International Corporate Entrepreneurship: Effect of Institutional Void on Firm’s Operations

(A Study of MTN Nigeria)

Master’s Thesis within Business Administration

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Abstract

There is a considerable variation across countries in terms of how functional are the institutional platforms upon which markets operate. In most developing countries, these institutions are either harmful to business or not operating efficiently. This study is based on how institutional void affect firms in their international exploit and firms strategic responds for survival, adaptability and performance. On the one hand, institutional void is always regarded as risky market for firm’s to venture into. On the other hand, it might posses opportunities for entrepreneurial firms.

The empirical study of the international operations of MTN Nigeria through interview shows that institutional void remains a problem for firms but it stimulates firm entrepreneurship. This is through innovative product and services which is a result of firm’s ability to learn and integrate knowledge from the harsh market faced with institutional void. Firms should look beyond institution problems of different market especially those of developing economies in their quest to internationalize their operations.
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I hope this research work could contribute and serve as a useful guide for future researchers in both the business and academic world.
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1 INTRODUCTION

1.1 Background Study

Today’s contemporary world is caught up in the web of progress and development. Individuals and firms are challenged and encouraged within all spheres of life to develop and realize their full potential. The dynamic and competitive business environment which is a result of technological, political, social and cultural changes makes firms to be proactive in their pursuit of opportunities within different markets that cut across national boundaries. This process of pursuing opportunities beyond national markets is referred to as international entrepreneurship and it is defined by McDougall (1989) as the venturing of firms into different geographical markets or start-up firms which from their very beginning expand beyond their market of operations. In seeking competitive advantage through constant innovation and internationalization, firms are able to position themselves for sustainability and growth (Ramachandran, Devarajan and Ray, 2006) in a changing market environment. But this is dependent upon the market context in which firm’s actually want to exploit as some market volatility portend great risk for firms due to institutional nature.

The volatility of contemporary business environment as a result of national policies and integration characterizes the speed of innovation and transformation that creates opportunities and failure for firms. This cannot be ignored by firms but clearly understood and evaluated in order to take control of its dynamism for firm’s success (Cooper, 2001). This requires coordination of relationships (Burns, 2008) between firms and its institutional environment which characterized the entrepreneurial firm. Therefore, the search for opportunities outside firm’s national boundary is referred to as international corporate entrepreneurship (ICE). It is driven by globalization and the institutional context of different countries. ICE requires firms to operate in markets with different institutions as well as network with different stakeholders as they attempt to exploit and explore the potentials of different markets. This network includes business and government, business and customers, business and business as well as business and local communities. This network of relationships (Burn, 2008) depends on the institutional environment of the market and are important for overcoming and managing resources.
constrained during international expansion (Young et al. 2003), and operations. But as firms internationalize to different markets the institutional context becomes different from the home country’s institutional framework.

Markets especially those in developing countries are faced with institutional problems (Khanna and Palepu, 2010; Mair, Marti and Kate, 2007; Fishman and Khanna, 2004) which challenges firms to either seek opportunities within these markets or to completely stay away from such markets. These institutional problems that include both hard and soft infrastructure are regarded as institutional void. According to the World Bank annual reports on doing business (2009), these countries need urgent institutional reform and infrastructure development to be able to grow their economy without which firm’s will continue to face an adverse business climate that will affect their operations negatively. Though, most entrepreneurial firms have opted to exploit a hostile (institutional void) market, among them is the MTN Group. MTN Group which is a telecommunications company has operations in emerging and developing economies including Nigeria. More information about MTN operations in Nigeria will be discussed further in the paper. This study considers international operations of firms in markets faced with institutional void as they struggle for survival and profitability.

Entrepreneurial firms consider institutional challenges as opportunities to explore and exploit for strategic benefit and improved performance while other firms consider it as threat that must be avoided. As firms internationalize their operations to market with different institutional framework especially those faced with institutional void they are exposed to a whole new array of knowledge in coordinating business which adds to the firm’s knowledge base. Therefore, creatively exploiting the potential of different international markets exposes the firm to heterogeneous external sources of knowledge that augment the firm’s existing knowledge base to support innovation that drives new business or products, generates revenue and improves firm’s performance (Zahra et al, 2004).

1.2 Problem Statement

The workings of the market are important driving force for entrepreneurial activities, economic growth and wealth creation through its specialized social structure and me-
mechanism for exchange (Mair and Marti, 2006), which can only function properly with required institutional framework (North, 1990). The World Bank through its annual World Bank doing business and enterprises survey report has emphasized the importance of institutional reform for entrepreneurial activities and economic growth. According to Welter and Smallbone (2011, pg.107), “institutional context influences the nature, pace of development, and extent of entrepreneurship as well as the way entrepreneurs behave.” This institutional framework can either promote or constrain entrepreneurial development as evident in most transitions (Smallbone, Welter, Voytovich and Egorov, 2010; Welter and Smallbone, 2011) and developing economies in the world. This is based on behavioral responses of firms or entrepreneurs to institutional factors within a given market context (Welter and Smallbone, 2010).

The global financial crisis and the credit crunch expose the fact that all markets both developed and emerging faced institutional problems in the coordination of business. But firms doing business in emerging economies are faced with the problem of overcoming the weakness or complete absence of institutions that support markets (Mair and Marti, 2007). Institutions are the mechanism that enhances stability in human society by reducing uncertainty in transaction (Gaur and Delios, 2006). Through innovative and creative ideas, firms are able to spot and exploit opportunities in different environments by either adapting or replicating and accepting the market situation or attempt to change the market context (Khanna and Pelepu, 2010) in their international exploit. When institutions fail, it is a common phenomenon for firms to exit that market due to the high risk involved in operating in such a market. This insinuation of firm’s response to institutional void has led to this study. Since more recent research recognizes the importance of interpreting entrepreneurial behavior in the institutional context in which they occur, this work therefore, highlights the importance of institutional environmental factors that includes political, legal, cultural and economic to firm strategy. This is in regards to not just spotting of opportunities in global markets especially those that are faced with institutional void but also, if these institutional environments can actually compel firms to act entrepreneurial in order to adapt to the market. Research has been carried out on spotting opportunities within institutional void however; little research has been done on the impact of institutional problems on firm’s level entrepreneurship during international exploit.
The research gap in this area of study is the motivational drive for this thesis by using a single case study of MTN Nigeria which is a telecommunication company. The research from this study is to bring up a clear understanding of institutional void relating to how it promotes firms performance through different strategic options. The work is limited to a single case of MTN international exploit to Nigeria without consideration for other telecommunication companies in the industry.

1.3 Purpose of Study and Research Question

The sensitive role business play in national economic growth and development through individual and firm entrepreneurial drive for success is a result of technological advancement and global competition. On the other hand, the volatile, unstable and uncertainty business environment especially in developing economies, calls for a more critical examination of how business is coordinated in the contemporary global environment. Firms from emerging economies are springing up aggressively and competing with their counter part from the developed countries. Also, firms from developed economies are expanding into new developing and emerging countries markets trying to exploit, develop and learn from these markets. This study looks at how environmental factors (institutions and infrastructure) affect firm strategy and performance. In order to fulfill the purpose of this thesis, two research questions are stated:

1. Does institutional void enhance firms learning and adaptability to produce positive results during international operations?
2. Does institutional void change corporate capabilities to promote strategic fit that enhance performance?

In order to fulfill the purpose of this thesis, two research questions are stated. These questions will be answered in the conclusion section so as to fulfill the study objective. Three company (MTN) representatives were interviewed for this work and the result will be discussed in relation to the theoretical frame of reference in order to make a rational conclusion.
1.4 Organization

This work will be organized as follows. The first section is the introduction which gives a brief overview of the entire paper that includes the purpose of study, the research questions and the method used for the research. The next section is a (literature review) and it provides a brief but critical overview of some of the related research work. It reviews existing research literature related to this work. This will give a focal point to navigate further. The third section is the methodology while section four interprets the result of the findings. The last two sections provide an evaluative discussion in order to ascertain if our research objective is in line with our work. The research paper ends with concluding remarks and recommendations future research.
2 THEORITICAL FRAMEWORK

2.1 International Corporate Entrepreneurship and Institutional Environment

The broadening set of interdependent relationships among markets coupled with the integration of world economies through the reduction of barriers to the movement of trade, capital, technology and people (Daniel et al. 2010) has expanded firms operations to different markets in their quest to exploit opportunities. The searching for opportunities beyond firm’s national boundary refers to the firm’s international entrepreneurship. McDougall (1989) defines international entrepreneurship as the venturing of firms into different geographical markets or start-up firms which from their very beginning expand beyond their market of operation. According to the author, the industrial competition and government policies during international venturing is the factor that fosters ICE.

International corporate entrepreneurship (ICE) are activities that firm’s undertake in foreign markets that aim at improving organizational performance (Zahra et al, 2004). McDougall and Oviatt (2000) view ICE as the integration of the field of international business and that of entrepreneurship. To Zahra and Garvis (2000) corporate entrepreneurship through international operations is about identifying, evaluating, selecting and pursuing potential market opportunities in a global context. It is a strategy for firms to mitigate against financial risk, respond to the changing need of the time in order to spot the imperfection in the market (opportunities) and take control of different markets before competitors (McDougal, 1989). ICE is about integrating innovative, proactive, and risk seeking behavior that enhance the discovering, enactment, evaluation and exploitation of opportunities that expand beyond national boundaries to actualize organizational value in the creation of new goods and services (McDougall and Oviatt, 2000; McDougall and Oviatt, 2003). Drawing from the work of Shane and Venkataraman (2000) and Zahra and Dess (2001), Zahra and George (2002) define international entrepreneurship as “the process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in the pursuit of competitive advantage”. The author highlights the interplay between entrepreneurship and firm international expansion while pointing to growth and environmental scanning as the driving force that propel ICE.
Wright and Dana (2003) identifies the sweeping wave of change driving international business which spurs corporate entrepreneurship as the collapse of nations state and the negation of the idea that stand alone firms can internalize all the value added functions within the walls of the firm management structure. In the present contemporary world where the rate of innovation takes the speed of light, firms in their quest to improve product and reduce cost, source for resources from different parts of the world. Firms combine and assemble product in locations that are cost effective for the firm and distribute to different markets with potential demand irrespective of national boundaries. Also, there is greater cultural and local market effect on the global arena today which calls for local adaptability. This can only be achieved by firm’s entrepreneurial capability to respond to different market environments (Teece, 2009).

McDougall (1989) defines international entrepreneurship as the venturing of firms into different geographical market or start-up firms which from their very beginning expand beyond their market of operation. According to the author, the industrial competition and government policies during international venturing is the factor that fosters ICE. Therefore, the institutional environment during internationalization determines firm’s level entrepreneurship. Young, Dimitratos and Dana (2003), stress on the gains of improving the field international business by providing meaningful dimension to entrepreneurial act of firms during international operations through advancing the studies of environmental aspects of international markets. These environmental aspects include the institutions that support the market, competitions with customers and other stakeholders. Firms need to network with its environment in order to be able to explore and exploit it. Scholars like Welter and Smallbone (2011) recognized that entrepreneurial activities do not take place in isolation. Rather, entrepreneurial activities should be interpreted in institutional environmental context which composes of the economic, political, and cultural environment of the market. This institutional dimension is what Chan (2010) regarded as external environment that influence firms corporate strategy. The diagram below is a proposed conceptual framework of Chain’s work on the corporate environmental pursuit by foreign firms competing in China.
This model provides useful guide in the area of the environment and its relationship to firm’s performance. The external environmental orientation not only influences the organizational corporate strategy but also, facilitates the organizational response to stakeholder demands which can be both formal and informal institutional constraints. Stakeholder environmental demand like reduction of CO2 emission can spur entrepreneurial activities within the firm and allow them to gain legitimacy which enhances their market reputation positively. Responding to environmental needs should not been seen as a constraint by firms but as an opportunity to be innovative in their operations by creating shareholders incentives. This will ultimately lead to improved and cheaper means of business operations while making the world a better place for us and for future generations. (Blowfield and Murray, 2008). In developing on the work of Covin and Slevin (1991), Zahra’s (1993) relate firm’s environmental situation to firm’s level entrepreneurship by emphasizing the importance of the environment. The author postulates that firm’s performance is related to a dynamic, hostile, and munificence environment which is a determinant of institutional context that firms face in different markets of operations. Zahra (1993) refers to hostile business environments as technologically backward and fierce competitive markets while dynamic environment was more about the constant changes in technology, competition, new product development and regulatory pol-
icities. This is in line with Chain (2010) conceptual model since Zahra’s emphasis on the nature of firm entrepreneurial behavior which are innovation, risk taking and proactiveness (Lumpkin and Dess, 1996; Dess and Lumpkin, 2005) in order for organizational strategic transformation and renewal (Zahra, 1991; Guth and Ginsberg, 1990; Zahra et. al., 1999), are influenced by environmental institutions.

This according to Welter and Smallbone (2011), can either enhance or constrain firm’s level entrepreneurship as a result of government legal and political policies. Institutions create dynamic and hostile business environment (Zahra, 1993b; Welter and Smallbone, 2011; Smallbone et.al, 2010; Mullainathan and Schnabl, 2010; Kent, 1984; Boddyewyn and Brewer, 1994) that affects firm’s strategy and performance (Chain, 2010; Zahra, 1993; Khanna and Palepu, 2006, 2010). Dynamic business environment according to Zahra’s (1993b) refers to unstable business environment which can be influenced by government policies. Dynamic business environment relates to changing institutional arrangement that involves transitional disjointed process that creates transient niches which is common in most developing and emerging economies (Welter and Smallbone, 2011). National government policies on education that emphasizes research and development (R&D) comprises of University spin-off (Miner, Eesley, Devaughn and Rura-Polley, 2001; Shane, 2003) creates a demand pull by the market through industrial growth. This can be attributed to technological processes through university spin-off. These processes create dynamism in the business arena through learning which result to knowledge generation that spurs products, process, services and organizational innovation (Abrahamson and Fairchild, 2001’ Murmann and Tushman, 2001). Also, Burton (2001) analysis of employment in start-ups reflects institutional environmental influence on corporate entrepreneurship as its affects economic activities to control the labor market. Therefore, dynamic market context as a result of institutional factors alter the dynamism that affect entrepreneurial actions which requires firms strategic response in coordinating their internal and external undertakings through adoption and adaptation to present trends (Mourdoukoutas, 1999).

On the other hand, hostile business environment according Zahra’s (1993) model on firm’s level entrepreneurship refer to the perceived unfavorable environment for business that makes firms redefine and transform their business operations to suit market situations (Makhija, 1993), decide on a new domain (Zahra, 1993a) and undertake sig-
significant alignment through divestment, retrenchment or restructuring to adapt to the negative environment. Hostile environment forces corporate executives to introduce organizational strategic renewal to realign their business through innovative ways to reduce and adapt to the negative trends and promote agile response to environmental hostility. Thus, as the environment becomes more hostile, the firms become more entrepreneurial in their action (Zahra, 1993b). This is achieved through managing the change process by learning to accept change through pain (McIlaster, 2004). Institutional problems like unstable government as a result of military coup, government protectionist policies, corruptions and ineffective judiciary can be a fundamental driver of painful change. McIlaster (2004) identifies bad, good and imposed pain which institutions and infrastructure can create. This affects firm’s entrepreneurial drive. Welter and Smallbone (2011) example of the Belarus government regulation in 1996 forced about 54 percent of the private sector to become illegal and support the idea of painful change that might result to informal business operations. It is this hostile business environment which results from institutional weakness or failure that the author of this thesis refers to as institutional void as highlighted by the following authors (Fishman and Khanna, 2004; Khanna and Palepu, 2006; Mair and Marti, 2009; Mair, Marti and Ganly, 2007; Khanna and Palepu, 2010). The following institutional factors will be considered to understand how it affects entrepreneurial activities during international operations.

2.2 Political Institutional Environment Facing Corporate Entrepreneurship

2.2.1 Political Policies

In the process of internationalization, one of the greatest challenges to firms remains how, when and where to adjust business operations to suit local environment without undermining their strategic goal and their quest for success (Daniel et. al, 2010). Government policies and the political environment affect firms operations through strategic choice. Political policies affect all sectors of a nation. Political policies can affect the health, education as well as the industrial sectors. Mullainathan and Schnabl (2010) work highlights the relationship between entry regulations and entrepreneurial activity in the study of Peru. Policies reform according to the authors reduces official corruption which increases the cost of doing business. Also, Chilton’s (1984) work emphasizes the impact of regulation on entrepreneurial actions. Kent (1984) highlights the importance
of taxation on entrepreneurial climate using the President Reagan taxation reform policies of the administration. Policies create winners and losers in the market place with political actors not always experiencing directly the effect of their policies on the market (Boddewyn and Brewer, 1994). According to MacCarthy and Attirawong (2003), firms that are expanding internationally consider government stability, structure, consistency of government policy and investment policies of different countries.

The changing political situation as evident in most developing countries of Africa through military coup affect entrepreneurial drive within these countries because most of these governments try to suppress the market system by clinging to more socialist ideas. In most cases, developing countries political policies are anti-business by favoring domestic business over foreign firms through protectionism that benefit a few at the expense of the larger society (Hubbard and Duggan, 2009; Boddewyn and Brewer, 1994). The importance of political policies for firms going global cannot be over emphasized. Political factors enhance a thriving business environment as exemplified in the BRIC (Brazil, Russia, India and China) countries in which foreign investors can exploit new markets, establish and manage their business activities in order to earn substantial profit (Daniel et. al, 2010).

Political policies influence institutions, infrastructural development and the entire macro-economic environment. Government educational policies like “no child left behind” in the United States and the “Universal basic education” in Nigeria are examples of policies government institute that has far reaching implications for filling institutional void through the development of soft infrastructure within these countries. Soft infrastructure is the institutional foundation that maintains the social, economic cultural and political aspect of a country. Furthermore, political policies help stabilize the global economy during the financial crises. Governments came to the rescue of their financial institutions in order to restore confidence in the financial sector and prevent the collapse of the market economy by formulating policies that promote financial stability and sustain economic growth (Zalewski, 1999). Political policies hinder or create a viable business opportunity for firms. It can provide opportunities through a thriving business environment that enhance easy access to markets and enabling operational environment for investors. The policies to deregulate the Nigeria communication sector create a level playing field for firms, increases FDI, increase employment opportunities for locals and al-
allows firms to compete due to liberalization of the sector (Omowunmi, Niran and Oluseyi, 2009).

Government policies through institutional reform in the area of privatization, enterprise restructuring, openness of market, financial sector reform, legal and institutional policies (Lankes and Venables, 1996) determines firms’ strategic choice and management assessment of risk and opportunities in international market operations. In international operations, firms must be attentive to the double dynamics of political policies as they attempt to fill institutional void or learn to operate within void by not only focusing on political actors as they chat a new and favorable policies to address institutional problems but also how new institutional rules are negotiated, how the new framework create new norms of appropriate behavior and create new antecedent of legitimate political intervention (Hajer, 2003).

2.2.2 Legal Practices and Policies

A country’s legal practices are the system that regulates individuals and firm’s behavior, the process of enforcing laws and the process of resolving conflict. In business environments, the legal requirement of starting a business, protecting investing, enforcing contract, registry property, dealing with permits (World Bank Doing Business Report, 2010) and all other issues that concern business operations within a country are aspects of legal process. Firms in their quest to expand to other regions and markets, evaluate a country based on the rule of law or man, if there is autonomy to challenge the establishment, how laws are developed, interpreted and enforced which determines how they conform their operations to local standards and regulations (Daniel et. al, 2010). Frye and Shleifer (1997) work on the relationship between the state and entrepreneurs in regards to legal policies implication for business analyses the “rule of man and rule of law” with the invisible hand, the helping hand and the grabbing hand. In the rule of law, law and order prevails and the judiciary resolve dispute and enforce contract. In the helping hand which is a common phenomenon with emerging economies, the rule of man prevail but to aid and promote business. State officials enforce contract and use state powers to support local business against foreign counterpart. The last is the grabbing hand which is common with countries ruled by a dictator and developing countries.
The government is above the law, it uses state power to exploit and extract rent and suppress the business that does not dance to their corrupt inclinations.

The legal system according to Daniele et al. (2010, pg 108) “establish a comprehensive set of rules that support business formation, regulate transactions, and stabilize relationships”. Managers need to understand the different laws that are applicable in the market they wish to expand into. The legal system in a country can be sharia, common, customary, civil, theocratic or mixed legal system. The World Bank doing business data highlights the legal implications for business in their international operation in terms of starting a business, enforcing contract, protecting investors, registration of business, employment regulations and dissolving business operations. Political systems within given countries explain their legal practices that firms must adhere to. The changing trend of the growing economies of emerging giant is altering the global legal environment on principles that should be a standard practice. Nevertheless, legal policies affect firm’s corporate governance, disclosure and performance within countries in regards to external financing, growth and concentration of cash flow (Durnev and Kim, 2005). Also, legal system is a key determinant of intellectual property protection in through patent and trademarks. According to Schuyler (1984), patent protection enhances the actions of entrepreneurs within nations through incentives to invent, invest in others inventions, imitating others by designing around invented work of others and informing the public about the nature of the invention. This relationship they argue is strongest within institutional void. Legal institutions are a determinant of stock market because they affect the liquidity of the market. According to Eleswarapu and Venkataraman (2006), the implication of legal institution on the stock market is reflected in firm valuation and expected return. Countries judiciary standard have great impact on trading cost. When the judicial system is effective, the trading cost of stock is lower for the particular country. The legal system also regulates the financial institutions by determining ownership of stock, partitioning of the financial institutions and institutional portfolios (Roe, 1990).
2.2.3 Political Ideology

Political ideology is a collective program of ideas, beliefs and values within a socio-political entity thus shaping individual perception on how the society ought to be. The basic belief about the world, the systematic way these beliefs are practiced within a society and their justification captures political ideological concept. Most countries have different political ideology and even within ruling political parties in the same countries. According to Dutt and Mitra (2002), government political ideology is based on the aggregate choice of constituent groups that voted them to power and equip them with political contributions as well as their belief about what is good for the country’s citizens. Rationalizing “what is good for country’s citizen’s captures the system justification theory which holds that “people are motivated to justify and rationalize the way things are, so that existing social economic, and political arrangement tends to be perceived as fair and legitimate (Jost and Hunyady, 2005; Jost et. al, 2004).

Political ideology includes the different forms of government and their economic system which makes political decisions and political economic issues to be inseparable. In the words of Nordhaus et. al, (1989, pg.1), “while political economy has increasingly concentrated upon the behavior of markets, in some areas it is impossible to ignore the interaction between economic motivation and political decisions”. The more reason firms must evaluate countries political ideology when expanding since it is blueprint on social order which affect the way entrepreneurs and firms will act. Feldman (1988) argues that people do not view the world ideologically but through policy preference, political attitudes, beliefs, performance judgments and candidate assessments. Political attitude and belief not ideology link citizens to their government and to each other in matters affecting public affairs (Feldman, 1988; McClosky and Zeller, 1984).

For the purpose of this work, political ideology includes both political attitudes, belief, values and norms. Though in most developing countries, citizens are less concerned about ideological difference but care more about policy preference and performance that will positively affect their lives by creating jobs, increase income and improve their standard of living. The focus of political ideology is based on the different perceptions on how the market system should work and the different beliefs held in support of each ideology (Jost and Hunyady, 2005). The role of government in the market and citizen
support especially in a pluralistic society explains the different forms of political ideology which business management must understand to be able to explain the implications of the dynamic interplay and its effect on firm operations (Daniel et al., 2010). The main extremes are capitalism, socialism, democracy and totalitarianism which are central to the concept of individualism and collectivism. Though, Jost and Hunyady (2005) use ten different ideologies to explain their work, they all center on the relationship between opportunity, economic interest and freedom (Feldman, 1988).

Political ideologies according to Hubbard and Duggan (2009) affect entrepreneurial activities when government interferes with the market by acting as the invisible hand instead of allowing the market to function under the law of supply and demand. The author’s emphasize that the socialist doctrine of collectivism in Eastern Europe and most part of Africa acted as anti business and suppress the entrepreneurial spirit of Africans, Soviet republic and their allies. After independence, most African leaders were scared about capitalism and thus, embraced National Socialism in which the state not the individual controls the means of production. Government claims to intervene in market situations for the benefit of the general public.

On the other hand, the capitalist doctrine of individualism correspond to what Feldman (1988) refers to as economic individualism, equality of opportunity and the free enterprise system. Even within the free market, entrepreneurial firms must be aware of the different groups (liberals, conservative, radical and reactionary) in their country of operations. Feldman (1988) ideas on economic individualism is about how people through hard work can get ahead on their own, equality of opportunity refers to the right to aspire or pursue opportunities regardless of social status while free enterprise system refers to the absence of government in market system. In international business, entrepreneurial firms must be able to strategically position the firm to operate under different ideological spectrum by resolving the conflict between political cultures of achievement and equality, capitalism and democracy or freedom and equality (Feldman and Zaller, 1992).
2.2.4 Political Risk

The management of firm is interdependent between the firm’s internal business units and its external environment. This interdependence is more important in international operations of firm’s due to the uncertain environmental variables that reduce firm’s performance and the lack of predictability of outcome (Miller, 1992). These uncertain and unanticipated business environments portend risk for firms especially when it involves a country’s stability, government policies or organs of government (Busse and Carsten, 2007). When these situations affect investment returns, it is referred to as political risk. Miller (1992), views political risk as environmental uncertainty that involves political, government policy, macro-economic and social uncertainty which includes war, revolution, coup d’état, democratic changes in government political turmoil, fiscal and monetary reforms, price control, trade restrictions, nationalization, government regulations, barriers to earnings repatriation, foreign exchange rates, terms of trade, inflation and interest rates, social unrest, riots and small-scale terrorist movements.

In the work of Kobrin (1979), Weston and Sorge’s define political risk “as government interference with private investment by preventing business transactions, or change the terms of agreements, or cause the confiscation of wholly or partially foreign owned business property. It is also viewed as an environmental unstable factor that imposes constraint on firms operations through expropriation, discriminatory taxation and public sector competition (Kobrin, 1979; Fitzpatrick, 1983). Robock and Simmends (1973) holds that in international business, political risk exists when discontinuities occur in the business environment, when they are difficult to anticipate and when they result from political changes that has a significant impact on profit and other performance metrics (Clark, 1997). Fitzpatrick (1983) uses four operational definitions to explain political risk. The first views political risk as, events that constraints firms operations which include, expropriation, restrictions on remittance of profits, discriminatory taxation and public sector competition. The second is based on the notion that government interference in business produces negative effect. Political risk according to the third operational definition occurs through discontinuities, which are difficult to anticipate in the business environment as a result of political change that has potential impact on firms profit and corporate objectives (Clark, 1997) and lastly, political risk is conceptualized as a general change in the environment.
Fitzpatrick (1983) provides a web of direct and indirect relationship through synergetic understanding of political risk in both international and domestic business environment by focusing on the interplay between vested interest groups. For Simon (1984), during international operations, the firm is integrated into the global environment in which host and home country operate by being involved in both the political, social and economic environment. The case of Venezuela petroleum industry is a good example (Makhija, 1993).

Since political risk is associated with a firm’s external environment, corporate executives should carefully analyze and evaluate these risks to better understand the general political process, the political environment in the country in question and the potential impact of polices upon the firm’s operation (Kobrin, 1979). Analyzing risk on return on investment due to political changes or instability is to anticipate intervention by creating shock absorber into firm’s operations by preventing or adjusting the firm strategically through planning (Makhija, 1993). Managers are faced with different complexities in international business operations as political risks differs with nations on how they affect market stability but still, these political risk possess potential for additional return to firms since competitions will be very low in these market and a multifaceted strategy of international diversification provides high reward in a politically risky environment (Ellstrand et.al, 2002).

Despite developing countries institutional void in the area of political risk, Cosset and Suret (1995) contend that investment in politically risk markets might provide returns that outweigh the risk by strategically aligning the firm to its uncertain environment (Miller, 1992).

2.2.5 National Integration and Cooperation

Economic integration and cooperation is the relationship among nations to facilitate trade by eliminating barriers such as paying of taxes, tariffs, fees and other expenses which will provide incentives to trading partners. Integration and cooperation can generally be bilateral, regional or multilateral and includes the use of free trade zones, regional trade agreement, preferential trade agreement and free trade agreement and also the integration of both economic and monetary policies of countries. The state of the nation’s economy influences political decisions of policy makers in order to remain in
office by concerning themselves with economic growth, employment, inflation and market stability. Therefore, policy decisions of cross national convergence will be dependent on the degree of a nation’s economic openness (Milner, 1998). It is about economic and political integration between countries and the global economy which is directly correlated by the multilateral organization to promote economic growth and positive welfare effect (Rodriguez and Rodrick, 2000). But they warn that this positive relationship should not be over stated.

Economic integration and cooperation are the multilateral, bilateral or regional policy convergence through binding legal agreement freely negotiated by all the nations involved aimed at harmonizing cross-national policies for effective trade liberalization (Knill, 2005). These convergence involves, single standard of products, elimination of tariffs, duties, fees and any kind of national discrimination, the prohibition of export subsidies (except for agricultural products) and establishing a uniform procedure to value imports for assessing duties.

In the global political arena, multilateral organization like the World trade organization (WTO) continues to be faced with incessant problems due to the interest of too many nations. From 2001 to date, the Doha round (WTO negotiation establishment) has not been able to find a common ground between developed countries on one hand and developing countries on the other. Also, the increasing use of protectionism by countries with the argument of saving their economy from collapse and not losing market share (Daniel et al., 2010) lead to dispute which in most situations cannot be resolved by multilateral organizations. The problems associated with multilateral agreement gave rise to bilateral and regional economic cooperation.

Bilateral agreement which is a preferential trade agreements (PTA) or free trade agreements (FTA) involves two nations or a nation with other nations in a regional bloc. While regional agreement and cooperation involves countries geographically located close to each other, regional cooperation through geographical proximity is what Coreman and Underhill (1998) regard as the starting point of global economic integration. Unlike the multilateral agreement, bilateral and regional agreement not only reduces or eliminates tariffs and other borders restrictions which add to firms operating cost but it fosters a deeper integration of institutional factors through coordination, liberalization
and harmonization of other regulatory policies (environmental, labor, investment codes, regulatory regimes, competition etc) that help promote investment and economic growth (Panagariya, 2005; Sampson and Woolcock, 2003). The implication of deeper integration is the focus of this study which is how economic integration and corporation enhance or facilitate business operation. Sampson and Woolcock (2003) hold that deeper integration shifts the issue from border restrictions to institutional framework that promotes the efficient working of a free market economy. This is achieved through advancing a regulatory framework for member nations that will be attractive to private sector investors. The case of Turkey’s pending membership of the EU captures the argument.

The benefit that accrues from integration and coordination according to Das (2004) depends on the economic development of the partner nations. The author viewed developing integration as problematic without any economic benefit. But the positive effect of free trade agreement (FTA) which help to expand the market coverage of firms as country lower their trade barriers or eliminate them cannot be based on only RTA in the developed countries (Hanson, 1998). Integration and cooperation shift resources between industries and regions by favoring the frontier regions industries positively (Ottaviona and Puga, 1998; Brown et. al, 2007; Hanson, 1996; Hanson, 1998) but also, this can shift labor from area of low wage to higher wage which can lead to immigration problems. Brown et al. (2007) use the case of NAFTA to view this labor mobility scenario and propose that it will balance out in the long run due to international specialization.

2.3 Economic Institutional Environment Facing International Corporate Entrepreneurship

In international business operations, entrepreneurial firms concern themselves with understanding, anticipating and adapting to the different market situation in which they operate. Firms analyze economic environment through changes in different countries in which they compete and those in which they do not. Firms monitor different countries economic performance improvement or their revised policies. Economic environment factors that affect firms are its features and forces which include income, purchasing power, market size, market types, economic freedom, price stability, capital markets and factor endowments.
2.3.1 National Income

Firms evaluate how a nation’s total economy is distributed among its population. Though, every nation has income inequality, but for the developed countries, the gap is not as wide as that of developing or transition economies. Income distribution affects aggregate demand (Galor and Zeira, 1993) that is the more reason it is of outmost importance to firms. Also, despite affecting aggregate demand, it has a relationship with political stability. In the studies of Alesina and Perotti (1996), income inequality leads to the likelihood of social strife and policy uncertainty. Both authors drew a link between income inequality, capital accumulation, political instability and economic growth as exemplified in most developing African nations.

National income is connected to national saving, investment and economic growth. When income is very low, aggregate demand and savings will be low which will adversely affect investment and economic growth. Using the Keynesian concepts, Pasinetti (1969) studies highlight the relationship between income, investment, consumption and savings. Income distribution determines firm’s strategic decisions in regards to market segment. Focusing on market segment is based on price, quality and features which income plays a key role. Firms may decide to focus their business to different consumers in regards to their income. Should productions be for those at the bottom, the lower-middle-class consumer or for the affluent in the society? The answers to these questions for an entrepreneurial firm are their strategic analysis of national income distribution and the demographic size of those within these income brackets. Thus, in international operations, firms exploit opportunities through the knowledge of different market size, the living standard of the people, the cost of living and wage rate, growth rate, and sustainability of the economy (Daniel et al., 2010).

2.3.2 Purchasing Power Parity

The rate of price difference in different countries can provide opportunities for firms as well as threats. Purchasing power parity means that the exchange rate between two countries should equal the ratio of the two countries price level of a fixed basket of goods and services. This means that exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries. Using a monopolistic firm in a competitive industry, Giovannin (1988) pointed out that the issue
of one price will be affected by the exchange rate uncertainty, different currencies expectation and the instability of price which is due to domestic policies. Countries' rate of inflation leads to increase in domestic price due to inflation, meaning that they must depreciate their exchange rate to be able to balance out. The purchasing power parity reflects a free market economy or a government controlled economy. In a free market economy, competition will balance the price of identical goods. Entrepreneurial firms evaluate prospective markets especially in emerging and developing countries based on the local purchasing power and income in the country which explains consumer’s propensity to consume.

2.3.3 Exchange Rate

*Does the market drive exchange rates, or does the government control them? If it’s the latter, does the government try to maintain a stable exchange rate, or does it try to favor domestic products over imports by propping up the local currency? (Khanna and Pelepu, 2010, p.49).*

Exchange rate is the conversion of one currency to another for business purposes in this context. It is influenced by the rate of inflation, interest rate and other variables like the economic and political state of a nation. In international business expansion, firms consider the institutional aspect of exchange rate of the country they wish to venture or in which they operate. Institutionally, corporate executives analyze if a country's currency is allowed to float freely, fixed or if it is pegged to other currency or to some kind of standard or basket and also what role does government play in the market through intervention? According to Daniel et. al (2010), floating exchange rates are flexible currency arrangements that fluctuate according to the forces of the market though, there can be minimal intervention due to economic circumstances. They are the crawling pegs, managed float and independently floating currencies while pegged currencies are those that are fixed and controlled by the institution of the state instead of the market.

The present currency debate between China on the one hand and the rest of the developed countries on the other hand is about currency manipulation in regards to favorable competitive advantage in international trade and for the aim of avoiding effective balance of payment adjustment (Frenkel and Wei, 2007). The issue is mainly about China surplus in current account and its total balance of payment against other countries defi-
cit especially the US which plays the leading role in criticizing China. China they say is undervaluing its currency to favor their exported goods relative to other countries. The case of China is similar to other countries but China’s global competitive role make the Chinese renminbi an issue of global importance.

The issue of exchange rate requires fundamental analysis for entrepreneurial firms operating in countries where the currency market does not operate freely based on the market forces. In regards to this, corporate executives must probe if “currency appears undervalued or over valued in terms of purchasing power parity, the balance of payment, foreign-exchange reserves, or other factors, what is the cyclical situation in terms of employment, growth, savings, investment and inflation and lastly, what are the prospects for government monetary, fiscal and debt policy” (Daniel et al, 2010 pg. 379). Thus, in international operations firms must understand how exchange rates are determined because it affects production, marketing, and other financial decisions of the firm by analyzing market information and confidence of the currency.

Exchange rates determine firms demand at home and abroad by creating opportunities for firms as well as negative effects. It affects production decisions of firms by locating their manufacturing industry in a country where their currency is losing value. This fact is highlighted by the Congressional Research Service report on China currency which traces the fall of US global deficit from East Asian countries from 51% to 17% over 12 years period as a result of firms in that region relocating to China because of their currency advantage in global trade (Eernisse and Meehan, 2008). Exchange rates affect financial decisions because of its effect on firms income and how its volatility can influence reporting of financial result, the remittance of funds across borders, where financial resource are sourced from (Daniels et al, 2010) and also its impact on the returns on firms stock (Bartov et al., 1996).
2.3.4 **Financial Market Development:**

An efficient financial sector allocates the resources saved by a nation’s citizens, as well as those entering the economy from abroad, to their most productive uses. It channels resources to those entrepreneurial or investment projects with the highest expected rates of return rather than to the politically connected (Schwab, 2010, pg.7)

The aspect of using resources to finance the effective utilization of the labor force is possible through the relationship between income, savings and investment (Boskin, 1984) which is the ultimate concern of the financial sector in every economy. In regards to spotting opportunities globally through expanding into other markets, firms access market based on the availability and affordability of financial services. Financial services are those services provided by financial institutions which include banking services, investment services, insurance services, foreign exchange services, intermediary and advisory services and well as refinancing, private equity and venture capitalist. The financial sector is concerned about propelling the wheel of economic growth through the availability of capital or credit. The institution is concerned with the availability and affordability of financial services, the ease of access loans, financing through local equity market, venture capital availability, restriction on capital flows, soundness of banks, regulation of securities and legal rights index (Schwab, 2010).

The institutional measure of financial market development is credit information and legal right that will enhance borrowing and lending. These institutions and its system facilitate access to finance and its allocation in regards to assisting creditors in assessing the creditworthiness of their client and how collateral and bankruptcy laws can facilitate lending and borrowing in secured transactions (World Bank Doing Business, 2010). Providing credit information through acting as information analyzers portends great opportunities for firms to exploit (Khanna and Palepu, 2010) by providing client credit histories which assist the executives in assessing borrowing and mitigating against risk. Information asymmetry assists investment banks to evaluate entrepreneur’s projects and reports to investors for some economic returns (Chemmanur and Fulghieri, 1997).
World Bank Doing Business (Data on Getting Credit)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>89</td>
<td>87</td>
</tr>
<tr>
<td>Cameroun</td>
<td>138</td>
<td>135</td>
</tr>
<tr>
<td>Canada</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>China</td>
<td>65</td>
<td>61</td>
</tr>
<tr>
<td>Nigeria</td>
<td>89</td>
<td>87</td>
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<tr>
<td>Sweden</td>
<td>72</td>
<td>69</td>
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</tbody>
</table>

The GCR (Global Competitiveness Report) is used by the World Economic Forum to compare countries based on 12 pillars that represent countries institutions, policies and structure which are the hallmark of economic growth and global competitiveness (Kigkundu, 2008). The focus here is on the eight (8th) pillars which are concerned about the financial institution and its relationship to business operations. The table shows the rankings of different financial variables for countries in developed (Canada and Sweden), emerging (Brazil and China) and developing economies (Nigeria and Cameroun). This is in regards to access to getting credit and reliable credit information that ease business.

Financial Market Development

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>Sweden</th>
<th>Brazil</th>
<th>China</th>
<th>Nigeria</th>
<th>Cameroun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Financial Services</td>
<td>2</td>
<td>6</td>
<td>27</td>
<td>71</td>
<td>90</td>
<td>127</td>
</tr>
<tr>
<td>Availability of Financial Services</td>
<td>14</td>
<td>12</td>
<td>52</td>
<td>44</td>
<td>84</td>
<td>127</td>
</tr>
<tr>
<td>Financing through Local Equity Market</td>
<td>8</td>
<td>20</td>
<td>45</td>
<td>52</td>
<td>40</td>
<td>88</td>
</tr>
<tr>
<td>Ease of Access to Loans</td>
<td>24</td>
<td>11</td>
<td>65</td>
<td>51</td>
<td>126</td>
<td>132</td>
</tr>
<tr>
<td>Venture Capital Availability</td>
<td>19</td>
<td>7</td>
<td>60</td>
<td>27</td>
<td>120</td>
<td>128</td>
</tr>
<tr>
<td>Restriction on Capital Flow</td>
<td>39</td>
<td>4</td>
<td>73</td>
<td>123</td>
<td>89</td>
<td>100</td>
</tr>
<tr>
<td>Sound of Banks</td>
<td>1</td>
<td>26</td>
<td>14</td>
<td>60</td>
<td>122</td>
<td>84</td>
</tr>
</tbody>
</table>

Source: Global Competitiveness Report, 2010-2011
There is a sharp contrast between Canada/Sweden and Nigeria/Cameroun. The emerging economies are in the middle trying to reform their financial institutions to attract investors. Cameroun and Nigeria rank the highest for ease of access to loans due to poor reference system to analyzing information in the country and the problem of collateral which most entrepreneur’s lack. These data reflect the development of the financial sector of each of these countries. Emerging and developing economies are faced with the task of reforming their institutions for efficient operation of the market.

2.4 Cultural Environment Facing International CE

Firms expanding their business internationally must not just consider their financial capabilities and technological expertise but their sensitivity and responsiveness to a cultural environment that is different from the home culture. Tylor (1871, 1) as quoted by Ferraro (2002) define culture as “that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society”. Therefore, the author regard culture as inseparable from man and thus, a determinant of firm’s practices in regards to business management, negotiations, marketing and consumption. According to Daniel et al. (2010), business does not operate in isolation but involve people in a society, “those that the firm must sell to, source raw material from, owned by someone or different people and regulated by people” (pg .49). The authors stated that the cultural ingredient affecting business includes the people, the religion and language as both diffuser and stabilizer of culture, social stratification, risk aversion, work motivation, communication and information processing, social status and stratification, ability for people to adjust in different cultures and the degree of cultural differences. There is always the erroneous assumption of a universal concept of culture that is, success or failure in the home market means that it will be the same in other markets (Ferraro, 2002).

Culture in this context expands beyond the individual and organizations by using the nation as a reference point. National culture affects socio-economic and political core belief that helps to form attitude in individual (Solomon, 2009). Hofstede (1994) views on culture are that during international business, it is a given fact for management and its differences must be handled along side with organizational culture so as to unify the organization across different borders. According to McClosky and Zellers (1984), culture
is a shared belief, norms and values that are central to societal life (Feldman, 1988). Jost and Hunyady (2005), ten ideological concepts reflect core belief in society. Examples are the protestant work ethics that stress hard work as a virtue and moral responsibility, the power distance that is common in most developing countries that regard inequality as a desirable, natural, acceptable and legitimate social order and the social dominance orientation which is about superiority of some group to others.

The recent interconnectedness of the global economy has given rise to the awareness of culture in business. Corporate firms evaluate different national culture in their international expansion by analyzing various national cultures and how to adapt. Luthans et.al (2000) work on developing economies use Russia culture to highlight the negative effect of culture on entrepreneurial development through their non savings culture which is a result of long period of government social safety program. The political conservatism (Felman, 1988) culture has led to the employment security that is related to low productivity with moderate social benefits. Rajkamal and Antoinette (2010) highlighted the relationship of culture and entrepreneurship by studying three different community’s business norms, shared values and beliefs in India. They are the Andhraites, Marwaris and Tamilians communities. The authors noticed that entrepreneurs from different communities differ in their approach to business and negotiations. Using the whole market for pens, the Marwaris were observed to start negotiations with a lower price which results in lower price outcomes compared to the two other communities. This is a general entrepreneurial ability to forgo current profit for future profit through building strong business relationship and network that will enhance the company’s market performance in the long run.

Morosini et. al (1998) studies of national cultural distance and the performance of cross-border acquisition gives an understanding of the importance of culture in international business expansion. In cross border acquisition which is a strategic mode of entry into new market, the author’s espoused the concept of national culture through distance in the norms, routines and repertoires in an acquired firm in regards to organizational structure, development of new product and other management practices. In post acquisition, particular routines and repertoires are very important and the variation across countries and the national culture distance between countries are very significant. Routine and repertoires are reliant on the cultural and institutional environment as the firms
operate in different and specific market environment which influences and relate to their innovative effectiveness, degree of entrepreneurship, decision making practices and the power and control structures of an organization. This is in line with Saka-Helmhout (2010) which emphasize on the relationship between national institutions and new knowledge acquisition as a result of routine-based organizational learning.

The authors stress that different national culture exhibit routine such as the process of innovation, invention, stakeholder relationship, strategies, decision making practices and structures which are different across culture and are influenced by the institutional environment in which they operate. The deep seated routine and repertoires of firms are traced to national culture and they provide sustainable competitive advantages to firms and also enhance the performance of acquired firm in another country through interaction and learning from each other at various operating levels and through specialization. On the other hand, national culture through routine and repertories can also hold down the firm innovation and inventive development by making the firm operating structure and process to be difficult in replicating in other national culture.

Focusing on the effect of cultural distance on firms operations and performances during international expansion, Tihanyi et. al (2005) work points to the difficult burden of firms in adapting to local cultural value in their expansion to new market which are embedded and transmitted through nation’s institutions like the political economy, education, religion and language. This may create additional operating difficulty to firms as they affect business in particular locality. Cultural differences increase the operating cost of entering new markets, limit the operational benefits that should accrue to the firm and hinders the transfer of core competencies to other foreign markets. The authors used cultural distance to explain different strategies and organizational approach and choice to enter different markets, to diversify business operation during international expansion and how to manage the firm’s different subsidiaries. The studies by Tihanyi et. al (2005) found that there is a relationship between cultural distance and international diversification through firm’s expansion into different emerging and transition market. Also, there is a relationship between firms operating in similar institutional developed and culturally diverse countries to diversification and performance.
Wilkinson (1996) used the concept of culture and institution to explain the business development of East Asia economy by stressing the role of the Confucianism religion. To some scholars, business began to flourish when shed off their religious ideas of the Confucianism. But the author views the work of other scholar’s in support of the Confucianism by using the five human relationship principles which help to guide the society life. The five human relationship are “the father should have a deep love of the son, who should display filial piety; the ruler should act benevolently towards the minister, who should be loyal; the husband should act righteously towards the wife, who in return should be submissive; elders should display kindness towards juniors, who should behave deferentially; and friends should act with fidelity towards each other”. These five principles are analyzed as the driving force for Asian business development since they act as corporate culture for industry that enhance firm’s competitiveness through collectivist orientation. Loyalty to rulers is extended to the company’s loyalty; trustworthiness among friends becomes corporations that enhance team work in organizations while the junior- senior relationship creates a conducive atmosphere of hierarchy acceptance.

2.5 Infrastructure

Infrastructure refers to the basic underlying structures both physical and organizational framework that is required for the effective operation of a society, its enterprises and other necessary services that enhances a nation’s economy. They are capital goods that cannot be consumed directly and combined with labor and capital provides services that facilitate business (Prud’Homme, 2005). It’s importance cuts across all aspects of societal life by improving the quality of labor force which help to enhance productivity, lower the cost of business and productivity, market expansion which ultimately lead to competition, specialization, economies of scale and a general improvement in the welfare of society (Prud’Homme, 2005; Calderon, 2004; Van de Ven, 1993). Infrastructure according to Khanna and Pelepu (2010) refers to those fundamental facilities that support an economy to function properly which include roads, bridges, refineries, energy, water services, and security services among others. Structures such as roads facilitate transportation of goods to the market, raw materials to industry and people from place to place in search of opportunities and for other purposes. The authors stress the importance of both hard and soft infrastructure as the backbone of every striving business en-
vironment and their absence as a means for firms to improvise alternatives or adapt to what is available within the market context.

Economic development and growth is dependent on the quality and quantity of infrastructure. Efficient and effective infrastructure enhance the proper functioning of the product, labor, and capital markets, reduce the impact of distance on firms, assist in the integration of all the necessary ingredient of decision making through effective communication which enhance economic development and growth (Khanna and Palepu, 2002, Schwab, 2010). Analyzing more than 100 countries, Calderon and Serven (2004) found that infrastructural development both leads to economic growth as well as lower income inequalities resulting in potential reduction of poverty.

Infrastructural development should be the first priority for developing economies which can be financed both by private and public sector since it will lead to win-win situations for all stakeholders and the society at large. Roller and Wavernman (2001) work support the idea that infrastructural development enhances economic growth and development. By investigating on the impact of telecommunication infrastructure on economic growth found that the creation of information superhighway has a spillover effect that has affected every segment of society positively. From health care, the business sector, educational sector to national defense and so on. The development of the infrastructure in the telecom industry increases the demand for other goods and services and reduced the cost of coordinating business activities through reduction of the cost of information gathering, ordering and services search. Also, the authors stress the importance to the improvement of firm’s capabilities. Effective communication bridge distance between management teams in different locations and enhance the firm’s ability to engage in innovative product through the integration of customers, suppliers and other stakeholders. They highlight the network of externalities which is about the more the users the more the value that will be derived. This captures Moore’s and Metcalfe laws (Ungson and Wong, 2008).

Despite the potential of infrastructure to economic growth and development, Prud’Homme (2005) emphasizes the characteristics of infrastructure that is related to market failure. The traditional form of public goods (infrastructure) provision, that reduces cost through its network of externalities provide rational for government monopo-
lies. The role of government monopolies has failed in most developing countries or their services are insufficient and unreliable. Fishman and Khanna (2004) work support the failure of the public sector in the provision of infrastructure services. Analyzing the World Bank study, they found that the Nigeria telecommunication industry controlled by the government was in a complete sham which made firms to purchase alternative communication facilities. Also, the study exposes the bastardized power sector in which government has total control. They found that 92% of Nigeria manufacturing firms owned and use electricity generators which increases the cost of production and general cost of doing business.

Government constrains in the provision of infrastructure which is very important for economic development and growth has lead to government partnership with the private sector. Kumaraswamy and Zhang (2001) focus on this aspect of public and private partnership for infrastructural development through the B-O-T (Build-Operate-Transfer). The authors point that the driving force behind this is the global trend towards privatization and also the interdependence and corporation between the public and private sector. Focusing on developing countries, the authors state the importance of B-O-T as reliable means for providing infrastructure but only when government can create the enabling business environment that can foster trust and operational effectiveness. They stress the importance of the institutional factors which constitute soft infrastructure as a determinant for both success and failure of infrastructural development. By focusing on the environment, Van de Ven (1993) stresses the need for macro-perspective of institutional development (soft infrastructure) as the determinant of entrepreneurship. The author focuses on the development of entrepreneurship which is the engine of economic growth through proprietary functions which is about the development of knowledge base necessary for entrepreneurial action. This drives firms to innovate, improve on product and services, invent new product and technology, expand and create new markets (Prud’Homme, 2005). Also, they emphasize on the importance of the development of resource endowments that constitute the soft infrastructure responsible for regulating, standardizing and legitimizing societal and industrial activities. Thus, infrastructure can both promote and inhibit entrepreneurial development and national growth.
2.6 How Institutional Void Influence ICE

“Institutional voids can even derail businesses, as illustrated by the challenges faced by software, film, publishing, and other companies operating in emerging markets such as China, that have underdeveloped intellectual property rights regimes. For domestic firms, institutional voids can frustrate attempts to get off the ground, raise capital, hire employees, and later, match the resources and capabilities of foreign-based multinationals entering their home market” (Khanna and Palepu, 2010. Pg. 53)

As firms expand to new markets internationally, they are faced with institutions that are different from host country. This poses great problems for firms especially those operating in developed countries expanding to developing economies where some institutional corrupt practices are not viewed as crime but normal way of life. According to Chao and Kumar (2010) the difference between countries institutions is regarded as institutional distance. It is the similarity and difference between countries regulatory, cognitive and normative institutions that defines countries business environment and entrepreneurial behaviour (Welter and Smallbone, 2011; DiMaggio and Powell, 1993; Scott, 1995).


The major factor affecting firms in their international exploit are regulatory distance which is the difference in legal and political climate of both host and home countries. On the other hand, normative distance can pose serious problems to firms during their early stages of internationalization and subsequently through learning; firms transform their normative difference between home and host countries into innovation which enhances their chances of adaptability in foreign environment (Chao and Kumar, 2010).
The work of Mair et. al. (2007), explains the relationship between the institutions and the proper functioning of the market with institutions as the share conception and constraint that shape the way society functions. That is, the “do’s and don’ts” which act as the general way of social interaction and human behavior which include the coordination of business. Institutional void therefore, is the absence or weakness of institutions that support the market economy (Mair et al., 2007). According to Khanna and Palepu (2010), institutional void arises when specialized intermediaries that come in between business actors to reduce transaction cost are not present. Using the declining Roman Empire to illustrate how institutional void affect transaction cost, North (1987) supported the above definition by pointing out that the disappearance of a unified political system due to the fall of the empire affected transaction because there was no effective means of enforcing rules and regulations. By explaining institutional void to include those intermediaries that facilitate business transactions (Mair et al., 2007; Khanna and Palepu, 2010; Khanna et al., 1999), institutional deficiencies will be referred to as institutional void in this work.

Institutional void is referred to as an emerging or developing market phenomenon but recent global event shows that developed market institutions can also fail. Institutional void poses great problems for firm while within every nation, there must be some who benefit from these void and want the market system to keep operating the way it is. Despite the institutional problems of developing countries, firms with foresight still continue to exploit and explore developing countries markets. This process of inter-relationship between these firm expanding and operating in market with institutional void help to transform resources and pre-existing institutions to a new informal mechanism that support the market (Mair et al., 2007).

Entrepreneurs usually responded to the formal institutional void by depending on informal institutions for corporate objectives (Puffer, McCarthy and Boisot, 2009). This was the case of entrepreneurs in China and Russia who depended on the traditional practices of blat/guanxi and trust (Puffer et al.2009). It is the act of reciprocating favors of access to market requirement. Blat which is a common practice in the former soviet countries refers to the network of relationships that provide access to public resources and a state system of privilege through personal channels. On the other hand, guanxi is the Chinese word for relationship network based and connection that trade helps to faci-
litate. This informal institution does not act as deviation from entrepreneurship but as a critical adaption to market forces when practiced within the boundaries of ethical and legal dimension. Though formal institutional void create hostile environment that is characterized by risk and uncertainty they also serve as stimulus to entrepreneurs in emerging economy to be constantly creative in their pursuit of opportunities within the dynamic environment. The dependence on informal institutional network of trust, blat and guanxi will dominate the entrepreneurial actions in both Russia and China for as long as the institution continue to hinders smooth operations of the market. But entrepreneurs can act as a potential driving force in changing the business culture of these and other emerging economies environment.

Entrepreneurial actions within firms are also determined by the legal institutional environment in which firms operate. A deficient legal business environment is characterized by corruption and bureaucratic inefficiency (Anokhin and Schulze, 2009). When the rules that support business formation, transaction, regulation and relationships (Daniel et.al., 2010) are weak, entrepreneurs will be in a dilemma on the best strategic option to exploit. (Daniel et. al, 2010). This kind of market situation is characterized by the rule of man and the grabbing hand (Frye and Shleifer, 1997). Corruption increases the cost of transaction and “undermines the foundations of institutional trust that are needed for the development of trade and entrepreneurial and innovative activity (Anokhin and Schulze, 2009). Without appropriate legal framework work that protect investors and law enforcement agencies that helps to protect and guide against corrupt practices, there will continue to be disincentive to invest in innovation and other entrepreneurial activities.

Khwaja and Mian, (2005) work address the issue of institutional void by evaluating the economic cost of political influence on the banking system. Analyzing the Pakistanis banking sector, the authors exposes the weak banking institution by identifying that banks with political influence loan 45 percent more with higher default rates of about 50 percent. The strength of politicians and the political party in power determines access to finance in government banks. This work reflects the dynamics of political environment in relations to the functioning of the financial business operations. This gives rise to corruption in government banks as politicians and government apparatus protect corrupt
corporate executives. In government banks, political connection influence promotion and other gratification which hinders oversight and proper functioning of the market.

The relationship between institutional void and entrepreneurs give room for best practices and improved business performance. The case of Chinese state-owned enterprises in which there is a lack of ownership in the proper management of state owned assets (Ma, Yao and Xi, 2006). This is a common phenomenon with most developing and emerging economies. As they tried to move to a market system, business group affiliation provides the right balance and bridge of the institutional void that is created due to the lack of specified corporate body responsible for Chinese state-owned enterprises. Business affiliation is assumed to be a response to market failure and associated cost which helps to fill institutional void in emerging economies by providing the necessary mechanism to monitor and supervise firms they are affiliated with (Ma et al., 2006).

The gradual reform of developing countries economic and political policies combined with globalization and economic liberalization has allowed emerging economies firms to become competitive with their developed countries counterpart. According to Yiu, Lau and Bruton (2007), response to the harsh environment in regards to institutional void in the form of ownership advantage, network ties, and constant entrepreneurial transformation and renewal (Burns, 2008), will increase the likelihood for emerging and developing economies firms to become globally competitive players in their industry. This is supported by Mair and Marti (2009) who states that by “making do with whatever is at hand” stimulate a process of change through entrepreneurial sensemaking of the environment which drives creativity and innovation. By employing the concept of institutional entrepreneurship, Mair and Marti (2009) emphasize entrepreneur’s exploit of opportunities within their social, political and institutional deprived environment for strategic performance.

The above mentioned institutional factors and problems creates an evolving and dynamic market space that affect firms operations and strategic decisions requiring organizational renewal and strategic transformation (see Zahra, Nielsen and Bogner, 1999; Burns, 2008) to adapt to the context of the market. This is achieved by developing and deploing the firm’s capability and competence through learning that enhance the firm’s knowledge base.
2.7 Strategic Responds to Institutional Void

Institutional void provides great challenges to business and it requires specialized knowledge and skills to operate within its context. These voids represent source of opportunities for entrepreneurial firms as they exploit different market. Institutional void is regarded as market failure and concerns both political and economic policies of government (Khanna and Pelepu, 2010). But to authors like Barney (1986), environmental institutions are less important to firm performance. The author suggests that in regards to strategic choice, firm’s competence and capability are more vital to performance. In regards to these environmental institutional problems, firms must blend their internal competence with environmental factors to achieve desired objective. Firm’s competence and capability can be enhanced through constant learning from market environment.

2.7.1 ICE Organizational Learning, Knowledge and Implementation

According to Zahra (2004), knowledge generation and integration becomes a necessity for competence development which defines firms within an industry in a global market arena (Zahra, 2004). The work of Dess, Ireland, Zahra, Floyd, Janney and Lane (2003), emphasizes that when firm’s are exposed to new and diverse stimuli (e.g expanding into new market), there is always the tendency to question existing belief, practices and assumptions of firm’s practices which help to engineer new experimentation.

<table>
<thead>
<tr>
<th>Corporate Entrepreneurship</th>
<th>Organizational Learning</th>
<th>New Knowledge Components</th>
<th>Implementation Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sustained Regeneration</td>
<td>• Acquisitive Learning</td>
<td>• Technical</td>
<td>• Leveraging Knowledge</td>
</tr>
<tr>
<td>• Organization Rejuvenation</td>
<td>• Experimental Learning</td>
<td>• Specialized</td>
<td>• Recombine and Extending Knowledge</td>
</tr>
<tr>
<td>• Strategic Renewal</td>
<td></td>
<td>• Integrative</td>
<td>• Importing new Knowledge to value creating activates.</td>
</tr>
<tr>
<td>• Domain Redefinition</td>
<td></td>
<td>• Exploitative</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Use</td>
<td></td>
</tr>
</tbody>
</table>

Source: Dess et al. (2003)

The view that organizational learning is important for knowledge exploitation and creation necessitate firm’s product, process and organizational innovation. Dess et al. (2003) work on knowledge generation is explained through four types of CE as depicted by the Figure above. They developed an inter-relationship between CE, organizational learning, knowledge generation and its implementation. The four types of CE promote orga-
nizational learning through acquisition and experimentation that support technical, integrative and exploitative knowledge development that promote firm performance through capacity building. Thus, CE fosters learning and knowledge generation from both internal and external environment to promote firms innovativeness and competitiveness in the market. It is the application of these postures to geographical exploration and expansion that unfold ICE.

The dynamic hostile environment as a result of institutional void makes firms deplore their dynamic capability and competence which is constantly developed as they face new challenges in markets that are different from home markets. During internationalization, core capability unlike dynamic capability hinders the firm entrepreneurial activities due to its core rigidity as a result of deeply seated values that suppress innovation (Leonard-Barton, 1992). Dynamic capability shape, reshape, configure and reconfigure assets in response to changing market situations and technology which cannot be copied or imitated by other firms (Teece, 2009). It is the mechanism for adapt to changing environmental circumstances through exploring and exploiting the internal and external competence of the firm.

Relying on Collis (1994) and Winter (2003), Teece (2009) points to the unique role of dynamic capability as the changing process of ordinary capabilities to be able to “identify opportunities, create new knowledge, disseminate it internally, embed it in new business models and/or new goods and services, and launch new products and services” (pg. 98). Strategic response to international void through learning and knowledge integration can be link to Zahra, Hayton, Marcel and O’neil (2001) process of managing internationalization. They are:

Managing the Duality of Entrepreneurship and Learning: This is about the management of firms formal entrepreneurial activities which includes sustain regeneration, organizational rejuvenation, strategic renewal and domain redefinition (Dess et. al, 2003) and its informal entrepreneurship activities that is a focus of the institutional context of the different international market. Institutional void create an environment that requires firms to alter their existing strategies through practices that might not be the direct initiatives of top management. Individuals or groups of individuals within firms can strategically respond to their prevailing market context. As firm’s faces institutional problems in
their internationalization, novel strategies are initiated in response to this problem which is different from the firm’s prevailing strategies (Zahra et. al, 2001). This is the informal entrepreneurial activities that need proper management and coordination. According to Zucchela, Palamara and Denicolai (2007), organizational learning as a result of institutional difference becomes a complex problem that can only be managed through aligning different interest in international context, building on related knowledge and retaining control over the learning process (Ravasi, Turati, Marchisio and Ruta, 2004). Managing firm’s various entrepreneurial activities requires different management styles, structures, systems (Zahra et. al., 2001) and network activation (Ravasi et al., 2004) which leads to competence development, maintenance and enhancement that can gives firm’s strategic advantages in the market (Zuchella et al., 2007) faced with institutional void. The case of BP in the 1990s shows how firm responds to institutional void strategically. Political and economic uncertainty leads BP not only to focus on product innovation but also process innovation. This was achieved through changing its structure that allows for international collaboration (Zahra et. al., 2001). Learning during internationalization according to Zahra et al. (2007) is a vital aspect of building new skills for firms that drives both product and process innovation (Kelley et al., 2005). This should be integrated and balanced with the firm existing knowledge for strategic goals.

Cultural Adaptation and Organizational Identity: Adapting to local market faced with institutional void represent a strategic move for overcoming institutional deficiencies. As firms expand internationally, its corporate culture that drives entrepreneurship is called into questioning. Adapting its organizational culture to the local market results in what Zahra et. al. (2001) called cultural polarity which may induce diversity and stimulate creativity. The authors stress that firm must be careful not to alter their organizational culture as they attempt to adapt to local market. In the case of developing economies market, this might be about compromising their ethical standard to be able to achieve desired strategic objectives. Therefore, firm must be strategic in its process of adaptability since “excessive adaptation can lead to series of compromises that do not establish a clear focus, offer a sense of mission, or ensure strategic coherence. Such compromise can dilute the firm’s identity, the wellspring of its values and norms that guide employee behaviors (Zahra et. al, 2001, pg. 364).
Attaining Integration While Avoiding Organizational Complexity: Institutional void create complex business environment for firms that requires different strategic response which need to be integrated with the firms prevailing strategy without creating problems for the organization. Firms institutional environment provide a source of knowledge which is vital to the development of new skill. By integrating firm operation with market associated with institutional void can serve as potential assets through the inflow and outflow of knowledge between the home market and those faced with institutional difficulty. In line with (Evans and Wurster, 1999; Andersson, 2003; Sahlman and Stevenson, 1992) Zucchella et al., (2007) ideas on internationalized firms can be related to integrating firm’s actions through “the result of complex interaction among changes in international markets environment and the diffusion of managerial and entrepreneurial class characterized by stronger international vision”.

Responding to market context characterized by institutional void requires firms to be learning constantly through integration which enhances knowledge development, dynamic competence and capability. Dynamic capability and competence thus is the blending of new explored opportunities with old exploited ones through the process of organizational strategic renewal and knowledge combination that result in value creation. It is vital to firms entrepreneurship in the sense that it result in proactive search for knowledge, selection and implementation of important organizational strategies, assets alignment, opportunity identification, access to critical co-specialization of assets and the interrelationship of different elements of the firms strategy (Teece, 2009, pg. 99). ICE, learning and knowledge integration are intertwined and are dependent on the firm’s absorptive capacity in order to be meaningful to the firm’s strategic goal.

Strategically, responding to institutional void requires firms to adapt their business models to the nation’s institutional context (Khanna, Palepu and Sinha, 2005). The authors propose three distinctive strategies in responses to institutional problems. They are keeping the company’s core values but replicating and adapting business model to market context, changing the institutional context of the market or stay out of the market completely if it won’t be economically viable for the firm to operate in such circumstances. Using examples and case studies, Khanna and Palepu (2010) expanded on their previous work of strategic choice of firms in response to market void. The author’s strategies are the replication or adaptation of firms to different markets where they op-
erate; accept or attempt to change market context; enter, wait or exit when it is not viable for the firm to operate in such market and finally compete alone or collaborate with local partners.

Using General Motors (GM) expansion in China as an example, the authors highlight the importance of replicating, adapting to market and also of collaborating with local partners. GM had to collaborate with Shanghai Automotive Industry Corporation (SAIC) through joint venture to gain access and better understanding of the Chinese auto industrial market. GM had to adapt to local environment and replicate their business model in order to keep up with their credibility of ensuring quality certified and standardized manufacturing products. Daniels et. al (2009) captures the idea of changing market context in the case of Burger King Global operations in Brazil. According to the authors, the Burger King adopted the strategy of “developing an infrastructure before putting in restaurants; develop a local management team; focus development on major cities and adjacent geographies with established shopping mall location, prevalent in Brazil’s largest cities, instead of the whole country; establish a local office and support continuous development and the use of local suppliers that meet Burger King’s global specifications” (pg. 469).

According to Khanna and Palepu (2006), strategies used by firms to tackle institutional void depend on their ability to exploit their competitive advantage from their environment. These include exploiting an understanding of the product markets. The product market in countries faced with institutional void comprises of a global customer segment that wants product with global quality and features as found in other developed countries. The next segment is the emerging middle class segment where customers need goods with local features and foreign quality but wants to pay local price; the local segment customers requires product with local features, quality and prices and the final segment are those at the bottom of the pyramid who are only willing to buy the least expensive goods. Firms operating in markets faced with institutional void as well as other markets must try to understand the distinctiveness of customers taste and needs by capitalizing on the local knowledge of their product market.

The second strategy according to the author is the closeness of firms to their resources market. The knowledge of local factors of production and firm’s capacity to exploit
them in the cost effective way provides comparative advantage in response to institutional environmental problems like the absences of developed system of information search or employment agencies that assist in the talent market. By building on the factors of production, firms can produce cheaply in developing countries which allow them to compete against their counterpart in other countries despite institutional problems. The last strategy is for firms to treat institutional void as opportunities even in the face of environmental difficulty. Firms can act as intermediaries in the information market through the establishment of newspaper publishing company, as credibility enhancer through auditing services of accounting firms; private universities can help to provide talents needed for business management while adjudicators in the form of venture capitalist, banks or logistic companies are all important mechanisms for filling void. Through collaboration between local and foreign firms, these voids can easily be filled especially when government policies prevent foreign companies from operating.

2.8 Summary of Theoretical Frame of Reference
The internationalization of firms results in contact with different socio-economic and geo-political regions. This exposes the firm’s to new knowledge as they strive to contend

A Summarized Model of Theoretical frame work
with the different institutions faced by these market. Figure 2.8 above summarizes all the institutional parameter affecting firms and how they respond strategically to take advantage of the situation. Strategically adapting to market environment requires learning from different political, economic, cultural and infrastructural differences between home and host countries. This is about collaborating, replicate previous practices, adapting or exiting the market (Khanna and Palepu, 2010).
3  Research Methodology

Research methodology is a process of how research are undertaken including a framework that embodies some philosophies that reflect the approaches employed, the procedures and method based on their validity and reliability and the implication of these methods to decision making (Saunders et. al, 2005). Sekaran (2000, pg.4) define research “as an organized, systematic, data based, critical, objective, scientific inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to problem”. This is similar to Zikmund (2000) explanation that is based on analytical and objectivity in making rational conclusion. Ghauri and Gronhaug (2005) noted that research methodology is about the systematic and critical analysis of issues before drawing conclusion on them. The systematic analysis is about the fundamentals and procedures required for research and they are important for providing insight through logical sequence, assist others to evaluate, replicate and criticize findings. To this end, research should posses the following characteristics highlighted by Sekaran (2000, pg.21); “purposiveness, rigor, testability, reliability, precision and confidence, objectivity, generalizability and parsimony.”

3.1  Research Approach

The approach chosen for this work is inductive since, the author will draw conclusion from a case study of MTN Nig. Ltd. The case of the company represent the empirical observation that support the studies of Zikmund (2000), Ghauri and Gronhaug,( 2005) and Sekaran, (2000). The use of inductive approach helps the author of this thesis to identify and analyze theoretical problems (institutional void) and their effect on MTN as a result of their international expansion to Nigeria. This work emphasizes less on generalization with regards to other firms in the same industry or other countries. Instead, focus is more on creating a broader and deeper understanding of the case study and research method in order to provide answers to the research questions and accomplish the stated research objective.

The approach of conducting research represents the building block for investigation which is determined by the purpose of the particular study (Sekaran, 2000; Ghauri and Gronhaug, 2005) in order to generate theories (Zikmund, 2000). The typical approaches identify by (Gill and Johnson, 2002; Sekaran, 2000; Ghauri and Gronhaug, 2005) are
inductive and deductive approach. In regards to the chosen method, Sekaram (2000) and Ziklund (2000) provide useful insight for understanding inductive approach. Both authors hold that inductive approach is a method where observation leads to rational, organized and acceptable proposition or conclusion. This means that reasoning precede specific observations to a broader conclusions that involves some level of uncertainty. Based on the study of Bryman and Bell (2003), inductive approach is a trend that flows from observation to theory (see Gill and Johnson, 2000; pg.40) which are subsume through knowledge development to update and upgrade future theories (Ghauri and Gronhaug, 2005).

3.2 Research Method/Data Collection

Research method can also be referred to as a research design and it represents “a master plan specifying the methods and procedures for collecting and analyzing needed information” (Zikmund, 2000. pg. 59). It is a method that is aimed at systematically and orderly collection of data for the purpose of gathering information to solve some specific research problem or answer research questions that is under investigation (Ghauri and Gronhaug, 2005). Therefore, the author of this thesis has chosen qualitative method because of its focus on specific and unique cases (Elsbach and Bechky, 2009) as represented by the study of ICE and how it is affected by institutional void. Thus, correspond to the work of Gummesson (2000) which state that qualitative method makes clear the borderline between academic research and inquiry into firm’s behavior. By using interview questionnaire to collect data from the company, qualitative method becomes the favorable option since qualitative research in most cases involves the analysis of non statistical data such as numerical figures. Though, interview questionnaire can also be used for collecting statistical and numerical data. This does not mean that qualitative data cannot be quantified statistically but often, qualitative method involves data collection through observations and interviews (Ghaauri and Gronhaug, 2005). Zikmund (2000) work is in-line with both authors by emphasizing that the focus of qualitative research was on words, observation, stories, visual portrayals, meaningful characterizations, interpretations, and other expressive description. The advantage of qualitative method is that studies are usually investigated in-depth through unstructured nature with a limited scope such as focusing on a particular case (Davis, 2000). See also (Sekaran, 2000. pg.376).
3.3 Ethical Consideration in Data Collection

Ethical importance to research centers on the principles and procedures that guide the practices of data collection by protecting the rights and obligation of the researcher and the respondents (Ziklund, 2000), these rights include the voluntary participation, pre-information and consent, confidentiality, privacy and the risk of physical, psychological, social, economic or legal harm (Creswell, 2009; Patton, 2002; Ziklund, 2000 and Sarantakos, 2005). Sarantakos (2005) stress the importance of consent and protection during data collection and summarized what every consent form must include; the identification of the researcher, identification of the sponsoring institution, indication of how the participants were selected, identification of the purpose of the research, identification of the benefits for participating, provisions of names of persons to contact if questions arise, assurance that the participant can withdraw at any time, identification of the level and type of participating involvement, guarantee of confidentiality to the participant and notation of risks to the participant.

For the purpose of the thesis, the author will adhere to the required guidelines for carrying out research by treating the respondent’s information with respect which is in accordance with (Sarantakos, 2005). The respondent is assured that this research is strictly for academic purpose and for the requirement in fulfillment of master’s program in business administration at Jonkopings International Business School (JIBS).

3.4 Case Study

As stated in the above section, a single case is chosen because it is appropriate for qualitative method and it provides an opportunity to observe and analyze a phenomenon that few people have considered in the past. In this study the author used a single case study of MTN Nigeria because the telecommunication industry is the fastest growing industry in the Nigeria economy and MTN Ltd is the first private firm to start operation in the industry. The personal experience gained growing up in Nigeria in regards to the problem of infrastructure and institutions provide the opportunity to investigate and learn more about theoretical knowledge of this phenomenon thus leading to the choice of this case. Therefore, choosing a single case assists the author of this work to make observations or findings as well as providing an opportunity to observe and analyze a phenomenon that not many people have previously considered, representing a useful
tool to achieve research questions and research objectives. This is in line with the views of the following authors; (Ghauri and Gronhaug, 2005; Yin 1984a; Yin, 2003b; & Mintzberg, 1979). Ghauri and Gronhaug (2005) state that it is appropriate when a particular case is critical and when it is used in the testing of established theory and when it fulfils all necessary conditions to confirm, challenge or extend a particular theory. As research strategy, Ghauri and Gronhaug (2005) express the fact that case study is description, explanation or exploration of situation that involves data collection through different primary sources that include verbal reports, personal interviews, questionnaire and observation as used in this thesis. As a problem solving techniques, case study involves in-depth analysis (Sekaran, 2000). Case study method as a research strategy is preferred when the questions are ‘how’ and ‘why’ and it involves four different types which are single, multiple, holistic and embedded case (Ghauri and Gronhaug, 2005). In regards to this thesis, the “how” is reflected in the research question as the author tries to tackle how institutional void can enhance firm entrepreneurship during their international operation.

### 3.5 Interview

For the purpose of reliability, interview was fixed in a way that was convenient and appropriate for the interviewees. Also, the author of this thesis chose the right time to send interview questions to ensure that they have enough time to go through the questions and access information needed for accurate answers. Interview is an interactive medium between the researcher and interview participant. This according to Ghauri and Ghauri (2005) is a good means of data collection because it provides the best opportunity for the researcher and participants to interact. This work is based on interviewing the respondent through email and phone calls. These support the ideas of Saunders et al., (2007) that interview provide the opportunities for meaningful discussion between the interviewer and the respondent in ways that help the interviewer to gather valid and meaningful data that are of great importance to the research questions and objectives. This will assist the interviewer to gather reliable data that are relevant to the study of the research work. Interview according to Kvale (1996) is a mechanism of knowledge generation through human interactions between the researcher and the participant.
3.6 Presentation and Analysis of Empirical Case
Since this study is based on the qualitative research method that is based on inductive approach, data presentation and analysis is through the process of categorization. This is done through creating an organized data obtained from empirical source into categories. These categories are obtained from empirical interview as well theoretical framework influenced by research questions and objectives. Categorizing data is based on data extract from theoretical framework and empirical sources to be able to create rational structured fit and analytical framework that accompany analysis. This is a way of developing a matrix of relationship between theories and empirical analysis to be able to arrive at a meaningful conclusion.

3.7 Research Material
In regards to this thesis, the literature review was carried out using books, internal (Google scholar) articles (Journals) which are retrieved from Jonkoping University library databases and Carleton University library databases. Also, this work employs the use of semi-structured interview for data collection which was done by mail and phone due to the effect of distance and cost. The interview enables the author to get detailed information about the company, its core business activity, competitors, effect of institutional void on the firm, firm strategic response to these void and more (see Appendix for more information).

3.8 Limitation of Study
Since the study employs the use of single case (MTN Nig Ltd), generalization cannot be made as in the case of a multiple case study. This is in line with Yin (2003) which stated that multiple case study is preferable to single case study when making generalization. Single case study is only relevant for concepts generation and giving meaning to abstract propositions (Kanter, 1977).
4 Result

4.1 Country Profile

Nigeria is a West African country bordered in the south by the Atlantic Ocean, in the north by Chad and Niger republic, in the west by Benin republic and in the east by the republic of Cameroun. The country is evenly split between the Christians majority in the south and the Muslim majority in the north. With religious conflict common in the northern part of the country. Nigeria is categorized as a low income country with 154.728 million people (www.doingbusiness.org, www.enterprisesurvey.org) and with over 70% of the population below poverty line (www.cia.gov). With a GDP/PPP (Purchasing Power Parity) of $369.8 billion and GDP per capita $2,400, Nigeria relies heavily on crude oil export for about 95% of her revenue with an economy that is on the decline as a result of infrastructural decay (www.cia.gov). According to the United Nation Development Group (2004), Nigeria operates a federal system of government that is made up of 36 states, 774 local government area and Abuja as the Capital Territory (www.undg.org). The country has witness series of military coup and has been governed for more than 30 years since independence by Military rule (www.undg.org). This has resulted in political, economic and social instability since independence. Though, the country is governed presently by a democratically elected president, there is no political will on the democratic leaders to pursue good governance and no accountability on the part of the government (Respondent A, B and C).

\[
\begin{array}{|c|c|}
\hline
\text{Nigeria Ranking} & \\
\hline
2007 & 147 out of 179 \\
2008 & 121 out of 180 \\
2009 & 130 out of 180 \\
2010 & 134 out of 179 \\
\hline
\end{array}
\]

CPI Ranking. Source: www.transperency.org

Nigeria’s political climate exhibit serious security problems like political corruption, violence, frequent kidnapping of foreigner’s especially expatriate and rich citizens, terror-
ism and rigging of elections (Respondent A, B and C, 2010). Presently, Nigeria is approaching a failed state due to institutional break down as a result of corrupt and insensitive leadership. Corruption has been institutionalized and it is like a normal way of life. Paying of bribe and other gratification is a common phenomenon in government parastatals and all public offices. The police forces who are supposed to be law enforcement agency are the ones spearheading the corruption and supporting the crimes. According to Transparency International, the police are the most cited recipient of bribes with Nigeria as one of the countries where bribery has increased over the years. Fig 4.1 shows the ranking of Nigeria in the corruption perception index (CPI). The CPI rank countries by their perceived levels of corruption which is determined by expert assessment and opinion survey. The figure shows the high level of corruption in Nigeria as compared to other countries of the world.

According to respondent A, B and C social amenities and infrastructure are in a paralytic state, educational standard on the decline, energy sector almost dead with high level of insecurity. These are all a reflection of leadership problem as a result of decline in social value system and norms due to military intervention in Nigeria’s political system (Respondent, C). In Nigeria, the legal system is fractured. The law makers are not concerned about laws but see their legislative opportunity as avenue to get rich. The judiciary that is the interpreter of the law is mostly controlled by the executives and there are cases of judges taking bribes to influence decisions.
The table below shows the World Bank Doing Business Data from 2007 to 2011 for Nigeria.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Business</td>
<td>118</td>
<td>80</td>
<td>91</td>
<td>108</td>
<td>110</td>
</tr>
<tr>
<td>Registering Property</td>
<td>170</td>
<td>173</td>
<td>176</td>
<td>178</td>
<td>179</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>83</td>
<td>84</td>
<td>84</td>
<td>87</td>
<td>89</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>46</td>
<td>51</td>
<td>53</td>
<td>57</td>
<td>59</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>105</td>
<td>107</td>
<td>120</td>
<td>132</td>
<td>134</td>
</tr>
<tr>
<td>Dealing with Licences</td>
<td>129</td>
<td>161</td>
<td>151</td>
<td>162</td>
<td>167</td>
</tr>
<tr>
<td>Enforcing Contract.</td>
<td>72</td>
<td>89</td>
<td>91</td>
<td>94</td>
<td>99</td>
</tr>
</tbody>
</table>


The figure above shows that Nigeria has not been reforming or the reforms are not significant to promote business operations. From 2007 to 2011, Nigeria has been on the decline for all the elements of doing business. The ranking continues to go down from 108 in 2007 to 137 in 2011 indicating that the institutions that are supposed to support business are not efficient. Nigeria’s ranking for protecting investors was the only favorable ranking but still sliding down from 46 in 2007 to 59 in 2011.

The World Bank doing business data contains those variables that enhance the smooth operation of business activities within a country. It consists of 10 variables from starting a business to closing the business. For the purpose of this work, we highlighted the ranks for Nigeria in seven of the variables (Fig 4.2). These variables that enhance business are rules that clarify and establish property right, the method and cost of resolving conflict, provide contractual partners with core protection against abuse and predicting the likelihood of economic interactions.
Global Competitiveness Report

<table>
<thead>
<tr>
<th>Pillars</th>
<th>2008-2009 Ranking</th>
<th>2009-2010 Ranking</th>
<th>2010-2011 Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94 out of 134</td>
<td>99 out of 133</td>
<td>127 out of 139</td>
</tr>
<tr>
<td>Basic Requirement</td>
<td>-</td>
<td>-</td>
<td><strong>136</strong></td>
</tr>
<tr>
<td>Institutions</td>
<td>-</td>
<td>-</td>
<td><strong>121</strong></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>-</td>
<td>-</td>
<td><strong>135</strong></td>
</tr>
<tr>
<td>Efficiency Enhancer</td>
<td>-</td>
<td>-</td>
<td><strong>84</strong></td>
</tr>
<tr>
<td>Goods Market Efficiency</td>
<td>-</td>
<td>-</td>
<td><strong>87</strong></td>
</tr>
<tr>
<td>Financial Market Efficiency</td>
<td>-</td>
<td>-</td>
<td><strong>84</strong></td>
</tr>
<tr>
<td>Technological Readiness</td>
<td>-</td>
<td>-</td>
<td><strong>104</strong></td>
</tr>
</tbody>
</table>

Source: Global Competitiveness Report (2010)

The GCI is a reflection of institutions, infrastructures, policies and factors that determine the level of productivity of a country. Productivity level is in turn the sustainable level of productivity an economy can achieve. Out of the twelve pillars of the GCI, five were chosen from two sub indexes (basic infrastructure and efficiency enhancer) due to its relevance to the study. From Fig. 4.3 above, Nigeria GCI ranking has been on the decline, though from 94 out of 134 countries in 2008 to 127 out of 139 in 2011.

In 2010-2011, Nigeria ranked 135 for basic requirement which covers institutions and infrastructure with both ranking 121 and 135 respectively. For institutions, this ranking is due to the irregular payment and bribes, diversions of public funds, low strength of auditing and reporting standard and high rate of organized crime while for infrastructure, it was based on the overall poor quality of the roads, electricity and fixed telephone lines. Nigeria rankings for efficiency enhancer was 84 which covers goods market efficiency (rank 87), financial market development (rank 84) and technology readiness the highest (rank 104). These rankings indicate that the degree of customer orientation is
low; there is prevalence of trade barriers, inefficient tax rate and negative impact of FDI rules. For financial market development, the availability and affordability of financial services are poor and there are so many restrictions on capital flow. Lastly, there is low level of internet bandwidth and firm-level technological absorption. For Nigeria, three fundamental problems of doing business are access to finance, inadequate supply of infrastructure and corruption (GCR, 2011).

4.2 Background of Case Study: MTN Nigeria

MTN Nigeria is the company used for this study which is part of the large MTN Group. The MTN Group is the leading cellular telecommunication providers in Africa which expanded to Nigeria in 2001 (Respondent B). The company is credited with operations in developing and emerging economies with business activities in Zambia, Yemen, Uganda, Syria, Swaziland, Sudan, South Africa, Rwanda, Nigeria, Liberia, Iran, Guinea Conakry, Guinea-Bissau, Ghana, Cyprus, Cote d’Ivoire, Congo-Brazzaville, Cameroun, Botswana, Benin and Afghanistan. As at December 2010, MTN Group has a total of 141,597 million subscribers with Nigeria having 38,669 million which is the highest country with MTN subscribers (www.mtn.com). The table below shows statistical figures of MTN Group and MTN Nigeria subscribers, revenue and EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization).

<table>
<thead>
<tr>
<th>Year</th>
<th>MTN Group (m)</th>
<th>MTN Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>141,597</td>
<td>38,669</td>
</tr>
<tr>
<td>2009</td>
<td>116,625</td>
<td>30,827</td>
</tr>
<tr>
<td>2008</td>
<td>90,653</td>
<td>23,077</td>
</tr>
<tr>
<td>2007</td>
<td>61,353</td>
<td>16,511</td>
</tr>
</tbody>
</table>

Subscribers. Source: www.mtn.com

<table>
<thead>
<tr>
<th>Period</th>
<th>MTN Group (Billions)</th>
<th>MTN Nigeria (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>111,947</td>
<td>33,236</td>
</tr>
<tr>
<td>2008</td>
<td>102,526</td>
<td>31,558</td>
</tr>
</tbody>
</table>
According to the respondents, MTN Group expanded to Nigeria due to the policy reform in the late 1998 and 1999 which allows a level playing field for all telecommunication operations as compared to what was prevailing prior to the reform. The Nigeria Telecommunication Company (NITEL) was the single operator before the policy reform which hinders competition. Also, with the issuance of license for Global System for Mobile Communication (GSM) in 2001 and the ongoing privatization of government owned Telecommunication Company, the process for competition in the industry was wide open. Another reason for expansion into the Nigeria market is the market size. The respondents see the huge Nigeria population as potential market for investment.

The company mode of entry was foreign direct investment (FDI) which included the payment of $285m for operational licensing fee as stated by the respondents. The company started operations in Nigeria in 2001 right from the scratch by constructing all their facilities and making provisions for offices in the country (Respondent A, B and C, 2010). This is referred to as Greenfield investment. The respondent also stated their major competitors as Globacom Limited and AirTel formerly EcoNet while their customers were both corporate organization, government establishment and the general Nigeria public. As compared to other country of operation, MTN Nigeria has the highest number of subscribers in the MTN Group which is over 38million (see fig4.4). The entire respondent unanimously highlighted that their core business activity was the provision of cellular communication popularly known as GSM in Nigeria.

The company relate with its stakeholders by stating that when in ‘Rome behave like Romans’ (Respondent B). In regards to dealing with government and local community,
the company tries to abide by the status quo which is very informal. Bribes are normally paid though not directly to government officials like the police, local elders, youth leaders and politicians in order to keep the company floating. Relating with external stakeholders according to respondent A is by giving them what they want since nobody is interested in your business if he gets something. An example given by respondent C states that “during the construction of the company’s Mask in different parts of the country, apart from paying more than 500% the price of the assets (land) in which the mask is to be constructed, the company will have to still settle the traditional ruler and his council of the elders in the community as well as paying huge amounts to the youth before they can allow any construction activity to be carried out on the purchased assets. Also, these same youth will still prevent the contractor who is supposed to be carrying out the project from working without the payment of a special fee popularly called ‘deve’ (claim to be development fee but not. This adds to the cost of project implementation and the total cost of the firm operations)”. Though, respondent C noted that most of their construction works are contracted to contractors, the firm still bears the burden of the cost even if they don’t pay it directly. In order to avoid problems, the company indirectly abides by the rules of the game in the country. The company treats customers as ‘King and always right’ through their sales support personnel and continually improving on their services to satisfy customers.

The company organizational structure is flat which allows for free flow of information and help the company to accommodate and combine knowledge from different sources within and outside the company (Respondent C).

4.3  Institutional void and firm learning and adaptability during international operations

4.3.1  Institutional Factors Affecting Business
This section highlights the effect of institutions and institutional void on the firm operations and performance. According to the World Bank Enterprise survey (2007), Nigeria institutions that ensure the proper functioning of a nation in the 21st century are not in operational compared to developed nations of the world (www.enterprisesurvey.org). The report of the survey on regulations and taxes shows that 20.93% of firms identify tax rates as a major constraint and 12.23% identifies business licensing and permit as major problem. On the issue of corruption, the report found that 40.9% of firms are ex-
pected to pay informal payment to public officials to get things done while, 40.3% of firms in Nigeria are expected to give gifts to get an operating license with 24.7% identifying corruption as a major constraint. 64.4% of firms pay for security in Nigeria as a result of crime and insecurity while 23.07% of firms identify crime, theft and disorder as major business constraints. In regards to finance, only 3.8% and 2.7% of firms has line of credit from financial institutions and using banks to finance investment with 53% of firms identifying access to finance as a major constraint. Also, concerning infrastructure, 60.9% of firms used generator for electricity with power shortage in a day for more than 8.2 hours.

World Bank Doing Business: Data’s on Starting a Business

<table>
<thead>
<tr>
<th>Yr</th>
<th>Ranks</th>
<th>Procedures</th>
<th>Time (Days)</th>
<th>Cost (% of Income Per Capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>108/182</td>
<td>9</td>
<td>43</td>
<td>54.4</td>
</tr>
<tr>
<td>2008</td>
<td>108/182</td>
<td>9</td>
<td>34</td>
<td>56.6</td>
</tr>
<tr>
<td>2009</td>
<td>118/183</td>
<td>8</td>
<td>31</td>
<td>90.1</td>
</tr>
<tr>
<td>2010</td>
<td>134/182</td>
<td>8</td>
<td>31</td>
<td>76.7</td>
</tr>
<tr>
<td>2011</td>
<td>137/182</td>
<td>8</td>
<td>31</td>
<td>78.9</td>
</tr>
</tbody>
</table>

Source: www.doingbusiness.org  
World Bank Doing Business

According to the data from the World Bank doing business, Nigeria business environment does not support business operation and there has been no policy reform as reflected from the 108 rank in doing business in 2007 to 137 in 2011 out of a total of 182 countries. As shown by the diagram, the cost of starting a business in 2009 is 90.1% of income per capita and time duration of 31 days which would have been spent on more productive activities.

According to respondent A, B and C, Nigeria market portends great opportunities for investors but the political and economic risk associated with the huge investment potentials is capable of scaring investors who might not want to risk their capital. They stated that social and national culture affects their business positively and negatively. They emphasize that by using cultural artefacts, local languages and symbols in their adverts
and other commercial help to penetrate the market faster in rural communities especially in the northern part of the country (Respondent C) and to create acceptance for their service. This was necessary because one of the major competitors was an indigenous company. By adapting to local and cultural practices, the company where able to erase the syndrome of foreign and local company from the mind of customers and create acceptance of product (Respondent, B).

Another problem the respondent touched on was the financial sector. They regarded it as too weak and not stable to rely on for effective business operations. Since there are incessant cases of bank failure and the latest assessment by the current central bank governor points to a weak financial institution in the country. With frequent cases of failure, corporate firms are not so confident of the Nigeria financial sector.

The three respondents say that they monitor government policies and actions but that so far government policies especially allowing a level playing field for all the operators is very encouraging but more still need to be done in the area of policy reform especially in the area of policies governing the importation of machinery, import duties, construction permit, and other unofficial bureaucratic extortion which respondent A categorically referred to as “government executive corruption”. They all responded that the labor market, international and regional integration and financial market all have little effect on the firm business operation as compared to infrastructure and political risk (security).

Respondent A and B say that infrastructure is the greatest problem of the firm in Nigeria. They continue that after paying licensing fee of $285miilion, which was thought will be used for infrastructural development; nothing was on ground for the company to build on. The company has to build their infrastructure themselves. MTN Nigeria is one of the main contributors to depreciation in the group which is an indication of the heavy infrastructure roll out in the countries. In 2003, MTN Nigeria invested $120million in infrastructural development through the construction of its digital microwave transmission backbone called Y’elloBahna (www.mtn.com). The first phase span 3,500km and by 2010, the digital microwave transmission backbone stands at 10,860km. The company also invested on BTS (Basic Transceiver Station) rollout to maintain quality and capacity on networks. The period between 2009 and 2010, MTN Nigeria has increased its capacity by 4,800BTS upgrades with an additional 480 3G BTS’s rollout. The company
has started the deployment of its fibre optic cable across Nigeria to boost the transmission capacity on its network with a total of 8.052km already covered as at the last quarter of 2010. Also, the company completed its 696km backbone fiber ring between Maiduguri, Yola and Gombe states in the North Eastern region of Nigeria with a rollout of WIMAX in five different states (www.mtn.com)

Another major infrastructural problem affecting the company is power supply. With operations that cut across nearly 223 towns all over the countries and approximately 12,000 villages and all the highways in the country, the company has to provide its own power generating system with constant supply of diesel for everyday of the year since starting operations in Nigeria (Respondent B). This is as a result of steady and regular power shortage that is a common phenomenon with the government monopoly power generating company which was formerly called Nigeria Electric Power Authority (NEPA). But NEPA was popularly referred to as “never expect power always”. MTN has to provide its own electricity through power plant that is fuelled by diesel which adds tremendously to the companies operating cost. The cost of powering all the different services stations all over the country everyday of the year cost the company millions of naira and remain a difficult situation the company has to cope with as far as the government has not solved the problem (Respondent A, B and C).

As a result of political risk which has resulted in insecurity of life and property, respondent B says that, the company must pay extra cost to protect its huge investment all over the country as well as protect its working staff especially expatriates who are target of kidnapping, that is a common trend in the south-south and south east region of the country. The company needs to employ his own private security as well as paying extra cost to get police officers posted to their service centers. The uses of special armed service personnel are also required in very risky areas to protect the company expatriates from kidnappers. All these add to operational expenses of the firm and increase over head cost according to all the respondents.

4.3.2 Institutional Void and Learning

Respondent A and C both emphasize that the firm hostile environment has to make the firm struggle for survival by looking at other better ways to improve product and services by reducing cost. The respondents all agree with the fact that the company has ad-
justed to the harsh economic environment by developing cheaper, more customer oriented product and above all expanding the market. This is evident as the Nigeria operation continued to contribute positively to the Group’s revenue margin. It increased from 20.3 billion in 2007 to 33.2 billion in 2009 as shown in fig (4.5). The Nigerian EBITDA margin improved 1.4 percentage points to 59.3% mainly due to an increase in revenue together with a containment of operating expenses, in particular an 18% decline in the price of fuel (www.MTN.com).

The problem faced according to the respondent has made the company adjust to the Nigeria life style which is “the hard way the only way” by working very hard to improve on their services and products through the reduction of cost (Respondent A). These services and product includes, MTN PayGo, MTN TalkOn, MTN HappyLink and MTN XtraValue (www.mtnonline.com, 2011).

The packages offer low cost and improved services to customers. MTN PayGo and MTN TalkOn allows customers to make long duration of calls at a cheaper price to special registered numbers as well as cheaper international calls to any of the eight different countries (US, Canada, UK, South Africa, China, India, Saudi Arabian and the Lebanon). These packages also include free calls between the hours of 12.30am to 4.30am and a particular number that customers can call free anytime of the day. While MTN HappyLink is a special package that bundled different product and services together at a discounted rate, MTN XtraValue is a package that is specifically designed for corporate executives, managers and professionals that offers personalized, convenience and specialized services (www.mtnonline.com, 2010). These packages are provided due to improved telecommunication infrastructure investment and better marketing initiative between customers and our marketing teams who helps ‘the company to mop up reliable information from the market place that are strategically acted upon’ (Respondent, A, B and C, 2011).

Despite that Nigeria official language is English, the power of local languages really help the firm to expand into rural communities and especially in the north region of Nigeria where illiteracy level is very high (Respondent B). By relating closely with customers, respondent B maintains that MTN understood the rural-urban connection in Nigeria. Through this knowledge, MTN Nigeria not only started expanding from major ci-
ties to rural communities but also came up with MTN extracool services. This allowed people to talk freely from the hours of 12.30a.m to 4a.m. With this free midnight service the company subscribers increased tremendously which has made them the market leaders till date. This according to respondent B was made possible by improved technological and infrastructural development. The high operational cost continues to make MTN Nigeria search for opportunities within its boundaries that will enable the firm to cut costs and increase market share. These packages combined with the strategy of recruiting fresh graduates from the University help the company to bring in new ideas to complement the experienced workforce has lead to improved market share and steady revenue growth for the firm (Respondent B).

The constant interaction with the customers through MTN marketing representatives, provide sources of knowledge in which the company rely upon for the development of new product that satisfy consumers (Respondent A, B and C). They maintain that the organization structure help for communication flow from the market environment to the technical work force in the development of new product and services. MTN Nigeria model of using least cost has been adopted by the MTN Group worldwide because it has helped the firm do so much with so many constraints. This has generated huge revenue for the firm international operations (Respondent A, 2010). Respondent A responded to the question of relocating from Nigeria as not an option at all. He says that Nigeria market has great potentials despite the infrastructural problem that lead to high cost of business operations. He maintains that Nigeria business environment is about ‘survival of the fittest’ which requires smart responses to difficult situations that is “not just increasing prices but improving product and process that help to reduce the firms operational cost” He stated that the harsh business climate makes the firm constantly look for better and improve ways to cut cost which is mostly done through technological improvement that enhance MTN services as compared to competitors. Respondent A also stated that the MTN Nigeria business model has worked very well since they remain market leaders and they have the highest number of subscribers in the MTN Group which is approximately 37million at the end of 2010.
5 Discussion

As stated in chapter one that the purpose of this thesis is to analyze how firms external environment in the form of institutional void affect corporate strategy and business development in a telecommunication company (MTN Group) that has its operations in most emerging economy. The author examines the research question to analyze the result of the findings by focusing on MTN Nigeria. The following research questions where stated:

- Does institutional void enhance firm learning and adaptability to produce positive result during international operations?
- Do institutional void change corporate capabilities to promote strategic fit that enhance performance?

To be able to analyze the findings, the author will first draw attention to different factors that affect international corporate entrepreneurship as reviewed in the previous chapter. ICE is a result of firm’s operational environment (Daniel et al, 2010; Bourgeois, 1980; Bulgelman, 1983, Zahra, 1993) in different part of the world (McDougall, 1989; Zahra and Garvis, 2000). MTN expansion and operations to Nigeria was due to government policies reform of 1998 and 1999 in the telecommunication industry as noted by several authors (McDougall, 1989; MacCarthy and Attirawong, 2003 Boddewyn and Brewer, 1994Smallbone et. al, 2010; Welter and Smallbone, 2011). The blending of international expansion and entrepreneurship as growth oriented through different environmental scanning for opportunities is made possible first by government policy that allows private (both foreign and indigenous) competitors and the firm ability to learn and adapt to the market (Zahra and George, 2002; Zahra, 2004; Khanna and Palepu, 2010).

5.1 Institutional factors and MTN Operations in Nigeria

As the author of this work has stated previously, that this thesis is based on understanding the effect institutional void has on the international operations of MTN Group in Nigeria. This section outlines how institutional factors avail MTN to become entrepreneurial as they expand into Nigeria telecommunication sector. The first step was the changing government policy that allow for competition in the industry as a result of liberalization. Without any legal or policy hindrance in regards to ownership, the compa-
ny opted for Greenfield investment (Respondent A, B and C). Within any given nation, government policies can be beneficial to some firms by providing them opportunities while it might hurt others (Boddewyn and Brewer, 1994). MTN was not only provided opportunities to enter, explore and exploit the Nigeria market through the policy initiatives of the government but also, first mover advantage in the provision of GSM services in Nigeria. MTN capitalized on the Nigeria government policies that ease entry into the market by proactively venturing into the risky market (Mullainathan and Schnabl, 2010) taking advantage of the risky venture by retaining market leadership after ten (10) years.

The information provided by the respondent corresponds with the ideas that government policies have huge impact on the market environment in which firms operate (Omomunwunmi et al, 2009) The more reason firms evaluate different markets critically before their international exploit (Daniel et.al, 2010). This is to be able to anticipate any difficulty that may arise as a result of how government policies affect the large society and the market. Nigeria telecommunication policy reform attracted foreign investors (MTN and other private telecommunication companies) which help to provide employment for thousands of Nigerians thereby creating stability and empowerment for the people (MacCarthy and Attirawong, 2003). This situation put the firm at an advantage because a stable environment creates more efficient business operations. The pre 1995 Nigeria telecommunication policies that allowed only government monopoly were anti-business and prevented different firms from exploiting the market (Hubbard and Duggan, 2009). Therefore, government political and economic policies create a competitive market landscape that drives innovation (Boddewyn and Brewer, 1994; McDougall, 1989) and act as a critical aspect of firm’s strategic decisions (MacCarthy and Attirawong, 2003). This idea is supported by Nordhaus et. al (1989) which state that “while political economy has increasingly concentrated upon the behavior of markets, in some areas it is impossible to ignore the interaction between economic motivation and political decisions” (pg.1).

Also, the information provided by the respondents concerning government regulation on licensing fees ($285 million) and other unofficial fees as well as the data from the World Bank enterprise survey (2007) characterize the Nigeria business environment. These problems reflect a fractured legal institutional framework system that cannot sup-
port the rule of law and its enforcement (Anokhin and Schulze, 2009; Frye and Shleifer, 1997; Daniel et.al., 2010). Legal institutions provide the bedrock upon which business and society can flourish and institutional trusts are built (Anokhin and Schulze, 2009). It determines all the aspects of the World Bank doing business in which Nigeria rank very poorly (see fig 4.2). The legal institution through the law enforcement agency and the judiciary are supposed to be the mechanism that helps to stabilize relationships among different actors in the market (Daniel et al, 2010). Government official represents one of the main actors in the market. But in Nigeria, they take laws into their hands and use public office for corruption practices which increase the cost of doing business (Frye and Shleifer, 1997). According to the respondent, the information from the World Bank doing business and the World Bank enterprise survey shows that MTN considers the legal institution of Nigeria to be of great importance but not properly functioning. This has serious implication for firms as it increases their cost of doing business (Frye and Shleifer, 1997).

A common phenomenon of weak legal system is corruption, bureaucratic wastefulness and ineptitude (Anokhin and Schulze, 2009). The $285 million licensing fee paid by each private telecommunication companies would have provided reasonable infrastructure development for the firms and the general public. The high cost of securing assets for the business and informal construction fee payment reflect a lawless society and point to an institutional failure and breakdown. When legal institutions are weak, firms through their entrepreneurial act will device other strategic options to exploit (Daniel et al, 2010). By relying on informal means of payment either directly or indirectly allows MTN to achieve its desired objective though with extra cost. This is in line with the work of Puffer et. al. (2009) which stresses that firm can respond to formal institutional void through informal means. But this raises an important ethical dimension to how firm operate which can affect MTN reputation outside the Nigeria market. By making unofficial payments where directly or indirectly has ethical implications. The lawlessness of the country as evident by the corruption of the public officer and law enforcement agencies, the extortion of money by unofficial bodies from firms and their agent increases the risk and cost of doing business.

Other institutional aspect to consider which affect the flourishing of a thriving business environment as experienced by MTN Nigeria includes security of business (Respondent
A, B and C). Miller (1992) refers to this risk as unanticipated occurrence. This creates an uncertain business environment that reduces firm’s performance and lack of predictable outcome (Miller, 1992; Robock and Simmends, 1973; Clark, 1997; Fitzpatrick, 1983). Respondent B states the high cost of operation as a result of extra cost to protect their investment as well as staff especially expatriate. This is supported by the World Bank enterprises survey data which shows that 64.4% (percent) of firms in Nigeria pay for security as a result of high crime rate and insecurity. The high cost of security by MTN operations in Nigeria shows the firm strategic alertness and adjustment towards anticipating risk through the intervention of private security (Makhija, 1993).

The major institutional factor affecting MTN in Nigeria is the lack of government in the provision of essential infrastructure to support business. The information provided by fig 4.3 reflects the absence or dilapidated infrastructure that cannot support business. Respondent A, B and C (2010) stress the point further by saying that the company’s provision of electricity add significantly to the cost of its operations which is largely due to high level of mismanagement of the sector by the government. The importance of infrastructure to business is highlighted by several authors (Khanna and Palepu, 2002; Khanna and Palepu, 2010; Schwab, 2010; Calderon and Serven, 2004; Prud’Homme, 2005; Calderon, 2004; Van de Ven, 1993).

Investment in infrastructural development in one sector can led to spillover effect of economic development and business facilitation (Roller and Wevernman, 2001). Nigeria government failure in the provision of infrastructure has resulted to MTN developing its own infrastructure which adds tremendously to its operational cost in Nigeria. This is in line with the fact that absence of infrastructure provides means for firms to seek alternative solution or adapt to what is available (Khanna and Palepu, 2010). According to information from the respondent, in 2003 alone, the company invested $120 million on infrastructure for the building of its digital microwave transmission backbone and yearly, they continue to invest in order to follow up with global technological trend that help to reduce cost and improve on product and service delivery. Fishman and Khanna (2004) analysis of the Nigeria telecommunication sector support this fact by pointing to government telecommunication infrastructural development as a complete failure which has propelled MTN to develop its own infrastructure for high quality service delivery.
Another area of concern is the breakdown of the energy sector. Fishman and Khanna (2004) states that 92% (percent) of Nigeria manufacturing firms owned and use electricity generators for power supply. With operations in about 12,000 villages around Nigeria, the company cost of providing energy to its nationwide outlets is alarming. This is a direct result of the collapse of the Nigeria energy sector as pointed out by Fishman and Khanna (2004) and with the information from enterprises survey and respondents in the previous chapter. The institutional voids within the Nigeria market add to the operational cost of firms and MTN in particular. These uncertain and harsh institutional environments according to Ellstrand et al. (2002) and Cosset and Suret (1995) can provide high reward or returns for firms through strategy alignment. Harsh market environment as caused by institutional void stimulate MTN sensemaking of its business environment through a constant process of creativity and innovation (Mair and Marti, 2009) as reflected in their product acceptance as shown in fig. 4.4) and market leadership. These and other institutional problems propel MTN to become innovative (Respondent A, B and C) in order to provide quality services as well as maximizing profit (see fig. 4.4 and 4.5).

5.2 Institutional Void, Firm’s Learning and Adaptability in Nigeria

The institutional problem explained above negatively affects business operations in the market but also provides opportunities for firms that can act entrepreneurially. This is about identifying, evaluating, selecting and pursuing potential market alternatives that serve as opportunities (Zahra and Garvis, 2000). This strategy according to McDougal (1989) serves to lessen financial risk, respond to the changing need of the time in order to spot the imperfection in the market and take control of situation. In the case of MTN operations in Nigeria, failure on the part of government in building required infrastructure after paying operational licensing fee of $285m was the first issue the company has to contend with. According to the information provided by the respondents, the $285m was supposed to be for infrastructural development but the government in its role of infrastructural provision failed. This portrays the Nigeria government as exploiting firms through systematic official extortion that firms must comply with (Frye and Shleifer, 1997). The data from the CPI shows the serious level of corruption in Nigeria as captured by the World Bank enterprise survey which states that 40.9% (percent) of firms in
Nigeria are expected to pay bribes with 40.3% expected to give gifts to get an operating license. According to respondent C the indirect means of contracting their projects to subcontractors without directly giving out bribes to government and other unofficial payments represents MTN strategic option of adapting to the Nigeria market while still trying to retain the firm’s organizational ethical identity (Zahra et al, 2001).

The market situation according to the respondents makes firms search for improved and innovative ways to develop cheaper, more customer oriented products and expand the market. The constant interaction with the customers through MTN marketing representatives, provide sources of knowledge in which the company rely upon for the development of new product that satisfy consumers (Respondent A, B and C). These include MTN PayGo, MTN TalkOn, MTN HappyLink and MTN XtraValue. This approach by MTN is the strategic management practices through learning to enhance their competence and promote both process and product innovation (Zahra et. al, 2001).

Also, respondent A stated that the company has adjusted to the harsh business environment in Nigeria which is the only alternative way in Nigeria. This is in line with McIlast-ter (2004) which state that “firms learn to accept change through pain”. According to Zahra (1993b) hostile environment in the form of institutional void creates a dynamism that arm twist firms to introduce strategic and agile responses which is achieved through learning and knowledge generation that will ultimately lead to product, process, service and organizational innovation (Abrahamson and Fairchild, 2001; Murmann and Tushman, 2001). Therefore, firms become more entrepreneurial in their operations as they face difficult market situations through institutional failure (Zahra, 1993) which Puffer et. al (2009) regard as a stimulus to firm creative pursuit of opportunities in a dynamic situation. Fig. 4.5 shows MTN revenue which has been on the increase from 20, 280 (billion) in 2007 to 33,236 (billion) in 2009 despite the harsh business environment as a result of institutional void. This is a direct result of improved and quality services which Nigerians have embraced. Fig 4.4 shows the growing trend of MTN subscribers from 16,511 million in 2007 to 38,669 million customers in 2010. Subscribers more than doubled in a space of three years. The information laid credence to the literature provided by Zahra (1993b) in which static and impoverished environments where associated with entrepreneurship and firm performance.
With the information provided by the respondents, exit was not part of their strategic option despite the problem faced in the Nigeria market. Instead, the company prefers to adapt to the market context which they regarded as viable and full of opportunities for investors. This information is supported by the work of Khanna et. al (2005) which states that firm responses to institutional void requiring adopting business model to suit market institutional context. This is achieved through learning and as the various respondents highlighted, the high operational cost as a result of infrastructural decay and huge payout for security motivated the company to learn how to reduce cost (Wright and Dana, 2003) while improving on services. The two examples of learning from the market are provided by respondent (B) which highlight the relationship between the company and its customers that resulted in the company learning to expand beyond the cities and towns to rural local communities through products like MTN extracool. Learning integrates knowledge in the market place to the firm’s knowledge base and enhances their competence development through the firm’s absorptive capacity that transforms the knowledge gain to strategic accomplishment for the firm (Zahra, 2004). The author’s emphasis on learning and Knowledge integration support the information provided by the respondent on the company’s international expansion profile of entrepreneurship.

Dess et. al (2003) emphasizes that firms exposure to different countries market with different culture leads to the tendency to question the firms exiting belief, practices and assumptions which help to engineer new experimentation that enhances learning by doing. The author’s explanation on the relationship between corporate entrepreneurship, organizational learning, knowledge generation and value creation as explained through sustained regeneration, administrative rejuvenation, strategic renewal and domain redefinition (Kelley et. al, 2005) support the view of the respondents. According to the information provided by the respondents, the development of marketing initiative between customers and marketers enhances information gathering. Respondent B emphasizes that by relating with customers, the company discovered that the majority of the population is rural dwellers and those in the cities need to be in constant touch with them because some have wives, children, families and relatives in the village. This has prompted the company to expand to every part of the country through infrastructural development and effective marketing strategy that adopts local cultural artefacts and local languages in
their adverts and promotions. This information is about firm strategic moves in militating against financial risk and responding to market situations to exploit opportunities (Zahra and Garvis, 2000).

The issue of culture and language to promote market expansion is supported by the work of Ferraro (2002) which focuses on the positive determinant of firms practices in the management of business, marketing, consumption and acceptance of services through attitude formation (Solomon, 2009). In contemporary business operations, the authors states that “there is greater cultural and local market effects on the global arena which leads to local adaptability”. The respondent information of MTN relationship with customers that leads to learning is achieved through what the author refers to as “network of relationship (Burns, 2008) between all stakeholders that leads to operational cost reduction. Seka-Helmhout (2010) refers to these networks of relationship between national institution (culture and languages) and firm’s knowledge acquisition as possible only through routine based (Morosini et al, 1998) organizational learning which is the constant exploitation and exploration of market information by the company’s market force. It is achieved through interaction with customers and other stakeholders in the market. This is vital for overcoming the problems of managing resources constraint as firm expand to new markets internationally (Young et al., 2003).

5.3 Corporate Capability Changes

Learning that enhances firms knowledge base does not lead to improve productivity or performance. The integration of the knowledge gained from learning that boost the firm to improve on its performance as compared to previous products and competitors reflect the organizational capability. It is that distinct part of firm which is difficult to replicate but integrate new knowledge to strategic goals through product and process innovation as well as firm performance. The increased number of subscribers between 2007 to 2010 which is largely due to the numerous improved packages of the firm is a reflection of MTN integrative knowledge base (Zahra et al, 2001) through MTN moping of reliable market information that is strategically acted upon (Respondent A, B and C). The integration of the knowledge gained through learning from institutional void is made possible through MTN tacit knowledge. This tacit knowledge is responsible for firm strategic changes that lead not only to product, process and organization innovation but
firm’s general performance. This is reflected in MTN performance in Nigeria as the market leader in the telecommunication industry.

The process of integrating and adapting to market context (Khanna and Palepu, 2010) creates changes within organization through entrepreneurial sensemaking that drives both creativity and innovation (Mair and Marti, 2009). This is in line with what Zahra et.al (2001) refers to as attaining integration while able to avoid the complexity of blending the knowledge gained in Nigeria with the MTN’s knowledge base. The deficient institutional and infrastructural problem has led MTN Nigeria to strategically align the firm to the market context. The constant investment in infrastructure and constant improvement in product and services reflect MTN’s ability to respond to the dynamic and hostile nature of the Nigeria market environment.

The company innovative packages have lead to its constant increase in market share. It increased from 16,511 million in 2007 to 38,669 million in 2010 for subscriber. Revenue also increased from 20,280 billion in 2007 to 33,236 billion in 2009. The volatility of the Nigeria market as a result of institutional void requires agile response and changing capability to suit the market context through the provision of product and services that satisfy customers in the market. MTN revenue as a result of its increase in subscribers points to the fact. Changing of firm’s corporate capability as a result of institutional void is achieved through integrating knowledge gain in this environment to firm strategic goal for profit maximization.

The instability of the market as a result of institutional void leads to organizational change process of strategy that fit (Khanna and Palepu, 2010; Puffer et.al, 2010; Khanna et.al 1999). Firm’s capability is responsible for innovation as well as chokes the firm’s entrepreneurial drive through core rigid values that suppress fresh ideas (Leonard-Barton, 1992). The dynamic nature of international business coupled with institutional void requires dynamic capability which Teece (2009) refers to the distinct aspect of firms that cannot be imitated but gives strategic advantages and direction to firms by what Zucchella et. al (2007) express as exploring and exploiting the firms internal and external competences through learning based on the capability and realities of the firms location.
With regards to the case study, there is improvement in the services provided by the company during their expansion to the Nigeria market. The company has developed innovative product and services that has ensured cost reduction and market enhancement for the company which has been adopted and implemented in their global operations. According to Respondent B, “MTN improved services that continually enhance their market performance which include MTN XtraValue, MTN roaming, MTN PayGo, MTN HappyLink and MTN Talkon combined with the strategy of recruiting fresh graduates from the university help the company to bring new ideas to complement the experienced workforce which has lead to improved market share and steady revenue growth for the firm”. The information provided by the respondents shows the company’s absorptive capacity in learning and integrating the knowledge with the knowledge base of the firm to improve its services and products. Zucchella et al (2007) views which states that where firm conduct its business activities significantly affect and influence its capabilities to learn correspond with the empirical findings. This view is supported by the following authors Zahra, 1993a; Zahra, 1993b; Zahra and Garvis, 2000; Dess et. al, 2003; McDougall and Oviatt, 2000; McDougall and Oviatt, 2003; Seka-Helmhout, 2010; Khanna and Palepu, 2010; Zahra et. al, 2004; Zahra and George, 2003; McDougall, 1989, Zahra, 2004; Oviatt and McDougall, 2005; Lamb and Liesch, 2002. Thus, there is the indication that the theoretical framework corresponds or is in agreement with the empirical findings and underpin the fact that institutional void is significant to the firm learning and adaptability in the Nigeria (Kanna and Palepu, 2010) market context.
6 Conclusion and Recommendation

This thesis reveal that institutional void which is widely accepted as a core factor that affect firms negatively within different markets, stimulates entrepreneurship and performance within firms as they expand their operations to different geographical markets. Though, institutional void are associated with developing and emerging economies, the market environment drives firm level entrepreneurship through firm’s ability to integrate local knowledge with the firm’s knowledge base. Institutional void provide the right platform for firms to be constantly searching for new knowledge through learning, which enhances their product and process innovation. This paper acknowledges that harsh environmental conditions as a result of institutional void leads to constant exploration and exploitation of knowledge during internationalization. Also, this paper adds a new dimension entrepreneurship by analyzing business environment not from change in technology or fierce competitive but through institutional void as firms expand their operations to different market. ICE is about strategic reconfiguration of firms resources in the pursuit of opportunities in different markets of operation for the purpose of expansion, efficiency, growth and profitability. But in the case of institutional void which act as hostile market environmental forces, firms are quick to learn either to replicate or adapt, compete alone or collaborate, accept or attempt to change market context and the last is enter, wait or exit. These strategies are implemented in response to institutional problem through learning and knowledge generation to boost the firm knowledge base according to the views of the following authors; (Teece, 2009; Oviatt and McDougall, 2005; McDougall and Oviatt, 2000, 2003; Zahra, 1993b; Zahra and George, 2002; Zahra and Dess, 2001). Also, this work shows that institutional void enhances firm capabilities that ultimately lead to innovative product, services and improved financial performance of firms who dare to venture into market faced with difficulties.

In fulfillment of the purpose of this thesis, two research questions were asked in the introduction phase of chapter one. Due to limited time for the completion of this study, the author considers only those important institutional factors affecting business in different geographical areas of operation. By analyzing MTN international expansion to Nigeria, the study focuses attention on the institutional problems affecting the firm’s business.
Does Institutional Void Enhance Firms Learning and Adaptability to Produce Positive Result During International Operations?

The institutional void experience by MTN in Nigeria prompted the firm through their collaborative approach to constantly search for ways to improved their operations and reduce overhead cost. This was achieved through learning from the hostile environment to enhance the firm`s knowledge bank thus providing new and improved services that has made MTN Nigeria highly profitable as shown in fig 4.5 and fig 4.6.

Does Institutional Void Enhance Firm`s Capabilities to Promote Strategic Fit that Enhance Performance?

In regards to the information provided by the respondents in chapter four (4) of this study, institutional void as experienced in Nigeria leads to proactive search for novel and creative means to reduce operational cost and improve performance as compared to MTN other international operations. Learning to adapt to market context is through knowledge integration. This knowledge when integrated with firm`s knowledge base leads to strategic transformation as a result of enhanced capability and competence building. Strategic transformation as reflected in continuous product and service improvement changes the firm strategy in deploring of the firm`s capabilities to spot, explore and exploit market opportunities within the Nigeria market void. This is evident in the innovative services and product of MTN Nigeria that continually enhance their market performance as market leaders as highlighted in chapter five (5).

Reflecting on the outcome drawn from the analysis, the author of the work found that despite institutional void in most environments, firms should not view institutional problems as threat but as potential opportunities that will enhance the knowledge base of the firm through learning and strategically aligning the firm to the institutional context. This will give the firm competitive advantage over competitors since firms operating in hostile environment (market with institutional void) are more entrepreneurial (Zahra, 1993b). The managerial implication is that, market information about institutional void which prevent foreign companies from investing in a particular market should be strategically re-examined on how best to exploit those markets. The ethical dimension of market adaptability through practices that are not legal can damage the
firm reputation and global acceptability in the long run. Managers should consider multiple strategic options including collaboration and strategic adaptability with optimistic mindset aimed at success. Lastly, there should be conferences, workshop and symposium to educate and change most foreign company’s manager’s perception and orientate them about the opportunities that prevail within institutional void.

Based on the delimitation of this study, further research should be conducted that will focus on a particular aspect of the firm instead of general firms operations as analyzed in this thesis. This can be on effect of institutional void on growth, financial performance or market share. Another aspect that requires future research is the level of firm’s entrepreneurship within institutional void and a stable market system where the institutions are relatively stable and both hard and soft infrastructure is present. Also, a comparative study will be more valid compared to a single case study of a firm within an industry. Future research should be directed or focus on an entire industry or different industries in different markets to be able to generalize and make reliable conclusions on the impact of institutional void on international corporate entrepreneurship.
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Appendix 123

Profile of Respondents

The respondents were chosen based on their experience in the company (MTN Group). The profiles of the following respondent show the reason for selecting them for this purpose.

Respondent A

Respondent A is a regional marketing manager with many years of working experience in different countries which include South Africa and Ghana. The respondent represents the company at the top management and executive level during the time of this interview. This shows that author of this work fulfils the quality of choosing the right participant for this interview.

Respondent B

Respondent B is the operational manager with more than 10 years of working experience in both Nigeria and the head office in South Africa. The participant also represents the company at top management level at the time of this interview. This also shows that the author of this work tries to fulfill the quality of the right participant for this interview.

Respondent C

Respondent C is the international marketing developer with many years of working experience in the development of different market which include South Africa, Uganda, Zambia, Rwanda, Ghana and Cameroun. Due to the size of the Nigeria market, the participant was still involve in market development at the time of this interview. Also, he represents the company at top management. This also fulfils the quality of the right participant for the interview.
Proposed Interview Questions for MTN Nigeria

Questions proposed to gain general company information.

1. Tell me about your name, your position and your function within the company.
2. Briefly explains the company in terms of
   a. History
   b. Reason of expansion
   c. Mode of entry
   d. Function
   e. Customers
   f. Competitors
3. What is MTN Nigeria core – business activity?
4. How do customers value your services?
5. How does the company relate with stakeholder?

Questions to know about Host Country Profile (Nigeria)

6. Describe the country in terms
   a. Population
   b. GDP per capita
   c. Market Size
   d. Type of Government
   e. General economic and political climate

Question Propose to know about the company and its operations

7. Briefly describe the organizational culture in term
a. Work Routines
b. Employees working relationship
c. Employees working relationship with managers
d. Chain of communication between employees and top management team
e. Relationship with customers
f. Level of communication between the company and external stakeholders

Questions Propose to Know about the Company and its Operational Strategies in Nigeria?

8. Tell me about the company in regards to
a. Entry mode and how effective is the mode of entry to present performance of firm?
b. Location and site of business
c. Organizational structure
d. Integration of corporate culture with the national culture?

Questions propose to know the effect of institutional environment to the business operations?

9. Briefly describe the effect of the following factors on the firm’s business operation
a. Government Policies
b. Legal Institutions and how effective is the of the Judiciary
c. Labour Market
d. Political Environment
e. International and Regional Corporation
f. Political Risk that may affect business
g. Financial Market and Access to Capital
h. Infrastructural Development

i. Social and National culture

10. Which of the above factors in question (9) affect the firm’s operations the most in Nigeria?

11. How can you compare the Nigeria institutional factors to other countries of operations?

12. Does the factor in question (10) provide opportunity for the firm? Yes or No

13. Briefly explain the reasons to your answer in question (11)

14. If you answer yes to question (11), does the opportunity enhance the firm financial performance?

15. How those the firm respond to the negative institutional factors in question (9) affecting their business operations?

16. Does this negative factor provide opportunities for the firm? Yes or No?

17. Briefly explain the reasons to your answer to question(16)

18. How does the firm respond to these negative factors in their quest to adapt to the business climate?

19. Does the negative factor affect the firm’s corporate capabilities? Yes or No? Briefly state your reasons.

20. Does the negative institutional factor affect the firm’s strategy and performance? Yes or No? Briefly explain your reasons

21. Do these problems compel the firm to stop operations in Nigeria?

How is the company responding to the problem?