The interaction between institutions and MNEs in Sub-Saharan Africa: Preliminary evidence from Uganda’s mobile phone and upstream oil and gas industries

Charles Mbalyohere
Roshan Boojihawon, PhD
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Charles Mbayohere
The Open University Business School

Roshan Booijhawon, PhD
The Open University Business School

ABSTRACT
The paper outlines why collaboration between foreign invested R&D units and local universities in China often fails. R&D collaboration projects in China easily go off-track. The cases show that these challenges can be overcome if managers supervise employees and partners in a manner that simultaneously builds trust in the sequence of affect-based trust followed by cognition-based trust. Thereby, good results can be created in collaboration with Chinese universities. The paper illustrates institutional influences on R&D collaboration between foreign invested R&D and local universities in China, and thus provides insights as to why such collaborations fail, and how these failures can be avoided.

KEYWORDS | institutional theory, trust theory, China, multinational corporations (MNC), research and development, collaboration

INTRODUCTION
There is growing recognition of the importance of institutions as a ‘root cause’ of development, with the power to enable or hinder all other factors such as knowledge and human capabilities (Gregersen et al., 2004; World Bank, 1997). There is also acknowledgement that institutions are country-specific, which contrasts with previous one-shoe-fits-all assumptions. Country contingency is however still thinly researched and certainly devoid of substantive evidence from Sub-Saharan Africa (SSA). Hence, this constitutes a central motivation for this inquiry. Most multilateral organisations, however, still approach institutions from a predominantly economics-oriented standpoint that prioritises transaction costs, property rights and market theory (Buckley & Casson, 1976; Williamson, 1985) well above any broader institutional considerations. But since these theories presume a developed country institutional framework, the situation in emerging and developing countries shows limitations (Webb et al., 2010).

SSA particularly has attracted comparatively little research of international remit. Given the speed at which the region is socio-economically and politically changing and its growing attractiveness for FDI, there is an
urgent need to understand the emergence of institutions using in-depth research. Uganda is an example of a country that has, largely successfully, implemented economic liberalisation policies in the last two decades, despite some challenges (World Bank, 2012). With its growing importance as a nucleus of economic activity in the Great Lakes region, insight into Uganda could be regionally representative. It can also provide a springboard for a broader cross-country inquiry into emerging institutional realities across SSA.

The two case firms in this paper are located in Uganda’s telecommunications sector and its emerging upstream oil and gas sector respectively. The telecommunications sector is the product of a reform process that formally began in 1996 with the passing of a national telecommunications reform policy, and Uganda doing pioneer work in SSA (Shirley et al., 2002). The policy guided the splitting up of the former government-owned Uganda Posts and Telecommunications Corporation into separate entities for posts and telecommunications, which were ultimately privatised. Of relevance for this paper is the formation of the Uganda Communications Commission (UCC) a year later, which became the regulator of the telecommunications sector. A new ministry, the Ministry of Information and Communications Technology, was also eventually formed and it is here that the policy that guided UCC and the wider industry was crafted. Thus, the institutional context in the sector has experienced significant flux over the last two decades as liberalizing forces have taken effect. The upstream oil and gas sector, conversely, is a much newer sector in Uganda, with institutional development at a very early stage. All institutions are currently still based at the Ministry of Energy and Mineral Development (MoEMD), pending accumulation of resources and capabilities for separate institutional initiation. The sector is principally guided by the MoEMD National Oil and Gas Policy of 2008.

**Literature Review**

Whilst the more traditional approaches to interrogating institutional theory are rooted in economics, sociology and political science (DiMaggio & Powell, 1991; Greenwood et al., 2008; North, 1991), this paper encapsulates the more recent strategic management perspective (Ingram and Silverman, 2002; Peng, 2003). Nevertheless, this is informed by these more traditional perspectives, suggesting that the institutional experience is much more nuanced than formal disciplinary demarcations might suggest. Institutions are classically defined as the ‘The rules of the game’ (North, 1990; Scott, 1995). More specifically, the economist North contends that they are ‘the humanly devised constraints that structure human interaction’ (3) while the sociologist Scott proposes that they are the ‘regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour’ (33).

In later work, Scott (2004) appears to emphasise the cognitive-cultural pillar and its implications for the other two pillars. North further proposes a formal-versus-informal institutional classification, with the latter perspective considered to be disproportionately evident in emerging countries (Khanna & Palepu, 1997, 2000; Webb et al., 2010). MNEs have largely interpreted this informal reality to entail institutional ‘voids’ (Khanna & Palepu, op. cit). Khanna and Palepu are also associated with the seminal definition of ‘voids’, i.e. a lack of strong and clearly demarcated structures surrounding product, capital and labour markets as well as the regulation and enforcement of rules and norms related to these markets. Further, they argue that weaknesses in contractual law worsened the situation.

Arguably, Emerging Market MNEs would be expected to have more experience in dealing with the institutional fluidity, given their exposure to similar market circumstances (Crittenden & Crittenden, 2010;
Prahalad, 2006). How things are in terms of industry and country context however remains little understood. Building on previous work by Ingram and Clay (2000), Ingram and Silverman (2002) broaden the institutional definitional discourse, presenting a matrix-oriented typology based on the scope of institutions (public or private) and how they are created and enforced. An integrated approach that appropriately combines these different perspectives could arguably be more useful (Peng, 2003; 2008; 2009), especially in the case of Uganda.

Tolbert et al. (1996) identify three basic stages of institutionalisation: pre-institutionalisation, semi-institutionalisation and full-institutionalisation of a practice. But, given the novelty of the process in industry sectors like oil and gas in emerging countries, overlaps emerge. Nevertheless, the framework offers a useful transition to a more grounded understanding. A critical point is that whereas institutions serve both to powerfully drive and shape the nature of change across different levels and contexts, they also themselves change in character and behaviour over time (Dacin et al., 2002). This effect is however more pronounced in circumstances where formal institutions are largely just emerging, accompanied by fundamental learning (Hitt et al., 2005; Webb et al., 2010).

Things get even more complex when we consider a much broader change dynamic that typifies emerging countries (Mbalyohere & Boojihawon, 2012; Sheth, 2011; Wright et al., 2005). Depending on the perceptions of the political value of the emerging institution (Robinson et al., 2006), the preliminary stages of institutionalisation can be disproportionately characterised by political interference. Whereas it can be advantageous to secure political championship, it can conversely stall progress if the champions eventually lose interest or are replaced. It is here that the robustness of the firm’s corporate political strategy becomes evident or not (Hillman et al., 2004; Lawton et al., 2013). A robust strategy would be in a position to accommodate any such changes. However, this might also be conditioned by the level of entanglement with the departing player (Dieleman & Sachs, 2008).

Kostova et al. (2008) advocate a shift towards a ‘blended institutional perspective’, which they construe to be more accommodating to MNEs. Further, they argue that MNEs, by virtue of what they bring particularly to economically weak host countries, may not be expected to fully adapt to the local environment. Previously, Kostova and Roth (2002) pointed out that an MNE subsidiary demonstrates the tension when harmonising MNE HQ guidelines and host country demands. They call this institutional duality, linking to earlier work on ‘institutional distance’ (Kostova, 1999; Kostova & Zaheer, 1999). Consequently, institutional distance is defined as the extent of similarity or dissimilarity between the regulatory, cognitive, and normative institutions of two countries (Kostova, 1996).

Xu & Shenker (2002) divide the institutional distance between the host and home countries into distances in the regulative, normative, and cognitive dimensions. They match these with firm-level attributes to produce propositions that inform host country selection and foreign market entry strategies. Previous works have attempted to explain MNE behaviour using the concept of ‘cultural distance’ (Hofstede, 1980; Schneider, 1989). However, they fail to explicitly accommodate the role of social institutions, something that has since proved critical to providing consistent empirical evidence about MNEs (Shenkar, 2001). Hofstede also appears to have understated the level of qualitative cultural diversity within SSA (Myambo, 2010; Schler, 2011). Xu and Shenkar admit that their proposition is not an alternative to the ‘cultural distance’ construct, but rather complimentary. Importantly, they assume the prior existence of institutions, something that is contestable for emerging countries.

In considering the ease of MNE entry into new markets, some evidence shows that MNEs generally are considerably much more pro-active in benefitting from emerging country institutional contexts than these
countries are at improving institutional quality, and how they can benefit from MNE presence (Meyer, 2004; Narula & Dunning, 2010). However, hardly any research investigates in-depth how MNE presence (particularly in SSA) contributes to shaping institutional frameworks; how, if at all, the forming frameworks have an impact on the MNEs in a bi-directional relationship. This constitutes a research gap which this paper attempts to fill through the following research questions:

**RQ1:** How do MNE activities influence the emergence of institutions in Uganda?

**RQ2:** How do emerging institutions in Uganda affect MNE strategy in terms of market entry and adaptation?

**Methodology**

The study is exploratory in nature. The authors adopt a qualitative approach (Eisenhardt, 1989; Yin, 1994) to draw insights from ten semi-structured interviews around two case firms, namely Alpha - a South African-based MNE in the telecommunications industry, and Beta - a UK-based MNE in the upstream oil and gas industry, and related regulatory institutions in Uganda. Table 1 in the appendices provides brief profiles of the interviewees and basic profiles of each of the two cases. Although limited, the interviews were based around the purposeful selection of key informants to enable rich insights into the research questions. We further acknowledge the limitations underpinning a small dataset, and have used a process of secondary interviews and other sources of secondary information to triangulate and support our insights.

The MNEs were conveniently selected at different points in their respective industry life cycles, and were further supported by a systematic process of archival data collection of secondary information from company and other reliable sources. This included company reports, websites, information packs and financial reports; and documentary information or reviews produced by industry specific, trade-related journals and magazines.

Some secondary interviews were also carried out with key actors in the industry and institutional environment. These views were integrated through triangulation during analysis. The in-depth interviews were semi-structured but non-directive (See Appendix 4 for the ‘Interview Guide’); the wider philosophical rationale is that the social constructionist paradigm applied enables the researcher to investigate reality using a reflexive, iterative and rich approach (Easterby-Smith et al., 2008; Hammersley & Atkinson, 2007). The interview guide functioned therefore as the primary mechanism to explore issues, events, feelings, knowledge and experiences in detail with regard to the market entry and adaptation strategies of the MNEs in Uganda and how they dealt with institutional issues. The respondents were middle to senior-level executives and were approached on the basis of their experience and involvement in strategic decisions in international activities. Each interview was conducted after a careful study of all secondary information available at the time on the firm, and the interviews lasted for one hour on average.

Following on from this initial analysis, we now explore the issues of interest underpinning the research questions mentioned earlier. Qualitative data were content-analysed using the procedures recommended by Braun and Clarke (2006), who recommend the thematic analysis of such rich data.

**Findings, discussion and areas for further research**

In this section, we present and discuss the findings in an integrated approach addressing each of the research questions underpinning the study.
Case Alpha

When Alpha entered the Ugandan market in 1998, there was not yet any formal regulatory body.

_Sonko:_ They came at a time when, first of all, the regulator wasn’t yet in place. Most of business was through government. And government was making deliberate effort to talk to other governments to interest other providers to come to Uganda. So with Alpha, the government of South Africa played a big role in getting it here. Some of the Memoranda of Understanding at the time were signed between the government of Uganda and the government of South Africa. It was a government-led initiative.

The regulatory body was formally instituted two years after Alpha’s entry, meaning that an institutional ‘void’ (Khanna & Palepu, 1997, 2000) existed in the market initially. This void was filled in by direct and substantially informal interaction with government officials who constituted a fluid, proto-typical precursor to the ensuing formal regulatory body. The interaction typified the informality that MNEs generally contend with on entry into emerging markets (Khanna & Palepu, 1997, 2000; London & Hart, 2004; Webb et al., 2010). Alpha also arguably exerted active influence on how the regulatory body was conceptualised and initiated. It lobbied for forms of institutionalization which were arguably friendly to the company, and it positioned itself as the benchmark company for regulatory monitoring, assessment and review in the nascent sector.

_Sekamu:_ We may not have been in place when the [Alpha] licence was being negotiated, but the first CEO (of regulatory body) actually had a team in place which followed the negotiations and eventually actually became part of (regulatory) body. So the body wasn’t yet working, but a team was in place.

But given that mobile telephony was just gathering pace in Uganda and there was a lack of substantive policy, regulatory and legal experience, Alpha effectively enjoyed a great deal of leverage in these early years as a first mover (Grant, 1998; Wakabi, 2009). This leverage was further enhanced by a weak separation between policy making, regulation and commercial oversight. Kostova et al. (2008) contend that MNEs, by virtue of what they bring to host countries, especially the economically weaker ones, may not be expected to fully adapt to the local environment, beyond a basic compliance with key regulatory and legal requirements. In a fragile institutional situation like that of Uganda, this basic compliance arguably becomes even weaker. This reality is however increasingly being perceived by local stakeholders as a ‘flawed interpretation of liberalisation’ as one local management consultant suggested:

_Maka:_ But in South Africa, you would need to comply with many things before quitting like that. In Uganda we are at the other extreme. You come in, do what you want and then get out. It is a rather flawed interpretation of liberalisation. So that is hurting a lot of development of capacities and institutions. If we bring in foreign companies to do certain things, it would also be important to oblige them with things like how many Ugandans they are going to hire, how many will be in senior positions.

Alpha recognised the strategic value of entering SSA markets at this early stage since it had succeeded on this basis in its home market (Bick et al., 2011). It exercised considerable influence not only on institutionalisation, but also on broader issues in the telecommunications sector in several SSA markets, whilst riding on the excitement accompanying the immediate post-apartheid era and a spectacular success in the home market. In Uganda’s case, it was able to negotiate a 5-year exclusivity regime to exploit the market.
**Sonko:** In our quest for credible investment in the sector, government specifically limited the number of entrants into the market such that a proposal based in Uganda is more attractive. That is why we had a five-year exclusivity regime (for Alpha).

Whereas the broader rationale of the Ugandan government was arguably to allow the newly privatised, former state-owned telecom to learn from Alpha prior to the market entry of other competitors, this objective was only modestly achieved (Wakabi, 2009). This suggests that former state-owned telecoms like this are often still too steeped in the inflexibility of dissolved monopoly regimes to be able to effectively manage the transition to a liberalised market regime. In contrast, Alpha was able to establish itself as the market leader and the reference point in the industry (Bick et al., 2011), a position that gave it considerable advantage during the critical early years of institutionalisation. This suggests that the timing of entry not only affects market share, but also has an impact on the trajectory followed by embryonic institutions. It therefore constitutes an important decision-making consideration for both entrant and host country. In effect, Alpha was able to position itself to evolve into the quasi nucleus of a new strategic organisational field (Scott, 1991) encompassing the liberalised telecommunications industry in Uganda.

More holistically, many SSA countries were initiating massive liberalisation programs (Sindzingre, 2005), accompanied by institution-building experiments. It was therefore a unique and historic business opportunity for first-mover market entry, and positioned Alpha to emerge as the market-leading mobile telephone company in Africa (Bick et al., 2011) with potential to enter other African markets. Alpha effectively typifies an emerging-market-to-emerging-market entry strategy (Hoskisson et al., 2000; Wright et al., 2005). Interestingly, Alpha recently indirectly entered advanced markets through a mobile money segment, which emerged as a profitable niche that the company has since expanded. Entry has been via a strategic partnership with Western Union, the global money transfer giant.

**Tonko:** Our 2.5 million mobile money users will now be able to send and receive money to and from millions across borders.

Whereas the target customers are immigrants who send funds back home, this is a potential springboard for Alpha to more explicitly penetrate telecom-oriented segments in these markets. Ultimately, this suggests that capabilities for entry into advanced markets by EMNEs can be developed by transforming a niche-market into a mainstream one and then fine-tuning it for the global market (Prahalad, 2006), perhaps using immigrants as a springboard. Yet there are some risks, as exemplified by a Ugandan parliamentarian’s taking Alpha to court questioning the legality of a primary telecom company practising what is essentially a financial service (Daily Monitor, 2012). This is how one of the respondents summarised the situation:

**Sekamu:** Indeed there are regulatory deficiencies in the regulation of e-money services in Uganda like many African markets. The take-off of mobile money transfers has indeed taken many a regulator by surprise. This is worsened by the cross-sectoral nature of the service which calls for a multi-faceted regulatory approach.

As such, there are unique opportunities that can be exploited by an MNE in an emerging institutional climate to secure substantive strategic advantage. However, rather than building on an institutional loophole, it makes long-term strategic sense to envision how institutions will evolve, the level of legitimacy possible and the corresponding implications for MNE activities. Though the case is still in court, it can be noted that
Alpha appears to have underestimated the potential for legal challenge to its strategy. However, the regulators and policy makers were also reminded of their shortcomings in clarifying various issues about the market, as observed not least by a senior ICT ministry policy maker (Konta). He was commenting on the need for regulation to catch up with the rate of innovation in the industry, echoing similar comments by a middle level manager (Sekamu), as seen above.

**Konta:** *Telecom policy is being revised to take into consideration the various new products.*

At the very least, the case points to the fragile nature of the balance between various institutional facets in such a small emerging country. Nevertheless, it is arguably a case of active institutional emergence and evolution rather than a ‘void’, as suggested by extant researchers (Khanna & Palepu, 1997, 2000; Khanna et al., 2005).

**Case Beta**

Beta entered Uganda at a point in time when institutions were at a lower level of evolvement than that experienced by Alpha, conditioned not least by the infancy of the upstream oil and gas sector. At entry, the company however had some African experience, mainly in West Africa, regarding institutional fragility and emergence.

**Kim-L:** *I was talking to a friend of mine in the bank one day and he was talking about small oil fields in Africa, which had been left behind by the majors and had no one to work them. That is where the idea came from. I contacted another friend of mine in the World Bank who told me about a project in Senegal. They had some small gas fields that they were trying to get people to develop, so I setup Beta to rework those old fields. I knew nothing about the oil and gas industry at the time, which made it more challenging. No one thought Beta would succeed because of my lack of knowledge of the industry, no major backers and I was starting a company in a country with no oil industry.*

However, the degree of learning required for the situation in Uganda was arguably more challenging than had been assumed, with implications for both individual and organisational learning (Gregersen et al., 2004; Hitt et al., 2005). These challenges could, in part, be surmounted by enhanced attention to personal networking and advice from more experienced actors, filling in the knowledge gaps as part of adaptation to a largely relations-based, informal networking culture (Luo & Peng, 1999; London & Hart, 2004; Singh, 2012; Webb et al., 2010). Effectively, this meant an adaptation to informal institutions, which include norms, customs and rituals (Ingram & Silverman, 2002; Scott, 1995). But because the industry is new, the specific norms, customs and rituals were themselves only just emerging. Beta and other MNEs in the sector were therefore contributing to shaping these more specific institutional perspectives as an important ingredient of industry and occupational development, as well as part of their evolving corporate political activity (Hillman et al., 2004; Lawton et al., 2013). Since informal and formal institutions may be assumed to interact dynamically (Jiménez, 2011; Zenger et al., 2002), it can be further argued that the influence on norms, customs and rituals would also ultimately have an impact on the nature of the otherwise emerging formal institutions.

Further, since Beta predominantly used an acquisition strategy for market entry (Beta website archives, 2012), its HRM strategy was presumably critical to its (initial) understanding of institutional reality (Birkinshaw & Bresman, 2000). However, in light of a new industry emerging and local skills still being largely thin or inexistent, the strategy needed to be buttressed with international perspectives. Getting the right balance between these
two perspectives is probably one of the most important decisions an MNE can make in an institutionally fragile context. At a broader level, whereas Beta was responding to the strategic imperatives set by the institutional context, it was presumably also introducing new international perspectives, in this case regarding HRM, and even ostensibly setting standards for the young industry as part of an emerging normative isomorphic context (DiMaggio & Powell, 1983). Such preliminary standards have the potential to act as a reference point for the evolving labour market institutions and the related legal perspectives, as part of a broader institutional change dynamic. So once again, a company with global aspirations became involved in contributing to the shaping of an institutional framework in Uganda. However, this was a significantly more complex case, not least in light of environmental and political sensitivities, necessitating the enactment of a new National Oil and Gas policy (MoEMD, 2008).

But even when formal institutions emerge, a certain level of informality apparently persists. The frequent meetings between the president of Uganda and oil and gas MNE managers outside of formal institutional frameworks exemplify this. While the politicisation of the institutionalising processes (Robinson et al., 2006) becomes evident, the pull to sustain informality also emerges, perhaps symptomatic of the intertwining reality argued by Zenger et al. (2002). It is however still unclear how the interaction specifically operates in a generally rather fragile emerging environment. Where the informality manifests itself in illegal behaviour like bribery, it arguably poses a barrier to the cementing of solid institutional frameworks that can hinder the practice (Mbaku, 2010). But it also poses substantial challenges for MNEs in terms of sticking to high ethical standards and avoiding behaviour that could ultimately prove damaging, as illustrated by this quote:

**Fisherman:** In October 2011, allegations were made in the Ugandan Parliament that Beta employees had bribed senior government ministers. The accusations were made on the basis of forged documents and we have worked with the UK Serious Fraud Office, the Metropolitan Police and the relevant authorities in Uganda and Malta (where the payments were allegedly made) to demonstrate irrefutably that the allegations are entirely unfounded. Beta has an absolute commitment to upholding high ethical standards. Our approach is based not only on our legal obligations, but on the firm belief that our reputation for integrity underpins our attractiveness as an employer, a business partner and an investor in the countries where we operate.

The implication of such a situation is to have a tighter MNE HQ-Subsidiary relationship, with managers at HQ fearing behaviour that could heavily damage the broader organisation (Singh, 2012). Yet such closer control might precipitate a level of inflexibility in accurately identifying and appropriately responding to locally embedded issues. This could in turn translate into a competitive disadvantage, putting HQ managers under pressure to relinquish control. But it becomes sufficiently clear that institutional fluidity has an impact on MNE behaviour, albeit in ways that reflect ambiguity, uncertainty and even fear.

At a more holistic level, major challenges remain in designing judicial and tax institutions that are dynamic and sophisticated enough to deal with complex issues surrounding increased FDI activity in Uganda, in light of the emerging oil and gas industry. The stand-off over a ‘capital gains tax’ between Uganda’s tax revenue authorities and another MNE that sold its license rights to Beta, leading to a laborious and extended arbitration process in London, exemplifies some of the challenges faced (Gelb & Majerowicz, 2011). Not least, the decision by Beta to enter a strategic alliance with a Chinese EMNE and a French MNE (Vokes, 2012), in order to secure the broader resources and capabilities needed for project development, introduces a new test to the young institutions.
S-man: I am delighted that we have completed this farm-down with C Limited and T, two experienced partners with whom we have already built a strong working relationship. The Lake Albert Rift Basin is one of Africa’s most exciting oil discoveries and I look forward to working with our new partners and the Government of Uganda in driving this project towards major production.

Huk: What we have done is to bring in two really very good partners. What we are doing with these partners is to bring in some very good skills and expertise to operate this very difficult basin and to bring oil some 1200 km to the east coast of Africa. We want to bring oil and prosperity to everyone in this country.

How fast and how effectively the institutional learning around this development occurs might make a substantial difference as to whether Uganda accrues long-term benefit from natural resource exploitation. It is noteworthy that the decision to grant Beta permission to ‘farm-down’, i.e. to sell part of the licence to partners, was delayed for several months as government officials in Uganda grappled with its potential implications. Effectively, the delay reflected the complexity of negotiating a Production Sharing Agreement (Pongsiri, 2004) with three global-size partners. However, the statements of the oil executives cannot be taken at face value, not least given evidence of discrepancy between what is said and what is actually practised (Frynas & Mellahi, 2003; Winters & Gould, 2011). Nevertheless, Beta has so far generally maintained a fairly clean track record while developing its strategy to become the premier independent oil and gas explorer on the continent. One of its lead executives summarises things as follows:

Kim-L: It is the type of resource that can transform the lives of everybody in the country. And they should be the first people to benefit from the natural resource.

Only time, though, will illustrate the solidity of this commitment.

Conclusion

In conclusion, there is preliminary evidence to suggest that MNEs and emerging institutions in Uganda influence each other, thus positively answering both research questions. Some of the ways in which MNEs influence emerging institutions (referring to RQ1), and conversely in which emerging institutions influence MNEs (referring to RQ2) have been captured and summarised in Table 3 (Appendix 3). Hence the relationship between MNEs and emerging institutions is at first almost exclusively informal, but becomes increasingly formal when accompanying industrial and institutional development. MNEs are thereby more pro-active than emerging institutions in seeking to influence the other party as part of the co-evolutionary trajectory. This is mainly conditioned by the dynamism and strategic scale and scope of the political capabilities that MNEs develop to deal with the institutional uncertainties and risks they face. The research here makes some progress in empirically investigating the concept of ‘institutional voids’ (Khanna et al., 2005; Khanna & Palepu, 1997, 2000) and how MNEs and emerging host countries are responding from an institutional perspective. Emerging institutions do however eventually acquire a level of legitimacy and authority (Deephouse & Suchman, 2008; Kostova & Zaheer, 1999) that enables them to assert themselves. They are however hampered by political interference, given limited constraining systems and the scarcity of enabling resources. There are also some imperatives like rate of institutionalisation and intensity of political activism that depend on the industry type. All this appears to produce a strategic organisation field (Scott, 1991) where there is growing competition for control between
MNEs and emerging institutions.

Despite these findings, no attempt is made at generalising them for the entire Ugandan or African contexts. Indeed, we acknowledge that our motives and datasets are modest and limited by the industries analysed, and that we only attempt to shed light on the research questions from a limited (albeit strategic) perspective. Ultimately, we firmly believe there is a need to study this interaction between MNEs and emerging institutions in SSA more thoroughly, learning lessons about how it influences and can potentially be made to influence both sides more strategically.

Uganda has taught important lessons in how to handle MNEs whilst relevant institutions are just emerging. Lessons learned in the early phases of liberalisation of the relevant industries have informed decisions surrounding ensuing entrant MNEs. Where possible, these lessons have also informed activity in other reforming industries, for example the electricity industry, thus creating a synergetic mix. The country is more confident in negotiating with MNEs and understanding where to draw institutionally-oriented demarcations, whilst simultaneously encouraging more FDI in-flows. The path is however not straightforward and some lessons take a long time to learn. But it is no longer accurate to talk of ‘voids’ to characterise the institutional situation. Instead, there is evidence of emerging institutional structures, behaviours and cultures and ever more differentiated relationships with entering MNEs.

In addition, the research has exposed areas that need further investigation as proposed below:

i) How does the relationship between formal and informal institutions compare and contrast across SSA, and what are the strategic implications for MNE entrants?

In light of preliminary insights highlighted with regard to the duality and co-existence of informal and formal perspectives in the early phases of institutionalisation, some pan-African research is needed to explore how fast institutional constellations are changing and the reasons underpinning these changes. Given efforts to enhance regionalisation in SSA, an understanding of such trends and other dynamics underlying institutional evolution could offer new avenues to explore routes to institutional harmonisation, in order to ease MNE market entry strategies and adaption. Arguably, institutional harmonisation can also make the continent more attractive for FDI from more advanced countries, by making it easier to exploit institution-based economies of scale, as well as reducing the transaction costs associated with dealing with diverse institutional contexts.

ii) How differently or similarly do MNEs influence the emergence and evolution of institutions in SSA?

Inquiry into this question would throw more light on the differences and similarities in MNE behaviour in SSA vis-à-vis institutions. This question puts MNE strategic behaviour into the spotlight and seeks to establish whether there is MNE agency in institutional harmonisation. In effect, how strong is this influence and what are the inherent strategic issues from the perspective of both host country and MNE?

iii) How similarly or differently are MNEs affected by emerging institutions in SSA?

Conversely, this question turns the spotlight on institutional behaviour vis-à-vis the strategic behaviour of MNEs, and how this affects their own development. Inherently, this is a measure of the level of success at designing institutions that have strong legitimacy (Deephouse & Suchman, 2008; Kostova & Zaheer, 1999). The findings also encourage us to question the extent to which MNEs have to relinquish control over subsidiaries in various SSA countries and whether this, therefore, has an impact on the decision of which markets to enter and which structural forms to choose. Ultimately, this might also act as a determinant of competitiveness for SSA
countries, from an institutional perspective.

iv) What is the nature of political influence in the initial stages of institutionalisation in SSA, and how and why does it change over time?

Political influence appears to be particularly strong in SSA, where the separation of political office and officially apolitical public institutions is weak. We argue that there are important implications for institutional policy-making, depending on how MNEs factor political influence into strategic decision-making (Hillman et al., 2004; Lawton et al., 2013). Experiences across SSA can elucidate this issue and how it can be managed, with the aim of strengthening institutional neutrality whilst accommodating political reality. It is hoped that insights emerging from inquiry into these areas will broaden the discourse and the corpus of empirical evidence surrounding institutionalisation and MNE strategic behaviour, not only in Uganda, but also in other SSA countries.
References


### Appendices

Appendix 1: Table 1 – Interview profiles

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<thead>
<tr>
<th>Interviewee</th>
<th>Level of access by interviewer</th>
<th>Research case</th>
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<tbody>
<tr>
<td><strong>RESPONDENT 1 - Maka</strong></td>
<td>Primary access</td>
<td>Alpha, Beta and country context</td>
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<tr>
<td>(Senior Management Consultant and University Lecturer)</td>
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<tr>
<td><strong>RESPONDENT 2 - Sonko</strong></td>
<td>Primary access</td>
<td>Alpha, country context</td>
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<td>(Senior Manager, Telecom regulation)</td>
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<tr>
<td><strong>RESPONDENT 3 - Sekamu</strong></td>
<td>Primary access</td>
<td>Alpha, country context</td>
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<tr>
<td>(Senior Manager, Telecom regulation)</td>
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<tr>
<td><strong>RESPONDENT 4 - Tonka</strong></td>
<td>Secondary access</td>
<td>Alpha</td>
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<tr>
<td>(Senior executive, Alpha)</td>
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<tr>
<td><strong>RESPONDENT 5 - Konta</strong></td>
<td>Secondary access</td>
<td>Alpha, country context</td>
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<td>(ICT Ministry, senior policy maker)</td>
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<td><strong>RESPONDENT 6 - Kim-L</strong></td>
<td>Secondary access</td>
<td>Beta</td>
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<tr>
<td>(Senior Executive, Beta)</td>
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<tr>
<td><strong>RESPONDENT 7 - Fisherman</strong></td>
<td>Secondary access</td>
<td>Beta</td>
</tr>
<tr>
<td>(Senior Executive, Beta)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RESPONDENT 8 - Sman</strong></td>
<td>Primary access</td>
<td>Beta</td>
</tr>
<tr>
<td>(Senior Executive, Beta)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RESPONDENT 9 - Huk</strong></td>
<td>Secondary access</td>
<td>Beta</td>
</tr>
<tr>
<td>(Senior Executive, Beta)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RESPONDENT 10 - Moka</strong></td>
<td>Secondary access</td>
<td>Beta, country context, policy</td>
</tr>
<tr>
<td>(Energy and minerals development ministry, senior policy maker)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Primary access refers to first hand interviews conducted by the researchers, and secondary access refers to interviews on related subject matter drawn from secondary sources.
Appendix 2 - Table 2: Basic profile of case firms

<table>
<thead>
<tr>
<th>Case firm</th>
<th>Location and Income</th>
<th>Industry</th>
<th>Year founded</th>
<th>Year and Mode of Entry in Uganda</th>
<th>Examples of MNE and institutional issues</th>
</tr>
</thead>
</table>
| Alpha     | HQ in South Africa, Group revenue 2011 ($13860m), Profit after tax 2011 ($2705m) | Telecommunications | 1994 | 1998, Greenfield FDI | - A formal and independent regulatory institution became operational 2 years after entry  
- Strong collaboration between host and mother country governments during entry negotiations and adaptation  
- Enjoyed a First-Mover advantage in the liberalised mobile phone industry, not least by virtue of a 5-year exclusivity regime |
| Beta      | HQ in UK, Group revenue 2011 ($2300m), Profit after tax 2011 ($689m) | Oil & Gas | 1985 | 2004, Mergers & Acquisitions | - Depended on knowledge of acquired exploring firms to understand the institutional context  
- Dealt with an even stronger 'void' as Uganda had no experience with a fully-fledged upstream oil and gas industry  
- Confronted with a highly politicised market entry and adaptation context, which delayed key strategic decisions. |
### Appendix 3 - Table 3: Summary of findings

<table>
<thead>
<tr>
<th>Influence of MNEs on emerging institutions (RQ1)</th>
<th>Influence of emerging institutions on MNEs (RQ2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-mover impact on institutional conceptualisation and initiation</td>
<td>Growing legitimacy of institutions requiring organisational behavioural change</td>
</tr>
<tr>
<td>Sharing institutional experiences from mother country and from other SSA markets</td>
<td>Perceptions about political, social and environmental importance of the institutions</td>
</tr>
<tr>
<td>Development of negotiating skills and capabilities at international level</td>
<td>Considerations about the balance between formal and informal institutional norms and practices</td>
</tr>
<tr>
<td>Nucleus of new strategic fields</td>
<td>Understanding of acceptable ethical and social responsibility standards and behaviours</td>
</tr>
<tr>
<td>Challenging the institutional status quo (laws, taxing, labour, standards, accommodation of FDI and new organisational forms)</td>
<td>Strategic responses to institutional fluidity, uncertainty and risk in general</td>
</tr>
<tr>
<td>HRM and learning strategies</td>
<td>Decisions about HQ-Subsidiary relations (strong control vs semi-autonomy)</td>
</tr>
<tr>
<td>Strategic responses to corporate political activity</td>
<td>Decisions about the appropriate organisational form for the institutional context</td>
</tr>
<tr>
<td>Establishing industry norms and standards</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 4 - Table 4: Catalogue of general interview questions

<table>
<thead>
<tr>
<th>Interview sub-theme cluster</th>
<th>Core questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNE Entry Strategy</td>
<td>What are the preferred modes of entry and why are they preferred?</td>
</tr>
<tr>
<td></td>
<td>What strategic challenges were met at entry and how were they surmounted?</td>
</tr>
<tr>
<td></td>
<td>Any other comments on MNE entry strategy in Uganda?</td>
</tr>
<tr>
<td>MNE Adaptation</td>
<td>How was adaptation in the market achieved?</td>
</tr>
<tr>
<td></td>
<td>What were the major strategic challenges and how were they surmounted?</td>
</tr>
<tr>
<td></td>
<td>Any comments on Uganda-specific strategic issues at adaptation?</td>
</tr>
<tr>
<td>Competitive Dynamics</td>
<td>Explain growth strategy of key MNEs and its evolving features over the years (challenges and solutions).</td>
</tr>
<tr>
<td></td>
<td>Comment on organisational learning experiences of key MNEs.</td>
</tr>
<tr>
<td></td>
<td>What has prompted regulatory intervention thus far?</td>
</tr>
<tr>
<td>Views on broader features of Uganda's</td>
<td>Emerging perspectives, e.g. institutional trends</td>
</tr>
<tr>
<td>telecommunications industry/</td>
<td>Wider comments on strategic thinking and behaviour</td>
</tr>
<tr>
<td>upstream oil and gas industry</td>
<td></td>
</tr>
</tbody>
</table>

**Acknowledgements:**

The authors are grateful to the anonymous reviewers for their pertinent remarks which helped strengthen the content, quality and contributions of this paper.