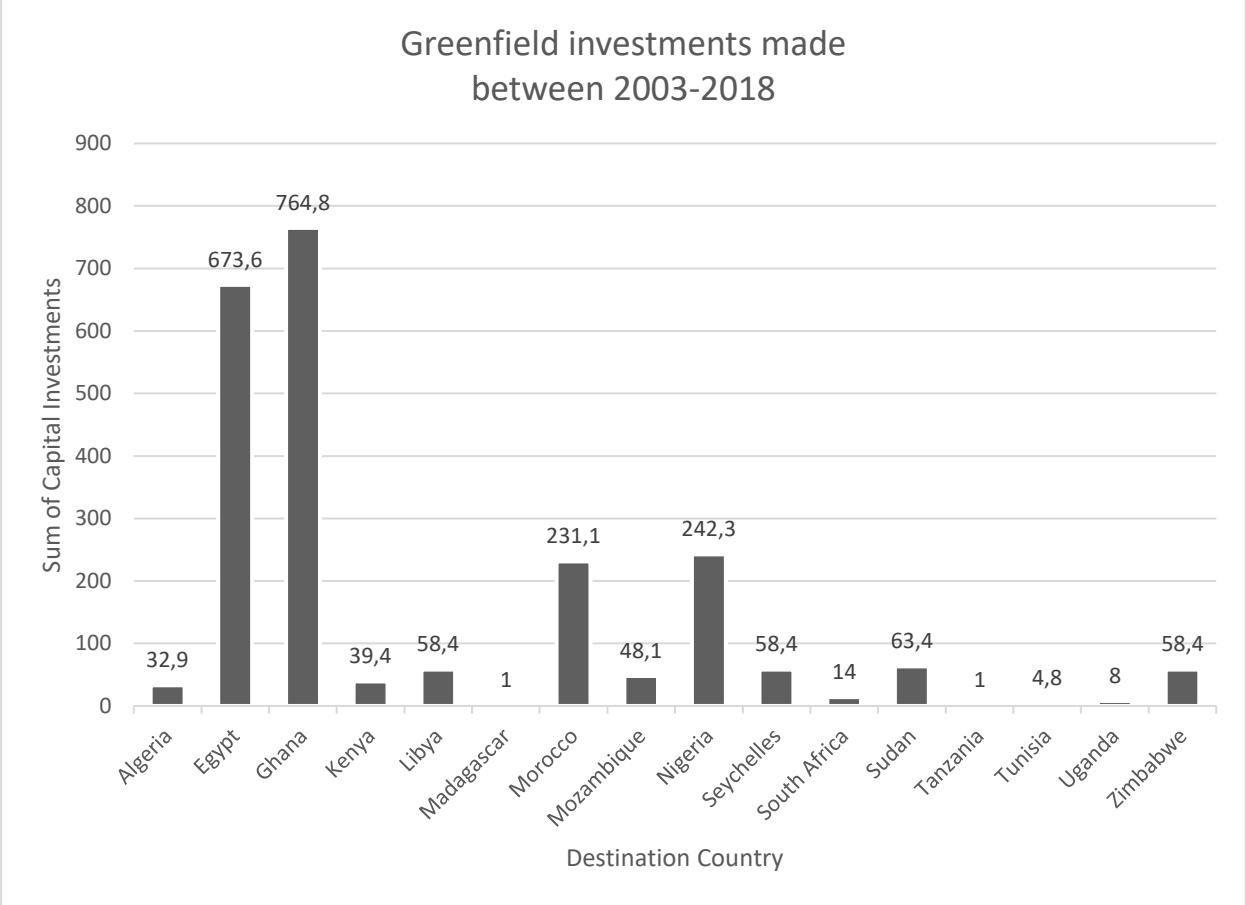
This chapter will consist of three different divisions. Each division will give an overview of a multinational enterprise chosen specifically based on their size, locations and different strategies. The first division is the overview of the American retailer Walmart and their footprint in Africa. The second division is on the French retailer Carrefour and the third division is the leading African retailer, Shoprite. Furthermore, there is reference to the business description and the main competing firms of Walmart; their vision, mission and core values; their corporate strategy and a

five-force analysis; their strengths, weaknesses, opportunities and threats; their keys success factors as well as criticism against the enterprise.

3.2 Background of MNEs in the retail sector

According to Deloitte (2017), “slow economic growth in major developed economies, high levels of debt in emerging countries, deflation or low inflation in rich countries, a protectionist backlash against globalization, troubled credit markets in some countries, and worsening demographics in many countries”, all pose a challenge for current retailers. Figure 3-1 shows all destination countries that received Greenfield investments for the period from 2003 until March 2018, according to the FDI Market from Financial Times. According to the figure, Ghana, Egypt, Nigeria, Morocco and Sudan received the largest sum of capital investments.

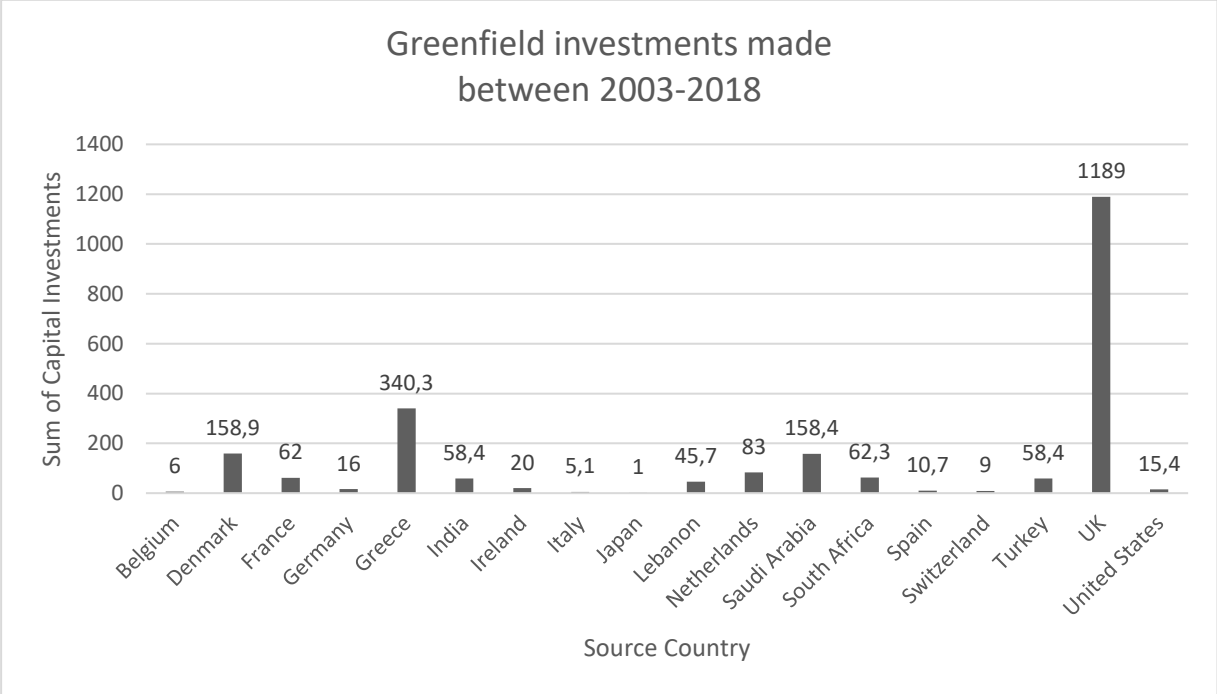
Figure 3-1 Greenfield investments: Destination country



Source: Author’s own compilation

Figure 3-2 shows all sourcing countries that made Greenfield investments for the period from 2003 until March 2018, according to the FDI Market from Financial Times. The table shows that the top five investing countries for the specific time are the United Kingdom, Greece, Denmark, Saudi Arabia and the Netherlands.

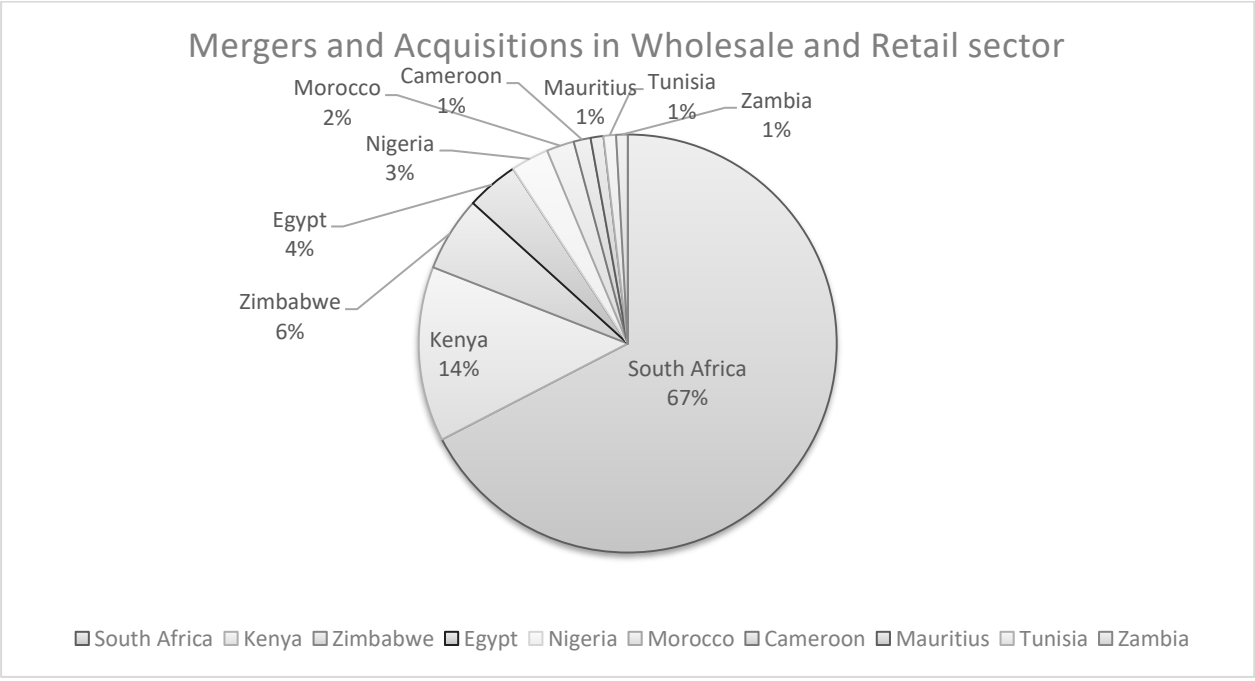
Figure 3-2: Greenfield investments: Source country



Source: Author's own compilation

Through mergers and acquisitions, many entities were propelled into the fast growing retail sector. Figure 3-3 shows the top 10 countries' mergers and acquisitions in the wholesale and retail sectors for the period 2003 until 2018 (Data from Zephyr from Bureau van Dijk).

Figure 3-3: Top 10 mergers and acquisitions in the wholesale and retail sector (2003-2018)



Source: Author's own compilation

NACE Revision 2 is what the Bureau van Dijk uses for their industry classification and the FDI markets use in-house classifications. Therefore, the data cannot be amalgamated and used for statistical analysis purposes. This data is based on the timeline from 2003 to 2018. After one grasped the background of MNEs in the retail sector, and understands the dynamics, a more in-depth view can be discussed of the specific enterprises chosen for this study's purpose.

3.3 Walmart company overview

The first Walmart store opened on 2 July 1962 in Rogers, Arkansas by Sam Walton. After only five years, Walmart multiplied to 24 stores, having one million US$ in sales. In 1969, the company officially became Wal-Mart Stores, Inc. The 1970s were the time that Walmart went national, trading publicly with the first stock to be sold at $16.50 per share. Walmart also opened their first home office and first distribution centre in Bentonville, Arkansas (Walmart, 2018b). They were also listed on the New York Stock Exchange (WMT) and grew to 51 stores with sales up to US$ 78 million. During the 1980s, the company was at 267 stores and started many projects, including the Walton Family Foundation, the first Sam's Club in Midwest City, Oklahoma, the first Walmart Supercentres in Washington, and the company installed the largest private satellite communication system in the United States. This system was used to help the company operate through data, voice and video communication (Walmart, 2018b).

Walmart was recognised as the number one retailer in the early 1990s. With the everyday low prices and the convenient "one-stop" supercentre, Walmart became international through a joint venture with a Mexican retail company, CIFRA (Berg & Roberts, 2012). Furthermore, Walmart employed over 370 000 associates in 1 928 stores and clubs. In 1994, Walmart expanded into Canada by purchasing 122 Woolco stores and, in 1996, Walmart opened their first stores in China. In 1998, the United Kingdom was entered by Walmart with the acquisition of Asda. During 2000, the Walmart shopping experience went online. By this time, Walmart employed over 1.1 million associates in 3 989 stores and clubs globally. Furthermore, Walmart entered the Japanese market by investing in Seiyu. Walmart also introduced the Site to Store service, where they made it possible for customers to order and buy online and pick up at the nearest store. In 2010, Walmart opened their first store in India through a joint venture. In 2011, Walmart expanded into South Africa, with the acquisition of 51% of Massmart Holdings Limited. With this acquisition, Walmart surpassed 10 000 retail companies globally.

Furthermore, Walmart moved into the Indian market by acquiring Bharti Walmart Private Limited, which includes the best cash-and-carry business in India. They also entered into the Colombian District in 2013. By 2016, Walmart opened a Culinary & Innovation Centre in Bentonville to improve and develop innovative ideas. They opened training academies in South Carolina and formed a strategic alliance with JD.com (China's largest e-commerce company by revenue).

During 2018, the entity changed the legal name from Wal-Mart Stores, Inc. to Walmart Inc. (Walmart, 2018b).

3.3.1 Business description & competitors

In 1989, Walmart became the first ever retailer to reach a profit of US $1 million dollars after-tax with over 272 000 employees and 1 402 stores in 26 states (Frontline, 2004). In the same year, an article was published by Fortune predicting how Walmart is going to take over the world (Huey, 1989). With reference to this article, the predictions were spot on and there are multiple facts and figures to testify. According to Berg and Roberts (2012), Walmart's annual sales in 2010 stood at US $419 billion. Walmart is the largest commercial employer in the world, and the world's largest public corporation by revenue.

Walmart consists of three different business segments, namely Walmart stores (supercentres, discount centres, neighbourhood markets), SAM'S Club, and Walmart International. They provide products (groceries, beverages, frozen foods, etc.) services (cellular services, money ordering services, photo processing services, etc.) and three brands (Walmart, Great Value and Sam's Choice).

According to Mujtaba (2007), the greatest competition for Walmart in the large discount stores industry is Target, Costco Wholesale and Kmart. Other competitors include Amazon, Safeway, Kroger, Publix and Winn-Dixie. Competitors can pose as a threat in many ways, such as better prices for products, product monopolies and even a loss in market share. However, for Walmart, competition is a great driving force, and they sell four times as many products in a year than the second leading retailer, Home Depot. Furthermore, Walmart does more business than seven entities, namely Sears, Kmart, Safeway, J.C. Penney, Target and Kroger combined. Another reason for Walmart's great performance is the number of acquisitions they enter into in foreign countries. According to Mujtaba (2007), Walmart "has acquired what would be potential competitors such as Bompreco and Sonae which are the major supermarkets in Northern Brazil". With this acquisition, they are only left with fewer competitors than Kroger, Carrefour and Pão de Açúcar.

3.3.2 Vision, mission and values

Walmart's vision statement is "To be the best retailer in the hearts and minds of consumers and employees." This ideal can be dated back to the ideals of Sam Walton. Walmart has achieved the status of the *best retailers* and is influencing the minds of consumers and employees through wages and low prices on products and services. According to Ferguson (2017), the *heart* component of the vision statement still has to be proven.

Walmart's main mission is in accordance with the slogan "Save Money. Live Better". The mission statement is "Saving people money so they can live better." It is proven that Walmart prices save people money, but when it comes to living better, it is not yet proven. Walmart has a great deal of criticism about their low wages that employees can barely make ends meet.

Figure 3-4: Values of Walmart

Source: Author's own compilation

Figure 3-4 is a clear illustration of the enduring values that are the core strengths of the company. Sam Walton once said that "personal and moral integrity is one of our basic fundamentals and it has to start with each of us". Global ethics serve as a guide to ethical decision-making and have the responsibility of promoting Walmart's culture of integrity. It also provides Walmart with a confidential and anonymous reporting system, an ethics education system and an ethics communication system (Walmart, 2018a). According to the Walmart Global Responsibility Report (2014), "trust and integrity are what underpin the entire business". In terms of opportunity, Walmart employs millions of employees in different roles from a cart pusher to a food scientist. If associates work hard, they will be advanced in the company and will be able to provide better for their families. The Global Responsibility report (2014) also states that the three main areas of Walmart have emerged, namely sustainability, opportunity and communities. Walmart sees further than communities and associates, they thrive to be friends and neighbours. The purpose refers to the fact that Walmart touches millions of customers around the world and saves them money so that they can live better, especially the middle class. Walmart has been successful for a long time and feels the responsibility to give back, by making healthier food, a greener planet and to make the communities stronger.

3.3.3 Corporate strategy

According to Nickols (2016), a "corporate strategy is typically decided in the context of defining the company's mission and vision, that is, saying what the company does, why it exists, and what it is intended to become". Walmart has four main strategic goals in their corporate strategy (Hayden, Lee, McMahon & Pereira, 2002). First, Walmart must have dominance in the retail market they have a presence in. A successful discount retailer such as Walmart must sell products at the lowest prices with a low mark-up, but increase profit by selling more products. Secondly, a

key strategy is to grow by expanding in the US and internationally. The expansion to foreign countries has been aggressive. Walmart now operates in Mexico, Canada, Argentina, Brazil, China, Korea, Germany, the UK, etc. Walmart's latest strategy for expansion is to buy companies and, once bought, convert them to Walmart stores.

The third strategy Walmart has, is to create a positive brand and name recognition and customer satisfaction. Walmart wants the customer to associate the Walmart brand by offering the best prices. This is accomplished through television campaigns and advertisements in newspapers. The last Walmart strategy is to branch out into new retailing sectors such as automotive repair and pharmaceutical products. Another way to branch out is to move the grocery store business into new neighbourhood markets.

In terms of Walmart's location selection, they focus on rural suburban areas that are not occupied by other companies. They also focus on opening the stores near their distribution centres, which enables them so exploit economies of density and spread costs. With their product selection, Walmart offers the customers a great variety with a friendly environment for shopping. Furthermore, Walmart created a cost consciousness culture to reduce costs wherever they can. Walmart uses their financial position and size to dominate the retail market. This strategy was put in place by Sam Walton in the 1960s and has been refined over the decades. In terms of Walmart's growth strategy, they want to expand to even more international markets that have large population centres, maintain current net sales growth and increase the general productivity of the enterprise by minimising operating costs or cost of product and services sold.

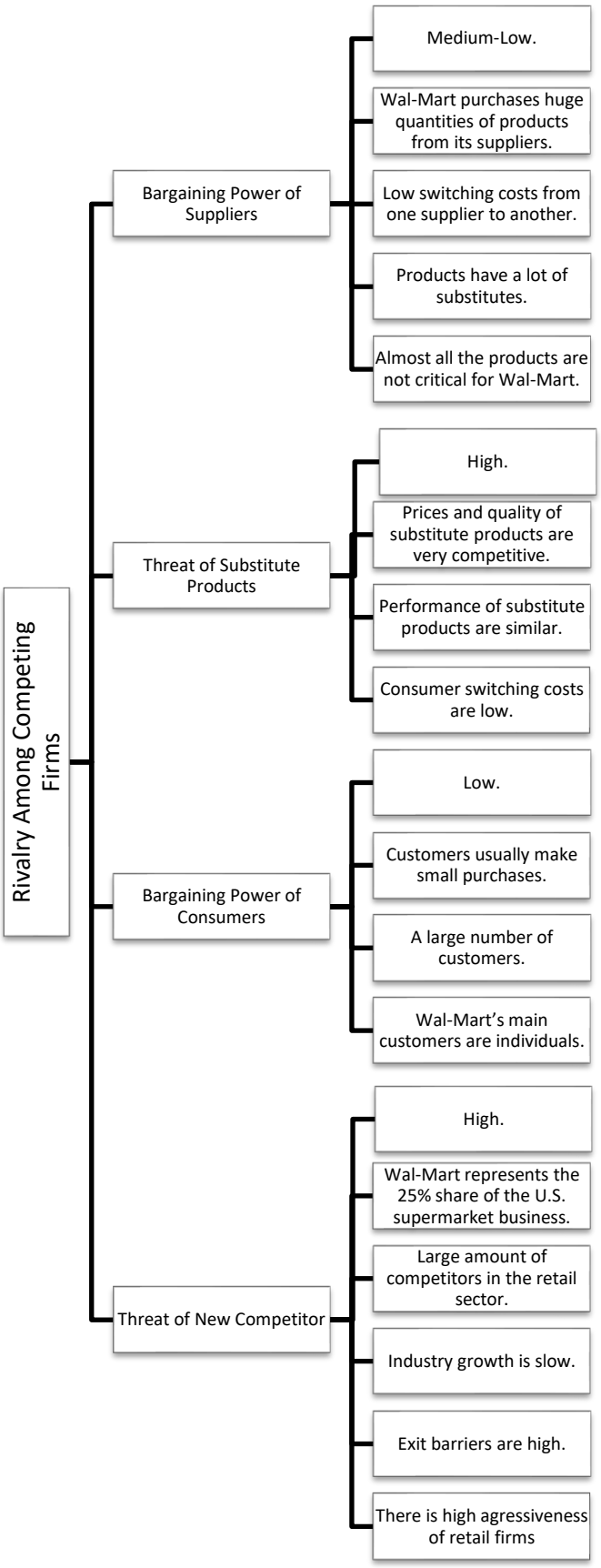
3.3.4 Competitive strategy: Porter's five forces model

A competitive strategy is formed with regard to how the company will achieve a competitive advantage in all the aspects of the business it competes in (Porter, 1987). Porter also indicates that, in response to the five force model, the competitive strategy can take one of three generic forms, namely differentiation strategy, focus strategy and cost leadership strategies.

For Walmart, the company's competitive strategy is to dominate in all sectors where it does business. Their success is determined by their dominance over competitors and in terms of their annual sales. Walmart focuses on and strives to make money and to dominate all competitors, even to the point of putting competitors out of business. Walmart also focuses on building more stores, enlarging the existing stores and expanding into other sectors of retail. Walmart's competitive strategies are low-cost leadership and a differentiation strategy. Large retailers such as Walmart pride themselves on offering customers the lowest prices compared to competitors. In terms of the differentiation strategy, Walmart offers or creates unique products and services for their customers, such as unique warranties and exclusive brand images.

According to Figure 3-5, the bargaining power of the supplier is medium to low. The reason for this is because Walmart buys in high quantities and there is a lower switching cost to use another supplier. Furthermore, there are many suppliers, and companies such as Walmart can easily affect their suppliers. Because most products are not critical for Walmart and there is such a large variety, it is easy for them to purchase substitute products. For Walmart, the threat of substitutes is high. This is a result of very competitive prices and quality of substitute products and because customers can easily move to other products. In terms of the bargaining power of the customers, the customers have a low power. There are great numbers of consumers and the average consumer usually only makes small purchases. As previously discussed, Walmart has great competitors. The threat or intensity of new competitors in the retail industry is high because the industry growth is slow and the exit barriers are high. Furthermore, Walmart holds 25% of the U.S. supermarket business shares and the competitors hold similar sizes (Greenspan, 2017).

Figure 3-5: Walmart's five forces model

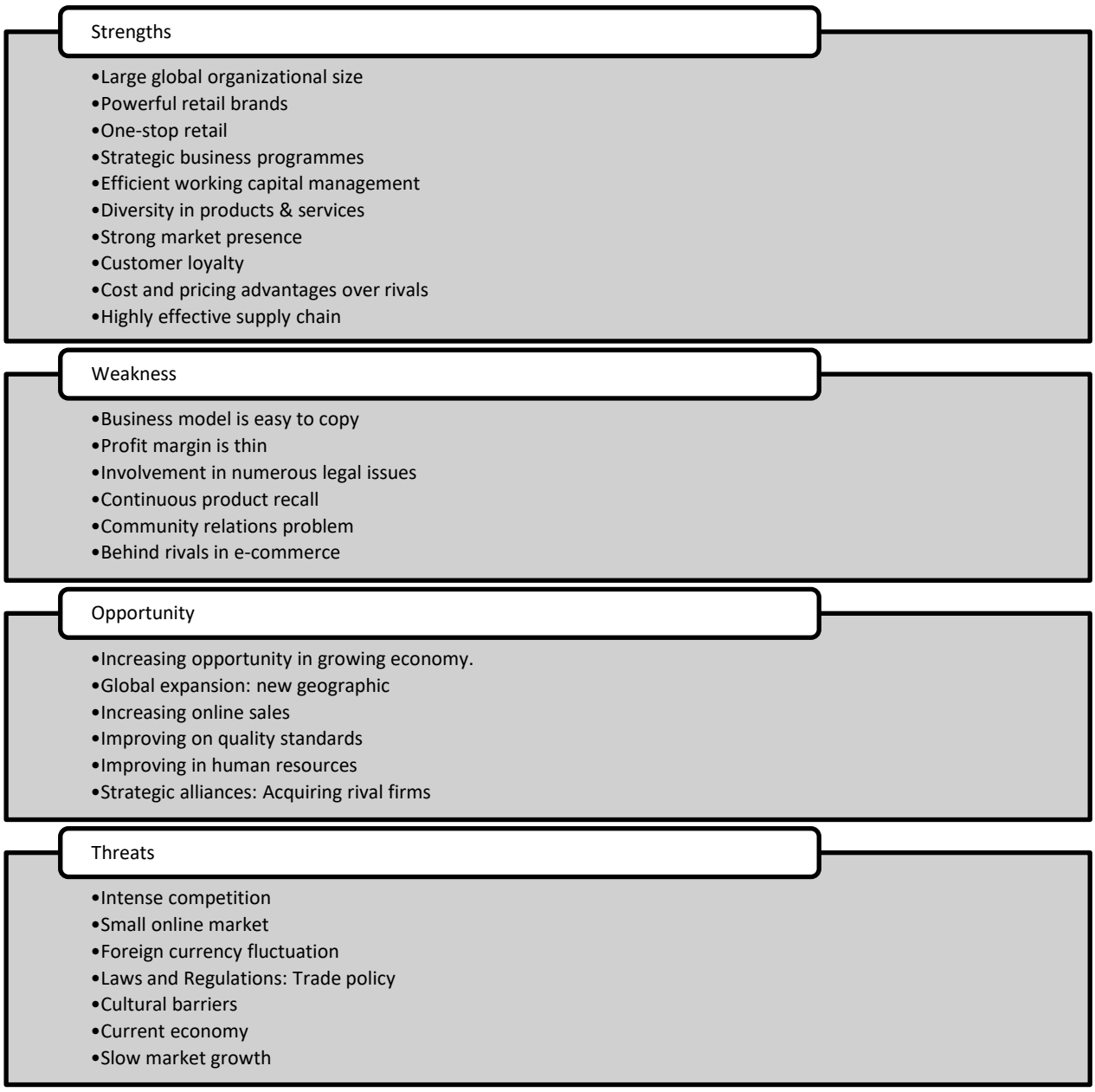


Source: Adapted from Greenspan (2017)

3.3.5 SWOT analysis

According to Smithson (2017), "Walmart's SWOT analysis gives insights into the internal and external forces significant in the company's strategy development in the retail industry". Therefore, an entity should capitalise on its strengths and form them into opportunities. Although an entity has weaknesses, its strengths are far more important. By referring to Figure 3-3, one can conclude that Walmart can have long-term success through international expansion.

Figure 3-6: Walmart's SWOT analysis



Source: Author's own compilation

Walmart's strengths are also increased by the efficiency of the supply chain. This is because technology investments are made to improve the monitoring and controlling of moving goods between all suppliers and stores. A thin profit margin and a business model easy to copy are two of Walmart's weaknesses and are typical effects of the cost leadership strategy. This is because they have to rely on quantity sales to make a profit as prices are low. Furthermore, if it was not for the size of the business, Walmart would not have significant competitive differentiators. In terms of the opportunities for Walmart, based on their high economic growth, they can expand into developing countries. Furthermore, because of all the criticism on the human resource practices, Walmart has the opportunity to improve their quality and standards. One of Walmart's greatest threats is high rivalry. This also includes online websites that enable sellers to bypass Walmart and use their own website to sell their goods directly to customers. According to Smithson (2017), Walmart should place their strengths and opportunity as first priority and weaknesses and threats should be their second priority.

3.3.6 Supply chain management at Walmart

According to Berg and Roberts (2012), one of Walmart's directors said that Walmart's biggest single advantage globally is their efficient supply chain and logistics. First of all, Walmart has great relationships with their suppliers. With Walmart's large operations, it is easier to negotiate lower prices with suppliers. Their procurement managers are also very equipped and spend a great deal of time understanding the vendor's cost structures to gain a positive outcome for both parties. Furthermore, Walmart engages with vendors to contribute ideas on making the stores more attractive for their products and to contribute to the future plans of Walmart by eliminating any problems. Walmart also creates a major efficiency by collaborating with their suppliers. Walmart has its own distribution channel, which other suppliers then use (Berg & Roberts, 2012). By developing systems and technologies (retail link), they accomplish visibility and predictability, giving customers availability and the lowest prices on all products. The retail link system has more than 30 000 suppliers that help them with inventory stock, to track excess inventory and low selling goods.

Walmart also prides themselves on always using cutting edge technology. Walmart has found a way to increase their productivity and lower prices by investigating, testing and then implementing the newest equipment, computer systems and retailing techniques. Walmart first introduced an electronic product code (EPC) and radio-frequency identification (RFID) systems in 1992, which changed the face of information technology and tracking capabilities of moving goods throughout the entire value chain (Berg & Roberts, 2012). Walmart has logistic and information systems with more than 88 000 engaging parties that contribute to the efficiency and effectiveness of the supply chain. Furthermore, Walmart heavily invests in technology that will contribute to more efficient

communications between the stores, suppliers and head offices. This then results in a further reduction in product cost and even more efficiency in inbound logistics.

3.3.7 Criticism and key success factors

One of the largest criticisms of Walmart is their labour relations. With roughly 2.2 million people that Walmart employs worldwide, they have faced many lawsuits and matters regarding their workforce. These lawsuits and matters are mostly about their low wages to employees, poor working conditions, the entities' strong policies regarding anti-unionism, and poor healthcare (Tabuchi, 2018). Walmart, on average, gives 20% less to their retail workers compared to similar companies. Because some employees only work part-time and earn low wages, they qualify for the state welfare programmes, which then put a heavier burden on the tax-funded services (Tabuchi, 2018).

Furthermore, there are accusations of Walmart's poor working conditions for their employees as well as ethical problems regarding gender discrimination. The average amount of healthcare per employee in the retail industry is US$ 4 800, and Walmart only pays on average US$ 3 500. Furthermore, Walmart has only covered for roughly around 44% of their 1.3 million workers in the US (Tabuchi, 2018). Walmart is also known and criticised for their strong policies against labour unions. According to Greenhouse (2015), "Walmart is by far the nation's largest private-sector employer. It's also one of the nation's most aggressive anti-union companies, with a long history of trying to squelch unionization efforts. People are scared to vote for a union because they're scared their store will be closed." Competitors have also accused Walmart of predatory pricing (Boudreaux, 1996). This means that Walmart has been accused of selling goods at such low prices to try and drive opponents out of the market.

Despite all these criticisms, Walmart has proven to be successful in many key factors. These factors include Walmart's economies of scale (Harry, 2016), successful supply chain with integrated technology (Nguyen, 2017), remarkable logistics systems (Berg & Roberts, 2012) and everyday low prices (EDLP). In contrast to Walmart's largest criticism, of not taking care of their employees, they have announced that they "will pay tuition for its workers to enrol in college courses (online or on campus) to earn degrees in either supply chain management or business" (Corkery, 2018).

3.3.8 Walmart in Africa

Walmart has used different entry strategies and modes of entry into international markets. For the African markets, especially South Africa, the market entry was through acquisitions (Berg & Roberts, 2012). As mentioned in Chapter 2. according to Deng (2012), more foreign markets are explored, and huge acquisitions are started, especially in developed countries. In September

2010, Walmart announced the move into South Africa by offering the US $4 billion for Massmart. During this time, Massmart already traded in 13 African countries with 300 stores. Massmart also operates in four different divisions, namely mass-discount division (Game & Dion Wired Electronics), mass-build division (Builders Warehouse, Builders Express and Builders Home Depot), mass-warehouse division (Makro Cash and Carry chain) and mass-cash division (grocery wholesale, retail and symbol groups trading as CBW, Jumbo Cash and Carry, Shield, Thaba Cash & Carry, Sunshine, Cambridge and Astor). The deal was approved by regulators in June 2011. By referring to Figure 3-7, there are great potential markets in Africa for Walmart to expand to in the future.

Figure 3-7: Walmart's footprint into Africa

Source: Author's own compilation

3.4 Carrefour company overview

Carrefour is currently operating in more than 30 different countries, with over 12 300 stores, and is one of the largest retail entities and the largest of its kind in Europe (Carrefour, 2016a). Carrefour operates in four different formats, namely supermarkets, hypermarkets, cash and carry, and convenience stores.

In 1960, three families, Fournier, Defforey and Badin, opened the first Carrefour supermarket in Annecy, Haute-Savoie near a crossroads. In 1963, Carrefour was the first hypermarket (supermarket and department store) that opened in Sainte-Geneviève-des-Bois, near Paris in Europe, covering 2 500 square meters, had 12 pay points and 400 parking spaces (Carrefour, 2018). A decade after they opened their first doors, Carrefour was listed on the Paris Stock Exchange. In 1975, they opened their first store in Spain, and in 1976, their first store in Brazil. Furthermore, in 1976, Carrefour introduced an unbranded product, *products liberals* that are the same as other products, just less expensive.

Furthermore, in 1981, Carrefour also introduced their own pass card that can be used for payments and one year later they also opened a hypermarket in Argentina. In 1984, Carrefour introduced their own insurance services and introduced their own brand name products in 1988 (Carrefour, 2018). In 1991, Carrefour managed to take over Euromarché and Montlaur, French Hypermarket chains; they also opened their first hypermarkets in Greece and managed to launch their own travel services. In 1994 and 1995, Carrefour opened hypermarkets in multiple countries, including Mexico, Malaysia, Italy and Turkey. Carrefour also formed a joint venture with a Chinese partner in order to open business activities in Shanghai and Beijing. During the late 1990s, Carrefour also managed to open businesses in Thailand, Korea, Hong Kong, Singapore, Chile, Colombia, Indonesia and Poland. In 1999, Carrefour not only introduced their new slogan, "*Avec Carrefour, je positive*", but also merged with Promodès, one of Carrefour's largest competitors, and this helped them to acquire the 85 stores in Brazil.

From the advent of the 2000s up until the end of that decade, Carrefour left their footprints in many countries through acquisitions and sale of operations, including Slovenia, Spain, Portugal, Switzerland, Romania and Indonesia. In 2009, Carrefour also updated their logo (Carrefour, 2018). In 2013, Carrefour invested time in the reorganisation and strengthening of partnerships with Sabanci Holding in Turkey and Majid Al Futtaim Holding in the Middle East. Furthermore, they formed a joint venture with CFAO to develop stores in Central and West Africa. In 2016, Nairobi in Kenya welcomed its first Carrefour Hypermarket, opened by the Majid Al Futtaim Group, Carrefour's franchise partner (Carrefour, 2018).

3.4.1 Business description & competitors

This worldwide operating company consists of segments, namely hypermarkets, supermarkets, hard discount stores and convenience stores, which all operate under Carrefour City, Carrefour Contact, Carrefour Express, 8 à Huit, Shopi, Marche Plus, and Proxi banners. Furthermore, the cash-and-carry outlets operate under the Promocash banner. Last of all, Carrefour also offers e-commerce services (Reuters, 2018). Everyday Carrefour offers their services to approximately 13 million customers around the world, which has enabled them to generate total sales of €103.7 billion under its different banners in 2016. According to their 2016 Annual Activity and Responsible Commitment Report, they are devoted to quality and even more sustainable international trade (Carrefour, 2016b) and offer the lowest prices on a wide range of products and services.

Carrefour Hypermarkets offer a wide range of non-food and food items at the lowest prices in an inviting and family-friendly environment. According to Carrefour's website, in "June 2017, Carrefour had 1 507 hypermarkets under banners, with 243 in France, 458 in the rest of Europe, 338 in Latin America, 370 in Asia, and 94 in other countries". Carrefour's Supermarket is a store that offers fresh produce and day-to-day items for the convenience of the consumers. In June 2017, Carrefour had 3 194 stores across the world that traded under these banners. These stores, on average, range from 1 000 to 3 500 square meters. Express, City, Contact, Montagne, Bio, Proxi, and 8 à Huit are all banners from Carrefour Convenience stores that are specifically designed for everyday shopping, at low prices and extended business hours. These stores range between 200 and 900 square meters and there are 7 180 in total spread across the world as of June 2017. Carrefour's cash and carry banners offer consumers the chance to pay wholesale prices for a wide range of food and non-food products sold by unit or in bulk. In 2017, Carrefour had 171 operating cash and carry stores across the globe. Carrefour's e-commerce is also a platform that offers consumers access to products. According to Vidalon (2018), "Carrefour boss Alexandre Bompard on Friday told shareholders that new alliances with tech giants Google and China's Tencent showed the French retailer's e-commerce offensive was making an impact".

According to Datafox (2018), Carrefour's greatest competition is Walmart through Massmart, Tesco Stores Limited, Groupe Casino, Amazon and Auchan Holding. Due to the tough competition in the French market, Carrefour showed a drop in their profits after three years of consecutive gains (Agnew, 2017). Kenya is one of Carrefour's African countries, in which they opened a store, where there are other established entities that pose a threat. Walmart through Massmart also targets the increasing wealthy shopper class of Nairobi and Choppies, one of Botswana's leading retailers, to acquire ten branches of Ukwala Supermarkets in Kenya (Masinde, 2016).

3.4.2 Vision, mission and values

Carrefour's mission is "Doing our job well". According to the 2016 Annual Activity and Responsible Commitment Report (Carrefour, 2016), "Carrefour asserts its role as the reference in food retail, fostering a desire to do its job well every day. The Group's mission is simple and strong: to make healthy food available to all and to encourage the market and producers to improve quality" Furthermore, Carrefour's mission is "to make consumer products available to the largest number of people by offering quality products at the best price" (Carrefour, 2001).

At Carrefour, they share the same vision to be recognised and loved for their devotion in helping customers and by helping them to enjoy a better quality of life, every day (Carrefour Group, 2018). By referring to Figure 3-8, Carrefour's values are devoted to being committed, caring and positive. Carrefour believes that these three values enable them to be closer to their customers and to reflect their personality.

Figure 3-8: Carrefour's values

Source: Author's own compilation

Carrefour also dedicates their commitment to sustainable development in everyday practices in the centre of all business, as they believe it contributes to their mission. The Annual Report (2001) states that sustainable development can be seen as a strong influence on economic value as it reduces the costs of operation, draws attention to the anticipation of customer expectation, stimulates innovation and quality, and increases the value of brands and banners.

3.4.3 Corporate strategy

At the end of January 2018, Carrefour shared their new ambition for the group, namely Carrefour 2022. This transformation plan that was announced is to adapt the current model and organisation to be the global leader in food transition for all. This plan is structured around four pillars as demonstrated in the figure below. The first pillar is to deploy a simplified and open organisation. This entails that the group becomes more acceptant to partnerships, innovation and growth levers. If Carrefour is structured around creating more partnerships, it will enable them to take advantage of best practices and innovation. Furthermore, the headquarters across all the countries that Carrefour operates in must rationalise in order for them to simplify their complexity. In terms of the customers, Carrefour 2022 will adapt to an organisation that is customer-centred to better anticipate the needs and expectations of their customers (Carrefour, 2018).

The second pillar of this plan is to achieve productivity and competitive gains. The group is focused on saving € 2 billion by the end of 2020 as well as investing € 2 billion each year starting from 2018. Achieving this cost reduction will focus on four areas, namely optimising direct purchasing, the justification of indirect purchasing, reduced logistics costs and reduced structural costs. The investments will then be used to maintain the group assets and contribute to the transformation ambitions.

Major investments will be made towards IT and digital departments. Carrefour is dedicating € 2.8 billion to digital improvements between 2018 and 2022, which is six times more than they used to invest. Furthermore, the group will also increase the supply-chain investments that will, for example, contribute to an automated order preparation platform, etc. Carrefour will, in addition, close down some of their ex-Dias stores as they struggle to adapt to their catchment area since their change to Carrefour banners. First of all, a search for buyers will start store by store. Secondly, if no buyers are found, the stores will close. Lastly, alternative job offers within the group will be given to the workers. In terms of the price competitiveness, a long term of strict cost control and resource allocation will have to be maintained in order to invest notably in commercial competitiveness (Carrefour, 2018).

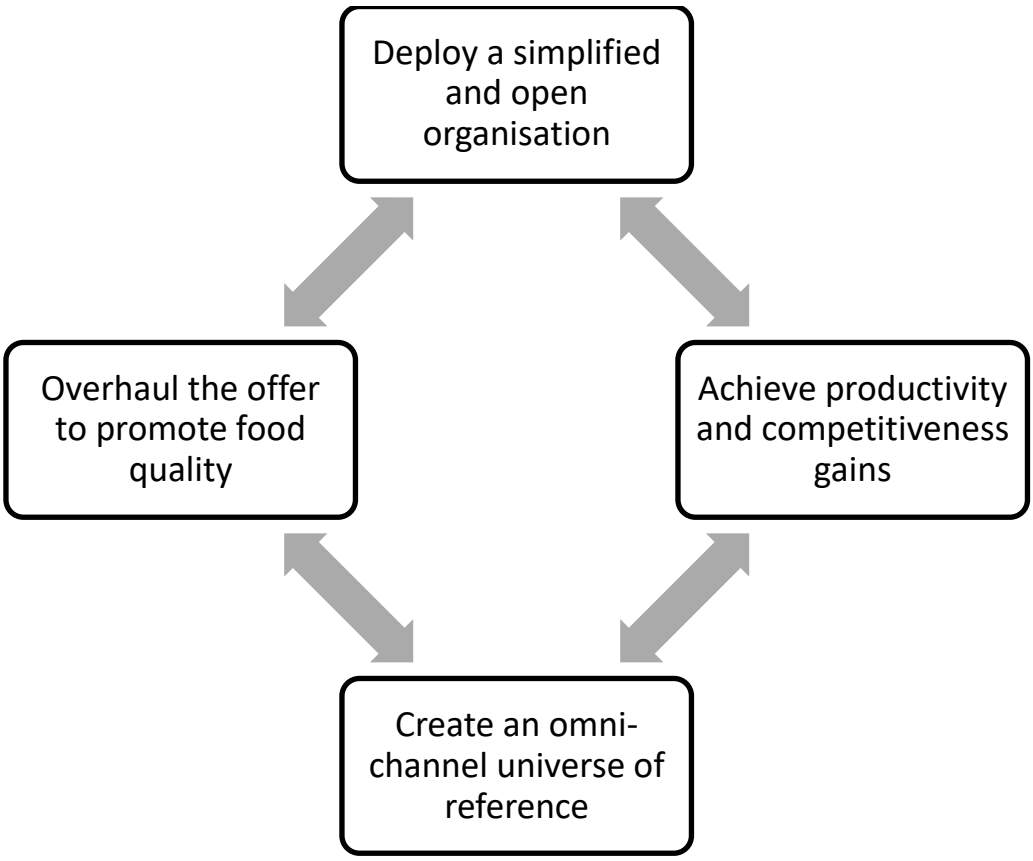
The third pillar is to create an omni-channel universe of reference. Carrefour plans on opening at least 2 000 convenience stores in the larger cities across the world during the next five years. This contributes to meeting the customers' expectations at any time in any place for the best offer. It is important for the group to shape a unique universe that can easily be identified by customers – online and in physical stores. Carrefour plans to invest in the efficiency and attractiveness of hypermarkets by adapting the sales area (reducing the size of hypermarkets when they are ill-suited to their catchment area), buying and selling alliances to improve non-food products, strengthening the store operations and to adapt to a strict hypermarket network where necessary.

The dedicated € 2.8 billion to digital improvements will enable Carrefour to revamp their internet websites and create a single merchant website for every country. Starting in 2019, more than half of Carrefour stores will have click and collect points, which will contribute to their goal of being the leader in food e-commerce in their markets. "To successfully implement the transformation of its e-commerce offer, Carrefour announces it has entered into a partnership with Sapient, a leading technology player of the Publicist Group" (Carrefour, 2018).

The fourth pillar is to overhaul the offer to promote food quality. This last pillar focuses on three main areas. First of all, Carrefour wants to reach a target of serving fresh products for one million additional consumers by 2022 in France alone. Secondly, Carrefour aims to reach € 5 billion in organic sales in 2022 compared to the € 1 billion in 2017. With this in mind, Carrefour will be dedicating sale areas for organic products in the stores and will increase their overall organic

product range. The last main area is to achieve one-third of its sales through Carrefour-branded products by 2022 and for this to happen, three major principles apply, namely quality, co-construction and traceability. This plays a key role in Carrefour's ambition to offer good food quality.

Figure 3-9: Carrefour's 2022 strategy



Source: Adapted from Carrefour (2018)

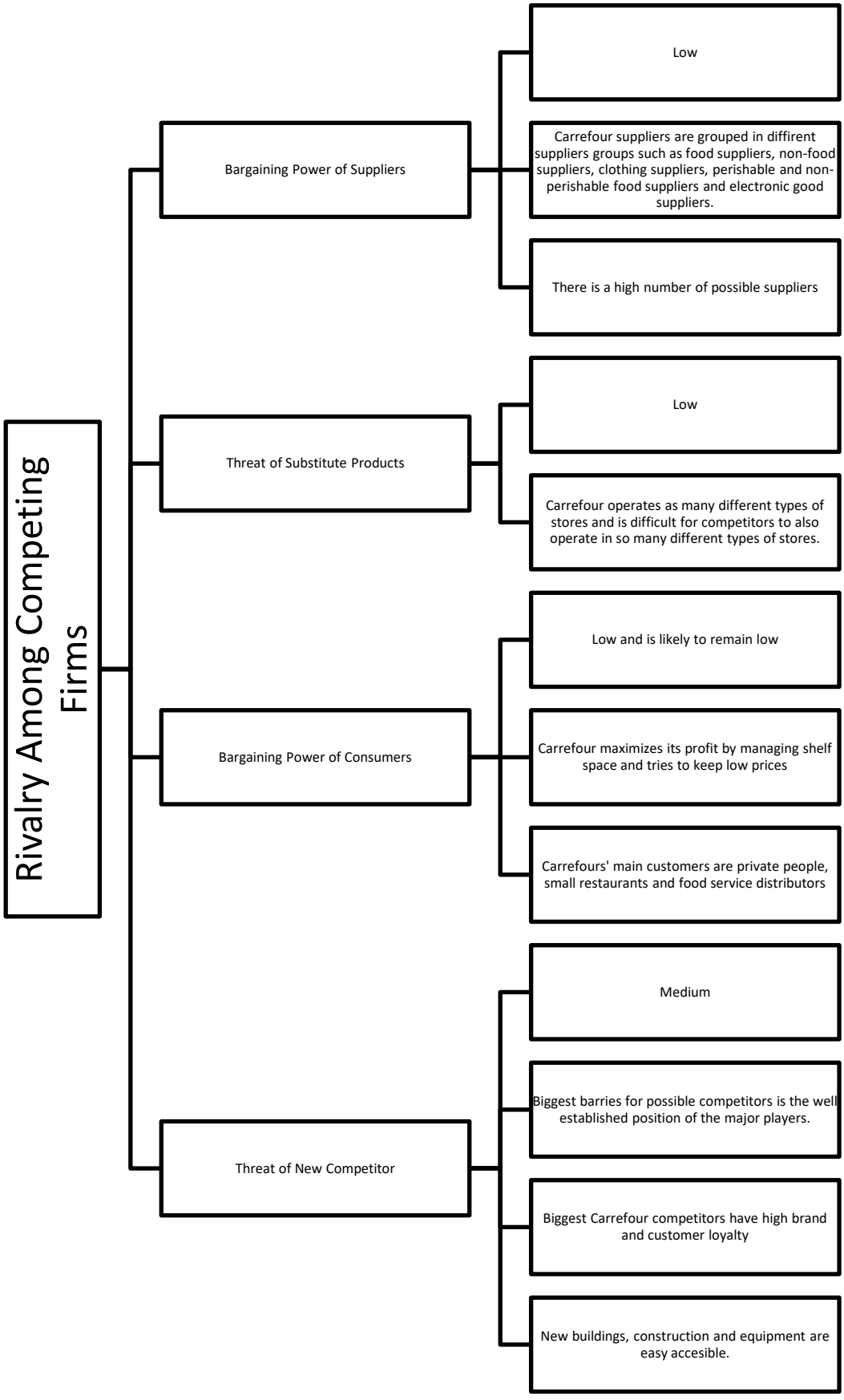
3.4.4 Competitive strategy: Porter's five forces model

According to Spulber (2007), Carrefour's strategy in the global markets is to establish a hypermarket in a country that enables them to put in place the right tools and processes essential for development in the future, for example building relationships with suppliers, marketing and logistics. Carrefour has proven that by differentiating themselves in the hypermarket sector by putting a stronger focus on private labels, multi-specialisation, on cost leadership and on operating on a low-profit-margin. Carrefour also succeeded in establishing sturdy market positions by exporting their expertise in technology and logistics to the supermarket sector (Baroto, Abdullah & Wan, 2012). Carrefour also makes use of their intangible resources such as their good corporate image and private label (Tsorakes, 2006).

By referring to the figure below, Carrefour's suppliers' bargaining power is low. The reason, therefore, is that the suppliers are divided into different groups, namely perishable and non-perishable suppliers, clothing suppliers, food and non-food suppliers and electronic goods suppliers. Additionally, for all the different groups of suppliers, there are multiple suppliers. In terms of the threat of substitute products, the treat is low because of the many different types of stores Carrefour operates in. It is challenging for competitors to compete as they would also have to operate in the multiple types of stores to be equivalent to Carrefour. The bargaining powers of the customers are also low and are prone to stay low.

The biggest customer bases consist of private individuals, small businesses and small food distributors that do not have much bargaining power. Carrefour also manages the store shelf space and always attempts to have low prices, which contribute to maximising its profit. The threat of new competitors is medium for Carrefour; one of the reasons is that it became easier for competitors to purchase or construct new buildings for new outlets. Additionally, competing firm brands have strong customer loyalty and high brand values. Therefore, Figure 3-10 shows that according to Carrefour's five forces model, the rivalry among competing firms is low to medium (Wilkinson, 2013).

Figure 3-10: Carrefour's five forces model

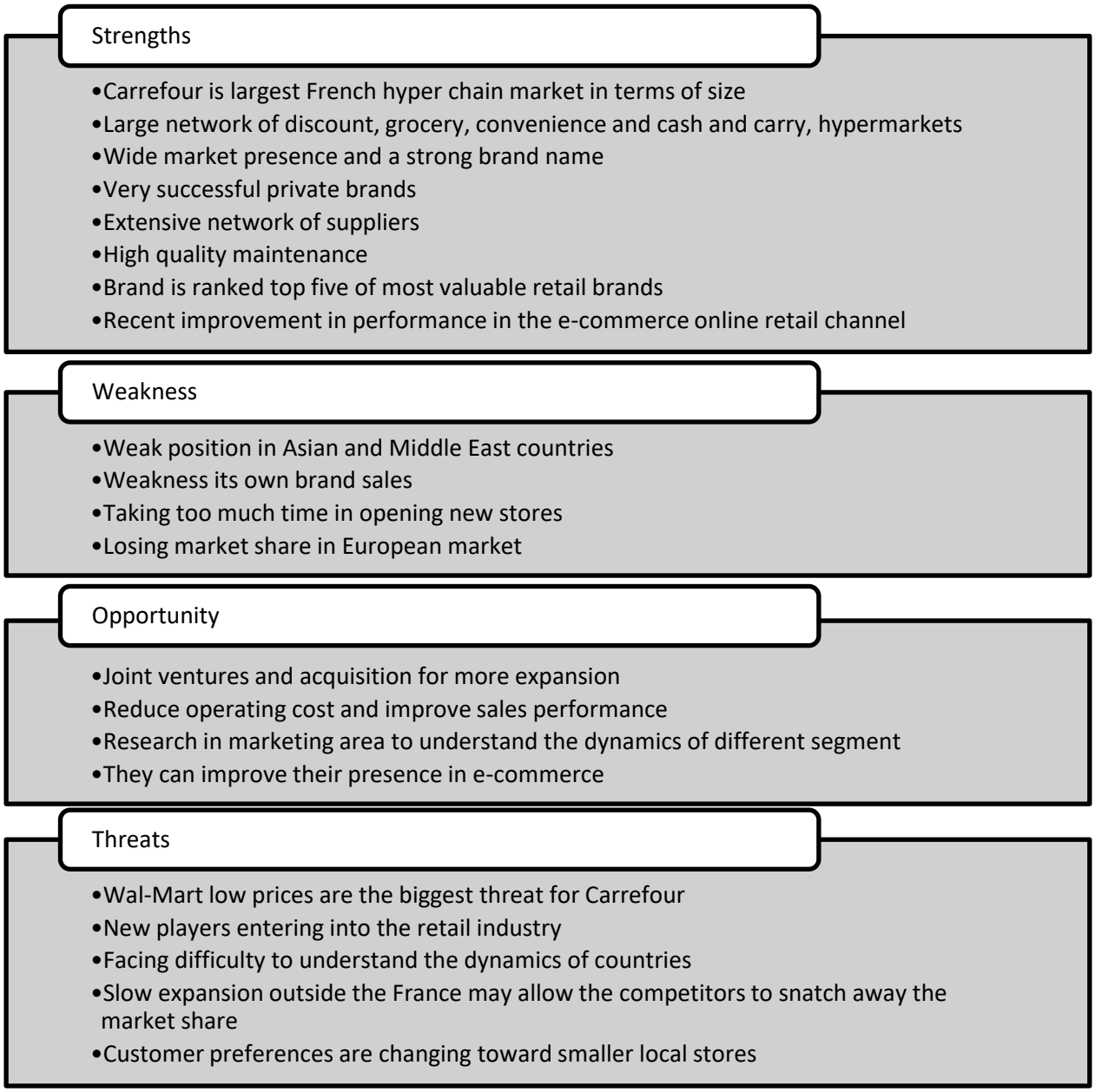


Source: Adapted from Bourke (2015)

3.4.5 SWOT analysis

A SWOT analysis is of high value if executed correctly, as a company, in this case, Carrefour, can then compare all weaknesses, strengths, opportunities and threats, and can understand the internal and external position. It is important to capitalise on the strengths of the company as they will then be turned into opportunities. Furthermore, Carrefour should also be aware of their weaknesses and threats as it will help them to be proactive and to eliminate all unnecessary threats. By referring to the figure below, it is clear that Carrefour is capable of having long-term success through global expansion (Carlock & Ward, 2001).

Figure 3-11: Carrefour's SWOT analysis



Source: Author's own compilation

Carrefour has great strengths, including a very successful private label, valuable brands and great customer loyalty. Additionally, with the new corporate strategy, Carrefour 2022, Carrefour has plans to improve their performance in the e-commerce and online retail channel even more. Other strengths that Carrefour also consists of include a large supplier network and an enormous differentiated network of stores. All of these strengths can become great opportunities for Carrefour if utilised correctly. Weaknesses that could be turned into strengths include the weak position Carrefour has in the Asian and Middle East countries.

As previously discussed, Carrefour can use the opportunity to outshine their competitors by improving their e-commerce and online retail channel. Furthermore, opportunities that Carrefour can use are to acquire and form joint ventures to have access to more foreign markets. Potential threats that Carrefour has to overcome include competitors gaining potential customers because of the slow expansion of Carrefour into markets outside of France. Furthermore, the customers' preferences are changing and they prefer to use smaller local stores (Lanusse-Diallo, Pourfau & Layous, 2005).

3.4.6 Supply chain management at Carrefour

Carrefour has a strong supply chain policy that suppliers need to comply with to ensure that all fundamental commitments concerning human rights and environmental safety are looked after. Carrefour exceeds the amount of 54 000 inspections and quality checks and approximately 1 400 social audits throughout the supply chain. Furthermore, Carrefour also encourages its partners to improve their practices and to share that knowledge in order to gain solutions for social responsibility. Due to the vast global changes, it is important for enterprises to adapt and change accordingly. Logistic systems are therefore changing globally. For example, in China, Carrefour has six warehouses spread across the country and integrated logistics infrastructure that enables Carrefour to maintain and support their Omni-channel and their growth in e-commerce (Carrefour, 2016b). In order to have a successful Omni-channel strategy, logistics and modernisation are key. In France, Carrefour aims to bring warehouses closer to the store, enabling the implementation of their Omni-purpose and Omni-format supply chain. Additionally, Carrefour optimises their order preparation, giving greater inflexibility, contributing to the goal of minimising travel time and cancelling unnecessary kilometres (Carrefour, 2016b).

According to Tsorakis (2006), "in terms of procurement or inbound logistics, Carrefour concentrates on host country purchasing. This can benefit the company as purchases will be made in the same currency as sales, allowing the company to meet local government regulations or standards. However, it may prove to be a disadvantage to the company if raw materials may be acquired at a cheaper price from outside the country". The regional distribution centre is responsible for collecting and distributing the different products to the stores. Therefore, one can

say that these distribution stores facilitate the inbound and outbound logistics. Furthermore, as it relates to marketing and sales, one can conclude that Carrefour has experience and knowledge of marketing in different cultures and countries (Tsorakis, 2006). According to Xu, Xu and Liu (2014), “thinking global and acting local is a key to the success of Carrefour”.

3.4.7 Criticism and key success factors

Like any other business, Carrefour does not only have success factors, but also shortcomings. One of the greatest shortcomings of Carrefour was by not always following their location strategy. For example, Carrefour expanded into the United States and the United Kingdom in the mid-1980s and later had to exit those markets (Carrefour, 2018). Some reasons include the American customer not wanting to spend a great deal of time in a hypermarket (they prefer a quick stop) and the UK customers’ sales on durables were low. Furthermore, Carrefour entered too late in the Mexican, Japanese, Korean, and Chilean markets. Walmart was an already established entity in Mexico and Carrefour had to compete against them.

In Hong Kong and Chile, Carrefour also lacked in the number of stores built. In Japan, Carrefour tried to establish operations, but failed after four years as a result of not having a partner (UK Essays, 2013). According to BBC News (2005), “Japan, where consumers are known for their preference of buying whatever they need in small amounts every few days, has proved to be a very difficult market not only for Carrefour but also for rival Wal-Mart”.

When Carrefour succeeded in following their local strategy, they have proven to be great at expanding internationally. For example, in China, Carrefour opened approximately 300 discount store outlets rather than hypermarkets. According to Tacconelli and Wrigley (2009), it is essential to adapt store formats into smaller-size and multiple floor formats in the East Asian Countries. According to YunLung (2010), “the growth of Carrefour in Taiwan is an example of successful international expansion involving the localization of a global retailer’s supply network”.

Carrefour opened 60 retail outlets in Taiwan and account for approximately 50 percent of the discount stores in Taiwan. This can be explained by two successful key attributions, namely the widespread logistic system with the different distribution centres (Chen, 2005; Huang, 2004) and the relationships with local companies and suppliers (Coe & Hess, 2006). Carrefour’s strategy was to avoid intermediary costs by dealing directly with the small and medium local suppliers. This made it possible for Carrefour to gain price control. By following the localisation strategy and positioning themselves contributed majorly to Carrefour becoming Taiwan’s leading discount store.

3.4.8 Carrefour in Africa

In 2000, Carrefour opened their first store in Morocco, Africa. Currently, they have 10 hypermarkets mostly situated in and around the Casablanca metropolitan area. Carrefour Morocco is also partnered with Label'vie, one of Morocco's supermarket chains. These stores are then converted to Carrefour Markets. There are 30 supermarket stores and they are expanding to compete with Majane, a Moroccan hypermarket (Fardaoussi, 2017).

Carrefour also has a presence in Algeria. According to Vidalon (2015), Carrefour returned to Algeria after a six-year absence since 2009, when their partnership with Arcofina ended. Carrefour's strategy to overcome challenges (such as legal and political uncertainties, infrastructure and poor transport), which Africa holds, is to expand through franchise deals where already strong local relationships are built. This enables Carrefour to gain knowledge and skills through minimal investment. According to Trendtype (2017), "Carrefour operates its single Algerian store in partnership with Ulysse Trading and Industrial Companies, the Tunisian retail conglomerate". The next two cities Carrefour plans to expand into are Sétif and Oran (the second and third largest cities in Algeria).

In 2016, Carrefour's franchise partner, UHD, opened a new Carrefour Market supermarket. The UHD group has a total of 82 stores in the country, of which three of them are Carrefour hypermarkets, two of them Cash-and-Carry, 34 Carrefour express and 43 Carrefour Markets (Carrefour, 2016).

Majid Al Futtaim is Carrefour's partner in the Middle East, Asia and some African countries. According to Carrefour Kenya (2018), Majid Al Futtaim has signed a deal with the management of Village Market to open the sixth store by the end of 2018 in the country. The other five stores are located at Two Rivers Mall, Sarit Centre, Thika Road Mall, The Hub in Karen and The Junction (Carrefour Kenya, 2018). Furthermore, Majid Al Futtaim also has a presence is Egypt (Tshando, 2017; Carrefour Egypt, 2018).

Carrefour and CFAO developed a retail brand in various formats in Côte d'Ivoire, Cameroon and Senegal (CFAO Retail, 2018). At the end of 2017, Carrefour Market shopping centre, operated by CFAO Retail, opened in Cameroon. This is two years since the first store in PlaYce Shopping Centre in Ivory Coast (CFAO, 2017). Carrefour owns 45% and CFAO 55% of the joint venture and plan to "develop different formats of stores in eight countries of West and Central Africa: Cameroon, Congo, Ivory Coast, Gabon, Ghana, Nigeria, the Democratic Republic of Congo and Senegal" (CFAO, 2013). The figure below illustrates the footprint of Carrefour in the African countries.

Figure 3-12: Carrefour's footprint in Africa

Source: Author's own compilation

3.5 Shoprite company overview

In 1967, the Shoprite group was founded by Barney Rogut. The first store that Shoprite Group purchased was a small eight-store Western Cape grocer. This store employed fewer than 400 workers and the total value of this Shoprite store was R 1 million. By 1980, the group established their vision, to supply to the middle-to-lower income market. Within four years, Shoprite managed to open 21 outlets, with the first branch outside Western Cape being in Hartswater in the Northern Cape. In 1986, Shoprite also managed to branch out into the Free State Province and listed on

the JSE Limited Stock Exchange with a market capitalisation of R 9 million. Furthermore, in 1988, Shoprite also branched out to the former Transvaal Province (Shoprite, 2018a).

During the 1990s. Shoprite expanded into Africa. The first store to open was in Windhoek, Namibia. Shoprite also acquired the Checkers chain of supermarkets in 1991, which increased Shoprite's operation outlets to 241 and a workforce of 22 600 members. In 1997, Shoprite acquired the OK Bazaar Group from SAB, saving 14 091 jobs and acquiring 157 supermarkets and 146 furniture stores, which include stores in Swaziland. Additionally, in 1998, Shoprite expanded into Botswana. During the 2000s, Shoprite focused on "brand distinction and investment in supplementary services". They have also expanded to multiple countries, including Uganda, Zimbabwe, Egypt, Malawi, Madagascar, Mauritius, Tanzania, Angola, Ghana, India and Nigeria during the 2000s. In 2001, the Shoprite group decided to separate the Shoprite and Checkers brand, so that the Checkers brand would focus on the middle-to-higher income market. The Shoprite group also managed to acquire a pharmaceutical wholesale company, namely Transpharm, in 2009 (Shoprite, 2018a).

In April 2010, the Shoprite group was the first South African retailer to have managed to expand into the Democratic Republic of Congo (DRC). According to Shoprite (2018a), "Shoprite hits the mark in the 2018 Deloitte Global Powers of Retail Report as the 94th biggest retail group in the world. The Shoprite Group leads the way at 62 places ahead of its nearest rival". By having innovative strategies performed to expand and with new acquisitions, the Shoprite group grows to be the leading food retailer. Besides having outlets in 15 outlets across African countries and Indian Ocean islands, the Shoprite group employs more than 148 000 staff members and continues to strive for further opportunities and growth (Shoprite, 2018a).

3.5.1 Business description & competitors

Shoprite Holdings Ltd has different business segments, namely business to business, supermarkets, liquor and pharmacy stores, furniture stores, franchises and fast food outlets. Furthermore, they have complimentary services including the Money Market, Computicket and Computicket Travel. Figure 3-13 demonstrates this organisational structure.

Figure 3-13: Shoprite Holdings' organisational structure

Source: Adapted from Trade Intelligence (2018)

Shoprite supermarkets are easily accessible and affordable and focus on distributing the lowest prices on basic goods, from fresh groceries to household appliances. According to the Shoprite Holdings Ltd. Integrated Report (2017), Shoprite as the flagship brand has the most stores in South Africa and is the main leader of growth in Africa.

Additionally, Shoprite also tracks their competitors by conducting bi-annual surveys, and testing the overall consumer perception of new merchandise through focus groups. These competitors include Pick n Pay (PnP), Woolworths and international companies such as Carrefour. According to Pick n Pay (2018), their main focus for the past few years has been to establish a strong South African business brand while adopting a systematic approach in expanding further into Africa. Woolworths is also doing business in numerous countries other than South Africa, including Botswana, Namibia, Lesotho, Swaziland, Ghana, Kenya, Tanzania, Uganda, Zambia and Mozambique (Maritz, 2011). According to Tshandu (2017), Shoprite does not only have South African competition, but also the world's second largest retail enterprise, Carrefour, as they plan to expand into Eastern and Southern Africa.

3.5.2 Vision, mission and values

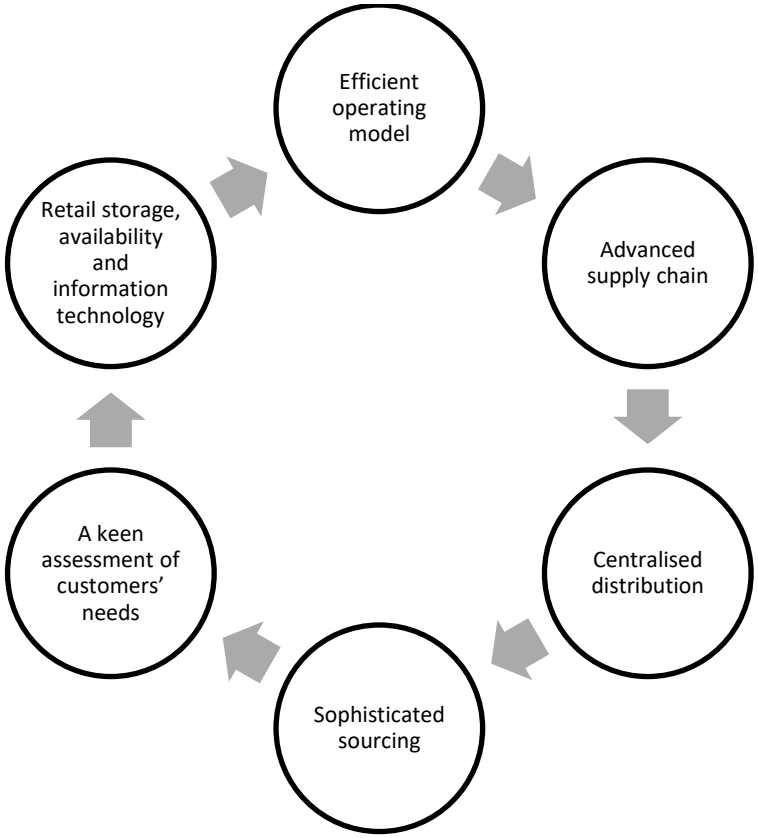
Shoprite's mission is "to deliver low prices in a world-class shopping environment to customers across the African continent" with low-priced quality products and by creating jobs in communities in all countries they operate in (Shoprite Holdings Ltd, 2017). Furthermore, Shoprite prides themselves on becoming the number one retailer in Africa by being committed to their company values. Respect and integrity also form part of the values that Shoprite holds dear, whether it is with consumers or with colleagues, promising to act fairly under all circumstances. Customer service and care for the community in which they operate are also a number one priority.

Because the community forms such a big part of the Shoprite values, they have made it their responsibility to Act for Change by helping non-profit organisations to contribute to community growth and development. In order to qualify for a 5% discount, Shoprite has made it possible for registered NPOs by introducing the new Act For Change card that can be used in Shoprite, Checkers, Checkers Hyper, Usave, House & Home, MediRite and OK Furniture outlets.

3.5.3 Corporate strategy

The Shoprite business model is to have a strong brand, great people, loyal customers, a strong balance sheet, good infrastructure and environmentally friendly practices. The long-term successes are driven by key strategic aspects of the business model as demonstrated in Figure 3-14. First of all, Shoprite strives to be efficient in all aspects, from restructuring the supply chain to upgrading operations and lower costs. Shoprite uses an efficient operating model to create a top-class shopping environment with the lowest prices all over Africa. Secondly, Shoprite has managed to become the largest grocery distributor in Africa by improving their competitive advantages and sustainability. Thirdly, Shoprite invested in extending the network of distribution to simplify the management of product supply across all African countries. Furthermore, the transport operations and information management systems contribute to efficient centralised distribution. Fourthly, according to Shoprite Holdings Integrated Report (2017), their "International Trade Department sources products from anywhere in the world with extreme efficiency, assuring customers of choice, availability of products and value for money". Fifthly, all departments at Shoprite focus on assessing the customers' future and current needs. This is accomplished through a value chain analysis process by evaluating the model used to ensure lower costs and efficiency. Lastly, by keeping up to date on information technology and a successful supply chain, it is possible for Shoprite to reduce storage space and increase their trading area. According to Shoprite Integrated Report (2017), "a new ERP system and investments in digital transformation have led to increased efficiencies, more collaboration and better innovation across the businesses". Shoprite also invests in consumer science, enabling them to capture data to improve decision-making regarding promotions, the layout of stores, pricing and products.

Figure 3-14: Shoprite's strategic aspects of the business model



Source: Shoprite Integrated Report (2017)

Shoprite plans to stay the leading FMCG retail operation in Africa, by focusing on giving low prices with a world-class shopping experience. Shoprite is confident that the aspects of the business model, as well as the strategies they follow to exploit the growth drivers will continue to deliver them success. These drivers of growth include a customer-first culture, growing the LSM 8-10 share of wallet, private label development, stronger franchise offers, leverage African advantage and strategic footprint expansion (Shoprite, 2017).

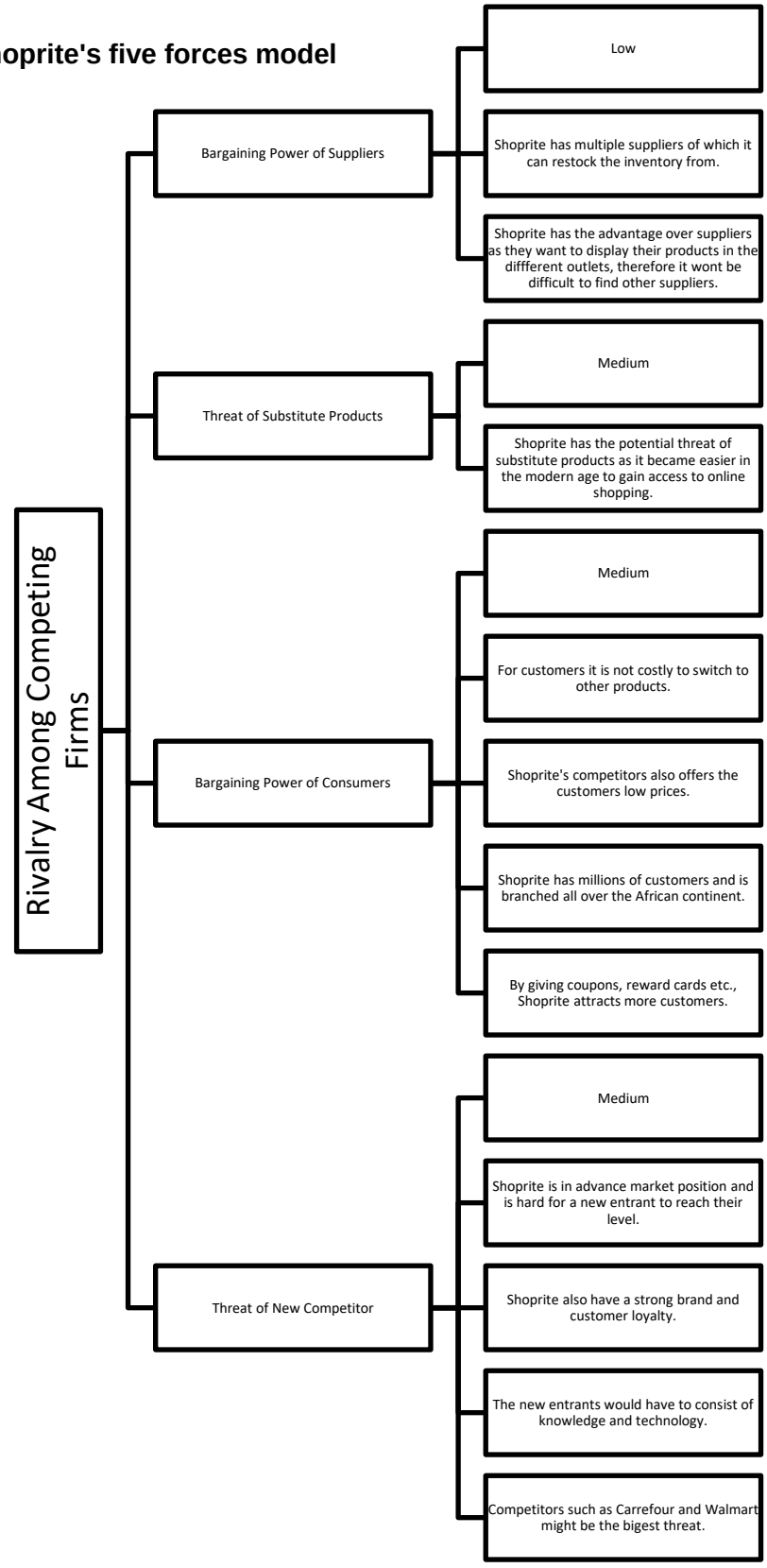
3.5.4 Competitive strategy: Porter's five forces model

Shoprite uses the cost leadership strategy. According to Ungerer (2015), "the cost leadership generic strategy refers to when a company is able to achieve lower overall costs while offering products that appeal to a wide range of customers". With a low-cost strategy, Shoprite can defend itself from both competitor and buyer bargaining powers. By selling their own brand in stores with competitive pricing and by continuously investing in and recognising the supply chain, Shoprite can reduce their cost.

According to the figure below, the bargaining suppliers are low because Shoprite has many suppliers to choose from. According to Ntingi (2016), the "vast buying power, which Shoprite uses to negotiate discounts with its suppliers, partly explains the retailer's success". The threat of

substitute products is medium. Shoprite must ensure building strong brand loyalty under consumers so that they will not buy substitutes. The bargaining power of customers is medium. Shoprite offers shipping and customer discount online, reward cards and newspaper coupons to gain an advantage over the rivalries as they also offer low prices. Last but not least, the threat of new entrants is medium. It is difficult for new competitors to compete with well-established companies such as Shoprite as they lack knowledge and experience. The real threat is when larger companies, for example Walmart, acquire smaller companies such as Massmart, which will be able to compete with Shoprite.

Figure 3-15: Shoprite's five forces model

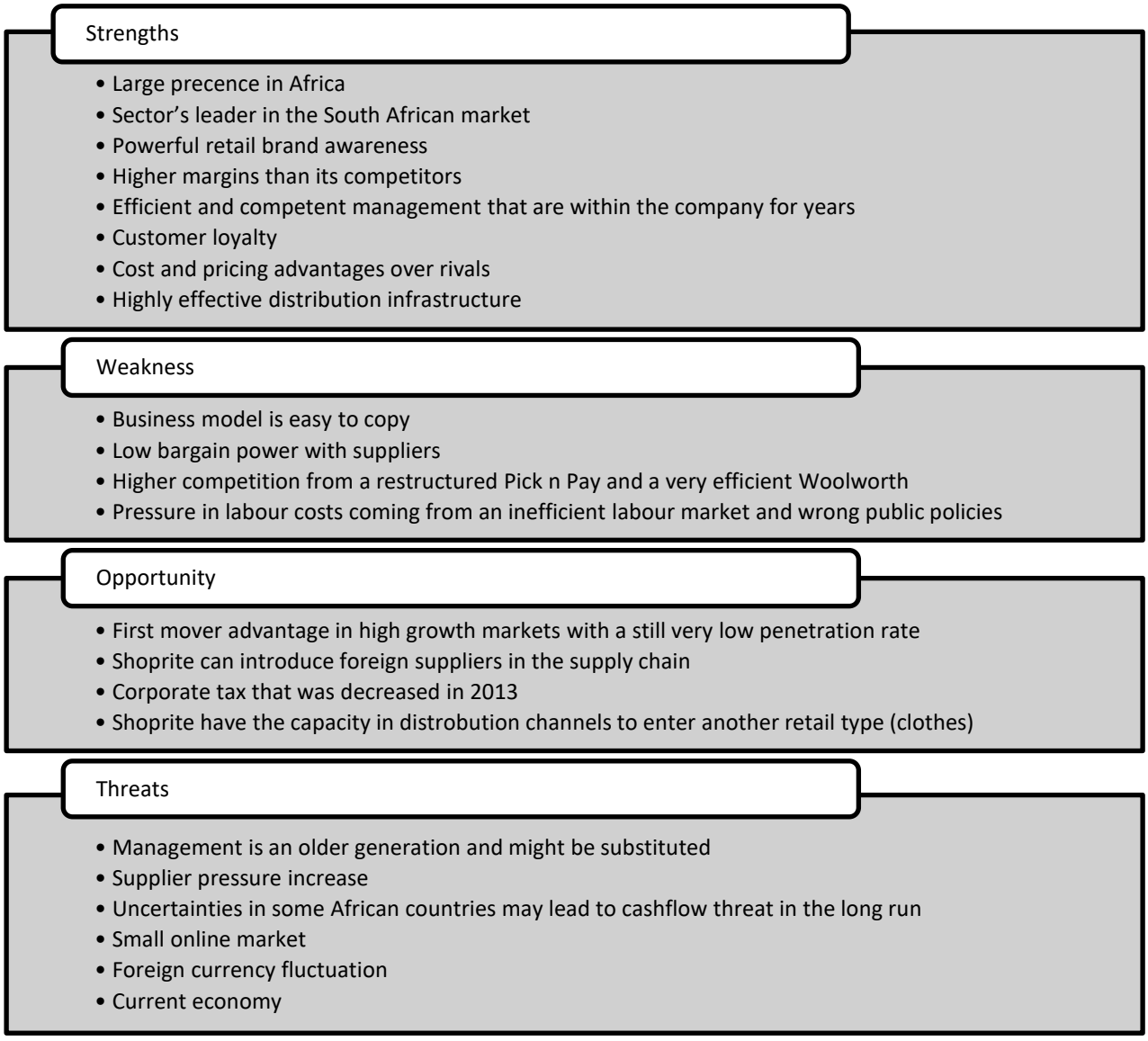


Source: Author's own compilation

3.5.5 SWOT analysis

The SWOT analysis provides information regarding a company's strengths, weaknesses, threats and opportunities. The highly effective distribution infrastructure located in Centurion, Gauteng, Cape Town and Durban, is one of Shoprite's main strengths. It enables Shoprite to gain competitive advantages as it caters to all the needs of its customers. A weakness for Shoprite is depending on the domestic market. Although Shoprite's presence is in the African markets, the majority of income is from South Africa. In terms of opportunity, the Shoprite private label is getting more popular in the market. One threat Shoprite has to face is the increase in laws and regulations for manufacturing, labelling, advertising etc. The following figure is a clear breakdown of Shoprite's SWOT analysis.

Figure 3-16: Shoprite's SWOT analysis.



Source: Adapted from Lima (2013)

3.5.6 Supply chain management at Shoprite

Shoprite is able to give lower prices, improve their sustainability and gain a competitive advantage as a result of an efficient supply chain. With an investment of more than R40 billion and with 24 years' experience, Shoprite has a competitive advantage with their distribution centres. According to the Shoprite Integrated Report (2017), the "supply chain is a key competitive advantage and strong investment in customer science and intelligent data capabilities in the past year has improved on-shelf availability of products (an important determinant of customer satisfaction) by 2%". Shoprite's fleet of trucks is operating 24 hours a day and seven days a week to ensure that all goods and products are available and delivered on time. To ensure this, Shoprite has a carefully executed transport route planning and the latest transport scheduling software to reduce the number of trucks on the road. Furthermore, Shoprite's infrastructure enables the suppliers to deliver merchandise directly to the centres, saving them investment on a warehouse or transport (Shoprite, 2017).

The distribution centres of Shoprite are located in Centurion, Gauteng, Cape Town and Durban. The largest distribution centre is in Centurion, which is also the distribution centre for exports into Africa. The Cape Town distribution centre is for regional distribution only. The Durban distribution centre includes a three-storey banana-ripening facility. These unique supply chain abilities enable Shoprite to provide for all customer needs. Furthermore, the supply chain enables Shoprite to re-engineer the retail stores, by decreasing storage space and turning it into retail space. Shoprite also invested in an extended centralised distribution network, which enables them to efficiently distribute all over the African continent. Shoprite also invests their knowledge in foreign African regions, including new distribution centres in Angola and a purchased distribution centre in Nigeria (Shoprite, 2017).

3.5.7 Criticism and key success factors

According to Hyde (2018), Shoprite has three criticisms. First of all, different Shoprite stores have different ways of practices and policies. The experience a customer has at a Shoprite store is likely dependent on the owner of the store. If complaints are made, only thereafter can it be sent to a customer service department through an online complaint. This results in a difference between stores regarding customer service quality, store administration and products in the store. In other words, there is a lack of centralised policies and training, which lead to the second criticism, customers' uncertainty. If policies differ from store to store, it can create confusion among customers, which, in the long run, can affect loyalty. The third criticism is a lack of clarity in administration. This includes, for example, a customer complaining about a policy that they are only able to purchase a gift card using a credit card on the centralised website, but can also try to convince the individual store owner to make an exception. Furthermore, some customers

complain that they read of offers in the newspapers only to learn that these offers are only available in selected stores. Hyde (2018) suggests that work needs to be done to balance out the freedom and flexibility of the different store owners with a standard way of doing.

Shoprite understands the importance of logistics and distribution channels, which is the main reason for success, especially in Africa. According to Taylor (2015), “in essence, it is selling a commodity in a market that is price driven and reliant on first-class delivery”. According to Shoprite (2018), the key aspects of Shoprite’s business model that drive long-term success are delivering the lowest prices, the advanced supply chain, the fully-owned fleet, optimised retail storage, availability and information technology used, as well as the efficiently centralised distribution centre.

3.5.8 Shoprite in Africa

With more than 26 years of experience in Africa, Shoprite has a great advantage to fully participate in the future growth of Africa (Shoprite, 2017). According to Ntingi (2016), “Shoprite has become a retail powerhouse in Africa due to its close and mutually beneficial relationship with local suppliers”. Shoprite also had some upsets and had to leave Egypt after five years of poor market conditions. Furthermore, Zimbabwe also proved to be an unstable economy and Shoprite left the Zimbabwean market in 2013 and a year later Shoprite also had to leave the Tanzanian market (Chutel, 2016). According to the Shoprite Integrated Report of 2011, “the biggest problem of doing business in Africa is the bureaucratisation of its economies, which assumes frightening proportions in terms of the costs and delays in which it involves businesses wishing to invest” (Shoprite, 2011).

As demonstrated in the figure below, Shoprite has a presence of 2 811 outlets across 15 countries, including, Angola, Botswana, DRC, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Uganda and Zambia (Shoprite, 2019b). According to The Economist (2013), “Shoprite has more stores outside its home market than its peers, and the boldest plans to open more”. There are currently six Shoprite Holding stores in Ghana, 23 in Nigeria, 51 in Angola, 106 in Namibia, 1 916 in South Africa, one in the DRC, two in Uganda, 63 in Zambia, 26 in Mozambique, three in Mauritius, 39 in Botswana, seven in Malawi, 26 in Swaziland, 23 in Lesotho and nine in Madagascar (Shoprite, 2017).

Figure 3-17: Shoprite's footprint in Africa.

Source: Author's own compilation

More than half of the top 25 retailers also have headquarters situated in South Africa (Raji, 2017). According to The Economist (2013), "The South African chains will not have the continent's growing markets to themselves forever. Walmart, the world's largest retailer, bought a majority stake in Massmart in 2011 as its route into Africa: its ambitions there, as elsewhere, are unlikely to be modest. Carrefour, a French retailing giant, is dipping its toe into eight African countries in a joint-venture with CFAO".

3.6 Conclusion

This chapter focused on three different multinational enterprises in the retail sector. The three companies looked at are Walmart, Carrefour and Shoprite. The first section discusses the business overview of Walmart, an American retail leader. Walmart's first move into the African market was to acquire 51% of Massmart Holdings. This gave them the access to 10 000 retail companies globally. Walmart operates in three different segments, namely superstores, discount centres and neighbourhood markets, with competing firms all across the globe. Walmart follows a strategy to expand in the US and internationally, selling more products with the lowest prices, establishing and keeping a positive brand and to branch out to more sectors in the retail industry.

The second section discusses Carrefour, a France-based multinational retailer. Carrefour operates in four different forms, namely supermarkets, hypermarkets, cash and carry, and convenience stores. Carrefour announced their new strategic transformation plan in January 2018, namely Carrefour 2022, which is shaped around four pillars. Through acquisitions and joint ventures, Carrefour managed to move into several African countries.

The last segment is an overview on Shoprite, Africa's leading retailer. Shoprite Holdings Ltd operates in different business formats, including business to business, supermarkets, liquor, and pharmacy stores, furniture stores, franchises and fast food outlets. Shoprite follows a cost leadership strategy by offering appealing products for a wide range of customers with a lower overall cost. Shoprite Holdings have more than 26 years of experience in Africa, which gives them a great advantage over competitors. They have more than 2 800 outlets across 15 different African countries and are driven to expand to even more.

It is therefore obvious that there is more than one way into international expansion and four patterns of growth, "South African-led expansion, Francophone expansion, Middle Eastern-led expansion and the Kenyan-led expansion" (Business Ware, 2016).

In Chapter 4, the methodology will be discussed. Firstly, a brief discussion on the different philosophical worldviews, followed by different research designs and research methods, will be provided. Chapter 4, furthermore, focuses on the qualitative research method and specifically focuses on the data collection procedure, the data recording procedure, the data analysis procedure as well as the interpretation, validity and reliability of the research. Chapter 4 will also discuss the different interview questions and the formulation thereof.

CHAPTER 4: CASE STUDIES

4.1 Introduction

It is important to have a background of theoretical or philosophical views as it will guide the researcher to the appropriate method, and also what is considered as valid and reliable research. Therefore, this chapter briefly discusses the different philosophical worldviews, followed by different research designs and research methods. Furthermore, this chapter focuses on the qualitative research method and specifically focusses on the data collection procedure, the data recording procedure, the data analysis procedure as well as the interpretation, validity and reliability of the research.

Chapter 4 will also reflect on the purpose and objective of this study as well as the contents of the previous chapters. The aim is to examine the primary research questions of the study (by using methods to collect data that are reliable and valid):

- What were the general challenges that the retail-based MNEs faced when they entered into African markets?
- How did the retail-based MNEs overcome these challenges regarding investment and exporting into Africa?
- What strategies did the retail-based MNEs follow to become successful investors and exporters into Africa?

Furthermore, in Chapter 1, different secondary research questions were identified and will also be examined in this chapter:

To look more in-depth at the success stories, the specific objectives of this study are the following:

- What challenges did the MNEs have to face expanding into Africa and how can they overcome these?
- Why are MNEs successful in some African countries and not in others?
- What are the motives of the MNEs?
- What are the best strategies for retail MNEs into Africa?
- What are the private and public legal challenges?

With careful consideration of the literature, purpose and nature of this study, the specific research design approach that will be used is case studies, and the data tool is mainly interviews.

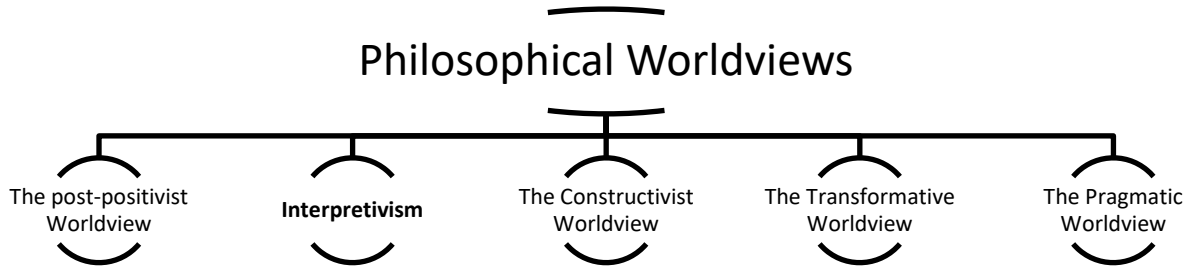
4.2 Research

There are three approaches to research. Firstly, qualitative research is used to understand and explore the meaning of individuals, groups or companies. The process includes questioning and different procedures, analysing the general theme and the researcher making meaning of the data. Secondly, qualitative research is testing theories by examining different variables and their relationships. This research procedure is statistical, as the variables are numbered data. The third approach is mixed methods. This is where both types of data are collected, both qualitative and quantitative, and these are merged together and may involve theoretical frameworks and philosophical theories (Creswell & Creswell, 2018). There are three components involved in an approach, namely philosophical worldviews, research design and research method.

4.2.1 Philosophical worldviews

Although philosophical worldviews are usually hidden in the research, it is still of the utmost importance to identify, as it largely influences the practice of research (Slife & Williams, 1995). According to Creswell and Creswell (2018), worldviews is a term used to describe "a basic set of beliefs that guide actions", but can also be referred to as a paradigm. For this study purpose, four philosophical worldviews, which are widely discussed in literature, will be highlighted. These include the post-positivist worldview, the constructive worldview, the transformative worldview and the pragmatic worldview, as demonstrated in the figure below.

Figure 4-1: The philosophical worldviews



Source: Adapted from Creswell & Creswell (2018)

First of all, the post-positivist worldview is often referred to as the scientific method or doing science research. Therefore, this worldview holds more truth for quantitative research than for qualitative research. It is called post-positivist as it challenges the traditional notion of absolute knowledge and truth, and claims that one cannot be sure of the claims when human behaviour and actions are studied. The post-positivist worldview holds a determination philosophy and the reductionism element as cause of an outcome is determined and its intent is to reduce ideas into smaller tests. Furthermore, the knowledge obtained is based on careful observations and measurements and developing the numerical measure is of utmost importance to post-positivists. Post-positivists also find it important to verify theories by collecting data that either supports or counters the theory; then, additional tests and revisions are done.

The second worldview is interpretivist, a major anti-positivist worldview, which is in terms of epistemology closely linked to constructivism. This worldview “looks for culturally derived and historically situated interpretations of the social life-world” (Gray, 2014). The view is that natural reality and social reality differ and therefore require different methods. Natural science looks for consistency in the data in order to deduce laws, whereas, on the other hand, social science usually deals with the behaviour and actions of individuals. “Our interest in the social world tends to focus on exactly those aspects that are unique, individual and qualitative, whereas our interest in the natural world focusses on more phenomena, that is, those exhibiting quantifiable, empirical regularities” (Crotty, 1998).

The third worldview is the constructive worldview, also known as social constructivism, and is usually used as an approach for qualitative research. This view emphasises that individuals seek understanding in the surroundings they work and live in. According to Creswell and Creswell (2018), “individuals develop subjective meaning of their experiences” and therefore it is important to find the complexity in their view rather than narrowing it down. When questions are constructed, social constructivists try to keep it as broad and general as possible to leave room for the participants to create the meaning of the situation. Historical and cultural norms that operate in the participants' lives, as well as social interactions with others, help form these subjective meanings. It is therefore the researcher’s responsibility to interpret the meanings that others have about the world.

The fourth worldview for discussion is the transformative worldview. This worldview came from single individuals who believed the post-positivists imposed on theories and structural laws during the 1980s and 1990s. “There is no uniform body of literature characterizing this worldview, but includes groups of researches that are critical theorists; participatory action researchers; Marxists; feminists; racial and ethnic minorities; persons with disabilities; indigenous and postcolonial peoples; and members of the lesbian, gay, bisexual, transsexual, and queer communities” (Creswell & Creswell, 2018). The transformative worldview stresses the need that the politics and

political change agenda be intertwined with research to provoke social oppression (Mertens, 2010). Therefore, it is clear that this worldview focuses on the needs of a specific group and/or individuals in society.

Lastly, in contrast with the post-positivist worldview, is the pragmatic worldview. For many, this worldview arises from actions, consequences and situations and not from precursor conditions. According to Rossman and Wilson (1985), pragmatists focus on the research problem and questions rather than focusing on the research method. Furthermore, to understand the problems, they use all the approaches available. This worldview is usually used as an approach for mixed methods, as it is important for pragmatists to focus on the research problem in social science research, followed by a pluralistic approach to gain knowledge. Additionally, the pragmatic worldview opens doors to diverse worldviews, several methods, multiple forms of data collection and many assumptions.

4.2.2 Research design

The research design is the second component involved in a research approach. Not only does a researcher choose between three methods (qualitative, quantitative and mixed), he/she also decides within these three choices on a type of study that he/she will conduct. According to Creswell and Creswell (2018), it is also referred to as strategies of inquiry.

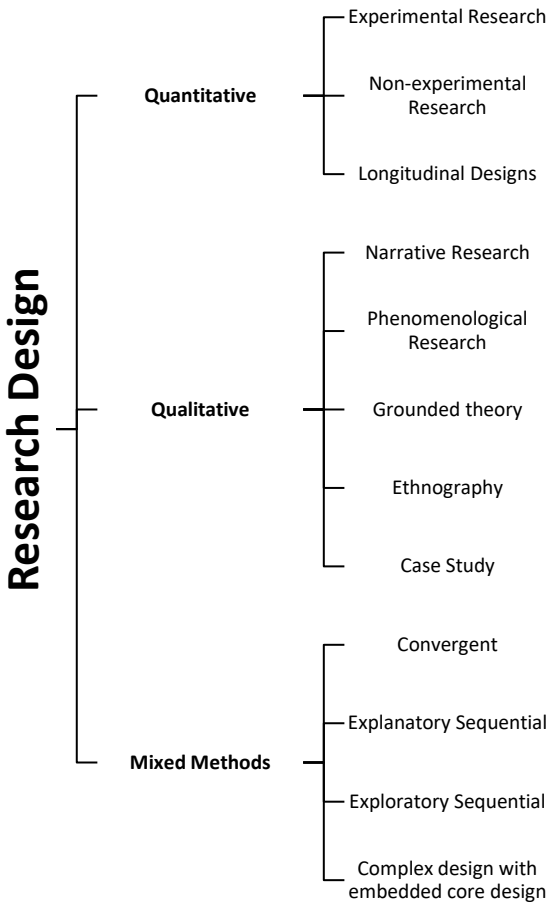
The first strategy of inquiry is quantitative research, which is closely associated with the post-positivist worldview, mainly originated in psychology. As set out in the figure below, quantitative design can include experimental research (true experiments, quasi-experiments and applied behaviour analysis or single-subject experiment), non-experimental research (casual-comparative research and correlation design), and lastly, longitudinal design, which is a collection of data over a longer period to examine the ideas and trends developed.

The second strategy of inquiry is qualitative research. This approach originated from research done in humanities, evaluation, sociology and anthropology throughout the 1990s and into the 21st century. There are multiple designs that can be followed for qualitative research. For the purpose of this study, five popular designs will be discussed. Firstly, researchers can use the narrative research design, which includes studies on the lives of individuals translated and restructured by the researcher into a narrative chronology. Secondly, phenomenological research is a design with a strong philosophical underpinning that usually involves interviews. According to Creswell and Creswell (2018), the description of a phenomenon, described by participants, “culminates in the essence of the experience for several individuals who have all experienced the phenomenon”. The grounded theory design consists of the researcher creating a general theory by collecting data over different stages and by refining the information collected among actions

or interaction in the views of participants. This design also originated from sociology. The fourth design of interaction is the ethnography design, originated from anthropology and sociology. Researchers study the shared behaviours, language and actions of a specific cultural group in their natural setting, over an estimated time period, usually through observation or conducting interviews. The last design of inquiry, found in many fields, particularly in evaluations, is case studies. It is usually an in-depth analysis of a specific case, programme, activity, process, individuals or events bound by a time period.

The third strategy of inquiry is the mixed-methods design. This method involves a combination of qualitative data (usually open-ended responses) and quantitative data (usually close-ended responses). This design can further be divided into four methods, convergent mixed-method (both forms of data collected and merged); exploratory sequential mixed-method (researcher begins with qualitative data and explains by collecting quantitative data); explanatory sequential mixed-method (first collects quantitative data and then find qualitative data to explain); and complex design with embedded core design.

Figure 4-2: Alternative research designs



Source: Adapted for Creswell & Creswell (2018)

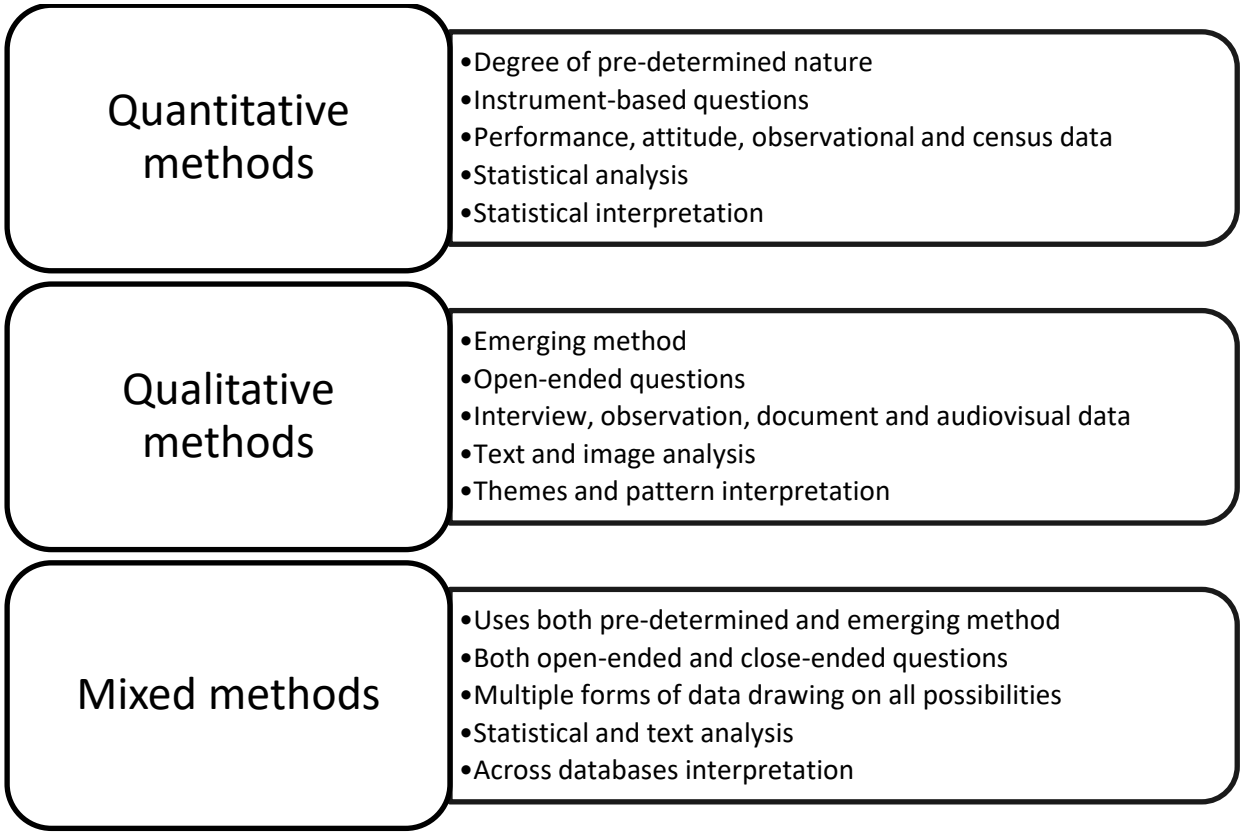
For the purpose of this study, a more in-depth overview of the case study design is necessary. Case studies are used when a limited number of units (individuals, institutions and groups) are analysed intensively (Welman, Kruger & Mitchell, 2005). The typical research procedure for a case study research design is where participant observation and unstructured interviews are used to examine the chosen case. Furthermore, descriptive statistics can also be used as an appropriate research method. According to Richards and Morse (2013), case studies can be written to serve as an example of what to do and what not to do, but the sole purpose is to show what others are doing. Furthermore, research objectives require for a research design to be explanatory, interpretive or critical. “Case studies also typically involve larger, aggregate-level case –such as an organization, a neighbourhood, or a nation-state – rather than an individual person” (Remler & Van Ryzin, 2011).

When conducting a case study, three aspects should be taken into consideration. Firstly, the case should be defined or demarcated, meaning that there must be predetermined boundaries. Secondly, whichever technique is used for data collection, it must be ensured that the focus is on finding recurring patterns and consistent regularities instead of describing what the researcher is observing. Lastly, patterns are usually discerned by using triangulation. The reason for this is because the cases are limited; the sole purpose is to intensively study the selected cases. Because the researcher is part of the research instrument, it is important to find other sources such as newspapers and voice recordings to support the findings.

4.2.3 Research method

The research method is the third component involved in a research approach that involves different forms of data collection, analysis and interpretation. It is of the utmost importance to consider all three methods of different possibilities of data collection. The choice of method will be influenced by whether the type of information should be collected beforehand or whether it should develop from the participants. For the purpose of this study, an in-depth overview of qualitative methods will be discussed in section 4.3.

Figure 4-3: Quantitative, qualitative and mixed methods



Source: Adapted from Creswell and Creswell (2018)

Figure 4-3 is a brief summary of the three different research methods, quantitative methods, mixed methods, and qualitative methods. This table views the full range of possibilities when collecting data and which method to use, for example, should the nature of the questions be open-ended or rather close-ended? Additionally, the table distinguishes between the degree of predetermined nature and emerging methods, the type of date to be collected, the type of analysis that should be done and lastly which type of interpretation should be used.

4.3 Qualitative methods

“In terms of data, qualitative research involves various kinds of non-numerical data, such as interviews, written text or documents, visual image, observation of behaviour, case studies, and so on” (Remler & Van Ryzin, 2011). As discussed in section 4.2.2, a qualitative research design can be structured into five groups, the narrative research design; the phenomenological research design; the grounded theory design; the ethnography design; and the case study design.

4.3.1 Data collection procedure

For the data collection procedure, one of the first steps includes to set boundaries for the research through recruitment and sampling; and then by collecting data through semi-structured and unstructured interviews, documents and visual materials. Furthermore, the first steps include the establishment of a protocol to record the information. The idea of qualitative research is to purposefully select documents, visual material, individuals or sites to help understand a research problem or question. There is a clear distinction between primary and secondary data. The table below discusses these differences, by specifically referring to the source, method of collection, origin, time, cost, efforts, accuracy, personnel required and use of data.

Table 4-1: Difference between primary data and secondary data

DIFFERENCE BETWEEN PRIMARY DATA AND SECONDARY DATA		
DESCRIPTION	**Primary data**	**Secondary data**
SOURCE OF THE DATA	Original source	Secondary source
COLLECTION METHOD	Method of observation	Data from unpublished or published sources
DATA'S POINT OF ORIGIN	First time collected by researchers	Collected by other
TIME CONSUMPTION	More	Less
COST	Expensive	Cheaper
DATA ACCURACY	More accurate	Less accurate
USE OF DATA	Data is compiled and used for specific purposes	Data is collected from other sources and is used for decision-making

Source: Authors' own compilation from Surbhi, 2018.

Furthermore, as shown in the table below, in qualitative research, the data collection procedure includes four basic types with their limitations and strengths. Detailed descriptions of each type of data collection will be discussed.

Table 4-2: Qualitative data collection types, options, advantages and limitations

Qualitative data collection types, options, advantages and limitations				
		Options	**Advantages**	**Limitations**
Primary sources	Observation	1. Complete participant 2. Observer as participant 3. Participant as observer 4. Complete observer	1. Researcher has a first-hand experience with participant. 2. Researcher can record information as it occurs. 3. Unusual aspects can be noted during an observation. 4. This type is useful in exploring topics that may be uncomfortable for participants to discuss.	1. Researchers may be seen as instructive. 2. Private information may be observed that researcher cannot use. 3. Researcher may not have good attending and observing skills. 4. Certain participants may present special problems in gaining rapport.
	Interviews	1. Face-to-Face 2. Telephone 3. Focus group 4. Email Internet interview	1. Useful when participants cannot be directly observed. 2. Participants can provide historical information. 3. Allows researcher control over the line of questioning.	1. Provides indirect information filtered through the views of interviewees. 2. Provides information in a designated place rather than the natural field setting. 3. Researcher's presence may bias responses. 4. Not all people are equally articulate and perceptive.
Secondary Sources	Documents	1. Public documents 2. Private documents	1. Enables researcher to obtain the language and words of participants. 2. Can be accessed at a time convenient to researcher 3. Represents data to which participants have given attention. 4. As written evidence, it saves a researcher the time and the expense of transcribing.	1. Not all people are equally articulate and perceptive. 2. May be protected information unavailable to public or private perceptive. 3. Requires the researchers to search out information in hard to find places. 4. Requires transcribing or optically scanning for computer entry. 5. Materials may be incomplete. 6. The documents may not be authentic or accurate.
	Audio-visual digital material	1. Photographs 2. Videotapes 3. Art objects 4. Computer messages 5. Sounds 6. Films	1. May be an unobstructed method of collecting data. 2. Provides an opportunity for participants to directly share their reality. 3. It is creative in that it captures attention visually.	1. May be difficult to interpret. 2. May not be accessible publicly or privately. 3. The presence of an observer may be disruptive and affect responses.

Source: Creswell and Creswell (2018)

4.3.1.1 Qualitative observation

This type of data collection is preferably used when the researcher is interested in the behaviours and activities rather than perceptions. Researchers will take notes in the field at the research site with open-ended observations. Qualitative observation can further be divided into two groups, namely participant and non-participant observations. Participant observation is where the researcher gets directly involved in the observation process, for example asking open-ended questions, but at the same time the participants do not know they are being observed. On the other hand, non-participant observation is where the participants are not aware that they are being observed and the researcher remains a passive observer.

4.3.1.2 Qualitative interviews

According to Creswell and Creswell (2018), for a qualitative interview, “researchers conduct face-to-face interviews with participants, telephone interviews, or engage in focus group interviews with six to eight interviewees in each group”. With interviews there are two main types, namely unstructured interviews and semi-structured interviews.

Unstructured interviews enable the researcher to have complete freedom within context and structure as there is no predetermined set of questions, but only a metal framework of study questions (Yin, 2011). An unstructured interview can seem like a general conversation, but, according to Remler and Van Ryzin (2011), the difference is that the researcher directs the participant to the topics that matter to the study. Swetnam (2004) stated that an interview differs from a conversation as it is structured to obtain information on a specific content. Before an unstructured interview, the participant should already know the general subject topic as the information is provided in the process of gaining consent for the interview (Richards & Morse, 2013). One advantage of unstructured interviews given by Welman, Kruger and Mitchell (2005), is that unstructured interviews can be used by researchers who want “to launch an explorative investigation as well as pre-testing a questionnaire”. Two disadvantages are, firstly, there is room for the interviewer to display bias, and secondly, it is time consuming.

Semi-structured interviews include a predetermined set of questions, where the wording and order of the questions are in line with the interview sequence. The interviewing sequence can be seen as a research instrument that is used to collect data. Yin (2011) states that a researcher uses formal questionnaires listing all the questions that must be answered. Furthermore, the researcher as the interviewer must adopt the same consistency of behaviour and demeanour towards all interviewees to provoke responses for more accurate data. Although the interviewer should adopt the same behaviour and consistency, it does not mean that the questions must be in the same order. Richard and Morse (2013) explain that there is a logically flowing set of open-ended

questions that cover the subject as required and either planned or unplanned probes can supplement the main questions. Semi-structured interviews are usually used when the interviewer already possesses a broad knowledge of the study to frame the required questions in advance.

4.3.1.3 Qualitative documents

During the research process, a researcher may collect valuable qualitative documents. These documents can either be public documents or private documents. Public documents include minutes of meetings, official reports, newspapers, etc., and personal documents include letters, e-mails, diaries, personal journals, etc. According to Yin (2011), “another form of primary evidence” can be highly revealing and valuable. Furthermore, doing some research on documents can also contribute to an uninterrupted interview, giving the interviewer an advantage of knowing related information beforehand.

4.3.1.4 Qualitative audio-visual and digital materials

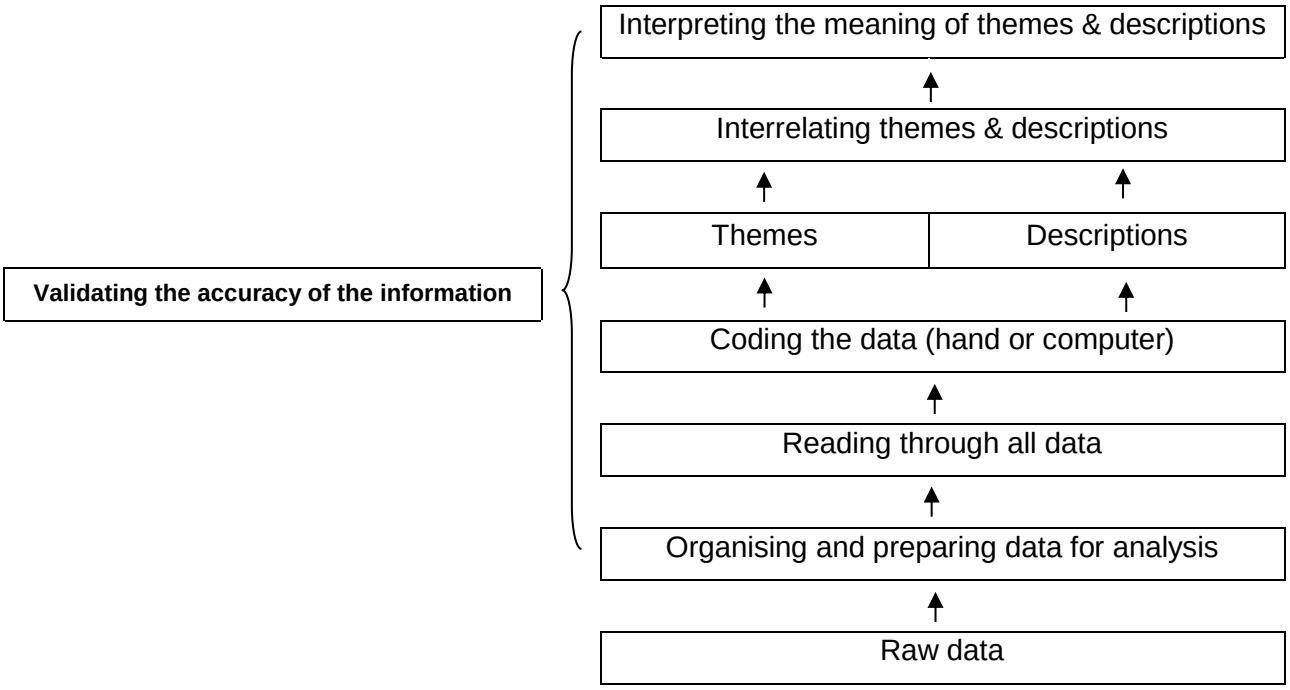
This type of qualitative data collection includes all materials from social media platforms (Creswell & Creswell, 2018). It can be of many forms, including photographs, videos, website main pages, e-mails, text messages, art objectives, etc. Furthermore, it also may include metaphorical visual narratives, digital archives and real-life stories (Clandinin, 2007).

4.3.2 Data recording procedure and data analysis procedure

Qualitative researchers must plan their research approach before they enter the field and the procedure used for recording data should be clearly specified in the proposal. Two examples are the observational protocol and the interview protocol. Researchers who use observations as the qualitative data collection type usually make use of an observational protocol. This usually includes one page where, for example, the page is divided into two columns for separate notes as researchers often engage in multiple observations. Other information that can be written on this paper is the demographic information (the place, the setting of the field, the time, etc.). An interview protocol, on the other hand, is when researchers make voice audios, videos and handwritten notes during an interview. If the researcher uses voice audios, it is important to plan in advance for the transcription of the tape. This protocol should be two pages in length, with space between questions for the interviewer to be able to make notes, and this should be prepared in advance.

According to Creswell and Creswell (2018), the data analysis procedure should also form part of a research proposal. Figure 4-4 is an illustration overview of the data analysis process with five clear steps.

Figure 4-4: Data analysis in qualitative research



Source: Creswell & Creswell (2018)

The first step in the data analysis for qualitative data is to organise and prepare the data for analysis. This step is where the researcher types the field notes, transcribes the audios, and organises the data in different groups, depending on the source of information (includes filing, creating computer databases, breaking large units into smaller groups). The second step is to thoroughly read through all organised data. This will give researchers a general idea or overall sense of what participants are saying by jotting down preliminary interpretations. The third step for the researcher is to start coding all the data. According to Rossman and Rallis (2012), coding is the process where data is organised into categories and a word or theme is given to each category. The fourth step is where the researcher develops descriptions and themes. “Description involves a detailed rendering of information about people, places or events in a setting” (Creswell & Creswell, 2018). Themes that are identified (usually between 5 and 7) can be used as major headings in the findings section of qualitative studies. The last step is to represent the descriptions and themes. One of the most common approaches used is the narrative passage. Furthermore, graphs, visuals, tables and figures are constructed to contribute to the discussion.

4.3.3 Interpretation, validity and reliability

There are several procedures when interpreting qualitative research. It includes summarising the overall findings, comparing literature with the findings, giving a personal view of the findings, as well as stating the limitations and recommendations for future studies. Interpretation in qualitative

research can take many forms. According to Lincoln and Guba (1985), the question “What were the lessons learned?” captures the essence of the overall findings. These lessons could also suggest new questions that need to be asked; questions that arise from the data and analysis, and questions that were not foreseen in the early stages of the research. Suggesting limitations forms part of the interpretations. These limitations contribute to advancing future research as the limitations are often attached to the method of the study and they represent weaknesses in the research that will warn future researchers of these problems.

As seen in Figure 4-4, validation and reliability of information occur throughout the research process. It is important for a qualitative researcher to indicate that the approach was consistent across all stages, with all participants. According to Richards and Morse (2013), “a final step in ensuring validity, the researcher must consider whether and how the new findings compare and fit in with literature – or don’t”.

4.4 Research design for this study

This chapter discussed different philosophical worldviews, research designs and methods, specifically the qualitative method. For the purpose of this study, a summary is presented by the figure below, providing the research design. Each chosen method and the motivation behind choosing the specific method will also be explained in detail below.

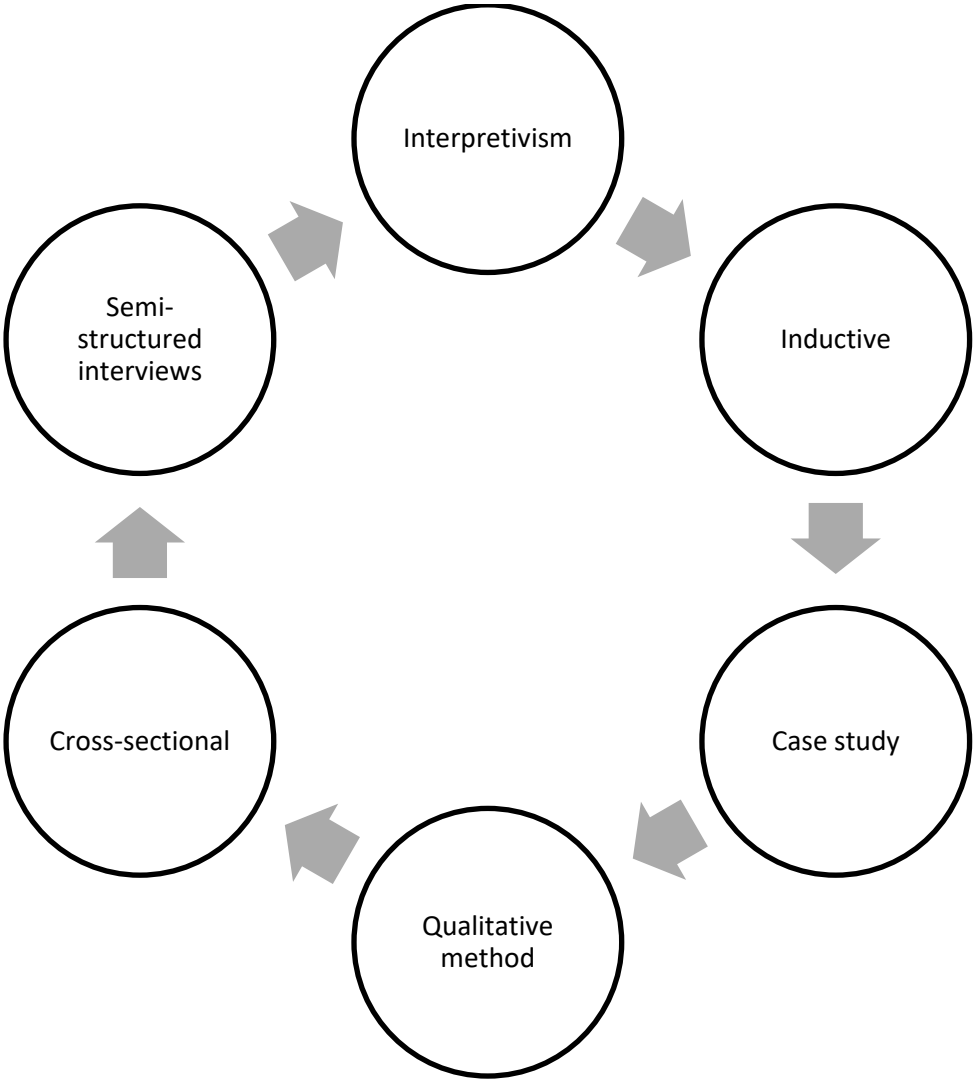
Firstly, the interpretivist philosophical worldview is most appropriate for this study as the author can give meaningful explanations through subjective interpretations of events. Secondly, either a deductive or inductive approach can be followed. A deductive approach usually goes in hand with the positivist theory and the inductive approach goes with the interpretivist approach. The inductive approach is usually used for social research and is known to be an alternative approach that is prone to flexibility. With this approach, it is also preferred that a small sample is used to even better focus on the understanding of the research context. For the purpose of this study, the inductive approach is used.

Thirdly, the research strategy that will be used is the case study approach, followed by the interpretivist philosophical worldview and inductive approach. The case study approach allows the author to ask questions such as “why?”, “how?”, “where?” and “when?”. These types of questions help to analyse factors that will answer the primary and secondary objectives of this study. For the purpose of this study, three different case studies will be done for the three different multinational enterprises, as discussed in Chapter 3.

Fourthly, the qualitative research method is chosen for this study as it allows the author to elaborate on the “why?”, “how?”, “where?” and “when?” questions, and to provide a deeper understanding of the research. The qualitative method is also in line with the interpretivist

worldview, inductive- and case study approach. Fifthly, there are two types of time horizons when collecting data, namely longitudinal and cross-sectional. For the purpose of this study, the cross-sectional timeframe will be used. Lastly, the appropriate data collection method was chosen for the purpose of this study. Interviews will be used as the primary data collection method as it specifically focuses on certain topics. Furthermore, open-ended questions will be used, enabling the author to have a deeper understanding of the complexity of the situation or case.

Figure 4-5: Research design of this study



Source: Author's own compilation

4.5 Interview and questionnaire discussion

Now that the research design of the study has been discussed, the formulation and reasons for the different questions can be focused on. The interview questions are formulated to be open-ended as they give the respondent room to provide expert opinions and give them the opportunity

to add valuable information that the interviewer did not know about. These interview questions are formulated and based on literature and theories. For the purpose of this study, the interview questions are divided into three different sections, as shown in Figure 4-6.

Figure 4-6: Interview structure

Source: Author's own compilation

The first section's questions are based on the literature found in Chapter 2.3. The purpose of these section's questions is to determine the MNE's effect on exports on global trade. The first

question is based on the different geographical locations (countries) that the MNEs have a presence in and which approach was used to commence in those locations. As discussed in Chapter 2.3, different countries use different approaches to enter markets some companies build their own production facilities offshore where others only export their products. The findings can contribute to current literature, for example different sources have different results on the countries that Carrefour has a presence in. The second question will focus on the MNEs' revenue growth over the past three years. The results of this question will give background on the overall success the company strategies had over the past three years, taking into consideration the different movements into Africa and other continents. The third question is to determine the MNE's rank against the local competitors in each country. The answer will contribute to the understanding of the influence of cultural differences, customer loyalty and other challenges that African countries may pose. The last question for this section is a follow up on the third question. The question is to determine from the expert opinion the different public and legal challenges the MNE had to overcome and what lessons have been learned in the different African countries.

The second section of the interview questions is to determine and create background to the MNEs' investment footprint in Africa. The first question for this section is to research the FDI motive behind each of the countries previously mentioned. The literature regarding this question can be found in Chapter 2.2.3.2. There are four main motives, including resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking. As discussed in the literature, it can be beneficial to recognise that the OLI outline affecting any MNE's activity can be influenced by these three contextual or structural variables. The second question in this section is to determine which type of FDI (horizontal FDI, vertical FDI or conglomerate FDI) was used for each country. The importance of this question is to determine why one type was chosen above the other, for example horizontal FDI can be used to eliminate specific trade barriers and to reduce costs between the countries, whereas vertical FDI can create market entry barriers and decrease an MNE's flexibility. Africa is known for its challenges by investors. Therefore, the research objective for the third question in this section is to determine the year the MNEs started investing in the different countries as well as to discuss the most prominent challenges and how the MNEs managed to overcome these challenges.

The third section is based on the literature found in Chapter 2.4 regarding the strategies the MNEs followed. The first question is based on the external factors that can influence an MNE's business strategy. This question explores the degree of difficulty the MNEs had when they entered the African markets, with reference to the political, governmental and legal challenges; economic challenges; social, cultural and demographical challenges; and technological challenges. These challenges should be taken into consideration when strategies are made, because it is not only important to gain financially, but also to achieve long-term survival and growth. The second

question for this section of the interview is based on Porter's five force matrix. The five forces include the rivalry among competing firms, bargaining power of the supplier, the bargaining power of the customer and the threat of a new entrant or competitor. The answer to this question will contribute to the literature regarding the overall forces of the African markets. The third question focuses on the blue and red ocean strategies. If the MNE followed a red ocean strategy, the question will focus on the challenges the MNE had to face regarding to the existing customers and competing firms as well as the opinion on how they managed to gain competitive advantage. If the MNE followed a blue ocean strategy, based on the new value curve, what did the MNE reduce, raise, create and/or eliminate to gain competitive advantage? The last question, taking all literature and answers of the interview into consideration, deals with the competitive challenges the MNE had to face expanding into Africa as well as an explanation for each answer. This will help to give, and overview of the different challenges Africa holds and how large MNEs in the retail sectors also had to face.

4.6 Conclusion

Chapters 2 and 3 set a comprehensive background for this study where extensive theory and literature were reviewed. Chapter 4 discussed the methodology for the study and, as mentioned, three companies were chosen to participate in the questionnaires and interviews. Chapter 4 focuses on the different philosophical theories/worldviews, and the methodology for this study is chosen. It also provides the summary of the specific approaches that have been chosen, by considering the literature and different methods as explained in the previous and in this chapter. Summarising the design of this study includes:

- the interpretivist philosophical worldview,
- an inductive approach,
- case studies,
- the qualitative method,
- cross-sectional timeframe,
- interviews.

This chapter also examines the different questions for the interview and is presented in three different sections. Chapter 4 also reflects on the purpose and objective of this study as well as the contents of the previous chapters. The aim is to examine the primary research questions of the study by using methods to collect data that are reliable and valid.

Chapter 5 will include all findings from the research that were gathered through the interviews and questionnaire from the three different MNEs in the retail sector. The research findings are analysed and interpreted in this chapter. Furthermore, a comparison of the three MNEs is discussed.

CHAPTER 5: FINDINGS AND CONCLUSION

5.1 Introduction

For the purpose of this study, a comprehensive background is set in the previous chapters. Chapters 2 and 3 give extensive theory and literature, and in Chapter 4 the methodology for this study is discussed. As mentioned in the previous chapters, three different multinational enterprises in the retail sector are used for the purpose of this study and were chosen specifically to participate in the interviews and questionnaires. These three companies are Walmart, Carrefour and Shoprite. During this study, the qualitative data sampling method was used to gain a large amount of valuable information.

In Chapter 5, the results that were gathered from the research after the interviews and questionnaires taken by the three different multinational enterprises in the retail sector are interpreted and discussed in detail. The results will represent the different challenges the retailers had regarding their investment and exports into Africa and how they managed to be successful despite these challenges. This chapter will be divided into two sections. The first section, section 5.2, will analyse, interpret and discuss the findings of each of the three multinational enterprises. Section 5.3 will compare the findings found in the three different case studies.

5.2 Analysis of the case studies

This section will be divided into three different topics, each based on one of the three different multinational enterprises in the retail sector. The first section is a study done on the American retailer Walmart; the second section is on a French retailer Carrefour; and the third section is on the South African retailer, namely Shoprite.

5.2.1 Case study 1: A case study on Walmart (an American retailer)

With a large retail company such as Walmart, their movement into Africa had multiple effects on global trade as well as the foreign direct investment inflows in Africa. A telephonic interview was held with the Africa Originator for Massmart. During this interview, the Massmart effect on global trade, their FDI and their strategies expanding into Africa were discussed. The following three divisions contain the findings gathered from the interview with the Massmart Official.

5.2.1.1 Walmart's effect on global trade

The Massmart group has 403 stores spread across 13 different African countries. These stores can be divided into four divisions. The first division is the mass-discounters, which include Game stores and Dion Wired. As shown in Table 5-1 below, only Game stores have a presence in Africa and not Dion Wired. Game's geographic presence is in South Africa, Botswana, Ghana, Kenya,

Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, and in Zambia. The second division is Mass-build stores, which include Builders Warehouse, Builders Express, Builders Traders Depot and Builders Superstore. In all African countries, excluding South Africa, there are only five Builders Warehouses, and one Builders Express in Zambia. Builders stores have a presence in South Africa, Botswana, Mozambique, and Zambia. The third division of Massmart stores is Mass-warehouse stores, which include Makro and Fruitspot. Makro and Fruitspot do not yet have a presence in Africa. The last division is Mass-cash Stores, which include, Cambridge Food, Rhino Cash and Carry, CBW, Jumbo and Trident. Mass Cash stores have a geographic presence in South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland, and Zambia.

Table 5-1: Massmart divisions in South Africa and in Africa

	Total South African stores	**Total African stores**
Mass-discount stores		
Game	119	23
Dion Wired	24	0
Mass-build stores		
Builders Warehouse	33	5
Builders Express	43	1
Builders Traders Depot	15	0
Builders Superstore	11	0
Mass-warehouse stores		
Makro and Fruitspot	21	0
Mass-cash stores		
Cambridge Food Rhino Cash and Carry	61	0
CBW Jumbo Trident	54	13
Total Stores	**381**	**42**

Source: Author's own compilation (Figures based on December 2017 numbers)

In terms of how Massmart decides to move into a new African country solely depends on the decision made by comparing the different risks and the weight of the opportunities. For example, if Massmart decides to move into a specific country, they will look at all the different risks and

compare that to the opportunity. If the risks outweigh the opportunity, Massmart will not continue moving into that specific country. These risks and opportunities differ from the individual African countries.

In terms of the growth in revenue for Massmart over the past three years, it was moderate to stable. Massmart can be considered as an MNE that takes a very risk-adverse approach; in other words, they do not take big chances; all decisions are carefully considered. In comparison with other multinational retailers, each of Massmart's stores has large turnovers. The reason for this is because of a stable measured growth. If Massmart considers opening a new store in a country they already operate in, they will still measure the different factors and risks.

The advantage that Massmart has over the local retailers is that they offer a rather unique range of products at a fair price. For example, in Botswana, Shoprite and Choppies will be in direct competition because they offer similar products, whereas Game is one of a kind. In contrast, referring to Mass-build's Builders Warehouse, Cashbuild and Build-It can be seen as competitors. Therefore, the rank against the domestic retail companies will depend on the Massmart division, the competitors in that market as well as the specific country they operate in. In most of the countries, Massmart's products are equivalent to the domestic retailers' products and consumers will make their choice based on the quality and the price of the product.

Regarding the private and public legal challenges, Massmart often sees these challenges when doing business in Mozambique. When doing business in Mozambique, there are regulations regarding the labels that must be changed due to language indifference. According to the Massmart official, all countries hold their own private and public legal challenges due to the different macroeconomic climates between the different countries. Other private and public legal challenges include the difficulty in finding the right real estate (sites) with the right infrastructure and regulatory factors from each country.

5.2.1.2 Walmart's FDI into Africa

The greatest foreign direct investment motive for Massmart is market seeking. Massmart is on the search for markets with greater dimensions with new customers and to grow beyond different borders. It also forms part of Massmart's strategy to have the competitive advantage and presence in leading markets.

Massmart considers it high strategic priority to keep on growing their African footprint as Africa has countless opportunities for growth. Their commitment is strong and based on long-term growth in business in Africa. Currently, Massmart remains a confident retailer for the medium- to long-term prospects. Massmart prides themselves in being an investor and contributor to growth and development on the African continent. Massmart also has long-term involvement to have an

impact on the countries and communities in which they operate, for example through policies to source locally and to employ from local communities. In most of the countries Massmart operates in, almost 95% of the management and employees are local residents.

One of the most challenging factors for Massmart is the fluctuations and sharp devaluation of local currencies. African countries will lower their currency values to achieve economic policies. Weakening their currencies, compared to the rest of the world, will have a positive effect on exports, reduce the cost of interest payments on their outstanding government debts as well as shrink trade deficit. This challenge makes the investments less lucrative than it should have been. As previously mentioned, the regulatory factors and the macroeconomic environment also pose a great threat. Regulatory factors include the adjustment of packaging to suit the government's regulations and standards. Furthermore, Massmart faces difficulties when importing goods into some African countries, for example Massmart cannot import chloride into Mauritius. One macroeconomic challenge that poses a threat for Massmart is Zambia's financial status, where consumers do not have a great deal of money to spend.

5.2.1.3 Walmart's strategies

Massmart plans to grow their African footprint by 35% over the next three years. With these growth plans in mind, a well-thought-through strategy should be in place. According to the Massmart official, they "have always been of the view that Massmart would take a measured approach to the rest of Africa and expand into a new country is based on the market potential and the ability to succeed. Massmart considers their competitive advantage and their product offering for any specific market". Massmart sees only small differences when operating in the different African markets.

External factors can be a great threat when doing business in Africa. Massmart considers political, government and legal challenges as a moderate threat. It is of such a nature that some countries have unnecessary regulations. Massmart states that, by putting in the time and effort, relationships can be built between the company and the government. With strong relationships, the governments tend to be open and challenges can be resolved. The economic challenges, such as the interest rates, exchange rates and inflation, are a great challenge and threat for Massmart. As previously mentioned, the currency fluctuations have a rather large effect on FDI. In terms of the social, cultural and demographical challenges, Massmart considers this challenge as moderate. The reason is because it differs from country to country. The closer the country is located to South Africa, the less the cultural differences. With countries located further up on the continent, the challenge becomes harder. This challenge will even affect the way the stores are arranged, as this is different from culture to culture. The technological challenges are only a low threat. According to the Massmart official, SA is usually leading technology wise compared to

most African countries; therefore, they take the technology with when moving to new African markets.

Taking all African countries into consideration, Porter's five forces must be reflected on when composing the business strategies. First, rivalry among competing firms is constantly growing. It also differs from country to country. Massmart faces a large amount of competition in countries such as Zambia and Namibia. In countries such as Ivory Coast, there is a great deal of strong competition, huge barriers and entry risks are high. These are some of the reasons why Massmart decided not to enter that market. Massmart's strategy is rather to penetrate markets they already have a presence in for further growth than to enter a market in which there might be a chance of failure. Secondly, the bargaining power of suppliers for Massmart is low to medium. Massmart has many suppliers. Most of the products are imported into the different African countries. Local suppliers such as Proctor & Gamble and Tiger Brands still have bargaining powers, but it is easy for Massmart to move to another supplier. With globalisation, the numbers of suppliers have dramatically increased, and therefore there is less bargaining power from the suppliers. Thirdly, the treat of substitute products is always high. A customer will buy the affordable, good quality product. For Massmart, European retailers such as Carrefour have stores in Kenya and pose as a great challenge when comparing substitute products. The fourth factor is the bargaining power of the customer. Massmart considers this factor to always be high. If a product price is too high, no consumer will buy it. Lastly, the threat of new competitors is also high. Carrefour recently announced that they are planning to enter the West African markets. This is definitely a great threat for Massmart.

As previously discussed, Massmart chooses specific markets based on the market size, chance to succeed and win in that market and the risk against the competing firms. Firstly, Massmart internally decides on a market big enough to plant a Game or Builders. Secondly, they ask whether the market is favourable; this includes analysing the economic factors and regulations. If all the factors are favourable, then only will Massmart penetrate that market. Every country that Massmart enters is carefully considered. This strategy resulted in Massmart succeeding in all the countries they have entered thus far.

5.2.2 Case study 2: A case study on Carrefour (a French retailer)

Carrefour is manly based in the Francophone African countries. Multiple research steps were followed, but resulted in lacking information. First of all, the Head of the Regional Economic Department, French Embassy in South Africa, was contacted to help and provide relevant information or contact details to contribute to the research study. Additionally, the press offices at the French Embassy and the Counsellor for Agricultural affairs were contacted. All these communication channels ended in failure.

Furthermore, different officials from the Carrefour group were also contacted, including the Director of Quality and Sustainable Development Group at Carrefour; and the MDD International Development Manager, none of whom came back with correspondence. Multiple emails were also sent to the Press Department of Carrefour and to CFAO Retail's official contact details, all of whom never replied. Only the Chief Commercial Officer (COO) Area Europe North and East was able to comment on some of the questions via email. Therefore, only the answers from the Chief Commercial Officer and anecdotal data, which are assumed as factual and correct, are used to answer the questionnaire, interview questions and the research objectives. The following sections are therefore based on anecdotal data and some of the answers by the COO.

5.2.2.1 Carrefour's effect on global trade

Chapter 3 gives a complete summary of where Carrefour has a presence. Carrefour is mostly located in the Francophone African countries, but has plans in place to move into the West African countries. Unlike Shoprite, Carrefour does not worry about the Carrefour brand in Africa; their main strategy is to acquire other companies and move with that brand into Africa.

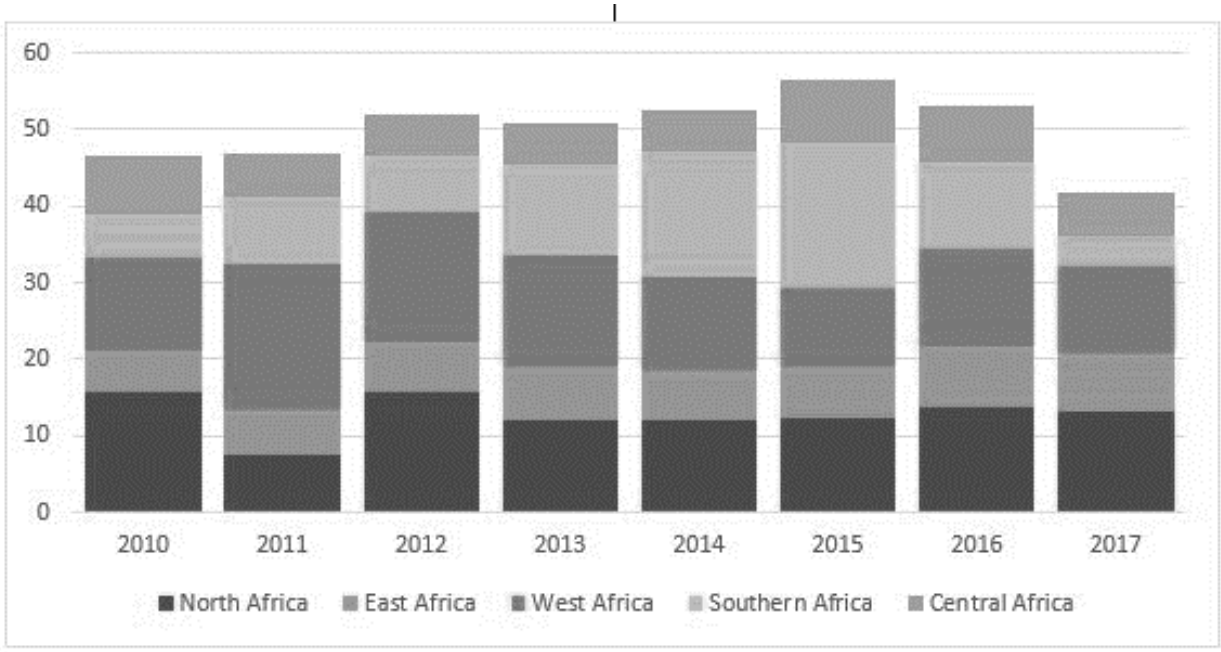
When retail margins in home countries were high and could finance aggressive international Capex-intensive expansion during the 1990s and 2000s, big retailers such as Carrefour, Walmart, Tesco, Auchan and Casino went for ambitious international growth. This meant the expansion into Asia, Latin America and Eastern Europe. As e-commerce competition arose, these companies had more limited funding for international expansion as the retail specialists and hard discounters made competition at home more fierce and margins thinners. Therefore, they divested ventures into markets where a leadership position was not secured (Tesco, Casino and Carrefour in most of Asia, Carrefour also in Mexico, Chile, Czech Republic, Slovakia, etc.). They also divested ventures in markets where significant cash could be obtained in order to fund commercial investment in home countries (for example Carrefour, Colombia sold 2bneuros in 2012 and the 25pcent stake MAF retail sold in 2013).

According to Agnew (2018), a reporter for the *Financial Times,* Carrefour "reported better than expected growth in operating profit for the first half of the year despite continuing weakness in its home market of France". According to Townsend (2018), MAF Retail plans to invest to expand their Carrefour stores by 2021 with stores in Saudi Arabia, Egypt, Pakistan and East Africa – the key growth markets outside the UAE. The MAF already has approximately 250 Carrefour stores across 14 markets in Africa and the Middle East, with plans to double this figure over the next five years.

5.2.2.2 Carrefour's FDI into Africa

According to the World Investment Report 2018, FDI flows into Africa declined by 21% from 2016 to 2017. "FDI flows to North Africa were down 4% to $13 billion. Investment in Egypt was down, but the country continued to be the largest recipient in Africa. FDI in Morocco was up 23% to $2.7 billion, including as a result of sizeable investments in the automotive sector" (UNCTAD, 2018). African countries often have unfavourable FDI climates, as seen in Figure 5-1 below. Nonetheless, retailers such as Massmart, Shoprite and Carrefour are willing to crunch the retail space needed to start from scratch.

Figure 5-1: African FDI inflows, by sub-region, 2010-2017 (billion dollars)



Source: World Investment Report 2018

According to the Carrefour official, it is only in the recent years that Africa has appeared as a strong growth prospect for retail MNEs, and because cash is more limited and absolutely needed to defend positions in home countries through Omni-channel and e-commerce investment growth. Plans have remained weak compared to what happened in Asia and Latin America 10 to 15 years before.

5.2.2.3 Carrefour's strategies

Carrefour's main strategy is to acquire other companies to move into Africa. These strategies have a major effect on the foreign direct investments in Africa, as well as the overall effect on global trade. Carrefour has had international partnerships with local and regional firms in Africa,

which have enabled them to have international expansion into Africa, without leveraging a great deal of cash.

Carrefour has a partnership in Morocco with the local firm Label'Vie, operated by local entrepreneurs, and where Carrefour has a 25 percent stake. Carrefour also has a local partnership in Tunisia, which was more recently extended to Algeria. Furthermore, a partnership with MAF in the Middle-East has been forged. MAF retail is based in Dubai and is Carrefour's largest international retail partner or franchisee, with exclusive rights for retail expansion in most of the Gulf countries and Eastern African countries. Carrefour's largest operation in Africa is in Egypt, where it holds a strong position. More recently, opening in Kenya and Uganda has been announced for in the year to come.

Carrefour also has a partnership with CFAO retail, where Carrefour also holds a minority stake, for expansion into eight Western African French-speaking countries. According to the official, this partnership has so far been materialised by openings in Ivory Coast, Senegal and Cameroon. According to Grandjean (2018), "Adialea, the joint venture between CFAO and Carrefour, has announced the signature of memorandum of understanding with Jumia, Africa's leading name in e-commerce, to sell Carrefour products through the company's online shopping platform". This Omni-channel (multiple-channel) strategy was developed by CFAO and Carrefour to supply consumers with easily accessible and affordable products. Furthermore, the CEO of CFAO Retail stated that the "Carrefour-brand products are very popular with consumers in our different Carrefour and Carrefour Market stores in Abidjan and Douala. Today, we are delighted to offer them a new distribution channel and make the most of rapid growth of e-commerce in Africa. It is crucial that we continue to diversify channels to meet their expectations" (Grandjean, 2018). The products will be available to purchase online through Jumia in early 2019.

According to Laing (2018), "Kenya is turning into an interesting battleground between South African grocery chain Shoprite and French rival Carrefour. Shoprite has the advantage in the short term, but as Kenya's middle class grows, Carrefour will become stiffer competition". Currently, Africa is a small part of Carrefour's international business, and is indeed growing significantly through the above-mentioned expansion. Main markets are clearly Morocco, Egypt and Tunisia.

Carrefour shared their new strategy, namely Carrefour 2022, in the beginning of 2018 (Carrefour, 2018). This strategy implies the adaption to the current model and the transformation it will be undergoing to be a global leader in the retail industry. This plan is structured around four pillars. Firstly, Carrefour plans to deploy a simplified and open organisation; secondly, to achieve productivity and competitive gains; thirdly and fourthly, to create an omni-channel universe of reference and to overhaul the offer to promote food quality.

As discussed in Chapter 3, Carrefour's external factors that may pose as a challenge include other retailers' low prices, new retailers entering into the retail industry, difficulty to understand the different social, cultural and demographical dynamics of all African countries, slow expansion outside France may allow the competitors to snatch away the market share, and lastly, the customer preferences are changing toward smaller local stores. Some African countries are known to have unstable political and legal environments, which can be a great challenge for companies, such as Carrefour, if they decide to set up stores. These challenges have the possibility to have a direct influence on the sales and profit of that retailer. Furthermore, with government instability, the resultant trade agreement uncertainties, tariffs, sanctions, terrorism and geopolitical uncertainties may also be a challenge.

Carrefour's suppliers are divided into different groups (perishable and non-perishable suppliers, clothing suppliers, food and non-food suppliers and electronic goods suppliers). Carrefour can easily find different suppliers for each product group; therefore, the bargaining power of the suppliers is considered low. Carrefour also operates in many different store types, and for competitors to compete on Carrefour's level and supply their substitute products, they must also have different store types. Therefore, the threat of substitute products is low. Larger retailers such as Shoprite and Massmart can be a possible threat for Carrefour. Especially if Carrefour decides to move into Sub-Saharan Africa, the substitute product threat can be seen as moderate.

The bargaining power of the customer is low. As mentioned in Chapter 3, Carrefour maximises its profit by managing shelf space and trying to keep prices low. Furthermore, Carrefour's main customers are private people, small restaurants and food service distributors, which have small bargaining powers. The threat of new entrants is medium, because it became so much easier for competitors to enter new markets, and to buy or construct new buildings. Additionally, because regulations and laws have formed according to retailers, it is easier for a retailer to enter a market compared to the first retailers in that country.

5.2.3 Case study 3: A case study on Shoprite (a South African retailer)

Shoprite is the largest African retailer. Multiple opportunities were taken at the right time, and over the years, Shoprite realised which strategies are working and which strategies not to follow to be successful in Africa. Shoprite's Communication Department rejected the questionnaire, but the Chief Operating Officer of non-RSA was more than willing to do a telephonic interview to answer all the questions and the following three sections contain the findings gathered from the interview.

5.2.3.1 Shoprite's effect on global trade

As discussed in Chapter 3, Shoprite has a presence of 2 811 outlets across 15 countries, including Angola, Botswana, DRC, Ghana, Lesotho, Madagascar, Malawi, Mauritius,

Mozambique, Namibia, Nigeria, South Africa, Swaziland, Uganda and Zambia. Therefore, Shoprite is in most sub-Sahara African countries and in Mauritius and Madagascar. The number of retails stores accounted for includes the Shoprite chain as a whole (Hungry Lion, OK stores, Liquor Stores, Checkers chain, etc.). Before 1994, Shoprite started exploring the idea of moving up into African countries. After the apartheid era, the restrictions of African countries lessened, and Shoprite had the opportunity to be invited by the Zambian government to do business in Zambia. Shoprite was invited to buy eight established stores owned by the government. The reason for these stores to be owned by the state was to have a degree of control over the prices of the food and products. In 1995, the first Shoprite store was opened and with the low prices and broad range of products, Shoprite became attractive to the other countries. One after the other, different countries invited Shoprite to open stores and to do business.

Shoprite claims that if it was 100 years from now, they would not have done it the same. The reason for this is because some countries, such as Malawi, have no reason for existence, as they have no minerals, or is situated poorly geographically. Shoprite currently has seven stores in Malawi and would not have opened the stores if they knew what they know now.

In Egypt, mistakes were also made. Shoprite followed a strategy by looking at the local concepts, trying to do what the Egyptians do, but what they did not take into account is that the Egyptians are loyal to their own race and would rather buy from another Egyptian. Shoprite claimed to have made a strategic mistake, which cost them greatly as they had to withdraw out of Egypt.

In terms of the revenue growth, it was fantastic before the world economy evaporated. It also had a major impact on the African economy. After the election of President Donal Trump, Shoprite claims that he did a great job in America. The American Stock Market is growing and is currently the highest it has ever been, and the unemployment rate is also at its lowest ever. What happened in Africa, after the Mandela era, is that Africa saw a great deal of foreign direct investments, where they could earn dollars on returns, but with the economy crumbling, the copper mines closed down in Zambia, and the oil prices went from $140 to $60. The respondent claimed that in Nigeria alone, there are more than 16 000 people who had to leave the country as they had no more jobs at the oil companies.

In other words, before the economic changes, the revenue growth rate was magnificent. Shoprite was able to ask any prices desirable, because there was money to spend. In contrast, during the last three years, the reality has been that companies are closing their stores, for example Pick n Pay had to withdraw their business in Mozambique; in Ghana and in Nigeria multiple companies closed down; and Walmart only opened 12 out of the planned 40 stores across the globe.

According to the respondent, in Africa, the economy is very small. By looking at the GDP and turnovers, Nigeria is seen as a larger country than South Africa, which is not entirely true. Nigeria is only larger than South Africa because of the oil, but in terms of the total goods sold for the basic needs of Africans, South Africa is much larger than Nigeria. The basic standard of living is lower than in South Africa. When the economy proves to be stronger, people have jobs and more money to spend, where in contrast, if the economy is weaker, people have less money to spend.

For Shoprite, the countries with the highest turnovers for the Shoprite group in Africa are Angola and Zambia. They are single handily the two largest contributors to the Shoprite profits. Excluding these two, the other African country contributors are smaller than South Africa.

Comparing a store in South Africa to a store in Africa, one must realise that there are fewer stores for double the number of consumers. There are also fewer competitors, which, according to Shoprite, is not always a positive point. If there are fewer competitors, it means there are usually fewer suppliers, which poses a threat, because it increases the probability of the need to import products or to have products made. Shoprite's preference is to open stores next to their direct competitors.

In terms of Shoprite's rank against the domestic retail companies, taking all African countries into consideration, they can be seen as part of the top two retail companies. In many circumstances, the competing stores are very strong, especially the competitors catering for the upper-end markets. The problem that Africa has is that the bottom-end consumers only buy from the informal markets (street stalls etc.). The other problem is many of the product lines are restricted or banned for imports, for example in many countries Shoprite is not allowed to import chicken, but the informal competing firms are not concerned with any rules or regulations. Many of these stores are small, but they are big businesses and do pose threats for Shoprite. These competitors also cater for a specific market. It is difficult for Shoprite to attract these markets as they are loyal to the local businesses. A great advantage for Shoprite is that they have a wide range of product lines and what they have to offer. With this variety of products, Shoprite managed to be two-thirds of the store's total stores in Zambia.

Taking possible private and public legal challenges into consideration, the largest threat for Shoprite is the SADC trade agreement. This law states that goods should be duty-free between SADC countries. Therefore, goods are inspected by SADC inspectors to be approved and these goods can then freely move between SADC countries without duties. African countries do not like this agreement when it comes to the imports of South African goods. It is believed that some goods are almost impossible to import from South Africa. Additionally, it is also very difficult to export to Africa. For example, Shoprite has been struggling for 17 years now to import watermelons from Zambia. The reason Shoprite wants to import is because where watermelons

can be harvested once a year in South Africa, it can be harvested three times in Zambia. Another problem is that Shoprite sends fully loaded cargo to Zambia, but the fleets return empty back to South Africa. If trade facilitation parties address Shoprite and ask them how they can facilitate their trade, they ask that watermelons can be imported to South Africa, and the results are always inconclusive. Who causes the problem? SADC inspectors or Customs authorities?

5.2.3.2 Shoprite's FDI into Africa

In the early 1990s, Pick n Pay was by far the best supermarket in South Africa and because of political reasons, the markets were under pressure. Shoprite then decided to look at African markets. In the beginning, Shoprite was only a South African business extending into Africa. There were not many suppliers and therefore Shoprite had to buy in larger bulk (compared to their competitors) and export it to other countries. The suppliers, for example Cadbury, saw the success Shoprite had in African markets and encouraged other companies to also export. Because of the poor infrastructure in Africa, the suppliers soon realised that it is necessary to invest and plant agents in the different African countries. Up until the 2000s, Shoprite had to import 70% of all goods to the Zambian markets, where, in 2018, they only had to import +/- 10% of the goods. Therefore, the competitive advantage that Shoprite had, had weakened over time. Part of Shoprite's successes was that they were the first to enter the markets and to be able to control their product prices. With time, things have changed.

In 2000, Shoprite entered Madagascar by acquiring one distribution centre as well as five supermarkets from a French-owned Champion supermarket group. Shoprite also entered the Tanzanian market by acquiring Score Supermarkets, but sold it to their competitors in 2014. Previously, the Angolan market was satisfied with small grocery stores with primarily dry goods; retailers, however, discovered that frozen goods should also be sold. Shoprite expanded into Angola by opening their first store in 2003 in Luanda. Shoprite also made an $80million investment to build two supermarkets in Lubumbashi and Kinshasa in the DRC.

According to Shoprite, the most challenging factor they have to face investing in Africa is to gain ownership of sites and to have adequate infrastructure. In some countries, Shoprite has to supply their own water by investing in boreholes and purification plants. Furthermore, in some countries, it is necessary for Shoprite to invest in generators for electricity. In most of the African countries, the land is owned by the governments and the public rents it from the government. Suitable land is also divided between multiple individuals. Therefore, if Shoprite wants to buy land, they must negotiate with multiple individuals. The first few individuals ask reasonable prices, and then prices become unreasonable because all they have is the unused land.

5.2.3.3 Shoprite's strategies

External factors can always have a huge effect on a company's strategies. Therefore, it is important to know the degree or level of threat that an external factor is. Firstly, for Shoprite, the political, government and legal challenges are low. Shoprite is a retail company that has no political agenda and has no intention to get involved. Although there are challenges, they are too few to influence Shoprite to not move into a market. Secondly, the economic challenges are also at a small degree. High inflation is good for retailers. Shoprite seeks free movement of forex. They strive towards no restrictions and no forex. According to Shoprite, if goods are sold and more goods have to be ordered, one should be able to exchange. Although this issue is not seen as a challenge for Shoprite, things are changing; for example, currently, in Nigeria and Angola, Shoprite is struggling to get their money. Shoprite claims that although it is currently free trade, it is not to say that it would be the same over five years. Thirdly, social, cultural and demographical challenges can easily become a problem. According to Shoprite, many individuals, including their opposition, make the mistake that Africa is only one country. Shoprite has also previously made the mistake where an employee sent a package to Malawi instead of Zambia. She then phoned Zambia and asked that they will be able pick it up at Malawi, as she accidentally made a mistake. Many individuals do not realise how big Africa is and how many different cultures and rich demographics it holds. Shoprite is therefore very careful when they enter a different country. They launch campaigns throughout the year for adequate marketing. Shoprite focuses on ensuring that their brand is not seen as a South African brand, but as a brand from that specific country. By following this strategy, Shoprite eliminates the social, cultural and demographical challenges. Lastly, many do not realise the advanced technology some African counties possess. Shoprite claims that some countries have better technology than South Africa, for example there is even more television channels in some countries than in South Africa, and Nigeria has a better banking system than South Africa does. As previously mentioned, the greatest challenge for Shoprite is the infrastructure.

According to the Porter matrix, there are multiple forces that should be taken into consideration when dealing with strategies. First of all, the bargaining power of the suppliers for Shoprite differs from product to product. In Botswana, for example, they had restrictions where no one may import any water into Botswana. Then, two or three businesses opened on government demand and were the only suppliers of bottled water. Taking into consideration that Botswana does not have any natural springs, all water is sold as bottled water. The same problem arises in Zambia with meat imports and in Malawi that only has two poultry farmers and poultry may not be imported. Therefore, the bargaining power of the supplier is determined by the type of product, the government policy of that time and the availability of products and what is allowed to be sold at that time. Furthermore, there are also governments that demand that certain suppliers must be

used and that the retail companies are not allowed to choose whomever they want. In summary: where free trade is allowed, the bargaining power of the suppliers is low, and where trade is restricted, the bargaining power of the supplier is high.

The second force is the threat of substitute products. Shoprite prides themselves in having a variety of products and product lines available for the consumers. The fact is that the products in Africa are incredibly expensive. Shoprite claims that there are cost accountants in Africa who inspect South African prices and make the African products a little cheaper. In many circumstances, the packaging will be of a cheaper quality to save on the input costs. Eat-sum-mor biscuits, for example, are made in South Africa in larger quantities, whereas in African countries it is made on a rather small scale. This leads to cheaper packaging used for the biscuits made in the African country. Africans will most likely buy the cheaper product because financially it makes sense. The only threat is therefore that if Shoprite is restricted to import products and is not able to offer it to the consumers, they will have to buy the substitute products from local competitors.

Thirdly, the customer bargaining power of Shoprite is very high because of the broad range of alternatives. Africans are also considered to be world wise. They know exactly what they want and how much they are prepared to pay for a product. There is no problem for Africans to choose an alternative if the price is either too high of if the quality is too low. Africans will also easily buy from the informal markets and are not concerned about the product's origin country. Therefore, the customers have no obligation to buy from Shoprite as they have alternatives.

Lastly, not many laws are written to accommodate retailers. Although countries such as Zambia and Zimbabwe had many supermarkets and were used to a supermarket culture, other countries such as Nigeria saw it for the first time when Shoprite entered the Nigerian markets 12 years ago. Therefore, the commercial laws regarding imports and licencing were developed, but not specifically for the retailers and had to be adapted over time. Because Shoprite was the first in many countries, they had to have all the necessary negotiations and debates to change and adapt these laws. Fortunately for the competitors entering after Shoprite, the laws were already adapted. Shoprite states that first move advantage is not always as big of an advantage as it seems. It was only an advantage in the days where competitors were little. Shoprite sees Carrefour as a threat.

When Shoprite started exporting and investing into Africa, it was political drive, where South Africa was welcomed in the rest of Africa. Therefore, Shoprite claims that there a written strategy was not necessarily followed. There was not a specific strategy that described what they should do next and the advantages of what they were doing. In 1993, when the decision came across the business board, only two of the members, namely Whitey Basson and Christo Wiese, agreed that it would be advantageous to move into Africa. The rest of the board voted against the proposal.

Competitive challenges are also a reality that many retailers have to face. For Shoprite, the challenge of a small middle class in the African population is very low. Clothing retailers such as Woolworths may find this challenge greater compared to a food retailer such as Shoprite. The obvious fact is that individuals still have to eat. Shoprite states that the lower the income levels, the more the individuals eat and spend on alcoholic beverages. The lack of overall efficiency in African countries is also a great challenge for retailers. Although Shoprite occasionally sits with the inconvenience of delayed cargo at harbours, this will not keep them from doing business in that country. It is also difficult for Shoprite, as African countries struggle to be multicultural. The problem is that all African countries want to operate on their own; they want to have their own rules and regulations. In the past, it was against regulations to export maize from South Africa to Mozambique. Only the Mozambican maize was allowed to be sold. Currently, Shoprite has 10 trucks filled with South African maize that should be sold at an affordable price, because Mozambicans are struggling financially. For Shoprite, the greatest threat is still infrastructure and the availability of sites (land).

The future for Shoprite in Africa is bright. The estimated population by 2030 is 8 million people. The market is constantly growing and they have to eat. A time must come where individuals should be encouraged to produce more and the only way to do this is to make companies more attractive, lower tax rates and not to give governmental subsidies to individuals. This only makes the individuals dependent on the government and does not empower them to work. Furthermore, job opportunities should be created and the only way to do this is to make large companies attractive.

5.3 Comparison of results

Massmart stores have a presence in multiple African countries. These countries are South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, and Zambia. Massmart has four divisions, namely Mass-discounters, Mass-build, Mass-warehouse and Mass-cash stores. As seen in Figure 5-2 below, Carrefour is mostly located in the Francophone countries, but they have future plans set in place to move into West African countries. Shoprite is in most sub-Sahara African countries, as well as in Mauritius and Madagascar (Figure 5-2). These sub-Sahara African countries are Angola, Botswana, DRC, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Uganda and Zambia.

Shoprite claims that the revenue growth was exceptional before the world economy evaporated and the African economy was heavily impacted. Shoprite had the advantage of asking any price for their products and consumers would still buy it as everyone had money to spend. The current reality is that retailers are struggling and stores are closing. As previously mentioned, Pick n Pay

had to withdraw their business in Mozambique; in Ghana and Nigeria, multiple companies closed down and Walmart only opened 12 out of the planned 40 stores across the globe. Massmart's official comment was that despite the fact that only 12 out of the 40 stores were opened, they still experienced a stable to moderate growth in revenue over the past three years. This is a result of Massmart's strategy to only take a very risk adverse approach when considering moving into markets. Despite the fact that there is a continuing weakness in the local French markets for Carrefour, they still reported better than expected growth in operating profit for the first half of the year.

Figure 5-2: Walmart, Carrefour and Shoprite footprint in Africa

Source: Author's own compilation

Local retail competitors can also have a rather large effect on the retail MNE's position in the country. Massmart views themselves as is equivalent to the domestic retailers' products and consumers will make their choice based on the quality and the price of the product and they offer a rather unique range of products at a fair price. The Massmart official gave specific reference to Botswana. In Botswana, a Game store is one of a kind, but for Builders, direct competition is Build-It and Cashbuild. Therefore, the rank against the domestic retail companies will depend on the Massmart division, the competitors in that market as well as the specific country they operate in. Taking all African countries into consideration, Shoprite views themselves as part of the top two retail companies ranked against local retailers. Competing stores, especially in the upper-end markets, are usually strong, but the problem is that bottom-end consumers in Africa tend to purchase from the informal markets. Furthermore, challenges such as government restrictions exist. Many of the product lines are restricted or banned for imports, but the informal competing firms are not concerned by any rules or regulations. This gives the local retailers an advantage and poses as a threat for Shoprite. Carrefour partners ensure that they provide a wide range of offerings for people in that area, focusing on the quality of the products, the hygiene and the most competitive prices. This goal ensures Carrefour to be one of the leading retailers in that country.

As discussed earlier, external factors can cause MNEs to be unsuccessful in some African countries. The reason why Massmart is so successful and has never needed to leave a market is because they do risk assessments on all of these external factors. It is clear by referring to the table below that political, governmental and legal challenges are always a factor to consider when doing business in Africa. The reason why Shoprite scored this as a low challenge is because they pride themselves in not becoming involved in political matters. The economic challenges include factors such as interest rates, exchange rates and inflation. Shoprite's official comment is that inflation is good for retailers. Massmart sees this as a very challenging factor, because they invest in dollars; the currency devaluations have a rather large impact on the company's business. Because Africa is so rich in cultures, social, cultural end demographical factors might be a challenge if not carefully researched. Shoprite considers this factor as a small challenge as they are culturally sensitive and ensure to form the entry strategy accordingly. The cultural difference challenge for Carrefour and Massmart differs from country to country. A great mistake MNEs make is to assume that all African countries have weak technologies. Some African countries are more advanced than South Africa. Infrastructure, on the other hand, is an enormous problem.

Table 5-2: External factor comparison for Massmart, Carrefour and Shoprite

	Political, governmental and legal challenges 1 (less) ⟷ (more) 5				
Walmart/Massmart			X		
Carrefour			X		
Shoprite	X				
	Economic challenges (interest rates, exchange rates and inflation) 1 (less) ⟷ (more) 5				
Walmart/Massmart					X
Carrefour			X		
Shoprite	X				
	Social, cultural and demographical challenges 1 (less) ⟷ (more) 5				
Walmart/Massmart			X		
Carrefour		X			
Shoprite	X				
	Technological challenges 1 (less) ⟷ (more) 5				
Walmart/Massmart		X			
Carrefour		X			
Shoprite	X				

Source: Author's own compilation

A competitive strategy is formed with regard to how the company will achieve a competitive advantage in all the aspects of the business it competes in. Porter designed a five-force model to enable companies to know their position in the market and to identify potential threats. Figure 5-3 below is a comparison of the three retail MNEs chosen for this study. First of all, the bargaining of the supplier for Shoprite and Massmart is a medium threat. The reason for this is because it depends on the type of product as well as the country it is sold in. If governments have restrictions on a certain product at a certain time, the MNEs have to make use of local suppliers and this gives the suppliers a great amount of bargaining power. Where, on the other hand, in countries where there is free trade, the bargaining powers of the suppliers are low. Carrefour considers the

power of their suppliers as low. Carrefour can easily find different suppliers for their different product groups.

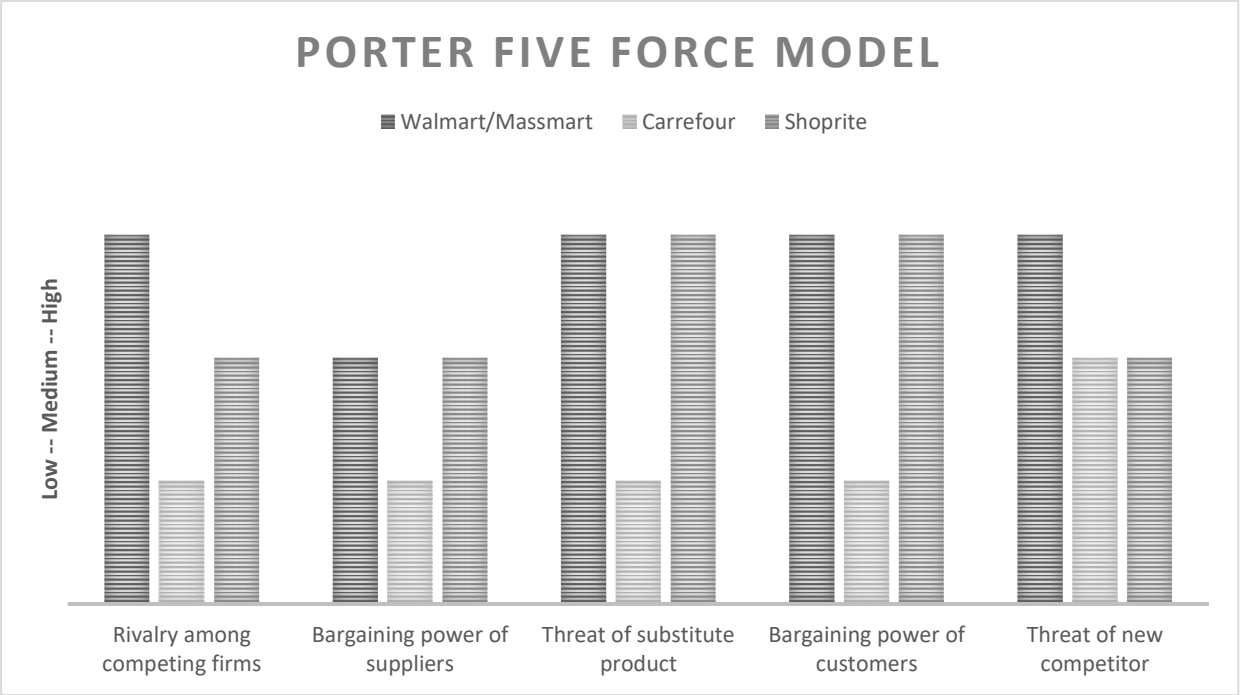
The second force is the threat of substitute products. Massmart and Shoprite consider this threat to be high. It is important to understand that Africans will most likely buy the cheaper product because of finances. The threat for Shoprite is whether governments restrict imports and they are not able to offer it to the consumers, they will have to buy the substitute products from local competitors. Carrefour operates in many different store types. What gives the advantage is that they acquire local stores through partnerships. Therefore, loyalty from local communities will not be a threat.

The bargaining powers of the customers are low for Carrefour. Carrefour's strategy is to maximise its profit by managing shelf space and to manage the prices to always be low. Africans are considered to be world wise; they know what they want and what they are prepared to pay. Furthermore, Africans do not mind the origin of the product; they will buy the best quality product for the best price. Therefore, for Shoprite and Massmart, the bargaining power of the customer is considered high. It is important to accept the fact that no customer is obligated to purchase from Shoprite, Massmart, or Carrefour, as they have multiple alternatives.

The fourth force is the threat of a new competitor. Massmart considers this force to be a large threat taking into account the strategy to be alert on all possible risks. A definite threat for Massmart is the recent announcement of Carrefour's plans to move into the West African markets. The threat of competitors for Carrefour and Shoprite is medium. Shoprite is moderately concerned over Carrefour's movement plans into West African countries, but they know that they are well established in the market.

Lastly, the overall rivalry among competing firms is considered. Carrefour considers the rivalry among competing firms as low. Shoprite considers the rivalry medium, and Massmart considers the rivalry as high. According to the Massmart official, the rivalry among firms is constantly growing. It also differs from country to country. In some countries, Massmart faces larger amounts of competition compared to other countries. This is one of the reasons why Massmart would decide to not enter a market.

Figure 5-3: Porter five-force model comparison



Source: Author's own compilation

By referring to figure 5.3. it is interesting to note that Walmart and Shoprite, that operate in similar markets in Africa, also experience similar issues. Carrefour, that operate mostly in northern Africa, clearly experience different forces. It is worth mentioning this in the text.

5.4 Conclusion

This chapter's purpose was to reflect on the results gathered through the interviews and questionnaires. The chapter is divided into two main divisions. The first division was then further broken down into three sub-divisions. Each sub-division elaborated on the findings for each retail MNE. Firstly, the analysis on Walmart/Massmart, then on Carrefour and lastly on Shoprite. The results will represent the different challenges the retailers had regarding their investment and exports into Africa, and how they managed to be successful despite these challenges. The second division focuses on the comparison between the three different MNEs.

To conclude this chapter, one can say that all three retailers have great successes in doing business in Africa. Neither one of the retailers followed the same strategy and still managed to succeed in Africa. Carrefour's main strategy is to acquire entities in Africa through partnerships, and through that, have business in Africa. Walmart/Massmart follows a more risk-averse approach. They weigh the challenges and risk against their chances of succeeding in a specific country. With this strategy, they have managed to succeed in all countries they enter. Shoprite, on the other hand, followed no written strategy. Their first movement into Africa was mostly

political driven. Shoprite seems to be the one that had a lot of failures, and it could be attributed to the fact that they didn't follow a specific strategy.

Chapter 6 will conclude the entire study. Furthermore, a brief discussion on the implications of the study, the limitations of the research as well as the recommendations for future studies will be provided.

CHAPTER 6: SUMMARY AND CONCLUSIONS

6.1 Introduction

Success stories of certain multinational enterprises (MNEs), specifically in the retail sector, moving into Africa, are portrayed in this study. Relevant to this study is having an understanding of the external factors that influenced the success of MNEs in some African countries. The countries in Africa germane to this discussion are known to have different cultural intelligence, legal-political challenges, supply chain management and regulations regarding the branding of products. It is evident that more research is done on certain retailing multinationals and less research done on others multinationals. For the purpose of this study, Walmart/Massmart (an American company), Carrefour (a European company) and Shoprite (a South African company) is examined to address the study objectives.

After careful consideration, the study objectives are divided into two divisions- the general and more specified. The general objectives of this research are firstly to determine the challenges the retail-based MNEs faced when they entered into the African markets and secondly, to determine what they did to be successful investors and exporters into Africa.

The specific objectives of this research are firstly to determine what challenges the MNEs have to face considering to expand into Africa and how they overcame the said challenges. Secondly, to determine why MNEs are successful in some African countries and not necessarily in others. Thirdly, to determine the motives underpinning the MNEs entrance into the African markets. Fourthly, to determine the best strategies the retail MNEs use to enter into the African market and lastly to determine the private and public legal challenges.

Interviews were conducted with experienced company officials to ensure that they have relevant and sufficient knowledge of the business environment within the African continent and the retail sector thereof. During this study a considerable amount of research is done on the MNEs' effect on global trade, the MNEs and their FDI into the African continent, as well as on different business strategies that lead to success.

The selected MNEs have different strategies and hold different market positions in Africa and these differences are compared in the previous chapter. With the purpose of addressing the research questions and objectives as previously mentioned, the results from the interviews and questionnaires are presented, interpreted and discussed in detail.

The main purpose of this chapter is to draw conclusions, to give a summary of the total study, to give limitations and implications experienced during the study, and to advise on future research based on the findings of this study.

6.2 Literature

The objectives of the research are answered by dividing the study in two stages- the first of which is a literature study and the second stage gives reference to the case studies. Taking all the theories and literature into consideration, and combining it with the research findings, the research objectives for this study are answered.

The first chapter is an introduction to the study. This chapter summarises the whole study and gives the reader an idea of what the study is about. Chapter 1 also provides a history brief of the first multinational, i.e. the Dutch East India Company (DEIC)/VOC, established by the Netherlands in 1602. This was the largest company in the world for nearly 200 years. The size of the company and the extent of its economic venture can be attributed to its networth of $7.9 trillion in modern currency. Today, multiple companies (Apple, Alphabet, Microsoft, Amazon, Facebook, ExxonMobil, Bank of America, Berkshire Hathaway, Samsung, Walmart, Tencent, and Wells Fargo) combined add up to the value of $7.9 trillion.

Chapter 1 also introduces the reader to the problem statement and the motivation for conducting this study. Furthermore, it gives the research aim and the research objective and briefly explains which methodology is used for this study to be able to answer the research objective.

For the purpose of this study, the literature study is divided into two different chapters, namely Chapter 2 and Chapter 3. In order to provide a sound theoretical base, Chapter 2 provides the literature deemed essential for this study. Chapter 3 further provides literature on the multinationals as well as the overall impression of the African market.

Chapter 2 includes the requisite, albeit non-exhaustive, literature on multinationals necessary for this dissertation. This chapter is divided into three sections. Firstly, FDI has played a powerful role in the growth of Africa; therefore, the roles of MNEs and FDI are discussed. Secondly, MNEs have had major effects on exports and on global trade- it dates as far back as the VOC in 1602. Finally, strategies had to be followed by MNEs to be successful in Africa. Therefore, all literature relevant for this study regarding business management and strategies are discussed. The following general research objective was examined in this chapter:

“To determine what the MNEs did to be successful investors in and exporters into Africa.”

As a point in the preliminary to this discussion, thorough understanding of the theories and definitions applicable hereto is required. Chapter 2 therefore explores the different theories of FDI, namely the firm advantage-based theories, the host country advantage theory, and the firm and host country advantage theory. Additionally, the different structures and classifications of FDI are explored. There are different FDI flows, entry modes, types and motives. The FDI motives are divided into four sections, namely resource seeking, market seeking, efficiency seeking and strategic-asset seeking. This is important to understand it is most determinant to the reasons for MNEs' investments in African countries. Chapter 2 indicated that different levels of risk exists for different multinationals and for different countries

Furthermore, Chapter 2 explores the different types of trade, as well as the effect of globalisation on MNEs. There is a strong interrelationship between trade and globalisation. It is important to differentiate between two main types of international trade, namely intra- and inter-industry trade. The chapter also explores how globalisation creates threats as well as opportunities. After the division of FDIs are addressed, the MNEs' effect on global trade are discussed, after which the chapter focuses on the literature related to different business strategies. Chapter 3 is divided into three different sections. Each section gives an overview of a chosen MNE for the purpose of this study. The first section is an overview of the American retailer Walmart and their footprint in Africa. The second section is on the French retailer Carrefour and the third section is on the leading African retailer, Shoprite. Each of these sections makes reference to the business description and the main competing firms to each MNE, the MNE's vision, mission and core values, their corporate strategy and a five-force analysis, their strengths, weaknesses, opportunities and threats, their keys success factors as well as criticism against the enterprise. The following general research objectives were examined in this chapter:

"To determine the challenges the retail-based MNEs faced when they entered into African markets and to determine how the retail-based MNEs overcame these challenges regarding their investment in, and exports to Africa."

In order to gain a better understanding of the African market, Chapter 3 begins by exploring the external environment of Africa. A discussion of the political climate, the economic environment, the social and demographical diversification as well as the technological and infrastructural environment followed. A brief discussion is given on the general environment of MNEs in the retail sector, followed by the literature on the three retail MNEs chosen for the study. First of all the findings were that Walmart's first movement into Africa was to acquire 51% of Massmart Holdings. Walmart now solely rely on Massmart to expand business in Africa. Secondly, Carrefour's main entry strategy to do business in Africa is through acquisitions, partnerships and joint ventures. Carrefour operates in four different forms- supermarkets, hypermarkets, cash and carry, and convenience stores. Carrefour also recently announced their new Carrefour 22 strategy. Thirdly,

Shoprite followed their opportunities and had no written strategy. Their movement into Africa was a result of the end of the Apartheid era and African countries welcoming Shoprite from their neighbour. Shoprite Holdings Ltd operates in different business formats, including business to business, supermarkets, liquor, and pharmacy stores, furniture stores, franchises and fast food outlets. Shoprite offers appealing products to a wide range of customers with a lower overall cost, which is known as a cost leadership strategy.

The result of Chapter 3 is that all three MNEs follow different strategies and all three still succeeded. Massmart and Shoprite managed to efficiently establish stores across Sub-Sahara Africa, whereas Carrefour is a Francophone, Middle Eastern and Kenyan expansion.

The literature review indicated that there are different risks for different countries and for the different MNEs. Risks can be sorted from internal risks such as the company strategy to the external risks which include governmental instabilities and the like. In order to gain valid and reliable evidence in Chapter 5, the right methodology was chosen and described in Chapter 4.

6.3 Case studies and comparisons

This part of the research was divided into two chapters, namely Chapter 4 and Chapter 5.

Chapter 4 discusses the methodology used for this study. It includes a brief discussion on the different philosophical worldviews, the different research designs and research methods, the qualitative research method that specifically focuses on the data collection procedure, the data recording procedure, the data analysis procedure as well as the interpretation, validity and reliability of the research. Furthermore, the chapter also discusses the different interview questions and the formulation thereof.

The purpose and objectives as well as the content of the previous chapters are reflected on in Chapter 4. When choosing a methodology it is important to understand that it influences the reliability and validity. The specific research design approach that is used is case studies, and the data tools are mainly interviews and questionnaires. In order to understand and explore the opinions and feelings of individuals, groups or companies, qualitative research should be conducted. For the results to be meaningful, it is the researcher’s responsibility to do the questioning and different procedures as well as analysing the general theme.

A summary for the research design used in this study:

- the interpretivist philosophical worldview,
- an inductive approach,

- case studies,
- the qualitative method,
- cross-sectional timeframe, and
- semi-structured interviews and questionnaires.

Chapter 5 aimed to empirically provide insight into the relationship between the business strategies, the challenges and the successes of the MNEs. In order to measure these relationships the finding of the different MNEs is compared. The study therefore investigate the challenges the MNEs had to face and how they overcome these challenges.

The interpretation and discussion of the results from the research that were gathered through the interviews and questionnaire from the three different retail MNEs are presented in Chapter 5. The results represents the different challenges the retailers had regarding their investment and exports into Africa and how they managed to be successful despite these challenges. The research findings are analysed and interpreted in this chapter.

Taking all the theories and literature into consideration, and combining it with the research findings, the specific research objectives for this study are answered in Chapter 5. This chapter is divided into two sections. The first section is based on the analysis, interpretation and discussion of the findings of each of the three multinational enterprises. The second section compares the findings of the three different case studies.

As is evident from the results found in Chapter 5 the general challenges that the retail-based MNEs faced differ from case study to case study. One of the most challenging factors for both MNEs, Massmart and Shoprite, is the fact that there is a shortage in sufficient sites or real estates. A Massmart official stated that it is difficult to find sites with adequate infrastructure and a Shoprite official stated that gaining ownership of sites in Africa is the largest challenge. In some countries, Shoprite is responsible for supplying their own water sources, water purification system and generators. This challenge is also considered as a legal challenge by Massmart and Shoprite, as many of the sites are governmentally owned. For Carrefour, the general challenge they have to face is government instability, which has a direct effect on trade agreement uncertainties, tariffs, sanctions, terrorism and geopolitical uncertainties. These MNEs overcame these challenges by building great relationships with governments. The only issue is that it is time consuming and costs money.

What made Shoprite successful was to move into Africa at the time they did. After the apartheid era, the expansion of the Shoprite enterprise was a tangible manifestation of the openness of

neighbouring African countries. In 1995, the first Shoprite store was opened and with the low prices and broad range of products, Shoprite became attractive to the other countries. One after the other, the countries invited Shoprite to open stores and to do business. When Shoprite entered Zambia, other African countries saw the success of the stores and invited Shoprite to do business in their country. Although Shoprite has a track record of successfully expanding into Africa, they also made costly mistakes, for example in Egypt and Tanzania, and had to withdraw business out of these countries. A regulation challenge Shoprite still faces despite their great relationship with the government is to import watermelons from Zambia to South Africa.

Massmart's strategy is to follow a very risk argumentative strategy. Massmart will strictly compare their chance of success and the potential risks. If the challenge or risk outweighs the chance of success, they will not invest in that country. This enables them to never make hefty mistakes that will force them to withdraw business from a country. Carrefour's success strategy is to acquire international partnerships with local and regional firms in Africa, enabling them to have international expansion in Africa, without leveraging a great deal of cash.

6.4 Recommendations, contributions, implications and limitations

This division provides the recommendations for future studies and contributions made to current research. Furthermore, the implications and limitations of this study will be discussed.

6.4.1 Recommendations

Based on the research done for this study on the three MNEs, it is recommended for future studies to do more in-depth research. This will provide more accurate data, for example detailed analysis on Porters' five-forces will help to understand the threat and bargaining powers of the customer for each country and product. Furthermore, research can be done on the governmental issues faced by MNEs and how to find solutions; this includes the issue on suitable real estate and proper infrastructure. Future research can progressively investigate governmental issues; for example, why Shoprite cannot import watermelons from Zambia. Furthermore, future research would also be able to do country specific studies as it is clear that each country has its own layer of problems.

Another recommendation for future studies is to determine why these firms have no presence in Central Africa and very little in West Africa and would be an interesting perspective to also determine why this is the case. It was necessary, for the purpose of this research dissertation to include a broad overview of foreign direct investment, the multinational retailer's effect on global trade as well as on different business strategies used by each of the MNEs chosen.

6.4.2 Contribution

This study is important for many reasons. Despite the many challenges faced within African countries, Africa nonetheless has a great deal of potential for growth and creates massive optimism under foreign direct investors and retailers. There are undoubtedly challenges that can complicate business, and can lead to the withdrawal out of the country if not carefully evaluated. The study focussed on the challenges that the MNEs had to face when they entered the different African countries, the lessons they learned, and how they overcame these challenges. This study had made the following contributions to current research:

- Firstly, it presents more evidence on the success stories of MNEs based in Europe, South Africa and in America, more specifically on how they managed to overcome the different challenges that Africa holds.

- Secondly, it contributed to the literature on African markets and the strategies the MNEs followed to become successful investors in and exporters into Africa.

- Thirdly, more concentrated research on Walmart, Shoprite and specifically Carrefour as there is very limited research available. This research includes the motives for entry for each of the different multinationals

- Fourthly, based on the evidence found, the largest challenge is government involvement (ownership of real estate, unnecessary regulations, etc.). African governments need to realise the implications they present for MNEs and provide sustainable solutions as this can have an effect of more multinationals moving into the African markets.

Africa is seen as the last growth frontier; therefore, there is a growing need for research to be conducted, and therefore the study provides this information. This study aims to contribute to the literature regarding different ways moving into Africa. The aim is to determine what the successes are of the MNEs that used different business strategies. This research is unique in sense that it contributes to the knowledge of MNEs' retailers by conducting different case studies to explore how and why these MNEs are successful in doing business in the African continent.

6.4.3 Implications and limitations

A shortcoming of this research study is that the communication with the French retailer was limited. Therefore, the research on the French MNEs heavily relied on the anecdotal data, such as articles on the different partnerships, annual reports and press releases. It can be said that the French retailer, Carrefour does not have a hands-on strategy regarding business in Africa. They heavily depend on partners for the practicality thereof. There is therefore no proof that the

previous anecdotal data are still relevant and factual. Although there is a lack of primary data, the analysis produces a deeper presentation, which makes up for the lack of reliability.

6.5 Final conclusion

The objective of this study was to identify the different challenges MNEs face when doing business in Africa and how they overcame these challenges. With research on literature and empirical evidence, the intention was to determine their success factors and the lessons they learned investing in and exporting into Africa.

To conclude, this study focused on three successful multinational retailers in the retail industry, namely Walmart (an American company), Carrefour (a European company) and Shoprite (a South African company). These companies were chosen because they are all three successful in the African markets, although they have different strategic approaches into Africa. The literature review discussed several categories such as the effect that MNEs have on global trade, their FDI into Africa as well as literature on business strategies. The study focused mainly on the challenges the MNEs faced and how they overcame it by implementing their business strategies. The results showed that the main issues for MNEs investing in Africa are to overcome external factors, such as unfair governmental regulations and obtaining suitable real estate with proper infrastructure. The highlight of this study is how the different retail-based MNEs successfully entered the African markets by following different strategies.

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ANNEXURE A: LETTER OF INVITATION TO PARTICIPATE IN THE STUDY'S QUESTIONNAIRE AND INTERVIEW

Dear Mr/Mrs (Participant's name)

The reason for this letter is to ask for your assistance with a study regarding successful strategies multinational enterprises used to expand into Africa. Please regard this letter as an invitation to participate in this research exercise.

The reason for conducting the study is to determine the lessons that can be learned from well-established multinational enterprises, specifically in the retail sector exporting and investing in Africa. Furthermore, to determine what made these multinational enterprises as successful as they are today. Africa is viewed as the last growth frontier and despite the challenges, there are a lot of optimism about doing business in Africa. This study aims to contribute to the literature regarding the ways into Africa.

Because qualitative research is exploratory and open-ended, focusing mainly on collecting analysing and interpreting data by observing what people say and or do. Collecting these data can range from having questionnaires completed to doing individual interviews. It is important to determine how they structured the entire process of the company strategy and where they started off investing and exporting into Africa. The interviewer will obtain the information needed by exploring the participants' opinions, perceptions and experienced answers about a certain topic. For this study, a face to face or telephonic interview will be conducted with the participant.

The questions consist of three sections. Section A consists of four open-ended questions that will be used to build the company profile and their overall footprint in global trade. The second section consists of three open-ended questions formulated to focus on the enterprises' and their FDI involvement. Section C, consists of four questions that are formulated to gain an overall outlook on the strategies the companies followed. Other questions may arise followed by the answers given by the respondent.

It is kindly requested that you answer all the questions in the three different sections as they are all important to the end results. If you feel that some important factors or questions have been left out that might contribute to this study, please inform the interviewer. It is estimated that the interview will take approximately 45 to 60 minutes of your time. An email request will be sent to determine a place, date and time to conduct the face-to-face interview. If, however, it proves too difficult to meet face-to-face due to geographical or time constraint, a telephone or video interview can also be arranged.

Due to the lack of information and data available to assist multinational enterprises (MNEs), investors and stakeholder, your views and opinions will be used to add valuable data to already existing research. Therefore, it will be much appreciated if you can contribute to this study by giving some of your valuable time.

Thank you for your consideration and time on this request. Hope to hear from you at the soonest convenience.

Kind regards

Zihné Coetzee

ANNEXURE B: THE QUESTIONNAIRE

Successful strategies followed by Multinational Enterprises to expand into Africa

Questionnaire 2018

Interview details:

Date of interview:	
Location of Interview:	
Start Time:	
End Time:	

Interviewee information:

Name and Surname:	
Current position held in the company:	
Number of years in the company:	
Contact details:	
Email address:	

SECTION A: THE MNES EFFECT ON GLOBAL TRADE

1. **Please indicate in the table below in what geographical locations (countries) the Multinational enterprise (MNE) have a presence in and also in which year the MNE operations commenced in that location. If possible, please indicate which approached was used to establish the presence in the country.**

Geographical location	Year	Strategy Approach into Country
I.e.: Egypt	2000	Through a partnership with Company X

2. **Please select from the following table the answer that best describes the MNEs growth in revenue over the past three years?**

	X
Fast growth (an annual growth average of 20% or more)	
Moderate growth (an annual growth average between 10% and 19%)	
Slow growth (an annual growth average between 1% and 9%)	
Stable growth (an unchanged annual growth average)	
Slow decline (an annual declining average between 1% and 9%)	
Fast decline (an annual decline average between 10% or more)	

3. **In terms of the MNEs footprint in Africa, how does the company rank against the domestic retail companies?**

Country	Top 2	Top 5	Top 10	Other	Reason
I.e.: Mali				X	Customer loyalty to domestic brands.

4. **In your opinion, what was the private and public legal challenges the MNE had to face where there is an active role in value-added activities and how did the MNE manage to overcome these challenges? (If possible, refer to specific African countries).**

SECTION B: FOREIGN DIRECT INVESTMENT

1. Select the applicable motive(s) for Foreign Direct Investments made by the MNE and in which countries. Also provide a brief reason or motivation based on the Ownership, Locations and Internalisation (OLI) Theory. (Please feel free to elaborate on your reason why)

I.e.: Resource Seeking	X
African Country:	Reason:
1) Cameroon	For the possession of natural resources, thus a Location advantage.
Resource Seeking	
African Country:	Reason:
1)	
2)	
Market Seeking	
African Country:	Reason:
1)	
2)	
Efficiency Seeking	
African Country:	Reason:
1)	
2)	
Strategic Asset Seeking	
African Country:	Reason:
1)	
2)	

2. Please provide the type of FDI used for entry into the countries mentioned in Question 1.2.1?

Countries	Horizontal FDI	Vertical FDI	Conglomerate FDI	Reason why?
I.e.: Cameroon			X	

3. **In your opinion, what was the most challenging factors the MNE had to face investing in Africa and how did the MNE manage to overcome these challenges? (If possible, refer to specific African countries).**

SECTION C: COMPANY STRATEGIES

1. **Please select the degree (between 1 and 5) of the challenges the external factors posed for the MNE and kindly elaborate on the matter.**

Political, Government and Legal Challenges				
1 ◄——————————————————► 5				
Reason:				
Economic challenges (interest rates, exchange rates, inflation)				
1 ◄——————————————————► 5				
Reason:				

Social, Cultural and Demographical challenges				
1 ⟷ 5				
Reason:				
Technological challenges				
1 ⟷ 5				
Reason:				

2. Based on the Porter matrix, please mark the most applicable answer and give a motivation on your chosen answer. (Taking into consideration all African countries the MNE has a presence in.)

Force	Low	Medium	High	Reason
Rivalry Among Competing Firms				
Bargaining Power Of Supplier				
Threat Of Substitute Product				
Bargaining Power Of Customers				
Threat Of New Competitor				

3. Does the MNE follow a blue or red ocean strategy? If the red ocean strategy is followed answer question 3.1. If the blue ocean strategy is followed answer question 3.2.

3.1 If the red ocean strategy was followed, what challenges did the MNE face by focusing on existing customers and competing with the established market? Also, how did the MNE manage to gain competitive advantage?

3.2 If the blue ocean strategy was followed, please fill in the four actions framework below. (Please feel free to elaborate on the factors)

	Factors:
Reduce:	
Which factors had to be reduced well below industry standards?	
Raise:	
Which factors had to be raised well above industry standards?	
Create:	
Which factors that the industry never offered had to be created?	
Eliminate:	
Which factors that the industry took for granted had to be eliminated?	

4. **Select any or all the competitive challenges the MNE had to face expanding into Africa and please provide a brief explanation for each chosen challenge.**

I.e.: The formal sector employment lacks Africans (skilled or unskilled)		**X**
Reason:	African workers could not meet the requirements necessary.	

African Population contains small middle class		
Reason:		
The formal sector employment lacks Africans (skilled or unskilled)		
Reason:		
Lack of proper infrastructure in African countries		
Reason:		
The lack of overall efficiency in African countries		
Reason:		
Labour instability and costs in African countries		
Reason:		
Fractious politics, political reactions and policies, and politicians incompetence		
Reason:		
African countries struggling to be multicultural		
Reason:		
The private section remaining small and vulnerable		
Reason:		